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EMPLOYMENT BULLETIN

REGULATORY UPDATE: MINIMUM WAGE ORDER

INTRODUCTION

The Sixth Amendment to the Employment Act ratified by the President of the Maldives on 25th September 2020, mandated the Government of Maldives to introduce a minimum wage by end of year 2021.

The Minister of Economic Development has via an order issued on 8th November 2021 (**the “Minimum Wage Order”**) introduced the rules on minimum wage implementation in the Maldives. A translation of the Minimum Wage Order is available on: <https://bit.ly/3mWi9jR>

This bulletin provides a snapshot overview of the minimum wage rules applicable pursuant to the Minimum Wage Order.

OVERVIEW OF THE MINIMUM WAGE ORDER

Who is entitled to minimum wage?	<ul style="list-style-type: none"> Employers are obligated to pay minimum wage to all Maldivian citizen employees. Employers are <u>not</u> obligated to pay minimum wage to foreign citizen employees. 															
When do employers have to start paying minimum wage from?	<ul style="list-style-type: none"> 1st January 2022. 															
How much is the minimum wage?	<ul style="list-style-type: none"> Minimum wage amounts are dependent on the categorisation of the respective employer, as follows: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #0056b3; color: white;"> <th style="text-align: left;"><u>Employer category</u></th> <th style="text-align: left;"><u>Hourly rate</u></th> <th style="text-align: left;"><u>Monthly minimum wage¹</u></th> </tr> </thead> <tbody> <tr> <td> Micro enterprise, namely a business having: <ul style="list-style-type: none"> less than 6 employees; annual revenue below MVR 500,000 (<i>approx. USD 32,425</i>); and annual profit below MVR 75,000 (<i>approx. USD 4,864</i>). </td> <td>No minimum wage applicable.</td> <td>No minimum wage applicable.</td> </tr> <tr> <td> Small enterprise, namely a business having: <ul style="list-style-type: none"> 6 to 30 employees; annual revenue between MVR 500,001 (<i>approx. USD 32,426</i>) and MVR 5,000,000 (<i>approx. USD 324,254</i>); and annual profit between MVR 75,001 (<i>approx. USD 4,864</i>) and MVR 750,000 (<i>approx. USD 48,638</i>). </td> <td>MVR 21.63 (<i>approx. USD 1.40</i>) per hour.</td> <td>MVR 4,511 (<i>approx. USD 293</i>) per month.</td> </tr> <tr> <td> Medium enterprise, namely a business having: <ul style="list-style-type: none"> 31 to 100 employees; annual revenue between MVR 5,000,001 (<i>approx. USD 324,254</i>) and MVR 20,000,000 (<i>approx. USD 1,297,017</i>); and annual profit between MVR 750,001 (<i>approx. USD 48,638</i>) and MVR 3,000,000 (<i>approx. USD 194,553</i>). </td> <td>MVR 33.65 (<i>approx. USD 2.18</i>) per hour.</td> <td>MVR 7,018 (<i>approx. USD 455</i>) per month.</td> </tr> <tr> <td> Large enterprise, namely a business enterprise which is not a micro enterprise, small enterprise or </td> <td>MVR 38.46 (<i>approx. USD 2.49</i>) per hour.</td> <td>MVR 8,021 (<i>approx. USD 520</i>) per month.</td> </tr> </tbody> </table>	<u>Employer category</u>	<u>Hourly rate</u>	<u>Monthly minimum wage¹</u>	Micro enterprise, namely a business having: <ul style="list-style-type: none"> less than 6 employees; annual revenue below MVR 500,000 (<i>approx. USD 32,425</i>); and annual profit below MVR 75,000 (<i>approx. USD 4,864</i>). 	No minimum wage applicable.	No minimum wage applicable.	Small enterprise, namely a business having: <ul style="list-style-type: none"> 6 to 30 employees; annual revenue between MVR 500,001 (<i>approx. USD 32,426</i>) and MVR 5,000,000 (<i>approx. USD 324,254</i>); and annual profit between MVR 75,001 (<i>approx. USD 4,864</i>) and MVR 750,000 (<i>approx. USD 48,638</i>). 	MVR 21.63 (<i>approx. USD 1.40</i>) per hour.	MVR 4,511 (<i>approx. USD 293</i>) per month.	Medium enterprise, namely a business having: <ul style="list-style-type: none"> 31 to 100 employees; annual revenue between MVR 5,000,001 (<i>approx. USD 324,254</i>) and MVR 20,000,000 (<i>approx. USD 1,297,017</i>); and annual profit between MVR 750,001 (<i>approx. USD 48,638</i>) and MVR 3,000,000 (<i>approx. USD 194,553</i>). 	MVR 33.65 (<i>approx. USD 2.18</i>) per hour.	MVR 7,018 (<i>approx. USD 455</i>) per month.	Large enterprise , namely a business enterprise which is not a micro enterprise, small enterprise or	MVR 38.46 (<i>approx. USD 2.49</i>) per hour.	MVR 8,021 (<i>approx. USD 520</i>) per month.
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¹ This is on the assumption that (A) an employee works **48 hours per week**, and (B) there are 4 weeks and 3 days in one month.

	<p>medium enterprise. Generally, resort owning entities and banks will fall under this category.</p>		
	<p>Public sector, which includes authorities, institutions and offices within the State and Government of Maldives.</p>	<p>MVR 33.65 (<i>approx. USD 2.18</i>) per hour.</p>	<p>MVR 7,000 (<i>approx. USD 454</i>) shall be paid as a minimum if 30 hours are worked.</p>
<p><i>What are the payments that can be included in calculating minimum wage?</i></p>	<p>The following shall be included when calculating the minimum wage:</p> <ul style="list-style-type: none"> • The basic salary as provided under the employment contract, before the following deductions: <ul style="list-style-type: none"> ○ Deductions made by the employer as a result of employee absenteeism. ○ Deductions from the employee’s salary to the Maldives Retirement Pension Scheme. ○ Employee withholding tax deductions made pursuant to the Income Tax Act. • Fixed allowances payable on a monthly basis and which form part and parcel of the salary structure. 		
<p><i>What are the payments exempted when calculating minimum wage? For example, can service charge be included in minimum wage calculations?</i></p>	<p>Employers are <u>not</u> permitted to include the following payments or benefits, as part of minimum wage calculations:</p> <ul style="list-style-type: none"> • Service charge. • Over time pay. • Ramadan allowance paid to Muslim employees. • Seasonal or ad-hoc allowances and bonuses given to employees. • In-kind benefits or costs. 		

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