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**The impact of globalization and macroeconomic
change on employment in Mauritius:**

What next in the post-MFA era?

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Preface

The primary goal of the ILO is to achieve full and productive employment and decent work for all, including women and young people, a goal which has now been widely adopted by the international community. Working towards this goal is the fundamental aim of the ILO.

In order to support member States and the social partners to reach the goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations of this integrated approach and related challenges are contained in a number of key documents: in those explaining and elaborating the concept of decent work,¹ in the Employment Policy Convention, 1964 (No. 122),² and in the Global Employment Agenda.

The Global Employment Agenda was developed by the ILO through tripartite consensus of its Governing Body's Economic and Social Policy Committee. Since its adoption in 2003 it has been further articulated and made more operational and today it constitutes the basic framework through which the ILO pursues the objective of placing employment at the centre of economic and social policies.³

The Employment Sector is fully engaged in the implementation of the Global Employment Agenda, and is doing so through a large range of technical support and capacity building activities, advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.⁴

The *Employment Working Papers* series is designed to disseminate the main findings of research initiatives undertaken by the various departments and programmes of the Sector. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are those of the author(s) and do not necessarily represent those of the ILO.

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¹ See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

² In 1964, ILO Members adopted Convention No. 122 on employment policy which states that "With a view to stimulating economic growth and development, raising levels of living, meeting manpower requirements and overcoming unemployment and underemployment, each Member shall declare and pursue, as a major goal, an active policy designed to promote full, productive and freely chosen employment". To date, 97 member States have ratified this Convention.

³ See <http://www.ilo.org/gea>. And in particular: *Implementing the Global Employment Agenda: Employment strategies in support of decent work*, "Vision" document, ILO, 2006.

⁴ See <http://www.ilo.org/employment>.

Foreword

Globalization has brought about both costs and benefits for developing countries. In the case of Mauritius, this island nation has, since the mid-1980s, profited substantially from the past protection under the international trading system. The country has been cited as a successful development story for transforming its economy from one based solely on the production and export of sugar to one with a relatively diversified economic base, including the processing of sugar, the export of textiles and clothing (TC) and other sectors.

Nonetheless, the recent termination of what is known as the Multi-fibre Arrangement (MFA) under the World Trade Organization (WTO) agreement on trade in TC in December 2004 has had a drastic impact on Mauritius – economically, industrially and on the employment front. As a consequence, a number of factories have been closed down and thousands of workers, many of them women, have been retrenched and remained unemployed.

This paper analyses the impact of recent changes in the industry – the end of the MFA era on the labour market in Mauritius – from the perspective of designing economic and employment policies and focusing on the lessons learned from the country's successful development experience. The paper also aims to contribute to the ongoing debate on the social dimension of globalization, with particular attention paid to the gender-differentiated impact of trade on the labour market. We hope that the findings of this paper will stimulate debate on how promoting productive and decent employment for all can help cope with adverse effects of global integration, and in achieving a fair globalization⁵.

Naoko Otake is a Senior Employment Specialist of the International Labour Organization (ILO), Geneva. Responsibility for the opinions expressed in this study lies solely with the author, and publication does not constitute an endorsement by the ILO of the opinions expressed in it.

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⁵ World Commission on the Social Dimension of Globalization: *A fair globalization: Creating opportunities for all* (Geneva, ILO, 2004).

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Abbreviations

ACP	African Caribbean and Asian
AGOA	African Growth and Opportunity Act
ATC	Agreement on Textiles and Clothing
CIF	Cost, insurance and freight
EPZ	Export processing zone
EU	European Union
FDI	Foreign direct investment
FISIM	Financial intermediation services indirectly measured
FOB	Freight on board
FSC	Financial Services Commission
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
ICT	Information and communications technology
IMF	International Monetary Fund
ILO	International Labour Organization
MFA	Multifibre Arrangement
MUR	Mauritian rupees
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
SEM	Stock Exchange of Mauritius
SME	Small and medium-sized enterprise
TC	Textiles and clothing
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
VAT	Value added tax
WTO	World Trade Organization

Introduction

... The social dimension of globalization is about jobs, health and education – but it goes far beyond these. It is the dimension of globalization which people experience in their daily life and work: the totality of their aspirations for democratic participation and material prosperity. A better globalization is the key to a better life for people everywhere in the 21st century⁶.

The case of Mauritius, an island nation of 1.2 million people, is a prime example of a developing country that has benefited from globalization through international trade. Since the late 1980s, Mauritius has been undergoing economic change, moving from an agricultural economy based solely on the production of sugar to a more diversified economy, through the introduction of the light manufacturing industry of textiles and clothing (TC) in export processing zones (EPZs). At the same time, the economy's high dependency on international trade in limited commodities means that it is inherently vulnerable to external shocks, which poses a major challenge to its long-term economic sustainability and employment security for both enterprises and workers in these two sectors.

Over the years the labour-intensive manufacturing TC sector in EPZs has been absorbing an increasing number of women; indeed, since the late 1970s the sector has been the country's major private employer, particularly of women. This is partly due to the fact that alternative employment opportunities for women in the Mauritian labour market are relatively limited. However, since the end of the Multifibre Arrangement (MFA) under the World Trade Organization (WTO) trade regimes in December 2004, the country has been experiencing economic difficulties. Despite the long-expected expiry of the quota system and the lead time for its termination, its effect on employment in Mauritius has been quite drastic. Thousands of workers, mostly women, have been retrenched from textile and clothing manufacturing, particularly since 2004. In the case of Mauritius, therefore, the recent impact of the social dimension of globalization is characterized by its feminine face.

Furthermore, changes in the terms of trade for sugar, the price of which had been protected under the European Union (EU)-African Caribbean and Pacific (ACP) Sugar Protocol, has also had a negative effect, not only on government revenues but also on overall economic growth, contributing to the declining trend in total production and exports. The country's annual gross domestic product (GDP) growth rate slowed down from 4.7 per cent in 2004 to 2.3 per cent in 2005, although is expected to bounce back to 5.0 per cent in 2007. With major trade-related downturns in the mainstay of the economy – sugar and, more importantly, ready-made garments – Mauritius clearly needs to turn the economy around, from one based on low technology and labour-intensive production to one that features higher technology, as well as knowledge-based and more value-added industries and services. This will require more highly skilled workers. Furthermore, the current labour supply and demand mismatches, which affect young people and older women in particular, is another challenge that the country needs to tackle as it carries out economic and structural adjustments as part of its overall economic transformation.

One phenomenon that has emerged with respect to labour and employment issues in the EPZ sector is that many of those who have been retrenched no longer wish to return to the same type of work; working in EPZs is no longer considered an attractive employment opportunity, particularly since it is no longer regarded as being a growth

⁶ Ibid., p. vii.

sector. As a consequence, and also due to overall cost increases, some companies have either relocated their production sites to other developing countries, or they have brought in foreign migrant workers – a substantial number of whom are Asian women. In the meantime, the country's overall unemployment rate has been rising, particularly since 2004; the unemployment rate for women has been more than double than that for men in Mauritius, and the gap has recently been widening.

This paper, therefore, investigates the structural aspect of the labour market, analysing both the demand and supply of labour, as well as policy issues concerning labour and employment in Mauritius as the country faces major economic challenges in an increasingly competitive global environment.

Mauritius's overall macroeconomic and labour market trends since the late 1980s are reviewed in order to examine the impact of macroeconomic performance and economic growth on employment trends prior to and since the expiry of the MFA. The paper also looks at the implications of macroeconomic and labour market policies on the country's labour market performance. Specific attention is paid to gender differentials and to the impact of macroeconomic change on employment, as the recent trade downturn in the TC sector has had a lopsided and substantially negative effect on women's employment and income.

Chapter 1, therefore, looks at the overall macroeconomic trends of the past ten years, paying particular attention to the country's export sector. Employment trends, with specific reference to trends in EPZs, are the subject of Chapter 2. Chapter 3 then reviews the macroeconomic policies adopted by Mauritius, while Chapter 4 examines social and labour market policies, drawing some general policy implications from the analysis. Chapter 5 will provide some concluding remarks.

1. Macroeconomic trends

1.1 Macroeconomic trends

1.1.1 Economic growth

Between 1996 and 2005 GDP in Mauritius more than doubled, from 70.6 billion to 163.9 billion Mauritian rupees (MUR), reaching a per capita income of US\$4,672 in 2005. The average annual economic growth rate for this period was 4.8 per cent. Since attaining a record high annual GDP growth rate of 9.6 per cent in 2000, the economy has been experiencing a slowdown, largely because of the generally decreasing trends in both sugar production and in the production of TC in EPZs, both sectors of which have been the mainstay of the economy since the mid-1980s. In 2002, the real GDP growth rate was only 1.8 per cent, because of a fall in the production and export of sugar, but it later recovered to 4.4 per cent in 2003. However, in 2005, the year after the expiry of the MFA, the annual GDP growth rate dropped to 2.4 per cent. Nonetheless, the Government optimistically forecasted a strong economic recovery for 2006, with a growth rate estimated at 4.7 per cent, thanks to a rise in tourism and other service sectors, such as commerce and the financial services (see table 1.1).

Reflecting past trade and economic trends, between 1996 and 2002 the overall economic growth rate tracked net export trends. Since then, and in particular since the end of 2004, net exports have shown a sharp downturn. This may well have been a turning point: the Mauritian economy can no longer depend on the export of goods in the traditional manufacturing sectors but needs to rely on more diversified economic activities (see figure 1.1). However, given that Mauritius is an island economy, and will continue to be dependent on imported oil and other consumer goods, this is a worrying trend, particularly in light of increasing world oil prices.

The recent increases in the price of oil have been putting pressure on the Mauritian economy; between December 2005 and March 2006 petrol and diesel prices rose by 20 per cent. The cost of basic commodities, such as bread and subsidised flour, has also risen – by 21.4 per cent and 19.8 per cent respectively by the end of the first quarter. Nonetheless, the year-on-year inflation rate for the first quarter of 2006 was 6 per cent. However, because of the Government's fiscal deficit and the continuing increases in world oil prices, which were expected to reach as much as 28 per cent in 2006, this could rise still further.⁷

Generally speaking, the overall share of the services sector in GDP, comprising trading, financial services, tourism (hotels and restaurants), the personal and real estate sectors, has been on the rise since the mid-1990s. In 1996, the tertiary sector accounted for an estimated 40 per cent of total GDP; by 2006, the figure had risen to an estimated 50 per cent. The growth of the tertiary sector has, therefore, compensated for the overall decline of the manufacturing and agricultural sectors as a share of total GDP, and is also evidence that the Mauritian economy has been steadily diversifying, in response to the decline in the export of ready-made garments and sugar (see figure 1.2).

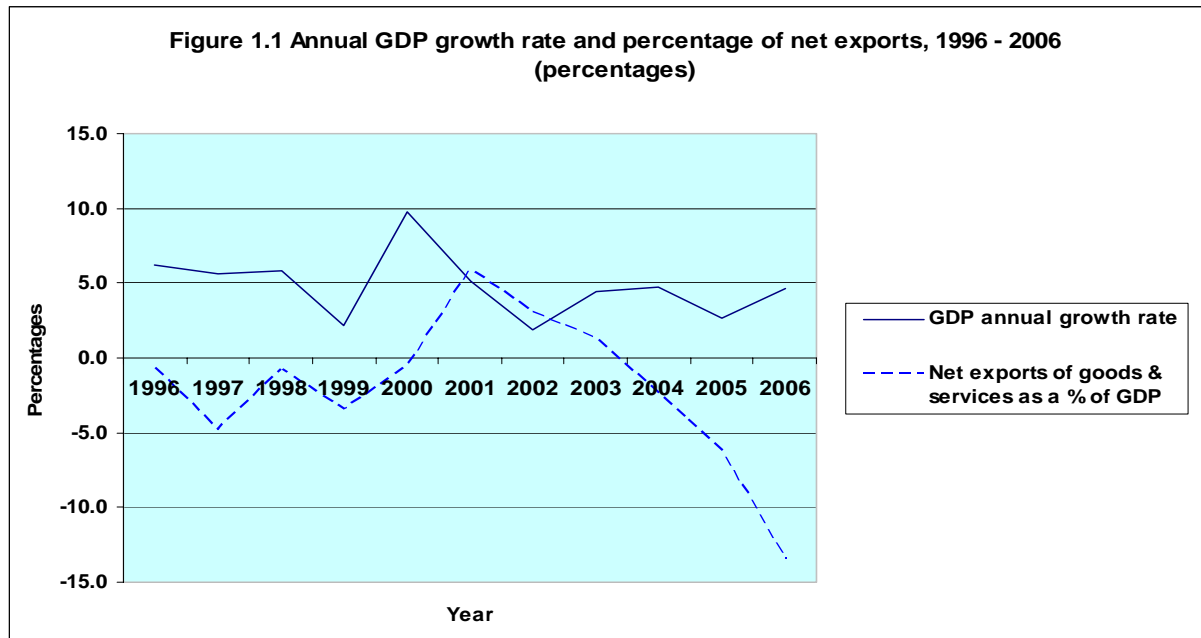
⁷ Economic Intelligence Unit: *Country Report Mauritius, June 2006* (London).

Table 1.1 GDP and annual growth rates, 1996–2006

	1996	1997	1998	1999	2000	2001	2002	2003 ¹	2004 ¹	2005 ¹	2006 ²
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
GDP annual growth rate	+6.2	+5.6	+5.8	+2.1	+9.7	+5.2	+1.8	+4.4	+4.7	+2.4	+4.7
Total GDP (MUR in millions)	70 597	77 725	87 836	93 940	105 206	117 532	125 425	137 577	152 638	163 860	178 980

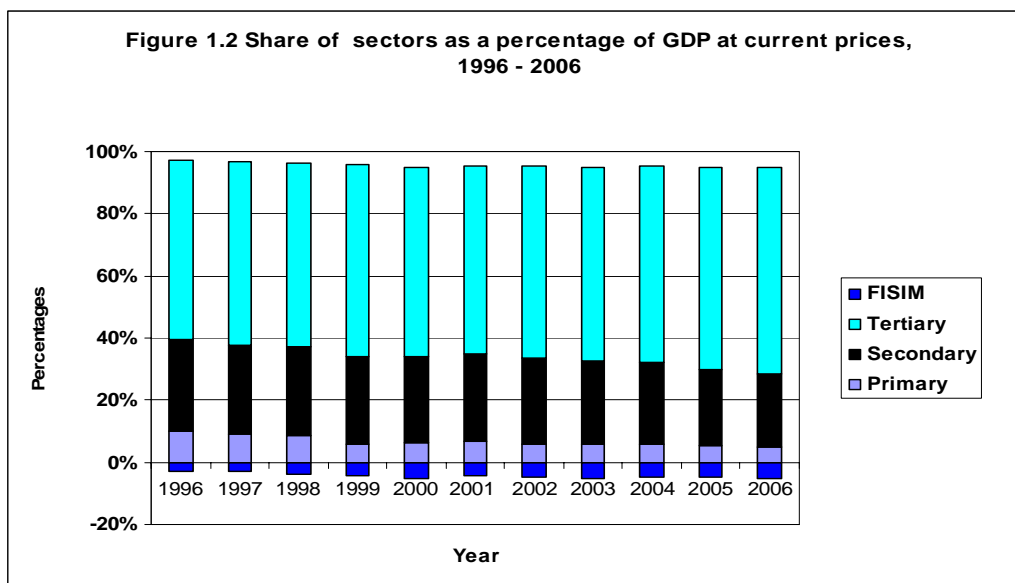
¹ Revised estimates. ² Forecast.

Source: Government of Mauritius, 2006a.



2003–05: Revised estimates. 2006: Forecast.

Source: Government of Mauritius, 2006a.



2003–05: Revised estimates. 2006: Forecast.

FISIM = Financial intermediation services indirectly measured.

Source: Government of Mauritius, 2006a.

A more detailed analysis of the growth of various economic sectors shows that the share of manufacturing has been declining, from 24 per cent in 1998 to less than 20 per cent – 19.6 per cent – in 2005, and is forecast to continue falling – to 18.6 per cent in 2006. During the same period, the total production value in the EPZ sector continued to drop, from a high of 12.5 per cent in 1999 to less than 10 per cent – 9.6 per cent – in 2003, falling to an estimated nominal 6.8 per cent in 2006. The share of manufactured sugar has also been falling over the years – by 2006 the share had fallen to an estimated 3.6 per cent of GDP, when combined with the production of sugar. These declining shares in the country’s traditional key manufacturing subsectors have hardly been compensated by the growth in manufacturing production in the non-EPZ sector. In 1996, the share of non-EPZ production accounted for more than 10 per cent; by 2006 it was only expected to rise to 11 per cent (see table 1.2).

The long-term trends of the actual value of each economic sector from 1996 to 2006 can be clearly seen in figure 1.3. Growth in the total value of production in manufacturing has been led, increasingly by a rise in the production of “other manufacturing” in non-EPZ sectors, while the total value of production in EPZs has been declining since 2001, that is, before the expiry of the MFA at the end of 2004. And this pattern continued into 2006.

The services sector, on the other hand, has seen its share increasing since 1996, with a growing total value comprised of various services. One of the key growth areas in this sector is tourism (hotels and restaurants), which can have a positive spill-over effect on other services. The total value of the tourism sector tripled between 1996 and 2006, although proportionately its share of GDP has, to date, remained between 5 and 8 per cent.

Table 1.2 Annual GDP growth rate and percentage distribution of GDP by industry group at current basic prices, 1996–2006 (percentages)

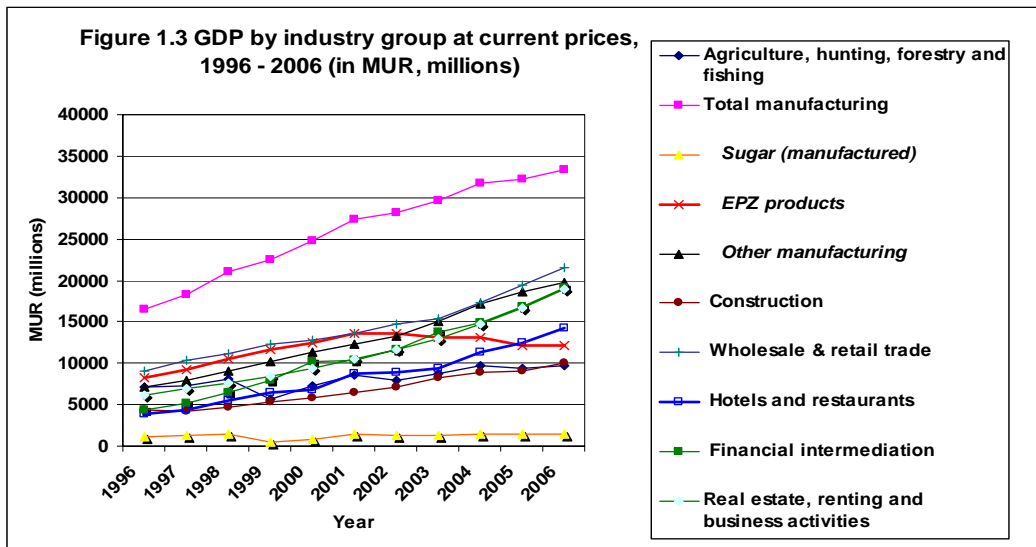
Industry/Year	1996	1997	1998	1999	2000	2001	2002	2003 ¹	2004 ¹	2005 ¹	2006 ²
Agriculture	10.2	9.4	9.3	6.1	7.0	7.3	6.3	6.3	6.3	5.8	5.5
Manufacturing	23.4	23.6	24.0	23.9	23.5	23.3	22.4	21.5	20.8	19.6	18.6
<i>Sugar</i>	1.7	1.6	1.7	0.6	0.8	1.2	1.0	1.0	1.0	0.9	0.8
<i>EPZ products</i>	11.6	11.8	12.0	12.5	11.9	11.6	10.8	9.6	8.6	7.4	6.8
<i>Other manufacturing</i>	10.1	10.2	10.3	10.8	10.8	10.5	10.6	10.9	11.2	11.3	11.0
Wholesale & retail trade	12.9	13.3	12.7	13.1	12.2	11.5	11.7	11.2	11.4	11.9	12.0
Hotels and restaurants	5.6	5.6	6.2	6.9	6.5	7.4	7.1	6.9	7.4	7.6	7.9
Financial intermediation	6.3	6.7	7.4	8.4	9.7	8.8	9.1	10.1	9.8	10.2	10.7
Real estate, renting and business activities	8.7	8.9	8.7	9.0	8.9	9.0	9.3	9.5	9.7	10.2	10.6
GDP growth rate at basic prices	+6.2	+5.6	+5.8	+2.1	+9.7	+5.2	+1.8	+4.4	+4.7	+2.7	+4.7

¹ Revised estimates. ² Forecast.

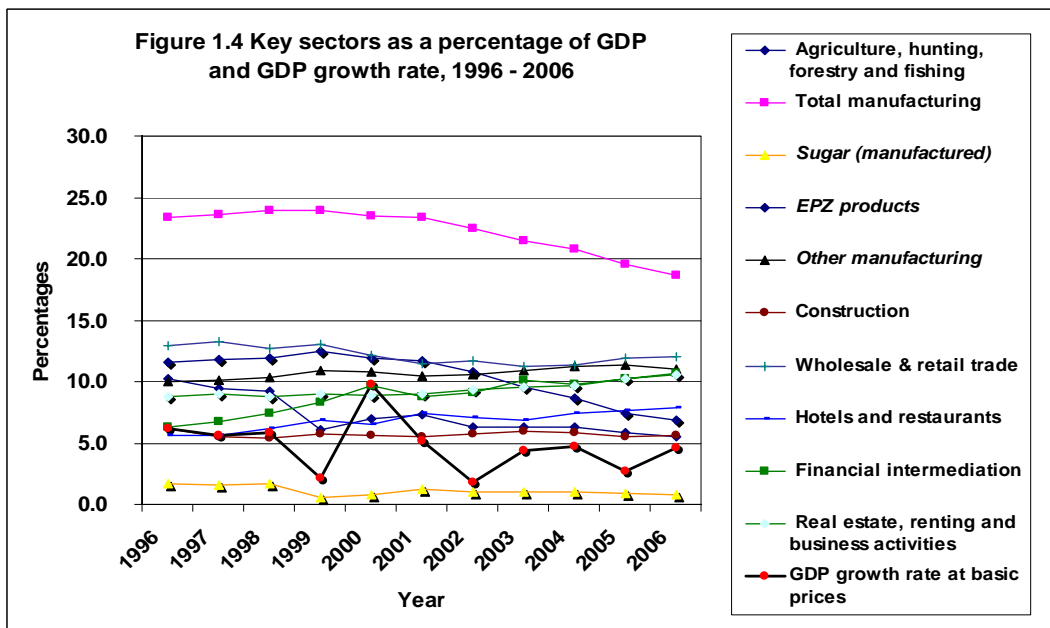
Source: Government of Mauritius, 2006a.

There has been a similar trend in financial intermediation, which has seen growth, particularly since 2000; its share of GDP has also increased, from 6.3 per cent in 1996 to an estimated 10.7 per cent in 2006. The wholesale and retail sector has also been growing steadily, with its share of total GDP hovering around 12 per cent since 1996. Another sector experiencing growth has been real estate; although its share of GDP has not substantially changed and is estimated to remain at just over 10 per cent in 2006 (see figures 1.3 and 1.4).

The downward trends of the traditional economic backbone of Mauritius – the sugar and TC sectors – represent a major challenge for the country’s economy and labour market; despite their diminishing economic importance, these exports still provide much needed foreign exchange earnings. Mauritius is exposed to a number of exogenous



2003–05: Revised estimates. 2006: Forecast.
Source: Government of Mauritius, 2006a.

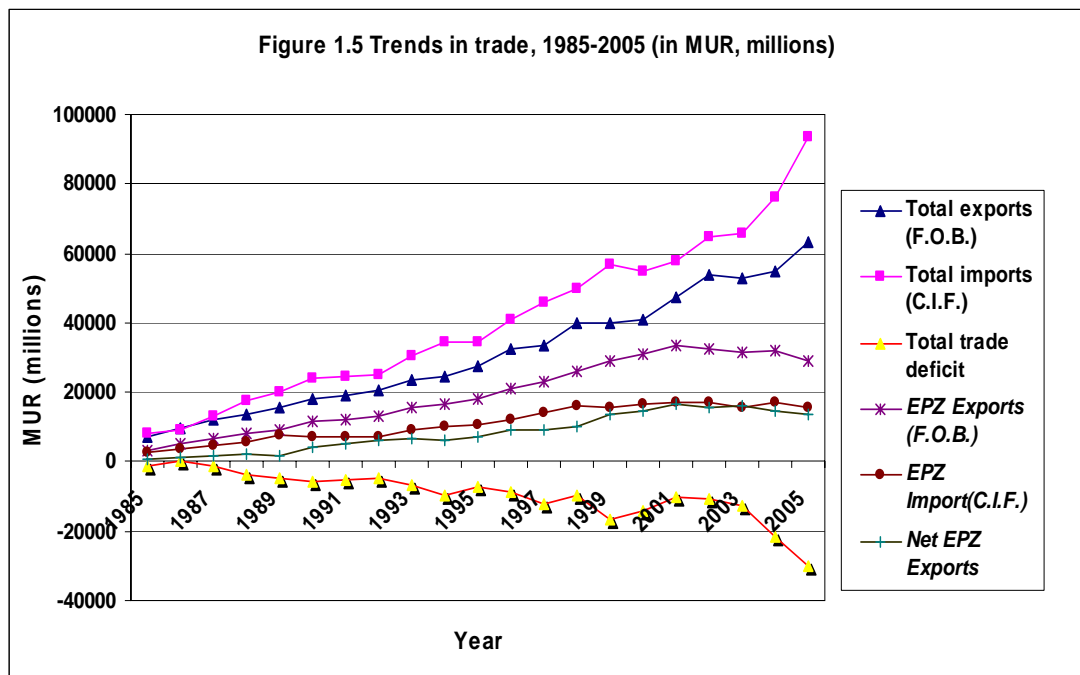


2003–05: Revised estimates. 2006: Forecast.
Source: Government of Mauritius, 2006a.

factors, in terms of economic risks, such as rising oil prices and increasing competition from China and other Asian countries in the ready-made garment sector, as well as the 36 per cent reduction in the EU's guaranteed price of sugar between 2006 and 2009. Therefore, the country urgently needs to increase its international competitiveness in its traditional sectors, while at the same time encouraging further economic and sectoral reforms as well as diversifying into other economic activities; in particular, the country needs to move towards more value-added production and services.

1.1.2 Patterns of trade

Since 1996 the pattern of trade indicates that the trade deficit has been on a downward spiral. As Mauritius is an island economy, the country will continue to rely heavily on foreign exchange to be able to import goods to carry out its economic activities. Figure 1.5 on the trade trends between 1985 and 2005 clearly indicates that this tendency has worsened, particularly since 2005, the year after the expiry of the MFA. In 2005, the total trade deficit went up to MUR30 billion (equivalent to \$1 billion), an increase of almost 40 per cent from the 2004 level.



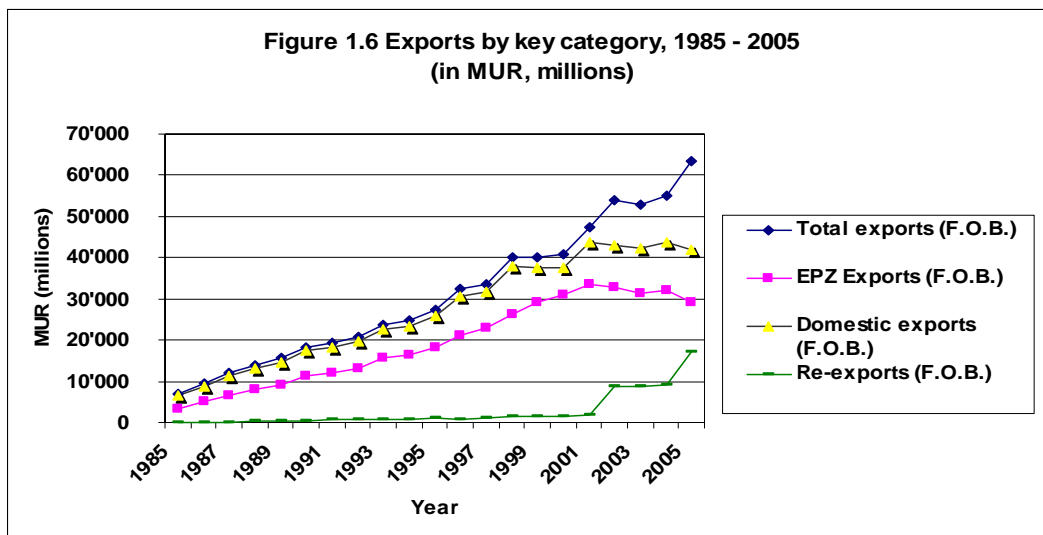
2004: Revised. 2005: Provisional.

FOB = freight on board. CIF = cost, insurance and freight.

Note: From 2002 onwards, the data include transactions of the Mauritius Freeport.

Source: Government of Mauritius, 2005a.

Nevertheless, the total value of exports has been increasing, despite the overall downturn in both sugar and particularly textile and garment production in the EPZ sector since 2004. Recently, exports have been driven more by a rise in re-exports through the free trade zones (see figure 1.6). The total value of exports was more than MUR63 billion (equivalent to more than US\$2 billion at the 2007 rate) in 2005. The share of EPZ exports in total exports oscillated between 46 and 76 per cent between 1985 and 2005. It was at its highest – 76 per cent – in 2000, indicating the economy's greater dependency on the EPZ sector in the past. By 2005, however, the share had fallen to 47 per cent, at around the 1985 level, but it remains a substantial share of total exports (see figure 1.7).

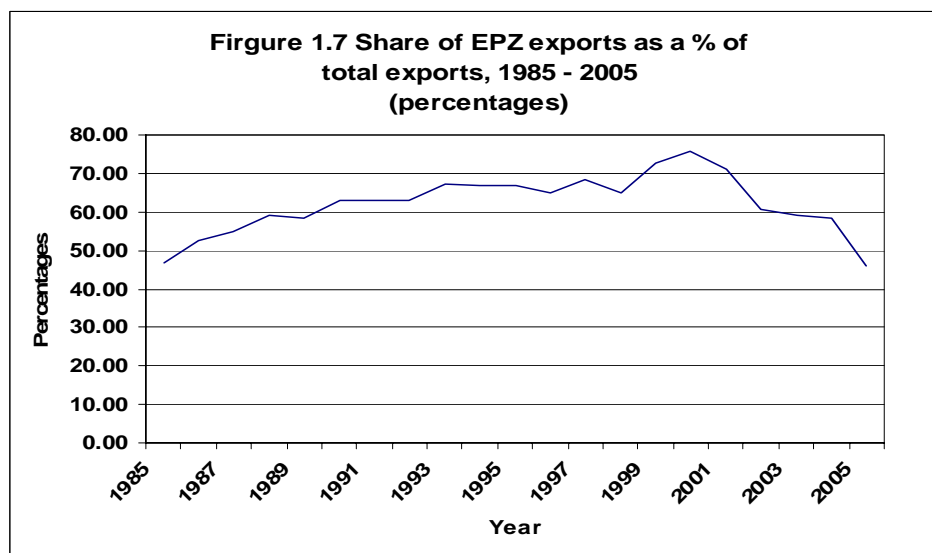


2004: Revised. 2005: Provisional.

FOB = freight on board.

Note: From 2002 onwards, the data include transactions of the Mauritius Freeport.

Source: Government of Mauritius, 2006a.



2004: Revised. 2005: Provisional.

Note: From 2002 onwards, the data include transactions of the Mauritius Freeport.

Source: Government of Mauritius, 2006a.

The future of the country's export sectors will largely depend not only on how the TC sector survives increasing international competition, but also on how the country manages to diversify its branches of the economy for export. Now that the MFA has expired, Mauritius is facing tough competition from China and other cheaper garment producers, mainly Asian countries, and has already lost ground to countries producing lower-end goods with low-skilled labour. As for the other key export – sugar products – the EU-ACP Sugar Protocol is no longer guaranteeing prices of sugar exports to the European market under the ongoing reforms of the EU sugar regime.⁸

⁸ *The Sugar Protocol and the Eastern Caribbean*, European Union (EU), Brussels, http://www.delbrb.cec.eu.int/en/winban/sugar_overview.htm (accessed 29 Aug. 2007).

Since the early 1990s, the TC sector has been the country's largest formal employer, particularly of women, and the principal source of foreign exchange. The expansion of the sector has also provided tens of thousands of women with formal-sector employment during the course of the country's industrialization. Although labour costs have been rising and transportation costs are also relatively high, Mauritius has managed to remain competitive in the international TC market, thanks largely to investments made in technology and skills development. Furthermore, the sector has moved into higher-end apparel production, and outsourced lower-value-added activities to other African countries, benefiting from the African Growth and Opportunity Act (AGOA) of the United States.⁹

The Act is a trade agreement framework setting the terms of trade on exports to the United States, and it sets quota ceilings for total African apparel imports when third-country fabrics are used for production. Garments produced in qualifying sub-Saharan African countries from domestically produced fabric and yarns, or from fabrics and yarns sources from other AGOA-beneficiary countries in sub-Saharan Africa, can be imported duty-free, while this is still subject to certain quotas (AGOA, 2003). AGOA also requires that beneficiary countries "meet the requirement of an effective visa system and enforcement mechanism" to avoid illegal transshipments. Some 23 countries met these requirements as of January 2004. For those countries exporting apparel to the United States, being granted duty-free access to the market is financially significant, as US tariffs average 17 per cent of landed value, with cottons averaging 13 per cent and synthetics 25 per cent. In July 2004, AGOA was extended to 2015, and the special "third-country fabric" (source of origin restriction) rule prolonged until 30 September 2007.¹⁰

Nevertheless, on the termination of the MFA in December 2004, some foreign companies left Mauritius, having decided that it was no longer a profitable location for production, seeing better opportunities elsewhere, particularly in Asia (in countries such as Cambodia, Viet Nam and Bangladesh). Ongoing trade and industrial adjustments are likely to continue, and will have a profound impact both on the Mauritian economy and on its labour market.¹¹

2. Labour force and employment trends

2.1 Employment trends

Between 1990 and 2006, the total labour force of Mauritius – Mauritian and foreign combined – increased from 433,000 to 566,000, that is by 30 per cent. During the same period, the total male workforce rose by 19.4 per cent – from 302,000 to 361,000, while the total female workforce grew by a much higher rate of 56 per cent – from 131,000 to 205,000. The share of the female labour force in the total labour force increased from 30.2 to 36.2 per cent, whereas the share of the male labour force in the total labour force fell from 69.8 to 63.8 per cent during the same period, showing a

⁹ In October 2004, the United States Congress voted in favour of an amendment to AGOA III, granting lesser-developed beneficiary country status to Mauritius, thereby qualifying it for the special rule for apparel – the "third-country fabric" exemption.

¹⁰ UNCTAD: *TNCs and the removal of textiles and clothing quotas* (New York and Geneva, 2005), p. 32.

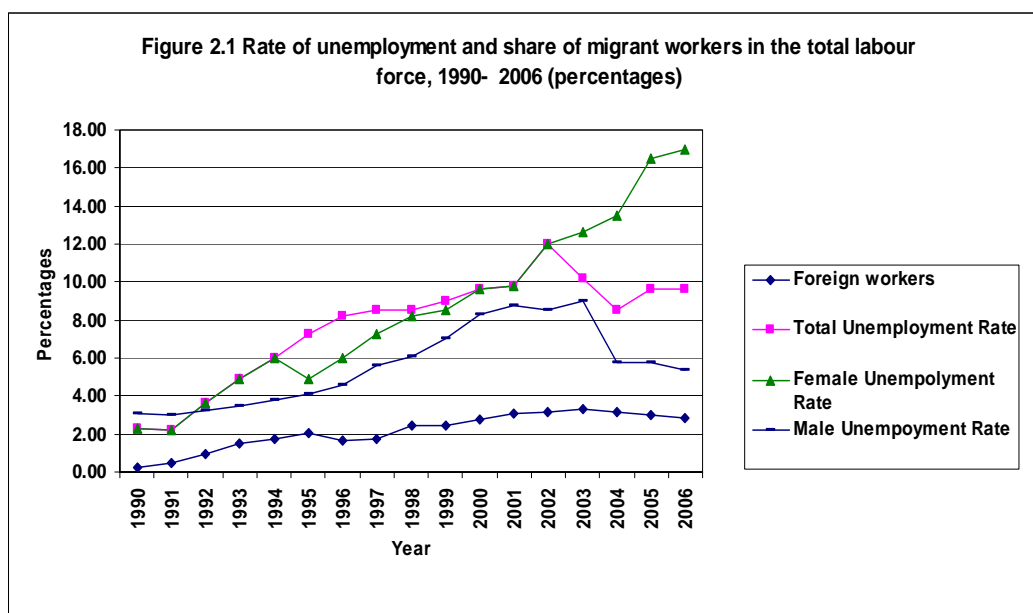
¹¹ The potential impact of the end of the MFA was forecast by C. Ernst, A. Hernández Ferrer and D. Zult: *The end of the Multi-Fibre Arrangement and its implications for trade and employment*, Employment Strategy Papers 2005/16 (Geneva, ILO, 2005).

declining trend since the early 1990s. Generally speaking, therefore, the increase in the female labour force participation rate has been substantially higher than the rise in the male participation rate (see table 2.1). The rise in the female labour force participation rate is mostly a result of the expansion of TC manufacturing in EPZs, since the majority of working women in Mauritius are employed in this sector. However, since TC production in EPZs is now rapidly declining, female unemployment has been rising in recent years.

2.2 Trends in unemployment and the share of foreign workers

Since the mid-1990s, the overall unemployment rate in Mauritius has been above 5 per cent; it reached as high as 12 per cent in 2002 (see figure 2.1). The male unemployment rate peaked at 9.0 per cent in 2003, but fell to 5.4 per cent in 2006. By contrast, since the early 1990s female unemployment has been higher than male unemployment. This is attributed to the fact that the EPZ sector has been slowing down; women find it hard to get jobs in the labour market outside EPZs, and face constraints in finding employment opportunities in general. Female unemployment has risen rapidly, from 13.5 per cent in 2003 to an estimated high of 17 per cent in 2006, largely because of the expiry of the MFA; some garment factories have closed as, without a quota system in place, operations are no longer economically viable in Mauritius. This is in contrast to the declining unemployment rate for men, which may imply that more men are now working in order to compensate for the income losses of their spouse and other members within the same household.

Figure 2.1 and table 2.1 show that Mauritius has been employing foreign workers in the EPZ sector since the early 1990s, despite the country's increasing unemployment rates. Seventy-eight per cent of migrant workers work in EPZs,¹² mainly because the TC enterprises in the EPZ sector have not been able to find enough Mauritians willing to work for them: prevailing working conditions are considered unacceptable and the sector



Source: Government of Mauritius: Labour Force data, various years.

¹² The largest number of foreign workers come from China (10,788), followed by India (6,945), with a large majority of workers working in EPZs in 2003. See P. Hein: *Options for migration policies in the long term development of Mauritius*, International Migration Papers No. 71 (Geneva, ILO, 2004).

Table 2.1 Labour force by nationality and sex, 1990–2006 (in thousands)

Year	Total labour force ¹			Male			Female			% share in total LF	Male	Female
	Mauritian	Foreign	Total	Mauritian	Foreign	Total	Mauritian	Foreign	Total			
1990	432.0	1.0	433.0	301.4	0.7	302.1	130.6	0.3	130.9	69.77	30.23	
1991	439.2	2.2	441.4	304.4	1.8	306.2	134.8	0.4	135.2	69.37	30.63	
1992	448.8	4.1	452.9	309.8	3.4	313.2	139.0	0.7	139.7	69.15	30.85	
1993	457.0	6.9	463.9	313.8	4.9	318.7	143.2	2.0	145.2	68.70	31.30	
1994	467.5	8.3	475.8	318.6	5.2	323.8	148.9	3.1	152.0	68.05	31.95	
1995	475.0	9.8	484.8	321.7	5.6	327.3	153.3	4.2	157.5	67.51	32.49	
1996	482.3	8.2	490.5	325.2	4.2	329.4	157.1	4.0	161.1	67.16	32.84	
1997	490.8	8.6	499.4	329.7	3.7	333.4	161.1	4.9	166.0	66.76	33.24	
1998	499.4	10.0	509.4	333.8	3.7	337.5	165.6	6.3	171.9	66.25	33.75	
1999	506.6	12.9	519.5	338.0	4.4	342.4	168.6	8.5	177.1	65.91	34.09	
2000	514.0	14.6	528.6	342.2	5.0	347.2	171.8	9.6	181.4	65.68	34.32	
2001	522.0	16.5	538.5	346.3	5.8	352.1	175.7	10.7	186.4	65.39	34.61	
2002	523.9	17.0	540.9	347.2	6.4	353.6	176.7	10.6	187.3	65.37	34.63	
2003	531.2	18.2	549.4	351.0	7.9	358.9	180.3	10.3	190.6	65.33	34.69	
2004	532.1	17.5	549.6	348.2	9.0	357.2	183.9	8.5	192.4	64.99	35.01	
2005	542.5	16.6	559.1	349.4	9.1	358.5	193.1	7.5	200.6	64.12	35.88	
2006 ²	549.5	16.3	565.8	352.5	8.3	360.8	197.0	8.0	205.0	63.77	36.23	

¹ The figures for 1990-2003 include those aged 12 years and above; 2004-06 figures include those aged 15 years and above.

² The figures for 2006 are provisional.

Source: Government of Mauritius: Labour Force data, various years.

is perceived as being on the decline by the Mauritians. Yet, young labour market entrants, particularly women, do not seem to be able to find appropriate job opportunities elsewhere. As a consequence, the labour market has been seeing a mismatch between the supply and demand of labour, which is disproportionately affecting more women. On the one hand, employers have brought in migrant workers, although in recent years the rate has stalled because of falling trends in the TC sector in the post-MFA economic environment. Even though their percentage share of the total workforce has been relatively small, oscillating between 2 to 4 per cent, the number of total migrant workers corresponds to about 60 per cent of the total number of retrenched EPZ workers between 2001 and 2005, or 16,300 workers. As mentioned previously, paradoxically Mauritius has also seen a rising level of unemployment, especially among the female workforce. The issue of rising female unemployment and the downturn in the EPZ sector will be examined in more detail later in this chapter.

2.3 Structure of employment by sector

When the structure of employment is analysed, it can be seen that the employment share of the primary sector has been falling since the early 1990s. Between 1993 and 2003, the number of male workers in the sector fell by 28.4 per cent, from 47,000 to 36,000, compared with a more substantial decline of 64.4 per cent, from 17,000 to 10,000 for women. Male employment in the secondary sector oscillated between 109,000 and 117,000, with only a 0.07 percentage point increase in its share in total male employment. Female employment in the secondary sector maintained a rising trend until 2001, when it reached a peak of 73,500 workers - that is an increase of 13.6 per cent since 1993. However, female employment has, in recent years, been falling, most likely because of the decline in the production of TC in the EPZ sector, where the number of female workers fell by 3,900 in 2002 and 3,200 in 2003. Despite the overall decline in women's employment in the sector, the number of workers increased from 64,700 to 66,400 workers over the ten-year period, although its share in total female employment has declined by 7.25 per cent (see table 2.2). Overall employment trends in the EPZ sector between 2004 and 2006 will be examined in more detail later in this chapter.

The tertiary sector has had the largest number of male workers over the period 1993 to 2003. In 1993, 151,700 men were employed in the sector, rising to 174,400 by 2003, that is a 15 per cent increase, but with an increased share in male employment of only 3.98 per cent. The tertiary sector saw a secular increase in the number of female workers, from 56,400 in 1993 to 91,000 in 2003, with an increase of 13.4 per cent and a rise in female employment by 21.4 per cent, a much stronger increase than that for men.

2.3.1 Employment trends by key economic sector

Figure 2.2 indicates the overall employment trends in various key economic sectors between 1995 and 2003. Agriculture's share of total employment continued to fall over this period, alongside the declining level of sugar cane production since the early 1990s. As noted above, the manufacturing sector, which is still the biggest source of employment in the country, has been falling since 2001, which can be attributed to the overall decline in employment in the EPZ sector.

As can be seen in figure 2.2, various service sectors have been experiencing growth in employment levels for the period 1995 to 2003, with the number of workers employed in the wholesale, retail trade and repairs sector rising from around 60,000 workers to over 70,000 workers. Three other service sectors have also seen a similar upwards trend: transport, storage and communications; hotels and restaurants; and real estate, renting and business activities.

Table 2.2 Employment by sector and sex, 1993–2003 (in thousands)

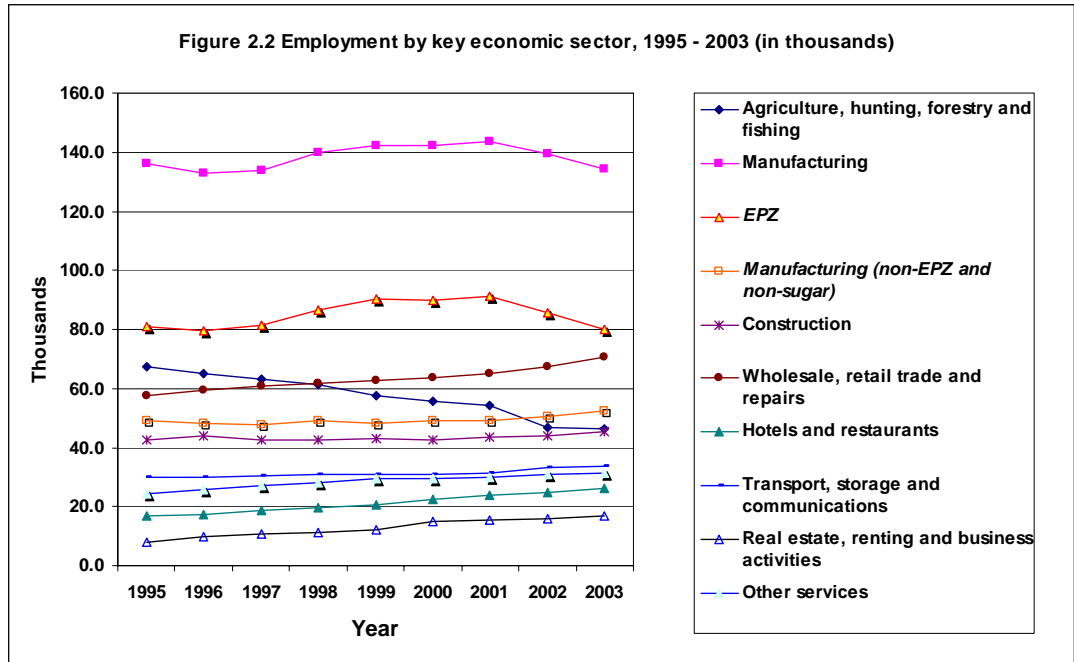
		Primary Sector	Share (as a %)	Secondary sector	Share (as a %)	Tertiary sector	Share (as a %)	Total	Total: both sexes
1993	M	46.6	15.14	109.4	35.55	151.7	49.30	307.7	445.9
	F	17.1	12.37	64.7	46.82	56.4	40.81	138.2	
1994	M	46.6	14.95	110.4	35.41	154.8	49.65	311.8	454.8
	F	17.1	11.96	65.3	45.66	60.6	42.38	143.0	
1995	M	46.1	14.67	109.9	34.98	158.2	50.35	314.2	460.5
	F	17.1	11.69	65.1	44.50	64.1	43.81	146.3	
1996	M	49.7	15.81	113.6	36.13	151.1	48.06	314.4	462.6
	F	16.9	11.40	66.6	44.94	64.7	43.66	148.2	
1997	M	48.5	15.40	112.1	35.60	154.3	49.00	314.9	467.2
	F	16.3	10.70	67.6	44.39	68.4	44.91	152.3	
1998	M	46.6	14.70	114.7	36.17	155.8	49.13	317.1	475.0
	F	15.9	10.07	70.9	44.90	71.1	45.03	157.9	
1999	M	44.0	13.81	116.0	36.41	158.6	49.78	318.6	480.5
	F	14.9	9.20	72.4	44.72	74.6	46.08	161.9	
2000	M	42.8	13.43	115.4	36.21	160.5	50.36	318.7	483.6
	F	14.3	8.67	72.5	43.97	78.1	47.36	164.9	
2001	M	41.7	12.97	116.5	36.23	163.4	50.81	321.6	490.8
	F	13.9	8.22	73.5	43.44	81.8	48.35	169.2	
2002	M	37.4	11.54	117.1	36.14	169.5	52.31	324.0	490.1
	F	10.8	6.50	69.6	41.90	85.7	51.60	166.1	
2003	M	36.3	11.09	116.6	35.62	174.4	53.28	327.3	495.1
	F	10.4	6.20	66.4	39.57	91.0	54.23	167.8	
% change 1993–2003									
	M	-28.4	-4.05	6.6	0.07	15.0	3.98	6.37	
	F	-64.4	-6.18	2.6	-7.25	61.3	13.42	21.42	11.03

Note: Primary sector = agriculture & fishing and mining & quarrying; secondary sector = manufacturing & electricity, gas and water; tertiary sector = other industries.

Source: Government of Mauritius: Labour Force data, various years.

Notes: 1. Figures are based on the National Standard Industrial Classification of Economic Activities (NSIC), an adaptation of the International Standard Industrial Classification of Economic Activities, Revision 3 of 1990 (ISIC Rev. 3). 2. Figures from 2000–03 have been revised.

Source: Government of Mauritius: Employment data, various years.

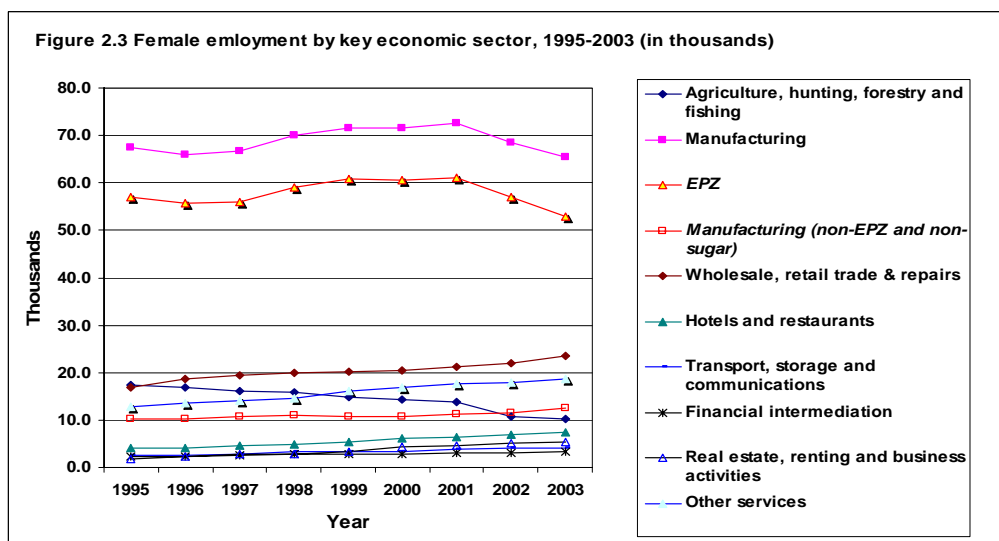


Notes: 1. Figures are based on the National Standard Industrial Classification of Economic Activities (NSIC), an adaptation of the International Standard Industrial Classification of Economic Activities, Revision 3 of 1990 (ISIC Rev. 3). 2. Figures from 2000–03 have been revised.

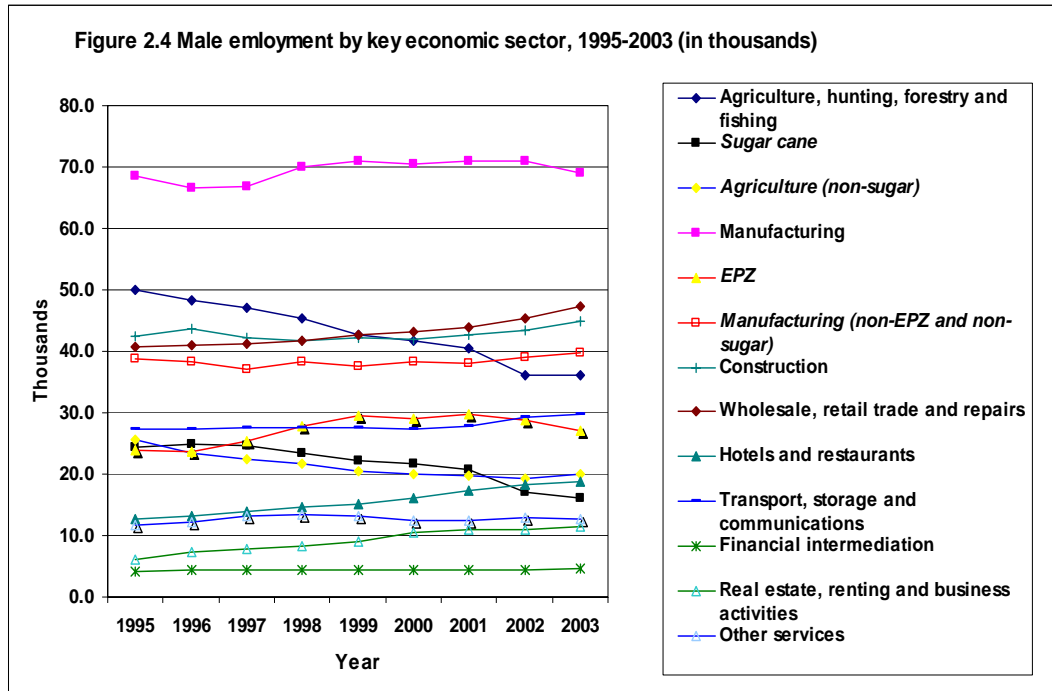
Source: Government of Mauritius: Employment data, various years.

2.3.2 Employment by economic sector and sex

Figure 2.3 shows the overall trends in female employment for the same period. Clearly, between 1995 and 2003 women were predominantly employed in manufacturing, particularly in the ready-made garment industry in the EPZ sector. Women’s employment in the wholesale and “other services” sectors have also shown steady growth, but the number of women employed in these sectors has been much lower than the number of men: the number of female workers rose to just over 20,000 and the number of male workers rose to almost 50,000.



Source: Government of Mauritius: Employment data, various years.



Source: Government of Mauritius: Employment data, various years.

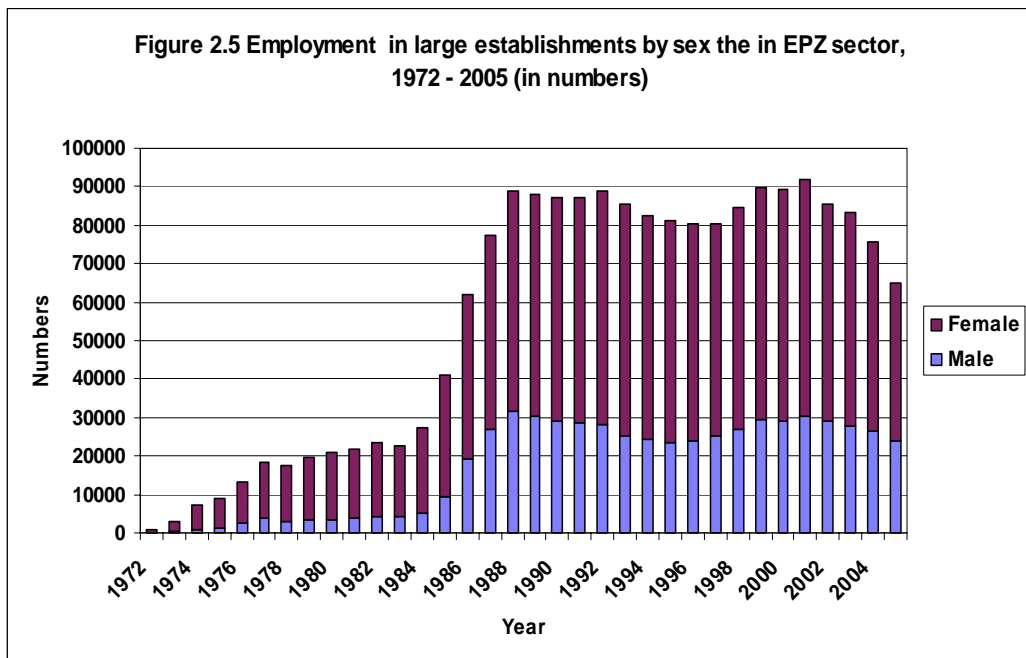
The structure of male employment differs markedly from that of female employment (see also figure 2.4). Clearly, men's employment has been more evenly distributed among different economic sectors, showing that they find employment opportunities in more diverse branches of the economy. While women have been heavily concentrated in the EPZ sector, men's employment in non-EPZs and other manufacturing has also been relatively substantial. The construction and services sectors, particularly wholesale, retail and repairs, employ predominantly men, with an employment level of over 40,000 in both sectors. The transport sector, too, has seen a steady increase during this period, hovering around 30,000 to 35,000 workers. The tourism sector (represented by hotels and restaurants) has also seen a steady rise. Furthermore, as in many other countries, the labour market in Mauritius is strongly segregated by sex, with women employed in a much narrower range of economic sectors or corresponding occupations than men.

2.3.3 Employment trends in the EPZ sector

Since the mid-1980s, Mauritius's key development strategy has been to optimize its trade privileges under the quota system of the General Agreement on Tariffs and Trade (GATT)-WTO Agreement on Textiles and Clothing (ATC) and the MFA, which expired in December 2004. Therefore, it is crucial to examine the impact of the changes to the trade regime on the performance of the country's export-oriented sectors, particularly the EPZ sector. Figure 2.5 shows that, between 1972 and 2005, total employment in large establishments in the sector climbed rapidly, especially since the end of the 1980s, to 80,000 workers. Overall employment was particularly high between 1989 and 2004 – between 80,000 and 90,000 workers, achieving near full employment. This trend peaked at 92,000 workers in 2001, after which it started to reverse. Since 2002, the overall employment level has kept falling, in particular between 2004 and 2005 when the number of workers in total employment was cut by more than 10,000. Employment in this sector, however, is expected to stabilize in 2007.

As can be seen in figure 2.5, women made up the predominant workforce in the sector; their share of employment in the EPZ sector was at its highest in the early 1980s –

over 76 per cent – since when it has oscillated between 63 and 70 per cent of total employment. Between 1985 and 2001, the sector also saw a substantial increase in the number of male workers – by over 20,000. But there was an even greater increase in the number of women workers, by over 29,000. However, between 2001 and 2005 this trend began to reverse, with female employment seeing a drastic fall. During the same period, male employment fell from over 30,000 to 24,000, or by 21.04 per cent, while female employment declined more substantially, from 61,000 to just over 41,000 – by 33 per cent. In particular, since 2004 – the year the MFA expired, the decline in female employment has escalated; between 2004 and 2005, total employment in the EPZ sector fell by more than 10,000 workers (by 13.7 per cent). The overall share of women workers also fell between 2001 and 2005, from 67 to 63.3 per cent. The actual number of workers also dropped, by 7,700 for women and by 2,600 for men, leading to a rise in female unemployment (see table 2.3). As mentioned previously, while the female unemployment rate has recently been rising, the male unemployment rate has been falling. The structure of unemployment and the characteristics of the unemployed will now be examined.



Source: Government of Mauritius: *Survey of Employment and Earnings in Large Establishments* (employing at least ten persons), various years.

Table 2.3 Employment in large establishments in EPZs by sex, 1985–2005

	Male	%	Female	%	Total
1985	9 558	23.19	31 653	76.81	41 211
1986	19 059	30.76	42 902	69.24	61 961
1987	27 053	35.01	50 216	64.99	77 269
1988	31 526	35.53	57 212	64.47	88 738
1989	30 348	34.52	57 568	65.48	87 916
1990	29 235	33.47	58 123	66.53	87 358
1991	28 570	32.83	58 453	67.17	87 023
1992	28 110	31.65	60 713	68.35	88 823
1993	25 376	29.63	60 263	70.37	85 639
1994	24 428	29.64	57 990	70.36	82 418
1995	23 647	29.16	57 439	70.84	81 086
1996	24 100	30.07	56 044	69.93	80 144
1997	25 202	31.37	55 146	68.63	80 348
1998	26 856	31.68	57 929	68.32	84 785
1999	29 541	32.84	60 412	67.16	89 953
2000	29 188	32.72	60 013	67.28	89 201
2001	30 269	32.95	61 582	67.05	91 851
2002	29 090	33.97	56 549	66.03	85 639
2003	27 828	33.33	55 672	66.67	83 500
2004	26 507	35.12	48 974	64.88	75 481
2005	23 901	36.68	41 258	63.32	65 159
Change (in number):					
1985–2001	20 711	10	29 929	-10	50 640
% change: 1985–2001	216.69	42.09	94.55	-12.71	122.88
Change (in number):					
2001–05	-6 368	4	-20 324	-4	-26 692
% change: 2001–05	-21.04	11.31	-33.00	-5.56	-29.06

Source: Government of Mauritius: *Survey of Employment and Earnings in Large Establishments* (employing at least ten persons), various years.

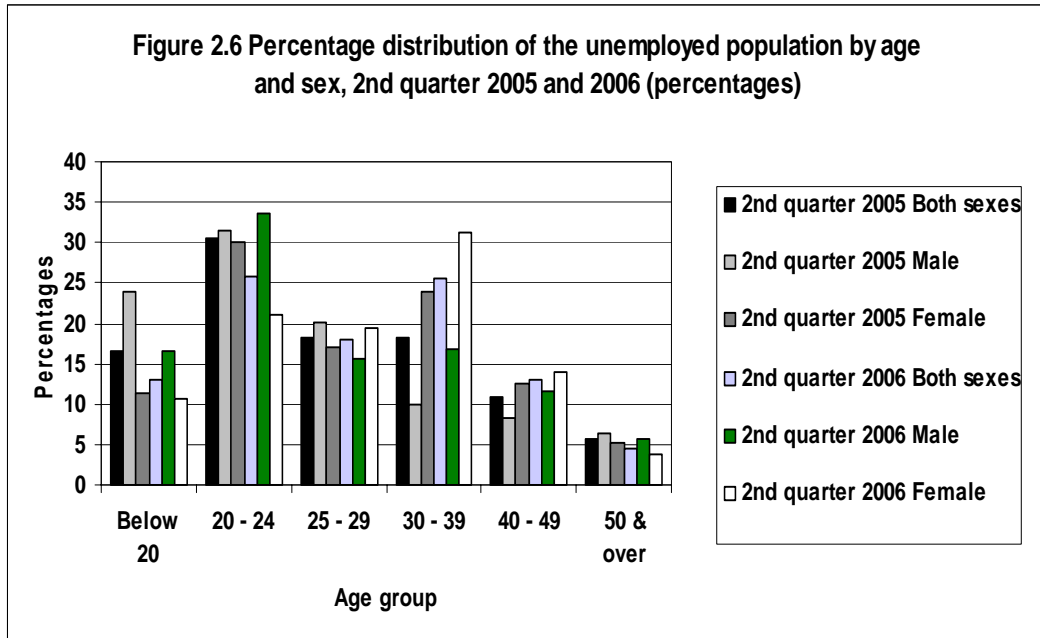
2.4 Structure and nature of unemployment

If we now look at the age and gender structure of the unemployed in 2005 and 2006 (see figure 2.6), we see that most unemployed men (more than a third for both years) fall into the 20 to 24 age group. Furthermore, among the young unemployed, proportionately more men than women were found under the age of 20 – almost a quarter of the total of unemployed men in the second quarter of 2005, and 16.5 per cent in the second quarter of 2006. The largest percentage of unemployed women – 31.2 per cent – was found in the 30 to 39 age group in 2006, followed by those between 20 and 24 years of age, revealing a difference in the age structures of unemployed women and men during this period. In general, about half of unemployed women were aged over 30, whereas only about a third of unemployed men fell into this age group. These older women are probably former EPZ sector workers, who were retrenched and cannot find alternative employment in the current labour market in Mauritius.

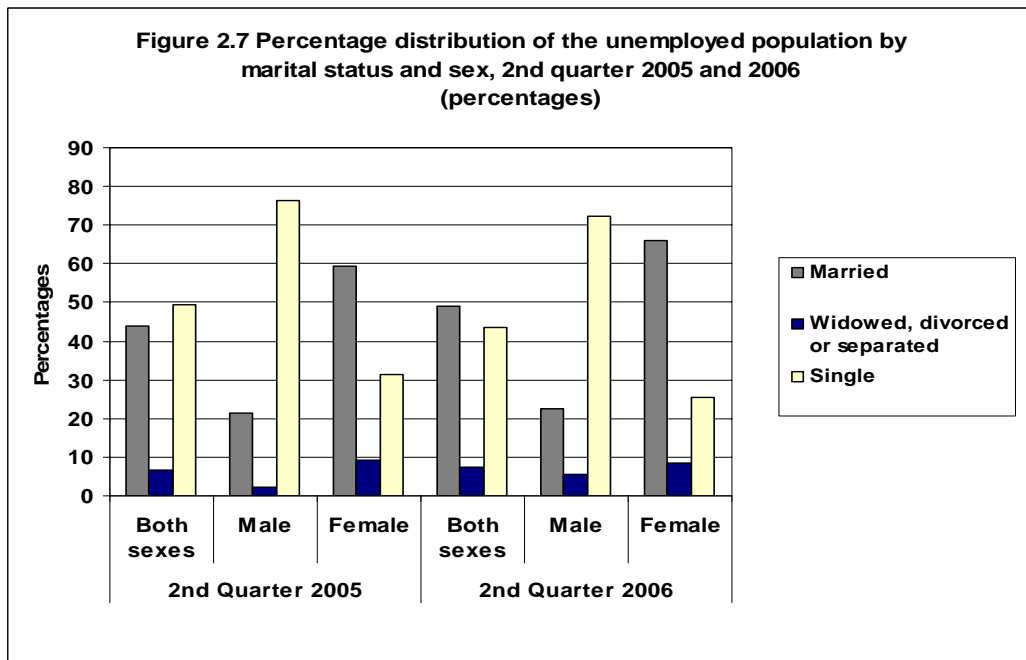
In terms of marital status, most unemployed men are single (72 per cent), while most unemployed women (74 per cent) are married. This corresponds to the fact that a much higher percentage of unemployed men are concentrated in the younger age group of 20 to 24 years (see figure 2.7).

Looking at unemployment rates by education level, it was found that the higher the level of education, the lower the unemployment rate. In the second quarter of 2006, those with secondary education or below Higher School Certificate constituted a large majority

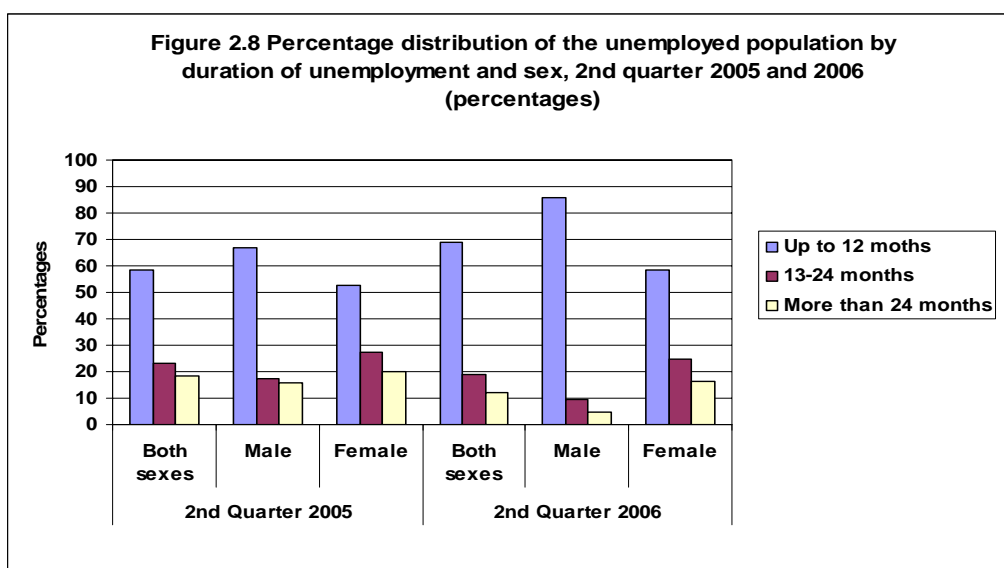
of unemployed women and men, while those with only primary education or no education made up 36.2 per cent and 38.7 per cent for women and men respectively. The share of the unemployed with tertiary level education was small –2.9 per cent for women and 4.8 per cent for men for the same period.



Source: Government of Mauritius, 2006b.



Source: Government of Mauritius, 2006b.



Source: Government of Mauritius, 2006b.

Unemployment, particularly when it is protracted, not only implies a loss of income for the unemployed and the household concerned but can also cause social and psychological stresses, which can lead to anti-social behaviour and affect society at large. Overall, among an estimated 54,000 unemployed people in the second quarter of 2006, 69 per cent had had no job for up to one year, and 31 per cent for more than one year. This is clearly an impact of the downturn in the EPZ sector, particularly in TC manufacturing, as well as an impact of the mismatch between the labour market supply and demand. The unemployment data show that many more women than men found themselves in this situation in Mauritius in 2006: about 41 per cent of unemployed women had been looking for work for more than a year, compared with a much lower share of 14 per cent of unemployed men. In the second quarter of 2006, a much higher rate of unemployed women (16.5 per cent compared with 4.7 per cent of men) had been looking for work for more than two years (see figure 2.8).

Given that Mauritius does not have a comprehensive unemployment insurance system, the financial situation and well-being of the long-term unemployed and their households will be negatively affected, as the data collected under a recently conducted tracer study reveals.¹³ Over half the retrenched workers surveyed said that they had received severance pay, either immediately or within a month, while a third replied that they had received it between three months and a year later. Since most of them also mentioned that they had received little other financial support, one can deduce that their quality of life has significantly deteriorated. Other data show that housing debt, for instance, affects slightly less than a quarter of all households in Mauritius, which implies that many households have long-term financial commitments,¹⁴ irrespective of changes in their income level.

As previously mentioned, the EPZ sector has been employing more foreign workers, although their percentage share of the total labour force remains relatively small. This has

¹³ Centre for Applied Social Research: *Globalization, employment and livelihoods: Socioeconomic impact of the end of the MFA on retrenched workers in Mauritius*, Draft Report (mimeograph, under the auspices of the Ministry of Labour, Industrial Relations and Employment (Port Louis, ILO and UNDP, 2007).

¹⁴ Government of Mauritius, Central Bureau of Statistics: *Report on the Continuous Multi-Purpose Household Survey – 2001* (Port Louis, 2002).

created a paradoxical situation in Mauritius, whereby, while the female unemployment rate has been rising, enterprises have been hiring large numbers of migrant workers, including thousands of women. This situation has arisen because employers in this sector could not find workers, particularly Mauritian women, willing to undertake production-related work or to work under the conditions which may be acceptable to foreign workers, as they generally work for a limited time period. Evidence shows that even being faced with the job and income loss, 40 per cent of retrenched female workers and 50 per cent of retrenched male workers do not want to return to working in EPZs, particularly in TC, since the sector is perceived as a “sun-set industry”, and, therefore, lacks long-term job security.¹⁵

The next section examines overall wage trends in order to investigate the most important aspect of working conditions – earnings – which are related to job satisfaction. Wage or labour costs are an important factor of production, and are, therefore, one of the major reasons, if not the sole reason, why multinational enterprises move their production sites.

2.5 Wage trends in large establishments

While Mauritius has been undergoing a process of economic development and industrialization since the early 1990s, wage rates have been increasing. Between 1993 and 2004, the overall wage rate rose, on average, by 8 per cent per annum. Taking the 1993 rate as base (100), by 2000 it had almost doubled to 199.4. Taking the 2000 wage rates as base (100), this rose to 130.7 in 2004, with an overall rate increase of 73.78 between 1993 and 2004 and with an annual increase rate of 8.4 per cent (see table 2.4).

Table 2.4 Wage rate index, September, 1993–2004

	Wage rate index		Annual percentage change (%)
	Base: September 1993 = 100	Base: September 2000 = 100	
1993	115.5	-	15.5
1994	127.6	-	10.5
1995	136.6	-	7.1
1996	144.0	-	5.4
1997	160.7	-	11.6
1998	177.5	-	10.5
1999	191.0	-	7.6
2000	199.4	100.0	4.4
2001	-	105.0	5.0
2002	-	109.9	4.7
2003	-	122.7	11.6
2004	-	130.7	6.5
Average annual rate of change			8.4

Source: Government of Mauritius: *Survey of Employment, Earnings and Hours of Work in Large Establishments* (employing at least ten persons), September, various years.

¹⁵ op. cit.

Regarding earnings in the EPZ sector (see table 2.5), overall wages more than doubled between 1992 and 2004: in 1992 an employee earned, on average, MUR2,613 (\$94) per month; by 2004 this had risen to MUR6,236 (\$224) per month. As TC exports in the EPZ expanded, Mauritian labour costs became relatively high compared with low labour cost production sites in other developing countries.¹⁶ Thus the country has steadily been losing its international competitive edge at the lower end of the garment-manufacturing market. In terms of the level of earnings in the context of domestic labour market, however, the EPZ sector, in comparison with other sectors of the economy, has become no longer attractive for Mauritians.

Compared with non-EPZ sectors, overall wages have not necessarily increased relatively speaking. Figure 2.10 reveals the overall trends in average monthly earnings¹⁷ for all categories of workers in all large establishments in both non-EPZ and EPZ sectors. As can be seen, earnings in EPZs and in large establishments have been increasingly diverging since the mid-1990s. Between 1993 and 2004, the average earnings per month increased by 115.8 per cent in the EPZ sector, while the rate increased by 170.80 per cent in all the large establishments¹⁸.

The lesser earnings may be one of the major reasons why many Mauritian workers no longer wish to work in the EPZ sector. In addition, enterprises are coming under increasing pressure to deliver goods in a short order-to-delivery time span, so employees are expected to work long hours as well as do overtime. As a consequence, although a substantial number of workers, particularly women, are unemployed, employers in the EPZ sector are recruiting foreign workers who are more willing to accept work in a sector that may be inferior to those of the enterprises operating elsewhere in the economy, in particular in terms of earnings.

One of the reasons why wages in EPZs have remained lower than prevailing wages (and the gap is widening) in the Mauritian economy may be because the bargaining power of workers has been weakening as the key export sector of TC has had to confront increasing global competition. Another likely contributing factor is the predominance of women in the workforce. Studies have shown that, in sectors where women predominate, average wages tend to be lower than in male-dominated sectors. While more detailed analysis of wages at the level of occupation would be necessary, wage gaps can be explained of occupational segregation by gender, and it was cheaper female labour that subsidized the growth of the TC sector.¹⁹

¹⁶ Wages for low-skilled Mauritian workers (US\$145) are, indeed, comparatively higher than other competing countries, such as Madagascar (US\$36), India (US\$45), Uganda (US\$67), or China (US\$85). See: World Bank Group: *Madagascar Investment Climate Assessment*, Summary Notes, Note 3, September (New York, 2006).

¹⁷ Earnings include wages and salaries, regularly paid bonuses and commissions as well as overtime payments.

¹⁸ Data from the Survey of Employment, Earnings and Hours of Work in Large Establishments (employing 10 or more persons), September, the Government of Republic of Mauritius, Central Statistics Office.

¹⁹ See M. Corley, Y. Perardel and K. Popova: *Wage inequality by gender and occupation: A cross-country analysis*, Employment Strategy Papers 2005/20 (Geneva, ILO, 2005), p. 17, and R. Anker, R. Paratian and R. Torres: *Studies on the social dimensions of globalization: Mauritius* (Geneva, ILO, 2001), p. 65.

Table 2.5 Average earnings¹ in large establishments in the EPZ sector, March, 1990–2004 (in Mauritian rupees)

Year	Average earnings per month for employees on monthly rates of pay (MUR)	Average earnings per day		Average earnings per hour for employees on hourly rates of pay (MUR)	Average earnings ² per month for all categories of employees (MUR)	Wage rate Base: 1992=100
		Employees on daily rates of pay (MUR)	Employees on piece rates of pay (MUR)			
1990	2 950	55	74	8	1 852	70.88
1991	3 440	74	87	9	2 262	86.57
1992	3 875	85	106	10	2 613	100.00
1993	4 287	96	116	11	2 942	112.58
1994	4 955	111	126	12	3 276	125.38
1995	5 257	117	134	12	3 493	133.68
1996	5 497	125	145	13	3 732	142.82
1997	5 804	136	156	14	4 022	153.91
1998	6 395	145	159	15	4 299	164.51
1999	6 428	151	169	15	4 451	170.31
2000	6 955	159	175	17	4 795	183.49
2001	7 242	173	184	18	5 100	195.18
2002	7 850	178	190	18	5 354	204.88

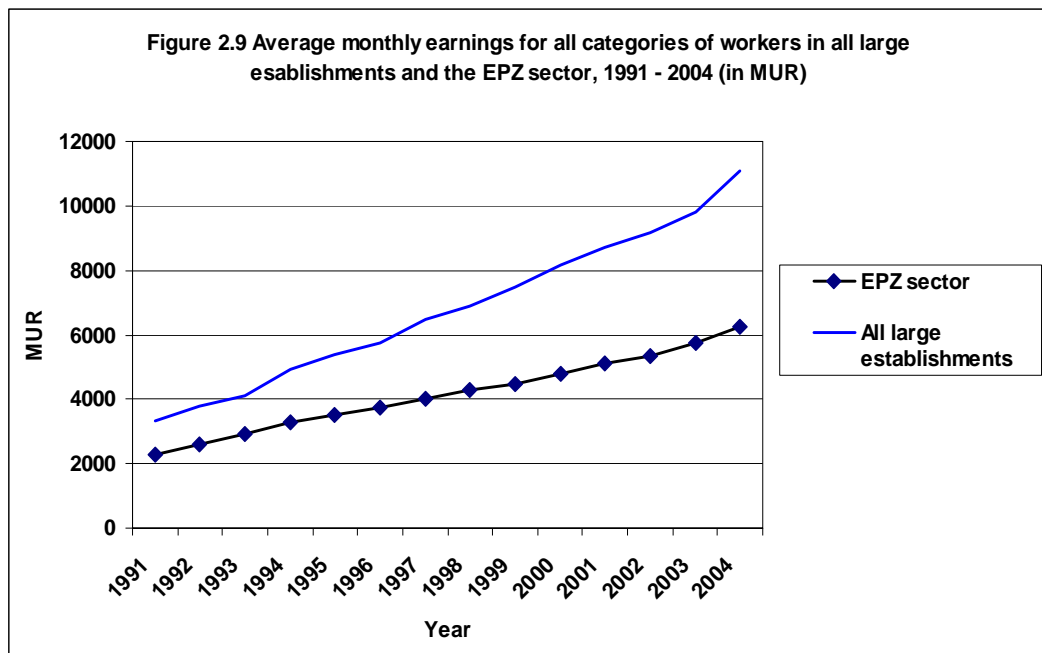
2003	8'702	189	200	20	5'733	219.39
2004	9'251	207	214	22	6'236	238.64

¹ Earnings include wages and salaries, regularly paid bonuses and commissions as well as overtime payments.

² Earnings of daily, hourly and piece rate workers have been converted to a monthly basis.

³ Revised

Source: Survey of Employment and Earnings in Large Establishments (employing 10 or more persons)



Source: Government of Mauritius, 2006b.

So which active and passive labour market measures is the Mauritian Government going to adopt in order to assist those who are unemployed, particularly the long-term unemployed? One of the key challenges facing the unemployed in Mauritius today is how to become employable again in alternative areas of work, which usually implies re-skilling or upgrading existing skills, particularly in cases where the unemployed person is not highly educated. As seen above, most of the unemployed have been educated to, at most, secondary level, while young new market entrants do not seem to be appropriately educated and lack the skills needed for them to be employed in emerging areas of the economy, such as information and communications technology (ICT) and the financial sector. In the meantime, the barriers for getting back into employment, particularly, for older EPZ retrenched female workers remain high. A recent tracer study has also shown that the average level of education of retrenched, particularly women, workers, is lower than secondary level, which is lower than that of the overall female labour force.²⁰ A measure targeted specifically at these workers is the Government's Economic Empowerment Programme, which has been set up to help alleviate the plight of retrenched women workers as well as the long-term unemployed (see Chapter 4).

At the same time, the Government is investing in creating a new niche for Mauritius in the international market by encouraging the development of other economic sectors, such as ICT, re-export and the promotion of the island as a seafood hub, as well as facilitating the development of small enterprises. The impact of these new sectors on job creation is yet to be seen, although the Mauritian economy is expected to be back on track and see higher annual economic growth (of 5 per cent) for 2007.

Given that those who have been well educated do not usually experience difficulties finding jobs in the current economic environment, it is critical that future generations of workers be educated to higher levels so that they acquire the appropriate knowledge and skills needed by a modern economy. Furthermore, since Mauritius is an island economy, access to the international market for its products and services is also crucial for continued successful economic development. Accordingly, efforts are being made to

²⁰ op cit.

further negotiations on trade agreements with the United States and the EU, as well as with the Southern African Development Community (SADC).

The next chapter reviews Mauritius' past and current economic policies, examining particularly, how the country intends to tackle the downturn in its key export sectors – TC and sugar – and the related structural adjustments that are needed.

3. Economic policies

3.1 Macroeconomic policies

Mauritius is a prime example of a success story of socio-economic development, particularly within the African context. This has been well documented by a number of recent policy-related research works, including those carried out by the ILO.²¹ The country's success has been attributed to a mixture of internal and external factors. In the past the economy benefited from favourable international trade regimes pertaining to the export of both sugar and TC. The favourable internal factors that have contributed to steady economic growth have been: political stability; a large semi-skilled workforce ready to take up the labour-intensive work, in particular an underutilized female workforce; and government-led efforts to encourage industrialization, foreign direct investment (FDI) and domestic investment, first in sugar processing in the 1970s and then in the export of TC in the 1980s. Nonetheless, Bhowon et al. (2004) indicate that, despite the positive role played by the Government, macroeconomic management has not always been that efficient.²²

During the 1970s, the country's early post-independence years, Mauritius suffered from chronic unemployment and a trade deficit, and the Government was obliged to implement the International Monetary Fund (IMF)-advised Structural Adjustment Programme (SAP) in order to achieve macroeconomic stability. As a consequence, the economy underwent two currency devaluations. Nonetheless, in the long term the macroeconomic measures implemented under the SAP helped put the country on a sound footing for economic development. In the late 1970s, the country adopted "welfare state" policies, providing free education, free health care and other social benefits, which established a reasonable foundation for expanding human capabilities as part of its economic development. The Government also provided incentives for the development of various economic sectors, to encourage FDI and domestic investment as well as industrialization.²³

Until the 1980s, Mauritius implemented an import substitution development strategy that heavily protected its domestic industries. However, after realizing the limitations of this strategy, and taking into consideration the small size of the island economy, in the 1980s the country gradually moved towards greater liberalization, opening up its economy to foreign trade and investment. Additional liberalizing moves were introduced in the 1990s: the Government eliminated import licensing in 1991, while

²¹ See, for example, R. Anker, R. Paratian and R. Torres: *Studies on the social dimensions of globalization: Mauritius* (Geneva, ILO, 2001) and G. Wignaraja: *Competitiveness, productivity management and job creation in African enterprises: Evidence from Mauritius and Kenya*, Series on Productivity and Competitiveness Management, MCC Working Paper No. 5 (Geneva, ILO, 2005).

²² See V. Bhowon, N. Boodhoo and A. C. Pynee: *Mauritius: Policy-Making in Africa* (Montreal, IDRC, 2004). Available at: http://www.idrc.ca/en/ev-71255-201-1-DO_TOPIC.html [accessed 29 Aug. 2007].

²³ *ibid.*

in 1994 export licensing was abolished for all but a limited number of products of strategic importance, such as cement and quota-restricted exports to the import market. During the 1980s, tariffs fell continuously, but major reforms in the tariff structure were installed in 1994 when the general customs and preferential duties were consolidated into one column and the number of tariff bans was streamlined to only eight. However, these moves were not accompanied by any effort to raise domestic taxes, and the Government's budget deficit accordingly rose.²⁴

The export-led industrialization policy which established EPZs in the 1980s brought about almost full employment, with the share of employment in EPZs exceeding that of the agriculture sector by the end of the decade. Under the country's export-led development strategy, during the 1990s sugar exports (under the EU-ACP Sugar Protocol) and the TC sector (under the EU-ACP agreement and the GATT-WTO MFA and the ATC) continued to benefit from the preferential trade regimes, although by the mid-1990s the country began to see rising unemployment.

In the early years of the twenty-first century, faced with major downturns in the country's traditional manufacturing sectors of sugar and TC, together with the rise in world oil prices, which is being translated into domestic inflation, the Mauritian Government is currently under tremendous pressure to adopt a budget that does not increase its fiscal deficit any further. At the same time, it can ill afford to compromise on the developmental projects that are needed if the country is to modernize and create new economic and employment opportunities to face the challenges posed by globalization. The Government fears that the debt service ratio could rise to 37.8 per cent of revenue by 2007–08, which could undermine the confidence of international investors.

In the 2006 budget, the Government outlined a broad and ambitious agenda of economic and labour market reforms to help the country respond to increasing international pressure under globalization. Government policy aims to combine economic and labour market liberalization with a social safeguard to protect those who are most vulnerable in the current trade downturns in the country's key production sectors. The Government has targeted a GDP growth rate of around 5 per cent for the fiscal period 2006–07, on the assumption that world trade would expand by 8 per cent. It has also forecast the ratio of private investment in GDP to reach 15.5 per cent, and the current account deficit to worsen to around MUR7.7 billion.²⁵

A top priority of the 2006–07 budget is to promote employment and a return to growth by securing the country's transition from a preference-dependent economy to a globally competitive one. The Government aims to accomplish this by supporting such key policy areas as investment facilitation, particularly for the development of small businesses, the liberalization of the market, labour market reform, social policies targeting vulnerable groups, improving the efficiency of public administration, fiscal consolidation and discipline, tax reform, and the launching of an Economic Empowerment Programme targeted at the unemployed and underemployed. The Mauritian Government's key policy directions are outlined hereunder.²⁶

²⁴ *ibid.*

²⁵ *Budget Speech, 2006-2007*, delivered by Minister Ramakrishna Sithanen, Deputy Prime Minister, Minister of Finance and Economic Development, 9 June 2006 (Port Louis, 2006).

²⁶ *ibid.*

3.1.1 Investment facilitation

In order to create a more conducive business and investment-friendly environment, the Government of Mauritius has proposed the following deregulatory measures that will:

- make it easier to start a business by eliminating trade licences and doing away with the complex and long procedures of the present system;
- facilitate access to existing business premises by revoking the need for a development permit;
- rationalize the 40 activities covered by development permits into three categories: services, industrial and commercial;
- work towards pre-designated development areas where a development permit will not be necessary and will be integrated into the building permit;
- facilitate FDI by establishing clear guidelines that allow companies to be set up without the need for government clearance;
- integrate the EPZ and non-EPZ sectors and discontinue all investment certificates, with the exception of the Integrated Resort Scheme and the Freeport; and
- remove the Minister of Finance's discretionary powers of remission, and instigate clear rules and regulations that will be uniformly enforced.

3.1.2 Improving efficiency in the public sector

In order to improve the overall efficiency of public administration, the following measures were proposed:

- rationalize programmes, institutions and financing; combat abuse; clamp down on wastage; and improve service delivery;
- close down the Development Works Corporation and the Police Garage and review government involvement in casinos;
- control spending by: insisting on value for money; improving work planning; investigating cost overruns; introducing performance indicators and accountability; and
- reduce transfers to parastatals and provide the context for productivity gains in service delivery.

Special measures were proposed to cut public spending on the civil service:

- a 3.5 per cent pay cut as of 1 July 2006;
- the wavering of salary compensation for 2007;
- a rise in the renewal period for duty-free cars for Members of the National Assembly from three to four years; and
- a revision of the retirement allowance system.

3.1.3 Fiscal consolidation and discipline

The Government has proposed fiscal and financial discipline in public expenditure by enforcing the following three basic fiscal rules:

- limiting government borrowing to investment financing;
- ensuring that the net public debt-to-GDP ratio is and remains on a downward track; and
- ensuring that total expenditure remains constant after adjusting for inflation.

3.1.4 Tax reform

With respect to taxes, the Government has committed itself to improving efficiency in tax collection, rather than increasing taxes, through establishing a Mauritius Revenue Authority, which became fully operational in April 2006. In order to increase government revenues, the import tax exemptions that were introduced by the previous government are to be reviewed as part of the plan to make Mauritius a duty-free island. The Government proposes to:

- reform the tax system to make it simple and fair;
- gradually unify the Corporate Income Tax to a single rate;
- review capital allowances to end the bias against investment in people;
- make all those with similar incomes pay the same taxes and those with more income pay more taxes;
- introduce a National Residential Property Tax;
- meet the pledge in the election manifesto to remove lower income taxpayers from the tax roll;
- cut customs duties in order to move to a low tax platform, increase the purchasing power of consumers, eliminate the need for exemptions and move faster towards making Mauritius a duty-free island;
- review value added tax (VAT);
- rationalize excise duties to comply with the WTO and harmonize taxation rates across products;
- review taxes on cars to make ownership more affordable;
- lower registration duties to promote economic activity and increase penalties to encourage compliance;
- introduce new taxes to protect the environment;
- levy temporary solidarity charges to assist the most vulnerable;
- ensure taxpayer compliance and step up enforcement; and
- encourage the diaspora to participate in the country's development by taxing Mauritians on income remitted, instead of worldwide income, and facilitate their return by offering a concessionary duty for a car.

3.2 Sectoral policies

3.2.1 Sugar

The Government of Mauritius has submitted a Multi-Annual Adaptation Strategy Plan to the EU in view of the ongoing trade negotiations on sugar, which will include such measures as: cost reduction, increase in revenues, optimization of the use of by-products, alleviation of debt burden and adapting regulations. The overall aim of the strategy is to transform the sugar industry into a sugar cane cluster, which would involve a more diversified use of sugar cane: from the production of different types of sugar to the production of ethanol and value-added spirits from molasses. In particular, a key measure will be to regroup small planters into larger units so as to reduce the cost of sugar cane production, at the same time supporting continued efforts to improve production efficiency.

In order to modernize and diversify the sugar sector, the EU is providing assistance to Mauritius in the form of 4.5 million euros (€). The overall objective of the Adaptation Strategy is to ensure the commercial viability and sustainability of the sugar sector so that it continues to fulfil its multifunctional role in the Mauritian economy – but at a minimum social cost. The strategy provides for a set of measures/projects aimed at:

- improving the cost competitiveness of the sugar sector;
- increasing the country's revenue: expand the sugar cane cluster to produce, in new power plants installed in the remaining sugar mills, electricity from *bagasse*/coal for national use;
- optimizing the use of by-products: produce 30 million litres of ethanol from molasses in two of the four remaining sugar factories, which would be blended with gasoline;
- maintaining the social welfare of low-income groups in the sugar industry: it is estimated that about 6,000 field employees would accept voluntary retirement under the country's Voluntary Retirement Scheme.²⁷

3.2.2 EPZs

The Government is to encourage the EPZ and non-EPZ sectors to integrate, thereby eliminating customs duties on all inputs for the manufacturing sector as a whole. The Industrial Expansion Act is to be abrogated, since incentives will no longer be required as the country moves towards a uniform tax regime. In this context, Enterprise Mauritius (a collaborative partnership between industry and the Government, which aims to help businesses in Mauritius expand into regional and international markets, and also develop their internal capabilities) will work with those non-EPZ manufacturers affected by the reduction in customs duties and EPZ firms to facilitate restructuring. This assistance is also to be extended to small and medium-sized enterprises (SMEs) supplying the hotels and hospitality and leisure sectors as well as to the export market. Sectors that are negatively affected by tariff liberalization will also be assisted by the Empowerment Programme. The Government is reviewing the use of the National Equity Fund, for the necessary re-engineering of the manufacturing sector, and plans to extend financing to restructuring firms under flexible terms.

3.2.3 Tourism

The Mauritian Government has set itself an ambitious goal: it aims to attract 2 million tourists by the year 2015 (the total number of tourists in 2004 was just over 700,000). In order to increase carrying capacity, encourage visitors from a wider variety of countries, and bring down travel costs to Mauritius, air access will need to be opened up, which can only be achieved by introducing greater competition. The Government is also planning to invest in the development of human resources in tourism, in order to "recycle" workers from the shrinking sectors of agriculture, TC and import-substituting manufacturing. It is expected that more than 25,000 new rooms will be supplied by the private sector, which should create employment for about 50,000 people and indirect employment at twice this level. Training will be strengthened at management, skilled and semi-skilled worker levels, both through established formal training schools in tourism, as well as through the Empowerment Programme. The country's National Apprenticeship Scheme is to be expanded to include the tourism sector, in the hope of retraining retrenched EPZ, sugar and other sector workers.

3.2.4 Financial services

The Security Act will be reviewed to empower the Financial Services Commission (FSC) to approve the establishment of other types of exchanges. The FSC will encourage the Stock Exchange of Mauritius (SEM) to create special boards for the

²⁷ *Mauritius: Accompanying measures 2006 for sugar protocol countries – Mauritius sugar sector support programme 2006 (II)*, April 2007, EU, <http://www.evd.nl/info/zoeken/ShowBouwsteen.asp?bstnum=184331&location=&highlight=&print=yes> (accessed 29 Aug. 2007).

listing of global business companies. The Government is to amend the Banking Act so as to expand the range of banking activities on the island. In order to increase capital access for SMEs, the Government is to lift the restrictions placed on them, so that they can be listed on the SEM. The government will also introduce extended measures to both improve the efficiency of the banking sector and encourage the use of Mauritius for cross-boarder financial transactions, in particular, involving global companies.

3.2.5 ICT and other sectoral developments

In order to diversify the economy, the Government has adopted a multifaceted approach to developing new economic sectors: ICT is part of this strategy, and the Government is formulating a National ICT Strategic Plan to transform Mauritius into a “cyber island” and to position the country as the ICT hub of the region. The Government also plans to turn Mauritius into a seafood hub and to develop duty-free shopping and other services; indeed, a series of duty exemptions would transform the island into a duty-free shopping centre in the Indian Ocean.

3.2.6 Knowledge hub

The Government’s vision includes turning Mauritius into a Regional Multidisciplinary Centre of Excellence, with a particular focus on tourism and ICT. In order to achieve this aim, the Government is to support the training of personnel, supervisors, teachers, trainers as well as senior management, so that they will participate in programming, policy dialogue and development. Furthermore, the curriculum of primary and secondary schools will be reviewed to emphasize languages, ICT critical thinking, creativity and innovation.

As can be seen, Mauritius is embarking on major economic reforms in order to turn the economy around, not only to re-engineer the country’s traditional production sectors, such as sugar and TC, but also to create new economic avenues both for economic expansion and to promote new employment opportunities. It will be no easy task to implement fully the proposed policies and programmes, given that key economic sectors have seen downturns due to increasing global competition. Nonetheless, by mixing economic liberalization and at the same time providing a basic social safety net, it is hoped that the Government will be able to deliver its promises.

The results of the proposed ambitious economic policies are yet to be reaped, but with the Government’s strong resolve, the island economy may well succeed. An assured path to achieving the objectives of economic policies is to make economic growth pro-jobs and pro-poor.

The next chapter reviews the Mauritian Government’s social policies, which are intended to introduce labour market reform measures as well as a social safety net, and at the same time accommodate the social costs of restructuring.

4. Social policies

4.1 Labour market reform

The Government of Mauritius has recognized that the current paradoxical labour market situation of high unemployment on the one hand and a long list of vacancies on the other is a result of labour market rigidities imposed in the past. In particular, it has been recognized that, for several decades, the wage determination system and labour laws were biased in favour of protecting jobs, rather than protecting workers, of protecting the rights of the employed, rather than the rights of the unemployed.

Therefore, a principal aim of the Government is to increase labour market flexibility and at the same time maintain a balance by providing a level of income security for workers changing jobs. To that end, the following measures have been proposed:

- link wages to productivity so that firms can maximize the number of people they employ and raise average wages, while workers have an incentive to improve efficiency;
- reduce the cost to employers of releasing labour to promote the hiring of, in particular, the young, the long-term unemployed and those who have been retrenched;
- shift protection from jobs to workers and increase workers' security, so that they do not lose out when they change jobs and also have the opportunity to improve their skills or start their own businesses;
- integrate the various labour markets into one regime, with the same rules and procedures for all; and
- attract foreign talent, know-how, ideas, technology and investment to absorb the unemployed, upgrade skills and raise the earnings of Mauritian workers.

The Ministry of Finance and Economic Development has organized a series of tripartite pre-budgetary consultations with employers' and workers' representatives, who were warned that the 2006-07 budget would require major sacrifices on the part of all the tripartite partners. The Government refused the trade unions' request for a MUR718 (\$23.3) across-the board increase in monthly wages, only introducing a rise of MUR135 to all but the lowest earning workers (those earning less than MUR2,700 were awarded a 5 per cent rise). The proposed wage reforms were to replace the existing system of national tripartite wage negotiations with a new National Wage Council, which will adopt a sector-based bipartite wage negotiation mechanism, limiting the role of government to minimum wage fixing only. However, the workers' organizations were opposed to the Government's proposals.²⁸

4.1.1 Migration policies

The Government is to introduce special measures to bring back the Mauritian diaspora and invite expatriates to establish businesses or invest in Mauritius. The key measures include:

- easing the regulations on residential and work permits;
- easing the regulations on residential and work permits for the spouses of investing expatriates;
- encouraging FDI by the Mauritian diaspora;
- introducing import duty exemption for a car for Mauritians returning to the country.

²⁸ Economic Intelligence Unit: *Country Report Mauritius, June 2006* (London, 2006).

4.1.2 Social assistance policies

The Government is proposing to streamline and reform the country's social assistance programmes and the national pension systems by:

- rationalizing the fragmented social assistance schemes to make social insurance fiscally sustainable and equitable;
- streamlining transfers and subsidies while better protecting the poor;
- consolidating the country's social policies against the backdrop of an ageing population; and
- rescuing the pension system by taking account of changes in life expectancy and the decline in the number of workers supporting those who have retired.

4.1.3 The Economic Empowerment Programme

The Government has also set up an Economic Empowerment Programme, which is to target mainly the unemployed and those who have been retrenched, particularly older women who formerly worked in the EPZ sector and young labour market entrants, as well as those who would like to set up SMEs. The Government proposes to:

- tackle high female unemployment and low female earnings;
- radically improve the support framework for new entrepreneurs and SMEs;
- expand the range of financing instruments for micro enterprises and SMEs.

More specifically, the Government intends to implement the following measures:

- address the housing problem by making land available for social housing;
- provide public land at the disposal of small entrepreneurs on concessionary terms;
- set up a workfare programme emphasizing training, which will finance on-the-job training for both the unemployed and "recycled" workers;
- establish a special programme to help tackle the disproportionate rate of unemployed women. The Government intends to extend special and more flexible training facilities to unemployed women from the textile and garment sector.
- analyse the outcomes of public expenditure, including the Economic Empowerment Programme, on gender gaps and take remedial action, where necessary, implementing gender mainstreaming as a priority area;
- set up five tourist villages to provide opportunities for small tourism-related operators, such as shops, restaurants, and so on;
- provide SMEs with assistance for outsourcing to improve the products they supply to hotels and other sectors; and
- instigate a series of major measures to facilitate the establishment and operation of SMEs, including the setting up of an Empowerment Fund, which will provide new businesses with start-up capital.

One of the key supply-side constraints in the current Mauritian labour market is the low levels of education and technical training of its labour force. Although this was sufficient during the 1980s and 1990s when manufacturing was labour intensive requiring relatively low technology, the levels of knowledge and skills of the labour force no longer meet the medium- and long-term labour market aims of the country, particularly if it is to develop economic sectors such as ICT and off-shore financial services. Compared with some of the East Asian tigers, for example, Mauritius still lags far behind in terms of both the quality and quantity of qualified workers who can work in high-end production areas

and services, although it does fair better than the sub-Saharan African countries.²⁹ This is particularly true of most of the recently displaced workers, in particular, the older women. With below-average education and training levels, these women who once worked in the TC sector cannot easily adapt to the emerging labour market demand for skilled personnel, for example in ICT. They run the risk of becoming part of a new stratum of workers who will never be able to reinsert themselves into the labour market, despite their economic needs – a losing generation of workers who contributed to the country's export and economic growth at the end of the twentieth century but are unable to reap the benefits in the twenty-first century.

Furthermore, as mentioned in the previous chapter, there are also demand-side constraints: the distance to the key external markets, such as the EU and the United States; increasing international competition in the key export sectors of TC and sugar; and the lack of large markets in close proximity to the island, since the neighbouring southern African markets are still underdeveloped. There is also an environmental capacity limit to tourism development, as the country is committed to environmentally sustainable economic development.

Nonetheless, as seen above, the Government does intend to implement a wide range of ambitious socio-economic reforms and programmes. We should be able to see the impact of these measures on employment in few years, and, at the time of writing, the economy is on the way to recovering from the aftermath of the recent downturns, with a strong economic growth rate of 5 per cent forecast for 2007. In the meantime, it is hoped that the recently retrenched workers and the long-term unemployed will be able to find the economic means or social support to sustain themselves through the various measures extended by the Government. As previously mentioned, the recent downturn in the TC market has had a lopsided negative impact on female workers in the sector, who have disproportionately borne the brunt of the downside of globalization in the post-MFA and ATC era. The country is keen to sustain this industry, in particular counting on its capacity to produce high-end products. However, Mauritius' distance from its markets and the required delivery times, its relatively high labour costs and rigid business regulatory frameworks are seen as major comparative disadvantages in the international supply and production chain of the apparel and textile market.

With regard to the ongoing EU-ACP Sugar Protocol negotiations, although the sugar industry has already taken measures to modernize and/or diversify its product lines, the impact of abolishing guaranteed prices has already been felt, and the industry needs to prepare itself for further disruption: there will be negative consequences on the socio-economic development of the country, such as a loss in foreign exchange and the downsizing of enterprises. The latter will involve additional retrenchments, mostly of male workers, although the number should not be as high as in the EPZ sector.

4.2 Future policy implications

The Mauritian Government is not standing still – it has adopted a series of radical measures that have been laid out as a set of policies to reform the traditional economic sectors of TC and sugar, as well as the labour market. Yet there are policy lessons to be learned from the successful economic trajectory of the island economy of Mauritius.

As for the TC market, the Mauritian Government and the sectoral enterprises knew that the quota system protecting their export markets would expire at the end of 2004, and

²⁹ See S. Lall and G. Wignaraja: *Mauritius: Dynamising export competitiveness* (London, Commonwealth Secretariat, 1998) and P. Hein: *Options for migration policies in the long term development of Mauritius*, International Migration Papers No. 71 (Geneva, ILO, 2004).

that the sector would then have to start competing with other cheap labour countries, under the “quota free system of trade” of the apparel market. The 2005 United Nations Conference on Trade and Development (UNCTAD) report indicated that Mauritian apparel exports to the EU should fare better than exports to the US market, which largely depend on US trade policy towards poorer sub-Saharan countries. AGOA-qualifying countries will continue to benefit from the duty-free entry of their exports, under which Mauritius was allowed the special “third-country fabric” (source of origin restriction) rule, although only until 30 September 2007. There also remain some restrictions on Chinese imports to both the United States and the EU, which are due to be lifted soon – by the end of 2007 for the United States and by the end of 2008 for the EU. This could have additional negative consequences for countries such as Mauritius, which is already less cost-competitive, in particular in the US market.

The future potential of exports will, therefore, still largely depend on the outcomes of the trade negotiations pertaining both to sugar and other exports to the EU, and apparel exports to the United States. Tourism and related services are also another potential area for growth: the Government is investing in the development of human resources and hotels. It is hoped that some of those formerly employed in the EPZ sector will, after having undertaken relevant skills training, be absorbed into this sector.

In the past, the Mauritian economy – the financial sector, the development of SMEs and the labour market – was governed under rigid regulatory frameworks. As shown in the previous chapters of this paper, the Government of Mauritius intends to reform the economy and the labour market simultaneously.³⁰ Given the overall industrial and economic adjustments that the country needs to undertake in the post-MFA era, the Government has set itself an extremely challenging task.

Within this context, some guiding principles³¹ need to be kept in mind with respect to labour market reform if more productive and decent employment and income opportunities for all – that is decent work³² for all – are to be created.

Values and principles: Policy directions need to be guided by the principles of those ILO conventions that Mauritius has ratified. These include some of the core conventions on forced labour, child labour, freedom of association, as well as those that address equality of opportunity in employment and occupation, and equal remuneration for work of equal value. Mauritius has also ratified other conventions on part-time work and workers with family responsibilities, which can potentially create more favourable labour market frameworks for women workers.

Good quality economic growth: Secondly, although raising the rate of economic growth is important, the growth needs to be employment intensive. A job-creating economy requires: a regulatory framework and infrastructure conducive to

³⁰ Key policy challenges in the context of globalization before the end of the MFA were pointed out in an ILO series of reviews of country experiences. See R. Torres: *Studies on the social dimensions of globalization: Towards a socially sustainable world economy – An analysis of the social pillars of globalization* (Geneva, ILO, 2001), pp. 80-81.

³¹ ILO: *Implementing the Global Employment Agenda: Employment strategies in support of decent work, “Vision” Document* (Geneva, 2006).

³² Decent work is work undertaken in conditions of equity, freedom, security and human dignity (see ILO: *Decent work*, Geneva, 1999b).

investment; productive human capital; trade integration; and strong local institutions that are well governed.

Furthermore, in cases where a sector loses jobs, a specific policy could be formulated whereby incentives are given to other potentially labour-intensive economic sectors in which the displaced workers could be employed, such as in small manufacturing companies or in services.

However, in the current labour market scenario, this would not be that easy, given that a large majority of retrenched factory workers are low-skilled and low-educated older women. Macroeconomic and sectoral policy-making, therefore, needs to give due consideration to employment intensity of emerging economic sectors.

Distribution, equity and social inclusion: Ensuring equal access to employment, income opportunities and productive assets is a key to guaranteeing equitable labour market outcomes for all social groups. Equity employment policy means addressing all sources of discrimination in the labour market and in society at large, and putting emphasis on investing in people, especially the most vulnerable, in their education, skills training, lifelong learning, access to quality jobs, finance, health and safety, in order to encourage their entrepreneurial initiatives.

Similarly, social programmes must be seen not just as safety nets to protect consumption capacity or incomes but as investments in human capital. Social protection is a productive factor: it helps people cope with life's risks; it is a tool in the management of change; and it helps stabilize economies on occasions of economic downturns and adjustments. At the time of writing, the Government had announced a draft bill to establish a full unemployment insurance system for the first time in the country's history. This would certainly help to alleviate the economic difficulties of workers between jobs.

Governance, institutions and empowerment: To ensure that the socio-economic policies are fully implemented, it is important that a sound and conducive environment exists for social dialogue among the stakeholders, in particular the employers, workers and the Government. It is through social dialogue and by encouraging the participation, representation and empowerment of individuals and representative organizations that the processes and institutions which are needed to mobilize the social actors, manage conflict and promote social inclusion can be created and promoted. The social, legal and political empowerment of the people (the socio-economic actors) contributes to human development, and is thus not a result of economic growth but a way of promoting economic growth and wealth creation, and at the same time helping to achieve equity, social justice and a fairer globalization. This would also ensure that socio-economic development policies and programmes can be effectively implemented, which also applies as much to global issues as to national programmes and local initiatives. The role of the social partners is essential in ensuring that socio-economic policies, in particular those that have an impact on employment, are effectively implemented, monitored and evaluated.

5. Concluding remarks

The TC industry of Mauritius – one of the country's key export sectors – has taken a drastic downturn in recent years, in particular since the expiry of the MFA and the WTO's ATC in December 2004. Thus, traditional EPZ manufacturing has seen reductions both in total exports and in the level of employment. This has had a disproportionate impact on women workers, as they form a large majority of this sector's

workforce and are employed in a much narrower range of economic sectors and occupations than men. As a consequence, in the past few years the unemployment rate for women has been higher than that for men.

Mauritius, which has traditionally depended on external market access through preferential trade regimes under the MFA and the EU Sugar Protocol, both of which have now largely ended, will clearly have to develop new economic opportunities if the country is to see future economic and employment growth. In addition, high unemployment, in particular among the young and older women, poses an emerging challenge for the medium- and long-term socio-economic well-being of the population.

The Economic Empowerment Programme is targeting these two groups, while the Mauritian Government is implementing a set of ambitious social and economic reform policies that will have socio-economic implications. In order to continue its successful economic development trajectory, Mauritius needs to balance these measures to increase its economic efficiency, while at the same time ensuring that the wealth created will be equitably shared among its population – men, women and the young – and among all social groups. Under tremendous pressure of macroeconomic change under globalization, the island economy currently faces a tremendous challenge of turning the economy around, in order to sustain the past development achievement, while also boosting economic growth and creating decent and productive employment opportunities for all. It is hoped that with prospect of higher economic growth forecast for 2007 and beyond, the country will very well continue its success story of socioeconomic development in the post-MFA era.

Annex

Table A.1 GDP: sectoral growth rate over previous year, 1991/92-2005/06 (as a percentage)
(Financial year 2002/03–07/08)

	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03 ¹	03/04 ¹	04/05 ¹	05/06 ²
Agriculture, hunting, forestry and fishing	-1.2	6.6	-6.8	-4.7	6.0	6.3	2.2	0.6	-23.5	31.1	4.3	-14.9	3.2	3.7	-4.9
<i>Sugar cane</i>	-4.9	7.1	-15.0	-12.0	10.0	11.1	5.0	2.5	-43.9	64.5	9.9	-25.0	3.7	6.5	-9.2
<i>Other</i>	4.6	5.9	3.4	2.9	1.8	0.4	-1.8	-1.8	6.4	7.6	-1.3	-3.0	2.8	0.8	-0.1
Mining and quarrying	6.7	6.5	5.7	5.2	4.7	4.2	3.0	1.3	1.4	-2.0	-27.0	-31.9	0.7	-1.6	-1.2
Manufacturing	4.8	6.7	3.8	4.0	6.1	6.2	6.4	5.7	2.6	6.7	1.7	-1.9	0.1	-2.0	-3.2
<i>Sugar</i>	-1.7	8.2	-14.7	-12.0	10.5	12.3	10.0	2.5	-45.0	64.5	9.9	-25.0	3.7	6.5	-9.2
<i>EPZ products</i>	5.6	6.0	5.1	4.6	6.1	6.4	6.5	6.4	5.9	5.2	-1.0	-6.0	-6.4	-9.5	-8.3
<i>Other</i>	6.1	7.1	7.5	6.9	5.6	5.0	5.6	5.4	6.0	5.5	4.1	5.1	5.9	3.3	1.0
Electricity, gas and water	5.3	7.9	8.4	8.4	7.8	8.7	9.7	9.9	11.1	12.8	4.4	4.8	5.9	4.4	4.5
Construction	8.7	7.8	6.3	2.1	1.6	-0.9	0.9	8.6	9.0	7.1	5.8	8.4	5.0	-2.0	0.3
Wholesale & retail trade; repair of motor vehicles, motor cycles, personal and household goods	5.6	6.8	6.2	5.1	5.0	5.2	4.7	5.4	4.0	2.7	3.3	-1.2	0.1	5.4	4.9
<i>Wholesale and retail trade</i>	5.2	6.7	6.2	5.2	5.2	5.2	4.6	5.3	3.9	2.5	3.1	1.8	3.3	5.2	4.7
<i>Other</i>	15.2	9.7	4.8	1.1	-1.1	4.0	6.6	7.8	8.0	8.1	8.3	8.3	8.4	8.2	7.7
Hotels and restaurants	7.9	12.4	9.1	5.1	9.0	10.6	7.9	4.4	7.6	7.2	1.5	3.1	3.1	3.7	6.8
Transport, storage and communication	5.9	7.4	7.4	6.2	6.2	8.4	10.1	8.6	10.0	10.9	8.4	7.1	7.4	8.2	7.7
Financial intermediation	7.6	6.7	8.3	7.7	6.9	7.8	13.6	15.7	18.1	4.8	-1.4	8.9	7.7	5.9	7.1
<i>Insurance</i>	6.4	5.3	6.9	10.3	7.5	8.3	7.3	6.1	5.5	5.3	4.8	5.0	4.9	5.0	5.0
<i>Other</i>	8.2	7.3	8.8	7.1	6.4	7.5	16.9	20.3	23.4	4.7	-3.6	10.4	8.7	6.3	8.0
Real estate, renting and business activities	4.8	5.3	5.3	6.2	6.3	5.4	5.9	5.8	6.5	7.5	6.8	6.2	6.9	7.0	6.7
<i>Owner-occupied dwellings</i>	3.7	4.0	4.0	3.7	3.5	3.8	4.0	4.2	5.3	6.5	6.5	6.1	5.6	5.1	4.3

<i>Other</i>	6.1	7.6	7.9	10.5	11.2	7.7	8.3	7.7	7.9	8.7	7.0	6.4	8.2	9.0	9.0
Public administration and defence; compulsory social security	3.2	4.6	6.2	6.1	7.8	5.0	2.7	3.9	4.1	4.1	5.0	6.0	4.9	4.8	5.0
Education	4.9	7.2	7.6	4.9	1.5	2.8	5.5	5.5	7.4	6.3		5.5	5.6	6.2	5.3
Health and social work	6.7	11.0	9.4	3.8	0.2	1.8	5.9	6.7	6.5	5.7	7.4	8.0	7.1	7.3	6.9
Other community, social and personal service activities and private households with employed persons	13.6	8.1	6.4	8.2	8.6	8.4	7.2	7.0	6.7	5.8	6.2	6.4	6.9	7.8	8.0
FISIM	7.4	6.0	9.3	6.7	6.4	7.7	19.2	24.4	24.1	2.9	-3.1	8.5	3.3	3.4	7.5
GDP at basic prices	4.9	7.0	4.6	4.1	5.7	5.8	5.7	5.6	3.3	8.2	4.3	2.5	4.5	4.0	3.4
GDP at basic prices, excluding sugar	5.9	7.0	6.5	5.4	5.4	5.4	5.7	5.9	6.8	6.4	4.0	3.9	4.6	3.8	3.9
Taxes on products net of subsidies	1.4	5.9	13.2	-7.8	-5.3	9.3	7.0	7.2	9.9	-11.5	-9.1	8.9	5.9	8.7	6.8
GDP at market prices	4.4	6.9	5.8	2.4	4.4	6.2	5.9	5.8	4.1	5.6	2.7	3.2	4.7	4.6	3.8

¹ Revised. ² Forecast.

Source: Government of Mauritius, 2005b.

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