



THE INTRODUCTION OF MINIMUM WAGE IS A GOOD START, AND IS BEST UNDERSTOOD AS JUST THE START

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The Era of Minimum Wage has dawned on the Maldives from the 1st of January 2022. And that is good news. The dawn of Minimum Wage means that our workers now serve under the protection of a legislated Minimum Wage protocol. They can now seek comfort and security from the provisions of the law and the regulations forthcoming from the same

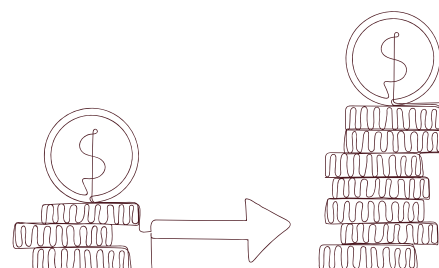
Hence, from 1st January onwards, the economy of the country, its business and trade transactions, its labour contracts will need to be fashioned and adjust to the requirements of the Minimum Wage regulations.

And that is the most important realization. That The Economy would, from this point forward, mature

within the bounds and potential offered by the protocols of a legislated Minimum Wage.

That by itself, is a really big deal.

Therefore, the oft raised issue of whether this is the right moment, just as the economy is emerging out of the doldrums, is perhaps moot at best. What is clear and pertinent is that the relevant legislation require the introduction of Minimum Wage at the beginning of 2022.



Is Minimum Wage being implemented at the most appropriate moment

Franklin Delano Roosevelt- FDR, the 32nd US President, who successfully got elected 4 times, had the stewardship of the US through tough times including the decade long Great Depression and the 2nd World War. FDR passed US's first Minimum Wage legislation in 1933 but implementation was held back by the courts until 1938. As part of the New Deal, FDR had packaged the Minimum Wage legislation with the dual purpose of protection of workers in tough economic times and the stimulation of the economy to recover from the Great Depression.

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Is the announced Minimum Wage the most appropriate?

Risking the likelihood of being repetitive, worse tedious, the best thing about the dawn of Minimum Wage is that it is here. Now.

However, it is important to essay and attempt a response to the some of the public concerns about the characteristics of the Minimum Wage as announced.

It is therefore, perhaps not difficult to ascertain that at least for the SME sector, the announced Minimum Wage is below the amount the original Minimum Wage board had determined to be necessary for a wage earner to afford the requirements of the family.

Is it enough?

The most pertinent question regarding the Minimum Wage is whether it is indeed adequate and whether it reflect the realities on the ground?

The December 2019 report published by the then Minimum Wage board concluded that, adjusted for inflation a worker should receive an amount between 6,008 and 8,981 Mvr/month on a 'needs based approach' in order that the needs of family are fulfilled. However, after taking into account the economic factors affecting businesses, the board went on to finally recommend 6,400 Mvr/month as the Minimum Wage.

In October of 2021, the newly minted Minimum Wage board recommended the Minimum Wage for small companies as 5,000 Mvr/month, medium companies

at 7,000 Mvr/month, large companies at 8,900 Mvr/month and 7,000 Mvr/month for civil servants.

However, the Minister, after additional consultations had finally determined Minimum Wage for small companies at 4,500 Mvr/month, large companies at 8,000 Mvr/month and retained the recommendation for medium companies and civil servants at 7,000 Mvr/month.

It is therefore, perhaps not difficult to ascertain that at least for the SME sector, the announced Minimum Wage is below the amount the original Minimum Wage board had determined to be necessary for a wage earner to afford the requirements of the family.

Firm-size specificity

The original October 2019 recommendation by the Minimum Wage board had offered a single Minimum Wage for the economy and had refrained from recommending a Minimum Wage that was firm-size specific.

The report published by the then board, issued after extensive consultations and study working together with ILO representatives, industry bodies and employee representatives, offered reasons why the Minimum Wage was not firm-size specific.

However, the revised recommendation of the Minimum Wage board and the final declaration being

firm-size specific, raises concern over the possible tendency of firms attempting to down-size and indeed outsource some of their processes.

A Minimum Wage that recognizes such regional imbalances, when intelligently designed, can spark and encourage employment and induce growth in such regions.

Industry non-specificity

From the 1980's the Maldivian economy is led and shaped by the tourism industry. While returns from the tourism industry have declined recently, the ROI of the industry have been 5 years or less for a protracted period of time. Meanwhile primary sector has lost ground and the combined share of the primary sector, including fishery and agriculture has been below 5% for the past 5 years.

The tourism industry also hosts the greatest number of Maldivian workers and therefore, determines to a large part, employee conditions in the local economy.

Therefore, if indeed we deviate from legislating a single Minimum Wage, it is felt that perhaps a Minimum Wage that is higher for the tourism sector might have offered greater scope for total labour well-being of the economy.

The December 2019 report, while not being firm-size

specific, had in fact recommended to set a higher Minimum Wage for the tourism industry.

At a moment when not all employees who were furloughed and suspended from the tourism industry during the Covid lockdowns, still not being re-employed, there is growing concern that the appetite of business for expatriate labour will only grow.

Not responding to regional imbalance

Surveys and Census enumeration repeatedly show considerable regional imbalances in economic and social spheres. Employment opportunities and income potential are lower and incidence of poverty is higher in the atolls. There are also some specific atolls, that lag others in all manner of earning and social matrices including the prevalence of crime and drug abuse.

It is important to note that, as also stated in the December 2019 report, in the absence of holistic measures to redress such regional imbalances, a Minimum Wage alone may indeed exacerbate regional differences. However, a Minimum Wage that recognizes such regional imbalances, when intelligently designed, can spark and encourage employment and induce growth in such regions.

Expatriate labour not being included

The exclusion of expatriate labour is an area of major concern for many commentators.

These concern, arise from 2 very different considerations. The principal of universality of treatment of labour, regardless of nationality, and as espoused by ILO reflects the echoes that is most heard. The initial December 2019 report made very strong recommendations for the inclusion of expatriate labour into the folds of the Minimum Wage shelter.

Separate and arising from differing concerns, are the fears raised by others, that businesses will now look to prefer expatriate labour, even more than presently. With resort employment being 60% in favour of expatriate labour, there are indeed well-founded fears that this ratio will tilt even more in favour of expatriate labour.

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The non-inclusion of workers in the primary industries and informal sector

Many of the workers of the local economy will presently not be afforded the shelter of Minimum Wage. Arising mainly out of the nature of working hours and of the largely non-contractual nature of the work process, these include many in the primary industries- those who ply the seas and work the land.

Additionally, non-formal workers; musicians, artists, web developers and the like, also do not yet, receive shelter from Minimum Wage. While it is difficult to detail how they could be brought into the fold of Minimum Wage, it is definite that, over time, Minimum Wage will need to evolve to offer comfort and shelter to all workers in the economy.

Changes to the businesses structure and tactics

Meanwhile, business will change and evolve to perform in the eco-system where Minimum Wage is a fact of life. To expect otherwise will be naïve and indeed dangerous.

Industry representatives at the 'Dawn of Minimum Wage' panel discussion held by Maldives Economic

It is highly likely, therefore, businesses being who they are, will explore novel ways to shift firm sizes or to out-source some of the labour to 3rd parties. As businesses evolve, the structure of the economy will change.

Review spoke of the possibility of some firms looking to downsize and outsource some labour functions.

The possibility of looking to split into several related companies, in order to explore the 3,500 Mvr/month wage gap (4,500/month – 8,000/month) between small and large companies is indeed a very real possibility. Some of the larger companies, in the tourism industry for example, employing 200 plus staff will stand to save more than 8m mvr/year off their wage bill through such a tactical shift.

In the era of Minimum Wage, labour will be required to be more productive and it is almost inevitable that businesses will look for better performance from labour and seek technical and IT solutions to improve productivity. Emerging technical solutions will play a large part of how the economy, business large and small, will be structured.

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The review period

The economy is just entering the purview of a Minimum Wage. It is being implemented in a turbulent and difficult period with many a worry and concern both by the employees and the employers.

Defining, implementing, and the possible after-effects were analysed by experts, industry and employee representatives and officials at the beginning. However, there's variation between the implemented Minimum Wage and the recommendations of Minimum Wage board, especially that of the former. And times are indeed different.

In light of such changes, the fact that this is a first for us, and considering the economic climate, it is felt that instead of waiting for 2 years for a full review, as required in legislation, that it might be wise and indeed worthwhile to review the terms of the Minimum Wage after a full years implementation.

Conclusion

After a review, there is considerable latitude for change in the characteristics of the terms of the announced Minimum Wage.

As the end of the first review, and hopefully under better economic circumstances, we will be able to extend and expand the shelter of Minimum Wage for a larger % of the workforce, use it as a means to

improve regional imbalances and increase improve the productivity of labour.

However, for now, the most important consideration is that our economy, from January 1st 2022 is working under the provisions of Minimum Wage.

And that, by itself, is indeed a really big deal.

