

# INTRODUCING MINIMUM WAGE



MINISTRY OF  
ECONOMIC DEVELOPMENT  
REPUBLIC OF MALDIVES

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# LABOUR MARKET

## KEY FEATURES (HIES 2019)



# 317,482

**WORKING AGE  
POPULATION (2019)**  
(15 - 65 YEARS)

**ECONOMICALLY INACTIVE**  
(OUTSIDE LABOUR FORCE)

**126,212**

**40%**

**191,270**

**60%**

**ECONOMICALLY ACTIVE**  
(IN THE LABOUR FORCE)

*Source: Household Income and Expenditure Survey (HIES) 2019,  
Maldives Bureau of Statistics*

# LABOUR MARKET

## KEY FEATURES (HIES 2019)



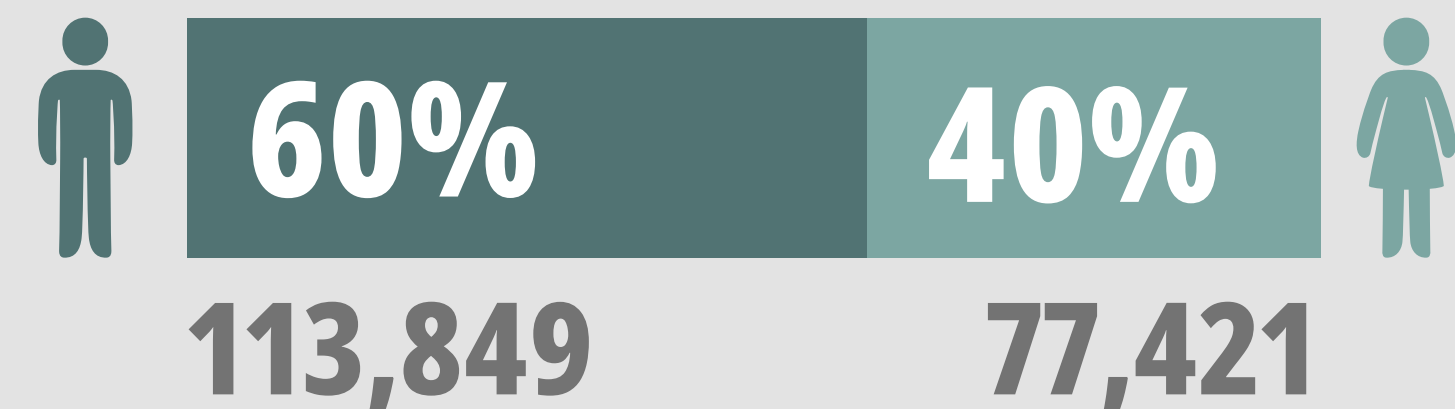
# 317,482

## WORKING AGE POPULATION (2019)



# 191,270

## LABOUR FORCE (2019)



**EMPLOYED  
POPULATION  
(PENSION DATA - 2021)**

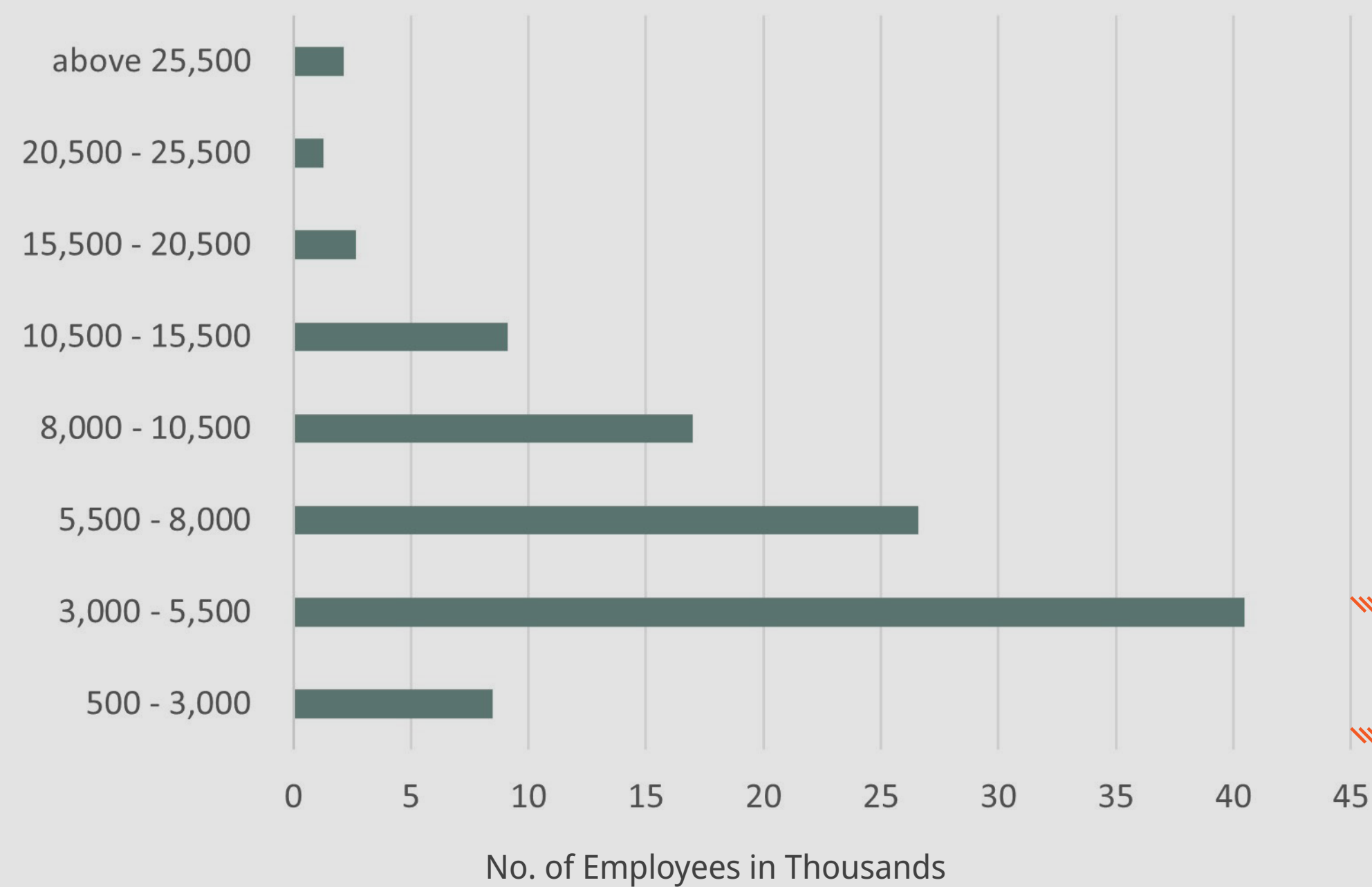
- There are **110,618 employees** contributing to the Maldives Retirement Pension Scheme
- Of which **35% are female** and **65% are men**
- **Youth** population (18-34 years) accounts for **50%** of the pension contributors
- Around **70%** of the employees are working in the **service sector** (mostly Government, Tourism sector, Wholesale and Retail and Transport)

## CURRENT WAGE (PENSION DATA - 2021)

- Average salary is **MVR 7,396**, but the **most common** basic salary is between a range of **MVR 3,000** and **MVR 5,500**
- There exists a high **wage disparity** between **employees**
- Wage disparity across **employers** is also very high (example: average wage of resorts is considerably different)

## CURRENT WAGE (PENSION DATA - 2021)

### Basic Wage Range



**45% employees are getting a basic salary lower than MVR 5,500**

# LABOUR MARKET

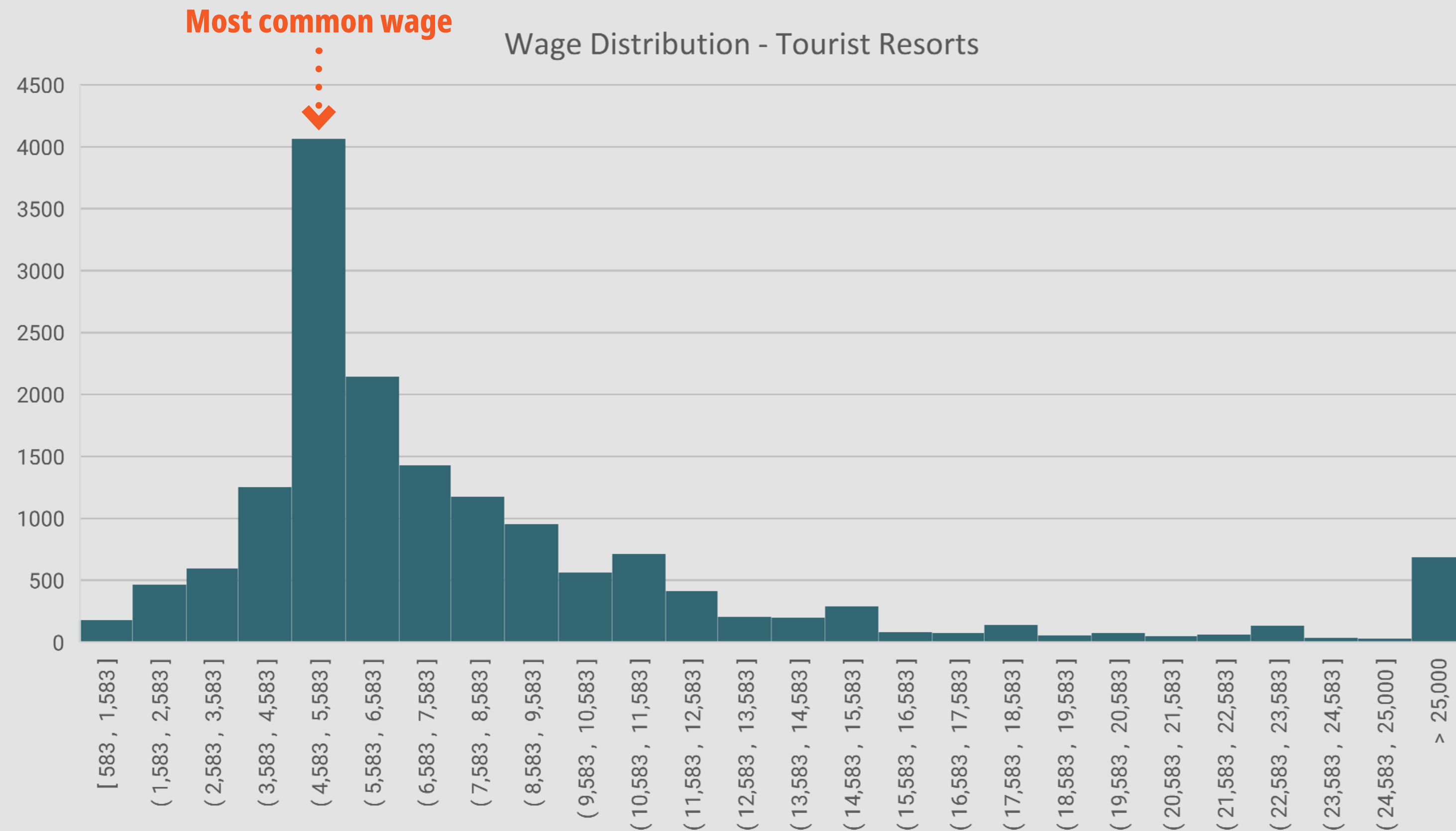
## CURRENT WAGE (PENSION DATA - 2021)

INDUSTRY	NO. OF EMPLOYEES	AVERAGE BASIC SALARY
Public administration and defence; compulsory social security	26,601	7,581
Accommodation and food service activities	18,050	8,668
Education	13,675	8,191
Wholesale and retail trade; repair of motor vehicles and motorcycles	9,551	5,634
Transportation and storage	9,049	7,714
Human health and social work activities	8,821	6,558
Electricity, gas, steam and air conditioning supply	5,216	5,200
Construction	4,088	7,496
Others	2,600	7,344
Water supply; sewerage, waste management and remediation activities	2,496	5,973
Financial and insurance activities	2,463	14,065
Information and communication	2,091	11,306
Professional, scientific and technical activities	1,597	8,509
Administrative and support service activities	1,543	6,417
Arts, entertainment and recreation	1,012	6,782
Manufacturing	847	7,260
Other service activities	738	5,601
Real estate activities	111	6,668
Agriculture, forestry and fishing	69	5,350
<b>Grand Total</b>	<b>110,618</b>	<b>7,624</b>



# LABOUR MARKET

## CURRENT WAGE (PENSION DATA - 2021)



### Basic Wage Statistics - Resorts

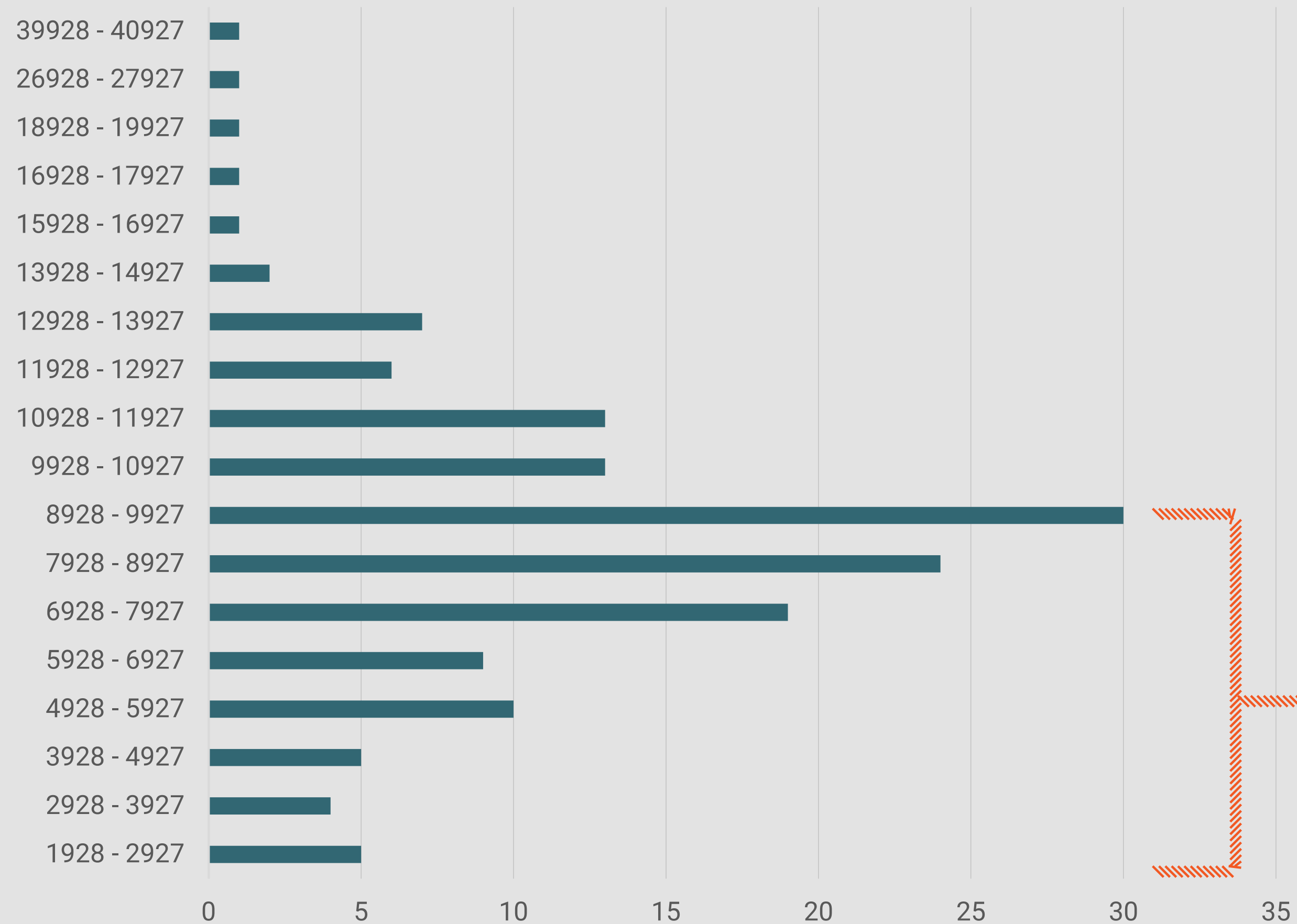
Average	8,977
Most common wage	4,626
Minimum	583
Maximum	215,880
Total basic wage	144,496,745
Total no.of.employees	16,096

Source: Maldives Pension Administration Office

# LABOUR MARKET

## CURRENT WAGE (PENSION DATA - 2021)

### Wage Disparity Across Resorts



**52 resorts with average salary lower than MVR 8,000**

**SERVICE  
CHARGE**

Service Charge Brackets	No. of Resorts	Percentage
< 3,000	1	2%
3,000 - 5,000	9	14%
5,000 - 10,000	43	66%
10,000 - 15,000	10	15%
> 15,000	2	3%

From a sample of 60 resorts, it was observed that **66% of the resorts** pay a service charge between **MVR 5,000** and **MVR 10,000**

# MINIMUM WAGE BOARD RECOMMENDATION

Business Categories	Hourly Rate	Monthly Wage
Micro	NIL	NIL
Small	24.04	5,000
Medium	33.65	7,000
Large	42.79	8,900

## MAIN RECOMMENDATIONS:

Fixing an hourly rate and give a moratorium of **3 additional years** to include foreigners in minimum wage



# ADJUSTMENTS BROUGHT TO THE RECOMMENDATION

Business Categories	Hourly Rate	Monthly Wage
Small	21.63	4,500
Medium	33.65	7,000
Large	38.46	8,000

- Ministry did a **further analysis** as per section 62(a) of the Employment Act, including a separate **study on wages** of key economic sectors and the **economic implications**
- The main approach and methodology used by the board is acceptable to the ministry
- However, after considering **cost implications and economic factors**, ministry has decided to adjust the wage of small and large businesses

## ADJUSTMENTS BROUGHT TO THE RECOMMENDATION

### JUSTIFICATION FOR THE ADJUSTMENT (SMALL BUSINESS)

- Based on the internationally **best practice** approach (kaitz index), the **ideal national wage** for the Maldives is **MVR 4,500**
- Board recommended to increase it because the **retirement pension amount** is also **MVR 5,000**
- However, ministry believes that this will not be an issue as a **large portion** of the working population is **youth** (18-34 years)
- Therefore, ministry has decided to set wage for **small businesses at MVR 4,500**

## ADJUSTMENTS BROUGHT TO THE RECOMMENDATION

### JUSTIFICATION FOR THE ADJUSTMENT (LARGE BUSINESS)

- The amount was calculated based on a **need-based approach**, which makes it an ideal living wage
- However, in-depth analysis on wage costs of large employers shows that it will be **challenging for businesses** to absorb a very high wage cost during the **post-pandemic recovery**
- Also, **state owned enterprises** take a large brunt of the cost and are heavily subsidized, the burden will have to be taken up by tax payers
- Hence, ministry concluded that there is **genuine need to reduce the proposed wage** for large businesses

## ADJUSTMENTS BROUGHT TO THE RECOMMENDATION

### HOW ADJUSTMENT WAS MADE

- The **average wage of the service sector** (which accounts for 70% of workers in the economy) has been used as a basis (which is **MVR 7,745**)
- On average the **wage** has been **increasing** at an annual growth rate of **2% for the past 5 years**
- We have applied a growth rate of **3%** to **adjust** the wage rate to **MVR 8,000**
- **Reason** for applying a higher growth rate: To further **stimulate the economy** and **encourage local employment**, especially in sectors like tourism sector and **women-dominant sectors**



# ECONOMIC IMPACT OF IMPLEMENTING MIN. WAGE

## IMPACT ON EMPLOYERS & EMPLOYEES

ANNUAL IMPACT  
(MVR IN MILL.)

**352**



**TOURISM SECTOR**

13,000 employees will benefit

ANNUAL IMPACT  
(MVR IN MILL.)

**610**



**GOVERNMENT**

15,400 employees will benefit

ANNUAL IMPACT  
(MVR IN MILL.)

**90**



**STATE-OWNED**

**ENTERPRISES**

5,100 employees will benefit

# ECONOMIC IMPACT OF IMPLEMENTING MIN. WAGE

## HOW ECONOMY WILL BENEFIT

- **Reduce** the wide **wage disparity** in the economy and promote inclusive growth
- **Increase labour force** participation rate – encourage discourage workers and voluntary unemployed people to join the labour force
- Increase labour **productivity, job retention** and **efficiency** in the long term
- Increase in domestic demand and **stimulate growth** – similar kind of post-pandemic policies are being used by other countries to stimulate growth

# ECONOMIC IMPACT OF IMPLEMENTING MIN. WAGE

## CHALLENGES

### INFLATION

- We do expect the economy to experience a **short-term inflation** (wage-push inflation)
- Once employers start to absorb the costs, prices are **expected to settle in the near term**

# ECONOMIC IMPACT OF IMPLEMENTING MIN. WAGE

## CHALLENGES

### PUBLIC FINANCE IMPACT

- With the increase in civil service salaries along with pay harmonization, Government salaries and wages is expected to **increase by 13%** in 2022
- On the **positive side**, higher income would **increase consumption** and **higher revenue** for the government



# CROSS COUNTRY ANALYSIS

Country	Monthly Minimum Wage Rate (\$)	GDP per capita (\$)	MW as % of GDP per Capita
Marshall Islands	624	4,073	15%
Vanuatu	334	3,102	11%
Solomon Island	204	2,344	9%
Fiji	316	6,176	5%
<b>Maldives</b>	<b>519</b>	<b>10,477</b>	<b>5%</b>
UK	1,736	42,354	4%
Australia	2,232	55,057	4%
Germany	1,743	46,468	4%
Seychelles	432	16,199	3%
Dominican Republic	209	8,282	3%
Malaysia	266	11,414	2%
Mauritius	240	11,098	2%
US	1,257	65,280	2%

## CONCLUSION

- **With the implementation of a minimum wage, the labour market of the Maldives will see a remarkable structural change in the future**
- **A large number of employees will benefit from a higher wage - reduce wage inequality**
- **Employers are also expected to yield significant savings in the future through lower recruitment costs, re-training and re-staffing cost**



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