

**SPEECH BY THE HON. SOODESH S. CALLICHURN,**  
**MINISTER OF LABOUR, INDUSTRIAL RELATIONS,**  
**EMPLOYMENT AND TRAINING**

**Second Reading - National Wage Consultative Council  
Bill**

Madam Speaker,

I respectfully move that the National Wage Consultative Council Bill (No.6 of 2016) be read a second time.

2. The object of the bill is to provide for the establishment of a National Wage Consultative Council to make recommendations to the Government regarding the introduction of a national minimum wage in both the public and private sector with a view to establishing through a transparent and participative democratic process a dividing line which no worker in the Republic of Mauritius should ever fall below.

Madam Speaker,

3. The House will recall that in the Government Programme 2015-2019, it was announced that a minimum wage bill would be introduced for the workers at the lower end of the ladder. I take pride in introducing the National Wage Consultative Council Bill for its second reading to-day which will provide for the introduction of the long awaited National Minimum Wage.

4. The National Minimum Wage will apply to all workers employed in the private as well as public sectors. This means that the lowest paid workers covered by the NRB, the PRB Report, and also those who are neither governed by the PRB nor the NRB, will soon be entitled to a decent floor wage.

Madam Speaker,

5. We are to-day, under the leadership of Sir Aneerod Jugnauth, making history by establishing a Council to introduce a National Minimum Wage in the context of the reconstruction of our economy after years of social and economic setbacks. A National Minimum wage is a major policy decision aimed at addressing the issue of poverty and income inequality with a view to improving the welfare of workers thus improving the welfare of the entire nation. It is also a major step in the furtherance of our economic transformation goal to make Mauritius a high-income nation. The setting up of the National Wage Consultative Council is the historical stepping stone towards achieving this goal.

I am confident that we shall once again succeed in our endeavor as in the 80's and 90's, when under the leadership and vision of Sir Aneerood Jugnauth, his government transformed the country into a prosperous economy and an inclusive society based on full

employment, social mobility and the emergence of an important middle class. What we are aiming today, Madam Speaker, is to alleviate the suffering of those workers who are toiling hard but still find themselves earning wages below poverty line.

Madam Speaker

6. With time, the issue of Minimum wage has taken an international dimension in a world of growing poverty and wage inequality and this situation has impelled the ILO and the European Commission to promote, in line with the Decent Work Agenda, a decent and sustainable wage policy amongst their member states to prevent growing poverty, ensure decent job quality and better protect vulnerable workers.

Before going into the details of the Bill, I should like to elaborate on some pertinent socio economic and labour market factors which have influenced policy makers to consider introducing a national minimum wage in different regions of the world.

7. It is encouraging to note that minimum wage is gaining ground in both developed and developing countries. Some 150 countries have already adopted some form of minimum wage policy. 60 % of these countries have implemented a National Minimum Wage and 40 %, a Minimum wage based on sectors or occupations.

8. An ILO / World Bank survey revealed that, when measured in purchasing power parity, the average monthly wage in developed countries is more than 3 times that of emerging and developing economies. As a matter of fact, out of 209 million wage earners who worked in 32 developing countries about 23 million were earning below the extreme poverty line of 1.2 USD per day and 64 million earning below 2 USD which is well below the relative poverty line between 1997 and 2006.

## Minimum Wage in Mauritius

9. There is at present no single wage system in Mauritius and there exists no common minimum wage for various occupational jobs across industries or sectors of the economy. The current system is based principally on Government's intervention through the National Remuneration Board which is responsible for setting minimum wages on an industry basis for different occupational groups in the private sector.

Additionally, the Pay Research Bureau establishes wages in the public sector whilst the Annual Tripartite Committee determines the cost of living allowance for both private and public sector workers annually. The system is rather uncoordinated and hence there is no working relationship between the existing wage fixing mechanisms. This fragmented approach is responsible for the existing disparities within the private sector and also between the private and public sectors with respect to unduly low paid jobs.

10. As regard the mode of wage fixing, we have a long established tradition of minimum wage on an industry based system and consultation of wage fixing since 1934. The minimum wage was first introduced in the private sector in 1939 and was applied only to the agricultural workers in the district of Moka following the recommendations of the Minimum Wages Advisory Board which was set up under the Minimum Wages Ordinance of 1934. It was extended to the labourers of the whole island in 1941. The minimum Wage Advisory Board, however, used its power sparingly and covered a limited number of sectors and occupations, namely: the Baking Industry, the Printing Industry, labourers employed on a monthly basis in the sugar industry, shop assistants and clerks. The Minimum Wages Ordinance of 1934 was replaced by the Minimum Wage Ordinance of 1950, which itself was replaced by the Regulation of Workers Ordinance of Wages and Conditions of Employment of 1961. With these changes more workers were covered namely:

the female factory workers, workers in the shopping sector, messengers and workers in the construction and tea Industries. However, as from 1965, the number of Wages Council Orders started to decrease dramatically and in 1973, the Industrial Relations Act repealed the 1961 Ordinance and introduced the National Remuneration Board (NRB).

11. Although the NRB has undoubtedly served its purpose but undeniably failed to provide the universal safety net that this bill is going to provide.

12. On the other hand, the PRB covers workers in the public sector and its recommendations are generally considered to be a maximum wage which is generally above the poverty line and is not subject to collective bargaining. However the PRB structure does not cater for the setting up of a minimum wage. Furthermore collective bargaining coverage has remained



significantly low in the private sector in view of the low union density which stands at around 12%.

13. Hence it will be practically impossible for the lowest paid workers in the private sector to get out of the poverty trap if we continue to rely solely on collective bargaining and the present wage system.

Madam Speaker

14. Although, by international comparison we cut a good social picture in respect of the Sustainable Development Goals, the progression and extent of poverty and social inequality in our country is becoming a major source of concern. In its report *“Mauritius: Inclusiveness of Growth and Shared Poverty”* released in 2015, the World Bank has highlighted that relative poverty and the poverty gap as well as social inequality have increased during the period of 2007 to 2012.

## Inclusiveness of Growth and Shared Prosperity

15. According to the report on “*Inclusiveness of Growth and Shared Prosperity*” of the World Bank released in 2015, increasing economic vulnerability is a worrisome trend in Mauritius. The share of the population considered economically vulnerable increased from 10.2 percent in 2007 to 12.7 percent in 2012. According to Statistics Mauritius, 33,600 households comprising of 122,700 persons were living in relative poverty in 2012. The proportion of the middle class population has also declined. Poverty is especially high among the unemployed. Rising income inequality and lagging shared prosperity had adverse impacts on relative poverty and inequality in Mauritius.

It is to be noted that absolute poverty fell from 8.5 percent to 6.9 percent between 2007 and 2012 whilst relative poverty rose from 8.5 to 9.8 percent. Income

inequality, measured by the Gini-coefficient, also increased from 0.36 to 0.39.

Madam Speaker,

16. The National Economic and Social Council (NESC) in its report on "*Income equality in Mauritius*" published in December 2014 has highlighted the following:

- (i) in 2012, the highest 20% income earners in Mauritius were earning almost half (that is, 47%) of the total income in the country compared to 44% in 2001;
- (ii) for the same period, the share of total income earned by the lowest 20 % had fallen, reaching 5.4 % from 6.4 in 2001;
- (iii) finally, the ratio of the highest 20% to lowest 20% of income share has increased over the past decade from 6.9 to 8.8 %.

The analysis of the NESC, among others, portrays that those in the bottom group have a dwindling share of total income.

17. This also means, Madam Speaker, that the previous Government has lamentably failed to address effectively the issue of poverty and income inequality. In fact, its policies, over the last decade had negative effect of increasing income inequality. We have noted with concern that the poor has become poorer, and the rich richer, while the middle class has shrunk. Resources and energy have been wasted, if not channelled for the benefits of just a few and of their close ones. Hundreds of millions of rupees have thus gone down the drain on useless projects. Millions of Rupees that could have been, otherwise, utilised for the benefits of the poor have also landed into private coffers.

Madam Speaker,

18. Combating poverty and inequality remains high on this Government's agenda. We have, with this perspective, taken the challenge to come up with relevant legislation for the introduction of the National Minimum Wage in line with our Government Program. We have not shirked from our responsibilities in spite of the difficult economic situation which we have unfortunately inherited.

19. The introduction of a National Minimum Wage should be seen as an additional tool to effectively address the problem of poverty and income inequality. This Government holds a humanist view of development. We believe in an inclusive society and have placed our people at the heart of the economic reconstruction of the country. With the introduction of a National Minimum Wage, we are making a paradigm shift and setting the foundation of a new welfare

model. Our focus is on giving our people the opportunities they need to support themselves, principally through work. It is only by reconciling social justice to economic development strategies that we will be able to tackle the problem of social exclusion and structural unemployment in a sustainable manner. With this aim in mind, reduction of poverty and promotion of shared prosperity will be the pillars of our socio-economic agenda.

Madam Speaker

20. In the formulation of the National Minimum Wage Policy, I am inspired by the values contained in the message of Franklin D. Roosevelt, former President of the United States, to the congress in 1937 on the occasion of the establishment of the minimum wage.

I QUOTE:

*“As we move resolutely to extend the frontiers of social progress, we must be guided by practical reason and not by barren formulae. We must never bear in mind that our objective is to improve and not to impair the standard of living of those who are now undernourished, poorly clad and ill-housed.....”*

UNQUOTE

### Consultation with social partners

Madam Speaker,

21. Some trade unionists have expressed their reservations regarding the setting up of the National Wage Consultative Council. They have proposed that it is for Government to determine the National Minimum Wage.

Madam Speaker,

22. I would like to lay emphasis on the fact that this Government is firmly attached to the principles of social dialogue and tripartism. We are also bound, under ILO Convention No 26 on Minimum Wage-Fixing Machinery, which Mauritius has ratified, to set up a tripartite institution for the determination of wages.

23. Government, therefore, before deciding to set up a Council for the introduction of a national minimum wage, has had extensive consultations with all social partners. Trade unions and Employers do not, for obvious reasons, share the same views on the proposed wage fixing mechanism and the mode of determining the National Minimum Wage. It is, indeed, not easy and practically impossible to get a consensus on an issue as sensitive and complex as the National Minimum Wage.



24. Hence, in deciding the way forward for the introduction of the national minimum wage, we have taken into consideration the recommendation contained in the report of Mr Francois Eyraud, who is an ILO Consultant. I must commend the report which proposes the mechanism for the determination of a national minimum wage. At this stage, I will fail in my duty as a responsible Minister for the subject of labour if I do not express my appreciation for the laudable initiative of my predecessor who commissioned this study in 2012.

We have also drawn from the experiences of countries such as Hong Kong, Singapore, South Korea, Australia and more particularly the UK, Malaysia and Germany.

25. The House may wish to know that our decision to proceed by way of a National Wage Consultative Council has also been inspired by the effectiveness of the dialogue process in UK, Malaysia and Germany. These countries like Mauritius have a tradition of

social dialogue and tripartism on labour market issues. U.K. set up a Low Pay Commission in 1997. Malaysia proceeded with the establishment of a National Wage Consultative Council in 2012 and Germany with a National Wage Commission in 2015.

26. We have, therefore, in line with our democratic tradition, opted to involve all the stakeholders in the decision making process instead of deciding unilaterally on the National Minimum Wage. We believe that the Council will provide the appropriate platform and mechanism to facilitate interactions and constructive discussions among stakeholders.

### Issues relating to Minimum Wage

Madam Speaker,

27. I understand that questions are being raised on the impact of a National Minimum Wage on Employment, particularly on SMEs and competitiveness

in general, on the role of the NRB, on the mode of determining the national minimum wage and on the issue of productivity.

### Impact on SMEs and Employment

28. A number of studies were carried out, commissioned by the Low Pay Commission in U.K to explore the impact of the National Minimum Wage on Small and Medium sized business in 1999 and 2000. There were heated debates in U.K, Germany and many other countries around the effects of National Minimum Wage on employment. Standard economic theories had predicted a decline in employment and hours of work, amongst others, and also in the substitution of labour by machinery and equipment.

29. However, these apprehensions did not turn out to be true. On the contrary it was observed that small enterprises managed to contain adverse labour cost effects by increasing training to raise labour

productivity. Additionally, they have cut costs and increased efficiency through innovative work process, modern technologies and by adopting product market strategies to increase revenue.

30. It has long been recognised that SMEs represent a powerful tool for economic growth and employment creation. When we look at the global positive effect that the National Minimum Wage has had on other countries, namely U.K, Germany and Malaysia, I am convinced that the introduction of a National Minimum Wage will represent an opportunity rather than a risk for our country.

31. The efficiency and sustainability of the National Minimum wage in our country will depend on the capacity of enterprises to change and adapt their business model to the objectives set by this Government in its Vision 2030.

Madam Speaker,

32. Cheap labour is no longer compatible with the new business model. Our competitive edge and economic success hinge more on the capacity of our enterprises to create value through innovation and technological revolution. This is the new gateway to economic success. Our enlightened entrepreneurs have already embarked on this process.

33. We can draw various key lessons from these international experiences.

(i) Following the introduction of a National Minimum Wage in UK in 1999, more than 1.2 M workers were paid higher wages thus, contributing to alleviate poverty for the poor segment of the working population.

(ii) Aggregate employment grew up and in fact, the number of jobs increased by 4.4 % after the introduction of the National Minimum Wage in UK in

1999. The figures of unemployment were at its lowest point in Germany since the 1990s, one year after the introduction of the National Minimum Wage in 2015. In Malaysia, in 2013, Government set the National Minimum wage at 49.9 % of the median wage while the World Bank recommended that it be set in the range of 20 to 30 % of the median wage. There has been no significant negative impact on employment there. Only three years after the introduction of the National Minimum Wage in Malaysia, the Malaysian Minister of Human Resource has announced his intention to review and increase the minimum wage. This clearly shows that the introduction of the National Minimum Wage has not impacted negatively on employment and on the contrary, it has benefitted both employees and businesses.

## Role of National Remuneration Board

Madam Speaker,

34. Questions are being raised as on the role of the National Remuneration Board (NRB) in this new set up. Let me inform the House that the NRB will, in the first instance, continue to co-exist with the Council. The Council will be a first step in the restructuring of our wage fixing mechanisms. You may wish to note that Government has already taken 3 important decisions to make our wage system operate in a more efficient manner. First, as regards, the employees of the private sector, all the core conditions of employment would be harmonised and consolidated in the Employment Rights Act. The Remuneration Regulations will, however, continue to exist and will provide only for minimum wages and conditions specific to a sector of employment. Second, the Remuneration Regulations will be revised every 5 years and lastly there will be synchronisation of the

salary review in both the public and the private sector which will take place at the same interval.

35. I am also considering in the context of the reform of the NRB to review completely the approach of wage fixing.

### Mode of fixing the National Minimum Wage

36. Government has considered it more appropriate to introduce a National Minimum Wage instead of a living wage. As we know the National Minimum Wage is for the individual worker, whereas the living wage is for the household. For that reason, it is difficult to put in place a living wage, which is also related to continuous increase in cost of living and in view of the fact that the lower segment of the working class often benefit social aids which are difficult to quantify and value for each specific worker.



37. The national minimum wage will be calculated on a proportion of the domestic median wage. This method is adopted by all countries which have a national minimum wage as the median wage is commonly used to calculate the poverty line.

38. The national minimum wage is generally calculated at a level which varies between 30% and 60% of the median wage depending on the level of economic development. For example in 2014, the national minimum wage as a percentage of the median wage was 61% in France, 49.9% in Malaysia, 48% in U.K and 46 % in Germany.

Madam Speaker,

39. We are conscious that the introduction of a National Minimum Wage will cause an inevitable disruption in wage relativity. The Council has thus been entrusted the responsibility to address this issue and recommend a master conversion table to adjust

wages as appropriate in the private sector and besides provisions have also been made for the adjustment of wages in the public sector by the PRB.

### Calculation of the National Minimum Wage on a hourly rate

Madam Speaker,

40. There is actually a great confusion among our friends, the trade unionists, concerning the calculation of the national minimum wage on an hourly rate. I would like to assure the workers of our Motherland that this Government does not intend to liberalise the hours of work and to replace the actual working period by the zero hour or a split hour system. The actual working hour system, be it 40/45 hrs a week or 90 hours a fortnight will not be changed with the introduction of the national minimum wage, calculated on an hourly rate. The calculation on an hourly rate was meant to facilitate the computation for the part

time workers. In order to dispel any doubt, I am proposing to bring an amendment at committee stage so that the national minimum wage be calculated on an hourly rate for part time workers and monthly rate for full time workers.

41. I, also wish to add that the national minimum wage will be enforced by way of Regulations, which will provide for the payment of the national minimum wage for both full time and part time workers.

### Productivity

Madam Speaker,

42. The promotion of sustainable productivity growth, competitiveness and job creation is a key priority for realizing decent work and reducing poverty. Many countries have made considerable progress towards achieving this goal. Increased labour productivity in

Asia has played a leading role in the region's tremendous growth performance and has helped to increase competitiveness and reduce poverty.

43 Accelerating productivity growth will be more urgent in the coming 10 to 20 years. In order to compensate for labour force trends, we will need faster labour productivity growth to maintain our GDP growth rate.

44. A key requirement for accelerating productivity growth is an environment that allows enterprises to improve productivity and remain competitive. Policies, institutions and regulations that provide such an environment for enterprises can make a substantial contribution to employment creation.

45. Another key factor for productivity growth is the availability of skilled workers and the reform of national training policies and systems. Progressive workplace practices based on good working conditions,

continuous workplace learning, good labour-management relations and respect of workers' rights, are equally important for raising productivity and promoting decent work.

46. It is important to recognise that business sector productivity is primarily the responsibility of the private sector and not Government. Government creates a favourable framework for businesses to improve productivity. But it is for the private sector, through its own actions, to determine sectoral productivity growth.

47. As a nation, we need to facilitate the movement of our workforce from low to high productivity activities. Our institutions, both public and private, have to be revisited to increase productivity.

48. With the introduction of the National Minimum Wage and with the review of the labour legislations to better protect workers' rights Government is creating

conditions to address the issue of productivity under new auspices. We all know that it is only when the fundamental rights of workers are safeguarded that they can be motivated and become more productive. Productivity should be a win-win policy, where workers work smarter and benefit from the productivity gains and where employers benefit from more value added.

Madam Speaker,

49. I had extensive consultation with the social partners and I have taken note of their concerns. I have, in a spirit of constructive social dialogue, attempted to take on board as far as possible the issues raised by the trade unions. In deciding on the amendments, I had to strike a right balance between workers' rights and the imperatives of the economy. I shall at committee stage, propose the following amendments:

1. In clause 2, I am amending the definition of “trade union” and replacing it by “workers’ organisation” and ‘Workers’ organisation” has been redefined as “a registered trade union, federation or confederation of workers, having no double representation”, with a view not to restrict the representativeness of workers to only one type of trade union organisation.

A new definition of “young person” has been given to mean “a person who is over the age of 16 but under the age of 18.”

2. With a view to broadening the scope of the impact study and thereby better reflecting the evolution of the labour market following the introduction of the national minimum wage, the following concepts:- “wealth and income distribution, wage ratio, gender discrimination and employment of

foreign workers” have been included in the list of the issues to be covered in the evaluation study to be carried out by the Council in clause 5 (a).

3.To avoid confusion and misinterpretation, a provision has been made in clause 5 (b) (i) and (ii) for the determination of the national minimum wage calculated on an hourly rate for part time workers and a monthly rate for full time workers, with a view to ensuring that the actual working hours regime and the mode of calculation of wages and salary of a worker would not be altered.

4.Additionally with a view to eliminating any possible notion of discrimination on the ground of age and to make a difference between a trainee, a full-fledged and qualified worker, the definition of young worker has been removed and replaced by a



new sub paragraph in respect of a lower rate for a trainee.

5. The determination of Additional Remuneration will not fall under the ambit and purview of the Council which will have the sole responsibility to make recommendation on the national minimum wage.

6. In order to ensure that the trade union representatives of both the private and public sector organisations are adequately represented on the Board, a new provision whereby the workers of the private sector, who constitute the majority of the labour force be represented by 4 members and those in the public sector by 3 members has been inserted.

7. In order to preserve the autonomy and independence of the Council, I have provided that the chairperson should not be actively engaged in politics.

8. To safeguard the smooth functioning of the Board, I have added, in clause 11, a new subparagraph to give power to the Board to remove from office any member who absents himself for 3 consecutive meetings without the leave of the Board. Any vacancy arising therein will be filled in by the appointment of a person for the remaining term of office.

9. In order not to impede the freedom of expression of the members of the Council, the Confidentiality clause has been removed.

Madam Speaker,

50. We are proud on this side of the House to stand with the workers who continue to fight for an economy that works for everyone. Their inspirational courage speak out for themselves, their families and for the growing share of the Mauritian workforce whose pay which is too low have captured our attention.

51. My earnest appeal to Members of the House is to support the Bill and help build consensus so that the right message is sent to the social partners.

Madam Speaker,

52. I must say that I am imbued with the fundamental values expressed in the UN Universal Declaration of Human Rights, particularly as regards those outlined in the following articles, among others, namely:

*Article 23 - that everyone has the right to work, to just conditions of work, to protection against unemployment,*

*to sufficient pay to ensure a dignified existence for oneself and one's family.....*

*Article 25 - that everyone has the right to a decent standard of living adequate for health and well being, including enough food, clothing, housing, medical care and necessary social services.*

Madam Speaker,

53. Today, I am convinced that the Government as a whole, stands inspired by the UN Universal Declaration of Human Rights, and by the noble ideals and principles of relevant ILO Conventions. Accordingly, we have taken a pledge for our people, a pledge to help shape a future where there is equality, justice and liberty for everyone - liberty to live a life without hardships, without sufferings and without adversity and insecurity. The pledge is, therefore, to do everything in our power to realise these ultimate objectives with a view to improving the quality of life of the working class of this country.

54. We have promised it. We cannot stand still

55. With these words, Madam Speaker, I commend the Bill to the House.