

# Making global labour mobility a catalyst for development

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✘ Presentation

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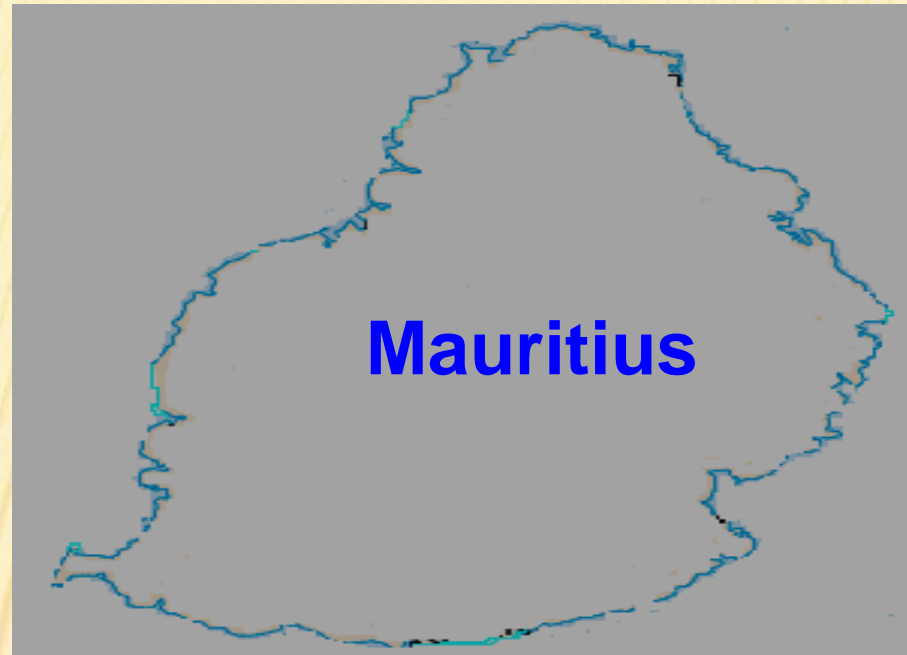
✘ Ministry of Finance and Economic Development

✘ Mauritius

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# A Rich Economic History

PREFERENCES-based economic paradigm



## A Challenging Future (Triple Economic Shocks)

- Dismantling of Multi fibre Arrangement (End of Textile quotas)
- EU Sugar Reform (36% decrease in Sugar Price)
- Oil Price Hike (Estimated \$100/barrel by end 2006)

GLOBAL COMPETITIVENESS-based economic paradigm

# RESPONDING TO CHALLENGES

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Government has announced a four plank reform program...

- × **Fiscal consolidation**
- × **Improving investment climate**
- × **Restructuring industry**
- × **Attracting FDI**

## The Situation Today

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- ✘ Labour Force 550,000
- ✘ Employed 500,000
- ✘ Expatriate Labour 34,000, of which
  - Indians 17,000
  - Chinese 10,000
  - Bangladeshis 6,000
- Migration provides employment incomes, new attitudes and skills to change mindsets

# MISMATCHES OF THE LABOUR MARKET

- ✘ Low skills in the traditional areas (however large imports of certain skills textiles & construction)
  - i. Agriculture – uneducated /unskilled
  - ii. EPZ – lower primary
- ✘ University Graduates – no appropriate jobs, losing talents to other countries
- ✘ Diaspora – skills, experience and finances that could match our present needs

## The Response

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- ✘ Low Skills – training and re-skilling of ex-agriculture and textile workers for the local market and the region, promotion of SMEs
- ✘ Maple Leaf Project – 85 workers being sent overseas (Feb 2008)
- ✘ Alberta Project – 1,500
- ✘ University graduates – short-term, on-the-job training / placement
- ✘ Diaspora – sense of patriotism, tax incentives

# The Mauritian Approach (1)

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- ✘ As one of the solutions to address the medium term unemployment problem, Government set up a circular migration programme with a three-fold objective
  - To enable programme participants build their skills abroad and on return find employment in new sectors or start a business under SME incubator scheme

## The Mauritian Approach (2)

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- ✘ To encourage remittance flows and enhance development impact, and
- ✘ To harness the intellectual and financial resources of the Mauritian diaspora, facilitating return migration and encouraging assistance in the development of the country



## The Mauritian Approach (3)

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- ✘ Empowerment Programme (EP) involving public and private partnership, with the responsibility of overseeing the implementation of the circular migration programme
- ✘ EP:- matching exercise between the unemployed and demand for labour in receiving countries
- ✘ EP is responsible for departure training programme to meet requirement of receiving countries

## The Mauritian Approach (4)

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- ✘ The EP action plan includes
  - Development of a Mauritian pilot with an EU destination
  - Profiling exercise for retrenched workers, identification of potential interested participants and training they require
  - Put in place a system of support that would allow migrants abroad to seek and obtain help in the destination state if they face problems

## The Mauritian Approach (5)

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- ✘ Government will facilitate migrants travel abroad, assist in the identification of low cost remittance transfer channels, provide information and assistance in helping migrants and families identify investment opportunities in SME projects or other productive sectors
- ✘ Bilateral negotiations: to look for increased visa allocations for unemployed Mauritians with some sort of guarantee or bond so that migrants return to Mauritius after their stay abroad

## **The Mauritian Approach (6)**

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- ✘ National capacity building (NHRDC) plan
- ✘ Labour market reform
- ✘ Reform of educational systems

# The impact of reforms

	<u>2005</u>	<u>2007 (Forecast)</u>
■ Growth rate:	2.3%	5.5%
■ Investment rate (% of GDP):	21.4%	24.1%
■ Unemployment Rate	9.6%	9.2%
■ Employment creation (p.a)	4400	8900
■ Budget Deficit:	5.3% of GDP	3.8% of GDP
■ Public Sector Debt:	69% of GDP	63% of GDP
■ Foreign exchange reserves:	31 weeks	40 weeks
■ Balance of Payments :	Deficit Rs 5 B	Surplus Rs 4 B <sup>13</sup>

# Conclusions

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- ✘ Economy turned around by new system: Massive flow of FDI
- ✘ 50 % of taxpayers removed from PAYE tax net
- ✘ Only 8 % of people in employment affected by PAYE
- ✘ Most of them will pay lower taxes
- ✘ Better compliance will ensure fairer burden sharing
- ✘ New system effective to combat under and non reporting
- ✘ New tax system spare low and middle income groups

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“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*

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✕ Thank you