

**Making global labour mobility a catalyst for development**  
**Geneva**  
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**Presentation by Mauritius**

**Preamble**

This paper is mainly based on the publications on labour and related issues, the Human Resource Development Plan, Mauritius, April 2007, as well as on the issue of circular migration for Mauritius.

**General Background**

**The Demand for Offshore Talent**

Jobs are no longer confined to a particular location but have the potential to be globally resourced or performed anywhere in the world. Broadly speaking, this includes any task that requires no physical or complex interaction between an employee and customers or colleagues, and little or no local knowledge.

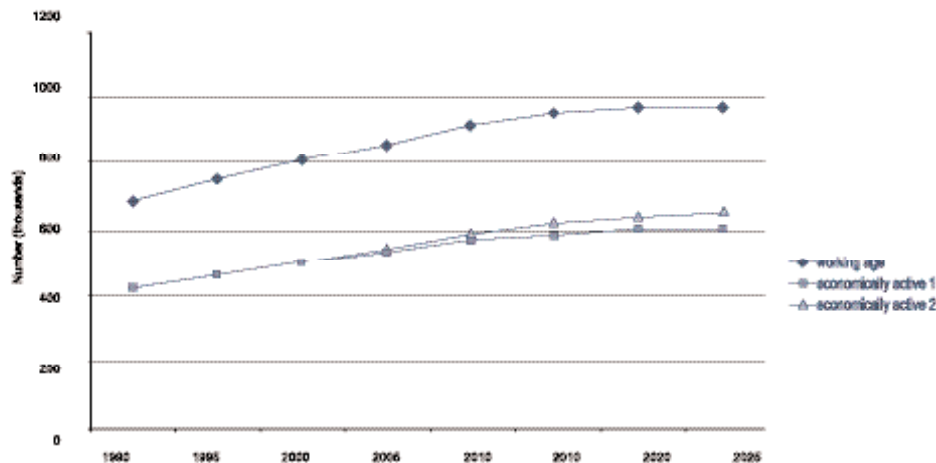
A research study (McKinsey & Company, 2005) showed that in 2008, total offshore employment will reach an estimated 1.2 percent of total demand for labour in services from developed countries, equivalent to 4.1 million employees. It is also estimated that packaged software and IT services will offshore 18 percent and 13 percent of their high-wage employment demand, respectively, by 2008.

Employment trends in **Mauritius** from 1966 to 2002 in the four sectors: Sugar, Textiles, Tourism and Finance show that the Sugar sector was the largest employer in 1966 as compared to Textiles and Tourism sectors that were employing relatively few workers. The Finance sector emerged after 1975 and has been employing an increasing number of workers ever since. From the trend, it is noticed that in terms of job creation, Sugar's and Textiles' contribution are decreasing while Tourism is still growing but at a decreasing rate.

**Future employment**

In the ILO International Migration Paper 71 (ILO, 2004), projections for labour force and employment have been estimated up to the year 2025. The labour force projection has been calculated for two categories of population: economically active 1 and economically active 2. The figure below depicts the projected working age population and labour force (1990-2025).

## Working Age Population and Labour Force (1990 – 2025)



Source: UN Population Projections, 2000. Participation rates calculated from ILO LABPROJ

### Background Mauritius

Mauritius is facing a sharp transition from dependence on trade preferences to open competition in the global economy. The Mauritian economy grew at average rate of 4.3% over the past four years, well below the historical average of 5.6%. Moreover, the triple shocks of the dismantling of the Multifibre Agreement, soaring oil prices and the sharp cuts in the guaranteed sugar price have impacted negatively on two key sectors namely Sugar and Textile. The EU reduction of sugar prices by 36% would severely affect the Mauritian economy, given that about 90% of total sugar production is exported to the European Market. The textiles and clothing sector, on its part have registered a contraction of 30% in value added and a reduction in its workforce by around 25,000 over the past four years.

Employment creation possibilities in these sectors are quite limited and the growth rates in the other two sectors, namely, tourist and financial services could not compensate for the decline in the traditional sectors. In addition, the economy is being constrained by numerous rigidities in the product, labour, and financial markets that impede productivity growth and prevent the economy from adapting fast to the rapidly changing global environment.

Conscious of the need to adapt the country to this new economic environment, Government has embarked on a comprehensive 10-year Economic Reform Programme to restructure the economy. The reform programme focuses on the following four planks

- fiscal consolidation and restoring fiscal discipline
- improving the Investment Climate to move to the top ten investment-friendly locations
- mobilising Foreign Direct Investment (FDI); and
- restructuring the economy.

The main thrust of the extensive economic restructuring programme is based on:

- restructuring the sugar sector, while exploiting value-adding co-products of sugar, moving up the export value chain and reducing production costs;
- adopting a multi-pronged strategy for the restructuring and modernisation of the textiles and clothing sector;
- consolidating the tourism and financial services sectors;

- promoting emerging sectors such as ICT, the medical hub, the multi-disciplinary centre of excellence as a building block for a knowledge hub, light engineering, Integrated Resort Schemes, the seafood hub, aquaculture and oceanic land-based activities;
- labour market reform and a large scale retraining programme of workers in restructuring sectors and the unemployed;
- negotiation of temporary migration programmes that would enable Mauritians to build up their skills abroad and on return, find employment in new sectors or start a business under the SME incubator scheme;
- promoting enterprise restructuring with the support of international private enterprises and equity funds through mergers, acquisitions and joint ventures; and implementing a restructuring programme of private companies with strong growth prospects based on risk sharing via equity participation instead of subsidised loans or grants.

More specifically, for the sugar and textiles sectors, the following are being addressed:

- (i) Government is implementing the Multi-Annual Adaptation Strategy Action Plan to promote the fast track modernization and diversification of the sugar sector and to convert the sugar industry into an efficient cane industry geared towards the production of high value-added sugar, by-products, ethanol and energy. The Centralization of sugar factories as well as a Voluntary Retirement Scheme (VRS) programme is being envisaged.
- (ii) Government is adopting a multi-pronged strategy for the Textile and clothing sector, which includes industrial restructuring, quality upgrading, quick response, market development, effective networking and partnerships, development of SMEs, technology and skills upgrading and greater access to finance. The competitiveness of the textile sector is being enhanced by improving efficiency and productivity, encouraging vertical integration, and carving out a high-end niche market.

For the past five years, the unemployment rate has hovered around 9%, which is a relatively high rate, out of which 25% have not passed their primary school examinations and about 16% are women. Though unemployment is high, the vacancy rate has remained relatively pronounced over the years. Moreover, during this transitional period, labour retrenchment will become inevitable in our two key labour-intensive sectors; Sugar and Textiles. The World Bank estimates that up to 12,000 jobs mainly in low skilled segment will be lost over the next three years.

### **Labour Market reform**

The labour market is highly regulated, with restrictions on the redeployment of workers, wages and benefits, and terminations. The Remuneration Orders, which specify the duties and wages of each narrowly defined occupation for most industries, inhibit the ability of firms to redeploy workers. Moreover, the current annual tripartite wage setting process, which typically indexes economy-wide wage growth to inflation, increases the relative wages paid to low-skilled workers. This process thus reduces the incentive to create new jobs, particularly among low-skilled, and makes existing jobs more insecure. In addition, terminations of employment tend to be both costly and time consuming, thereby reducing the incentives to create new jobs and encouraging employers to substitute capital for labour.

These labour market rigidities have led to the consistent rise in unemployment during the past decade. The implementation of structural reforms and development of new sectors such as the ICT sector are also being constrained by these rigidities. Labour market reform is, therefore, high on the agenda of Government. The focus of regulations is being shifted from protecting jobs to protecting workers. New legislation have been introduced to reform the wage determining mechanism and the labour laws and regulations will be reviewed in order to achieve the flexibility needed for creating demand for labour together with the security needed to protect the worker as he or she switches between jobs. Important issues such as the notice period for separation, the cost of separation, the security of workers when he/she is recycled from a job, the support offered to workers in terms of assistance to get a job, training and reskilling, and assistance to start a small business, are being addressed. The old centralised tripartite mechanism for wage compensation has been abolished and replaced by the National Pay Council.

A National Pay Council has be set up to introduce a two tier wage determination system. The first tier will be national in character while the second will be at the company level. The national level will be tripartite and represented at the highest level from the three social partners. This will ensure that the level of wages and compensation are linked to productivity and to capacity to pay.

In addition, Government will implement a workfare programme, whereby some 5,000 unemployed will be placed in private companies for on the job training for a period of one year over the next three years. The workfare programme will be linked to a migration strategy to be put in place for facilitating the return and reintegration of the Mauritian diaspora to Mauritius and the short term temporary migration of Mauritians to countries where specific labour demands and job opportunities exist.

### **Existing Structure to Acquire Work Experience, Mauritius Skills Development Programme (SDP)**

The core aim of the Skills Development Programme (SDP) is to break the “no-job, no-experience and no-experience, no-job cycle”. It is thus a scheme aimed at giving work experience to unemployed degree and diploma holders by placing them either in the public (ministries and parastatal bodies) or private institutions for a maximum period of one year.

### **The Student Work Experience Programme (SWEP)**

The SWEP exists as from the year 2000 at the University of Mauritius whereby students are placed in organisations during their semester break.

### **Employment Services**

One of the functions of the Employment Service of the Ministry of Labour, Industrial Relations & Employment is to manage the 13 Employment Information Centres in Mauritius and one in Rodrigues. These centres deal with the registration, counselling, placement of jobseekers in employment, work permit inspections and recommendations, collection and publication of statistics on the labour market, including employment and unemployment, provision of advice on matters related to employment, unemployment and training.

In line with these activities, the Ministry has also created a job bank, jobseeker’s bank and jobseekers’ guide to assist those who are looking for a job. In January 2005, the Ministry has

also set up a 'redundancy unit' that registers employees who are laid off from various sectors, and it liaises with employers for placement of these retrenched workers. This unit also helps retrenched workers if ever they want to go for training or set up their own enterprises.

## **Sectoral Policies**

### **Agriculture**

As far as the sugar sector is concerned, Mauritius has no option but to decrease its cost of production that is relatively high thereby boosting its level of competitiveness on the world market. In other words, to remain competitive, Mauritius is bound to undertake a major reform in the sugar industry. However with the eventual fall in the price of sugar by 36 percent in 2009-2010, Mauritius will have to diversify and think about alternate ways and means to promote the Agricultural sector. Emphasis should be laid on the non-sugar sector and we should market our local products on the international market

Action include the following

- Upgrade the literacy and numeracy skills of these employees, especially in the sugar sector where number of employees is expected to decrease.
- Strategies to increase the value added of the sugar industry by optimising the use of bagasse, molasses and production of special sugar.
- Given the increasing use of ethanol in vehicles around the world, possibilities to produce ethanol in Mauritius on a large scale should be seriously envisaged.
- Introduction of hydroponics

### **Financial Services**

- In order to help this sector to develop further, changes should be made in the Industrial Law and other auxiliary laws
- Training of workers should be a common practice so as to improve their productivity
- proper planning of human resources

### **ICT**

- Make available infrastructure and sufficient skilled human resources to create the critical mass of qualified and skilled workers.
- Make Mauritius a centre of excellence and a 'Hub' for ICT training
- Encourage expatriates to return home and discourage professionals to leave the country
- Promote a new working culture in the sector by making it a 24/7 working hours

### **EPZ**

- Setting up of a fund for modernising the sector in terms of tools, technologies, ideas and infrastructure
- Transfer of technology to the EPZ sector with the help of friendly countries. The use of IT is also important in order to modernise the sector and make it more competitive in the international market
- Re-branding of the Mauritian product in order to create a world class brand with the participation of local and international experts
- Creation of a Design and Fashion Institute with the aim to create a Mauritian fashion which will take into consideration the Mauritian patrimony and its diversity of culture.

## **Tourism**

- Review the air access policy by opening the ‘Mauritian sky’ in order to make the sector rational and profitable for operators and visitors
- Development of local/regional tourism whereby emphasis will be placed on local tourism like leisure centres and ‘green tourism’.
- Encourage local handicraft industry. This will boost the SME sector. It would also provide an additional way of earning foreign exchange from tourists by proper marketing of the products and even exporting our handicrafts.

## **Education**

- Education as an agent for social change
- Setting up of the Knowledge Hub: opportunities will be opened to an increasing number of people for innovation and economic advancement
- Correct imbalances / mismatch of skills by redirecting the focus of technical / university studies to respond to the needs of the country.

## **Emerging sectors of growth : the Seafood Hub**

- Mauritius must attract processing plants for high value seafood products
- Develop the Mauritian seafood marina for the products transformed locally; and
- Encourage the development of marine aquaculture

## **Public Service**

The Public Service employs [50,000 out of 500,000 employed] a pool of talented officers who are working to achieve the aims set by government that should encourage, motivate, reward and boost the confidence of civil servants. In this connection, the Ministry of Civil Service Affairs and Administrative Reforms is working towards establishing a strong and effective Civil Service which will meet the expectations of the country in the new millennium. The Public Service would be transformed into a modern sector, with continuous training of civil servants. Training has to be dispensed not only to existing employees of the Civil Service but also to new recruits. The government is also ensuring that meritocracy prevails in all the sectors of the Mauritian economy.

“A man willing to work, and unable to find work, is perhaps the saddest sight that fortune’s inequality exhibits under this sun.”

*Thomas Carlyle*