



Republic of Mauritius

NATIONAL WAGE CONSULTATIVE COUNCIL

**REPORT ON THE
NATIONAL MINIMUM WAGE REVIEW
2020**

28 NOVEMBER 2019

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STATUTORY REQUIREMENT AND EFFECTIVE REVIEW DATE

The National Minimum Wage, which was introduced by virtue of Section 5 (b)(i) of the National Wage Consultative Council (NWCC) Act No. 6 of 2016, took effect from 01 January 2018.

Section 6 (1) (g) of the NWCC Act provides that the Review of the National Minimum Wage should be carried out at latest by 2020 and subsequently every five years. Moreover, as per the provision of Section 9 (2) of the NWCC Act, the Council is required, to enable the Pay Research Bureau to take the national minimum wage as the baseline for the next salary review, to make its recommendations at latest in July 2020.

The authorities have decided that both the overall pay review in the Public Sector and the review of the national minimum wage would be implemented with effect from 01 January 2020. The latter decision, which is still in conformity with the NWCC Act, entails that the Report on the Review of the National Minimum Wage should be ready earlier than originally scheduled to (i) enable the Pay Research Bureau to take the national minimum wage as the baseline for the next salary review; and (ii) ensure the smooth implementation of the revised national minimum wage with effect from 01 January 2020.

TERMS OF REFERENCE

The Terms of Reference for the exercise are to review the National Minimum Wage and related issues with effect from 01 January 2020 and make recommendations to the Minister thereon having regard, in line with the provisions of Section 6 (2) of the NWCC Act, to:

- (a) the need to improve the living conditions of the lowest paid workers and promote decent work and living conditions;
- (b) the overall economic situation;
- (c) the need to increase the rate of growth and to protect employment; and
- (d) national competitiveness.

In making its recommendations, the Council is required (in line with the provisions of Section (2) of the NWCC Act) to consult such representatives of employers and workers and such other persons as it may determine.

EXECUTIVE SUMMARY

1.1 This Report reviews the National Minimum Wage to be effective from 01 January 2020 as decided by the Authorities, in line with the statutory obligation under Section 1 (g) and Section 9 (2) of the National Wage Consultative Council (NWCC) Act No. 6 of 2016, which provide that the National Minimum Wage should be reviewed at latest by July 2020. It also reviews the current National Minimum Wage provisions.

Structure of the Report

1.2 The Report comprises six Chapters as follows:

- **Chapter 1** covers the background to the Report, the current National Minimum Wage provisions and the approach and process adopted for the Report.
- **Chapter 2** deals with the impact of the introduction of the National Minimum Wage.
- **Chapter 3** covers the economic situation and the other statutory considerations for the 2020 National Minimum Wage Review.
- **Chapter 4** deals with the methodology used to arrive at Hypothetical Minimum Wage values.
- **Chapter 5** analyses and develops the options and sets the rate of the National Minimum Wage.
- **Chapter 6** culminates with the recommendations on, among others, the National Minimum Wage for full time workers and part-time workers on the issue of pay components.

Considerations and Philosophy for the 2020 National Minimum Wage Review

The Council recognises the importance of the need for measures to protect employment and to increase investment and the rate of growth and for such growths to be inclusive and to be accompanied by shared prosperity.

Council considers that it should ensure an increase in the disposable income of minimum wage earners and their households, having regard to the need to improve the living conditions of low paid workers and promote decent work in terms of employment in conditions of freedom, equity, security and human dignity, while ensuring productivity and competitiveness.

Although poverty alleviation is not explicitly embedded in the mandate of the Council, it would be laudable if the minimum wage could ensure that households which have the minimum number of Wage/Income earners can earn sufficient income to move out of poverty.

The review aims at improving the standard of living of low wage earners and their families having regard to the need to:

- (i) promote equity in society by reducing inequality; and
- (ii) bridge wage differentials and improve income distribution in favour of the poor,

while ensuring, to the extent possible, that necessary measures are taken to safeguard employment, investment and economic growth and that Mauritius remains competitive on the international front.

Approach and Process

Consultations

Consultations have been held with a maximum number of relevant parties and institutions to obtain information and explanations and to thoroughly examine and consider views and comments on the different scenarios with regard to the Review of the National Minimum Wage in 2020.

Extensive consultations and discussions were also held at the level of the Council and its Technical Committees.

Research and Data Collection

In the discharge of its functions, the Council has also collected and analysed data and information on wages and related matters; conducted research on wages and socio-economic indicators; and has carried out studies on the Review of National Minimum Wages in foreign jurisdictions.

The Council has utilized a range of the latest and most useful research and data sources to underpin its analysis and guide its deliberations.

Process

To undertake the National Minimum Wage Review 2020, the Council has proceeded as follows:

- (a) Determine, in the first instance, a series of hypothetical National Minimum Wage values based on the application of different relevant methodologies.
- (b) Analyse the impact of the different options on various socio-economic indicators.
- (c) Hold extensive consultations both with stakeholders and at the level of Council on the implications of the different options.
- (d) Determine the most plausible option having regard to the need to improve the status of minimum wage workers while ensuring their continued employment.

Methodology

The Council has, in addition to the Statistical Indicator Methodology, used two Household Based Methodologies, namely the Poverty Line Methodology and the Household Expenditure Methodology and two methodologies based on share of value added per worker and share of per capita income.

The Statistical Indicator Methodology approach uses the median wage as a reference, considering that this is a wage level which is associated to a middle-income standard of living. For the purpose of comparison, the ratio to the mean wage is also used.

The Poverty Line Methodology aims at arriving at a minimum wage which enables a household with sufficient number of income earners to earn an income above an established national poverty line.

The Household Expenditure Methodology has used the typical household expenditure and the number of wage/income earners in the household to determine the hypothetical minimum wage values.

The results of the foregoing methodologies have provided the Council with hypothetical minimum wage values and alternative scenarios for focused discussions and consultations.

Methodology & Hypothetical Minimum Wage Values

A summary of the hypothetical National Minimum Wage results arrived at using the different methodologies is reproduced hereunder.

Methodology	Range of Values (Rs)
Statistical Indicator: 40% of 2019 Mean Wage i.e. Rs 22,200 63.4% of 2019 Median Wage i.e. Rs 14,200	Rs 8,880 Rs 9,000
Relative Poverty Line adjusted for inflation up to December 2019 with 2/1.8 wage/income earners	Rs 9,150 Rs 9,740 (1.8 wage earners)
Household Expenditure of a family of four in the second quartile with 2/1.8 wage/income earners	Rs 9,260 Rs 10,290 (1.8 wage earners)
HNMW based on GDP per worker i.e. Rs 856,058 (forecast) in 2019 maintaining corresponding share of GDP per worker of 2018 i.e. 13.1%	Rs 9,345
HNMW based on GDP per capita income i.e. Rs 399,274 (forecast) in 2019 maintaining corresponding share of GDP per capita income of 2018 i.e. 28.2%	Rs 9,390
HNMW value based on an improved proportion of say 30% of the 2019 GDP per capita income i.e. 399,274 (forecast)	Rs 9,980

Source: Council's Computation based on SM Figures

Setting the Rate

Reviewing the National Minimum Wage rate requires balancing the benefits of any changes to the rate, such as the improvement of the standard of living of low paid employees against the costs that any change to the rate might bring.

In the light of the foregoing and particularly considering:

- (a) the results from the application of the different methodologies;
- (b) the views of members representing different interests;
- (c) the need to improve the living conditions of low wage workers;

- (d) the need to take into account the prevailing economic situation of the country; and
- (e) the next review is due in five years,

the Council recommends that the monthly National Minimum Wage payable by the employer under Section 5 sub-sections (b) (i) and (ii) of the NWCC Act be reviewed to Rs 9,700 for a full-time worker, i.e. 68% of the median for 2019, with effect from 01 January 2020 subject to the special provisions for EOE's and any other sectors as may be agreed.

Recommendations

Monthly Guaranteed Income and National Minimum Wage – Non-EOEs

The Council recommends that the monthly guaranteed income of a National Minimum Wage worker be Rs 10,200 a month comprising the national minimum wage of Rs 9,700 (i.e. 68% of the median for 2019) payable by the employer in the non-EOEs and a special allowance of Rs 500 payable by the Government subject to the provisions concerning the gradual phasing out of the special allowance and the corresponding increase in the national minimum wage as shown in the table below.

Phasing Out of Special Allowance of Rs 500 and Staging of National Minimum Wage – Non-EOEs

Year	Special Allowance (Rs)	NMW payable by Employer (Rs) Monthly	Monthly Guaranteed Income
2020	500	9,700	10,200
2021	400	9,800	10,200
2022	300	9,900	10,200
2023	200	10,000	10,200
2024	100	10,100	10,200
2025	NIL	10,200 (prior to review)	10,200

Monthly Guaranteed Income and National Minimum Wage – EOE's

For EOE's, the Council recommends that the monthly guaranteed income of a National Minimum Wage worker be Rs 10,200 a month comprising a national minimum wage of Rs 9,000 payable by the employer and a special allowance of Rs 860 further topped up by an additional allowance of Rs 340 payable by the Government subject to the provisions concerning the gradual phasing out of part of the special allowance and the corresponding increase in the national minimum wage as shown in the table below.

Phasing Out of part of the Special Allowance of Rs 860 and Staging of National Minimum Wage – EOE

Year	Special Allowance* (Rs)	NMW payable by Employer (Rs) Monthly	Additional Allowance payable to Mauritian Workers only (Rs)	Monthly Guaranteed Income (Rs)
2020	860	9,000	340	10,200
2021	760	9,100	340	10,200
2022	660	9,200	340	10,200
2023	560	9,300	340	10,200
2024	460	9,400	340	10,200
2025	360	9,500 (prior to review)	340	10,200

**The special allowance shall be applicable to foreign workers in post as at 31 December 2019 and to Mauritian workers.*

National Minimum Wage for Young Person and for workers on accredited training, apprenticeship or probation

As the authorities had agreed, in the wake of the 2017 Council's Report on the introduction National Minimum Wage, that the National Minimum Wage initially set under the provisions of section 5 sub-section (b) (i) be applicable to both young persons and for workers on accredited training, apprenticeship or probation, the Council does not propose to make any recommendations departing from Government agreed policy on the matter. The Council recommends accordingly.

Review of National Minimum Wage

The National Minimum Wage effective from 01 January 2020 is inclusive of the 2020 additional remuneration and shall subsequently be increased by any additional remuneration as may be legislated with effect from 01 January 2021.

The next review of the national minimum wage shall be due with effect from 01 January 2025 or such an earlier date as may be decided by the Authorities.

National Minimum Wage for Part Time Workers

To induce employers to convert part-timers to full-timers, particularly those part-timers who put in marginally lesser number of hours than the full-timers, the Council recommends that part-time workers should be remunerated for all hours of part-time work at the notional hourly rate increased by not less than 10 per cent with effect from 01 January 2020.

Pay Components

In line with the objective of moving towards a clean minimum wage policy, the Council recommends that the benefits as regards housing allowance and as regards food allowance should not in the aggregate exceed Rs 2,500 monthly.

Implementation Costs

The estimated cost implications for the implementation of the National Minimum Wage for calendar year 2020 excluding special allowance of up to Rs 860 in the EOE and up to Rs 500 in Non-EOEs and the additional allowance of Rs 340 in the EOE are as follows:

Annual Impact (Rs Mn)	
Public Sector	Private Sector
29	1,095

CHAPTER 1

Introduction and Approach

This Chapter sets the scene for the Review of the National Minimum Wage with effect from 01 January 2020 as decided by the Authorities in line with the statutory obligation under Section 6 (1) (g) and Section 9 (2) of the National Wage Consultative Council (NWCC) Act No. 6 of 2016 to review the National Minimum Wage at latest by July 2020. It also overviews the current National Minimum Wage provisions and elaborates on the approach and process adopted for this Review.

Background and Current National Minimum Wage Provisions

1.1 In the wake of the 2017 Report on the introduction of the first National Minimum Wage in Mauritius, the National Minimum Wage Regulations 2017 were approved by Cabinet in December 2017 and subsequently promulgated for implementation with effect from 01 January 2018.

The National Minimum Wage 2018

1.2 The National Minimum Wage Regulations 2017 contain the following provisions as regards the National Minimum Wage effective from 01 January 2018:

- (a) The National Minimum Wage of every Non-EOE worker, other than a part-time worker, is Rs 8,140 a month and is not inclusive of the additional remuneration payable to a full-time employee under the Additional Remuneration and Other Allowances (2018) Act 2017;
- (b) The National Minimum Wage of every EOE worker, other than a part-time worker, is Rs 8,140 inclusive of:
 - (i) the additional remuneration payable to a full-time employee under the Additional Remuneration and Other Allowances (2018) Act 2017;
 - (ii) the housing allowance granted to the worker or the value of that allowance, if any, subject to the provisions of paragraph 1.3 below;
 - (iii) the food allowance granted to the worker who is entitled to housing allowance or the value of that allowance, if any, subject to the provisions of paragraph 1.3 below; and
 - (iv) any fixed remuneration in cash, by whatever name called, paid to the worker monthly and which is guaranteed for work on normal scheduled working hours and is not decreased for authorised absences during a pay reference period as per an agreement.

1.3 The benefits granted under paragraph (ii) and (iii) as regards housing allowance and food allowance do not, in the aggregate, exceed 2,500 rupees monthly.

Special Allowance

1.4 Minimum Wage workers were also granted a special allowance of up to Rs 500 in the Non-EOEs and up to Rs 860 in the EOEes to guarantee them a minimum income of Rs 9,000 a month with effect from 01 January 2018.

- 1.5 Table 1 below gives the National Minimum Wage payable by the employer, the special allowance payable by Government and the guaranteed minimum income of national minimum wage workers in both the EOE and Non-EOEs with effect from 01 January 2018.

Table 1: National Minimum Wage & Monthly Guaranteed Income – January 2018

Particulars	Non – EOE (Rs)	EOE (Rs)
National Minimum Wage	8,140	8,140 (includes salary compensation)
Salary compensation 2018	360	
Special allowance	500	860
Monthly Guaranteed Income Effective as from 1st January 2018	9,000	9,000

Evolution of the National Minimum Wage and Guaranteed Income

- 1.6 In January 2019, as per the National Minimum Wage (Amendments) Regulation 2019, the National Minimum Wage was increased with the additional remuneration of Rs 400 for both EOE and Non-EOE bringing the gross minimum wages (i.e. minimum wage plus additional remuneration) to Rs 8,540 in the EOE and to Rs 8,900 in the Non-EOE for all minimum wage workers irrespective of their date of entry.
- 1.7 The authorities also decided that (a) the special allowances of up to Rs 500 in the Non-EOE and up to Rs 860 in the EOE be maintained for one more year up to December 2019 for minimum wage workers in post, prior to 01 January 2018; and (b) the special allowances be reduced to up to only Rs 100 in the Non-EOE and Rs 460 in the EOE for minimum wage workers taking employment with effect from 01 January 2019.
- 1.8 Consequently, (a) the monthly guaranteed income reached the figure of Rs 9,400 a month in both the EOE and the Non-EOE with effect from 01 January 2019 for minimum wage workers in post prior to 01 January 2018; and (b) the monthly guaranteed income was maintained at Rs 9,000 a month in both the EOE and the Non-EOE for minimum wage workers taking employment with effect from 01 January 2019.
- 1.9 The monthly National Minimum Wage and the special allowances applicable as from January 2019 for employees in post prior to 01 January 2019 as well as those joining employment in 2019, are indicated in Table 2 below. **(See Annex I on National Minimum Wage, Additional Remuneration and Other Allowances 2019)**

Table 2: National Minimum Wage & Monthly Guaranteed Income – January 2019

Sector (Rs)	NMW (Rs)	Additional Remuneration (Rs)	Special Allowance (Rs)	Monthly guaranteed income effective as from 01 January 2019 (Rs)
Non-EOEs Employees in post prior to 01 January 2018	8,140	360 + 400	500	9,400
EOEs Employees in post prior to 01 January 2018	8,140	400	860	9,400
Non-EOEs Employees joining service in 2019	8,140	360 + 400	100	9,000
EOEs Employees joining service in 2019	8,140	400	460	9,000

Source: National Minimum Wage (Amendments) Regulations 2019

- 1.10 It is to be noted that while the national minimum wages payable by the employer have been the same, irrespective of the date of employment, the guaranteed income differs according to the date of entry in the service. This has been so due to government decision to reduce the topping up special allowance for new entrants with effect from 01 January 2019.

National Minimum Wage for Part Time Workers

- 1.11 The rate of remuneration for part time workers in the wake of the introduction of the National Minimum Wage, with effect from 01 January 2018, is as shown in Table 3 below:

Table 3: Rate of Remuneration for Part-Time Workers

No. of hours of part time work per month	Rate as a percentage of notional hourly rate
Up to 100 hours	110%
Above 100 hours	107%

- 1.12 The rate of remuneration for part-time workers in the Non-EOEs and in the EOEes, with effect from 01 January 2018 as contained in the National Minimum Wage Regulations 2017, are given at **Annex II**.
- 1.13 For the computation of remuneration for part-time workers, the basic salary of full-time workers has been increased by Rs 400 for both EOEes and Non-EOEs as from 01 January 2019, as provided for by the Additional Remuneration Act 2018.

Impact of the Introduction of the National Minimum Wage

- 1.14 A first Report on the impact of the introduction of the National Minimum Wage was submitted to the Minister of Labour, Industrial Relations, Employment and Training (MLIRET) in January 2019. It compares several indicators at June 2018 with those in 2017, prior to the introduction of the National Minimum Wage.
- 1.15 The second Report on the impact of the introduction of the National Minimum Wage covers the period prior to the introduction of the National Minimum Wage, up to Quarter 2 (Q2) 2019. The salient findings are given in Chapter 2 of this Report.

Considerations and Philosophy for the 2020 National Minimum Wage Review

- 1.16 The Council recognises the importance of the need for measures to protect employment and to increase investment and the rate of growth and for such growths to be inclusive and to be accompanied by shared prosperity.
- 1.17 Council considers that it should ensure an increase in the disposable income of minimum wage earners and their households, having regard to the need to improve the living conditions of low paid workers and promote decent work in terms of employment in conditions of freedom, equity, security and human dignity, while ensuring productivity and competitiveness.
- 1.18 Although poverty alleviation is not explicitly embedded in the mandate of the Council, it would be laudable if the minimum wage could ensure that households which have the minimum number of Wage/Income earners can earn sufficient income to move out of poverty.
- 1.19 The review aims at improving the standard of living of low wage earners and their families having regard to the need to:
- (iii) promote equity in society by reducing inequality; and
 - (iv) bridge wage differentials and improve income distribution in favour of the poor,
- while ensuring, to the extent possible, that necessary measures are taken to safeguard employment, investment and economic growth and that Mauritius remains competitive on the international front.

Approach and Process

Consultations

- 1.20 Consultations have been held with a maximum number of relevant parties and institutions to obtain information and explanations and to thoroughly examine and consider views and comments. Several meetings were held on Wednesday 29th of May 2019 and thereafter with concerned parties to have their views and suggestions on the impact of different scenarios with regard to the Review of the National Minimum Wage in 2020.
- 1.21 Due care has been taken to gauge the merits and demerits of the views and proposals obtained from all quarters.
- 1.22 Extensive consultations and discussions were also held at the level of the Council and its Technical Committees.
- 1.23 A list of meetings held with relevant stakeholders at the level of the Board (**Appendix 1A**) and Technical Committees.

Research and Data Collection

- 1.24 In the discharge of its functions, the Council has also collected and analysed data and information on wages and related matters; conducted research on wages and socio-economic indicators; and carried out studies on the Review of National Minimum Wages in foreign jurisdictions.
- 1.25 The Council has utilized a range of the latest and most useful research and data sources to underpin its analysis and guide its deliberations.

Methodology and Process

- 1.26 To undertake the National Minimum Wage Review 2020, the Council has considered it appropriate to proceed as follows:
- (a) To determine, in the first instance, a series of hypothetical National Minimum Wage values based on the application of different relevant methodologies such as the Statistical Indicator Methodology, the Household Expenditure Methodology and the Poverty Line Methodology.
 - (b) To analyse the impact of the different options on various socio-economic indicators.
 - (c) To hold extensive consultations both with stakeholders and at the level of Council on the implications of the different options.
 - (d) To determine the most plausible option having regard to the need to improve the status of minimum wage workers while ensuring their continued employment.
- 1.27 The different methodologies as well as the analysis of the impact of different options (hypothetical National Minimum Wage values) are expatiated upon in Chapter 4 and 5 of the Report.

Structure of the Report

- 1.28 The Report comprises six Chapters as follows:
- **Chapter 1** covers the background to the Report, the current National Minimum Wage provisions and the approach and process adopted for the Report.
 - **Chapter 2** deals with the impact of the introduction of the National Minimum Wage.
 - **Chapter 3** covers the economic situation and the other statutory considerations for the 2020 National Minimum Wage Review.
 - **Chapter 4** deals with the methodology used to arrive at Hypothetical Minimum Wage values.
 - **Chapter 5** analyses and develops the options and sets the rate of the National Minimum Wage.
 - **Chapter 6** culminates with the recommendations on, among others, the National Minimum Wage for full time workers and part-time workers on the issue of pay components.

Acknowledgements

- 1.29 The Council would like to express its grateful thanks to all persons who have been associated in one way or the other with the preparation of this review. We particularly wish to thank the numerous private sector companies which sent us the necessary information and tendered oral evidence in response to our invitation. We are also grateful to the Mauritius Revenue Authority (MRA) and Statistics Mauritius (SM) for the submission of timely data on request. We are grateful to several officials of the Ministry of Labour, Industrial Relations, Employment and Training (MLIRET) who were kind enough to spare their valuable time to give us the benefit of their views on various important issues and to reply to our queries, We are equally grateful to the professional representatives of several institutions particularly the Bank of Mauritius (BoM), the State Bank of Mauritius (SBM) and the Tertiary institutions for sharing their considered views on complex issues, and to supply us the factual information and other data requested by us from time to time. Our thanks also go to the World Bank and the ILO for their assistance.
- 1.30 In short, the inputs provided by the different parties have been of invaluable assistance and have proved useful in the formulation of our recommendations; and we thank all concerned for their contributions, interactions and suggestions. Our special thanks also go to the Council’s members for their views and contributions prior to the finalisation of the Report.

Conclusions

- 1.31 The recommendations related to the Review of the National Minimum Wage are self-explanatory and are based on substantive reasons. It is expected that the measures recommended would improve the standard of living of minimum wage workers and their families, lift a substantial number of households beyond the poverty line, improve income distribution of wage earners at the bottom of the ladder and these without unduly jeopardizing employment and employment creation.

CHAPTER 2

Impact of the Introduction of the National Minimum Wage

The Council has undertaken two studies on the impact of the introduction of the National Minimum Wage in Mauritius in accordance with its statutory obligations (Section 6(1)(e) of the NWCC Act, No. 6 of 2016). The first study was conducted based on June 2018 data (i.e. six months after the introduction of the National Minimum Wage) and the second study based on June 2019 data (i.e. 18 months after the introduction of the National Minimum Wage). The Reports on the Impact of the Introduction of the National Minimum Wage were submitted to the Minister of Labour, Industrial Relations, Employment and Training respectively in January 2019 and December 2019. The salient findings of the second impact report are reproduced below.

Impact on Employment

- 2.1 **Total employment has not been negatively impacted since the introduction of the national minimum wage.**
- 2.2 **In fact, based on revised SM figures, total employment is expected to increase by 5800 in 2019 to reach 549,500 compared to 543,700 in 2018 and 545,100 in 2017.**
- 2.3 **Moreover, the overall unemployment rate has been on a downward trend: 7.2% in 2017, 7% in Q2 of 2018 and is expected to reach to 6.6% in Q2 of 2019.**

Impact on Employment as measured by the number of employees contributing to the NPF

- 2.4 **Notwithstanding the fact that other factors may have impacted on employment, the NMW appears to have impacted differently on employment in Non-EOES and EOE as measured by the number of employees contributing to NPF.**
- 2.5 **While the total number of employees on behalf of whom contributions are made to the NPF in the Non-EOEs increased by 7.3% from December 2017 to June 2019, the number of employees contributing to NPF in the EOE decreased by 21.3% from December 2017 to June 2019.**

Impact on employment based on sector of activity in EOE

- 2.6 **It is noted that the number of workers on behalf of whom contributions are made to the NPF in the EOE fell from 38,556 as at June 2018 to 30,487 as at June 2019 representing a decrease of 21%.**
- 2.7 **Major decreases are noted in the Food and Beverages sector (68%), Electrical, Electronic & Computer Products (26%) and Furniture (19%). Textile, Fabrics & Wearing Apparel registered a fall of 4,458 representing around 16% of the contributing workers.**
- 2.8 **The overall decrease of contributors to NPF from June 2019 compared to June 2018 was mainly attributable to Textile, Fabrics & Wearing Apparel representing 55% and Food and Beverages (40%).**

Unemployment Rate by Gender and for youth

- 2.9 **Table 4 below compares unemployment rate by gender and for youth in 2017, Q2 of 2018 with Q2 of 2019.**

Table 4: Unemployment Rate by Gender and for youth for 2017, (Q2) 2018 and (Q2) 2019

Particulars	Unit	2017	(Q2) 2018	(Q2) 2019
Unemployment Rate	%	7.2	7	6.6
Male	%	5.5	5.3	3.8
Female	%	10.2	9.5	10.8
Youth (16-24 years)	%	24.9	27.5	21.3

Source: Statistics Mauritius

- 2.10 It is noted that while male unemployment has fallen from 5.3% in 2018 to 3.8% for quarter 2 of 2019, female unemployment has increased from 9.5% in Q2 of 2018 to 10.8% for Q2 of 2019.
- 2.11 From second quarter 2018 to second quarter 2019, the number of unemployed persons decreased by 1,400; male unemployment decreased by 5,100 while female unemployment increased by 3,700.

Unemployment for Young Workers

- 2.12 The total number of unemployed full-time young workers which increased from 19,300 in 2017 to 21,500 in Q2 of 2018 fell down to 16,100 in Q2 of 2019 as per SM figures.
- 2.13 The youth unemployment which increased from 24.9% in 2017 to 27.5% in Q2 of 2018 fell down to 21.3% in Q2 of 2019.
- 2.14 The number of young employees on behalf of whom contributions are made to the NPF increased from two in December 2017 to 529 in June 2018, but same fell to 219 in 2019.

National Minimum Wage and Standard of Living

- 2.15 The introduction of the NMW has supplemented the income of minimum wage workers thereby increasing the purchasing power and positively impacting household expenditure and the standard of living of households.
- 2.16 According to the Bank of Mauritius, “domestic growth performance remains backed by buoyant domestic demand conditions. Consumer optimism continues to back household consumption expenditure, which is also upheld by fiscal incentives such as the negative income tax and minimum wages.”

National Minimum Wage and Relative Poverty Line

- 2.17 The introduction of the NMW has moved a number of households out of relative poverty.
- 2.18 It is noted that the positive impact on income and economic activity has been reinforced by the Government funding of the special allowance to achieve the guaranteed income of Rs 9,400 for workers who have taken up employment before 01 January 2019 and Rs 9,000 for workers who have taken up employment on or after 01 January 2019.

Evolution of Wage Distribution

Wage Distribution as measured by the Gini Coefficient

- 2.19 The Gini coefficient (see Annex VI – Glossary of Terms) does not measure inequality between two points, it rather takes into account the entire range of the distribution.
- 2.20 The introduction of the NMW has raised the earnings of low-paid workers and thereby reduced income inequality. Indeed, the wage Gini Coefficient based on basic wage, which measures wage distribution, has continuously improved from 0.448 in 2017 to 0.440 in 2018 to and to 0.432 in Q2 of 2019.

Wage differentials as measured by inter-decile ratios

- 2.21 The introduction of the national minimum wage has narrowed down the wage differential as is evidenced by the inter-decile ratios.
- 2.22 Table 5 below, which is an extract of **Annex IIIA, IIIB, IIIC**, gives the average monthly income of the 9th decile, 5th decile and 1st decile in the public & private sectors in year 2017, 2018 and 2019.

Table 5: Average monthly income of the 9th decile, 5th Decile and 1st Decile in 2017, 2018 & 2019

Particulars	Average monthly Income of 9 th Decile	Average monthly Income of 5 th Decile	Average monthly Income of 1 st Decile
2017	31,294	11,805	3,340
2018	32,161	12,242	4,001
2019	34,264	13,345	4,942

Source: Statistics Mauritius (SM)

- 2.23 The deciles of a distribution enable the calculation of the inter-decile ratios: (a) the ratio D9/D1 evidences the difference between the top and bottom of the distribution – it is one of the measurements of the inequality of a distribution; (b) the ratio D9/D5 compares the top of the distribution to the median value; and (c) the ratio D5/D1 compares the median to the bottom of the distribution.
- 2.24 **In effect, the wage differential as measured by the ratio of the 9th decile to the 1st decile has narrowed down from 9.37 in 2017 to 8.04 in 2018 and to 6.93 in 2019 as shown in Table 6 below.**

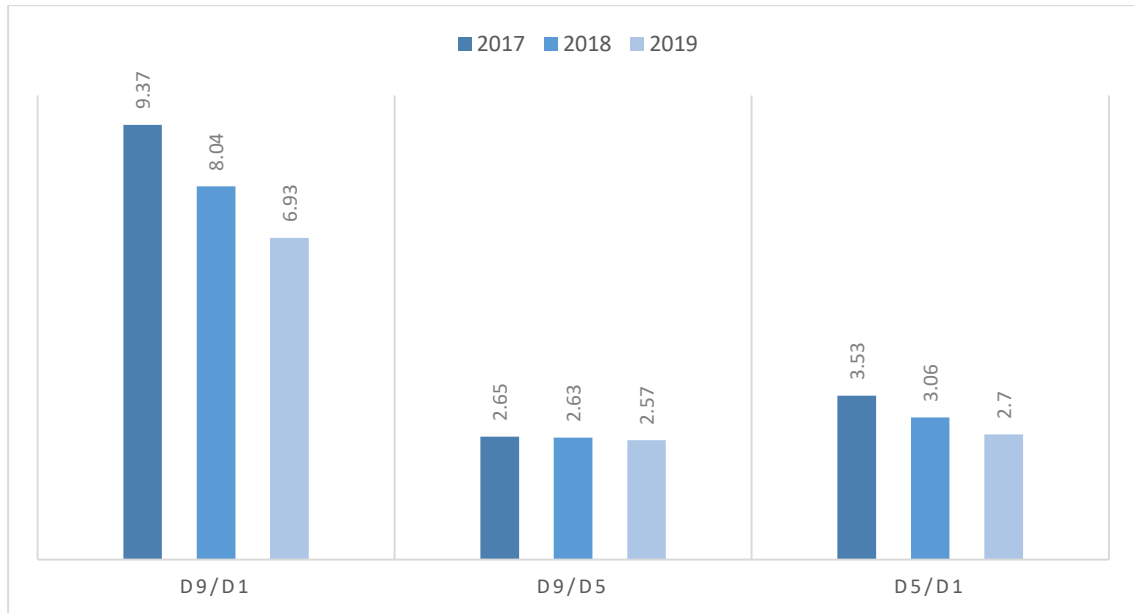
Table 6: Wage differential measured by the ratio of the average monthly income of the 9th decile to the 1st decile

Particulars	Average monthly Income of 9 th Decile	Average monthly Income of 1 st Decile	Wage differential
2017	31,294	3,340	9.37
2018	32,161	4,001	8.04
2019	34,264	4,942	6.93

Source: Statistics Mauritius (SM)

2.25 Figure 1 shows the wage differential measured by the ratio of the average monthly income of the 9th decile to the 1st decile, 9th decile to the 5th decile and 5th Decile to the 1st Decile.

Figure 1: Wage dispersion ratios (D9/D1, D9/D5, D5/D1) by average monthly income in 2017, 2018 & 2019



Source: Council's Computation based on SM figures

2.26 Figure 1 above shows that there has been a clear reduction in inequality between the top and bottom income earners, following the introduction of the National Minimum Wage as the D9/D1 inter-decile indicator has decreased from 9.37 in 2017 to 8.04 in 2018 and to 6.93 in 2019. While the wage differences between high-income and middle earners (D9/D5) has slightly narrowed down from 2.65 in 2017 to 2.63 in 2018 and to 2.57 in 2019, the relationship between middle-income and bottom-income earners (D5/D1) reduced from 3.53 in 2017 to 3.06 in 2018 and to 2.70 in 2019.

2.27 The significant fall in the inter-decile ratio (D5/D1) from 2017 to 2019 can be explained by the higher wage increases registered by workers in the lower rungs of the wage distribution in the public and private sectors.

CHAPTER 3

Statutory Considerations for the 2020 National Minimum Wage Review

Section (2) of the NWCC Act provides that the Council shall, before making a recommendation on the National Minimum Wage to the Minister have regard to:

- (a) the need to improve the living conditions of the lowest paid workers and promote decent work;*
- (b) the overall economic situation;*
- (c) the need to increase the rate of economic growth and to protect employment; and*
- (d) national competitiveness.*

The need to improve the living conditions of low paid workers and promote decent work

- 3.1 As stated in its 2017 Report, the Council holds the view that the improvement of living conditions of low paid workers in general requires, among others, an increase in their disposable income to enable higher consumption.
- 3.2 The Council also noted that such an increase should be relatively higher for low paid workers in relation to other income earners to address the challenges of growing income inequality and poverty.
- 3.3 Moreover, decent work which is concerned with the availability of employment in conditions of freedom, equity, security, and human dignity should proactively be promoted. It has four key components: employment conditions, social security, rights at the workplace, and social dialogue.
- 3.4 Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity, and treatment for all women and men. (ILO – Springer).
- 3.5 Decent Work Country Programme (DWCP) aims to provide a framework for cooperation between the International Labour Organisation (ILO) and its member States in areas of employment and labour. The DWCP framework is the main delivery vehicle for ILO Programmes and Budgets and a mandatory requirement for ILO assistance to its member States. It guides Government, social partners and other stakeholders regarding the priority actions towards the realisation of the ILO's Global Decent Work.
- 3.6 Mauritius being a strong proponent of ILO principles signed its first generation of Decent Work Country Programme in November 2012 and same was completed in December 2015. After the successful completion of the first generation DWCP, Mauritius has already embarked on the formulation and elaboration of the second generation of the Mauritius Decent Work Country Programme (MDWCP).
- 3.7 The Council notes that the implementation of the MDWCP II, agreed upon by the tripartite constituents, which is expected to start early next year is based on the following two Country Priorities.
 - (a) Promotion of employment across all sectors through innovation and productivity.

(b) Improvement of working conditions through protection of rights at work.

- 3.8 ***In reviewing the minimum wage, the Council considers that it would be advisable to ensure an increase in the disposable income of minimum wage earners and their households having regard to the need to improve the living conditions of low paid workers and promote decent work in terms of employment in conditions of freedom, equity, security and human dignity.***

Overall Economic Situation

- 3.9 The evolution of economic indicators on the domestic front, following the implementation of the National Minimum Wage, are fully described in a paper submitted by the Bank of Mauritius (BoM) – **Annex IV**. Relevant extracts are given below.

Domestic Developments

- 3.10 **The Mauritian economy has displayed a fair degree of resilience in the face of prolonged uncertainty surrounding the global economy.** Sound economic policies continue to support macroeconomic stability; thereby sustaining the domestic growth momentum and ensuring inclusive growth. Government's initiatives have been reflected in its efforts to further improve the business climate, with Mauritius ranked 13th in the World Bank's 2020 Doing Business Report. In the 2019 Report, Mauritius was ranked 20th globally.
- 3.11 **Economic growth remains broad-based, benefitting from both business and consumer optimism and supported by positive contributions from all but one sector.** Growth performance in 2018 remains commendable, with only the *Agriculture, Forestry & Fishing* sector estimated to contract in 2018, due to lower production of sugarcane and fish. Economic activity continues to be driven by key services sectors such as the financial, wholesale and retail trade and tourism, which would contribute more than one-third of the growth performance in 2018. This will be supplemented by robust growth in the construction sector, which is expected to contribute 0.4 point to growth, and create spill-over effects on other sectors of the economy.
- 3.12 **On the expenditure side, growth remains underpinned by strong consumption and investment growth.** Investment growth is projected to accelerate to nearly 11 per cent in 2018, driven by double-digit growth of 10.4 per cent and 12.7 per cent in private investment and public investment, respectively.
- 3.13 **Based on Statistics Mauritius National Accounts data for 2019H1, the growth momentum is being pulled by trade, construction, financial and professional sectors.** To a certain extent, growth in these sectors have offset the weaker performance of the manufacturing and tourism sectors, which have had their growth projection for 2019 revised down from 1.1 per cent to 0.8 per cent and from 2.5 per cent to 1.8 per cent, respectively. Other services sectors with a downward revision in growth include transportation and storage, administrative and support service and public administration.
- 3.14 **Domestic growth performance remains backed by buoyant domestic demand conditions.** Final consumption expenditure performance in 2019H1 moderated somewhat as a result of a slowdown in Government consumption growth. ***Consumer optimism continues to back household consumption expenditure, which is also upheld by fiscal incentives such as the negative income tax and minimum wages.*** The government's infrastructure push and stable FDI are expected to support investment growth. Heavy public spending in infrastructural projects continue to positively impact

- real GDP, imparting the associated second-round impetus to other sectors of the economy. The prevailing somewhat accommodative monetary conditions continue to favourably influence domestic economic activity, notwithstanding challenges facing some major sectors of the economy. **Against such a background, the Bank projects real GDP to grow at 3.9 per cent in 2019.**
- 3.15 **Improvements in the business environment for private sector development, including the SME sector, will also contribute positively to the domestic growth agenda.** These policies are consistent with the country's structural change programme, underpinned by digital and business processes transformation as well as continued efforts in enhancing domestic revenue mobilization, maintaining prudent monetary policy stance and fostering financial deepening. Against this background, Moody's Investors Service has kept the Baa1 rating for Mauritius and maintained its stable outlook, reflecting the country's robust and stable growth performance as well as the expectation for government to stabilize the debt-to-GDP ratio. It may be noted that Mauritius is the only country, besides Botswana, which has an investment-grade rating in terms of sovereign rating in Africa.
- 3.16 **Ongoing infrastructural projects and employment of new recruits in the public sector have contributed to employment creation. The labour market has continued to strengthen, such that the unemployment rate remains on a downtrend, with some challenges persisting for the youth and women. The labour force in Mauritius is expected to increase from 583,800 in 2018 to 589,300 in 2019 and, employment to rise from 543,700 to 549,500, combining to decrease unemployment by 300. The unemployment rate is projected to drop to 6.8 per cent in 2019, from 6.9 per cent in 2018.**
- 3.17 **Growth in the wage rate index also points towards confidence in the economy. The wage rate index (WRI) rose by 4.2 per cent in 2018-19, lower compared to an average growth of 4.8 per cent over the two previous fiscal years. This was due to an increase of 5.3 per cent in the private sector mainly a result of marked increases in wages in manufacturing (9.5 per cent), administration (7.9 per cent), wholesale and retail trade (6.4 per cent) and transport (6.3 per cent) and sectors. The rise in the WRI also reflected higher public sector wages of 2.8 per cent due to higher wages in financial (10.8 per cent), electricity and gas (8.3 per cent) and transportation (6.4 per cent) sectors.**
- 3.18 **The minimum wage policy implemented since the beginning of 2018 would appear not to have had a significant impact on the overall wage rate index. However, within the different sectors of the economy, wages in the manufacturing sector increased by 8.8 per cent and 9.5 per cent, respectively, in 2017-18 and 2018-19. Moreover, wages grew at a faster rate in the private sector compared to the public sector, partly indicating the application of the minimum wage policy.**
- 3.19 **Broadly, the growth in labour productivity has continued to lag the pace of average compensation of employees.** In 2018, labour productivity grew at a higher rate of 3.7 per cent compared to 2.4 per cent in 2017. This was the result of a stable Gross Value-Added growth of 3.6 per cent, while labour input declined slightly by 0.1 per cent in 2019 compared to a growth of 1.1 per cent in 2017. A further increase in compensation of employees would dent gains in labour productivity and thus, affect competitiveness.
- 3.20 **Household debt kept pace on account of borrowings for housing purposes.** Bank credit to household increased from nearly Rs97.0 billion in June 2018 to Rs107.6 billion

in June 2019, that is, by Rs10.6 billion, of which additional credit for housing purposes amounted to Rs3.8 billion. Credit for housing purposes increased from Rs65.3 billion to Rs69 billion over the same period. As a ratio to GDP, household credit stood at about 22 per cent. The continuous increase in household credit reflects increasing demand for credit by a buoyant construction sector.

- 3.21 **Domestic inflation in FY2018-19 remained at low levels against a background of moderate global economic activity, low global inflation and subdued domestic demand conditions.** Headline inflation, as measured by the percentage change in the yearly average Consumer Price Index (CPI), remained on a downtrend and reached a trough of 1.0 per cent in June 2019. Y-o-y inflation, defined as the percentage change in the CPI of a given month compared to the same month of the preceding year, showed contrasting path, albeit moderate, reflecting the inherent dynamics in the CPI as a result of the impact of gyrations in the prices of vegetables and to some extent, the base effect. Y-o-y inflation went up from 1.0 per cent in June 2018 to 1.8 per cent in December 2018 before receding to 0.6 per cent in June 2019 on account of the downward adjustment in the prices of both fresh vegetables and some administered goods.
- 3.22 **Thanks to the decline in food prices and the prevalence of a negative output gap, inflation has been trending down and has remained low.** While supply-side factors explain much of the decline in headline inflation, demand-side pressures also played some role. The price change in core services, which is less affected by those factors and hence a better indicator of domestic demand pressure, has remained subdued since the past two years. The Bank forecasts headline inflation at 0.5 per cent in 2019, conditional on the absence of a major supply shock and unchanged prices of administered products.
- 3.23 **The Bank is quite optimistic about the domestic economic outlook, which should benefit from the positive impact of recent public investments and medium-term policies.** While recognizing downside risks to the outlook linked to potential adverse weather conditions, volatile global commodity prices and revision in global GDP growth, it remains confident that economic prospects offered by recent and current investment projects, tourism-related activities, and the services sector, would keep a check on these risks.
- 3.24 **It seems evident from the foregoing that the implementation of the National Minimum Wage has not adversely affected the economy.**
- 3.25 Table 7 below from SM shows the evolution of the main economic indicators since the year 2012 to 2018 and the forecast for 2019.

Table 7: Evolution of the main economic indicators from year 2012 to 2018 and the forecast for 2019

Particulars	Unit	2012	2013	2014	2015	2016	2017	2018	2019*
Real GDP Growth Rate (market prices)	%	3.5	3.4	3.7	3.6	3.8	3.8	3.8	3.8
Real GVA Growth Rate (basic prices)	%	3.6	3.4	3.6	3.1	3.6	3.6	3.6	3.6
Saving Rate (GDS/GDP)	%	12.4	11.1	10.6	10.4	11.0	10.0	9.0	9.6
Investment Rate	%	22.6	20.8	18.9	17.4	17.2	17.4	18.8	19.7

Particulars	Unit	2012	2013	2014	2015	2016	2017	2018	2019*
Consumption Expenditure nominal growth rate	%	7.0	7.7	5.9	4.8	5.3	6.3	6.5	4.3
Headline Inflation rate	%	3.9	3.5	3.2	1.3	1.0	3.7	3.2	0.5

Source: Statistics Mauritius

*forecast 2019

- 3.26 It is to be noted that (a) Gross Domestic Product (GDP) at market prices is forecasted at 3.8% in 2019 and (b) Investment rate, defined as the ratio of investment to GDP at market prices, would increase from 17.4% in 2017 and 18.8% in 2018 to 19.7% in 2019.

The Need to Increase the Rate of Growth

- 3.27 Economic growth refers to the increase in the size of the national cake that the factors of production of the country produce annually. The need for economic growth cannot be over exaggerated considering that growth if equitably shared implies higher standard of living for the whole population.
- 3.28 Though the economy has been growing at an average rate of 3.7% during the last decade and is expected to grow by 3.9% in 2019, significantly higher rates of growth would be required for the country to graduate to a higher income status i.e. improving the per capita income from current USD 9,740 to about USD 13,600 – the threshold for higher income countries. The average rate of growth needed would depend upon the timeframe the country sets to realise this ambitious goal.
- 3.29 Today's context still dictates that drastic measures need be pursued to increase the rate of economic growth by creating necessary and relevant conditions for the country to become more competitive, more entrepreneurial and more productive. These measures include improving public infrastructure, addressing the skills mismatch to reduce unemployment, boosting investment in productive sectors, and ensuring sustainable and equitable growth.
- 3.30 The Council notes that Government initiatives as regards public investment in major infrastructural projects, business facilitation as well as social measures in favour of the poor e.g. direct income support and negative income tax schemes and the introduction of the National Minimum Wage have already been successfully brought to fruition and/or implemented.
- 3.31 It is also noteworthy that the Mauritius Chamber of Commerce and Industry (MCCI) business index published regularly indicates that business confidence levels have been showing improvement for the last five consecutive quarters.
- 3.32 In its report for 2020 on the Ease of Doing Business, the World Bank has ranked Mauritius at the 13th position out of 190 economies in the world from a position of 20th. It is the country's best ranking since the report was first published in 2007. The World Bank Doing Business Report measures business regulations and their enforcement across some 190 economies in the world and captures various business-related regulatory indicators such as starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

- 3.33 ***The Council recognises the importance of the need for measures to increase the rate of growth and for such growths to be inclusive and to be accompanied by shared prosperity, having regard to the needs of the lowest wage earner to improve his lot and that of his family.***
- 3.34 ***The Council considers that the minimum wage should be reviewed to a level that ensures an improvement in the consumption basket of low wage households having regard to the rate of economic growth while not jeopardising new investment for growth.***

The Need to Protect Employment

- 3.35 Protecting and creating employment have been and are still key objectives of Government, considering both the social and economic costs associated with a high level of unemployment. Greater employment contributes to economic performance. Employment and households' income help to sustain household consumption expenditure, thus bolstering future economic growth which in turn has the effect of increasing investment, creating employment and improving the standard of living of the nation.
- 3.36 While Government is committed to regularly review the National Minimum Wage in conformity with the relevant provisions of the NWCC Act, it has, among others, to create an environment to induce investment and to protect and increase employment to enable workers and their families to improve their standard of living while contributing to economic performance.
- 3.37 An analysis of the impact of the introduction of the National Minimum Wage indicates that different sectors and categories of workers have been affected at varying degrees. While no major problem has been found, in general, in the Non-EOEs, certain firms in the EOE have had to close down or to relocate offshore. Certain others have managed to stay in business after restructuring.
- 3.38 It is noted that the number of workers on behalf of whom contributions are made to the NPF in the EOE fell from 38,601 as at June 2018 to 30,487 as at June 2019 representing a decrease of 21%.
- 3.39 Major decreases are noted in the Food and Beverages sector (68%), Electrical, Electronic & Computer Products (26%) and Furniture (19%). Textile, Fabrics & Wearing Apparel registered a fall of 4,497 representing around 17% of the contributing workers.
- 3.40 The overall decrease of workers on behalf of whom contributions are made to the NPF from June 2019 compared to June 2018 was mainly attributable to Textile, Fabrics & Wearing Apparel representing 55% and Food and Beverages (40%).
- 3.41 ***The most important challenges of this review have, therefore, been the formulation of relevant recommendations in relation to the Review of the National Minimum Wage to accommodate the EOE with minimum disturbances.***
- 3.42 ***The Council recognizes that it should, through this review, continue to protect employment considering, as mentioned in the 2017 Report on the introduction of the National Minimum Wage, that:***
- (a) the need to preserve and create employment rests on the premise that when people are employed, they will earn income, spend, and sustain household consumption improving living conditions and bolstering economic growth;***

(b) higher employment contributes to higher fiscal revenue through direct and indirect taxes which help Government to better meet its expenditure;

(c) rising unemployment represents economic slack which limits gains in domestic output;

(d) if people remain unemployed, Government needs to step in to provide income support, which adds to its expenditure bill; and

(e) keeping people in employment keeps at bay social evils and unrest and consolidates social harmony and peace.

3.43 **The Council has, therefore, been cautious in the formulation of its recommendations on the review of the National Minimum Wage and has consequently made specific recommendations by way of transitional provisions for the EOE.**

The need to ensure national competitiveness

3.44 The analysis of national competitiveness has again revealed that the gap between productivity growth and compensation growth has been increasing for several years thus increasing the unit labour cost both at the aggregate level and at the sectoral level, particularly for the EOE.

3.45 It has again been submitted that (a) several competitor countries e.g. Madagascar, Bangladesh, India, Vietnam, etc. are relatively cheaper than Mauritius; and (b) the competitiveness of our products in the export market is being eroded with negative impact on exports, investments and the balance of trade.

3.46 It is, however, noted that gross operating surplus at the aggregate level i.e. gross revenue minus intermediaries and indirect taxes which recently started to decrease, stands at around 50.9% of GDP in 2017 and 50.6% in 2018 and is expected to reach around 50.5% in 2019.

3.47 While the erosion of national competitiveness still dictates the need to improve productivity and for cautiousness on the wage front, the level of operating surplus indicates, as mentioned in the 2017 Report on the introduction of the National Minimum Wage, a measure of affordability for wage increases particularly at the low levels. It may, however, be argued that, as the minimum wage involves additional costs at the firm level, an analysis at the aggregate level and/or at the sector level may not always lead to the right conclusion on the issue of affordability.

3.48 **Consequently, in reviewing the National Minimum Wage, the Council considers it necessary to strike the right balance between the need to improve productivity and national competitiveness on the one hand and the need to ensure adequate income to low wage earners for low income households to maintain a reasonable standard of living on the other hand.**

Summary of Considerations and Philosophy for the 2020 National Minimum Wage Review

3.49 The Council recognises the importance of the need for measures to protect employment and to increase investment and the rate of growth and for such growths to be inclusive and to be accompanied by shared prosperity.

3.50 The Council considers that it should ensure an increase in the disposable income of minimum wage earners and their households, having regard to the need to improve the

living conditions of low paid workers and promote decent work in terms of employment in conditions of freedom, equity, security and human dignity, while ensuring productivity and competitiveness.

3.51 Although poverty alleviation is not explicitly embedded in the mandate of the Council, it would be laudable if the minimum wage could ensure that households which have the minimum number of Wage/Income earners can earn sufficient income to move out of poverty.

3.52 The review aims at improving the standard of living of low wage earners and their families having regard to the need to:

(i) promote equity in society by reducing inequality; and

(ii) bridge wage differentials and improve income distribution in favour of the poor,

while ensuring, to the extent possible, that necessary measures are taken to safeguard employment, investment and economic growth and that Mauritius remains competitive on the international front.

CHAPTER 4

Methodology & Hypothetical Minimum Wage Values

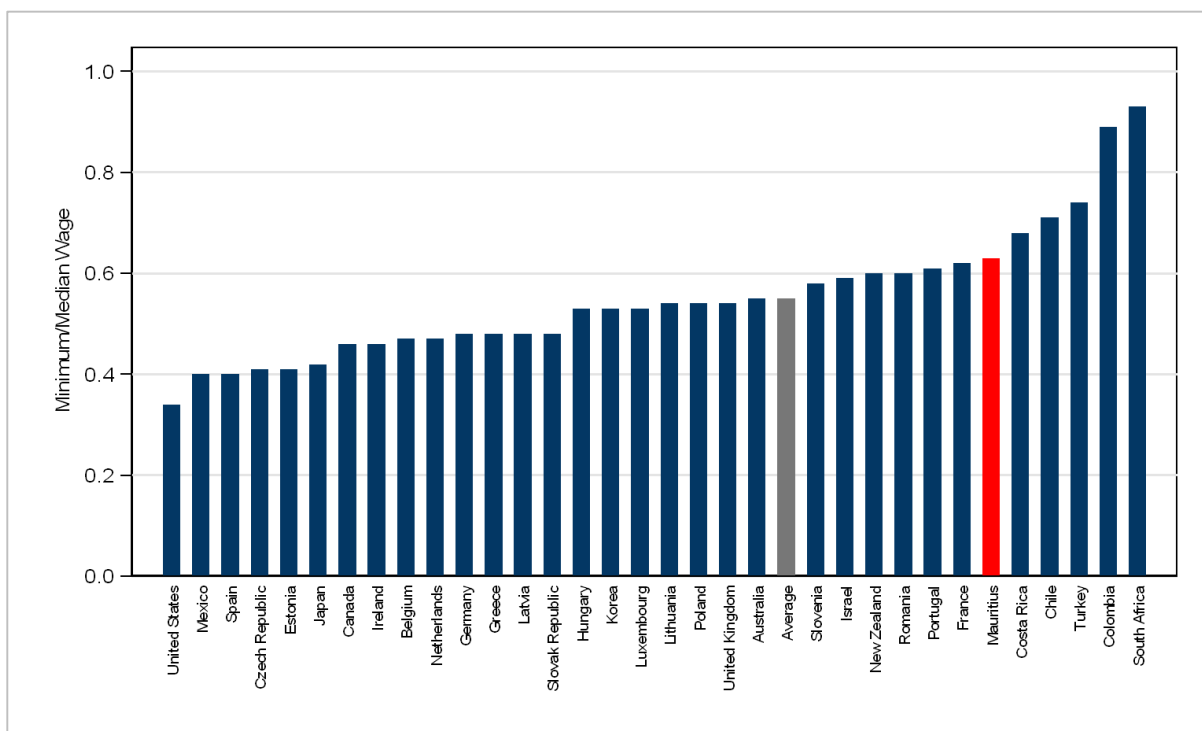
This Chapter elaborates on the methodologies adopted for the determination of Hypothetical National Minimum Wage values – an important step to examine the impact of different options and to facilitate focused discussions on the National Minimum Wage Review 2020.

Statistical Indicator Methodology

Proportion of Median – an anchor for a National Minimum Wage

- 4.1 Section 5 subsection (b) (i) of the National Wage Consultative Council (NWCC) Act provides, *inter alia*, for “a National Minimum Wage equivalent to a proportion of the domestic Median Wage of the preceding year for the lowest paid workers”.
- 4.2 The Median Wage is the boundary between the highest 50% and the lowest 50% of wage earners in the wage distribution. The approach, using the Median Wage as a reference, considers that this is a wage level, which is associated to a middle-income (not average income) standard of living, given the wage distribution in a particular economy.
- 4.3 Median Wage is a preferred measure to Mean Wage for international comparisons as it accounts for differences in wage dispersions across countries (ILO, 2019). The Median Wage is the wage in the middle of the country’s wage distribution whereas the Mean Wage is just the average wage of all workers in a country. Typically, the Mean Wage will be disproportionately higher in countries with high income inequality as high-income earners pull up the average. Thus, the Median Wage within a country is usually a better representation of what the majority of wage earners’ income is within a country.
- 4.4 Learning from international experience indicates that minimum wage levels vary markedly across countries. **Figure 2** below gives the ratio of minimum wages to Median Wage in selected countries. A minimum to Median Wage ratio closer to zero means the Median Wage level is higher than the minimum wage, whereas, minimum to Median Wage equal to one means that Median Wage is equal to minimum wage. Mauritius minimum to Median Wage ratio is 0.63. South Africa has the highest minimum to Median Wage ratio of 0.93. In contrast, the United States has the lowest minimum to median ratio of 0.34. (*World Bank*)

Figure 2: Ratio of Minimum wage to Median Wages, Selected Countries



Source: World Bank Paper to Council – OECD (2019), ILO (2019), StatsSA (2018), Statistics Mauritius (2017), ILO Global Wage database, World Bank (2019)

4.5 At the domestic level, Table 9 below gives the National Minimum Wage as a proportion of the 2017 median in the Non-EOEs and the EOEes with effect from 01 January 2018. It also gives the guaranteed income of minimum wage workers as a proportion of the 2017 median.

Table 8: 2018 NMW and Guaranteed Income as a proportion of 2017 Median

2018 NMW	2018 NMW as a proportion of 2017 Median i.e. Rs 13,400
Non-EOEs	
Rs 8,500	63.4%
EOEs	
Rs 8,140	60.7%
Guaranteed Income – All Sectors	
Rs 9,000	67.2%

4.6 In summary, the National Minimum Wage of Rs 8,500 a month effective from 01 January 2018 represents 63.4% of the domestic Median Wage of 2017 is taken into account. Moreover, the guaranteed minimum income of minimum wage workers in all sectors is the equivalent of 67.2% of the domestic Median Wage of 2017 is taken into account.

2019 Median Wage

- 4.7 The Median Wage for the year ending December 2019 stands at Rs 14,200 a month, as determined by Statistics Mauritius (SM). The estimate has been based on the decile distribution of monthly employment income at **Annex III C**. The information is based on administrative data and surveys carried out by Statistics Mauritius, namely Survey on distribution of employees by basic wage range of public institutions and large establishments (Survey of Employment and Earnings – March 2019) and Continuous Multi-Purpose Household Survey (CMPHS) (Q2 2019) for employment in small establishment.
- 4.8 The Median Wage for full-time employees for the whole country as well as the Median Wage for full-time employees in the public and private sectors for period 2011 to 2019, as published by SM, are given at **Annex V**.
- 4.9 If the proportions of the 2018 National Minimum Wage on the 2017 median established in the 2017 Report introducing the National Minimum Wage are maintained, the Hypothetical National Minimum Wage and the Hypothetical Guaranteed Income (used as basis for the National Minimum Wage Review 2020) would work out as shown in the Table 9 below.

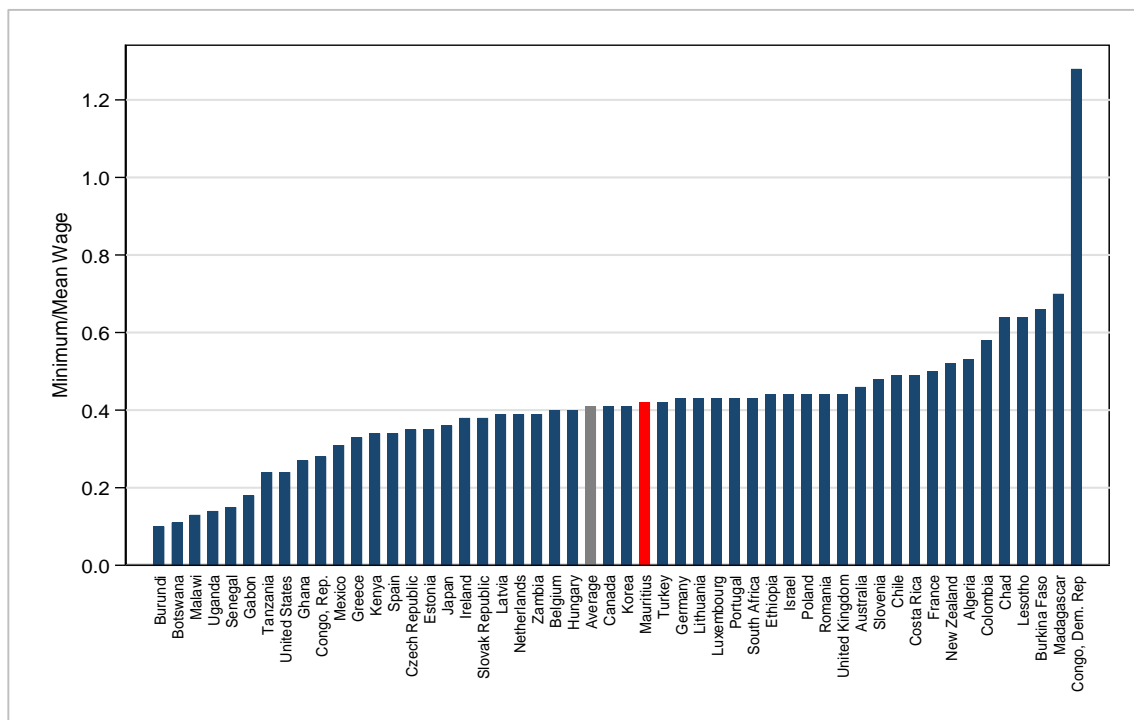
Table 9: Hypothetical NMW and Hypothetical Guaranteed Income – 2020

Column A	Column B	Column C
NMW 2018	Proportion of 2017 Median wage of Rs 13,400	(Based on the 2019 median wage of Rs 14,200) 2020 Hypothetical NMW/ Hypothetical Guaranteed Income maintaining the same ratio as at Column B
Non-EOEs		
Rs 8,500	63.4%	Rs 9,000
Guaranteed Income – All Sectors		
Rs 9,000	67.2%	Rs 9,542

Proportion of Mean

4.10 Foreign experience shows that several countries use the Mean Wage as a reference and set their minimum wage at around 40% of the mean. Figure 3 below indicates that minimum to Mean Wage ratio is around 0.4 for a large share of countries.

Figure 3: Ratio of Minimum wage to Mean Wages, Selected Countries



Source: World Bank Paper to Council – OECD (2019), ILO (2019), StatsSA (2018), Statistics Mauritius (2017), ILO Global Wage database

4.11 The average minimum to Mean Wage ratio of 0.41 suggests that minimum wages are set at a level almost two-fifths of Mean Wage across countries. Burundi has the lowest minimum to mean ratio of 0.1, while Congo Democratic Republic has the highest minimum to mean ratio of 1.28 suggesting that minimum wage level is more than the average wage level. High wage inequality is associated with a high minimum to mean ratio. Mauritius’s minimum to mean ratio is 0.42, which is lower than the minimum to median ratio (0.63) for the country. This suggests that high wage inequality drives the mean up hence the median is a preferred measure because it provides wage level where there is high concentration of wage earners. However, Mauritius’s minimum to mean ratio is around the global average. (World Bank)

4.12 The hypothetical National Minimum Wage value on the basis of this international benchmark ratio is shown in the Table 10 below:

Table 10: 2020 Hypothetical NMW value

Mean Wage (Q2) 2019	Proportion of Mean Wage	2020 Hypothetical NMW
Rs 22,200	40%	Rs 8,880 (40% of Rs 22,200)

Source: Council’s Computation based on SM figures

Household Expenditure Methodology

- 4.13 The Household Expenditure methodology determines the hypothetical minimum wage values using as references the household expenditure and the number of wage/income earners in the household.
- 4.14 The Council considers, as explained in its 2017 Report, that the household expenditure in respect of the second quartile could be used as a reference for the purpose of the Household Expenditure methodology.
- 4.15 Table 11 below gives the household expenditure for a family of four in the second quartile and the second quintile, as adjusted for estimated inflation up to December 2019. The data reflects expenditure as reported during the Household Budget Survey (HBS) 2017.

Table 11: Estimated Average Monthly Household Consumption Expenditure for Household size of four by Quantile Group of Households – 2017 & 2019

Quantile Group	Average monthly household expenditure – 2017 (Rs)	Average monthly household expenditure – 2019 (Rs)
Based on the second quintile	16,976	17,607
Based on the second quartile	19,345	20,063

Source: Statistics Mauritius (SM)

- 4.16 The Council has worked out the hypothetical National Minimum Wage values using the following formula:

$$\frac{[(\text{Monthly Household Expenditure of Second Quartile 2019 adjusted for End of Year Bonus}) / (\text{Average Number of Wage/Income earners per household})]}{}$$

Hypothetical National Minimum Wage Values based on Household Expenditure Methodology

- 4.17 The hypothetical National Minimum Wage values, based on the monthly expenditure of households in the second quartile of the distribution adjusted for end of year bonus and the number of wage/income earners per household, work out in Table 12 below:

Table 12: 2020 Hypothetical NMW value based on monthly Household Expenditure

Number of Wage/Income Earners	2020 Hypothetical NMW Values
2 Income Earners	Rs 9,260
1.80 Wage Earners	Rs 10,290

Source: Council's Computation based on SM figures

Poverty Line Methodology

- 4.18 A person or household is considered poor if his or its resources fall below a threshold or cut off line known as 'the poverty line'. SM uses the Relative Poverty Line (RPL), set at half of the median monthly household income per adult equivalent.

- 4.19 A national minimum wage is not generally prescribed as a measure for poverty alleviation as its introduction or review may be accompanied by some contraction of employment. However, as mentioned in its 2017 Report – Introduction of the National Minimum Wage, the Council considers that it would be laudable if the minimum wage could ensure that households which have a designated number of Wage/Income earners earn sufficient income to move above the poverty line.
- 4.20 The Poverty Line Methodology therefore aims at arriving at a minimum wage which enables a household with sufficient number of income earners to earn an income above an established national poverty line.
- 4.21 Considering that the Relative Poverty Line (RPL) is not appropriate for monitoring changes in poverty levels over time (since it varies according to the income distribution of the population), an absolute poverty line may be used by keeping the relative poverty line fixed in real terms. (SM – Poverty Report)
- 4.22 Table 13 below gives the relative poverty lines (RPL) (see **Annex VI** – Definition) for selected types of households, Republic of Mauritius, 2017 to 2019. The RPL is determined based on the Household Budget Survey data (HBS) of 2017. The latest RPL refers to 2017 HBS adjusted for price changes, to obtain equivalent thresholds for 2018 and 2019. The RPL by type of households is determined based on Bank & Johnson non-linear equivalence scale.

Table 13: RPL for selected types of households, Republic of Mauritius, 2017, 2018 & 2019

RPL for selected types of households	2017	2018	2019
Households with 1 adult member (Rs)	7,497	7,740	7,780
Households with 2 adult members (Rs)	12,179	12,570	12,630
Households with 2 adults and 2 children (Rs)	17,657	18,220	18,300

Source: Statistics Mauritius (SM)

- 4.23 It is noted from the above table that the Relative Poverty Line, adjusted for estimated inflation up to December 2019, for a family of two adults and two children works out to Rs 18,300.
- 4.24 Table 14 below gives the hypothetical national minimum wage values which have been worked out using the following formula:

[(Monthly Relative Poverty Line i.e. Rs 18,300) ÷ (Number of wage/income earners per household adjusted for improved earnings of part-time worker)]

Table 14: 2020 Hypothetical NMW value based on monthly RPL

Number of Wage/Income Earners per household	2020 Hypothetical NMW Values
2 Earners	Rs 9,150
1.80 Earners	Rs 9,740

Source: Council's Computation based on SM Figures

4.25 However, to earn a net disposable income of Rs 18,300 monthly, a family of four with two adult members should earn addition income for compulsory contributions to the NPF for pensions (3% of monthly wage) and for Back to Work Programme (1% of monthly wage). The gross income required to yield a disposable income of Rs 18,300 works out to Rs19,063. The latter figure adjusted for end of year bonus works out to Rs 17,597.

4.26 Table 15 below gives the hypothetical national minimum wage values that would guarantee sufficient income for a household of four members to move out of poverty based on the monthly gross income adjusted for end of year bonus and the number of wage earners per family. The hypothetical National Minimum Wage values have been worked out using the following formula:

$$[(\text{Monthly Gross Income adjusted for End of Year Bonus i.e. Rs 17,597}) \div (\text{Number of wage/income earners per household adjusted for improved earnings of part-time worker})]$$

Table 15: 2020 Hypothetical NMW value based on monthly Gross Income adjusted for end of year bonus

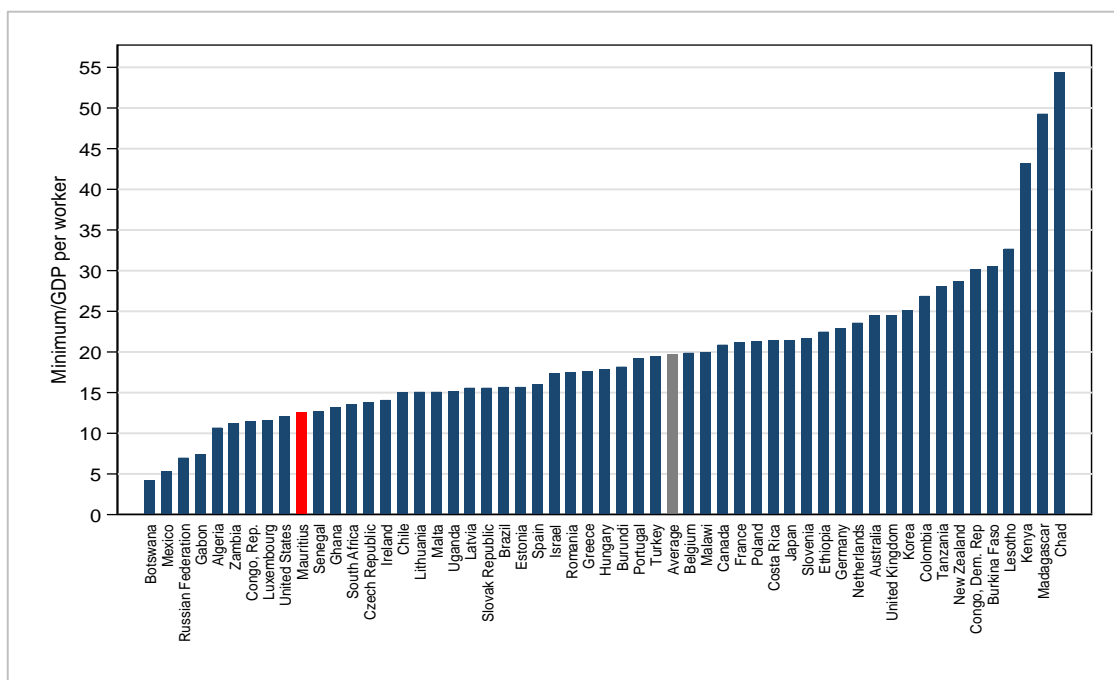
Number of Wage/Income Earners per household	2020 Hypothetical NMW Values
2 Earners	Rs 8,800
1.80 Earners	Rs 9,780

Source: Council’s Computation based on SM Figures

National Minimum Wage Value Added Per Worker Ratio Methodology

4.27 Figure 4 below gives the ratio of minimum wage to GDP per worker for selected countries.

Figure 4: Ratio of Minimum wage to GDP per worker, Selected Countries



Source: World Bank Paper to Council - OECD (2019), ILO (2019), StatsSA (2018), Statistics Mauritius (2017), World Bank (2019), ILO Global Wage database, World Bank WDI

4.28 The figure represents the ratio of the minimum wage to GDP per worker for both developed and developing countries. On average, the minimum wage to GDP per worker is 19.7. Mauritius, at 12.6, is amongst countries below the average.

4.29 Table 16 below gives the National Minimum Wage as well as the Guaranteed Minimum Income (GMI) as a share of value added per worker in 2018. The ratios adjusted for the end of year bonus are also given in Table 16 below.

Table 16: 2018 NMW and GMI as a share of GDP Per Worker

2018 NMW/GMI	2018 NMW and GMI as a share of GDP per worker i.e. Rs 779,010 (revised) in 2017 (%)
Rs 8,140	12.5
Rs 8,500	13.1
Rs 9,000	13.9

Source: Council's Computation based on SM Figures

4.30 It is noted that the NMW as a proportion of value added per worker ranges between 12.5% and 13.1%, while the corresponding figure for the guaranteed income is 13.9% in 2018.

4.31 The 2020 hypothetical National Minimum Wage values based on the same share of GDP per worker obtained in 2018 but using the forecast GDP per worker of 856,058 in 2019 gives the results as shown in Table 17 below.

Table 17: 2020 Hypothetical NMW based on GDP Per Worker

2018 NMW/GMI	2018 NMW and GMI as a share of GDP per worker i.e. Rs 779,010 (revised) in 2017 (%)	2020 HNMW based on GDP per worker i.e. Rs 856,058 (forecast) in 2019 and maintaining corresponding share of GDP per worker of 2018
Rs 8,140	12.5	8,917
Rs 8,500	13.1	9,345
Rs 9,000	13.9	9,916

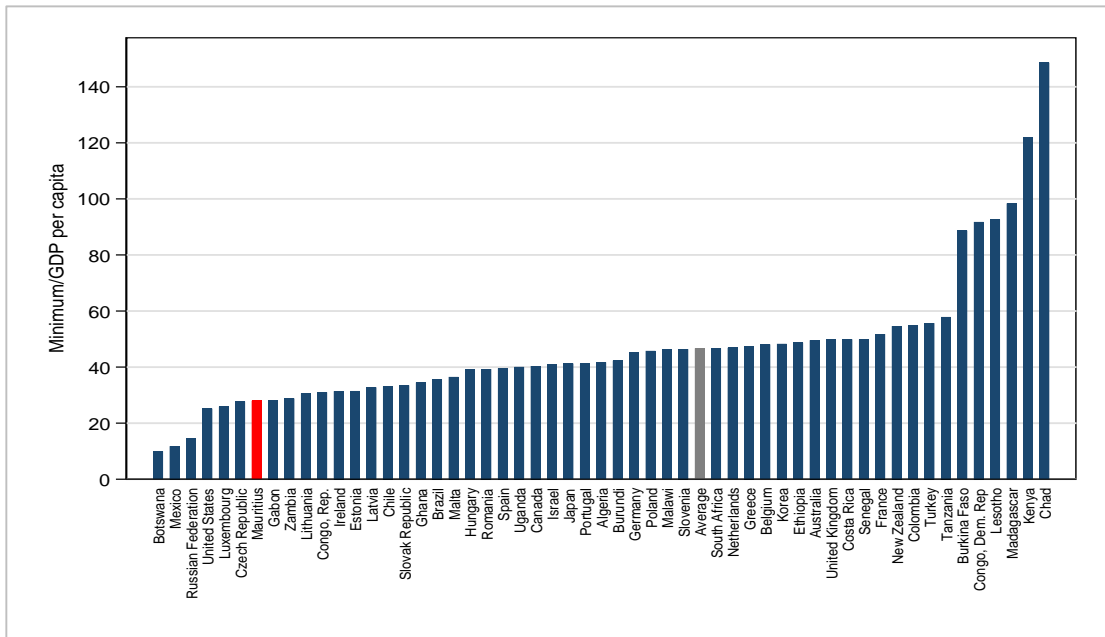
Source: Council's Computation based on SM Figures

4.32 There is a case to improve the NMW as a proportion of value added per worker having regard to (a) the international average minimum wage to GDP per worker which stands at 19.7% and (b) Government policy to improve income distribution in favour of low wage earners.

National Minimum Wage as a Share of Per Capita Income

4.33 Figure 5 below gives the ratio of minimum wage to GDP per capita for selected countries.

Figure 5: Ratio of Minimum wage to GDP per capita, Selected Countries



Source: World Bank Paper to Council (2019) - OECD (2019), ILO (2019), StatsSA (2018), Statistics Mauritius (2017), World Bank (2019), ILO Global Wage database

4.34 Minimum wage to GDP per capita is also a good measure for international benchmarking. The figure above provides the ratio of the minimum wage to GDP per capita for both developed and developing countries.

4.35 Table 18 below gives the National Minimum Wage as well as the Guaranteed Minimum Income (GMI) as a share of GDP per capita income in 2018.

Table 18: 2018 NMW and GMI as a share of GDP Per Capita Income

2018 NMW/GMI	2018 NMW and GMI as a share of GDP per capita income i.e. Rs 361,456 (revised) in 2017 (%)
Rs 8,140	27.0
Rs 8,500	28.2
Rs 9,000	29.9

Source: Council’s Computation based on SM Figures

4.36 It is noted that the NMW as a proportion of GDP per capita income ranges between 27% and 28.2%, while the corresponding figure for the guaranteed income is 29.9% in 2018.

4.37 The 2020 hypothetical National Minimum Wage values based on the same share of GDP per capita income obtained in 2018 but using the forecast GDP per capita income of 399,274 in 2019 gives the results as shown in the Table 19 below.

Table 19: 2020 Hypothetical NMW based on GDP Per Capita Income

2018 NMW/GMI	2018 NMW and GMI as a share of GDP per capita income i.e. Rs 361,456 (revised) in 2017 (%)	2020 HNMW based on GDP per capita income i.e. Rs 399,274 (forecast) in 2019 and maintaining corresponding share of GDP per capita income of 2018
Rs 8,140	27.0	8,990
Rs 8,500	28.2	9,390
Rs 9,000	29.9	9,950

Source: Council's Computation based on SM Figures

- 4.38 There is a case to improve the NMW as a proportion of GDP per capita income having regard to (a) the ratio of minimum wage to GDP per capita income internationally and (b) Government policy to improve income distribution in favour of low wage earners.
- 4.39 The 2020 hypothetical National Minimum Wage value computed based on an improved proportion of say 30.0% of the 2019 GDP per capita income i.e. 399,274 (forecast) works out to Rs 9,980.

Summary of Hypothetical Results

- 4.40 The following is a summary of the 2020 hypothetical National Minimum Wage values based on the different methodologies as described in Table 20 below:

Table 20: Summary of 2020 Hypothetical NMW based on different Methodologies

Methodology	Range of Values (Rs)
Statistical Indicator: 40% of 2019 Mean Wage i.e. Rs 22,200 63.4% of 2019 Median Wage i.e. Rs 14,200	Rs 8,880 Rs 9,000
Relative Poverty Line adjusted for inflation up to December 2019 with 2/1.8 wage/income earners	Rs 9,150 Rs 9,740 (1.8 wage earners)
Household Expenditure of a family of four in the second quartile with 2/1.8 wage/income earners	Rs 9,260 Rs 10,290 (1.8 wage earners)
HNMW based on GDP per worker i.e. Rs 856,058 (forecast) in 2019 maintaining corresponding share of GDP per worker of 2018 i.e. 13.1%	Rs 9,345
HNMW based on GDP per capita income i.e. Rs 399,274 (forecast) in 2019 maintaining corresponding share of GDP per capita income of 2018 i.e. 28.2%	Rs 9,390
HNMW value based on an improved proportion of say 30% of the 2019 GDP per capita income i.e. Rs 399,274 (forecast)	Rs 9,980

Source: Council's Computation based on SM Figures

4.41 In the next chapter, the Council proceeds with the analysis of the options – a pre-requisite for the review of the National Minimum Wage in 2020.

Chapter 5

Analysis of Options – Setting the Rate

In Chapter 4, the Council has elaborated on the methodologies adopted for the determination of hypothetical National Minimum Wage values – a crucial step to undertake the review of the National Minimum Wage rate in 2020. In this Chapter, the Council assesses the options, summarises their impact, and determines the National Minimum Wage rate.

Summary of Options

5.1 A summary of the 2020 hypothetical National Minimum Wage results arrived at using different methodologies is reproduced as options in Table 21 below.

Table 21: Summary of the 2020 Hypothetical NMW results using different Methodologies

Methodology	Range of Values (Rs)
Statistical Indicator: 40% of 2019 Mean Wage i.e. 22,200 63.4% of 2019 Median Wage i.e. 14,200	Rs 8,880 Rs 9,000
Relative Poverty Line adjusted for inflation up to December 2019 with 2/1.8 wage/income earners	Rs 9,150 Rs 9,740 (1.8 wage earners)
Household Expenditure of a family of four in the second quartile with 2/1.8 wage/income earners	Rs 9,260 Rs 10,290 (1.8 wage earners)
HNMW based on GDP per worker i.e. Rs 856,058 (forecast) in 2019 maintaining corresponding share of GDP per worker of 2018 i.e. 13.1%	Rs 9,345
HNMW based on GDP per capita income i.e. Rs 399,274 (forecast) in 2019 maintaining corresponding share of GDP per capita income of 2018 i.e. 28.2%	Rs 9,390
HNMW value based on an improved proportion of say 30.0% of the 2019 GDP per capita income i.e. 399,274 (forecast)	Rs 9,980

Analysis of Key Information – Kaitz Ratio and Others

5.2 Key information relating to each option is analysed and presented. This includes:

- The *kaitz ratio* that is the proportion of minimum wages to the mean or Median Wage – this measure provides an indication of how high wages are set relative to the average wage level for a country;
- The share of working population impacted upon – an important criterion that is generally considered by policy makers in determining at what level the revised National Minimum Wage should be set; and

- (c) The hypothetical National Minimum Wage as a share of per capita income/value added per worker – two very pertinent and important indicators, which are used to monitor the National Minimum Wage locally and for comparison internationally.

Analysis and Impact of National Minimum Wage Options

- 5.3 A summary of the analysis and impact of each National Minimum Wage option is given below. A consolidation of the impact of all options is given at **Annex VII**.

Impact of Option 1: Rs 8,880 a month

Minimum Wage Rate Impact Measures	Impact of Option 1
Proportion to Mean Wage	40.0%
Proportion to Median Wage	62.5%
Proportion to value added per worker	12.4%
Proportion to per capita GDP	26.7%
Number of workers directly impacted	84,979 i.e. 19.4%

Impact of Option 2: Rs 9,000 a month

Minimum Wage Rate Impact Measures	Impact of Option 1
Proportion to Mean Wage	40.5%
Proportion to Median Wage	63.4%
Proportion to value added per worker	12.6%
Proportion to per capita GDP	27.0%
Number of workers directly impacted	89,185 i.e. 20.4%

Impact of Option 3: Rs 9,150 a month

Minimum Wage Rate Impact Measures	Impact of Option 2
Proportion to Mean Wage	41.2%
Proportion to Median Wage	64.4%
Proportion to value added per worker	12.8%
Proportion to per capita GDP	27.5%
Number of workers directly impacted	94,751 i.e. 21.6%

Impact of Option 4: Rs 9,260 a month

Minimum Wage Rate Impact Measures	Impact of Option 4
Proportion to Mean Wage	41.7%
Proportion to Median Wage	65.2%
Proportion to value added per worker	13.0%
Proportion to per capita GDP	27.8%
Number of workers directly impacted	98,833 i.e. 22.6%

Impact of Option 5: Rs 9,345 a month

Minimum Wage Rate Impact Measures	Impact of Option 5
Proportion to Mean Wage	42.1%
Proportion to Median Wage	65.8%
Proportion to value added per worker	13.1%
Proportion to per capita GDP	28.1%
Number of workers directly impacted	102,173 i.e. 23.3%

Impact of Option 6: Rs 9,390 a month

Minimum Wage Rate Impact Measures	Impact of Option 6
Proportion to Mean Wage	42.3%
Proportion to Median Wage	66.1%
Proportion to value added per worker	13.2%
Proportion to per capita GDP	28.2%
Number of workers directly impacted	103,657 i.e. 23.7%

Impact of Option 7: Rs 9,740 a month

Minimum Wage Rate Impact Measures	Impact of Option 7
Proportion to Mean Wage	43.9%
Proportion to Median Wage	68.6%
Proportion to value added per worker	13.7%
Proportion to per capita GDP	29.3%

Minimum Wage Rate Impact Measures	Impact of Option 7
Number of workers directly impacted	116,646 i.e. 26.6%*

Impact of Option 8: Rs 9,980 a month

Minimum Wage Rate Impact Measures	Impact of Option 8
Proportion to Mean Wage	45.0%
Proportion to Median Wage	70.3%
Proportion to value added per worker	14.0%
Proportion to per capita GDP	30.0%
Number of workers directly impacted	125,552 i.e. 28.7%

5.4 Options 1 to 6 were not retained since:

- (a) option 1 is lower than the national minimum wage payable by the employer in the non-EOEs i.e. Rs 8,900; and
- (b) option 2 to option 6 represent an increase of less than 5.5% on Rs 8,900 and is considered inadequate.

5.5 Options 7 and 8, i.e Rs 9,740 and Rs 9,980 representing an increase of 9.4% and 12.1% respectively, were retained for further analysis.

Other Pertinent Contextual Indicators

5.6 It is noted that:

- (i) the actual incomes of workers, families, and households will increase as the minimum wage increases and this will make it easier for minimum wage earners and their families to meet living costs. However, because social measures/ transfers are designed to assist low income families, the actual increase to households can be markedly higher;
- (ii) the impact of minimum wage increases varies across employers. EOE's with a large number or proportion of minimum wage earners are most likely to be impacted; and
- (iii) the minimum wage is being set at a level where household with designated number of workers can earn a disposable income to move beyond the poverty threshold.

Setting the Rate

5.7 Reviewing the National Minimum Wage rate requires balancing the benefits of any changes to the rate, such as the improvement of the standard of living of low paid employees against the costs that any change to the rate might bring.

5.8 In the light of the foregoing and particularly considering:

- (a) the results from the application of the different methodologies;
- (b) the views of members representing different interests;

- (c) the need to improve the living conditions of low wage workers;
- (d) the need to take into account the prevailing economic situation of the country; and
- (e) the next review is due in five years,

the Council recommends that the monthly National Minimum Wage payable by the employer under Section 5 sub-sections (b) (i) and (ii) of the NWCC Act be reviewed to Rs 9,700 for a full-time worker, i.e. 68% of the median for 2019, with effect from 01 January 2020 subject to the special provisions for EOE's and any other sectors as may be agreed.

5.9 The detailed recommendations of the Council are given at Chapter 6 of this Report.

Chapter 6

National Minimum Wage

6.1 Statutory Provisions and Recommendations

6.1.1 This Chapter culminates with the recommendations on the review of the National Minimum Wage for full time workers and part-time workers and addresses the issue of pay components. It also provides for the gradual phasing out of the special allowance with corresponding increase in the National Minimum Wage having regard to the need to (i) ensure that employees are not worse off in the process; (ii) protect investment and growth and safeguard employment; and (iii) promote and improve exports and the balance of trade in the wake of the economic challenges on both the external and internal fronts.

Monthly National Minimum Wage

6.1.2 In January 2019, as per the National Minimum Wage (Amendments) Regulation 2019, the National Minimum Wage was increased with the additional remuneration of Rs 400 for both EOE and the Non-EOEs bringing the gross minimum wages (i.e. minimum wage plus additional remuneration) to Rs 8,540 in the EOE and to Rs 8,900 in the Non-EOEs for all minimum wage workers irrespective of the date of entry.

6.1.3 Section 6 sub-section (1) (g) of the NWCC Act requires the Council to review the National Minimum Wage by latest 2020 and section 9 (2) provides that the Council shall make its recommendations at latest July 2020 in order to enable the Pay Research Bureau to take the national minimum wage as the baseline for the next salary review.

6.1.4 The authorities have decided that both the overall pay review in the Public Sector and the review of the national minimum wage would be implemented with effect from 01 January 2020.

6.1.5 Section 5 sub-section (b) (i) of the Act provides that the National Minimum Wage calculated on a monthly rate for full-time workers should be equivalent to a proportion of the domestic Median Wage of the preceding year for the lowest paid workers.

6.1.6 **The Council recommends that the National Minimum Wage in consonance with the provisions of section 5 sub-section (b) (i) of the NWCC Act, be reviewed with effect from 01 January 2020 to Rs 9,700 a month, that is 68% of the median for calendar year ending 31st December 2019 (as estimated by Statistics Mauritius), for full time adult workers, subject to the provisions concerning the staged phasing out of the special allowance paid by Government and the corresponding increase of the National Minimum Wage and to specific provisions for the EOE.**

Monthly Minimum Guaranteed Income

6.1.7 With the introduction of the national minimum wage effective from 01 January 2018, government has been paying a special allowance of up to Rs 500 monthly to a minimum wage worker in the non-EOE Sector and up to Rs 860 monthly in the EOE Sector to ensure that minimum wage workers obtain a minimum guaranteed income of Rs 9000 monthly.

6.1.8 In December 2018, the authorities decided that (a) the special allowances of up to Rs 500 in the Non-EOEs and up to Rs 860 in the EOE be maintained for one more year up to

December 2019 for minimum wage workers in post prior to 01 January 2018; and (b) the special allowances be reduced to up to only Rs100 in the Non-EOEs and Rs 460 in the EOE for minimum wage workers taking employment with effect from 01 January 2019.

- 6.1.9 Consequently, (a) the monthly guaranteed income reached the figure of Rs 9,400 a month in both the EOE and the Non-EOEs with effect from 01 January 2019 for minimum wage workers in post prior to 01 January 2018; and (b) the monthly guaranteed income was maintained at Rs 9,000 a month in both the EOE and the Non-EOEs for minimum wage workers taking employment with effect from 01 January 2019.
- 6.1.10 The special allowances applicable as from January 2019 for employees in post prior to 01 January 2019 as well as employees joining employment in 2019, are indicated in the last column of Table 22 below.

Table 22: National Minimum Wage & Monthly Guaranteed Income – January 2019

Sector (Rs)	NMW (Rs)	Additional Remuneration (Rs)	Special Allowance (Rs)	Monthly guaranteed income effective as from 01 January 2019 (Rs)
Non-EOEs Employees in post prior to 01 January 2019	8,140	360 + 400	500	9,400
EOEs Employees in post prior to 01 January 2019	8,140	400	860	9,400
Non-EOEs Employees joining service in 2019	8,140	360 + 400	100	9,000
EOEs Employees joining service in 2019	8,140	400	460	9,000

Source: National Minimum Wage (Amendments) Regulations 2019

- 6.1.11 **The phasing out of the special allowance payable by Government to minimum wage workers would have the effect of reducing the minimum guaranteed income unless the increase is passed on integrally to the employer in this Review.**
- 6.1.12 **The Council holds the view that the special allowance of up to Rs 500 in the non-EOEs should be phased out in stages accompanied by corresponding increases in the National Minimum Wage to ensure that employees are not worse off in the process.**
- 6.1.13 **The Council recommends that the monthly guaranteed income of a National Minimum Wage worker be Rs 10,200 a month comprising the national minimum wage of Rs 9,700 (i.e. 68% of the median for 2019) payable by the employer in the non-EOEs and a special allowance of Rs 500 payable by the Government subject to the provisions concerning the gradual phasing out of the special allowance and the corresponding increase in the national minimum wage as shown in Table 23 below.**

Table 23: Phasing Out of Special Allowance of Rs 500 and Staging of National Minimum Wage – Non-EOEs

Year	Special Allowance (Rs)	NMW payable by Employer (Rs) Monthly	Monthly Guaranteed Income
2020	500	9,700	10,200
2021	400	9,800	10,200
2022	300	9,900	10,200
2023	200	10,000	10,200
2024	100	10,100	10,200
2025	NIL	10,200 (prior to review)	10,200

6.1.14 For EOE, the Council recommends that the monthly guaranteed income of a National Minimum Wage worker be Rs 10,200 a month comprising a national minimum wage of Rs 9,000 payable by the employer and a special allowance of Rs 860 further topped up by an additional allowance of Rs 340 payable by the Government subject to the provisions concerning the gradual phasing out of part of the special allowance and the corresponding increase in the national minimum wage as shown in Table 24 below.

Table 24: Phasing Out of part of the Special Allowance of Rs 860 and Staging of National Minimum Wage – EOE

Year	Special Allowance* (Rs)	NMW payable by Employer (Rs) Monthly	Additional Allowance payable to Mauritian Workers only (Rs)	Monthly Guaranteed Income (Rs)
2020	860	9,000	340	10,200
2021	760	9,100	340	10,200
2022	660	9,200	340	10,200
2023	560	9,300	340	10,200
2024	460	9,400	340	10,200
2025	360	9,500 (prior to review)	340	10,200

**The special allowance shall be applicable to foreign workers in post as at 31 December 2019 and to Mauritian workers.*

National Minimum Wage for Young Person and for workers on accredited training, apprenticeship or probation

- 6.1.15 Section 5 sub-section (b) (iii) of the Act requires the Council to make recommendations to the Minister on a lower rate of National Minimum Wage for young persons. A young person as defined in the NWCC Act means a person who is over the age of 16 but under the age of 18.
- 6.1.16 Section 5 sub-section (b) (iv) of the Act requires the Council to make recommendations to the Minister on a lower rate of National Minimum Wage for workers on accredited training, apprenticeship or probation having no corresponding job experience, skills and competencies, relevant accredited vocational or technical qualification, relevant and recognised proficiency certificate, diploma, degree or other professional qualifications in the field in which he is employed or where the job requires no qualification, skill or experience.
- 6.1.17 **As the authorities had agreed, in the wake of the 2017 Council's Report on the introduction of the National Minimum Wage, that the National Minimum Wage initially set under the provisions of section 5 sub-section (b) (i) be applicable to both young persons and for workers on accredited training, apprenticeship or probation, the Council does not propose to make any recommendations departing from Government agreed policy on the matter.**

Review of National Minimum Wage

- 6.1.18 Section 6 (g) of the NWCC Act provides that the Council shall, in the discharge of its functions, review the next national minimum wage by latest 2020 and *subsequently every 5 years*.
- 6.1.19 **The National Minimum Wage effective from 01 January 2020 is inclusive of the 2020 additional remuneration and shall subsequently be increased by any additional remuneration as may be legislated with effect from 01 January 2021.**
- 6.1.20 **The next review of the national minimum wage shall be due with effect from 01 January 2025 or such an earlier date as may be decided by the Authorities.**

6.2 National Minimum Wage for Part Time Workers

- 6.2.1 The rate of remuneration for part-time workers in the Non-EOEs and in the EOEes, with effect from 01 January 2018 as contained in the National Minimum Wage Regulations 2017, are given at **Annex II**.
- 6.2.2 For the computation of remuneration for part-time workers, the basic salary of full-time workers has been increased by Rs 400 for both EOEes and Non-EOEs as from 01 January 2019, as provided for by the Additional Remuneration Act 2018.

Premium for Part-time Work

- 6.2.3 In its 2017 Report on the introduction of the National Minimum Wage, the Council considered that the premium should be higher for part-time work up to 100 hours a month and the premium should be lesser for part-time work beyond 100 hours a month.
- 6.2.4 The rate of remuneration for part time workers, with effect from 01 January 2018, is as shown in Table 25 below:

Table 25: Rate of Remuneration for Part-Time Workers

No of hours of part time work per month	Rate as a percentage of notional hourly rate
Up to 100 hours	110%
Above 100 hours	107%

- 6.2.5 It is noted that the lower premium for part-time work beyond 100 hours was meant to ensure that the remuneration of a part-time worker does not exceed in general the remuneration of a full-time worker.
- 6.2.6 The Council has received representation for the harmonisation of the enhanced remuneration rates for part-time work irrespective of the number of hours of part-time work.
- 6.2.7 **The Council considers that such a harmonisation would induce employers to convert part-timers to full-timers, particularly those part-timers who put in marginally less number of hours than the full-timers.**
- 6.2.8 **To induce employers to convert part-timers to full-timers, particularly those part-timers who put in marginally lesser number of hours than the full-timers, the Council recommends that part-time workers should be remunerated for all hours of part-time work at the notional hourly rate increased by not less than 10 per cent with effect from 01 January 2020.**

6.3 Pay Components

- 6.3.1 The Council is required to make recommendations on those pay components that have to be included and those that have to be excluded in the computation of the National Minimum Wage, in line with the provisions of Section 5 sub-section (b) (vii) of the Act.
- 6.3.2 The National Minimum Wage Regulations 2017 (GN No. 1 of 2018) promulgated in the wake of the 2017 National Wage Consultative Council Report on the Introduction of the National Minimum Wage provided that the National Minimum Wage of:
- “(b) a worker of an export enterprise –
- (i) be inclusive of –
 - (B) housing allowance granted to the worker or value of that allowance, if any;
 - (C) food allowance granted to the worker who is entitled to the benefit under sub subparagraph (B) or value of that allowance, if any; and
 - (D) any fixed remuneration in cash, by whatever name called, paid to the worker monthly and which is guaranteed for work on normal scheduled working hours; but
 - (ii) not be inclusive of any variable pay component.”
- 6.3.3 The Regulations also provide that the benefits granted under sub subparagraphs (B) and (C) i.e. for housing allowance and food allowance shall not, in the aggregate, exceed Rs 2,500 monthly.
- 6.3.4 **In line with an objective of moving towards a clean minimum wage policy, the Council recommends that the benefits under sub subparagraphs (B) as regards housing allowance and (C) as regards food allowance should not in the aggregate exceed Rs 2,500 monthly.**

National Minimum Wage, Additional Remuneration and Other Allowances 2019

Year	Sector	NM Wages + Add. Rem. + Other Allowance	Total Wages	Computation of Overtime, Attendance Bonus, Piece Rate
2018	Non – EPZ (All Employees)	Rs 8,140 + 360 + 500	Rs 9,000	N/A
	EPZ (All Employees)	Rs 8,140 + - + 860	Rs 9,000	Basic Wage 2017 + 360
2019	Non – EPZ (Existing Employees)	Rs 8,140 + 360 +400 + 500	Rs 9,400	N/A
	Non-EPZ (Employees joined service in 2019)	Rs 8,140 + 360 +400 + 100	Rs 9,000	N/A
	EPZ (Existing Employees)	Rs 8,140 + - +400 + 860	Rs 9,400	Basic Wage 2017 + 360 + 400
	EPZ (Employees joined service in 2019)	Rs 8,140 + - +400 + 460	Rs 9,000	

Source: Ministry of Labour, Industrial Relations, Employment and Training (MLIRET)

Rates of Remuneration for Part-Time Workers in the Non-EOEs and EOE

National Minimum Wage Regulations 2017 (GN No.1 o 2018) amended by the National Minimum Wage (Amendment) Regulations 2019 – GN No. 18 of 2019

SCHEDULE

[Regulation 3(2)]

PART I

National minimum wage inclusive of the Additional Remuneration 2019 of a part-time worker, other than a part-time worker referred to under Parts II and III of this Schedule

1. For a part-time worker, other than a watchperson and *garde-malade* –

$$\frac{8900}{195} \times \text{number of hours worked in a month} \times A$$

Where –

- A = 1.10 (if the part-time worker has worked up to 100 hours in a month); or
1.07 (if the part-time worker has worked above 100 hours in a month)

2. For a watchperson and *garde-malade* –

$$\frac{8900}{312} \times \text{number of hours worked in a month} \times A$$

Where –

- A = 1.10 (if the watchperson and *garde-malade* has worked up to 100 hours in a month); or
1.07 (if the watchperson and *garde-malade* has worked above 100 hours in a month)
-

PART II

National minimum wage inclusive of Additional Remuneration 2019 of a part-time worker of an export enterprise

1. For a part-time worker other than a watchperson and *garde-malade* –

$$\frac{8540}{195} \times \text{number of hours worked in a month} \times A$$

Where –

A = 1.10 (if the part-time worker has worked up to 100 hours in a month); or
1.07 (if the part-time worker has worked above 100 hours in a month)

2. For a watchperson and *garde-malade* –

$$\frac{8540}{312} \times \text{number of hours worked in a month} \times A$$

Where –

A = 1.10 (if the watchperson and *garde-malade* has worked up to 100 hours in a month); or
1.07 (if the watchperson and *garde-malade* has worked above 100 hours in a month)

PART III

National minimum wage inclusive of the Additional Remuneration 2019 of a part-time worker, where the hours of work prescribed or agreed for a corresponding full-time worker in any enactment, contract of employment, collective agreement, award or the Pay Research Bureau Report is less than 45 hours a week

$$\frac{8900}{A} \times \text{number of hours worked in a month} \times B$$

Where –

A = number of hours per week prescribed or agreed for a full-time worker x 52/12

B = 1.10 (if the part-time worker has worked up to 100 hours in a month); or

1.07 (if the part-time worker has worked above 100 hours in a month)

Decile distribution of full-time employees & monthly income in the public & private sectors - 2017

Decile employment income	Number of employees	Total monthly income (Rs Million)	Average monthly income (Rs)
1st	43,148	144	3,340
2nd	43,148	280	6,484
3rd	43,148	364	8,446
4th	43,148	432	10,022
5th	43,148	509	11,805
6th	43,148	611	14,159
7th	43,148	745	17,258
8th	43,148	924	21,405
9th	43,148	1,350	31,294
10th	43,148	2,977	68,986
All deciles	431,478	8,336	19,320

Source: Statistics Mauritius

ANNEX IIIB

Decile distribution of full-time employees & monthly income in the public & private sectors - 2018

Decile employment income	Number of employees	Total monthly income (Rs Million)	Average monthly income (Rs)
1st	43,356	173	4,001
2nd	43,356	352	8,130
3rd	43,356	390	9,004
4th	43,356	441	10,175
5th	43,356	531	12,242
6th	43,356	641	14,789
7th	43,356	750	17,293
8th	43,356	990	22,827
9th	43,356	1,394	32,161
10th	43,356	3,137	72,357
All deciles	433,563	8,800	20,298

Source: Statistics Mauritius

ANNEX IIIC

Decile distribution of full-time employees & monthly income in the public & private sectors - 2019

Decile employment income	Number of employees	Total monthly income (Rs Million)	Average monthly income (Rs)
1st	42,925	212	4,942
2nd	42,925	371	8,648
3rd	42,925	421	9,805
4th	42,925	483	11,262
5th	42,925	573	13,345
6th	42,925	711	16,558
7th	42,925	778	18,115
8th	42,925	1,036	24,143
9th	42,925	1,471	34,264
10th	42,925	3,253	75,776
All deciles	429,253	9,309	21,686

Estimated Median Wage of full-time employees	Year 2019
	Rs 14,200

Source: Administrative data and surveys carried out by Statistics Mauritius, namely Survey on distribution of employees by basic wage range of public institutions and large establishments (SEE March 2019) and Continuous Multi-Purpose Household Survey (CMPHS) (Q2 2019) for employment in small establishment.

The evolution of Economic Indicators following the implementation of the National Minimum Wage

I. Domestic Developments

1. The Mauritian economy has displayed a fair degree of resilience in the face of prolonged uncertainty surrounding the global economy. Sound economic policies continue to support macroeconomic stability; thereby sustaining the domestic growth momentum and ensuring inclusive growth. Government's initiatives have been reflected in its efforts to further improve the business climate, with Mauritius ranked 13th in the World Bank's 2020 Doing Business Report. In the 2019 Report, Mauritius was ranked 20th globally.

2. Economic growth remains broad-based, benefitting from both business and consumer optimism and supported by positive contributions from all but one sector. Growth performance in 2018 remains commendable, with only the *Agriculture, Forestry & Fishing* sector estimated to contract in 2018, due to lower production of sugarcane and fish. Economic activity continues to be driven by key services sectors such as the financial, wholesale and retail trade and tourism, which would contribute more than one-third of the growth performance in 2018. This will be supplemented by robust growth in the construction sector, which is expected to contribute 0.4 point to growth, and create spill-over effects on other sectors of the economy.

3. On the expenditure side, growth remains underpinned by strong consumption and investment growth. Investment growth is projected to accelerate to nearly 11 per cent in 2018, driven by double-digit growth of 10.4 per cent and 12.7 per cent in private investment and public investment, respectively.

4. **Based on Statistics Mauritius National Accounts data for 2019H1, the growth momentum is being pulled by trade, construction, financial and professional sectors.** To a certain extent, growth in these sectors have offset the weaker performance of the manufacturing and tourism sectors, which have had their growth projection for 2019 revised down from 1.1 per cent to 0.8 per cent and from 2.5 per cent to 1.8 per cent, respectively. Other services sectors with a downward revision in growth include transportation and storage, administrative and support service and public administration.

5. Domestic growth performance remains backed by buoyant domestic demand conditions. Final consumption expenditure performance in 2019H1 moderated somewhat as a result of a slowdown in Government consumption growth. Consumer optimism continues to back household consumption expenditure, which is also upheld by fiscal incentives such as the negative income tax and minimum wages. The government's infrastructure push and stable FDI are expected to support investment growth. Heavy public spending in infrastructural projects continue to positively impact real GDP, imparting the associated second-round impetus to other sectors of the economy. The prevailing somewhat accommodative monetary conditions continue to favourably influence domestic economic activity, notwithstanding challenges facing some major sectors of

the economy. Against such a background, the Bank projects real GDP to grow at 3.9 per cent in 2019.

6. Improvements in the business environment for private sector development, including the SME sector, will also contribute positively to the domestic growth agenda. These policies are consistent with the country's structural change programme, underpinned by digital and business processes transformation as well as continued efforts in enhancing domestic revenue mobilization, maintaining prudent monetary policy stance and fostering financial deepening. Against this background, Moody's Investors Service has kept the Baa1 rating for Mauritius and maintained its stable outlook, reflecting the country's robust and stable growth performance as well as the expectation for government to stabilize the debt-to-GDP ratio. It may be noted that Mauritius is the only country, besides Botswana, which has an investment-grade rating in terms of sovereign rating in Africa.

7. Ongoing infrastructural projects and employment of new recruits in the public sector have contributed to employment creation. The labour market has continued to strengthen, such that the unemployment rate remains on a downtrend, with some challenges persisting for the youth and women. The labour force in Mauritius is expected to increase from 583,800 in 2018 to 589,300 in 2019 and, employment to rise from 543,700 to 549,500, combining to decrease unemployment by 300. The unemployment rate is projected to drop to 6.8 per cent in 2019, from 6.9 per cent in 2018.

8. Growth in the wage rate index also points towards confidence in the economy. The wage rate index (WRI) rose by 4.2 per cent in 2018-19, lower compared to an average growth of 4.8 per cent over the two previous fiscal years. This was due to an increase of 5.3 per cent in the private sector mainly a result of marked increases in wages in manufacturing (9.5 per cent), administration (7.9 per cent), wholesale and retail trade (6.4 per cent) and transport (6.3 per cent) and sectors. The rise in the WRI also reflected higher public sector wages of 2.8 per cent due to higher wages in financial (10.8 per cent), electricity and gas (8.3 per cent) and transportation (6.4 per cent) sectors.

9. The minimum wage policy implemented since the beginning of 2018 would appear not to have had a significant impact on the overall wage rate index. However, within the different sectors of the economy, wages in the manufacturing sector increased by 8.8 per cent and 9.5 per cent, respectively, in 2017-18 and 2018-19. Moreover, wages grew at a faster rate in the private sector compared to the public sector, partly indicating the application of the minimum wage policy.

10. Broadly, the growth in labour productivity has continued to lag the pace of average compensation of employees. In 2018, labour productivity grew at a higher rate of 3.7 per cent compared to 2.4 per cent in 2017. This was the result of a stable Gross Value Added growth of 3.6 per cent, while labour input declined slightly by 0.1 per cent in 2019 compared to a growth of 1.1 per cent in 2017. A further increase in compensation of employees would dent gains in labour productivity and thus, affect competitiveness.

11. The current account deficit is estimated to have widened from Rs21.4 billion in FY2017-18 to Rs28.0 billion in FY2018-19. As a ratio to GDP, the current account deficit is projected to have increased from 4.6 per cent to 5.7 per cent over that period. The goods account deficit deteriorated by Rs12.8 billion, from Rs94.9 billion (or 20.2 per cent of GDP) in FY2017-18 to Rs107.7 billion (or 21.9 per cent of GDP) in FY2018-19. Total imports (c.i.f) soared by Rs17.7 billion, from Rs182.6 billion in FY2017-18 to Rs200.3 billion in FY2018-19, reflecting to a large extent higher imports related to infrastructure projects and refined petroleum products. Total exports (f.o.b.) increased by Rs3.2 billion, or 4.0 per cent, from Rs78.9 billion (or 16.8 per cent of GDP) in FY2017-18 to Rs82.1 billion (or 16.7 per cent of GDP) in FY2018-19, reflecting the pick-up in the exports of 'Ship's stores and bunkers', 'Domestic exports' and 'Re-exports'. The surplus on the services account declined from Rs33.3 billion (or 7.1 per cent of GDP) in FY2017-18 to Rs30.2 billion (or 6.2 per cent of GDP) in FY2018-19 due to lower tourism receipts. The surplus on the primary income account increased from Rs50.1 billion in FY2017-18 to Rs58.9 billion in FY2018-19. The deficit on the secondary income account declined from Rs9.9 billion to Rs9.4 billion over the same period. The current account deficit is projected to worsen, as a proportion of GDP, from 5.8 per cent in 2018 to 6.4 per cent in 2019, due to a widening in the goods account deficit emanating from infrastructure-related imports.

12. The recent widening of the current account deficit, in absolute terms, has been driven by imports of capital goods, raw materials and intermediate/manufactured goods related to infrastructure investment and overall strong domestic demand. While goods' export growth is expected to remain subdued, infrastructure investment including port development and higher oil prices are driving imports up, thereby increasing the trade deficit. The impact on the current account is, however, mitigated by continued surpluses on both the services and income accounts. Looking ahead, the current account balance is projected to improve over the medium-term as measures under the "*Made in Moris*" policy, new and diversified export products and markets, and investments in the services sector through the financial services sector blueprint would start bearing fruit. In addition, Government has strategized Mauritius as a reputed and effective trade and investment platform for the African continent, which is expected to contribute to the country's gross national product.

13. The Gross Official International Reserves (GOIR) of the country, comprising principally the gross foreign assets of the Bank of Mauritius and reserve position in the IMF, increased by Rs22.9 billion, from Rs230.5 billion as at end-June 2018 to Rs253.4 billion as at end-June 2019. In US dollar terms, the GOIR increased from USD6,668.5 million as at end-June 2018 to USD7,161.4 million as at end-June 2019. Based on the value of imports of goods (f.o.b.) and non-factor services for the calendar year 2018, the GOIR of the country represented 11.8 months of imports as at end-June 2019 compared to 10.8 months as at end-June 2018. The high level of GOIR provides adequate buffer against potential external headwinds.

14. Public sector debt increased by 7.6 per cent, from Rs298.1 billion as at end-June 2018 to Rs320.7 billion as at end-June 2019, reflecting a build-up in public enterprises' domestic debt. As a share to GDP, public sector debt rose from 63.4 per cent as at end-June 2018 to 64.6 per cent as at end-June 2019. Public sector domestic debt increased by 11.2 per cent to Rs267.7 billion

as at end-June 2019, representing 53.9 per cent as a share to GDP. However, public sector external debt declined by 7.6 per cent, from Rs57.3 billion as at end-June 2018 to Rs53.0 billion as at end-June 2019. Public sector external debt as a ratio to GDP dropped to 10.7 per cent, from 12.2 per cent as at end-June 2018. Budgetary central Government external debt remained concentrated in the two most liquid and largest reserve currencies: euro (41.9 per cent) and the US dollar (31.8 per cent) as at end-June 2019. The debt service ratio, a key indicator of a country's external debt burden, fell to 4.0 per cent as at end-June 2019, from 5.5 per cent at end-June 2018.

15. The rupee exchange rate remained influenced by developments on the global currency markets as well as domestic demand and supply conditions, and was rather stable over the year. The Bank continued to intervene on the domestic foreign exchange market to smooth out undue volatility in the rupee exchange rate and ensure that the rupee broadly reflects domestic economic fundamentals. On a point-to-point basis, between end-June 2018 and end-June 2019, the weighted average dealt selling rate of the rupee depreciated by 2.7 per cent against the US dollar from Rs34.623 to Rs35.768. In contrast, the rupee appreciated by 0.2 per cent against the euro from Rs40.557 to Rs40.465 and by 0.9 per cent vis-à-vis the Pound sterling from Rs45.670 to Rs45.276. In nominal effective terms, as gauged by MER11, the rupee depreciated by 1.4 per cent and on a real effective exchange rate basis, the rupee appreciated marginally by 0.1 per cent between June 2018 and June 2019.

16. The banking sector remains broadly sound, underpinned by strong regulatory and supervisory frameworks and bank credit continues to outpace the rate of economic growth. The banking sector's capital adequacy ratio remains above the minimum requirement under Basel III, and the Non-Performing Loans ratio has continued to decline. The Bank introduced the Liquidity Coverage Ratio since November 2017, which aims to promote short term resilience of the liquidity risk profile of banks to ensure that they have sufficient High Quality Liquid Assets to survive a significant stress scenario lasting 30 calendar days. In addition, important steps have been made in reforming the banking sector's legal, regulatory, and supervisory frameworks.

17. Bank credit to corporates also gathered momentum during 2018-19, benefitting from the dynamism of some sectors in the economy and the low interest rate environment. The weighted average lending rate has been hovering around 6.2 per cent since October 2017. Corporates' borrowings from banks increased from Rs210.8 billion at the end of June 2018 to Rs234.3 billion at the end of June 2019. Corporate credit stood at nearly 49 per cent of GDP. Year-on-year, corporate credit increased by 11 per cent, indicating a strong demand for credit, thus supporting real activity in the economy. It is worth noting, the major sectors drawing additional credit included the financial services and tourism which account for 22 per cent and 20 per cent of total corporate credit, respectively. The '*Financial and Business Services*', '*Real Estate*' and '*Administrative*' sectors were the major contributors to the rise in credit to the private sector.

18. Household debt kept pace on account of borrowings for housing purposes. Bank credit to household increased from nearly Rs97.0 billion in June 2018 to Rs107.6 billion in June 2019, that is, by Rs10.6 billion, of which additional credit for housing purposes amounted to Rs3.8 billion.

Credit for housing purposes increased from Rs65.3 billion to Rs69 billion over the same period. As a ratio to GDP, household credit stood at about 22 per cent. The continuous increase in household credit reflects increasing demand for credit by a buoyant construction sector.

19. Growth in Broad Money Liabilities (BML) slowed in FY2018-19, albeit being backed by all of its components and the overall growth of loans to the private sector continued on a gradual uptrend. The annual growth rate of BML slowed from 9.4 per cent as at end-June 2018 to 6.4 per cent at the end of June 2019 and was broadly consistent with the nominal increase in GDP. Currency with public and deposit liabilities rose by 3.3 per cent and 5.4 per cent, respectively, in FY2018-19 compared to 2.2 per cent and 7.1 per cent in FY2017-18. Growth in rupee deposits included in BML slowed from 6.4 per cent in FY2017-18 to 4.7 per cent in FY2018-19.

20. The Bank's open market operations have contributed to keep the level of rupee excess liquidity in the banking system within tolerable limits such that short-term interest rates, particularly the 91-Day yield, have hovered within the interest rate corridor around the Key Repo Rate, its policy rate. Rupee excess reserves averaged around Rs12 billion in FY 2019-19 and the Bank estimated that of this amount, some Rs6 billion is held by banks as precautionary free reserves, such that the true excess reserves in the banking system would be about Rs6 billion. The Bank has continued issuance of its own instruments to manage excess liquidity and preserve short-term yields within the interest rate corridor. The Bank has reduced its FX interventions on the domestic foreign exchange market as banks' foreign exchange positions were more or less stable.

21. Banks' interest rates have remained broadly unchanged in FY 2018-19, albeit a few banks increased their Savings Deposit Rates (SDR) following the rise in short-term money market rates. However, banks' have adjusted their interest rates on rupee savings deposits, rupee term deposits and Prime lending rates following the 15 basis point reduction of the Key Repo Rate (KRR) at the August 2019 MPC meeting. The Prime lending rate varied between 5.50 per cent and 8.50 per cent in August 2019, lower compared to a range of 5.65-8.50 per cent since September 2017. Interest rates on rupee savings deposits with banks varied within a range of 1.35-2.00 per cent in August 2019 while interest rates on rupee term deposits fluctuated between 0.10 per cent and 4.65 per cent. The weighted average interest rate on rupee deposits and weighted average rupee lending rate declined to 1.63 per cent and 6.11 per cent, respectively, in August 2019. As a result, the spread between the rupee weighted lending and weighted deposit rates, a key determinant of profitability in the banking sector, narrowed to 4.48 per cent in August 2019.

22. Domestic inflation in FY2018-19 remained at low levels against a background of moderate global economic activity, low global inflation and subdued domestic demand conditions. Headline inflation, as measured by the percentage change in the yearly average Consumer Price Index (CPI), remained on a downtrend and reached a trough of 1.0 per cent in June 2019. Y-o-y inflation, defined as the percentage change in the CPI of a given month compared to the same month of the preceding year, showed contrasting path, albeit moderate, reflecting the inherent dynamics in the CPI as a result of the impact of gyrations in the prices of vegetables and to some extent, the base effect. Y-o-y inflation went up from 1.0 per cent in June 2018 to 1.8 per cent in December

2018 before receding to 0.6 per cent in June 2019 on account of the downward adjustment in the prices of both fresh vegetables and some administered goods. The underlying inflationary pressures, as reflected in the Bank's CORE1 and CORE2 measures of inflation, remained subdued during FY2018-19. On a 12-month average basis, CORE1 inflation fell from 2.6 per cent in June 2018 to 1.5 per cent in June 2019, while CORE2 inflation remained unchanged at 1.9 per cent compared to June 2018.

23. The inflation dynamics remain under the spell of benign demand-side pressures in the absence of supply shocks. The limited pass-through of exchange rate and economic slack to domestic price formation have combined to endure mild inflationary pressures. The announced fiscal policies in the June 2018 Budget, such as targeted administered products and no-tax on demerit goods, have also enabled to reduce inflationary impulses.

24. Global inflation is projected to remain tame over the medium-term. Our trading partners' inflation continue to remain moderate and imported inflation is expected to be low in the near-term. Inflation in major advanced economies such as United States, United Kingdom and Eurozone is expected to remain contained in 2019. Pressures from global commodity prices are expected to remain mild over the medium term, while the volatility in global oil prices would add to the uncertainty in predicting its path and hence, its consequence on the inflation path.

25. Thanks to the decline in food prices and the prevalence of a negative output gap, inflation has been trending down and has remained low. While supply-side factors explain much of the decline in headline inflation, demand-side pressures also played some role. The price change in core services, which is less affected by those factors and hence a better indicator of domestic demand pressure, has remained subdued since the past two years. The Bank forecasts headline inflation at 0.5 per cent in 2019, conditional on the absence of a major supply shock and unchanged prices of administered products.

26. External risks could pose hurdles to Mauritius' quest toward reaching its potential output. Rising global protectionism and a no-deal Brexit could weigh on trade, potentially hurting exports and investment. Domestic risks could include unpredictable weather, delay in the implementation of planned infrastructure projects, together with risks of further adverse movements in international commodity prices. In this context, policies should, on the hand, cement the improved macroeconomic conditions by preserving low inflation and, on the other, continue to increase external buffers, and maintain internal stability by ensuring that productivity growth broadly matches wage growth. The Bank's monetary policy framework has contributed positively to price stability and has maintained a broadly neutral monetary policy stance, supporting the domestic growth momentum.

27. Growth- and socially-oriented structural reforms will be important to enhancing the economy's potential. Ongoing reforms to strengthen the doing-business environment and improve outcomes in health, education and infrastructure, as well as to advance the reform agenda for the green energy, are welcome and will help to boost the economy's growth potential. External vulnerabilities appear to be somewhat contained at the current juncture. The external debt of the

country remains low and sustainable. The Bank will also aim to intervene on the domestic foreign exchange market to smooth out undue volatility in the rupee exchange rate and ensure that the rupee broadly reflects domestic economic fundamentals. Higher reserve buffers have contributed to enhance the resilience of the economy.

28. The Bank is quite optimistic about the domestic economic outlook, which should benefit from the positive impact of recent public investments and medium-term policies. While recognizing downside risks to the outlook linked to potential adverse weather conditions, volatile global commodity prices and revision in global GDP growth, it remains confident that economic prospects offered by recent and current investment projects, tourism-related activities, and the services sector, would keep a check on these risks.

II. External Developments

29. Global economic growth continued to be relatively weak. According to the latest publications of the IMF and the OECD, GDP growth projections for the global economy reached their lowest level since the global financial crisis. Economic activity has been adversely affected by mounting trade tensions, leading to a slowdown in global trade, new exports orders and declining output in the manufacturing sector. Rising uncertainty has also had a negative bearing on investment, which could weigh on hiring intentions of firms in the medium term and productivity in the longer term. The IMF revised downward its forecast for global growth for 2019 in its October 2019 World Economic Outlook (WEO). Global growth is now projected to soften at 3.0 per cent in 2019 (0.2 percentage point lower than in the July 2019 WEO Update projections) compared to global growth of 3.6 per cent in 2018. The growth downgrade was the result of a broad-based slowdown in economic activity across both advanced and emerging market and developing economies. The IMF forecast global growth to recover at 3.4 per cent in 2020, mostly attributed to recovery in growth performance of stressed economies.

30. GDP growth in the US has been resilient over the past quarters, but it decelerated in 2019Q2. The US economy grew by 2.3 per cent in 2019Q2, slowing by 0.4 percentage point compared to 2019Q1. The increases in real GDP were driven by positive contributions of consumer and government spending. The slower pace in 2019Q2 reflected weakness in the manufacturing sector that weighed on inventory investment, exports and non-residential fixed investment. Growth in the euro area lost steam during 2019Q2. In the euro area, real GDP growth slowed to 1.2 per cent in 2019Q2, compared with 1.3 per cent in the previous quarter, amid the slowdown in global trade and falling exports. Political uncertainties over the outcome of Brexit took a toll on confidence and business investment, thereby acted as a drag on the euro area economic activity. In the UK, GDP growth rose by 1.2 per cent in 2019Q2, down from 1.8 per cent in 2019Q1 and mostly attributable to uncertainties surrounding Brexit.

31. Activity in China has softened during the second quarter of 2019 being directly impacted by the ongoing trade conflict with US. China GDP growth slid from 6.4 per cent in 2019Q1 to 6.2 per cent in 2019Q2, the slowest since 1992. Economic activity was weighed by the drop in exports

of the country and Chinese ongoing trade dispute with US has raised skepticism of firms, thereby influencing investment sentiments. The Indian GDP growth stood at a six-year low of 5.1 per cent in 2019Q2, down from 5.8 per cent in 2019Q1 and 7.9 per cent in 2018Q2. Consumer demand weakened, indicating fragile sentiments, while investment was flat in the aftermath of uncertainty following the general elections of April-May 2019

32. Crude oil prices recovered in 2019H1, averaging US\$64 per barrel (bbl), supported by production cuts among OPEC and its non-OPEC partners, as well as the United States' decision to terminate waivers for its sanctions on Iran. On 2 July 2019, OPEC producers and several non-OPEC producers, extended production cuts announced in December 2018 through the end of 2020Q1. Saudi Arabia has contributed the most to the fall in supply, reducing output by 1 million barrels per day (mb/d), while the Russian Federation has cut production by 0.2 mb/d. Nevertheless, concerns about slowing global demand, and trade tensions between the United States and China have resulted in substantial downgrades to estimates for oil demand this year, weighing on prices.

33. Global inflationary pressures remained subdued during 2019Q3 on the back of broad-based softening in growth across all regions that resulted in dissipated demand influences on commodity prices. Core inflation continued to remain below central bank targets in advanced economies, and below the historical averages in several EMEs. The IMF has, in its World Economic Outlook October 2019, projected inflation in advanced economies to decline from 2.0 per cent in 2018 to 1.5 per cent in 2019, and tick down from 4.8 per cent to 4.7 per cent in EMDEs in 2019.

34. Global economic slowdown coupled with benign inflationary pressures has triggered a shift towards easier monetary policy stances by central banks across both advanced economies as well as emerging market economies, with the exception being the Bank of England. Against a backdrop of weakening global economic activity, subdued inflationary pressures and negative impact of the ongoing US-China trade dispute, the US Federal Reserve (US Fed) opted to cut the Federal Funds rate by a 25 basis points in July 2019 followed an additional cut of 25 basis points in September 2019, bringing the benchmark rate to a range of 1.75-2.00 per cent. The interest rate cuts by US Fed provided a breathing space to EMEs which, in turn, lowered their own policy rates in view of driving their economies to a higher growth path. In parallel, the European Central Bank has at its September 2019 lowered its deposit rate further by 10 basis point into negative territory at -0.5 per cent and has proposed that it would restart its quantitative-easing scheme.

35. Global exchange market was dominated by global growth uncertainties which was driven by trade frictions, geopolitical tensions, Brexit and more accommodative stance by central banks. The US dollar stood strong, on a monthly average basis, against a basket of currencies in September 2019. The US dollar continued to be the preferred currencies among investors despite ongoing global growth concern and rising uncertainty surrounding the US-China trade tension.

Median Wage for Full-Time Employees in the Public and Private sectors, 2011 – 2019

Year	Median Wage in The Public sector (Rs)	Median Wage in the Private sector (Rs)	Median Wage in Public and Private sectors (Rs)
2011	16,800	7,700	9,100
2012	17,700	7,900	9,900
2013	19,700	8,200	10,300
2014	21,100	8,400	10,500
2015	22,800	9,000	11,300
2016	24,100	10,100	12,500
2017	24,200	10,800	13,200
2018	25,000	11,200	13,600
2019	-	-	14,200

Source: Labour Force, Employment and Unemployment- Year 2018; Statistics Mauritius

GLOSSARY OF TERMS

Gini Coefficient

The degree of inequality in income is measured by the Gini coefficient that ranges between 0 (complete equality) and 1 (complete inequality).

Relative Poverty Line (RPL)

The relative poverty line is set at half median monthly household income per adult equivalent. The household income comprises disposable income and 'imputed rent' i.e. a rental value for non-renting households. Disposable income consists of income from work (paid and self-employment), transfers (e.g. government pensions and other social security benefits, regular allowances from relatives, organisations, alimony, etc.), property income and income received from own produced goods; it excludes compulsory deductions such as income tax and contributions to pension and social security schemes.

Primary, Secondary and Tertiary Sectors

- The primary sector comprises “Agriculture, forestry and fishing” and “Mining and quarrying”.
- The secondary sector includes “Manufacturing”, “Electricity, gas, steam and air conditioning supply”, “Water supply; sewerage, waste management and remediation activities” and “Construction”.
- The tertiary sector includes “Wholesale and retail trade; repair of motor vehicles and motorcycles”, “Transportation and storage”, “Accommodation and food service activities”, “Information and communication”, “Financial and insurance activities”, “Real estate activities”, “Professional, scientific and technical activities”, “Administrative and support service activities”, “Public administration and defence; compulsory social security”, “Education”, “Human health and social work”, “Arts, entertainment, recreation” and “Other services activities”.

Full-Time Employee

“If a worker performs a number of working hours as prescribed in the relevant labour legislation or specified in his written contract of employment or agreed upon between himself and his employer, he is considered to be a **full-time employee**.”

Part-Time

In the event that a worker puts in a lesser number of hours of work than specified above, he is considered to be a **part-time employee** according to the Worker’s Right Act.”

Summary of the Analysis and Impact of the National Minimum Wage Options

Minimum Wage Rate Impact Measures	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8
Hypothetical National Minimum Wage Values	8,880	9,000	9,150	9,260	9,345	9,390	9,740	9,980
Relativity to Mean Wage	40.0%	40.5%	41.2%	41.7%	42.1%	42.3%	43.9%	45.0%
Relativity to Median Wage	62.5%	63.4%	64.4%	65.2%	65.8%	66.1%	68.6%	70.3%
Relativity to value added per worker	12.4%	12.6%	12.8%	13.0%	13.1%	13.2%	13.7%	14.0%
Relativity to per capita GDP	26.7%	27.0%	27.5%	27.8%	28.1%	28.2%	29.3%	30.0%
Number of workers directly impacted	84,979 i.e. 19.4%	89,185 i.e. 20.4%	94,751 i.e. 21.6%	98,833 i.e. 22.6%	102,173 i.e. 23.3%	103,657 i.e. 23.7%	116,646 i.e. 26.6%	125,552 i.e. 28.7%

BOARD MEMBERS

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2	Mr BADURALLY Adam S. Abdool	Ag Deputy Director	Pay Research Bureau
3	Mr BHEEKHARRY Vicken Kumar	Manager Human Resource	Ministry of Tourism
4	Mr BHONOO Sanjev	Statistician	Statistics Mauritius
5	Mr BIZLALL Jack	Representative of FPU	Federation of Progressive Unions
6	Mr CHELLUM Jayen	Secretary	Association des Consommateurs de L'Ile Maurice (ACIM)
7	Mr CHUTTOO M. Reez	President	Confederation des Travailleurs du Secteur Privé
8	Mr CONHYE Dhanraj	Deputy Permanent Secretary	Ministry of Industrial Development, SMEs and Cooperatives
9	Mr DURSUN Pradeep	Chief Operating Officer	Business Mauritius
10	Miss GOPAUL Chandrani Devi	Lead Analyst	Ministry of Finance, Economic Planning and Development
11	Mr GUILDHARY Paul Desire Armand	President	Free Democratic Unions Federation
12	Mr IMRITH Rashid	President	Federation of Public Sector & Other Unions (FPSOU)
13	Mrs JHOWRY Chandanee	Deputy Permanent Secretary	Ministry of Agro Industry and Food Security
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17	Mr LI YUEN FONG Jean	Consultant	Business Mauritius

18	Mr NUNDLOLL Santaram	Manager Human Resource	Prime Minister's Office
19	Mr NUNDOO Satiawan	Director	Ministry of Labour, Human Resource Development and Training
20	Mrs RAJMUN-JOOSEERY Lilowtee	Director	Mauritius Export Association
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23	Mrs SAWMY Heemawtee Amrita	Head Remuneration Analyst	National Remuneration Board
24	Mr SUNGKUR Rajcoomar	Principal Analyst (Industry)	Ministry of Industrial Development, SMEs and Cooperatives
25	Mrs TANDRAYEN-RAGOOBUR Verena	Associate Professor	Dept of Economics and Statistics, Faculty of Social Studies and Humanities – UOM
26	Mr TENGUR Sutyhudeo	President	Association for the Protection of the Environment and Consumers (APEC)

National Wage Consultative Council, Ministry of Labour, Human Resource Development and Training

a) Staff

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2	Miss DEERPAUL Saveetah	Senior Analyst

b) Support Team

Mrs ROJAH Kulshid, Management Support Officer

Mr MOONEEGADOO Kuzhagen, Management Support Officer

LIST OF MEETING HELD

SN	BOARD MEETING	TECHNICAL COMMITTEE (With Officials)
1	28 January 2019	8 May 2019
2	28 August 2019	29 May 2019
3	25 November 2019	10 July 2019
4	28 November 2019	17 July 2019
5		19 July 2019
6		27 September 2019
7		4 November 2019
8		20 November 2019
9		27 November 2019