

Trade Union Common Platform
TUCP

Memorandum

Salary Compensation
2005-2006

For social and economic justice!

Rs 674 for all workers & pensioners!

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National Trade Unions Confederation
Mauritius Trade Union Congress
Federation of Civil Service and Other Unions
Federation of Progressive Unions
General Workers Federation
State Employees Federation
Free Democratic Unions Federation
Federation of Free Workers
Federation des Travailleurs Unis
Confederation Mauricienne des Travailleurs
Mauritius Labour Federation

28th February 2005

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The aim of any salary compensation exercise is beyond any doubt to establish the quantum of wage compensation that would allow the working people to improve their living standards in relation to the rise in the cost of living. It is therefore the duty of any government and in particular this government, which is at the end of its mandate, to compensate workers and pensioners appropriately and re-establish the standard of living of the workers. It is on this crucial issue pertaining to the life and survival of our people that social justice must be seen to be done.

1. The pauperisation of society and growing social inequality

- (i) In 2002, the *Centre for Applied Social Research* of the University of Mauritius under the supervision of Prof M. Joynathsingh, conducted a survey called *The Mauritian Social Attitudes Survey*. This survey revealed that “some 91% of all respondents stated that they agreed that, in contemporary Mauritius, the rich are getting richer and the poor are getting poorer and 94% stated that they thought that in Mauritius nowadays it is more difficult to cope with the cost of living than it was two years ago”. Though this survey was conducted in 2002, it definitely depicts the true reality of the present situation prevailing in Mauritius. Events such as massive layoffs and price increases, unfortunately since then have only re-inforced the reality exposed by this serious survey.
- (ii) During the recent years the living conditions of the vast majority of the population have in real terms been deteriorating while a tiny few holding economic power has become richer. Our society is being steadily *pauperised*. The line between this pauperisation and abject poverty is getting thinner and the gap between the rich and the poor still

rife. This is inevitably leading to social frustration, instability and is generating other societal problems.

- (iii) While the Gini Coefficient which measures the gap in income distribution showed some slight changes, the top 20% of households still appropriate some 50% of the national income, while the bottom 20% have to make do with 10% of the total national income. The Gini Coefficient itself needs to be read with great precaution as it does not depict the present reality. For example with the liberalisation of exchange control real revenue is not accounted in the statistic. Furthermore revenue appropriated through dubious means is obviously not accounted. In determining social inequality one has also to take into consideration accumulation of other economic means such as land, property and shares.
- (iv) Despite the annual salary compensation the majority of the working people is constantly finding their cost of living rising year after year. This down sliding spiral of the living standards of workers is a direct consequence of the neo-liberal policies being pursued and mechanism and dynamics inherent to this economic and social doctrine.

2. Mechanism leading to the constant erosion of the purchasing power of the working people

- (i) The monetary mechanism contributing towards the constant depreciation of the rupee, specially in relation to the Euro, has resulted in the erosion of the purchasing power of the workers while bringing windfall gains to the employers specially in the Sugar Industry, Free Zone and Tourism sector.
- (ii) The proliferation of contractual, seasonal and precarious jobs and the “informal sector” means that many working people families do not have a regular income over the years. As an example in the construction industry alone, some 80% of workers are contractual labour while in the sugar industry we are witnessing the return of seasonal labour as in colonial times.

- (iii) Precarious labour and informal sector also means that in reality many workers are not being compensated at all, as many employers do not even dare register their employees with the Social Security. According to the Ministry of Social Security some 365,000 workers are registered for NPS purposes. If some 70,000 workers of public sector (who have a different pension scheme) is subtracted from the 494 900 (on the basis of a workforce of 494,900¹) there will be some 50,000 - 60,000 workers who are not covered by NPS. One can imagine that a worker not registered for NPS can hardly be in a position to benefit from any salary compensation adjustment.

- (iv) Increasing unemployment coupled with recent massive layoffs, mainly in the Free Zone sector means that households have fewer wage earners to contribute towards the household expenditure. The 2000 Census revealed that 32 060 households representing 71,777 people had no person employed in this household. The Census also showed that households with only one employed person are the highest group of households in Mauritius. In fact 129,972 households representing 477,884 people depended only on one employed person. These figures have got worse by rising unemployment and the present massive layoffs in the free zone and sugar industry.

- (v) The annual salary compensation is not fully compensating workers as it is based on basic salary and not on total monthly earnings of workers. As it stands, in various working sector the basic salary is very low and does not even constitute the minimal subsistence. Workers are only surviving with additional form of allowances and bonuses such as overtime, attendance bonus, piece rates etc. The basic salary and the additional allowances are what actually constitute the basis for income and expenditure of the present day workers. This means at the end of the tripartite 'negotiation' that workers are constantly being under compensated on what they in reality spend every year. Moreover in many enterprises it is very common that employers just re-adjust the whole salary packets, with no real increase in the total earnings after the

¹ Mauritius In Figures 2003, Central Statistical Office

compensation. The common practice is to lower the allowances and then increase the basic salary.

- (vi) Even based on the present flawed system of compensation, the majority of the workers are being under compensated. Over the past years the median salary has not been fully compensated. If we take the median income per earner based on the household budget survey 2001/2002, that is Rs 5868 (households median - 11,150 x 1.9 - income earner per household 1.9) a worker should have been compensated Rs 258, which was unfortunately not the case. This again demonstrates that workers are being under compensated.

- (vii) One of the main mechanisms leading to the pauperisation of society is the debt burden cycle on the working people. As recent events have sadly demonstrated this debt burden is now leading towards the dispossession of people. Surveys demonstrate that 60% to 70% of the population is indebted. According to the Continuous Multipurpose Household Survey 2001² the average monthly expenditure per household to debt repayment alone amounted to Rs 2,154. In fact **debt repayment is the second largest expenditure** of the majority of the working families of Mauritius after food. And even more disturbing is that debts are being incurred to meet expenses on essential items such as food itself. We quote the CMPHS *“about 55% of the heads of households reported having experienced difficulties at some point in time during the 12 months preceding the survey months to meet current expenses on essential items (food, rent, utilities etc) with their normal monthly income. To meet these expenses they have had to draw from savings (40%), ask for credit (41%) and/or borrow from friends or relatives.”*

- (viii) The major flaw in determining the rise in the cost of living is that the debt repayment as well as other non consumables are not taken into account when calculating the rise in Cost of Living. This non-consumption expenditure has a tremendous impact on the net disposable income of households. The compensation given to

² Source: Central Statistical Office

employees is meant to compensate the employees for the rise in the cost of living which includes basic amenities like housing loan repayment. Excluding such items in the quantum to be allocated is thus grossly unfair and unjust.

- (ix) There are other numerous vital non-consumable items which are not taken into consideration when determining the cost of living. This, too seriously impinges on the purchasing power of the working class. For example expenses on leisure which is essential for the quality of life is not taken on board. Life insurance premiums as well as expenses on cellular phones and internet which have become a way of life are also out of the scope of CPI.
- (x) In actual reality workers are never *compensated* because after the salary review exercise many budgetary measures deplete once again the purchasing power of workers. And this sometimes even before the salary compensation is paid.
- (xi) Price liberalisation contrary to the claim of neo-liberalist proponents is NOT producing lowering of prices. Given the “cartelisation” of trade, cartels just top up another layer of price increase for whatever depreciation of currencies or budgetary increases.
- (xii) During the financial year 2004-2005 VAT alone, without being even increased in last budget, is estimated to have an additional burden of Rs 350 per household per month and Rs 184 per income earner per month.
- (xiii) Basic commodities have undergone massive price increases during the last financial year. A recent example is the price increase of cement which will also definitely undermine the purchasing power of workers, specially young workers building new houses. This will also have an incidence on the projected rate of inflation made prior to this price increase.

3. Workers cannot shoulder the burden of the present economic crisis

- (i) While *workers are being under compensated the capitalist class has benefited from the massive shifting of economic resources* such as tax concessions, support programs, loan facilities, gains from the depreciation of the rupee, low cost of capital by the lowering of the Lombard rate, state sponsored international campaign, gains from land "parcelisations".
- (ii) Yet despite the pauperisation of society and growing social inequality the employers have demanded the pure dismantlement of the present salary review system. This is pure non sense. According to the MEF 2004 Memorandum, compensation due the rise in the cost of living has to be more or less scrapped off altogether!
- (iii) The Employers want the workers to shoulder the burden of the present economic crisis. This economic crisis is not only due to external forces linked to global capitalism but also to the lack of vision of those who control capital, land and vital resources of our country.

4. To re-establish the standard of the living of the working people

- (i) Together with natural resources like land and sea, labour is the most vital resource of this country. Without labour having the means to sustain its living standards there can never be sustainable development. As explained above, with mechanisms related to neo-liberalist paradigm the working class has seen its life deteriorating. The aim of present of salary compensation review should be to **redress** the gross injustice suffered by workers. Indeed the whole purpose of "redress nou pei" ought to have been to "redress nou pei" in favour of the working people not in favour of the rich as we have unfortunately witnessed during the recent years.

The eyes of the whole working people will now be focused on the present review and we are sure that our living standards will be one of

the fundamental issue upon which workers will base themselves when casting their votes in the coming general elections.

5. Guiding principles of the TUCP proposal

- (i) Salary compensation 2005 should be based on the *average expenditures per households*. This amounted to Rs 10,220 in 2001-2002³. Given that income earner⁴ per households is 1.9, it is on the basis of average expenditures per income earner that salary compensation must be calculated this year. The household budget survey gave the actual average expenditures and any exercise to determine quantum to be paid in relation of the rise in the cost of living should be based on this figure. One should also bear in mind that CPI itself is an average statistic. We do not see the rational why when determining CPI government use the average rise in expenditures while in determining compensation the government use basic salary, instead of average expenditure.
- (ii) The second most important expense of the majority of households, debt repayment, should be taken into account when calculating the rise in the cost of living. This amounted to Rs 2,154 in 2001-2002⁵ and should be added to the total expenditure (Rs 10,220).
- (iii) To redress the injustice suffered by workers during the recent 4 years, we believe a fraction of the lost of purchasing power should be paid as “ratrapage” this year. In the name of social and economic justice we propose that half of this “ratrapage” be paid this year.
- (iv) Though not agreeable, for reasons mentioned above, that CSO estimates reflect the living reality, we will take its figure 5.5%⁶ as the base for formulating our proposal.
- (v) The aim of the present review should be to raise the wages of low paid workers towards a “minimal living wage”. This is why we insist that

³ Source - Mauritius in Figures 2003, Central Statistics Office

⁴ Source - Mauritius in Figures 2003, Central Statistics Office

⁵ Source - Continuous Multipurpose Housing Survey 2001-2002, Central Statistics Office

⁶ Source - Economic Indicators, CSO January 2005

the compensation be awarded at the same fixed rate for **all wage earners and pensioners**.

6. Our proposal: Rs 674 for all workers & pensioners

The calculations of our proposals are based on the following:

The base is the total expenditures in year 2001-2002:

i.e Total Expenditures Rs 10,220 + Debt repayment Rs 2,154) = Rs 12,374

Financial Year	Combined household Expenditures (including debt repayment as per CSO)	Expenditure per Income earner	Inflation Rate as per CSO	Salary compensation that ought to have been paid	Salary Compensation received	Loss in cost of living
	$Rs\ 10,220 + 2,154 = A$	$(A / 1.9) = B$	C	$(B \times C) = D$	E	$(D - E) = F$
2001-2002	12,374	6,513	4.4	287	190	97
2002-2003	12,918	6,799	6.3	428	260	168
2003-2004	13,732	7,228	5.1	369	240	129
2004-2005	14,433	7,596	3.9	296	210	86
2005-2006	14,996	7,892	5.5	434		480
				Compensation due for 2005-2006		Total loss 2001-2005
Total Salary Compensation proposed is (Rs 434 + (1/2 x 480) = Rs 674.00						

The eye of the entire working people is now focused on the government's decision. Will this government have the courage to move towards social and economic justice or will it still be pursuing capitalist class driven policy? Moreover, as the budget will be presented earlier this year it is also proposed that the salary compensation becomes effective immediately after its presentation that is it should take effect as from the end of March 2005

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