

ORAL ANSWER TO QUESTION

LABOUR LAWS/REGULATIONS - REFORMS

The Leader of the Opposition (Mr N. Bodha) (*By Private Notice*) asked the Minister of Labour, Industrial Relations and Employment whether, in regard to the reforms envisaged in the labour laws and regulations announced in the Budget Speech 2006-2007, with a view to achieving flexibility in the labour market, he will state -

- (a) the role, objectives and powers of the National Wage Council proposed to be set up, and
- (b) the amendments being proposed to the existing legislation.

Dr. Bunwaree: Mr Speaker, Sir, as stated in the Budget Speech, there are too many organisations and too much incoherence in our wage determination system. The various wage setting bodies now existing namely the PRB, the NRB and the Tripartite Committee for compensation in cost of living, whilst they have served and are still serving, *tant bien que mal*, their purpose, will have to be reviewed and adapted to the needs of the present situation. The existing system has proved to be rigid, lacking in uniformity and the inflexible wages set do not reflect market forces, nor do they take into consideration ability to pay. The rigidities in the existing system are seen to impede investment and job creation. They have made it difficult to recruit, motivate or retrain workers for new and emerging needs of the economy.

Mr Speaker, Sir, there are a number of markets that make up the economy, namely the product market, the labour market, the capital market and the money market. It is important that every one of these markets works freely and with the maximum flexibility with Government intervening only when there are major market failures. While we have made good progress over the years in liberalising the main markets that make up the economy, we have however not addressed the fundamental issues on the labour market that are constraining growth, holding back investment and impeding job creation.

The issues of rigidity on our labour markets and incoherence in the wage determination system must be addressed. Labour market reform, Mr Speaker, Sir, is an integral part of the overall reform programme and it is an imperative that we cannot overlook –because it is an area where there are many paradoxes. We have in place legislation and rules that protect jobs and because it is so focussed on protecting jobs, it impedes job creation to the prejudice of workers in general. For decades we have put up with a wage determination system and labour laws that have been tilted on protecting jobs rather than protecting workers and overlooking also the rights of the unemployed.

Moreover, the wage determination system and the labour laws as they are now do not encourage productivity and efficiency at work.

Now we are having to live with the consequences, i.e. the paradox of high unemployment and high vacancy rates. There is also the paradox of high unemployment and a labour market that discourages investment. The rigidities in the labour market and the anachronisms in our labour laws must be dealt with.

Evidence around the world shows that countries that have removed labour market rigidities are also those that create more jobs and have lower unemployment. In the best interest of the nation, and particularly our job seekers, and also in the best interest of new entrepreneurs, especially small and medium entrepreneurs who want to invest and create jobs, we must also have the courage to shift course.

In our wage determination system, there are too many organisations. That is why the present tripartite mechanism for wage compensation is being abolished. However, the spirit of tripartism will be retained while we bring about changes to link wages to productivity and to capacity to pay.

Flexibility does not mean insecurity for the worker. In a dynamic world where employers need to react quickly to changing world conditions, workers will shift increasingly rapidly between employers and between types of jobs. Government will of course make sure that the reforms to the

labour laws and regulations will achieve the flexibility needed for creating demand for labour and, at the same time, enhancing the protection of workers.

In these circumstances and in the present difficult economic context, we need a better mechanism to determine wages for a small country like Mauritius, hence the proposal to set up a National Wage Council. The new wage determination mechanism proposed will be a two-tier system, the first tier will be national in character, fully tripartite and will ensure that the level of wages and compensation are linked to productivity and capacity to pay. The second tier of the proposed system will be at company level.

Ministries concerned, Mr Speaker, Sir, are currently in the process of finalising the exact objectives and powers of this Council and consultations will be carried out with all parties concerned thereon in due course.

As regards the amendments to be brought to the existing labour legislation with the setting up of the National Wage Council, they will essentially relate to the Industrial Relations Act.

Presently the Technical Committee set up in my Ministry to review the current Labour Legislation is examining the proposals submitted by the stakeholders and, in this context, consultations will be held with all parties concerned on the setting up of a National Wage Council.

I wish to stress, Mr Speaker, that any changes to be brought to the labour legislation will be made after consultations with all the stakeholders and any labour market reform will have to take into consideration the workers' rights and our obligations in respect of ratified ILO Conventions.

Mr Bodha: Mr Speaker, Sir, my question to the Minister is: are we today doing away with the acquired rights of 500,000 workers after seventy years of labour struggle in this country?

Dr. Bunwaree: The answer is no, Sir. I don't know on what arguments the hon. Leader of the Opposition is making such flimsy statements.

Mr Bodha: Mr Speaker, Sir, may I ask the Minister whether the tripartite negotiations as they were held before, which take into account five

cardinal principles namely, that it was annual, national, for all workers, it involved all the tripartite stakeholders and it compensated for the loss of purchasing power for the past year is being abolished?

Dr. Bunwaree: Mr Speaker, Sir, the hon. Leader of the Opposition is forgetting to say what we have stated, that the actual system is not linked to productivity and capacity to pay. So, we are going to take this into consideration in the new system we are going to set up.

Mr Bodha: The present system with the five cardinal criteria is being abolished?

Dr. Bunwaree: The first four remain.

Mr Bodha: Mr Speaker, Sir, I am asking the Minister whether we are making a fundamental difference between the way our Government - when we were in Government - considers the philosophy of tripartism, that is, salary compensation for loss of purchasing power to all the workers. The Minister has said that this is abolished. Now, may I ask him, the new mechanism which is going to be considered – the hon. Minister mentioned that the spirit of tripartism will still be there – will be linked only to productivity and to capacity to pay? This means that there will be no minimum compensation to all the workers in Mauritius every year.

Dr. Bunwaree: Mr Speaker, Sir, we have to understand how the system goes on. We have an annual compensation which is based only on CPI. This is the system as it is and this is the anomaly. Every year, we sit down in a tripartite meeting. In fact, the way it is conducted, there is a forum for the trade unions to voice their feelings, but they cannot impress on anything. What is decided is imposed. This is how the system goes. At the end of year, the rate of compensation is extrapolated, in fact, because the tripartite meeting takes place in the beginning of May when the compensation rate is calculated for the year which ends at the end of June. This is already an abnormality. The compensation is paid as from the 01 of July for the coming year. If we take into consideration the system that has been applied this year, providing Rs135 as a minimum, if we multiply this by the number of workers, it comes to about Rs1 billion that would be in circulation more as from the end of July, which, in itself, creates inflation which we are creating ourselves as an anomaly. Then we will come at the

end of the year trying to compensate also that rise in inflation. So, it is an anomalous situation. We have to put order in that.

The second thing I want to say, Mr Speaker, Sir, let us take for example the PRB. It comes once every five years. When it comes at the end of the five years, the quantum that is proposed for increase in salary takes into consideration all the five increases that have occurred during the last five previous years. It is then subtracted from the amount that was supposed to be given. A calculation is done. This is another abnormality. What we are saying is that to correct this anomalous situation, especially in the new economic model that the hon. Minister of Finance has proposed to the country, we have to adapt our wage setting mechanism.

Another thing I would like to say, Mr Speaker, Sir. I was, myself, Minister of Finance in 1996 under the Labour/MMM Government. We then

had the CSAT Award. Government also is an employer; we must not forget that, we have to pay the PRB and CSAT. There were difficulties to pay as there were not enough funds because, as usual, the Government, which was previous to us, had mismanaged the economy.

(Interruptions)

We negotiated the CSAT. Despite financial constraints, we agreed to pay the workers on certain conditions. What is important, in fact, in the forum of

negotiations, we raised that question of the necessity to review the wage setting mechanism and the unions agreed. We signed the agreement because they did understand that there is a big anomaly created in our present system.

Mr Bodha: Mr Speaker, Sir, I shiver when I listen to the words – market forces, maximum flexibility, rigidity, Government intervention. May I ask the hon. Minister whether he has read the International Monetary Fund report dated June 2006 about tripartite negotiations in Mauritius?

Dr. Bunwaree: Yes, Mr Speaker, Sir and I think we have to make a difference between tripartite committee that sits – in fact, this is what is abolished - and tripartism. Tripartite is an adjective. Tripartism is a noun.

(Interruptions)

This Government is going to see to it that tripartism, not only continues to exist, but is further enhanced.

Mr Bodha: Mr Speaker, Sir, may I enlighten the House and read what this report says about tripartite negotiations.

‘The tripartite negotiation has generally not been a source of rigidity. In fact, it has contributed to peaceful industrial relations in Mauritius, an important factor in attracting foreign investment’

(Interruptions)

I am going to lay a copy.

Mr Speaker: No, there is no need to lay a copy. Can you relate your question to what you have just said?

Mr Bodha: My question is – will the Minister agree that the system we had was a price to pay for *la paix sociale*?

Dr. Bunwaree: *M. le président, la paix sociale est l'item numéro un sur notre agenda.* This is what exists actually and what the hon. Leader of the Opposition is referring to. But what will come will be still better. This is what I want the hon. Leader of the Opposition to understand, because we are not doing away with it and we are not doing anything to replace it. I have said that the new system will be better and will take into consideration productivity and capacity to pay.

Mr Bodha: Mr Speaker, Sir, the hon. Minister has raised the issue of rigidity, may I ask him whether he is aware of what has been said in the “doing business” of the World Bank report which was mentioned by the Minister of Finance about the position of Mauritius when it comes to hire and fire?

Dr. Bunwaree: Yes, Mr Speaker, Sir, we are aware of this. But again I want to repeat and make it clear to the Leader of the Opposition, that whatever we are doing away with is going to be replaced. He does not know yet what is going to come. As soon as the Budget is passed in this Assembly, we are going to sit down and propose to the trade unions, to the stakeholders the new system and I have already started discussing with them. They are already aware of certain things that are going to come. You must have remarked, Mr Speaker, Sir, that last week, I met the three major confederations and they were very receptive to what I told them. Just wait and see.

Mr Bodha: Mr Speaker, Sir, may I enlighten the House about the position of Mauritius as far as hire and fire is concerned, because this has been one of the pillars on which the Budget speech has been written.

Mr Speaker: The Leader of the Opposition cannot enlighten the House. He can only put questions .

Mr Bodha: Mr Speaker, Sir, out of 150 countries, Mauritius comes out 35th. May I ask him whether he knows that in countries like France, Austria ...

(Interruptions)

C'est pour cela que le problème de précarité de l'emploi a fait que des millions de personnes sont descendues dans la rue. Is he aware that it is easier to hire and fire in Mauritius than in countries like Ireland, France, Germany, Austria? And we want to have labour laws which are more flexible than this!

Dr. Bunwaree: I refer the hon. Leader of the Opposition to what happened in 1982 when the MMM Government took power where 20,000 workers of the DWC were fired. This had happened. But there are regulations to be applied.

Mr Soodhun: Mr Speaker, Sir, the hon. Minister has mentioned that the National Remuneration Board and the PRB are going to be abolished. Will the Minister say on which basis that the Wage Council is going to measure productivity in public and private sectors?

Dr. Bunwaree: Not at all, Mr Speaker, Sir! I do not know where the hon. Member got his information. The first thing that we are going to do is to set up this National Wages Council. I must say that if it performs in the way we want it to be, then, we will have to see and how the other institutions are going to fit in and, if not, what to do with them.

Mrs Dookun-Luchoomun: Mr Speaker, Sir, I have heard the Minister talk about an abnormality and he said that workers cannot influence decisions in a tripartite committee. I would like to know from the Minister what will change in the National Wage Council that he is proposing that will alter the ability of workers to influence decision making in that Council.

Dr. Bunwaree: We have to take into consideration a few things, especially the ability to pay. I must inform the hon. lady that we have said that there is lack of transparency in the accounts of the private sector, we are going to link it with productivity and capacity to pay and if one institution is hiding information as to the exact situation, Government will come in and inquire. When we set up the mechanism, we will see how it works.

(Interruptions)

Mr Speaker: Order! Let the Minister finish replying first.

Dr. Bunwaree: This is very important, Mr Speaker, Sir, because productivity can be judged by two ways. Firstly, by looking at the growth of the company, and secondly, at profits. That would enable us to know what are the profits.

Mr Bodha: Mr Speaker, Sir, may I ask the hon. Minister how a poor employee in a hotel can measure the capacity to pay of the hotel and how can we measure whether he has been more productive this year compared to the year before?

Dr. Bunwaree: Mr Speaker, Sir, we all know that they have representatives, the trade unions and there is a caring Government which will never let the workers down.

Mr Dookun-Luchoomun: Mr Speaker, Sir, may I, therefore, ask the Minister whether he agrees that the argument stating that the Wage Council will enable workers to influence decision making is totally wrong and does not stand good?

Dr. Bunwaree: Not at all! They will have more possibilities than they are having now.

Mrs Hanoomanjee: Mr Speaker, Sir, I wish to take on what the Minister has just said. Can I ask him how then will transparency of the financial situation be ensured as regards the big financial companies or other financial companies?

Dr. Bunwaree: This is a good question, Mr Speaker, Sir. Of course, we have to make sure that the principle that we are suggesting comes into existence and when we are going to propose the Council the conditions would be attached to it and we are working on it. I cannot say offhand at this point in time what we are going to do, but this is an important point that we are going to take into consideration.

Mr Bodha: Mr Speaker, Sir, when it comes to labour laws, two issues were addressed in the Budget speech, namely, the issue of notice for

separation and the cost of separation. As I said the Budget speech has been well crafted: instead of using termination of contract they have used the word 'separation'. May I ask the hon. Minister whether *les droits acquis* as regards separation or termination of employment and cost of separation, that is, severance allowance, are going to be addressed in the amendments to be brought to the Labour legislation in the coming months?

Dr. Bunwaree: We are presently studying all these possibilities, Mr Speaker, Sir. One thing that I want to stress upon is that, if ever there is separation, conditionalities will be attached to it. More importantly, once a decision is taken and if a worker loses his job, we are going to see to it that, contrary to what is happening now, first of all, the worker is not left without any stipend. We know that when workers are laid off, they are the *dindon de la farce*. Members on the other side know fully well that when, for example, a company goes into receivership, all the other stakeholders come first *pour partager le peu qui reste* and the workers come *en dernier*; they get nothing.

We are going to see to it that, if ever such conditions occurred, in the new system the worker will still continue as from the date he lost his job, to get a sum of money and other avenues will be opened to him as well as various options for him to choose, including, training and retraining and skilling which will give him more facility to get another job. I must also add that the system as it is is preventing employers from employing. Many people are not getting jobs because investors are not happy with the system as it is. That is why I make an appeal to the hon. Members of the other side. They know it well for they were in our place a few months ago. We have had many reports since 1986 where anomalies in the system were found. This is interesting for Members to know, namely, that there was a study by Mr Joji Arai who recommended the establishment of a National Pay and Productivity Council, provided guidelines on wage levels that output per worker could justify without inflation. That Council was in the limelight. Who was in Government in 1994? The hon. Leader of the Opposition was not there, but hon. Soodhun was there. We have done various studies. I am going to repeat it in my speech on the budget. We are at the crossroads, Mr Speaker, Sir. The hon. Minister of Finance has had the courage to come forward with a new economic model. We have to fit in. Therefore we have to amend our labour laws consequently.

Mr Bérenger: Mr Speaker, Sir, may I ask for two points of clarification and confirmation? This year, as it has been the case for very

many years, there have been meetings between the Government, the private sector, and the trade unions. Discussions took place and, finally, Rs135 were proposed. I understand from what the Minister is saying that that was the last time that annual exercise has taken place. Can I ask the Minister whether this is, indeed, the right understanding of what he said and whether there will be a Bill this year, as has been the case every year, for what has been discussed regarding the wage compensation for this year?

Dr. Bunwaree: What hon. Bérenger is saying as last time, it is probably the last time that it was done as it ought to have been done, that is, chaired by the Minister of Finance. We remember, when he was the Minister of Finance, he refused to chair the tripartite ...

(Interruptions)

Mr Speaker: Order, order!

Dr. Bunwaree: This is a fact. And concerning the Bill, Mr Speaker, Sir, the Council of Ministers will decide whether it will come in the form of a Bill or ...

Mr Bérenger: Mr Speaker, Sir, can I have a clarification? I think it is clear but I just want to get it clear. Normally, a lot of the proposals in the Budget Speech are translated into laws through the Finance Bill. I heard the Minister say that in the case of amendments to be brought to the Labour Act and to the Industrial Relations Act, to supposedly make firing of workers more flexible and to set up the National Wage Council. I wish to have confirmation as to whether this should be in a separate Bill, not in the Finance Bill, later on after a lot of consultations with all stakeholders.

Dr. Bunwaree: Definitely, Mr Speaker, Sir, this is going to come in a separate Bill. For no reason it is going to come in the Finance Bill.

Mr Bodha: Mr Speaker, Sir, we have reached a *carrefour et ils prennent résolument la route du patronat!*

(Interruptions)

Oui, vous prenez la route du patronat.

(Interruptions)

Mr Speaker: Order!

Mr Bodha: May I ask the hon. Minister whether, as I said we have 70 years of acquired rights, whether they are not wiping this out with one stroke of the pen and whether this is putting people first? Can you put people first without putting workers first, Mr Speaker, Sir?

Dr. Bunwaree: M. le président, le leader de l'opposition doit apprendre que le parti travailliste a pris naissance dans les cendres des travailleurs, arrosées par la sueur des travailleurs. Ce n'est pas le parti travailliste qui reniera ses origines. *He has to come and learn from us.*

Mr Bodha: This is what I am reminding you.

Mr Speaker: Time is over!

MOTION

SUSPENSION OF S.O 10 (2)

The Prime Minister: Sir, I beg to move that all the business on today's Order Paper be exempted from the provisions of paragraph (2) of Standing Order 10.

The Deputy Prime Minister, Minister of Public Infrastructure, Land Transport & Shipping rose and seconded

Question put and agreed to.