

MINIMUM WAGES IN AFRICA

KENYA

MAURITIUS

MOROCCO

CAPE VERDE

KENYA

Kenyan wage council system

- In 1951, the Regulation of Wages and Conditions of Employment Act (Cap. 229)
- To fix minimum wages and other terms and conditions of employment for workers in the sectors not adequately regulated by collective agreements.
- A total of fifteen sector-specific WCs were established under the Act (Republic of Kenya, 1989).
- Except for the general and agricultural industry wage councils, the other sector-specific wage councils remained largely dormant

Sector-Specific Minimum Wage Councils Established before 2007

- Tailoring, Garment Making and Associated Trades
- Hotel and Catering Trades
- Road Transport
- Motor Engineering Trades
- Baking, Flour Confectionery and Biscuit Making
- **Building and Construction Industry**
- Laundry, Cleaning and Dyeing Trades
- Footwear Industry
- Wholesale and Retail Distributive Trades
- Petrol and Service Stations
- Domestic Servants
- **Security and Protective Services**
- Electrical Construction Industry
- Timber and Saw Milling Trades
- Furniture, Boat, Door and Window Making Industry

Current MW legal background

- Currently, Kenya's minimum wage fixing is governed under the Labour Institutions Act (2007).
- The Cabinet Secretary for Labour is empowered to establish a general wages council and an agricultural wages council to advise the Cabinet Secretary on the appropriate minimum terms and conditions of employment.
- The Act also allows the Cabinet Secretary, upon consultation with the National Labour Board (NLB), to establish sector specific wage councils, in addition to the general and agricultural wage councils.

Wage Council number

- There is a willingness to reactivate two Wage councils (Building and Construction and Protective and Security Services) and create a new one (Floriculture).
- It is not clear what informed the prioritization of the five wage councils among the other wage councils that were established under the Regulation of Wages and Conditions of Employment Act
- But so far, it is only the General Services and Agriculture wage councils that are active.

The functioning of a wage council has a cost

- Organizing one session of a wage council cost 200 000 K Shillings and four sessions are necessary to set the adjustment of the minimum wage.
- Budgetary constraint has prevented the government from financing the meetings of the wage councils since 2006.
- Therefore if the government pursues the sector-based approach to minimum wage setting adequate budget should be dedicated to this aim in order to reinforce the administrative and technical capacities of the concerned structures: the NLB and the Wage Councils.

Wage council vs. Collective agreement

- Sectorial organisation of workers and employers association
- Etc...etc...

Wage Council minimum wage scale

- Statutory minimum wages in Kenya are fixed according to occupations and, at times regions.
- The general services wage council has statutory minimum wage rates for 15 different occupational groups and three regional areas.
- The Agricultural Wages Council provides statutory minimum wage rates for 10 occupations.

No.	GENERAL SERVICE WAGE COUNCIL Occupations (also daily and hourly rates)	Nairobi, Mombasa and Kisumu Cities Ksh.	All Municipali- ties and Mavoko, Ruiru and Limuru Town Councils Ksh.	All Other Areas Ksh
		Monthly Rate	Monthly Rate	Monthly Rate
1.	General labourer, including cleaner, sweeper, gardener, children's ayah, house servant, day watchman, messenger	9,780.95	9,024.15	5,218.00
2.	Miner, stone cutter, turn boy, waiter, cook, logger, line cutter	10,563.60	9,372.15	6,029.00
3.	Night watchman	10,911.70	10,116.15	6,223.60
4.	Machine attendant, sawmill sawyer, machine assistant, mass production machinist, shoe cutter, bakery worker, bakery assistant, tailors assistant	11,085.70	10,315.95	8,361.35
5.	Machinist (made-to-measure), shoe upper preparer, chaplis maker, vehicle service worker (petrol and service stations), bakery plant hand, laundry operator, junior clerk, wheeled tractor driver (light)	12,654.90	11,838.65	9,679.05
6.	Printing machine operator, bakery machine operator, plywood machine operator, sawmill dresser, shop assistant, machine tool operator, dough maker, table hand baker or confectioner, copy-typist, driver (cars and light vans)	13,201.55	12,184.25	10,071.00
7.	Pattern designer (draughtsman), garment and dress cutter, single hand oven man, charge-hand baker, general clerk, telephone operator, receptionist, storekeeper	15,064.65	13,772.70	11,743.30
8.	Tailor, driver (medium-sized vehicle)	16,602.85	15,259.35	13,606.35
9.	Dyer, crawler tractor driver, salesman	18,329.25	17,101.80	15,434.70
10.	Saw doctor, caretaker (buildings)	20,283.90	18,940.40	17,644.60
11.	Cashier, driver (heavy commercial vehicle), salesman-driver	22,070.95	20,770.00	19,474.15
12.	Ungraded Artisan	13,201.55	12,184.25	10,071.00
13.	Artisan Grade III	16,602.85	15,259.35	13,580.60
14.	Artisan Grade II	17,932.10	17,101.80	15,434.70
15.	Artisan Grade I	22,070.95	20,770.00	19,474.15
	Average (Monthly Rates)	15,357.16	14,267.40	12,136.37

No.	<p style="text-align: center;">AGRICULTURAL WAGE COUNCIL</p> <p style="text-align: center;">Occupations</p>	<p style="text-align: center;">Monthly Rate (Ksh.)</p>	<p style="text-align: center;">Daily Rate (Ksh.)</p>
1.	Unskilled Employee	4,854.35	203.85
2.	Stockman, herdsman, watchman	5,606.05	237.45
3.	House servant or cook	5,541.55	211.00
4.	Farm foreman	8,757.20	370.05
5.	Farm clerk	8,757.20	370.05
6.	Senior foreman	5,669.20	241.10
7.	Farm artisan	5,802.05	246.70
8.	Tractor driver	6,152.70	261.35
9.	Combined harvester driver	6,778.10	287.60
10.	Lorry driver or car driver	7,113.25	301.55
	Average	6,503.17	273.07

Wage council occupational list

- The list of occupations has not been reviewed since 1932 whereas the General Workers Wage Council has been used so far, de facto, as a statutory reference for all the non-agricultural sectors.
- Several of these occupations are obsolete or have become marginal whereas new occupations are not considered

Multiple minimum wage rates

- Wage Councils do not set only minimum wages but also wage rates by occupations.
- pure minimum wage only at the bottom of the scale (5,218.00, 9,024.15 or 9,780.95 for the general workers depending on geographical areas and 4,854.35 for agricultural workers)
- The other rates cannot be assimilated to minimum: these higher rates aim at ensuring that those occupations benefit from a remuneration which recognises their skill.
- Wages in this case do not aim primarily at ensuring “the satisfaction of the needs of all workers and their families” but at ensuring a minimum reward to the workers for their contribution to the production

Making the promotion of MW easier

- A recurrent question about the minimum wage in Kenya is that its implementation remains rather weak
- promoting and broadcasting 55 minimum rates is not easy
- no clear and single definition of what is a minimum wage: difference between general service and agriculture, payment in kind is not addressed.
- a clear and single definition of the wage components to be taken into account for comparison with the minimum wages should be established
- identify the minimum wages as being only the 4 bottom rates (3 for general workers: 5,218.00, 9,024.15 or 9,780.95 and 1 for agricultural workers: 4,854.35) and to promote and broadcast them largely in the country
- the bottom rate of 4,854.35 could be used as a lowest wage reference for the informal workers.

Minimum wage components

- Discrepancy between general and agricultural workers
- Wage premium in favor of the general workers even higher considering that monthly wages are not inclusive of housing allowance while those applicable in the agricultural industry are inclusive of housing allowance.

	General workers	Agricultural workers
Wage components to be considered	Monthly: Housing allowance excluded	Housing allowance included
Lowest monthly Wage Council rates (2013, Ksh.)	-9,780.95 (Nairobi, Mombasa and Kisumu) -9,024.15 (All Municipalities and Mavoko, Ruiru and Limuru) -5,218.00 (all other areas)	4,854.35

Wage Council representation

- Three representatives each from workers and employers federations.
- Three independent members appointed by Labour Minister advised by the National Labour Board
- Nominations to the General Service Wage Councils: the Central Organization of Trade Unions (COTU) and the Federation of Kenya Employers (FKE).
- Nomination to the Agricultural Wage Council: Kenya Plantation and Agricultural Workers Union (KPAWU) and FKE from among the agricultural sector employers. Both COTU and FKE are allowed to co-opt experts in their teams.
- The chairperson is chosen among the independent members.

Minimum Wage fixing process: administration

- The Department of Labour (DoL) of the Ministry of Labour, Social Security and Services (MoLSS) is the administrative secretariat.
- Set up wage council meetings, develop agenda for council deliberations, take minutes of the proceedings, and develop and present advisory notes containing specific recommendations of the wage council to the Cabinet Secretary responsible for Labour.

Minimum Wage fixing process:

Minimum wage increase proposal

- The Central Planning and Monitoring Unit (CPMU) of the MoLSS is the economic secretariat: develop and present a background paper at the inaugural wage council meeting.
- The background paper developed by the CPMU is aimed at informing and guiding deliberations of the wage councils: economic growth, employment, productivity, trends in minimum wages, inflationary tendencies and the changes in the consumer price indices (CPI) since the last revision of minimum wages
- Historically, however, due to lack of sound data the CPMU assessment has based computation of permissible compensation entitlement only on the changes in the CPI.

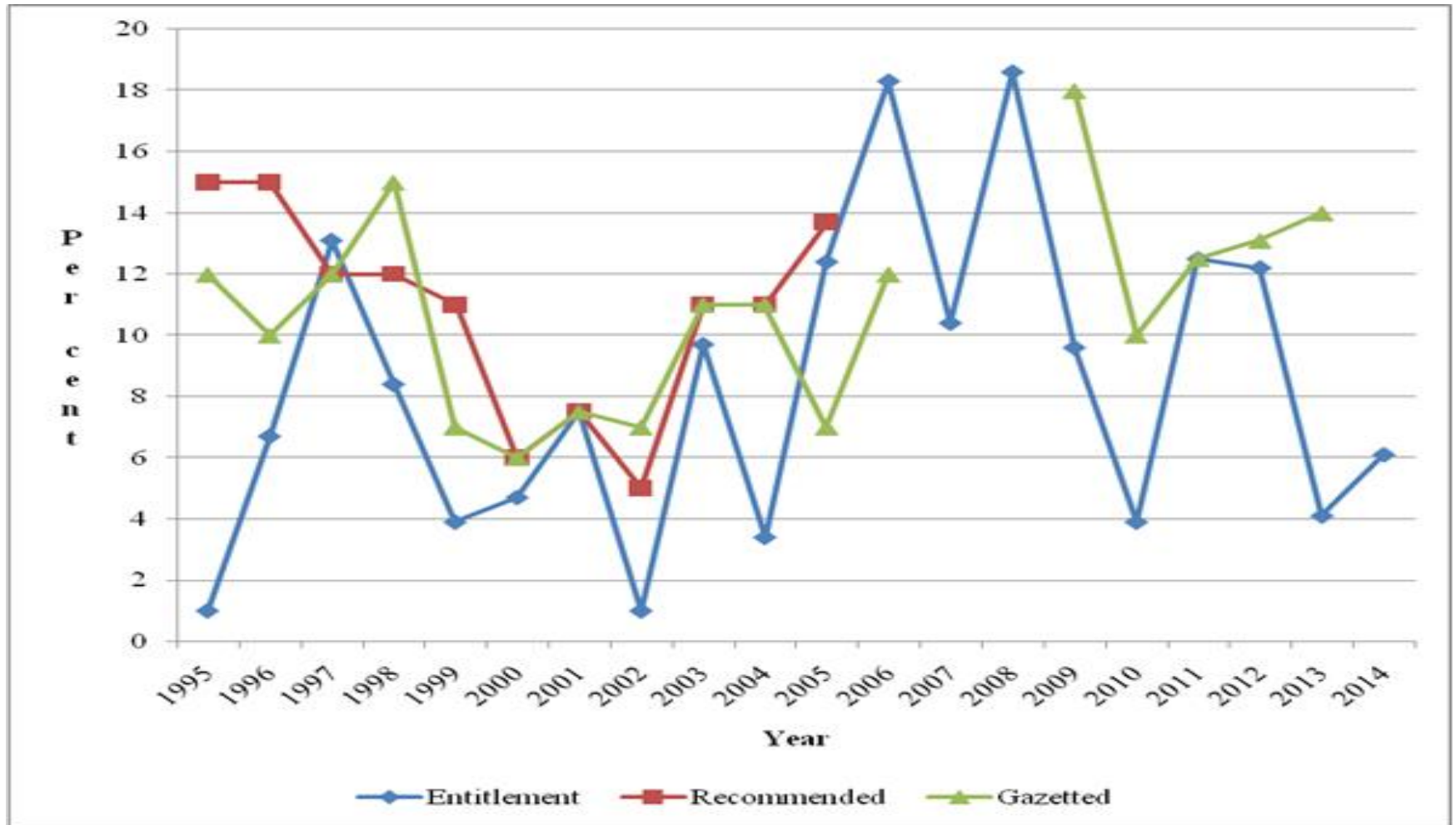
Minimum Wage fixing process: recommendation and decision

- The Wage Councils deliberate and recommend an appropriate minimum wage increment percentage to the Cabinet Secretary for Labour.
- The Cabinet Secretary for Labour, in consultation with the Cabinet Secretary for Finance, comes up with a final minimum wage increase percentage to be gazetted for decision and announcement (“gazettement”).
- The Cabinet Secretary for Labour is not bound by the decision/recommendation of the council and neither is he/she bound to revert back to council in the event that his/her opinion on the minimum wage adjustment deviates from what was recommended by the council.

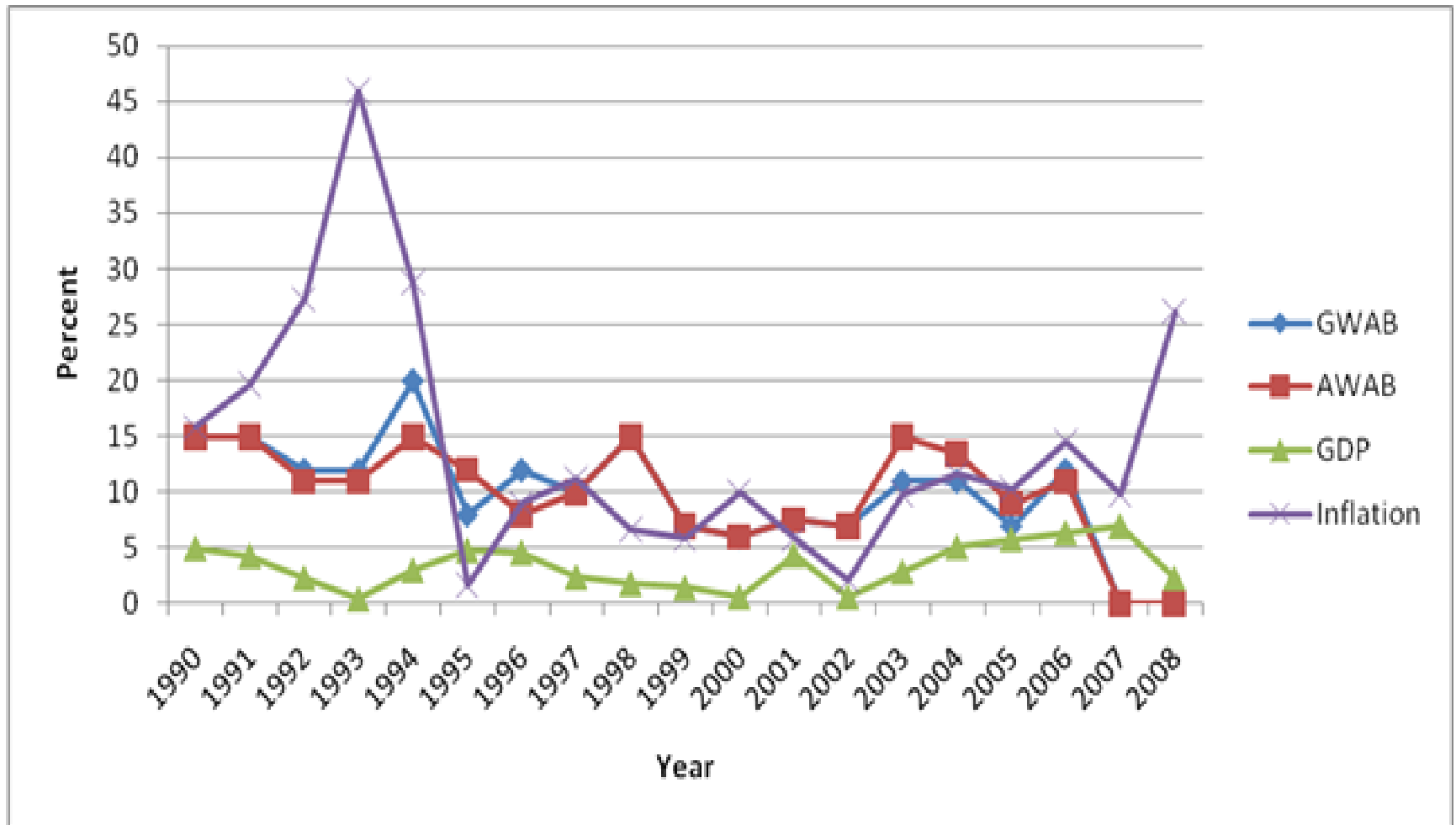
MW decision making process

- ✓ Central Planning and Monitoring Unit (CPMU) of the MoLSS proposes,
 - ✓ Wage Council recommends,
 - ✓ Government decides
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- Efficiency of the decision making process?

Divergence between Entitlement, Recommended and Gazetted Minimum Wage Increments



Per cent increase in Minimum Wages, GDP and Inflation



- The divergence among recommendations and decisions neither surprising nor exceptional by international standards.
- Studies made by a technical unit (CPMU) are a support for decision and wage council members could consider other non-technical factors (improving wages of the poorest workers)
- Similarly, the government may pursue other objective like containing inflation

- Lack of clarity on the parameters for minimum wage setting amongst the players
- Lack of reliable statistics
- The capacity of the members of the minimum wage councils to effectively deliberate and play their advisory role
- The decision should not appear as being based on purely political ground. In Kenya minimum wage adjustments announced for Labour Day celebrations: makes the policy to be vulnerable to be used as a political tool rather than an instrument of socio-economic transformation.
- It is good practice that the government justifies the decision when the wage council recommendation is not followed.

MAURITIUS

THE INSTITUTIONAL WAGE FIXING MACHINERY IN MAURITIUS

There is no single national minimum wage, but two complementary institutional wage fixing systems which protect low wages:

- The annual Salary Compensation
- The Remuneration Order system.

The Salary Compensation system (I)

- This is a cost of living adjustment mechanism. Each year, the government issues a decree fixing minimum wages increases which apply to all workers – not only the lowest wages
- increase is higher for the lower wages and lower for higher wages by salary ranges. From this point of view this is not a minimum wage increase fixing system as such.

SALARY COMPENSATION 2000-2014

Year	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Rs	<3000		3000-4000		4000-5000		5000-6000		6000-7000		7000-8000		>8000	
2000-2001	110	5.5	165	5.5	170	4.25	175	3.5	180	3.0	185	2.64	190	2.37
Rs	< 8100 (\$229)												<20000 (\$566)	
2014	300Rs (\$8.5)												3.7%	

The Salary Compensation system (II)

- Over time there is a simplification of the number of salary ranges from 7 in 2000/2001 to only 2 in 2014.
- A ceiling has been introduced in 2009 with no compensation for salaries above Rs 12,000. Ceilings have also been fixed in 2011 (above 30,000), in 2012 (above 30,000) and 2014 (above 20,000).
- These observations show that the salary compensation system is increasingly more focused on the lowest salaries and is at the same time becoming closer to a “single” minimum wage increase system

The Salary Compensation system (III)

Inflation and compensation rates



The Remuneration Order system (I)

- The wage fixing system in the private sector in Mauritius is performed by the National Remuneration Board (NRB) under the aegis of the Ministry of Labour, Industrial Relations and Employment.
- Review from time to time
- 30 Remuneration Regulations/Orders applicable to around 300,000 workers (around 50% of the workforce)

The Remuneration Order system(II)

- Wage rate by occupation for each remuneration order (sectorial)
- Not all sectors are covered: For instance, some key sectors like call centres, financial and insurance activities and real estate are excluded
- Excluding:
 - ✓ civil service, para-statal and local authorities
 - ✓ managerial positions

The Institutional Wage Fixing Machinery : General Conclusion

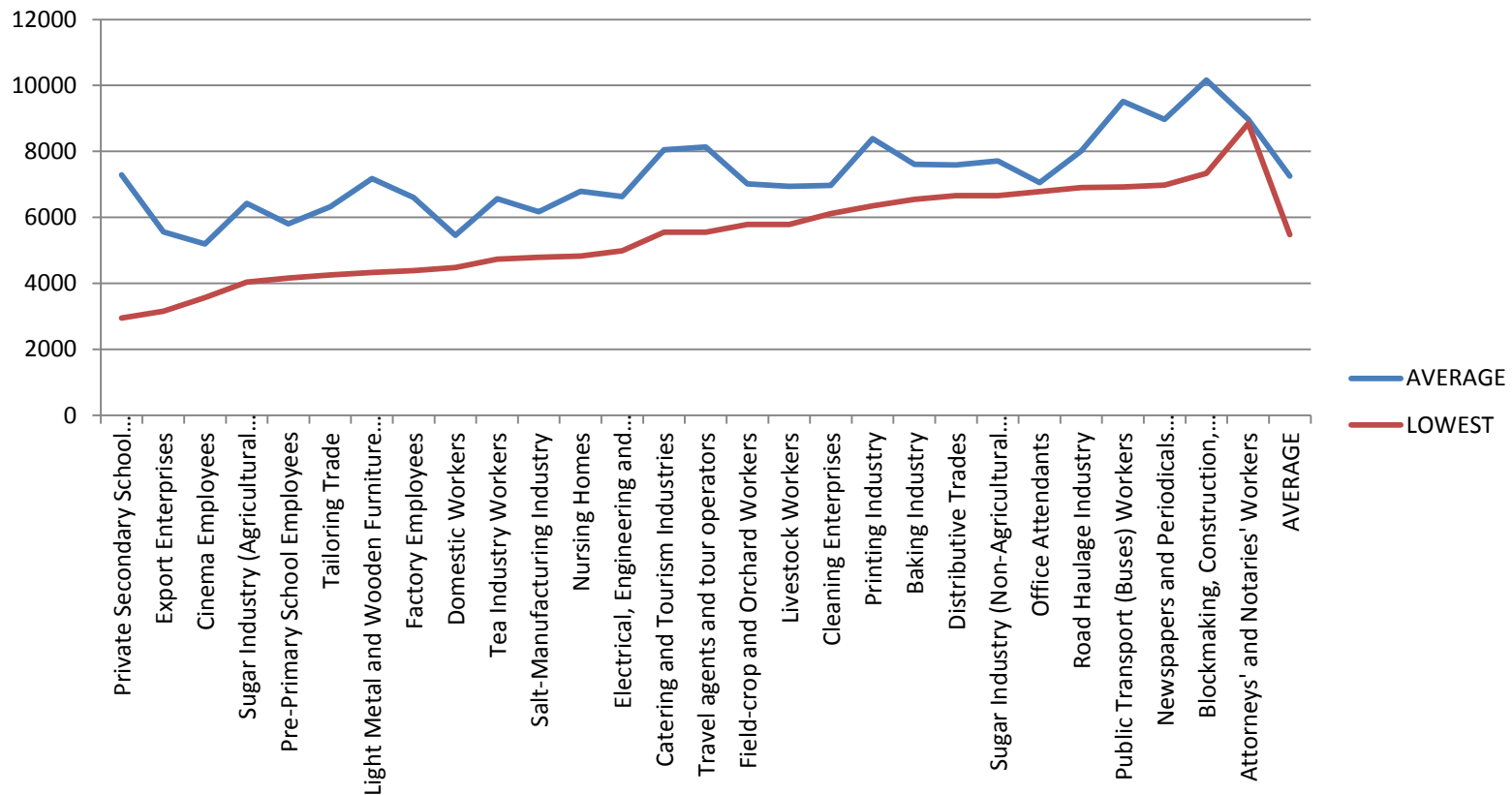
- The machinery is both general and partial
 - ✓ General: Compensation System which concerns most workers and not only the lowest paid,
 - ✓ Partial: The Remuneration Order system concerns 50% of workers.

The Institutional Wage Fixing Machinery : General Conclusion

- Adding a national minimum wage to this machinery will make the system very complex to manage and coordinate
- The first step to take is for stakeholders to debate the type of minimum wage fixing system they want to build for Mauritius

Minimum wage and RO: Potential spill-over effect

Remuneration Orders displaying the lowest low remuneration rates are not necessarily low wage Remuneration Orders



Minimum wage and RO: Potential spill-over effect

- Fixing a minimum wage in such a grading system which would bring an across the board increase of the lowest rates could produce a spill over effect within the remuneration order wage grading. This could therefore lead to a general wage increase.
- This is the main reason why a discussion on the introduction of a national minimum wage cannot be disconnected from a discussion on the reform of the existing minimum wage machinery.

MOROCCO

Two Minimum wages

Created in 1962 and unified (national and non discriminatory) in 2004 two National minimum wage rates are set:

- SMAG for employees and workers carrying out agricultural work
- SMIG for employees and workers in the industrial and commercial sectors, and in liberal professions.
- SMAG: daily; SMIG: hourly
- SMIG > SMAG

Minimum wage adjustments and levels

- The legislation does not set forth how frequently minimum wage rates should be adjusted.
- But recent practice: yearly increases over a 2 years period.

Date	SMIG hourly	SMAG daily
From 1 ^{er} July 2014	12,85 Dhs (\$ 1.32) Monthly (44h)=\$565	66,56 Dhs (\$6.86)
From 1 ^{er} July 2015	13,46 Dhs (\$1.39)	69,73 Dhs (\$7.2)

Criteria

- SMIG and SMAG adjusted by the government after consultation of social partners
- Mixt of criteria:
 - ✓ Cost of living
 - ✓ Economic competitiveness
- Automatic adjustment if inflation rate > 5%

1980-2011	
SMIG/SMAG increase	6%
Inflation rates	4.45%
PP increase	1.5%

Some figures

- Non compliance rate: 13% (of workers paid under SMIG/SMAG)
- SMIG/SMAG= 50% average wage; 90% median wage



Minimum Wages: Experience of Cap Verde

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Cap Verde: the new minimum wage

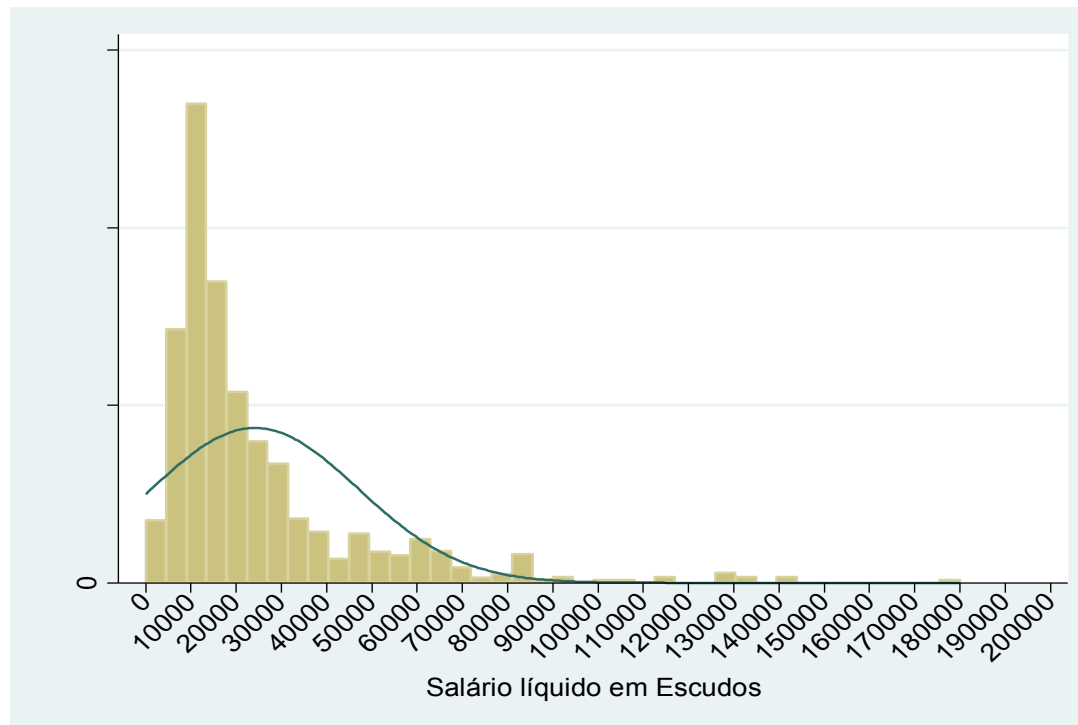
- A national minimum wage was adopted for the first time in the history of the country on January 1, 2014. It was set at 11'000 Escudos (\$113) for all workers on all Islands.
- The decision was taken by the tripartite social council (*Conselho de Concertação Social*) in June 2013, together with a decision to set up a monitoring system to assess the impact of the minimum wage on socio-economic variables, including on the competitiveness of enterprises, the level of prices, taxes and the state budget, the rate of informality, poverty, employment, and income levels. ILO & Cap Verde are currently jointly working on a “before-and-after” study.

Cap Verde: the process

- Creation by the tripartite social council (*Conselho de Concertação Social*) of a working group on minimum wages, and mandate to the national statistical office to produce a study on wage distribution and possible impact, with technical assistance from the ILO.
- The possible impact of different minimum wage levels (i.e. different scenarios) have been analysed and presented to the tripartite commission in September 2012, and possible elements for an implementation plan (including an information campaign) have been identified in April 2013.

Cap Verde: the level

Minimum wage set at 70% of median wages and 45% of average wages, potentially affected about 15% of workers directly



Source: ILO preliminary estimate