



Malawi Tea 2020

Revitalisation programme towards living wage

Wages Committee Progress Report 2018

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**Chapter 1.
Introduction
to report**



This Wages Committee Progress Report updates the living wage to October 2018. It also indicates the gap between the living wage and prevailing wages of tea workers considering the full wage package for typical tea workers, which includes cash bonuses, cash allowances and in-kind benefits in addition to the TAML basic wage. Thus, this report indicates: (i) how the gap to the rural Malawi living wage for tea workers compares to what it was before the start of Malawi 2020; and (ii) what happened to the gap to a living wage in the 12 months since the Wages Committee's October 2017 Progress Report.

Before discussing progress in the past year, it is useful to summarize the conclusions of Wages Committee Progress Reports for 2016 and 2017.

These reports found that:

- The gap between tea wages and the living wage in recent years has substantially fallen, and more pointedly since the signing of the MOU for the Malawi Tea 2020 Revitalization Program Towards Living Wage in October 2016. This reduction in the gap to a living wage occurred because the TAML basic wage increased faster than inflation.
- The close link between the TAML basic wage and the rural minimum wage that existed for many years was broken when the Malawi Tea 2020 MOU was signed, and the TAML basic wage became much higher than the rural minimum wage.
- Continued progress in reducing the gap to a living wage indicated in the 2016 Progress Report plateaued in 2017.

Chapter 2.
Conclusions of previous Wages Committee Progress Reports for 2016 & 2017



Chapter 3.

Difficult macro-economic environment in rural Malawi continues for tea workers



3.1 Challenges faced by tea workers in maintaining their living standard discussed in 2016 and 2017 Wages Committee Progress Reports

The Wages Committee 2016 and 2017 Progress Reports highlighted three challenges facing workers and their ability to maintain or improve their living standard.

- First, workers faced a very high annual inflation rate in October 2016, which was running at 23.1% at that time. High inflation continuously and quickly reduces the purchasing power of wages.
- Second, workers in 2016 faced a 15% income tax rate for monthly earnings above K20,000 (\$28) and a 30% income tax rate for monthly income above K25,000 (\$35). In 2017, income tax threshold increased (15% income tax for monthly earnings between MK30,000-35,000 (\$41-\$48) and a 30% income tax rate for monthly income above MK35,000 (\$48)) so that the income tax burden fell, but still remained significant. Income taxes considerably reduce the take-home pay of tea workers.
- Third, workers faced the possibility that their wage would remain unchanged for the next 22 months until the end of the 2016-18 CBA despite high inflation, although the possibility existed of an increase in the TAML wage in August 2017 after non-binding mid-CBA discussions between TAML and PAWU.

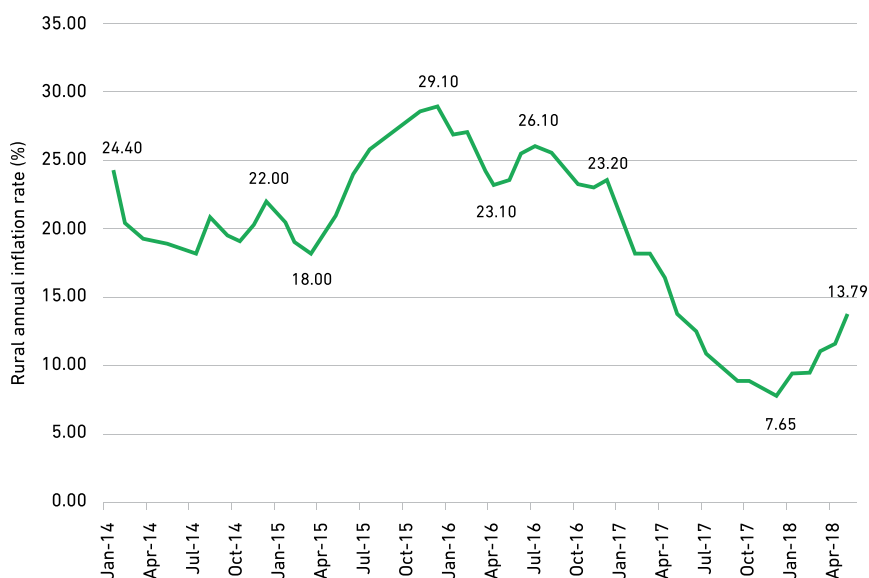
3.2 Difficult macro-economic environment for tea workers has improved since October 2016, but still continues

The three macro-economic challenges noted in the previous section that were negatively affecting living standards of tea workers in October 2016 and October 2017 remained important in 2018, but somewhat less than before.

3.2.1 Inflation rate, which fell in 2016 and 2017, remains high and appears to again be increasing in 2018

Inflation remains very high in rural Malawi. Although the inflation rate fell throughout most of 2017, it began to increase again in 2018. The annual year-on-year rural inflation rate, which was 23.1% in October 2016, fell to 8.7% in October 2017, and reached its lowest in December 2017 at 7.7%, has begun to increase again in 2018 and was 13.9% in May 2018. Figure 1 indicates the year-on-year annual rural inflation rate by month since January 2014 to May 2018.¹

Figure 1: Rural Malawi Year-on-Year Annual Inflation Rate by Month, January 2014 to July 2018



1. May 2018 was the latest available month with inflation rate data reported by the Malawi Statistical Office at the time of the writing of this Progress Report. The year-on-year rural inflation rate was 11.00% for March 2018, 11.44% for April 2018, and 13.90% for May 2018. In the absence of more recent data, we extrapolated rural inflation rates forward from June 2018 to October 2018 using the average of inflation rates for last three months with known rates (12.11%). This is a conservative approach to projecting inflation rates forward, as rural inflation rates have been increasing so far in 2018.

3.2.2 Income tax exclusion threshold increased in 2017 and 2018, but income tax remains an important concern for tea workers

The 2016 Wages Committee Progress Report indicated that Malawi tea workers had to pay an increasing income tax under Malawi's PAYE (Pay As You Earn) tax system. This was surprising to those from outside Malawi, because tea workers in Malawi earn so little. The reason why many tea workers have to pay income tax is because Malawi has a very low threshold for income tax.² Workers in 2016 were subject to a 15% tax rate when their cash pay per month was between K20,000-K25,000 (\$28-\$35 only), and to a 30% tax rate when their pay per month exceeded K25,000 (\$35 only).

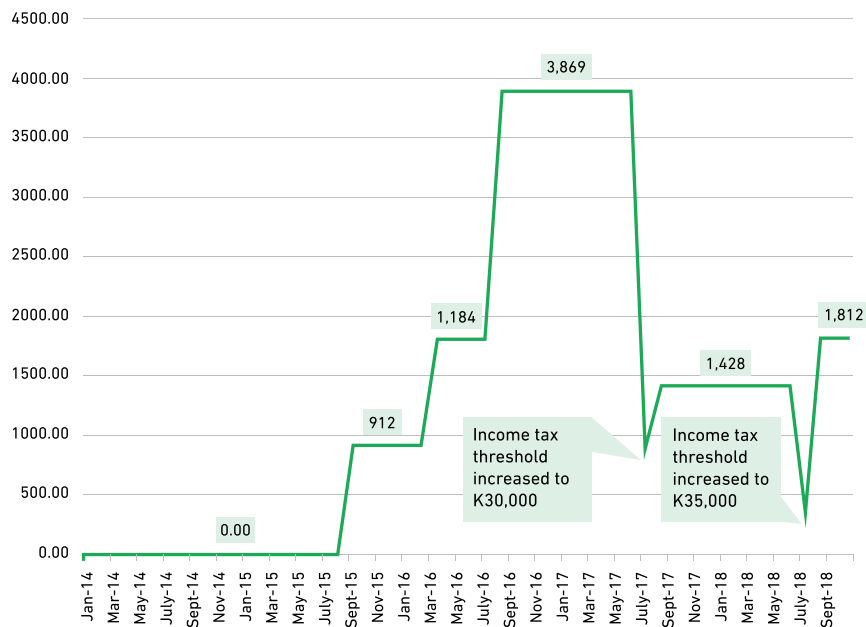
Fortunately for tea workers, in part due to lobbying by TAML, the Malawi government changed its income tax rate schedule on July 1, 2017. It increased income exclusion from K20,000 per month to K30,000 per month. The 15% tax rate bracket therefore shifted from K20,001-25,000 to K30,001-35,000, and the 30% tax rate bracket shifted from K25,001 and up to K35,001. These changes were important for tea workers, as many tea workers earned more than K30,000 per month. Tax savings in 2017 from this change were typically around K3,000 per month when a worker earned K35,000 or more per month.

There was a further increase in the income tax threshold on July 1, 2018. The income tax exclusion increased from K30,000 to K35,000 per month. The 15% tax bracket shifted upward from K30,001-35,000 per month to K35,001-40,000 per month, and the 30% income tax rate bracket increased from K35,001 and above per month to K40,001 and above.

Figure 2 illustrates the amount of income tax typical A1 workers would pay when their cash wages were 31% above the TAML basic wage (our best estimate for this percentage). This illustrates the period from January 2014 (the living wage study month) to October 2018.

2. All cash earnings are subject to income tax. In-kind benefits are not taxed.

Figure 2: Monthly income tax on average wages of A1 workers, January 2014 - October 2018



In 2014, an A1 worker making 31% more than the basic TAML salary did not need to pay income tax. In mid-2015 with major wage increases, A1 tea workers began paying income tax. Just before the first 2016-2018 CBA, income taxes paid by typical A1 workers were quite high at K3,869 per month. With the July 2017 increase in the income tax threshold, the amount of income tax fell considerably. This substantially increased the take-home pay of many tea workers. But with the 11.29% increase in wages in the 2018-2020 CBA, and the inclusion of gratuity in pay from the start of the new CBA, income taxes of typical tea workers went back up, although to less than the previous amount.

Note, however, that wages vary considerably among A1 workers (depending, for example, on amount of over-kilo payments received), and so the amount of income tax shown in figure 2 is only illustrative for A1 tea workers. Also note that more productive workers pay a large proportion of their earnings towards income tax. Unless there is a further increase in the income tax threshold in 2019, as occurred in 2017 and 2018, the 5% wage increase agreed to for August 2019 in the 2018-2020 CBA will end up increasing take-home wages by considerably less than 5%.

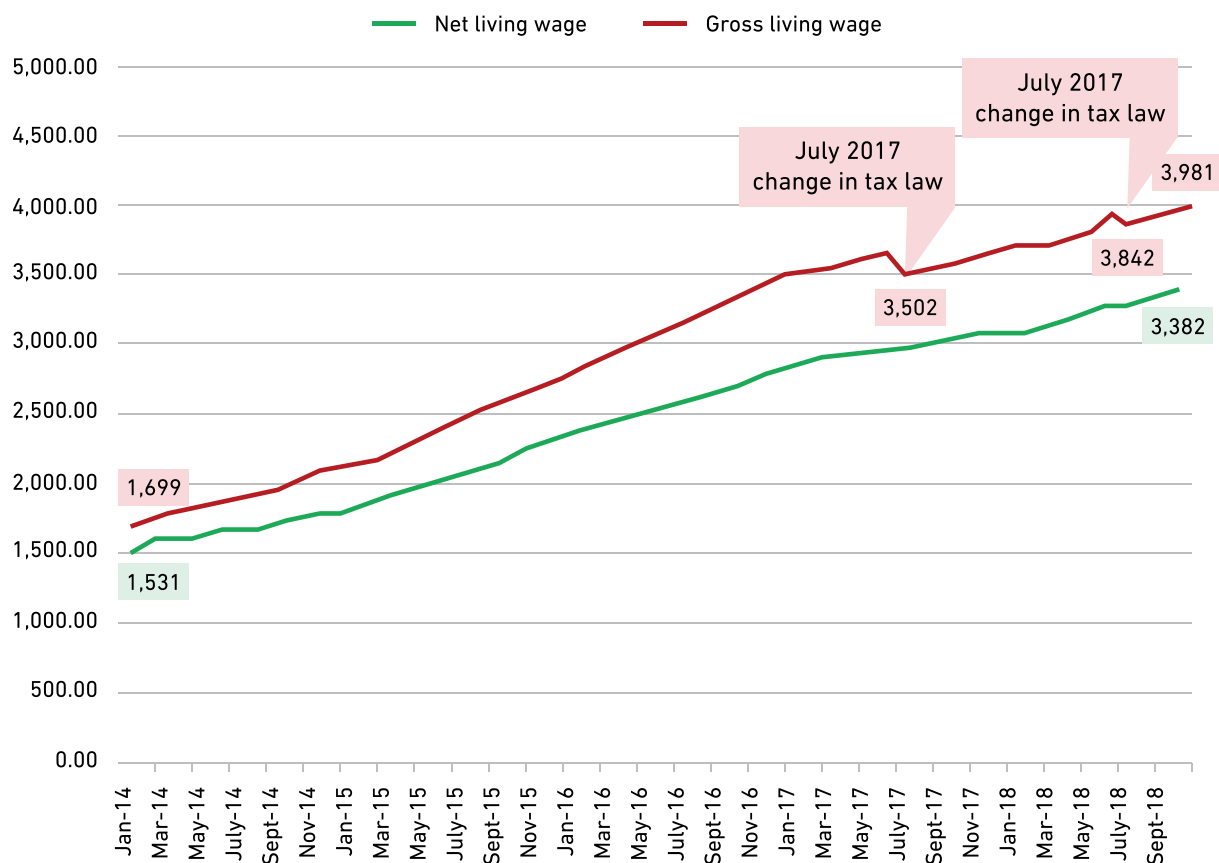
Chapter 4. Updating net living wage to October 2018



The net living wage was originally estimated to be K35,222 per month (and K1,531 per workday) for January 2014. By October 2018, rural consumer prices more than doubled since January 2014. Thus, the K35,222 in January 2014 is equivalent in purchasing power to K77,785 per month and K3,382 per workday in October 2018, taking into consideration the amount of inflation in rural Malawi between January 2014 (study date) and October 2018 (Steering Committee meeting) using Malawi government's rural CPI. This updated net living wage has the same purchasing power as the original January 2014 living wage, and so is the same in terms of the living standard it affords.

Figure 3 indicates the net living wage and the gross living wage from January 2014 to October 2018. We determine gross living wage by adding the income tax payment requirements to the net living wage of tea workers. Both the net living wage and the gross living wage in October 2018 are more than twice what they were in January 2014 in Kwacha, because prices in rural Malawi increased by more than 100% in this 4+ year period.

Figure 3: Rural Malawi net and gross living wage per workday in Kwacha updated for inflation to maintain purchasing power and income tax, January 2014-October 2018



Notes: Net and gross living wage per workday assumes that there are 23 workdays per month on average (see Anker and Anker 2014 living wage report). Inflation for months between February 2018 and May 2018 (last month reported) was estimated by using the implied monthly value of their year-on-year inflation rate, e.g. 12% year-on-year implied 1% per month. Inflation between June 2018 and October 2018 was estimated by assuming the monthly implied inflation rate for March 2018-May 2018 projected forward to October 2018; this is a conservative approach to extrapolating inflation forward, because rural inflation rates have been increasing in 2018.

Sources: Malawi National Statistical Office for rural inflation rate. Anker and Anker (2014) for living wage for January 2014.

Chapter 5.

How we measure wages of tea workers



Actual tea wages are higher than the TAML basic wage, because tea workers receive bonuses such as over-kilo payments and skill allowance bonuses. Many tea workers also receive some paid public holidays, paid sick days and paid leave. In addition, tea workers receive in-kind benefits such as free meals, housing, and medical services.³

5.1 How we estimate the full pay package of tea workers

There are several differences from previous Wages Committee Progress Reports in how we measure and estimate the full pay package of tea workers. Previously, we assumed that the combined value of cash allowances, cash bonuses, and in-kind benefits was 40% of the TAML daily basic wage for a typical tea worker. This assumption was based in part on the assumption that a typical tea worker plucked 60 kg per day on average over the year. Values for in-kind benefits were drawn from the original 2014 living wage report updated by inflation.

For the current Progress Report, we use new partial information from payroll records from some tea estates. We also use new information on the cost of in-kind benefits from tea large estates drawn from their financial records, as well as on the extent of estate housing for some estates. The main changes in the way in which we estimate tea worker wages are indicated below:

1. In previous Progress Reports, we did not have any payroll data. For this reason, we estimated the wages for tea workers who earn the basic TAML wage and pluck on average 60 kg per day over the year. For the current Progress Report, we use payroll data for A1 workers (the lowest skill level) provided to us by some estates to estimate the average cash wages of typical A1 workers.
2. In Previous Reports, we mainly relied on information provided to us by TAML in 2013 on the cost of in-kind benefits to estates, which we updated for inflation. For the current Progress Report, we developed a detailed questionnaire and an Excel form to enable estates to indicate the cost of in-kind benefits based on their financial records, giving

³ In previous Progress Reports, the Wages Committee assumed that other wage payments (cash bonuses, cash allowances, and in-kind benefits) were equal to 40% of the TAML basic wage. This Progress Report looks into this 40% assumption more deeply.

us additional information on the value of typical in-kind benefits. Some estates also provided information on the number of housing units by quality level, and enabling us to improve our estimate of the value of estate housing for workers.

3. Tea estates recently changed when they distribute gratuity to workers, triggering a change in how we treat gratuity as partial payment of a living wage. Previously, gratuity was a delayed benefit of up to 5 years for many tea workers – meaning that many tea workers received gratuity years after it was earned. Since only benefits that workers receive during the year are counted towards a living wage (since workers cannot use deferred benefits to pay for their current living expenses), gratuity had been excluded from our calculations of remuneration to be compared to a living wage. However, since the majority of tea workers now receive gratuity every year, we include gratuity in remuneration as partial payment of a living wage as of July 2018.

While the payroll and financial data sets used in this Progress Report are only partial and far from ideal, they are the best data available to the Wages Committee at present. The Wages Committee expects to improve estimates of wages in the future when all tea estates provide us with their payroll data on wages, their financial data on costs of in-kind benefits, and an indication of the number of estate housing units by quality level.

5.2 Cash wages

We used the partial payroll data for A1 workers described above to estimate of average cash wages for the August 1, 2016 to July 31, 2017 period.⁴ This is the most recent payroll data that we have that covers a complete calendar year. Before making an estimate of average wages received, we excluded workers with unusually high or unusually low average daily wages, because there was reason to believe there were errors in the payroll data for these workers.

4. We adjusted these data because that they are for a 13-month period rather than for a 12-month period. We did this by multiplying wages earned over the 13-month period by 93% (since around 7% of wages are earned in July) to adjust for the fact that these data were for 13 months rather than 12 months.

In this analysis, we included basic daily wage, cash skill allowances, over-kilo bonuses, paid public holidays, paid sick leave, and paid annual leave. We excluded overtime pay for comparison to living wage for two reasons:⁵ first, a living wage should be earned in normal working hours, and second, overtime pay by worker is quite variable. Some workers, such as factory workers and guards, make a lot of overtime. In contrast, the majority of tea workers do not receive any overtime.

The average wage per day worked excluding overtime pay and pay for days not worked (i.e. daily basic wage paid + over-kilo payments + skill allowance payments) was K1,490. This increased to K1,620 per day worked when the amounts for paid annual leave, paid sick days, and paid public holiday pay were added. We used this as our best estimate of cash wages for typical tea worker wages during the period from August 2016 to August 2017. This was 30.6% higher than the TAML base wage. Beginning July 2018, we increased this further to K1,701 to take into consideration the 5% given for gratuity, because the majority of tea workers in Malawi now receive gratuity within the year and gratuity is calculated based on total cash pay.⁶

Lastly, we increased the average cash wage per workday of K1,701 indicated above by 11.29% to K1,839 to take into consideration that the 2018-2020 CBA increased wages in August 2018 for the August 2018 to July 2019 period by 11.29% across the board.

We estimate that for October 2018, the average A1 tea worker's cash wage comes to K43,539 per month, considering there are 23 working days per month on average. To this, it is necessary to add the value of common in-kind benefits (see next section).

5. Overtime pay was on average an additional 5.3% of total pay (around K100 per workday) – with some workers, such as factory workers and guards receiving a lot of overtime pay, and the vast majority of tea workers not receiving any.

6. One rule that we follow for measuring wages to compare to a living wage is that cash payments must be received within the year, so that they are available for ongoing household expenses. For this reason, delayed payments received beyond a year are not included in prevailing wages for comparison to living wage. In past years, many tea estate workers were paid gratuity every 5 years, but this has changed. Currently the majority of tea estate workers receive gratuity each year.



5.3 Fair and reasonable value of in-kind benefits

Common in-kind benefits provided by Malawi tea estates include: (i) medical clinic, (ii) meals, (iii) funeral expenses, (iv) schools, (v) childcare in creches, (vi) housing, and (vii) provision of water to estate houses.⁷

To determine the value for the first five possible in-kind benefits listed above and for the cost of providing water to houses on the estate, we used various sources, although we relied mainly on reported data on the costs of these benefits in 2016-17 drawn from financial records of some estates. We adjusted these reported costs for inflation to October 2018 which is the time of the AGM of Malawi Tea 2020 Program. A detailed explanation on how we arrived at values for each of these in-kind benefits is provided in Annex A.

For the value of estate housing, we used information from some estates on the number of A, B, C and D quality estate houses occupied by A1 workers, together with our estimate of the value of A, B, C, and D quality houses. We valued an A-quality house at K15,000 per month, a B-quality house at two-thirds of an A-quality house (K10,000 per month), a C-quality house at one-third of an A-quality house (K5,000 per month), and a D-quality house as zero value (as it will eventually be demolished). The data used to estimate housing values come from several sources are the best we have currently, but are admittedly imperfect.

We combined our estimates of the value of A, B, C, and D quality houses with partial information on the number of A, B, C, and D houses occupied by A1 workers by adding up the total value of all houses on these estates for A1 workers and dividing this by the best information we had on the number of A1 workers on these estates. This resulted in our best estimate of the average value of housing per worker per month (averaged over all workers, and not just those who live on estates) of K1,420 and an additional K477 for the provision of water to houses. Note that this value is quite variable, because housing is worth much more than K1,420 to workers who live in estate houses, but most workers live outside the estates.

7. We decided not to include estate sports teams as an in-kind benefit as partial payment of a living wage, because it directly benefits only a small number of workers and is, in any case, a relatively small cost to tea estates. We estimated that sports teams cost tea estates around K129 per worker per month and K5.6 per worker per workday.

Table 1 indicates the estimated value of each in-kind benefit. Housing is indicated separately in table 1, because it is different than other in-kind benefits in that only a minority of A1 workers live in an estate house.

Table 1: Value of in-kind benefits for A1 workers per month

In-kind Benefit	Value per month	Value per workday
Medical clinic	1,495	65
Meals	4,600	200
Creches	12	0.5
Schools	127	5.5
Funerals	19	0.8
TOTAL without housing	6,253	272
Housing	1,420	62
Water to houses	477	21
GRAND TOTAL	8,150	355

Note: We estimated that the value of an A-quality house is K15,000 per month; a B-quality house is K10,000 per month; a C-quality house is K5,000 per month and a D-quality house is zero.

5.4. Value of the complete pay package for A1 tea workers in Malawi

In section 5.2, we determined that the best estimate of average cash pay of A1 workers as of October 2018 is K1,829 per workday and K43,549 per month from the beginning of the new 2018-2020 CBA. This is 37% more than the TAML base wage per workday.

In-kind benefits excluding housing are an additional K6,253 per month for a total wage of **K49,802** per month on average. Housing (including water) is an additional K1,897 per month on average—however, housing is a very unevenly distributed benefit, with only a clear minority of workers living in an estate house. For the purposes of this Progress Report, we have included the average per worker value of housing as an in-kind benefit – but the Wages Committee hopes to look more deeply into the treatment of housing as an in-kind benefit in the future by looking at payment of a living wage on a worker by worker basis, not just at average wages and average benefits per worker. Adding average housing benefits raises the monthly average wage of A1 workers to **K51,699**.

This means that our best estimate of the complete pay package (including basic daily wage, paid annual leave, paid public holidays, paid sick days, skill allowance, over-kilo payments, gratuity, and in-kind benefits) adds up to 57% higher than the TAML basic wage in October 2018⁸ when housing is not included, and 63% higher when housing is included.

8. Note that all estimated in-kind benefit values have been projected for likely inflation to October 2018. Note that the ratio between TAML basic pay and the complete pay package changes continuously with inflation each month because although the value of in-kind benefits increases with inflation each month, while basic pay and cash allowances go up once a year.

6.1 How we measure the gap between tea wages and the living wage

The Wages Committee 2016 Progress Report concluded that the best way to measure progress towards payment of a living wage is to use the ratio between the tea wage and the living wage. Such a ratio proposes an alternative to looking at the amount of difference in Kwacha, which becomes increasingly meaningless over time because of the high inflation rate in Malawi.

The 2016 Wages Committee Progress Report also concluded that the baseline to measure progress towards payment of a living wage should be the average tea wage/living wage ratio for the period from the living wage study (January 2014) until the start of the Malawi Tea 2020 Program in September 2015. The reason for using an average ratio for a period of time as the baseline, rather than the ratio at any one point in time, is that the ratio is very sensitive to changes in particular months. While the value of the living wage continuously rises with inflation every month, tea wages typically increase only once a year and all at once.

For this reason, in the current Progress Report, we look at the gap to living wage by using several measures. We start with (i) the TAML basic wage and compare it to the net living wage. Next we compare (ii) our best estimate of the average net (take-home) pay of A1 workers to the net living wage, then finally compare (iii) our best estimate of gross pay to gross living wage. In this analysis of net pay and gross pay, we consider the full pay package received by tea workers, because workers receive much more than only the TAML basic wage. It is important to remind readers that the full pay package of tea workers for comparison to living wage includes basic daily pay, paid sick days, paid public holidays, paid annual leave, over-kilo bonus payments, skill allowance payments, gratuity⁹, and fair and reasonable values of common in-kind benefits. Overtime pay is not included because the definition of a living wage is that it needs to be earned during normal working hours. It is also important to point out that the following comparisons refer to the pay of A1 workers in the lowest skill grade.

9. Gratuity is included in remuneration for comparison to living wage in this year's Progress Report (as from July 2018) whereas it was not included in remuneration in previous Progress Reports. The reason for this change is that gratuity is now paid out within the year to a majority of tea workers, whereas it had been a deferred benefit of 5 years for many workers in previous years.

Chapter 6. Measuring the gap between tea wages and the living wage

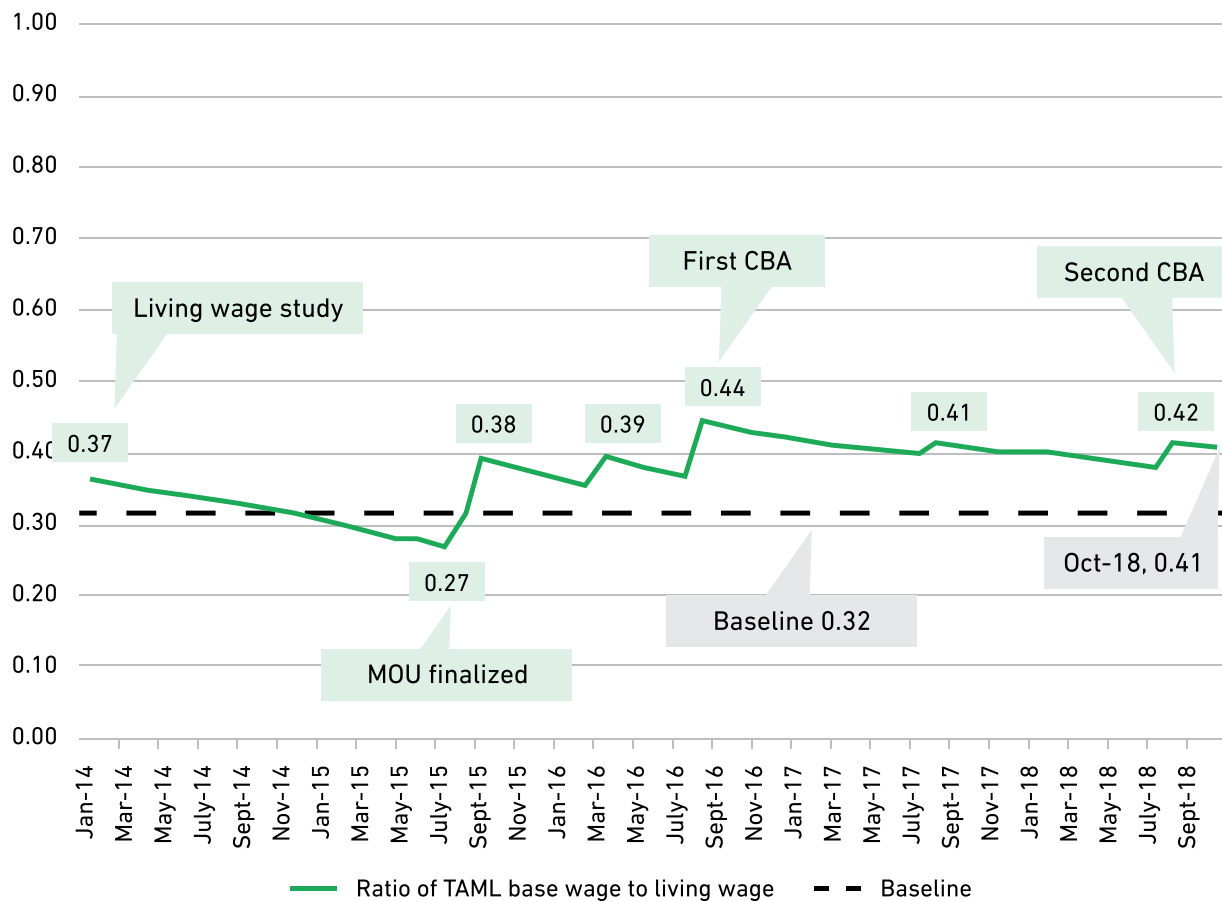


The approach we use in this report has important advantages. First, it makes it easier to explain and understand tea wages and gaps to living wage. Second, the approach allows us to see the effect of wage increases both with and without consideration of taxes. The comparison of net take-home pay to net living wage shows the effects of the pay raises from the point of view of workers, while the gap between the gross living wage and gross pay illustrates how much more pay is needed to get up to a living wage under current tax rates. Third, as the Wages Committee is presently working closely with TAML and tea estates to collect payroll data and cost of in-kind benefits to tea estates, it is expected that next years' Wages Committee Progress Report will be based on payroll data on actual wages paid and data on the financial cost of in-kind benefits, instead of educated approximate values as in this years' Progress Report.

6.2 TAML basic wage compared to living wage has improved since Malawi Tea 2020 began, but showed no improvement in the past year

Figure 4 indicates that there has been a considerable improvement in the TAML basic wage since the beginning of the Malawi 2020 Program in terms of progress made towards paying a living wage. Since the beginning of the Malawi 2020 project, the ratio between the TAML basic wage and the net living wage has been consistently above the baseline ratio of (0.32) . Note that the numerator of this ratio is the TAML basic wage and the denominator of this ratio is the net living wage. A ratio of 1.0 indicates that the TAML basic wage equals a net living wage. The closer the ratio is to 1.0, the smaller the gap to a net living wage. Figure 4 indicates that over the period of the Malawi Tea 2020 Program, the TAML basic daily wage was closer to a living wage than it was before Malawi Tea 2020 began. On the other hand, there has not been any improvement in the past year since the October 2017 AGM.

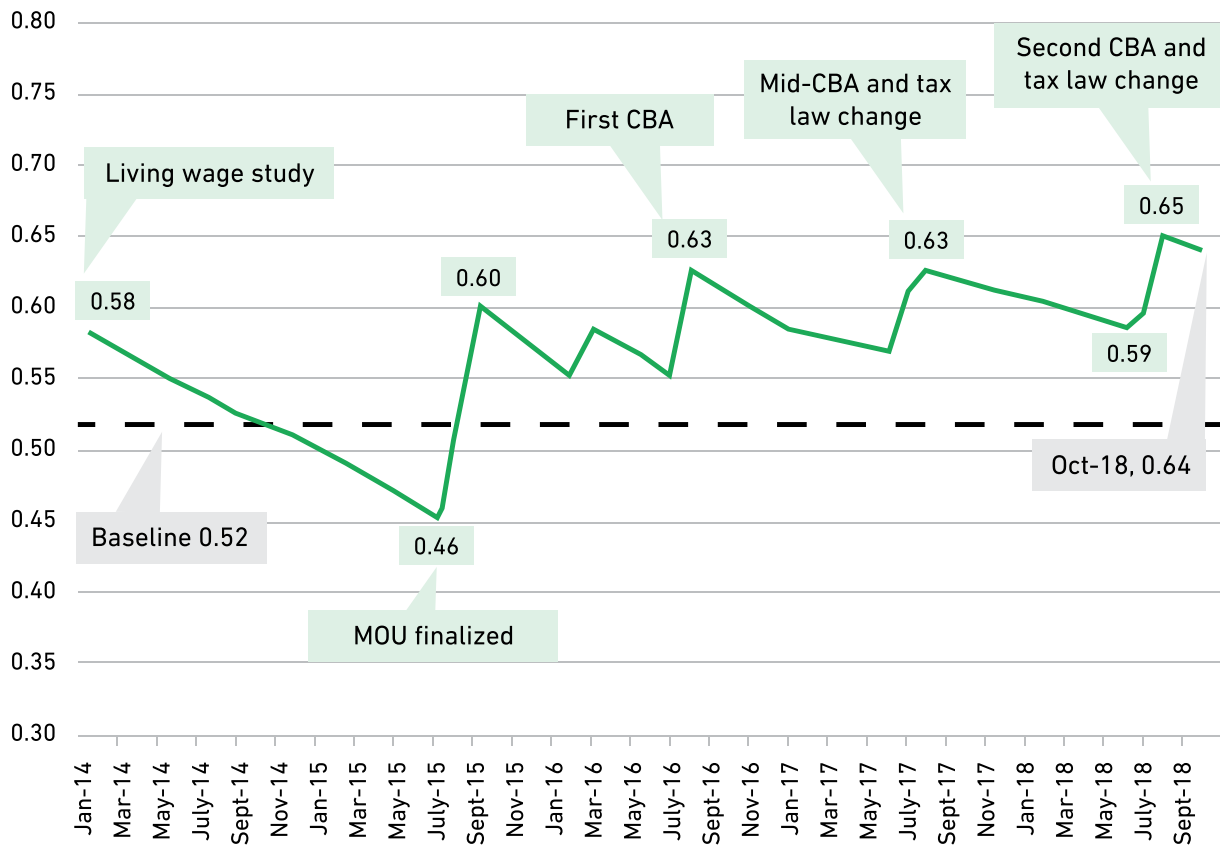
Figure 4: Ratio of TAML basic wage to net living wage, January 2014-October 2018



6.3 Improvement in complete take-home pay package of teaworkers compared to living wage since Malawi 2020 began. However, it showed very small improvement in the past year.

Figure 5 indicates the ratio between the value of the full pay package for the average A1 worker after income taxes are subtracted and the net living wage. The full pay package includes all cash payments (excluding overtime) plus the value of common in-kind benefits. This is a measure of how workers' complete take-home pay compares to what workers require in take-home pay for a decent living. This ratio is much closer to living wage (0.64) than the ratio for the TAML basic wage (0.41) and reflects the fact the tea workers receive much more in pay than the TAML basic wage. This ratio is consistently higher than the baseline value (0.52), but there has not been further improvement in the past year considering that we now include the 5% gratuity in full pay. Currently, take home pay of typical A1 workers is 64% of a living wage.

Figure 5: Ratio of average full pay package after taxes for A1 workers to net living wage, January 2014-October 2018



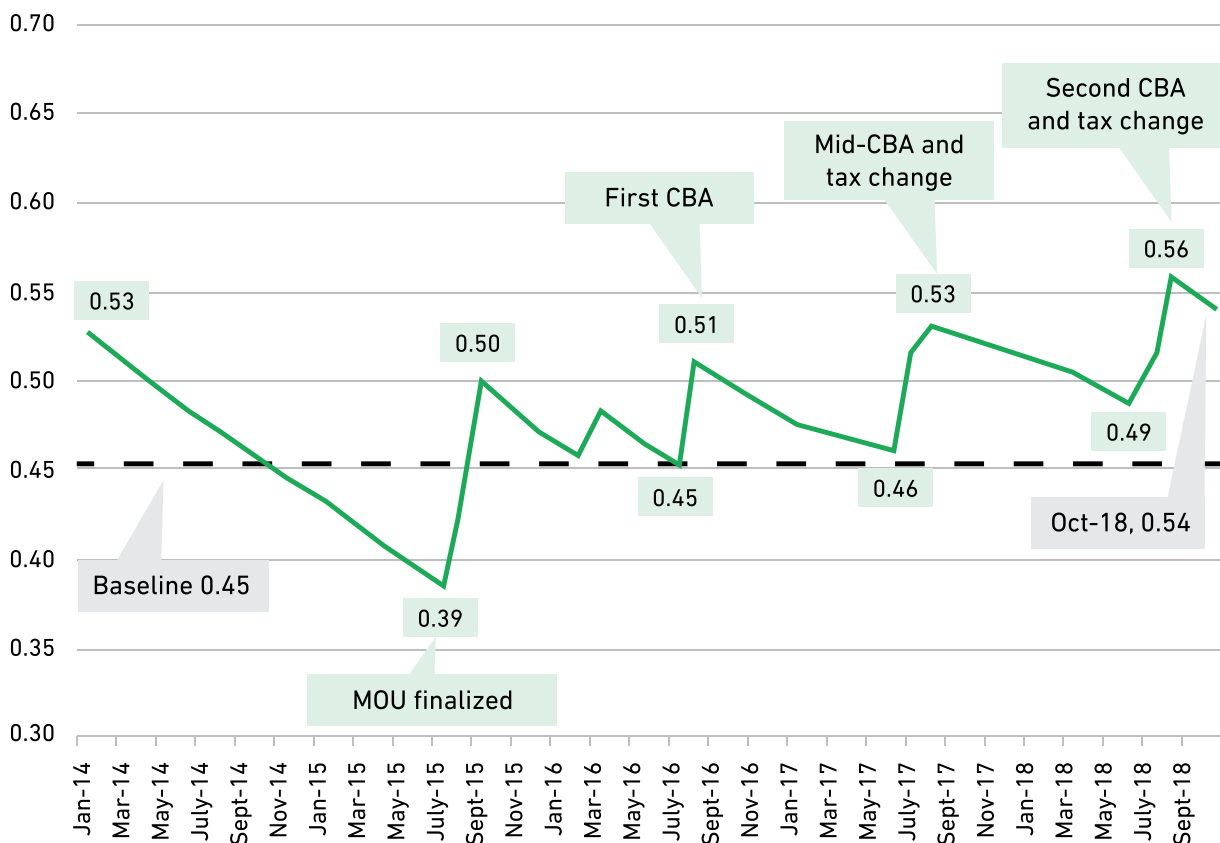
10. The baseline ratio was based on the average ratio of the TAML basic wage to a living wage from January 2014 – September 2015.



6.4 Complete pay package of tea workers compared to gross living wage improved since Malawi 2020 began, but only a small improvement in the past year

Figure 6 shows the ratio of the average full pay package (before tax) of typical A1 workers to the gross living wage, also before taxes, which is the wage workers need to earn to support a basic but decent living standard for rural Malawi. Once again, the ratio is consistently above the baseline for Malawi 2020. This ratio is, however, much lower than the ratio of net pay to net living wage (0.54 compared to 0.64 for October 2018). This is because income taxes on a living wage are higher than income taxes on the lower current prevailing wages, since a much larger proportion of the living wage is over K40,000 per month where the 30% income tax rate applies. As of October 2018, our best estimate of the average net wage for A1 workers is 64% of the net living wage, whereas the average gross wage for A1 workers is 54% of the gross living wage.

Figure 6. Ratio of average full pay package before taxes for A1 workers to gross living wage, January 2014-October 2018

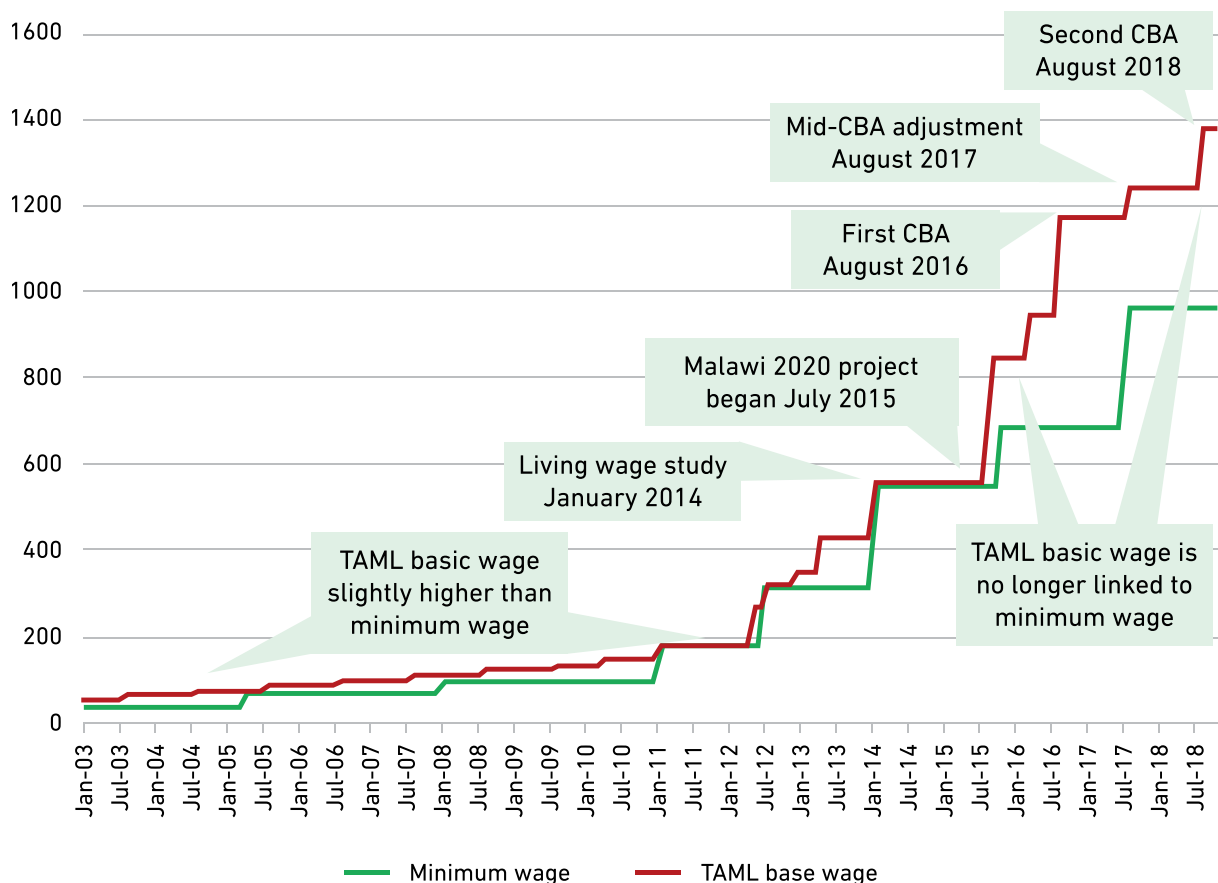


The 2017 Wages Committee Progress Report found that the TAML base wage and the rural minimum wage were very similar and closely linked between 2003 and July 2015. However, the TAML base wage changed more frequently and was generally slightly higher than the rural minimum wage (Figure 7). In July 2015 the signing of the Malawi Tea 2020 Program MOU broke this link. Since then, the TAML base wage has been much higher than the rural minimum wage. The TAML daily basic wage is now K1,380 compared to the rural minimum wage per day of K962.

Chapter 7.

TAML basic wage continues to be much higher than the rural minimum wage. Gap between TAML basic wage and rural minimum wage increased further in the past year

Figure 7: TAML basic wage compared to rural minimum wage, January 2003-October 2018



10. The baseline ratio was based on the average ratio of the TAML basic wage to a living wage from January 2014 – September 2015.

Chapter 8.

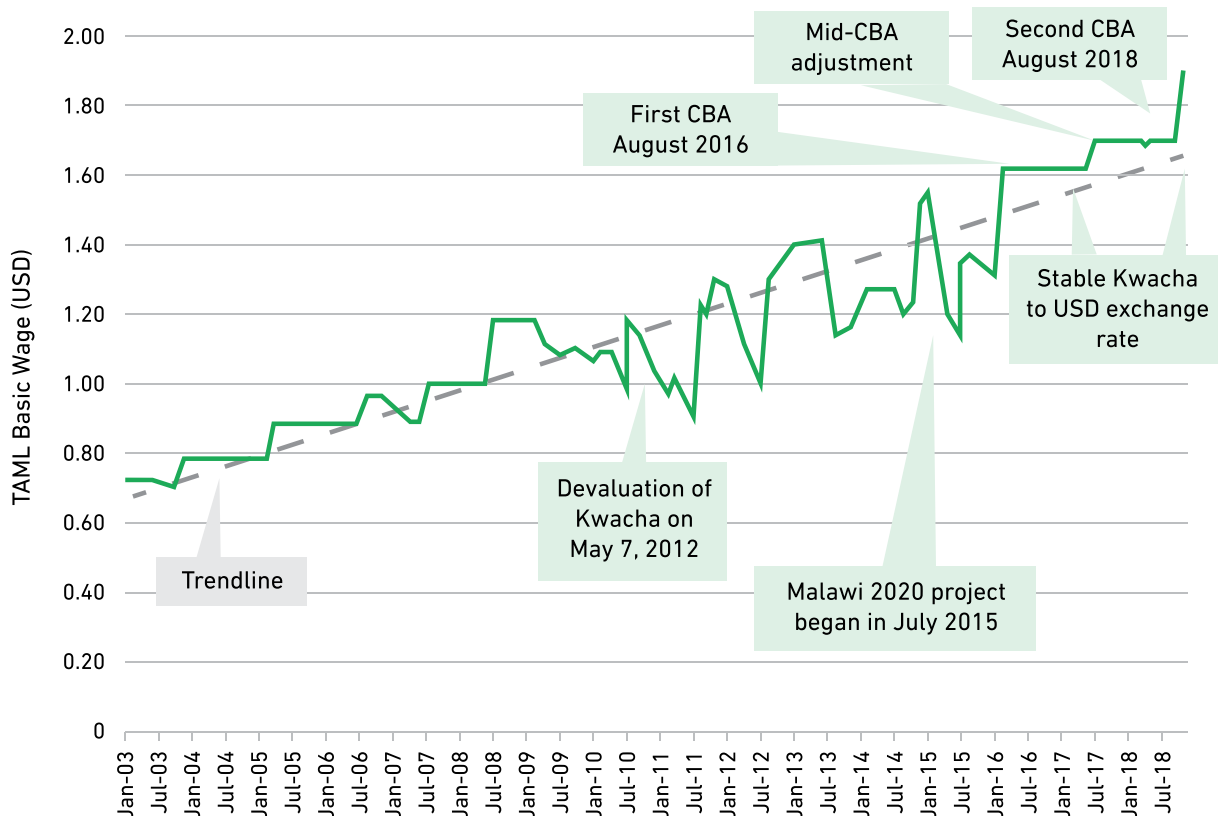
TAML basic wage in USD is a key metric for tea estates' ability to pay higher wages to tea workers

The ability of tea estates to pay higher wages is affected by the price of tea in USD, local costs in Kwacha, and productivity. Since the price of tea is set in world markets in USD, this means that the Malawi Kwacha to USD exchange rate directly affects the ability of tea estates to pay higher wages.

8.1 TAML basic wage in USD has continuously increased since 2004

Figure 8 displays the TAML basic wage expressed in USD. The TAML basic wage in USD has increased fairly steadily since 2004 (see trendline in figure 8). Figure 8 also shows that until recently the USD value of the TAML basic wage often fluctuated wildly, especially after the devaluation of the Kwacha in 2012 and the advent of very high inflation. In the past two years, however, the Kwacha to USD exchange rate has been stable.

Figure 8: TAML basic wage in USD, January 2007 - August 2018



8.2 TAML basic wage in USD is higher in October 2018, compared to October 2017 and October 2016

The TAML basic wage in US dollars has increased in the past two years due to wage increases in the 2016-2018 and 2018-2020 CBAs, along with a basically stable exchange rate between Malawi Kwacha and the US dollar. For example, the TAML basic wage in Kwacha increased by 11.29% in August 2018 when the 2018-2020 CBA became effective. This increase in Kwacha translated into an increase in US dollars from USD 1.70 to USD 1.90.

8.3 While it is currently stable, the Kwacha is likely to depreciate in the future, which will improve the ability of tea estates to raise wages

Typically, the foreign exchange rate of a currency depreciates when a country has high inflation. The Kwacha to USD exchange rate has remained virtually unchanged since August 2016. This coincided with the time when Malawi's inflation rate was declining, though it is still high. From January 2018, the inflation rate has been increasing again, but this coincided with the peak tea plucking season, which may have helped maintain a stable USD exchange rate for longer.

In the long run, however, the Wages Committee expects the Kwacha will recommence its depreciation, increasing the Malawi Kwacha to USD exchange rate. It is not possible to know when depreciation will restart, since it depends to a large extent on government policy and international organizations, as well as on rainfall and agricultural output. When the Kwacha again begins to depreciate, tea estates should be better enabled to raise wages in Kwacha assuming that tea prices do not fall. However, it is also important to keep in mind that any renewed depreciation of the Kwacha would likely be accompanied by increased inflation (IMF Working Paper 2017 WP/17/48), which would in turn reduce the purchasing power of future wage increases.

Chapter 9.

Wage ladder and comparisons of living wage, tea wages, and poverty line wages, and other wage indicators



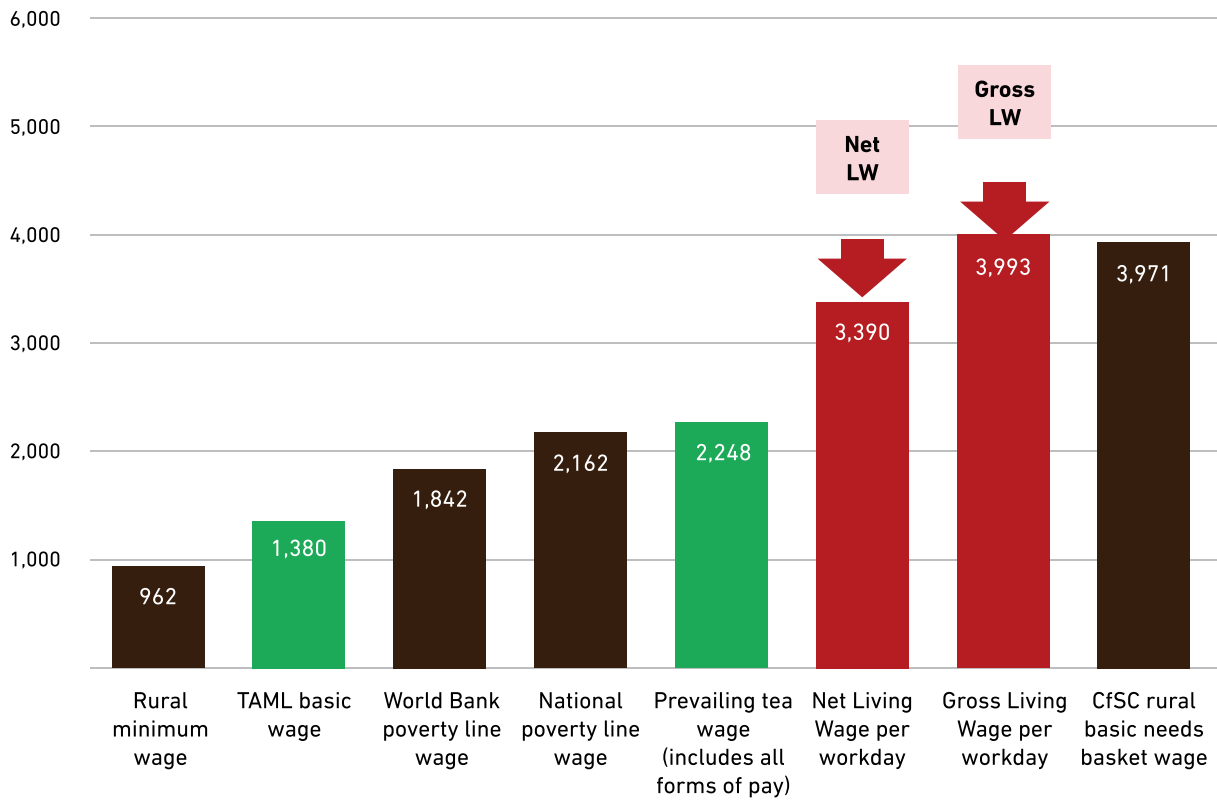
Figure 9 provides a wage ladder for October 2018, where the living wage is compared to prevailing tea wages, rural minimum wage, and poverty line wages.

The net and gross living wages remain much higher than the rural minimum wage in October 2018, with the difference between them growing in the past year, because while the rural minimum wage did not change in the past year, the living wage increased along with inflation. The net living wage is now around 3.5 times higher than the rural minimum wage, while the gross living wage is now around four times higher. The net living wage is 84% higher than the World Bank Poverty line wage for low income countries, and the gross living wage, is 2.2 times higher than the World Bank Poverty line wage for low income countries. The gross living wage is similar to the Center for Social Concern (CfSC) rural basic needs basket wage, even though the CfSC basic needs basket does not include taxes and leaves out many other items that we include in our gross living wage such as healthcare, clothing and footwear, transportation, recreation, etc. The gross living wage is close to three times more than the TAML basic wage.

In reality though, the gap between tea sector wages and the living wage is much smaller than this, as shown in the previous section of this report, because tea workers receive many other forms of remuneration in addition to a daily basic wage. Many workers receive over-kilo payment. All workers receive gratuity. Some workers receive a skill allowance. Most workers receive pay for days not worked, such as public holidays, sick days, and annual leave. In addition, all tea workers receive various in-kind benefits such as free lunch and medical care, while some tea workers receive free housing. When all of these other forms of pay are included in remuneration, average wages for A1 tea workers are much higher than the K1,380 TAML basic wage at around K1,893 per workday. This means that the net living wage is around 50% higher than average prevailing wages of A1 tea workers, and the gross living wage is around 75% higher than the average prevailing wage.

11. The World Bank recently changed its international poverty lines. It now uses a \$1.90 PPP per person poverty line for low income countries. Previously, it used a \$1.90 PPP extreme poverty line and a \$3.10 PPP poverty line. It now also uses a \$3.20 PPP poverty line for lower middle income countries and a \$5.50 PPP poverty line for upper middle income countries.

Figure 9: Wage ladder, October 2018



Chapter 10.

Future activities of Wages Committee to better measure prevailing wages of tea workers and the gap to a living wage



In order to know how much progress the tea industry is making in moving towards paying a living wage, as well how much further it has to go, prevailing wages need to be measured based on actual estate payroll data for cash wages and financial records of the cost of in-kind benefits.

The work on measuring wages during the next year will involve the following:

1. Estimate fair and reasonable values for common in-kind benefits. This estimate will be based mainly on the cost of in-kind benefits to tea estates. A template for recording this information has been developed in collaboration with TAML, using lists of expenses for each common in-kind benefit. Tea estates have begun filling in this template using information from their financial records. For example, the cost of a medical clinic would include: labor costs such as for nurses and aides; medicines and supplies; licensing fees; uniforms; ambulance variable costs for drivers, petrol and maintenance; and ambulance depreciation costs.
2. Estimate a fair and reasonable value for estate housing. This will require information on the number of estate houses by quality.
3. Determine cash wages of tea workers based on payroll data provided by tea estates. A template for recording these data has been developed in collaboration with TAML. Data will be extracted and sent to the Wages Committee every fortnight. These data will help to assess in-season differences in wages as well. This template includes all cash wages such as basic pay, overtime, over-kilo payments, skill allowances, paid holidays, paid leave days, paid sick leave, and various other bonus payments.
4. Determine the number of workdays per month over the year, as well as the number of paid days per month over the year including paid public holidays, paid sick leave, and paid annual leave.
5. Analyze general differences in wages, days worked, etc.

The 2017 Wages Committee Progress Report concluded that: (i) considerable progress had been made by the Malawi Tea 2020 Program in closing the gap to a living wage in the Malawi tea industry; (ii) despite this progress, there remained a long way to go to achieving a living wage for tea workers in Malawi; (iii) high inflation in rural Malawi posed a major hindrance to progress toward payment of a living wage, since inflation continuously reduces the purchasing power of wages and so increases the living wage; (iv) income tax became important for tea workers, and was an increasingly significant impediment to achieving payment of a living wage in the Malawi tea industry; and (v) TAML basic wage was much higher than the minimum wage.

For the past year (October 2017-October 2018), the Wages Committee found the following as regards progress towards the payment of a living wage:

1. There was almost no change in tea wages relative to the living wage in the past year.
2. We believe that this plateauing of progress towards payment of a living wage in the past year can be viewed in a positive way (the proverbial glass half full) for several reasons. The significant progress in wages in the earlier part of the Malawi Tea 2020 Program was maintained in the face of a difficult macro environment for tea estates, such as a constant USD exchange rate despite high inflation in Malawi and increasing energy costs due to frequent electricity blackouts and increase in tariffs. This meant that costs in Kwacha increased in the past year for tea estates, while tea exports priced in USD did not translate to additional Kwacha, since the currency in which tea is priced remained the same. This situation is reflected in the fact that tea wages in USD increased in the past year.
3. The TAML basic wage continues to remain considerably higher than the rural minimum wage, and this gap has increased in the past year.

The Wages Committee would like to highlight the following issues looking forward:

1. Inflation remains high in rural Malawi (at more than 10%) and appears to be increasing. This means that the living wage should continue to increase in the future to ensure that it retains its purchasing power. Therefore, the gap to

Chapter 11. Conclusions



a living wage will increase in the absence of future wage increases.

2. Income tax is likely to be an increasingly important drag on the take-home pay of tea workers—despite the recent increases in the minimum income tax threshold in July 2017 and July 2018—and so will affect the ability of Malawi Tea 2020 to make progress towards payment of a living wage. Unfortunately, workers in Malawi start to pay income tax at the very low income of only around \$48 per month.
3. It is important to have a better and more complete measurement and understanding of wages in the Malawi tea industry so that progress towards payment of a living wage can be better assessed. For this reason, the Wages Committee's work plan for next year includes working closely with TAML to more accurately measure the full wage package of Malawi tea workers. Future work of the Wages Committee is also expected to include analysis of the improved wages data collected on aspects such as gender differences.



ANNEX A.

Value of in-kind benefits as partial payment of a living wage

A1. Background

Malawi tea estates provide a number of valuable in-kind benefits to workers, for their personal use and that of their families. For this reason, it is appropriate to consider in-kind benefits as part of remuneration, and so as partial payment of the living wage. In this paper, we estimate fair and reasonable values for common in-kind benefits as partial payment of the living wage. We base values mainly on how much it costs tea estates to provide these benefits. Note that costs to estates often differ somewhat by estate, even for similar benefits. When costs differ by estate, we use our best judgement to make a fair and reasonable estimate of the value of the benefit. Housing is treated separately for a number of reasons, such as the importance of depreciation, the fact that only a minority of tea workers live in an estate house, and the large variation in the quantity and quality of housing across estates.

A2. Meals

All tea estates in Malawi provide workers with lunch (typically 200 grams of maize flour and 100 grams of beans or lentils) and breakfast (typically black tea and sugar). Vegetables are added at least once a week to lunch as per a TAML rule, with most estates providing vegetables once per week. Below, we estimate the cost of meals in different ways before drawing a conclusion.

1. One estate indicated that they spent K150 per meal for workers in 2016-17 and expected to spend K153.54 per meal for workers in 2017-18. These figures were corroborated by data from their financial records for the September 1, 2016-August 31, 2017 period, indicating the following costs separately: maize, beans, pigeon peas, sugar, salt, vegetables, fumigation, labor, firewood, and plates and mugs. Taking inflation into consideration, we increased these costs for previous years to K173 per day for meals for October 2018.
2. Another estate indicated that it spent K170 per meal in 2016. This is equivalent to around K223 in October 2018, considering inflation.
3. A third estate indicated that it spent K181 per meal in 2016. This is equivalent to around K238 in October 2018, considering inflation.

4. In our January 2014 living wage report, we estimated the value of a TAML lunch to be around K75. This was approximately the cost of a meal to tea estates in 2013, according to TAML data (K12.3 for sugar in morning tea, K32 for maize for lunch, and K31.2 for beans). This was also our estimate of the replacement cost of meals to workers of meals prepared at home following our low-cost nutritious model diet. K75 in early 2014 is equivalent to around K166 in October 2018, considering inflation since January 2014.

In summary, we have four different estimates of the cost of meals to estates per workday for October 2018: K173 from one estate, K223 from another, K238 from a third, and K166 from our 2014 living wage report. We decided to use K200 per workday, which is approximately the average of these four values. Since we have estimated that full-time workers have 23 days of work per month, this implies that meals are valued at K4,600 per month.

A3. Medical clinics

Tea estates have medical clinics for workers and their families. This is of significant value to workers. For this reason, it is appropriate to include a fair and reasonable value for medical clinics as partial payment of living wage.

Two estates indicated clinic costs for 2016-17 based on their financial records. Costs were indicated separately for: (i) labor, (ii) licensing fees, (iii) medicines and supplies, (iv) uniforms, (v) clinic maintenance, (vi) ambulance costs (driver salary, petrol, and maintenance), and (vii) ambulance rental or depreciation cost. Clinic costs were K916 and K1,557 per worker per month for the two estates, after we reduced reported cost by 10% based on information provided by one estate indicating that around 10% of clinic patients are from surrounding communities. The average of these reported costs (K1,237) is equivalent to K64 per workday when increased by inflation to October 2018. When this value is increased by inflation to October 2018, the amount is quite similar to the K700 per month cost for clinics we used in our original 2014 living wage report, as this implies K1,550 per month (and so K67 per workday) for October 2018. In light of the above results and analysis, we decided to use K65 per workday and K1,495 per month.

A4. Welfare (i.e. sports teams)

We decided not to include sports teams as an in-kind benefit. However, whether or not this for the personal use and benefit of most workers, and so a legitimate in-kind benefit to consider as partial payment of a living wage, is a debatable issue. We estimate the cost per worker per month for sports teams to be relatively small, around K10 (\$0.15) per worker per month on average.

A5. Schools

Around one-half of tea estates have a school for children on their estate, according to data provided to us by TAML in 2014. For this reason, cost of schools per worker averaged across all estates is expected to be low. One estate with schools indicated separate school costs based on their financial records for 2016-17: (i) school stationary, (ii) teacher and support staff salary, (iii) administrator or head teacher salary, (iv) school maintenance, and (v) books. School costs were K213 per worker per month for this estate (around K9 per workday). This is equivalent to around K254 (around K11 per workday), adjusted for inflation to October 2018. This cost is reasonably similar to the K167 per month we found in our original living wage report (that would be around K370 per month, adjusting for inflation to October 2018) for school and creche together (around K16 per workday). Given that there are no school costs for half of Malawi tea estates and that the cost for one estate was around K254 per month (around K11 per workday) for October 2018, we reduced this amount by half to K127 per worker per month, or K5.5 per workday per worker.

A6. Funerals

Two estates indicated the cost of funerals to them. One estate based their costs on their financial records; the other estate estimated costs and expected number of deaths. Costs were indicated separately for: (i) coffins and (ii) transport of the coffin to the deceased worker's home area. Funeral costs per worker per month were K19 and K13 (K16 on average) in 2016-17 for these two estates. This is K0.8 and K0.6 per workday (K0.7 on average). The original living wage report found K7.2 per workday in January 2014. Adjusting these estimates for inflation to October 2018 yielded K19 and K16 per month respectively. We decided to use K19 per month since it is based on fairly recent financial records; this is approximately equal to K0.8 per workday.

A7. Creche

Two estates indicated the cost of creches based on their financial records. Costs for 2016-17 were indicated separately for: (i) staff costs, and (ii) food if provided. Creche costs were K31 and K9 per worker per month. Taking into consideration that many of the children attending are from surrounding communities (41% for one of these estates), as well as adjusting for inflation to October 2018, the average cost was around K12 per worker per month (around K0.5 per workday). The original living wage study estimated costs for creche and school costs together. This means that we do not have a usable cost estimate of creche costs from the original living wage report. Given the cost of creches is around K12 per month (around K0.5 per workday) adjusting for inflation to October 2018, we decided to use this value.

A8. Summary of values for in-kind benefits (excluding housing) as partial payment of a living wage

Above we looked at the cost to estates of in-kind benefits besides housing. We estimated that these in-kind benefits are worth K272 per workday in total as partial payment of the living wage (table 1) for October 2018. This value is based for the most part on how much it costs estates to provide these benefits. Although the data used to make these estimates are incomplete and often two to five years old, the values appear reasonable as they are based on several sources. By far the most important of these in-kind benefits are meals, as they are estimated to cost tea estates around K200 per workday in October 2018. Meals are followed in importance by medical clinics (K65 per workday), schools (K5.5), funerals (K0.8), and creches (K0.5). This comes to a total value of K6,253 per month and K272 per workday for these in-kind benefits.

Table 1. Summary of values of common in-kind benefits (besides housing) as partial payment of a living wage (in Kwacha)

In-kind Benefit	Estimated value in October 2018	
	Value per month	Value per workday
Meals	200	4,600
Medical clinic	65	1,495
School	5.5	127
Creche	0.5	12
Funerals	0.8	19
Total	272 (\$0.37)	6,253 (\$8.6)

A9. Housing as partial payment of a living wage

Free estate housing is a very important in-kind benefit for workers and families fortunate enough to receive it. In order to be able to estimate a fair and reasonable value to workers of free estate housing, it is necessary to determine: (i) the number of estate houses and proportion of A1 workers with an estate house; (ii) the quality of estate houses occupied by A1 workers, (iii) the cost to estates of providing and maintaining houses, (iv) the alternative rental value in villages of similar quality housing, thus a possible replacement value to workers of estate housing, and (v) whether or not a fair and reasonable value for estate housing exceeds the maximum amount/limit allowed for an in-kind benefit as partial payment of the living wage.

It is worth noting why we treat housing separately from other in-kind benefits. First, the cost to estates of providing housing is a major capital investment. Second, estate houses are of varying qualities, and so of varying values. Third, only a minority of tea workers actually live in an estate house. Fourth, there are several ways to estimate the value of housing as an in-kind benefit. Fifth, it is possible for the value of housing as partial payment of living wage to exceed the 15% of living wage maximum allowed. Sixth, housing is not a common in-kind benefit on some tea estates, whereas it is on others.

A 9.1 Quality of tea estate housing: Definition

TAML and Rainforest Alliance have classified Malawi tea estate housing into four quality categories from A to D.

A-quality house. New A quality houses consist of two bedrooms and one living room with at least 30 square meters of living space. Bath, kitchen and khonde (covered veranda) are outside, as is a shared toilet. No indoor plumbing; potable water is accessible. No electricity. Door frames and window frames are steel; the floor is sealed.

B-quality house. These houses are in acceptable condition and of acceptable design. Minor modifications and maintenance are required to become an A-quality house.

C-quality house. These houses are in poor condition and of poor design. Major modifications and maintenance are required to become an A-quality house.

D-quality house. These houses are in very poor condition and design. They are too far gone to become an A-quality house. They require rebuilding and generally should be demolished.

A 9.2 Number of tea estate houses and proportion of tea workers living in a tea estate house

Two estates indicated to us the number of houses they have on their estates. This information on the number of estate houses by quality level is indicated in table 2. As one of these estates indicated all-estate housing and not houses occupied by A1 workers, it is uncertain how many of their estate houses by quality level are occupied by A1 workers and how many are occupied by other workers. To simplify, we assumed for this estate that half of A-quality houses, 60% of B-quality houses, and 100% of C-quality and D-quality houses are occupied by A1 workers.

There are 3,283 houses occupied by A1 workers (and 3,080 houses excluding D-quality houses that should be demolished) on these two estates. Around 18% of A1 workers live in an A-, B-, or C-quality house on these two estates. Taking the quality of houses into account (see next section), there are 1,777 A-quality equivalent houses on these two estates. Thus, around 10% of A1 workers have an A-quality equivalent house.

Table 2. Number of houses for A1 workers by house quality for two tea estates

House quality	Number
A	390
B	1,148
C	1,542
D	203
Total	3,283
TOTAL excluding D	3,080
TOTAL A-quality equivalent houses	1,669
Percentage of A1 workers with A-C quality houses	17.5%
Percentage of A-equivalent quality houses per A1 worker	9.5%

A 9.3 Relative value of A-, B-, C-, and D-quality houses and defining A-quality equivalent houses

To be able to estimate the value of estate houses, it is very useful to know the relative value of A, B, C, and D quality houses. With such information, it is possible to express the value and number of estate houses in terms of one quality level, such as in terms of A-quality houses. This would mean that if we knew the distribution of estate housing by quality level and we could estimate the cost or value of an A-quality house (as we do below), we can estimate the value of all estate housing.

One estate indicated to us how much it costs them to upgrade a B-quality house to an A-quality house, as well as to upgrade a C-quality house to an A-quality house. Using this information, we determined that a B-quality house is around two-thirds as valuable as an A-quality house, and a C-quality house is around one-third as valuable as an A-quality house. Since D-quality houses are in such poor condition that they should generally be demolished, we consider D-quality houses to have no value. Using these conversion ratios, we determined that there are 1,777 A-quality equivalent houses on these two estates in shown above in table 2.

Value of tea estate houses

There are several ways to determine the value of estate housing as partial payment of a living wage. This includes:

- Market rent alternative in villages for an A-quality house
- Market user cost value for an A-quality owner-occupied house in villages
- User cost value of a new TAML A-quality house

A 9.4 Market rental cost of housing in surrounding villages

Various people and organizations have indicated what housing rental would cost in villages. Table 3 shows their answers. If we ignore the reported rentals for Tea Research Foundation housing (which are of sufficient size and probably quality), because their rentals are clearly below market rate, a reasonably clear idea of what rent would be in villages for TAML A-quality and C-quality houses. Somewhere around K16,000 in 2016 appears to represent an upper limit for rent for an A-quality estate house, as a PAWU official indicated K17,000 and a tea estate official indicated K15,000. Around K5,000 in 2016 appears to represent rent in villages for a C-quality estate house. These rents, adjusted for inflation to October 2018, are around K6,570 and K21,000 per month.

Interestingly, the ratio of rents for C-quality and A-quality houses in villages is around one-third, which is the ratio we estimated for the values of C-quality and A-quality estate houses.

Table 3. Rent for houses in surrounding villages according to different sources

Source	Rent	Description	Comment
Tea Research Foundation housing (2016)	K3,000	30 square meters, 2 bedrooms + 1 living room. Kitchen, bath and toilet outside	Clearly below market rent
	K3,000	30 square meters, 1 bedroom + 1 living room. Kitchen, bath and toilet outside	Clearly below market rent
	K7,000	30 square meters, 2 bedrooms + 1 living room + 1 dining room. Bath, toilet and kitchen inside	Clearly below market rent
PAWU officer (2016)	K17,000	3 rooms	Probably of acceptable quality
Tea estate officer 1 (2016)	K15,000	Not specified	Value given in response to question about rent for acceptable quality house
Tea estate officer 2 (2016)	K3,000-5,000	2 rooms. Typical substandard quality village house	Fewer than A-quality TAML house of 3 rooms, and in poorer condition. Implies around K4,000-7,000 for 3 rooms. Not far from estimate below of a poor quality estate house (see below)
One estate worker's estimate for his poor quality estate house (2016)	K2,500	16 30 square meters. In poor condition. Foundation and walls were cracked	Much smaller than A-quality TAML house of 30 square meters, and in much poorer condition. Implies around K4,700 for around 30 square meters

A 9.5 User cost value of an owner-occupied A-quality house in villages, based on original living wage study

The original Malawi living wage study in January 2014 estimated that the user cost value of a new house in a village that met minimum international housing standards (based on the construction cost for a new Habitat for Humanity house with 3 rooms, no indoor plumbing, no electricity, outside kitchen, bath and shared toilet, and around 30 square meters) was K4,500 in January 2014. This is equivalent to around K9,962 in October 2018, adjusting for inflation between January 2014 and October 2018. It is important to keep in mind that this Habitat for Humanity house is of a lower quality than a new TAML A-quality house. For example, its window and door frames are wood, which warps quickly in Malawi, whereas TAML A-quality houses use steel frames. The foundation and the wood beams of TAML A-quality house are also of much better quality.

A 9.6 User cost value of a new A-quality TAML house

The purpose of the new TAML workers' housing policy is "to ensure good living conditions, enhance better health, and therewith good productivity of the employee and their family." "The standard housing/unit size is for 5 persons," which is the reference family size for a living wage. An A-quality TAML house has 3 rooms and 30 square meters of internal living space. TAML estimates that this house would cost K4,356,889 to build in 2017 (excluding possible land cost or interest payments to a bank). This cost is similar to what two estates told us previously. In table 4, we estimate the user cost value of this A-quality TAML house using different assumptions for the service life of the house (40 and 50 years) and annual maintenance costs of 1.5% and 1.75%. Note that 70 years of service life is a typical assumption for high income countries, while 50 years is typical for developing countries; we used 30 years for a Habitat for Humanity house for Malawi in our original living wage report. Also note that 1-2% annual cost for maintenance is typical. Financial records from two estates indicate that they currently spend around 1.75% of the construction cost of an A-quality house for maintenance per estate house. We decided to use K14,442 as the user cost value of an A-quality house based on what we believe are reasonable assumptions for service life (45 years) and maintenance (1.75%). This is equivalent to around K16,108 after it is adjusted for inflation to October 2018. Interestingly, our estimate of the user cost value of a Habitat for Humanity house compared to a TAML A-quality house is 0.61, which is similar to the ratio of the value of B-quality houses to the value of A-quality TAML houses (2/3rds).

Table 4. Estimate of user cost value per month of TAML A-quality house in 2017

User cost value per month	Service life expectancy	Annual maintenance cost as % of house cost	Comment
K13,615	50 years	1.75%	Average maintenance costs for current houses on two estates is around K6,500 per month, which represents around 1.75% of the cost of a new TAML A-quality house
K12,708	50 years	1.5%	
K15,431	40 years	1.75%	
K14,523	40 years	1.5%	
K14,442	45 years	1.75%	K8,068 for depreciation and K6,354 for maintenance

A 9.7 Problem of valuing estate housing as an in-kind benefit

One criterion that is generally necessary to meet before an in-kind benefit is seen as appropriate to consider as partial payment of a living wage is that the benefit is common to all workers. Otherwise, many workers would have their wage reduced, even though they do not receive the benefit.

This issue is important in housing for tea workers in Malawi. While the average value of estate housing per worker as an in-kind benefit is substantial, a large majority of workers receive no housing benefit. This makes it problematic to count housing as an in-kind benefit towards the payment of a living wage. Despite this, we decided to include housing as an in-kind benefit because of its large cost to tea estates. It is hoped that in the future, the Wages Committee will be able to determine the percentage of tea workers who earn a living wage, taking into consideration whether or not each worker lives in an estate house.

A 9.8 Summary: fair and reasonable value of estate housing as partial payment of a living wage

Above we estimated in various ways the possible value of estate housing as an in-kind benefit. Table 5 summarizes what we found. A value of around K15,000 per month for October 2018 seems fair and reasonable for an A-quality estate house. This is a little less than our user cost estimate for a TAML A-quality house of K16,108 in recognition of (i) disadvantages of estate housing to workers, and (ii) likelihood that they would probably not choose to spend so much for housing if they had a choice.

Table 5. Value of estate housing based on different assessment methods, updated for October 2018

Method	Value in October 2018	Comment 1	Comment 2
Comparison to rent for an acceptable quality house in a village	K21,000	Probably acceptable house	Data reliability is low
Comparison to rent for an unacceptable quality house in a village	K6,570	Unacceptable house. Poor condition and small. Probably equivalent to C-quality or D-quality TAML house	Data reliability is low. Would be around K19,500 if multiplied by 3, which is the ratio of the value of C-quality to A-quality TAML house
User cost value for an acceptable Habitat for Humanity house, drawn from original living wage report in 2014	K9,962	Acceptable quality but lower quality than TAML A-quality house	Similar value to B-quality TAML house
User cost value for TAML A-quality house	K16,108	Higher quality than what workers would feel is acceptable	Value to workers is lower than estimated value because estate housing has disadvantages, such as inability to look after own land; loss of house in case of job loss; less freedom to decide who can live in the house; and some loss of control in terms of physical movement

This K15,000 per month estimate of the in-kind benefit value of an A-quality estate house for October 2018 implies an average of K1,420 per month (and so K62 per workday) in-kind benefit value per month for housing given that a clear minority of workers live in an estate as well as that relatively few of them live in an A-quality house.

A 9.9 Utilities provided for estate housing

Tea estates provide water to houses. The cost of providing water was around K400 per month (around K17 per workday) for electricity and maintenance of pumps in 2016-17 for two estates. This is equivalent to around K477 per month (around K21 per workday) when adjusted for inflation to October 2018. This is similar to the amount we found in our original January 2014 living wage report (K8.1 per workday), which is equivalent to around K18 per workday when adjusted for inflation to October 2018. In light of the above estimates, we decided to use K21 per workday and K477 per month for provision of water in October 2018.



Malawi Tea 2020
Revitalisation programme towards living wage

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