

MINIMUM WAGE FIXING CHALLENGE IN MAURITIUS

September 2014

ILO report

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TABLE OF CONTENT

1. Introduction
 - 1.1. General background
 - 1.2. Economic trends
 - 1.3. Methodology
2. Minimum wage fixing machinery in Mauritius
 - 2.1. The Salary Compensation system
 - 2.2. The Remuneration Order system
 - 2.3. Remuneration Order increases v. Salary Compensation
 - 2.4. Main conclusions on the Mauritian minimum wage support machinery
3. Low wages in Mauritius and the effectiveness of the minimum wage fixing machinery
 - 3.1. Wage distribution
 - 3.2. Analysis of low wages in Mauritius and the role of the minimum wage machinery
 - 3.2.1. *The effect of the Compensation system on low wages*
 - 3.2.2. *The effect of the Remuneration Orders on low wages*
 - 3.2.3. *Sectorial impact of a minimum wage*
4. Minimum wages: International experiences
 - 4.1. Minimum wage scenarios
 - 4.2. The choice of the minimum wage machinery
5. Conclusion

Annexes

I: Salary compensations since 2000

II: List of Social Assistance Schemes

III: The National Remuneration Board (NRB)

The analysis has been conducted by François Eyraud, International Labour Consultancy with the collaboration of Dr Verena Tandrayen-Ragoobur (Mrs), Senior Lecturer in Economics, Head, Department of Economics and Statistics, Faculty of Social Studies and Humanities, University of Mauritius.

Patrick Belser and Kristen Sobeck from the International Labour Office have provided technical support and comments.

Kristen Sobeck has computed the data of the Household surveys and minimum wages used in the report.

Ms Hareeta KOOLOMUTH, ILO Consultant/Focal Point, has managed the relationships with the Mauritian authorities, the follow up and the logistic support.

The Ministry of Labour, Industrial Relations and Employment, the Ministry of Finance and Economic Development, Statistics Mauritius, The National Remuneration Board, the Pay Research Bureau have provided all the data and explanation on the functioning of the wage fixing system in Mauritius.

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1. Introduction

1.1. General background

Since independence, Mauritius has been very active in economic and social reforms and has been successful in upgrading the country from a Low to upper Middle Income Country. Based on strong economic growth, the country has developed a sound social welfare system. Today, less than 1% of the population is classified as poor. Mauritius is now positioning itself for another important transition. The Government has embarked on a new ambitious challenge aimed at transforming Mauritius into a High Income Country by 2025. It is in this context that the government is considering establishing a national minimum wage.

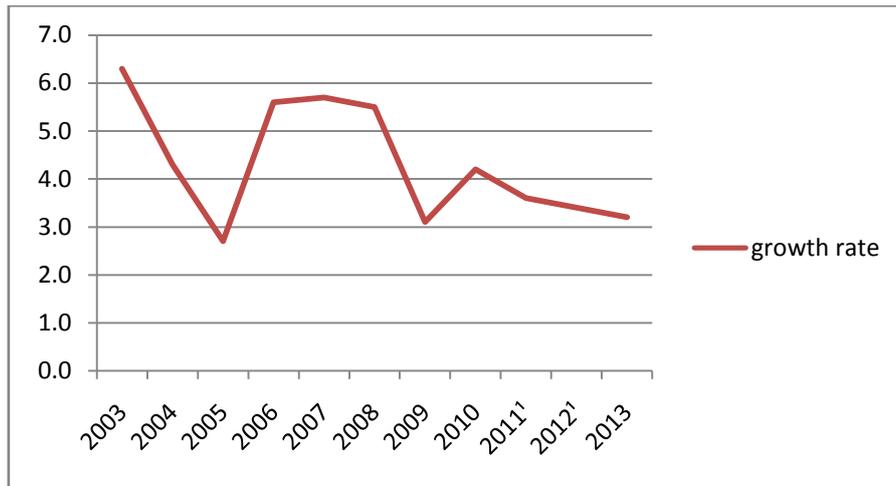
In fact, Mauritius does have a minimum wage support system which is rather complex. The aim of this technical report is to assess its efficiency both in terms of supporting low wage earners and governance. Alternative minimum wage fixing systems will be then presented. This report does not aim to recommend the implementation of a new ready-made minimum wage fixing system but at providing the stakeholders with the relevant information helping them to figure out the changes they think should be made to the current systems. There is no ideal minimum wage system. The best system is the one elaborated through social dialogue leading to a compromise.

Before, a broad picture of the Mauritian economy and labour market should be presented as a background to the discussion on minimum wages.

1.2. Economic trends

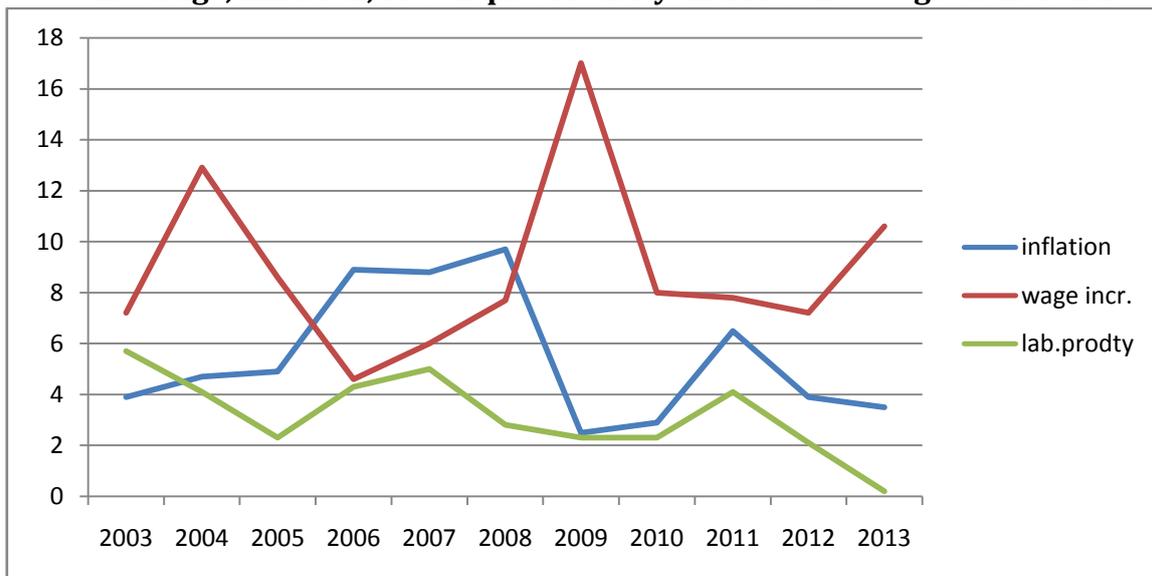
The Mauritian economy has shown sound growth over the last decade (with the exception of the year 2005). The 2007 global crisis, however, has impacted the growth path since 2009 when the growth rate decreased and stabilized around 3-4%. However it remains at a reasonable level by international standards.

1. Growth rate (real GDP)



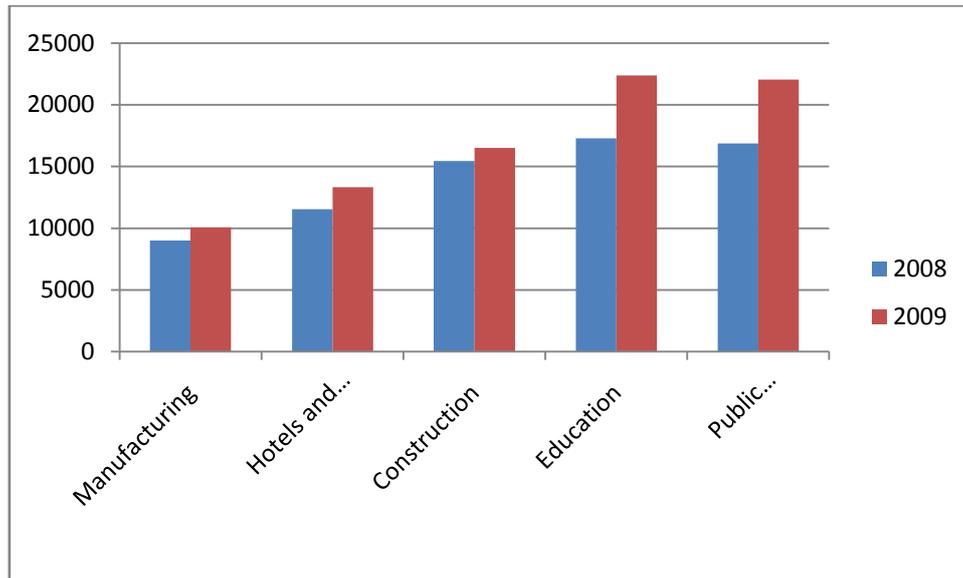
The following graph shows the growth rates of three variables over the period 2003-2013: wages, inflation and labour productivity.

2. Wage, inflation, labour productivity and labour cost growth trends



It can be seen that since 2009, nominal wage growth rates are higher than the inflation rate. The sharp increase in the wage rate in 2009 seems to be explained by a strong increase in the public service wage as shown in the following graph. Only the sectors with the highest share of employment have been considered.

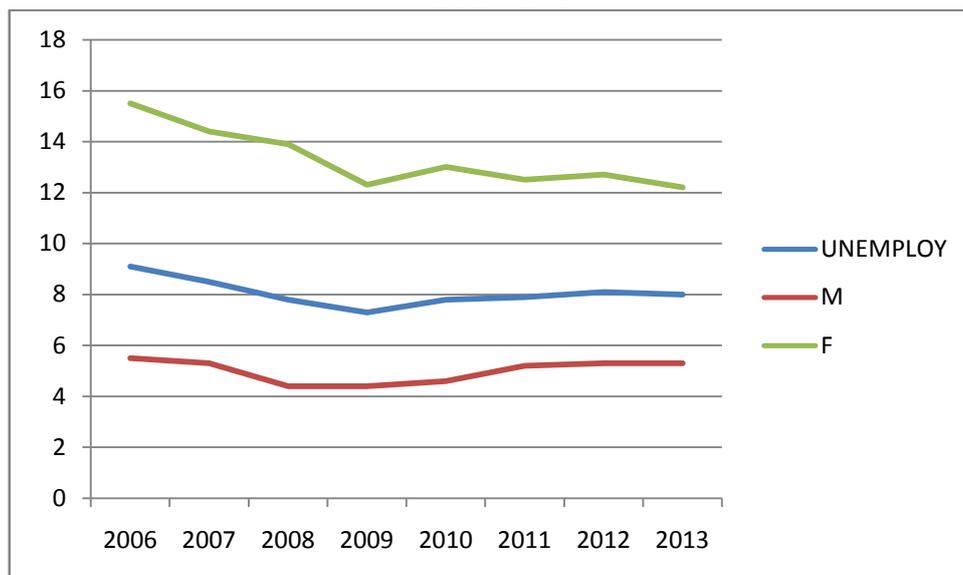
3. Wage growth in the main sectors 2008-2009



Coming back to graph 2, labour productivity shows a declining trend accelerating in 2011.

The unemployment rate increased until 2009 and then slightly increased and has stabilized since 2011. However, the unemployment rate is far higher for women even though it decreases over the period.

4. Unemployment 2006-2013



This background should be kept in mind when analyzing the minimum wage issue in Mauritius.

1.3. Methodology

The information on the wage system have been collected through using reports and studies and completed interviews with the main stakeholders, including ministry of labour, ministry of finance, National Remuneration Board, Pay Research Bureau, unions and the Mauritius Employers' Federation. The wage data have been provided by the relevant authorities regarding the wage compensation and the remuneration orders. Wage statistics comes mainly from the household surveys of 2006 and 2012 provided by Statistics Mauritius.

The aim of the report being to provide the stakeholders with operating tools to help them understanding the way of elaborating a minimum wage system, the statistical analysis has focused on building a few critical useful indicators. In addition, the statistical categories used by the Mauritius statistical survey not being compatible with the ones used in the Mauritius institutional wage fixing system like the Remuneration Orders, it was difficult to conduct a sophisticate econometric analysis. These two reasons explain why the report is not about evaluating the economic and social impact of the current wage fixing system in Mauritius which would have required a more complex econometric model integrating a large set of variables but about setting the analytical background of a social dialogue on how to integrate a minimum wage in the current Mauritian wage fixing system.

2. Minimum wage fixing machinery in Mauritius

As indicated earlier, the minimum wage machinery is rather complex. There is no single national minimum wage, but two complementary minimum wage support systems in Mauritius: the annual Salary Compensation and the Remuneration Order system.

2.1. The Salary Compensation system

This is a cost of living adjustment mechanism. Each year, the government issues a decree fixing minimum wages increases which apply to all workers – even those who are not covered by a remuneration order (described below). From this point of view this is not a minimum wage increase fixing system as such. However, as the increase is higher for the lower wages and lower for higher wages it focuses on supporting low wages. In addition, this objective has been reinforced during the last decade by focusing more and more on low wages only. This can be seen by analyzing the following table which presents the salary compensations since 2000 (see also annex I).

5.SALARY COMPENSATION 2000-2014

Years	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Rs	<3000		3000-4000		4000-5000		5000-6000		6000-7000		7000-8000		>8000	
00-01	110	5.5	165	5.5	170	4.25	175	3.5	180	3.0	185	2.64	190	2.37
Rs	<3200		3200-4000		4000-5000		5000-6000		6000-7000		7000-8000		>8000	
01-02	100	5.0	160	5.0	170	4.25	180	3.6	190	3.16	200	2.8	210	2.62
Rs	<3500		3500-4000		4000-5000		5000-6000		6000-7000		7000-8000		>8000	
02-03	130	6.5	230	6.5	240	6	250	5	260	4.3	270	3.8	280	3.5
Rs	<3700		3700-4000		4000-5000		5000-6000		6000-7000		7000-8000		>8000	
03-04	120	5.1	200	5.4	210	5.2	220	4.4	230	3.8	240	3.4	250	3.1
Rs	<4000				4000-5000		5000-6000		6000-7000		7000-8000		>8000	
04-05	115		4.5		180	4.5	190	3.8	200	3.3	210	3.0	220	2.7
Rs	<2700		2700-4300		4300-5000		5000-6000		6000-7000		7000-8000		>8000	
05-06	170	6.2	170	6.2	270	6.2	280	5.6	290	4.8	300	4.2	310	3.8
Rs	<2700		>2700											
06-07	5%		135Rs											
Rs	<3000		3000-6500				6500-8000				>8000			
07-08	8.7%		300Rs				350Rs				400Rs			
Rs	<3500		3500-6500				6500-8000				>8000			
08-09	8.1%		300Rs				350Rs				400Rs			
Rs	<3800		3800 to 12000										>12000	
09-10	5.1%		200Rs										0	
Rs	<4000				>4000 to 12000								>12000	
2010	3.5%				3.5%								420Rs	
Rs	<5000				>5000 to 12000								>12-30000	
2011	3.2%				175Rs								190Rs	
Rs	<5000				5000 to 7000				7000 to 30000					
2012	330Rs				6.6%-max : 460Rs				460Rs					
Rs	<7000								7000-8000		>8000			
2013	300Rs								4.3%		345Rs			
Rs	<8100												<20000	
2014	300Rs												3.7%	

To illustrate the structure of such a system, let's consider the compensation for the years 2000-2001 (third line). The figures in bold are those indicated in the decrees: 5.5 per cent for salaries less than RS 3,000 with a minimum increase of Rs 110. For the other salary ranges (Rs 3,000/4,000; Rs 4,000/5,000; etc.) the compensation is in Rupees: Rs 165, Rs.170 etc.. The percentages have been calculated to show the decrease in compensation for the highest salary ranges.

Considering the evolution of the system, three main comments should be made:

1. In theory, (everything else being equal) the decreasing compensation system should tend to reduce the wage differential (defined as the distance between the

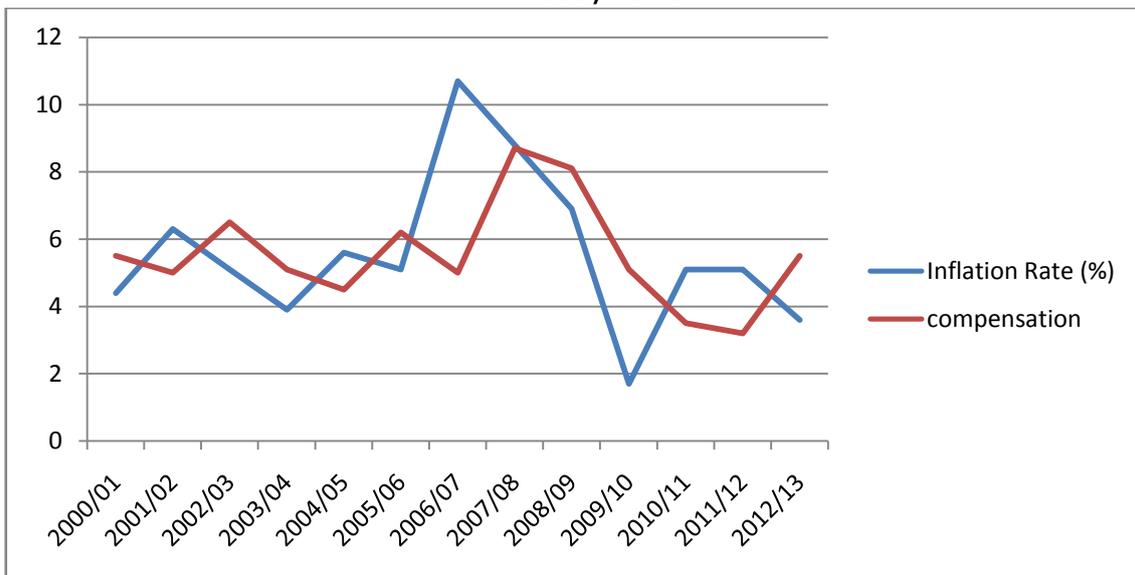
10% highest paid and the 10% lowest paid employees). However as we will see later (§3.2.2) the effect of both the Remuneration order revisions and the labour market mechanism have a compensating effect in restoring or increasing the wage differential. A reduction in the wage differential could indeed be compensated by increases negotiated by collective bargaining, where it exists, or by individual increases granted by the employers. The remuneration order system could also, in principle (but not in reality), restore the wage differentials as it establishes salary scales at the sectorial/occupational level.

2. Over time there is a simplification of the number of salary ranges from 7 in 2000/2001 to only 2 in 2014.
3. A ceiling has been introduced in 2009 with no compensation for salaries above Rs 12,000. Ceilings have also been fixed in 2011 (above 30,000), in 2012 (above 30,000) and 2014 (above 20,000).

These observations show that the salary compensation system is increasingly more focused on the lowest salaries and is at the same time becoming closer to a “single” minimum wage increase system.

Considering the cost of living adjustment, the Salary Compensation system appears quite effective for the lowest salaries as shown in the following graph. The annual increases for the lowest salaries (the lowest salary threshold of the Salary Compensation system) compensate for inflation with, not surprisingly, a time lag adjustment.

6. Salary compensation and inflation 2000/2013



2.2. The Remuneration Order system

The wage fixing system in the private sector in Mauritius is performed by the National Remuneration Board (NRB) under the aegis of the Ministry of Labour, Industrial Relations and Employment. The NRB is a quasi-judicial body established in 1974 to set a system of wage determination and terms of conditions of employment for the private sector. Therefore a Remuneration Order fixes not only minimum wages but also other working conditions similar to a collective agreement.

The major responsibility of the NRB is to submit recommendations regarding the minimum remuneration as well as employment terms and conditions to the Minister of Labour, Industrial Relations and Employment. The NRB acts as a specialised wage committee/ advisory body on wages made up of employers' and employees' representatives along with members chosen by the government who are either government representatives or independent members. The Committee consists of the same employers and workers' representatives for the different 30 remuneration orders. The constitution of the Board is explicitly set out under Section 90 of the Employment Relations Act 2008.

There are 30 Remuneration Regulations/Orders (see Annex III) currently in force and applicable to around 300,000 workers in different occupational categories employed in specific economic activities (around 50% of the workforce),excluding civil service, parastatal and local authorities which are under a specific status

<p>Sectors not covered by Remuneration Order</p> <p>Aquaculture Waste management (collection, treatment and disposal) Bus transport other than public buses e.g. school bus, transport of employees Operation of excursion, sight-seeing boats Warehousing and storage Support services relating to transportation e.g. operation of terminal facilities, cargo handling, freight forwarding, logistics Courier activities Radio/TV programming and broadcasting Telecommunications ICT/BPO Activities of call centres Financial and insuranceactivities</p>

Professional, scientific and technical activities e.g. Accounting, management, advertising, architectural, engineering
 Real estate
 Rentalactivities
 Private post-secondary education and training
 Private hospitals, medical and dental practice activities, incl. medical laboratories
 Gambling and betting activities
 Sports and recreation activities e.g. fitness centres
 Personal service activities e.g. hair dressing and beauty treatment, washing and dry cleaning

In addition, not all categories or economic sectors are covered by the remuneration orders. In particular, managerial positions are excluded.

The following table gives an example of a Remuneration Order for the construction sector for the year 2013. It shows how detailed the categories could be.

**Remuneration Order rates for
 Block making, Construction,
 Stone Crushing and Related
 Industries.
 2013**

Accounts Clerk, Store and Tool Keeper, Timekeeper	11146.88
Clerk	10301.38
Weighbridge Clerk	9977.13
Word Processing Operator	9880.13
Receptionist/Telephonist	8821.88
Learner (first 3 months)	7653.00
Next 3 months	10306.00
Chief Supervisor	13785.00
Supervisor	12531.63
Leading Hand	11410.00
Plant Operator	10858.33
Multiskilled Employee	10589.18
Barbender, Blacksmith, Carpenter, Electrician, Mason, Mechanic, Painter, Plumber, Turner, Welder and any other employee possessing the same level of skill in allied occupations	11181.14
	10669.98
	10144.94

Driver Grade I	10669.98
Driver Grade II	10144.94
Stonemason	11207.82
Cabinet Maker	11207.82
Blockmaker	10319.66
Stone Driller	10319.66
Stone Breaker	10319.66
Stone Splitter	10319.66
Stone Employee	10319.66
Tyreman	10319.66
UnskilledEmployee	9191.78
Watchman/Watchperson	10144.68

It should be noted that different minimum wage rates for men and women still exist marginally in Mauritius in the remuneration orders published in 2012 for the tea industry, the salt industry and the sugar industry, where minimum wages for women are around 20 per cent lower than for men (ILO, 2014). For instance in the salt industry, in the Remuneration Order, a male worker is paid a monthly basic wage of Rs 7,119.3 while a female worker earns Rs 5,875.5. This situation has, however, changed in other sectors. For example, the terms “male worker” and “female worker” are no longer used in the remuneration order for livestock workers. The relevant provisions refer to “farm worker grade I” and “farm worker grade II”.

The procedure in the fixing (reviewing) of a particular sector’s Remuneration order can be briefly described as follows:

- When trade unions, workers or other stakeholders believe that wages or working conditions of a particular sector – covered by a Remuneration Order - need to be reviewed, they make a request to the Minister. The Minister of Labour will send the request to the NRB. The latter on their behalf will invite different parties involved in the discussion of the wage level and conditions of work of the different sectors involved. These stakeholders are the representatives of the employers, employees and any other required individual.
- Based on the meetings that have been held in order to reach an agreement on the subjects, the NRB will design specific questionnaires in order to conduct a survey.

- After this fieldwork, the data collected will be analysed and a technical report is prepared to include the results of the survey with all the proposals of the employers and employees.
- The technical report is submitted to the Board which will further analyze the case and devise recommendations such as: whether to go ahead with the proposals; to create new job categories; to remove job categories; and any other possible advice.
- After doing so, the report will be rendered public in order to invite any possible counter proposal.
- Finally, the Board meets again in order to consider all the relevant aspects of any counter proposal, after which, the final recommendations are sent to the Minister of Labour to accept, reject, amend or refer back.
- Then the recommendations and decision of the Minister goes to Cabinet for approval. When Cabinet's approval is received, then the matter is referred to the State Law Office to draft the law/legislation.

Contrary to the Compensation system, there is no established time interval for reviewing the Remuneration Orders. It is the Minister who decides which sector to refer to the NRB for review based on prevailing circumstances. The minimum wage rates specified in the Remuneration Orders are, however, automatically adjusted every year in line with the salary compensation (see §2.1) paid to employees following tripartite negotiations and enacted in the Additional Remuneration Act. The year a specific Remuneration Order is reviewed, the salary adjustments made will come in addition to the general yearly salary compensation.

More details about the functioning of the National Remuneration Board are provided in Annex III.

2.3. Remuneration Order increases v. Salary Compensation

In this paragraph we would like to appreciate the relationship between the two institutional wage fixing systems of Mauritius: wage compensation and Remuneration

Order. No analysis at this stage is made on their impact on effective wages. This will be addressed in the subsequent paragraphs.

Table 7 shows the variation of the salary compensation rates over the period 2006-2013 and the rates of the Remuneration Order adjustments for the average lowest rates and the global average of all the rates.

It appears that the Remuneration Order adjustments are higher than the salary compensation for the lowest rates (2010 is an exception). Therefore, while the Remuneration Orders are adjusted every year in line with the salary compensation, they go further up due probably to the review made for one or several Remuneration order the same year. The fact that the increase is smaller for the average remuneration order rate over the last four years (with the exception of 2012) shows that the remuneration order adjustments play more in favor of the lowest wages. As a consequence, the wage differential between the global average Remuneration Order rate and the global lowest Remuneration Order rate decreases from 1.46 to 1.32 between 2006 and 2012 (see par. 3.2.2).

**7. Remuneration order rates vs. Salary compensation
% increases**

	2009/2006	2010	2011	2012	2013
compensation	21.8	5.1	3.5	3.2	5.5
RO lowest	30	4.1	3.6	7	7.9
RO average	25	4.1	2.4	5.9	5.4

2.4. Main conclusions on the Mauritian minimum wage support machinery

The machinery is both general and partial. General with a Compensation System which concerns most workers (employees paid over the maximum threshold could be excluded) and not only the lowest paid (even though the trend goes toward a system more focused on low wage earners). The Remuneration Order system is partial because it only concerns 50% of workers. Adding a national minimum wage to this machinery will make the system very complex to manage and coordinate. Therefore, the first step to take is for stakeholders to debate the type of minimum wage fixing system they want to build for Mauritius. In the last part of this report, a broad presentation of systems which exist in the world will be presented to help in this endeavor. However,

beforehand, the effects of the minimum wage machinery on effective wages will be analysed together with an analysis of low wages in Mauritius.

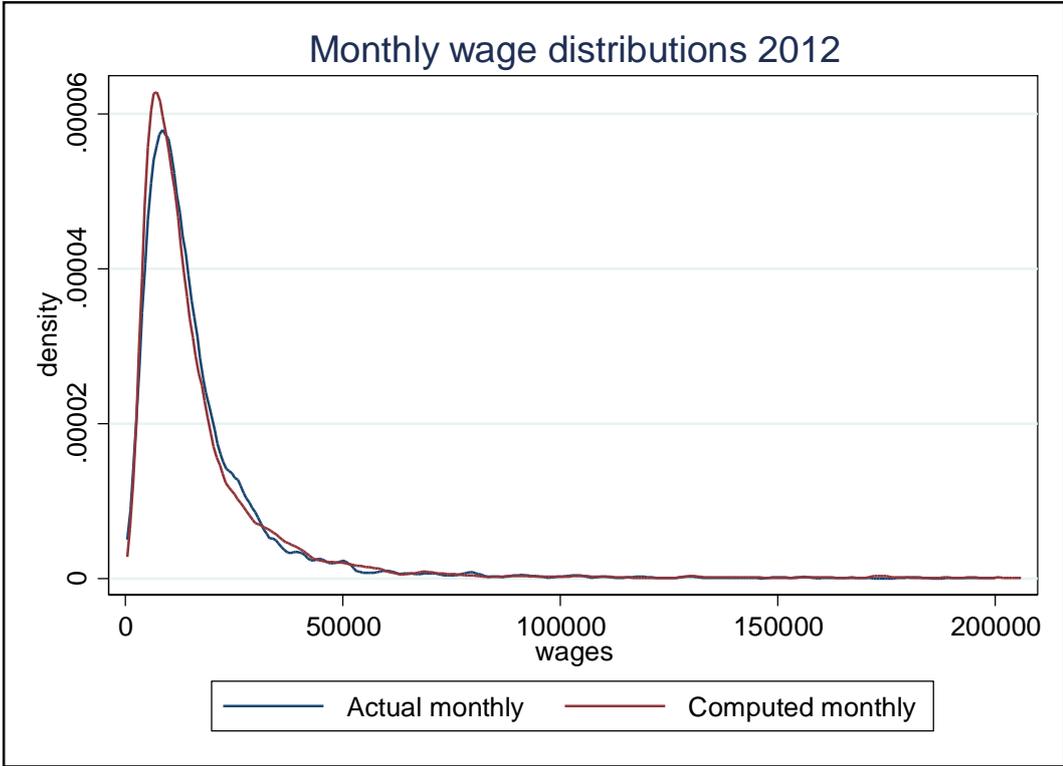
3. Low wages in Mauritius and the effectiveness of the minimum wage fixing machinery

The analysis will be conducted using the household surveys from 2006 and 2012. These are the best sources of data for wage study and for examining and identifying low wages features and trends. Such analysis will begin by examining the wage structure of the entire economy.

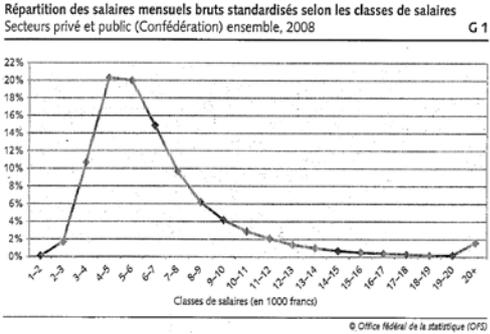
3.1. Wage distribution

Graph 8 shows that the wage distribution is rather sharp, meaning that wages are quite concentrated.

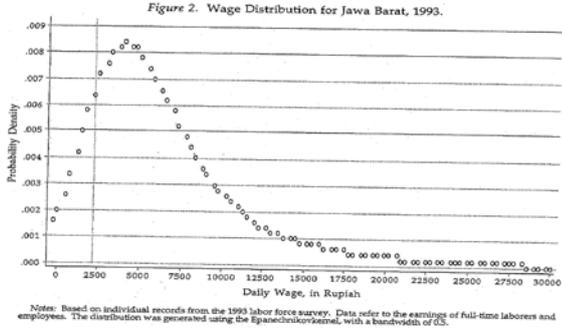
8. Wage distribution 2012 (actual and computed 40 hours) - truncated at the 99th percentile



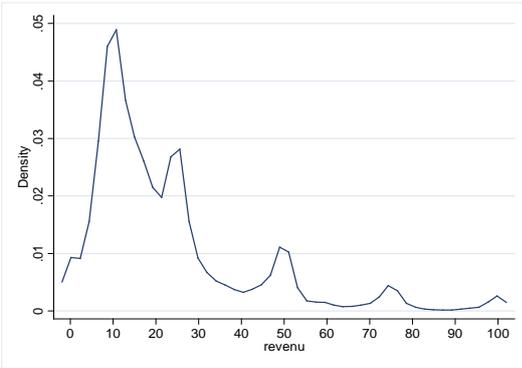
This shape is very much in line with what could be observed in most countries with a concentration of wage earners in a rather small salaries range at the bottom of the scale. This is illustrated bellow with examples from four contrasted countries.



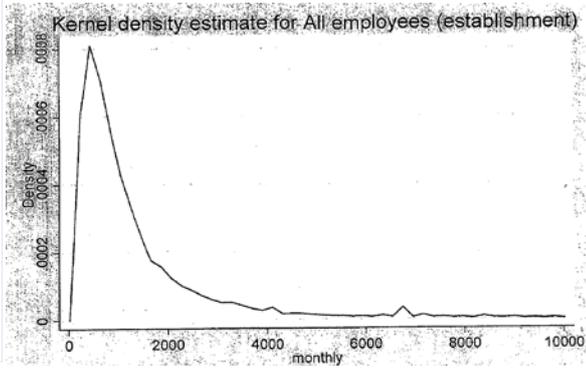
Switzerland (2008)



Indonesia (1993)



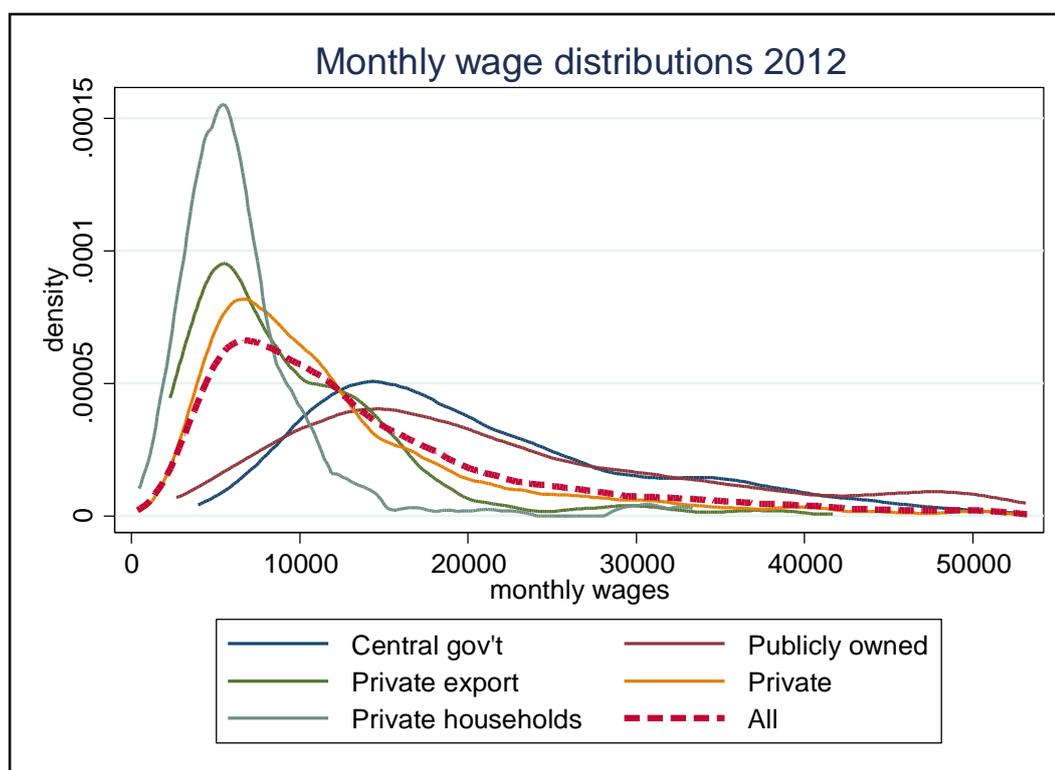
Cabo Verde (2009)



Egypt (2009)

Considering the sectorial wage distribution, Central Government and Public Owned and Controlled Enterprises are characterized by higher wages than the Private Sector; Private Export Enterprises and Private households lag behind. However, wage distributions display similar shapes. The concentration of wage earners in a lowest bottom range of the wage scale is much more marked in the private sector.

9. Wage distribution by type of employers (computed 40 hours) – truncated at the 95th percentile.



Wage distributions could also be expressed with key indicators as follow:

10. Monthly wage distribution and differentials (computed 40 hours) 2006 & 2012

Distribution	2006	2012
P10	3750	4960
Median	8240	11625
P90	21628	35500
P90/P10	5.8	7.2
Median/P10	2.2	2.3
RO A/L	1.46	1.32

The first line (P10) means that in 2012 the salaries of the 10% lowest paid workers are equal or under Rs4 960 whereas the salaries of the 10% highest paid workers are equal or above Rs35500. Therefore the wage differential (P90/P10) is 7.2 In other words; the highest paid employees earn 7.2 times more than the lowest paid. In addition, the table indicates that the median wage in Mauritius in 2012 was Rs 11 625. Therefore, the average worker earns 2.3 more than lowest-paid workers. The global wage differential increases between 2006 and 2012 from 5.8 to 7.2 and the wage differential between the median wage and the lowest paid is more or less stable, increasing slightly from 2.2 to 2.3. We will come back to this result in the next paragraph.

The Mauritian wage differential is situated in a medium range by international standard as illustrated in the following table.

11. Wage differentials in some countries

Country	D9/D1 (Latest year)
Maldives (2010)	4.3
Dominican Republic (2013)	5.5
Venezuela (2012)	5.8
Turkey (2012)	7.1
Brazil (2012)	7.3
Mauritius (2012)	7.5
Colombia (2013)	9.1
Malaysia (2012)	9.3
Peru (2012)	11.5
Costa Rica (2013)	13.9
Ecuador (2013)	23.6

Source: ILOSTAT; Note table XX: Please note the definition of D9/D1 is slightly different using the ILOSTAT data. The ILOSTAT data do not use data at the 10th and 90th percentile; rather they take the average wage of the first decile and compare it to the average wage of the 90th decile. For this reason, the value in the table above was re-calculated to be consistent with the other countries in the table and does not exactly match the values provided in table 3.

The same indicators could be calculated by type of employers.

12. Wage distribution and differentials by employer type

(Computed monthly, 40 hour work week)

2012

Distribution	Central Government	Publicly owned and controlled	Private export oriented	Private enterprises	Private households
P10	10076	9125	3636	4706	2967
Median	18411	20000	7619	10035	6000
P90	37693	50000	16370	32000	16694
P90/P10	3.7	5.5	4.5	6.8	5.6

13. Employee share by employer type

Employer type	Per cent of employees
Central government	15
Local government	1
Publicly owned and controlled enterprises	7
Private owned	4

business - export oriented enterprise	
Privately owned business - other	70
Private household services	3

Not surprisingly, the wage differential is much narrower in the Central Government. This is explained by a highly controlled wage policy and also by the fact that the occupations are much more homogeneous than in the other sectors.

The median wage is also much higher in the Central Government and the publicly controlled sector than in the private sector. This could be attributed, at least partially, to a higher level of education. Similarly, the lowest median wages in the export sector and private household are linked to a lower skill requirement. In addition, obviously, different wage policies apply.

3.2. Analysis of low wages in Mauritius and the role of the minimum wage machinery

Low wages are identified statistically as the lowest decile of the wage distribution. In other words, as seen before, the threshold for the economy in 2012 is Rs4 960, meaning that 10% of the workers earns 4 960 or less. The following table summarises the lowest wage thresholds by sector.

14. Low wage thresholds by sector 2012

Distribution	Central Government	Publicly owned and controlled	Private export oriented	Private enterprises	Private households	All economy
P10	10076	9125	3636	4706	2967	4960

It could be noted that the national threshold (Rs. 4 960) is close to the Private sector threshold:Rs 4 706. This is not surprising as the private sector employs 70% of workers. In contrast, the low wages threshold of the public sector is much higher than in the private sector. Private household low wage threshold deserves some comments. Domestic workers are protected by a specific Remuneration Order. In the 2013 Domestic Workers Remuneration Order, the lowest rate applying to the household workers category wasRs 4,784. Table 14 shows that the effective minimum wage for this sector is much lower and, actually, very closed to the Remuneration Order rate of the “domestic helpers” which has been removed in the Domestic Workers Remuneration Order of 2010. The rate for “domestic helper” was at that time Rs. 2909,75. It seems that this reference continues to play a role in fixing the lowest effective wage in this sector.

These levels could be compared with the different types of minimum wage references set by the Mauritian minimum wage machinery. This is what is done in the two next paragraphs; starting with the Compensation system and followed by the Remuneration Order system.

3.2.1. The effect of the Compensation system on low wages

In the following table, the salary compensation decisions for 2006 and 2012 have been reproduced:

SALARY COMPENSATION
2006/2007

MONTHLY WAGE OR SALARY	ADDITIONAL REMUNERATION PER MONTH
<i>In respect of employees whose basic wage or salary is up to Rs2,700 per month</i>	<i>5 per cent rounded up to the next rupee</i>
Above Rs2,700	Rs135

SALARY COMPENSATION
2012

MONTHLY BASIC WAGE OR SALARY	ADDITIONAL REMUNERATION PER MONTH
Up to Rs5,000	Rs330
Above Rs5,000 up to Rs7,000	6.6 per cent rounded up to the next rupee up to a maximum of Rs460
Above Rs7,000 up to Rs30,000	Rs460

For the year 2012, the minimum threshold has been fixed at Rs 5 000 which is similar to the effective low wage threshold of Rs4 960. In 2006, however, the minimum threshold was Rs. 2700 which is significantly lower than the 2006 effective wage threshold of RS. 3 750. It seems therefore that the compensation system has moved to a higher minimum

wage standard. It could be recall that the minimum threshold for 2013 is Rs 7 000 and for 2014 Rs 8 100 (see table 5) but household surveys does not exist for these years.

It is also noteworthy that the maximum threshold to benefit from a salary compensation (Rs 30 000) is close to the highest wages in the private sector: Rs 32 000 (table 12). From this point of view the compensation system remains a general wage increase system. However, as seen before, it does contribute to the protection of the lowest paid wage-earners.

We have seen above that, in theory, (everything else being equal) the decreasing compensation system should tend to reduce the wage differential (defined as the distance between the 10% highest paid and the 10% lowest paid employees). In reality, this hypothetical effect does not fully apply. Certainly not for the global wage differential which, instead, increase from 5.8 to 7.2 over the period 2006-2012. However an effect may be detected in the stabilization of the median wage differentials which increases only marginally from 2.2 to 2.3 over the same period. Therefore, if the Compensation system has an impact on the wage differentials it concerns only the lowest half range of the wage hierarchy.

3.2.2. The effect of the Remuneration Orders on low wages

As indicated in the introduction, it is not possible to establish a relevant connection between the household survey categories and the Remuneration orders occupations, and therefore between “institutional” wage rates and effective wages. This is why we have elaborated several proxy indicators to analyse the effect of the Remuneration Orders on effective wages.

It has already been indicated than the Remuneration Orders cover about 50% of the wage earners. Moreover, they cover mainly low and medium range categories of wage earners. This is why we consider that the Remuneration Orders rates could be compared to the effective wages of the wage earners whose salaries are from the lowest to the median (that covers half of the working population earning below the median wage). Indeed some sectors where this type of wage levels exist are not covered by the remuneration orders (see §2.2); conversely, some Remuneration rates are over the median wage. However the bulk of the workers covered by the Remuneration Orders is in a salary range below the effective median wage and vice and versa.

On this basis, the first table compares the average of the effective wages of the 50% of workers paid below the median wage (P50) and the average rate of all the remuneration orders.

It appears that these two figures are much closed and their ratio is constant. The observed effective average wage of the working population below the median wage (considered as the same working population covered by the Remuneration Orders), is very close to the average of all the remuneration orders. It may therefore well be that

the Remuneration Order System plays a significant role in fixing the effective wage of half of the working population.

15. Average wage and RO rates for wage earners paid bellow the median wage

	2006	2012
Average wage of wages less than P50	5349	7227
RO average	5355	7 254
Average<P50/RO average	0.99	0.99
Note: In comparing RO rates for 2006 and 2012, Travel agents and tour operators Remuneration order has been excluded as it did not exist in 2006.		

However the analyse of the lowest wage segment tells another story. Table 16 shows the average of the lowest RO rates and the average of the effective wages of the 10% less paid workers (first two lines). The averages of the lowest RO rates are, in this case, higher that the average of the lowest effective wage. It appears therefore that the Remuneration orders are not efficient in fixing the lowest effective wages. What is even worse from his point of view is thatthis capacity is even declining over the period 2006-2012 as shown by the fact thatthe ratio between the two is increasing (from 1.30 to 1.45). In other words while the Remuneration Order System supports actively the lowest wage rates by increasing them more than the other rates, this policy is not reflected in the effective wages levels and trends. This is confirmed by considering the ratios of the average/lowest (line 4 and 5). While the wage differentials of the RO rates is decreasing (policy in favor of the lowest wage rates of the Remuneration orders), the effective wage differentials is slightly increasing.

16. Average Lowest wage and Average lowest remuneration order rate

	2006	2012
Average lowest RO rate	3 658	5 482
Average wage of wages less than P10	2847	3777
Average low RO /Av.<P10	1.30	1.45
RO Average/Lowest	1.46	1.32
Average P50/Average<P10	1.8	1.9

To conclude, it appears that the Remuneration Order system seems to have an impact on the general trend of the effective wages on the 50% of workers paid under the median but its low wage support policy does not seem so effective.

Coming back to the minimum wage issue, the following table indicates the lowest rates of each remuneration order for the years 2006 and 2012. It also integrates the low wage

threshold of the 2006 and 2012 household survey (Rs4 960) and the salary compensation reference (Rs 5 000) for the same years.

17. Remuneration orders rates 2006

Export Enterprises	2067
PrivateSecondarySchoolEmployees	2096
DomesticWorkers	2355
Tailoring Trade	2400
CinemaEmployees	2452

Salary compensation threshold(2700)

Sugar Industry (Agricultural Workers)	2809
Pre-PrimarySchoolEmployees	2902
Salt-ManufacturingIndustry	3072
Nursing Homes	3085
FactoryEmployees	3242
TeaIndustryWorkers	3325
Field-crop and Orchard Workers	3325
LivestockWorkers	3325
Public Transport (Buses) Workers	3355
Electrical, Engineering and Mechanical Workshops	3381

Low wage threshold (3750)

CleaningEnterprises	3964
Catering and Tourism Industries	4065
Road HaulageIndustry	4218
Light Metal and Wooden Furniture Workshops	4253
BakingIndustry	4618
Printing Industry	4676
Blockmaking, Construction, RelatedIndust.	4681
Distributive Trades	4765
Newspapers and PeriodicalsEmployees	4985
Office Attendants	5015
Sugar Industry (Non-Agricultural Workers)	5071
Attorneys' and Notaries' Workers	5270

18. Remuneration orders rates

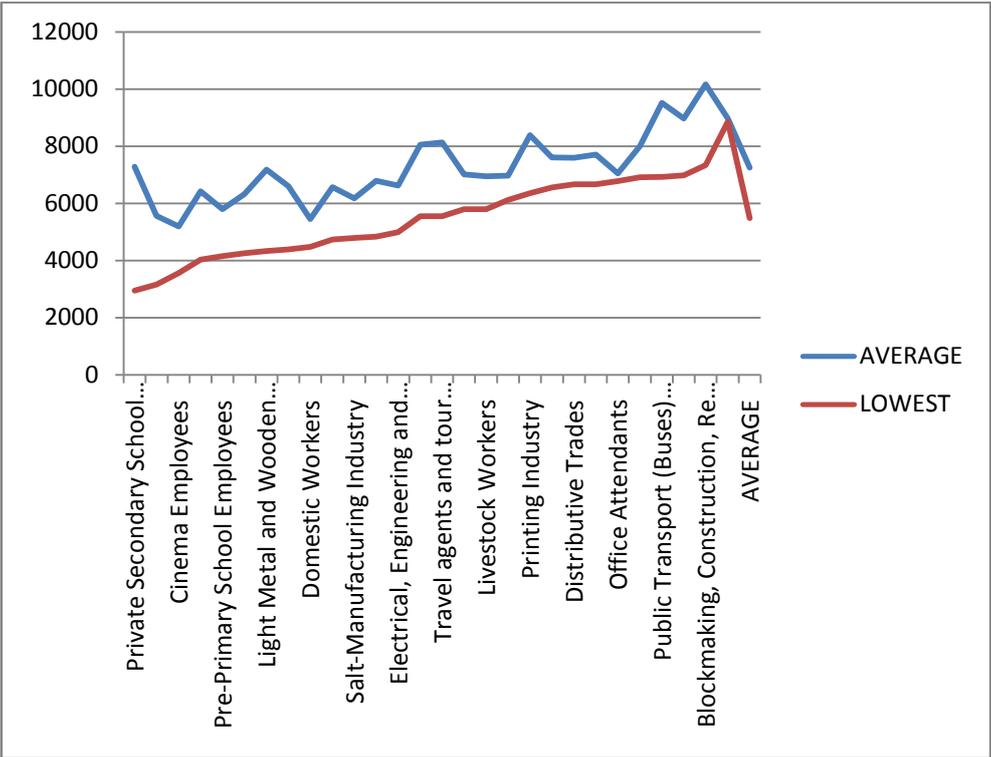
2012

	LOWEST
Private Secondary School Employees	2950
Export Enterprises	3157
Cinema Employees	3567
Sugar Industry (Agricultural Workers)	4037
Pre-Primary School Employees	4160
Tailoring Trade	4252
Light Metal and Wooden Furniture Workshops	4331
Factory Employees	4384
Domestic Workers	4484
Tea Industry Workers	4737
Salt-Manufacturing Industry	4792
Nursing Homes	4834
Low wage threshold (4960)	
Electrical, Engineering and Mechanical Workshops	4989
Salary compensation threshold(5000)	
Catering and Tourism Industries	5555
Travel agents and tour operators	5555
Field-crop and Orchard Workers	5792
Livestock Workers	5792
Cleaning Enterprises	6113
Printing Industry	6351
Baking Industry	6549
Distributive Trades	6663
Sugar Industry (Non-Agricultural Workers)	6664
Office Attendants	6781
Road Haulage Industry	6908
Public Transport (Buses) Workers	6923
Newspapers and Periodicals Employees	6978
Blockmaking, Construction, Related Indust.	7337
Attorneys' and Notaries' Workers	8851

Comparing 2006 and 2012 two main changes could be observed. First, the Compensation threshold has increased noticeably over the period, bringing it more in line with the effective low wage threshold. Second, low wage support has been active in some Remuneration Orders, public transport in particular. As a result the number of Remuneration Orders under the low wage threshold decreases from 15 to 12.

It should be noted that the Remuneration Orders displaying the lowest low remuneration rates are not necessarily low wage Remuneration Orders. Private secondary school employees RO is a perfect example as illustrated in the following graph indicating the lowest rates and the average rates of each Remuneration Order.

19. Remuneration order: comparison low and average rates 2012



Therefore, it is essential to note at this stage that fixing a minimum wage in such a grading system which would bring an across the board increase of the lowest rates could produce a spill over effect within the remuneration order wage grading. This could therefore lead to a general wage increase. This is the main reason why a discussion on the introduction of a national minimum wage cannot be disconnected from a discussion on the reform of the existing minimum wage machinery.

3.2.3. Sectorial impact of a minimum wage

So far low wages have been analysed in the context of the current minimum wage machinery system. Remuneration orders however do not cover the whole economic structure. The following table presents the wage structure by sector. It shows the sectors which could be the most concerned by a general increase of low wages.

20. Employee share and wage levels by industry 2012

Employee share by industry. Wages truncated at the 95th percentile by industry.

Industry	Per cent of employees	P10 monthly wage (40 hr week)	Median monthly wage (40 hr week)	Mean monthly wage (40 hr week)
Activities of households	6.1	2951	5690	7059
Manufacturing	16.7	4000	8356	10077
Administrative and support service activities	5.3	4000	8000	10383
Wholesale retail trade	11.8	4333	8373	10162
Other service activities	1.1	4500	7500	9314
Low wage threshold		4960		
Accommodation and food services	8.5	5000	8903	10106
Water, sewerage, waste, remediation	1	5067	11715	14193
Arts, entertainment, recreation	1.6	5333	11381	12996
Human health and social work	3	5750	14471	16586
Agriculture, forestry, fishing	4.6	6000	11447	20173
Education	6.3	6000	21895	22822
Transport and storage	5.4	6397	12422	16828
Mining and quarrying	0.3	6029	13267	12487
Real estate	0.3	6667	15579	16186
Construction	6.6	6512	12083	16147
Professional, scientific, technical activities	2.3	8000	17000	21657
Electric, gas, steam and air conditioning	0.6	8095	19251	19307
Information and communication	2.1	8444	21833	23883
Public administration, defence, social security	12.1	9315	16812	18533
Financial and insurance services	3.9	10000	18500	22665

4. Minimum wages: International experiences

4.1. Minimum wage scenarios

There are two main ways of calculating the minimum wage. One is to take into account the CPI basket which in Mauritius was Rs 23 930 in 2012 for a four persons household. It should be noted however that there is a national poverty line which does not exist in Mauritius. One of the problems with this measure as a wage fixing methodology is that it is a household income based reference and not a wage based reference. To appreciate the household capacity to reach this minimum living standard more variables should be taken into account like the number of wage earners in the household or the additional sources of incomes, including those in kind. In this regard several state benefits are granted in Mauritius which are listed in the following table. With the exception of the

basic pensions, the other schemes are additional incomes which come in addition to the wage earned by workers.

21. List of Social Assistance Schemes

Schemes	Actual Exp. 2013 (Rs Million)
1. Basic Pensions	
-Basic Retirement Pension	8,027
-Basic Invalidity Pension	1,162
-Basic Widows Pension	842
-Basic Orphan's Pension	14
-Carer's Allowance	154
-Guardian's Allowance	3
-Inmates Allowance	6
Total	10,208
2. Assistance to SC/HSC Exams	143
3. Social Aid	
-Social Aid (Single mothers, Unemployment Hardship Relief, Immediate Payment, Fire Victims, Flood, Taxi Fare, Medical Allowance, RBF HIV, Diapers, Children attending university, Funeral Grant)	496
-Income support on rice and flour	286
	68
-Bad Weather Allowance to fishermen	45
-SRM Child Allowance	895
Total	
4. Social Housing	
-Roof Slab Grant	87
-CIS / CCIS houses + Integrated Houses under NEF	108
Total	195
5. Support to Education	12,012
6. Expenditure on free Health	8,537
7. Free Bus transport	1,032
8. Subsidies on rice, flour & gas	1,355
Grand Total (out of Total Government Budget of Rs 92,667 million)	34,377

This is one of the main reason why another methodology is often used based on the average or median wages. Indeed in this case, the CPI basket measure could be used to adjust the minimum wage figure. **In Mauritius median and average wages are:**

Median wage (2012)	11625
Mean wage (2012)	20993

In this regard, international evidence shows that developed economies commonly set their MW between 35-60% of the median wage (between Rs. 4069-6975). Among all countries for which we have data, many countries set their minimum wage around 40% of the mean wage (8397). Therefore, the 35-60% formula establishes a ranges of potential monthly minimum wages from Rs4 069 to Rs 6 975. The 40% reference gives a potential minimum wage of Rs 8 397.

The monthly wage bill is calculated by summing the wages of all employees in the economy. The various thresholds represent the monthly level below which no one can have a monthly wage. For example, at the 3800 rupee threshold, the wages of employees earning less than 3800 rupees a month are changed to equal 3800 rupees; then the sum of the wages of all employees is calculated. Similarly, at the 8 397 rupee threshold, all employees who earn a wage less than this are changed to equal 8138 rupees; then the sum of the wages of all employees is calculated.

22. Minimum wages calculated on the basis of the actual wages (30% to 60% Median and 40% Average)

Monthly wage (computed 40 hour work week)	Percentage of employees earning at or less than threshold	Per cent increase in the monthly wage bill	Monthly Wage bill – 40 hour week (150'498'817 rupees)
3800	4.4	0.2	150743280
4069	5.8	0.2	150839058
4800	9.5	0.5	151232994
5069	11.2	0.6	151428636
5800	16.0	1.1	152136503
6069	17.7	1.3	152460829
6975	23.4	2.2	153788886
7069	24.2	2.3	153950045
8000	31.0	3.5	155765595
8397	32.6	4.1	156666810
9000	36.3	5.1	158140397
10000	42.4	6.9	160907058
11000	47.2	9.0	164088158
12000	51.6	11.4	167623622
13000	56.4	14.0	171513809

The table indicates that depending on the figure adopted, 4.4 to 32.6 per cent of workers would benefit from the minimum wage (if there was full compliance and no dis-employment effects). The table gives also the financial impact of the measure on the national wage bill. Generally, the larger the increase in the monthly wage bill, the more likely the particular minimum wage level may contribute to rising levels of inflation.

4.2. The choice of the minimum wage machinery

In the previous paragraphs the main elements and data which should be taken into account to fix a minimum wage have been presented. Indeed, no precise figure has been highlighted as the level of the minimum wage is basically a bargaining issue which should be addressed by the Mauritian stakeholders.

However, before fixing a minimum wage, Mauritius has another issue to address: the type of minimum wage machinery to be implemented. For the time being, we have seen that there are two parallel mechanisms which support low wage workers: the compensation system and the Remuneration order system. International experiences show that simpler mechanisms are more easily understood and consequently more effectively enforced. Therefore it is strongly advised not to add a new system to the ones which already exist, but rather to reform the machinery as a whole and elaborate a single coherent and efficient system.

The following paragraphs present the minimum wage fixing system which exists in other countries to help guide the Mauritian authorities and the social partners on the direction of a reform.

Throughout the world, an estimated 90% of all countries have some kind of minimum-wage setting procedure (see ILO, Global Wage Report 2008/2009 and Patrick Belser and Kristen Sobeck, At what level should countries set their minimum wages? International Journal of Labour Research, 2012 Vol. 4 Issue 1).

One striking feature, however, is their impressive diversity. Some countries implement relatively straightforward national minimum wages – which are economy-wide wage floors which apply to all workers, with some possible variation by regions or broad categories of workers (in particular young workers or other groups such as domestic workers). Examples include the UK's national minimum wage or the SMIC in France. Another example is the U.S. federal minimum wage. There are also a number of developing countries which rely on such relatively simple systems, including Brazil (with one national level), China (one level by Province), or much of francophone West Africa.

A minority of countries implement more complex systems of sectorial and/or occupational minimum wages. Systems in which public authorities determine such multiple minimum wage rates for different economic activities or occupations, are relatively more frequent in developing countries. Such minimum wage policies have

often been implemented in order to compensate for the absence of collective bargaining in some sectors. In South Africa, for example, the Government sets minimum wages through so-called “Sectorial Determinations” in sectors characterized by a non-unionized and vulnerable workforce. Since 2002, this includes domestic workers and farm workers – categories which include some of the lowest-paid and poorest workers in the economy. Similar systems of mandated minimum wages at sectorial or occupation level exist in a rather large number of countries in Africa, Asia, and Latin America.

23. National and sectorial minimum wages

(% of total countries with a minimum wage)

	National minimum wages	Minimum wages by sectors and/or occupations
Latin America and the Caribbean	43	57
Asia and the Pacific	47	53
Africa	69	31
Middle East	100	0
Developed economies and European Union	67	33
Central and South-Eastern Europe(non-EU)and Commonwealth of Independent States (CIS)	100	0
Total	60	40

Source: ILO Wage Database

While both systems are legitimate and depend much on the historical choices in each individual country, the ILO Global Wage Report 2008/09 considered that it was preferable to keep the institutional design of minimum wage fixing as simple as possible. Indeed, simple designs are easier to communicate and raise awareness about to the general public. Hence, even with industry-specific rates, it is advisable to keep the number of rates within a manageable range. In addition, it must be remembered that industry-specific rates were initially considered as a temporary second best option to be suppressed once collective bargaining developed. However, very often the system ultimately “crowds out” rather than encourages collective bargaining – turning into a permanent rather than a temporary “second best”.

Finally the last table gives some examples of minimum wages in a selected number of countries both in dollars and in “Purchasing Power Parity” which take into account the price of the commodities in each country.

24. Minimum wages in some countries (2012)

Country name	USD	PPP\$
Algeria	232	531
Morocco (textile)	270	561
South Africa (retail sector)	280	439
Indonesia (Jakarta)	119	268
Thailand (Bangkok)	251	602
Thailand (lowest MW)	123	296
Romania*	202	346
Armenia	81	176
Costa Rica*	420	600
Panama* (small enterprises)	366	639

Source: ILO database; * High medium income countries

5. Conclusion

The objective of this report was not to present a ready-made minimum wage fixing machinery. To be sustainable, such a system should be the result of a large debate and social dialogue. Instead, the objective was to present the main dimensions to take into account for such a debate, basically the fundamental characteristics of the current minimum wage machinery and of the wage structure. All these facts and data should then be used to start an examination of the best options to reform the current system of minimum wage fixing.

ANNEXES

I- Salary compensations since 2000

SALARY COMPENSATION 2000/2001
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<u>MONTHLY WAGE OR SALARY</u> <i>In respect of employees whose basic wage or salary is Rs3,000 per month or less</i>	<u>RS PER MONTH</u> <i>5.5% rounded up to the next rupee or Rs110 whichever is the higher</i>
<i>Above Rs3,000 up to Rs4,000</i>	165
<i>Above Rs4,000 up to Rs5,000</i>	170
<i>Above Rs5,000 up to Rs6,000</i>	175
<i>Above Rs6000 up to Rs7,000</i>	180
<i>Above Rs7,000 up to Rs8,000</i>	185
<i>Above Rs8,000</i>	190

SALARY COMPENSATION 2001/2002
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<u>MONTHLY WAGE OR SALARY</u>	<u>RS PER MONTH</u>
<i>In respect of employees whose basic wage or salary is Rs3,200 per month or less</i>	<i>5% rounded up to the next rupee or Rs100 whichever is the higher</i>
<i>Above Rs3,200 up to Rs4,000</i>	<i>Rs160</i>
<i>Above Rs4,000 up to Rs5,000</i>	<i>Rs170</i>
<i>Above Rs5,000 up to Rs6,000</i>	<i>Rs180</i>
<i>Above Rs6,000 up to Rs7,000</i>	<i>Rs190</i>
<i>Above Rs7,000 up to Rs8,000</i>	<i>Rs200</i>
<i>Above Rs8,000</i>	<i>Rs210</i>

**SALARY COMPENSATION
2002/2003**

<u>MONTHLY WAGE OR SALARY</u> <i>In respect of employees whose basic wage or salary is Rs3,500 per month or less</i>	<u>RS PER MONTH</u> <i>6.5% rounded up to the next rupee or Rs130 whichever is the higher</i>
<i>Above Rs3,500 up to Rs4,000</i>	<i>Rs230</i>
<i>Above Rs4,000 up to Rs5,000</i>	<i>Rs240</i>
<i>Above Rs5,000 up to Rs6,000</i>	<i>Rs250</i>
<i>Above Rs6,000 up to Rs7,000</i>	<i>Rs260</i>
<i>Above Rs7,000 up to Rs8,000</i>	<i>Rs270</i>
<i>Above Rs8,000</i>	<i>Rs280</i>

**SALARY COMPENSATION
2003/2004**

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<u>MONTHLY WAGE OR SALARY</u>	<u>RS PER MONTH</u>
<i>In respect of employees whose basic wage or salary is Rs3,700 per month or less</i>	<i>5.1% rounded up to the next rupee or Rs120 whichever is the higher</i>
<i>Above Rs3,700 up to Rs4,000</i>	<i>Rs200</i>
<i>Above Rs4,000 up to Rs5,000</i>	<i>Rs210</i>
<i>Above Rs5,000 up to Rs6,000</i>	<i>Rs220</i>
<i>Above Rs6,000 up to Rs7,000</i>	<i>Rs230</i>
<i>Above Rs7,000 up to Rs8,000</i>	<i>Rs240</i>
<i>Above Rs8,000</i>	<i>Rs250</i>

**SALARY COMPENSATION
2004/2005**

<u>MONTHLY WAGE OR SALARY</u> <i>In respect of employees whose basic wage or salary is Rs4,000 per month or less</i>	<u>RS PER MONTH</u> <i>4.5% rounded up to the next rupee or Rs115 whichever is the higher</i>
<i>Above Rs4,000 up to Rs5,000</i>	<i>Rs180</i>
<i>Above Rs5,000 up to Rs6,000</i>	<i>Rs190</i>
<i>Above Rs6,000 up to Rs7,000</i>	<i>Rs200</i>
<i>Above Rs7,000 up to Rs8,000</i>	<i>Rs210</i>
<i>Above Rs8,000</i>	<i>Rs220</i>

**SALARY COMPENSATION
2005/2006**

<p style="text-align: center;"><u>MONTHLY WAGE OR SALARY</u></p> <p style="text-align: center;"><i>In respect of employees whose basic wage or salary is up to Rs2,700 per month</i></p>	<p style="text-align: center;"><u>ADDITIONAL REMUNERATION PER MONTH</u></p> <p style="text-align: center;"><i>Rs170</i></p>
<p style="text-align: center;"><i>Above Rs2,700 up to Rs4,300</i></p>	<p style="text-align: center;"><i>6.2% rounded up to the next rupee or Rs170 whichever is the higher</i></p>
<p style="text-align: center;"><i>Above Rs4,300 up to Rs5,000</i></p>	<p style="text-align: center;"><i>Rs270</i></p>
<p style="text-align: center;"><i>Above Rs5,000 up to Rs6,000</i></p>	<p style="text-align: center;"><i>Rs280</i></p>
<p style="text-align: center;"><i>Above Rs6,000 up to Rs7,000</i></p>	<p style="text-align: center;"><i>Rs290</i></p>
<p style="text-align: center;"><i>Above Rs7,000 up to Rs8,000</i></p>	<p style="text-align: center;"><i>Rs300</i></p>
<p style="text-align: center;"><i>Above Rs8,000</i></p>	<p style="text-align: center;"><i>Rs310</i></p>

SALARY COMPENSATION

2006/2007

MONTHLY WAGE OR SALARY	ADDITIONAL REMUNERATION PER MONTH
<i>In respect of employees whose basic wage or salary is up to Rs2,700 per month</i>	<i>5 per cent rounded up to the next rupee</i>
Above Rs2,700	Rs135

SALARY COMPENSATION

2007/2008

Monthlywage or salary	Additionalremuneration per month
In respect of employees whose basic wage or salary is up to Rs3,000 per month	8.7 per cent rounded up to the next rupee
Above Rs3,000 up to Rs6,500	Rs300
Above Rs6,500 up to Rs8,000	Rs350
Above Rs8,000	Rs400

SALARY COMPENSATION

2008/2009

MONTHLY WAGE OR SALARY	ADDITIONAL REMUNERATION PER MONTH
<i>In respect of employees whose basic wage or salary is up to Rs3,500 per month</i>	<i>8.1 per cent rounded up to the next rupee</i>
Above Rs3,500 up to Rs6,500	Rs300
Above Rs6,500 up to Rs8,000	Rs350
Above Rs8,000	Rs400

SALARY COMPENSATION

2009/2010

Monthly Basic Wage or Salary	Additional Remuneration Per Month
Up to Rs3,800	5.1 per cent rounded up to the next rupee
Above Rs3,800 up to Rs12,000	Rs200

SALARY COMPENSATION

2010

Monthly Basic Wage or Salary	Additional Remuneration Per Month

Up to Rs4,000	3.5 per cent rounded up to the next rupee
Above Rs4,000 up to Rs12,000	3.5 per cent rounded up to the next rupee
Above Rs12,000	Rs420

SALARY COMPENSATION

2011

BASIC WAGE OR SALARY	ADDITIONAL REMUNERATION PER MONTH
Up to Rs5,000 per month	3.2 per cent rounded up to the next rupee
Above Rs5,000 up to Rs12,000 per month	Rs175
Above Rs12,000 up to Rs30,000 per month	Rs190

SALARY COMPENSATION

2012

MONTHLY BASIC WAGE OR SALARY	ADDITIONAL REMUNERATION PER MONTH
Up to Rs5,000	Rs330
Above Rs5,000 up to Rs7,000	6.6 per cent rounded up to the next rupee up to a maximum of Rs460
Above Rs7,000 up to Rs30,000	Rs460

SALARY COMPENSATION

2013

Monthly Basic Wage or Salary	Additional Remuneration Per Month
Up to Rs7,000	Rs300
Above Rs7,000 up to Rs8,000	4.3 per cent rounded up to the next rupee
Above Rs8,000	Rs345

SALARY COMPENSATION

2014

Monthly Basic Wage or Salary	Additional Remuneration Per Month
Up to Rs 8,100	Rs300
Above Rs 8,100 up to Rs20,000	3.7 per cent rounded up to the next rupee

II- List of Social Assistance Schemes

Schemes	Actual Exp. 2013 (Rs Million)
1. Basic Pensions	
-Basic Retirement Pension	8,027
-Basic Invalidity Pension	1,162
-Basic Widows Pension	842
-Basic Orphan's Pension	14
-Carer's Allowance	154
-Guardian's Allowance	3
-Inmates Allowance	6
	10,208

Total	
2. Assistance to SC/HSC Exams	143
3. Social Aid	
-Social Aid (Single mothers, Unemployment Hardship Relief, Immediate Payment, Fire Victims, Flood, Taxi Fare, Medical Allowance, RBF HIV, Diapers, Children attending university, Funeral Grant)	496
-Income support on rice and flour	286
-Bad Weather Allowance to fishermen	68
-SRM Child Allowance	45
Total	895
4. Social Housing	
-Roof Slab Grant	87
-CIS / CCIS houses + Integrated Houses under NEF	108
Total	195
5. Support to Education	12,012
6. Expenditure on free Health	8,537
7. Free Bus transport	1,032
8. Subsidies on rice, flour & gas	1,355
Grand Total (out of Total Government Budget of Rs 92,667 million)	34,377

III: The National Remuneration Board (NRB)

The National Remuneration Board is a quasi-judicial institution established under section 45 of the repealed Industrial Relations Act and which is now deemed to have been set up under section 90 of the Employment Relations Act 2008.

It is an institution which is mandated under the law to conduct investigation and to make recommendations to the Minister of labour regarding minimum remuneration and specific terms and conditions of employment only in sectors which are referred to it by the Minister.

The Board of the NRB consists of a chairperson and a vice chairperson who are barristers, holding a Public Office and 8 members: one representative of the ministry responsible for the subject of economic development, one representative of the ministry responsible for the subject of industry, 2 representatives of workers, 2 representatives of employers and 2 independent members.

The Board of the NRB is assisted by a multidisciplinary team of technical staffs which include Remuneration Analysts, Senior Labour Officers, Statistical Officer on seconded to duty from Statistics Mauritius and an Accountant on an ad hoc basis.

At present there are 30 distinct sectors of the economy which are governed by Remuneration Regulations and recommendations made by the NRB form the basis of those remuneration Regulations.

BRIEF HISTORY

The NRB was established in 1974 to set a system of wage determination and terms of conditions of employment for the private sector. Prior to the establishment of the NRB the first minimum wage ordinances were implemented in the 1940s in sectors such as agriculture, baking and printing. In 1950 the Minimum Wages Advisory Boards and Commission was the first institution to be established to regulate wages and the following sectors were consequently regulated: Female Factory Workers, Printing Trade, Messengers, Shopping Trade, Domestic Servants, Sugar Industry in respect of labourers and artisans. In 1961 the Regulations of Wages and Conditions of Employment Ordinance extended the scope of the Wages Advisory Council to enable the regulations of conditions of employment as well.

It covers 30 employment sectors representing 80% of the labour force in the private sector.

The enactment of minimum wages was the result of both internal and external factors. Internal factors include industrial unrests and strikes of workers during the 1930's and early 1970's. The most significant external factor was the ratification of ILO Co26 Minimum Wage – Fixing Machinery Convention, 1928 on 02 Dec 1969.

EVOLUTION OF WAGE SETTING

The first Remuneration Orders were issued in 1974, namely, The Sugar Industry (Agricultural) Workers R.O. and The Road Passenger Transport Industry (Buses) R.O. which pictured the prevailing economic situation whereby the economy was dominated by agriculture and where buses were the main means of transportation. The NRB has kept abreast with the economic development of the country. New R.Os were made to cater for emerging manufacturing sector such as EPZ, Factory, Distributive Trades, Office Attendants (Messengers), Road Haulage, Printing Industry, etc. The transition towards a service economy witnessed the publication of new R.Os such as Security Guards, Cleaning Enterprises, Domestic Workers and most recently the Travel Agents and Tour Operators Workers.

Minimum wage legislation is compulsory in selected sectors. No worker should be paid below the wage that has been set. However, remuneration orders does not debar employers from paying higher wages if they can so afford. Sectors are viewed as an aggregate unit during the elaboration of R.Os, i.e., establishments of different sizes, are taken into account. Thus, provisions are set such that they do not affect their good running, and more favourable conditions of employment are left to negotiation between employers and employees.

Minimum wage policy provides social protection to vulnerable and unorganized/informal workers, sectors uncovered by collective bargaining and therefore most vulnerable to unduly low wages and exploitation (e.g. domestic workers, cleaners etc). It is also in line with strategies to increase opportunities for decent employment where workers are guaranteed, amongst others to a fair income and security in the workplace.

The issues of enforcement and compliance are important for the effective implementation of minimum wages.

LIST OF THE 30 REMUNERATION ORDERS AND THEIR LAST DATE OF REVIEW:

1.	Attorneys' and Notaries' Employees (Remuneration) Regulations 2010 <i>(Last revised 2010...GN 192/2010)</i>
2.	Baking Industry (Remuneration Order) Regulations 2003 <i>(Last revised 2003...GN 130/2003)</i>
3.	Banks Fisherman and Frigo-workers (Remuneration Order) Regulations 1997 <i>(Under Review...(Last revised 1997...GN 144/1997)</i>
4.	Blockmaking, Construction, Stone Crushing and Related Industries (Remuneration Order) Regulations 2003 <i>(Last revised 2008...GN 142/2008)</i>
5.	Catering and Tourism Industries (Remuneration Order) Regulations 2004 <i>(Final recommendations submitted 17/03/2014. (R.O was Last revised 2004...GN 178/2004)</i>
6.	Cinema Employees (Remuneration Order) Regulations 2005 <i>(Last revised 2005...GN 171/2005)</i>

7.	Cleaning Enterprises (Remuneration Order) Regulations 1995 <i>(Last revised 2013...GN 191/2013)</i>
8.	Distributive Trades (Remuneration Order) Regulations 2004 <i>(Last revised 2007...GN 23/2007)</i>
9.	Domestic Workers (Remuneration) Regulations 2010 <i>(Last revised 2010...GN 223/2010)</i>
10.	Electrical, Engineering and Mechanical Workshops (Remuneration Order) Regulations 1983 <i>(Last revised 2013...GN 334/2013)</i>
11.	Export Enterprises (Remuneration Order) Regulations 1984 <i>(Last revised 2003...GN 71/2003)</i>
12.	Factory Employees (Remuneration Order) Regulations 2001 <i>(Last revised 2001...GN 141/2001)</i>
13.	Field-Crop and Orchard Workers (Remuneration Order) Regulations 2008 <i>(Last revised 2008...GN 48/2008)</i>
14.	Light Metal and Wooden Furniture Workshops (Remuneration Order) Regulations 2002 <i>(Last revised 2002...GN 67/2002)</i>
15.	Livestock Workers (Remuneration Order) Regulations 2008 <i>(Last revised 2008...GN 141/2008)</i>
16.	Newspapers and Periodicals Employees (Remuneration Order) Regulations 2001 <i>(To be reviewed...(Last revised 2001...GN 55/2001))</i>
17.	Nursing Homes (Remuneration Order) Regulations 1984 <i>(Last revised 1990...GN 105/1990)</i>
18.	Office Attendants (Remuneration Order) Regulations 2000 <i>(Last revised 2013...GN 326/2013)</i>

19.	Pre-Primary School Employees (Remuneration Order) Regulations 2000 <i>(Last revised 2000...GN 101/2000)</i>
20.	Printing Industry (Remuneration Order) Regulations 1984 <i>(Final Recommendations submitted on 04/07/2013) (R.O was Last revised 2003...GN 1/2003)</i>
21.	Private Secondary School Employees (Remuneration Order) Regulations 1984 <i>(Last revised 1984...GN 181/1984)</i>
22.	Public Transport (Buses) Workers (Remuneration Order) Regulations 2008 <i>(Final recommendations submitted on 24/03/2014 but recommendation has been referred back for reconsideration on 07/05/2014) (R.O was last revised 2008...GN 76/2008)</i>
23.	Road Haulage Industry (Remuneration) Regulations 2009 <i>(Last revised 2009... GN 144/2009)</i>
24.	Salt-Manufacturing Industry (Remuneration Order) Regulations 1983 <i>(Last revised 1994...GN 187/1994)</i>
25.	*Security Guards (Remuneration Order) Regulations 1986 <i>(Last revised 1990...GN 246/1990)</i> <i>*Note: The RO was revised in 1997. Same was revoke and was followed by a PAT Award</i>
26	Sugar Industry (Agricultural Workers) (Remuneration Order) Regulations 1983 <i>(Last revised 2010...GN 80/2010)</i>
27	Sugar Industry (Non-Agricultural Workers) (Remuneration Order) Regulations 1985 <i>(Last revised 2010...GN 81/2010)</i>
28.	Tailoring Trade (Remuneration Order) Regulations 2001 <i>(Last revised 2002...GN 4/2002)</i>
29.	Tea Industry Workers (Remuneration Order) Regulations 1984

	<i>(Last revised 1992...GN 150/1992)</i>
30.	Travel Agents and Tour Operators Workers (Remuneration) Regulations 2009 <i>(Last revised 2009...GN 38/2009)</i>

WHEN DOES THE MINISTER REFER A PARTICULAR SECTOR TO THE NRB FOR ITS RECOMMENDATIONS?

Section 91 of the Employment Relations Act 2008 stipulates that the Minister *may* refer a particular sector to the NRB where:

- ▶ He is satisfied that *no arrangements exist in an industry for the effective regulation of wages and conditions of employment by collective agreements or otherwise;*
- ▶ A *request has been made by a joint consultative or negotiating body composed of a substantial number of workers and employers in an industry not covered by collective agreement.*

HOW THE NRB PROCEED TO MAKE ITS RECOMMENDATIONS FOLLOWING A REFERRAL MADE BY THE MINISTER

When a particular sector is referred to the NRB by the Minister, it becomes mandatory for the Board to submit to him a recommendation on the minimum remuneration and specific terms and conditions of employment for that sector.

- ▶ The Board causes a notice to be published in the Government gazette and 3 daily newspapers where it invites interested parties to submit written representations within a delay set by the Board.
- ▶ After receipt of the written representations, Public hearings are held where parties are summoned by the Board to come and depone before it to substantiate their written proposals and to provide information that may be helpful to the Board in making its recommendations.
- ▶ Following the Public Hearings the Technical Team of the Board conduct surveys from among a list of sampled enterprises and carry out interviews on both employers and employees at different workplaces in an attempt to gauge the prevailing situation in the sector.
- ▶ Once the field investigation is over and a position paper/technical report is submitted by the technical team, the Board makes its proposed recommendations on minimum remuneration and on the specific terms and conditions of employment.

FACTORS WHICH THE BOARD TAKES INTO CONSIDERATION WHEN MAKING RECOMMENDATIONS

The Board follows the following guidelines which are set under section 97 of the Employment Relations Act 2008:

- ▶ the interests of the persons immediately concerned and the community as a whole;
- ▶ the need to promote decent work and decent living;
- ▶ the need to promote gender equality and to fix wages on the basis of job content;
- ▶ the principles of natural justice;
- ▶ the need for Mauritius to maintain a favourable balance of trade and balance of payments;
- ▶ the need to ensure the continues ability of the Government to finance development programmes and recurrent expenditure in the public sector;
- ▶ the need to increase the rate of economic growth and to protect employment and to provide greater employment opportunities;
- ▶ the need to preserve and promote the competitive position of local products in overseas market;
- ▶ the capacity to pay of enterprises;
- ▶ the need to develop schemes for payment by results and, as far as possible, to relate increased remuneration to increased labour productivity;
- ▶ the need to prevent gains in the wages of workers from being adversely affected by price increases;
- ▶ the need to establish and maintain reasonable differentials in rewards between different categories of skills and levels of responsibility;
- ▶ the need to maintain a fair relation between the incomes of different sectors in the community; and
- ▶ the principles and best practices of good employment relations.

WHAT HAPPENS WHEN A PROPOSED RECOMMENDATION IS MADE BY THE BOARD

It causes a notice to be published in the Government Gazette and 3 daily newspapers to inform interested parties that the proposed recommendations can be collected at the office of the Board and it inform parties of a statutory delay of 14 days from the date of last publication of the notice within which counter representations can be made.

FINAL RECOMMENDATIONS

After receipt of the counter representations, the Board has a statutory delay of 14 days to submit its final recommendations to the Minister.

During the two weeks the Board examine all the counter representations received and in light of the guidelines set under section 97 of the Employment Relations Act 2008 and other evidence gathered from its investigation, it submits its final recommendations to the Minister.

The final recommendation may be with or without amendment to the proposed recommendations.

WHAT HAPPENS AFTER A FINAL RECOMMENDATION IS MADE BY THE BOARD

When the minister receives a recommendation from the Board he may:

- ▶ Make regulations to implement the recommendation
- ▶ Reject the recommendation and make no regulations or make regulations as he thinks fit; or
- ▶ Refer the recommendation back to the Board with a request to reconsider the recommendation in the light of any observations he may make.

Where the Minister refers a recommendation back to the Board, the Board shall reconsider its recommendation and submit a fresh recommendation to the Minister; and

Upon receipt of a fresh recommendation the Minister may:

- ▶ Make regulations to implement the recommendation
- ▶ Reject the recommendation and make no regulations or make regulations as he thinks fit.

When the Minister makes regulations, he shall cause the regulations to be published in the Government Gazette and in at least 3 daily newspapers.

MINIMUM WAGE DETERMINATION

Minimum wages and collective bargaining

Statutory minimum wages are not a substitute for wage bargaining.

The main purpose of minimum wages is to set a floor for wages in the whole industry.

Union can and whenever possible should increase the wages of the lowest paid above the minimum wage. This means that in industries where there is a significant coverage of workers by collective agreement and there exists a strong union movement, statutory minimum wages are of secondary importance.

Still, statutory minimum wages can give an orientation of how the low wage sector should develop.

Computation of proposed minimum wages

- ▶ During surveys, proposed wages are gathered from employees and employers. Trade unions may also submit proposed wages during public hearings. Thus, all proposed wages are duly considered by the Board
- ▶ CPI provided by Statistics Mauritius is used to restore the purchasing power and calculate the percentage increase in wages to compensate such loss incurred since the last review of the R.O.
- ▶ This exercise also incorporates the Additional Remuneration provided by the Government every year.
- ▶ Relativity is maintained between wages of different job categories in a spirit of justice and fairness.
- ▶ Moreover, the capacity to pay of employers are also assessed by appointed expert.

Methodology of minimum wage determination

- ▶ Using Nominal basic wage (Prescribed wage plus add. Rem.) and CPI, Real Basic wage is calculated starting from the year of last review (CPI=100 for year of last review)
- ▶ Using Real Basic Wage, Real basic wage Index is computed with RBW Index being 100 for the year of last review
- ▶ Proposed wage is calculated using RBW Index of year of last review and RBW of current period. This proposed wage compensates for the loss in purchasing power incurred over years since the date of last review.
- ▶ The percentage increase in wage is simply the difference between prevailing wage and proposed wage.

Social aspects

- ▶ The Board also ensures that gender biasedness be eliminated as far as reasonably possible; for instance by amending job appellations such as watchman to watchperson, handyman to handyperson.
- ▶ Further, in previous R.O.s, distance covered by male and female employees was a criteria used for the refund of bus travelling expenses, the recent R.O.s reviewed have eliminated this discrimination.

- ▶ Although certain job categories such as accounts, watchperson, driver among others are present in different R.O.s, due consideration is given to the specificity of the different sectors under review when determining wages