

DO EMPLOYEES HAVE ENOUGH PURCHASING POWER TO COPE WITH THE RISING COST OF LIVING ? ASKS CFSC

The major economic concern for many households today is the size of their income. The household income today determines its food, shelter, clothing, health and the ability to secure the comforts of life. Largely, household income is one of major factors that cause the household well being to fluctuate. The household being the main unit to which goods and services must be provided, what matters is the household not individual incomes. The term income as used in this text refers to 'money income' which is distinguished from real income. The latter means the flow of bales of sugar, kilograms of meat, loaves bread, kilowatts of electricity, gallons of fuel, the services of houses, doctors, in short the goods and services used or available for use during a period of time. Money income is the purchasing power in Malawian kwacha acquired during a given period.

Fluctuations that take place in prices of commodities cause changes in the cost of living of the consumer who happens also to be an employee elsewhere. The Basic Need Basket (BNB) Measurement approach to the cost of living refers to the money required for the expenses of living or any effort or real cost involved in procuring the means of living. Thus, if the prices of commodities bought by a consumer remained the same and his wages for the same effort were increased, one can say that the real cost of living has fallen, for one could now buy the same things for less effort.

When prices rise, the quantity of goods and services that are bought at the market with Malawi kwacha declines. The converse holds true when prices fall. The quantity of goods, which the Malawian kwacha will command at any time is known as the purchasing power of the Malawian kwacha. It will have varying purchasing power depending upon the sorts of goods that are purchased with it. The CFSC BNB represents a lean list of goods for any ordinary consumer and the purchasing power of the consumer's Malawian kwacha fluctuates inversely to it.

The cost of basic food needs as established by the basic needs basket has registered an average of K25,000 for the month of January. The awful reality is that the current minimum wage for urban areas is K129.30 per day amounting to K3,362 per month and annually amounting to K40,342. As for rural areas the current minimum wage as a guide post to employers is at K95.45 daily amounting to K2,742 per month and K32,900 annually. It does not need rocket science for anyone to realise that those employees that fall within this range of income cannot meet their basic food needs. Furthermore, most low incomes have a minimum of K10,000 that is non taxable according to the current tax regime. That means if an employee gets a gross of K25,000 per month, K15,000 of that amount is taxed at a rate of 15 % (K15 for every K100). As such this particular employee's income falls way below what is needed in a month to meet their basic food needs. In this regard, CFSC encourages the government to be as human as possible and as major employer to raise the non-taxable bracket of income to between K15,000 and K20,000 as has been suggested before by CFSC and the likes of MEJN and ECAMA in the past year. They will recoup the lost income by adding new brackets of taxation for the very high salaries as is customary in most surrounding countries. In the same line, all other employers should also consider raising the salaries of their employees.

Still more, the revised minimum wage (K176.00 per day), which is yet to be gazetted cannot suffice to keep a family five – the average family size in Malawi – above the poverty line¹. The low wages if not worked on will perpetuate income inequality, which is already worsening economic security. If this trend continues, Malawi is unlikely to achieve much by way of economic security or decent work, which promotes happiness and is beneficial for growth and social stability. And dare we say, which is in line with the much touted god-fearing country status.

The BNB is a tool that measures the average cost of basic food and essential non-food commodities for a Malawian average family of six in a specific city. Generally, the BNB recorded a considerable increases in the cost of some basic needs from K50,298 in December 2010 to K51,336 in January 2011 in Lilongwe, as for Zomba from K41,649 in December, 2010 to K42,608 in January, 2011, for Blantyre from K48,696 in December, 2010 to K52,080 in January, 2011 and Mzuzu from K41,708 in December, 2010 to K43,312 in January, 2011. The increase was attributed to the rise in the cost of some basic food commodities such as dry fish (i.e.usipa), Meat, Beans and Vegetables. An upward adjustment in the essential non-food items such as water, housing rentals also contributed to the increase. The total BNB figure is likely to increase in subsequent months with the current fuel and forex problems that have increased both transaction and transportation costs.

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