SADRN
SOUTHERN AFRICAN DEVELOPMENT RESEARCH NETWORK

POLICY BRIEF 11

Trade and poverty in Mauritius: Impact of European Union sugar reforms on the livelihood of sugar cane workers

INTRODUCTION

Sugar cane remains a major contributor to the Mauritian economy. In 2003 it was cultivated on 85% of the arable land by 28 000 planters, with most planters being smallholders. One in three rural families is directly or indirectly involved in the sugar industry. Annual sugar production averages 575 000 tonnes of which 507 000 tonnes are exported to the EU under the African Caribbean and Pacific (ACP)-European Union (EU) Sugar Protocol, the Special Preferential Sugar Agreement, which provides a guaranteed price well above the world market price. The share of the sugar industry in the Mauritian economy has dwindled from 25% of Gross Domestic Product (GDP) in the 1970s to about 3.5% in 2003, but still represents about 19% of foreign exchange earnings.

Over the last 30 years Mauritius has benefited from the EU Sugar Protocol with net sugar revenues estimated at €4 billion over this period. However, the success of the industry and its revenue contribution to socio-economic development is under threat due to EU sugar reform. These will do away with the fixed quantities and preferential rates enjoyed by ACP countries including Mauritius.

Under the new regime, EU prices for raw and processed sugars underwent a staged cut of up to 36% by October 2009 resulting in an annual loss to Mauritius of about €95 million. In an effort to address the impact, the government of Mauritius and the private sector devised the Multi-Annual Adaptation Strategy to restructure the sector and make it more competitive. Part of this is the Voluntary Retirement Scheme (VRS) aimed at reducing the labour force and labour costs. This study assesses the impact of the EU sugar reforms by assessing the effect on VRS beneficiaries.

RESEARCH FINDINGS

A survey was undertaken in which focus group discussions were held with beneficiaries from five sugar estates.

Compensation and land: Compensation related to pay and years of service, with 20.4% receiving Rs500 000-Rs600 000, 25.7% Rs400 000-500 000 and 19.2% Rs200 000-300 000 (US$1 is about 30 Mauritian rupees). Of the sample, 97% had not yet received the land they are entitled to. This was due to lengthy procedures and discussions to explore the possibility of smallholders and VRS beneficiaries pooling land for commercial purposes.

Income before and after VRS: Before VRS, just over 80% of sugar industry employees earned between Rs4000-Rs8000 a month. After VRS, a considerable percentage had moved to income brackets below Rs2000 or between Rs2000-Rs4000. A smaller percentage had increased their income to above Rs8000. This higher income was due to either support by family or casual work on the sugar estates that formerly employed them.

The information in this brief is extracted from a report prepared under the SADRN programme: *Trade and poverty in Mauritius: Impact of EU sugar reforms on the livelihood of sugar cane workers,* by Rojid Sawkut, Tandrayen Verena, Seetanah Boopen, Sunnassee Vinesh. Available on the TIPS/SADRN website www.tips.org.za/programme/sadrn

For more information contact TIPS, info@tips.org.za
Tel: +27 12 431 7900

Use of compensation: 87.7% of respondents saved part of their money with 30.8% of these saving all of it. None have invested their money, possibly because they have not yet received training that would enable them to set up small businesses. Most have used the money to finance weddings or their children's studies, others have built or refurbished houses and many are using it for daily expenses or to pay off past debts.

Livelihoods: About 39% of beneficiaries are now unemployed, but 32% of these are 60 or older. Of the remainder, 32.2% still work as labourers often doing casual work at the sugar estate where they were formerly employed and 5.7% are self-employed working in their own fields and selling their produce.

Gender and livelihoods: Most women in the sample were earning Rs4000-6000 before the VRS and none earned more than Rs6000. Following the scheme, 41% have an income of less than Rs4000, 28.2% earn Rs4000-6000 and 30.8% earn more than Rs6000. Almost all of the latter group get income from children or relatives. Before VRS most male respondents (71.4%) earned more than Rs6000. After the VRS a large percentage of the men dropped below Rs4000 with those earning above Rs6000 droping from 71.4% to 54.2%. Although men have lost more in earnings their average earnings are still higher than those of women.

Training: Secondary data showed that 2 248 sugar workers were trained in different fields, 32% in gardening, and smaller percentages in plumbing, cooking, driving, and masonry and carpentry. This survey showed that 38% were being trained, 75.4% of them men – mainly in gardening, which can help them get jobs, set up small businesses or work their plot of land. There does not seem to be a high correlation between training and level of income and none have moved to new jobs where they are using their training.

Analysis of gains and losses: The survey analyses what the financial situation of the 175 VRS beneficiaries would have been if they had continued working. The average compensation per beneficiary comes to Rs414 667. Taking their last salary before retirement and allowing for an 8% increase based on retirement at 60, if they had continued working, the average accumulated income would be Rs367 692. However the average compensation is inflated by compensation for supervisors and drivers. For labourers, gardeners and watchmen the package represents a net loss of income. The most affected the poorest, unskilled, with low literacy rates and living in rural areas with large families.

RECOMMENDATIONS

The EU sugar reform demonstrates the effects of preferential trading arrangements by developed countries which are not permanent and at their discretion to remove or maintain. Removal or modification of rules for accessing these preferences leads to social and economic challenges, which can be worse for least developing countries with limited resources to provide safety nets.

The Mauritian case provides lessons for developing country governments and the private sector on the negative impacts of preferences once they are removed or new measures are introduced, which restrict market access. It is recommended that the private sector and governments in developing countries review all products and identify those for which competitiveness in the export markets depends on preferences and initiate measures to sustain those markets in the long term.

The Mauritian case also provides lessons around mitigating measures such as training. If training is to be undertaken for those being laid off, it should be based on needs assessments so that it is targeted and not generalised, as in Mauritius where most of the training was in gardening.

Programmes need to be implemented to minimise failure for those retrenched who start their own businesses. The programme should also include Research and Development, to identify other uses of sugar and sugarcane, and identify potential products, projects and initiatives to encourage those retrenched to combine resources to invest in the viable ventures. These ventures could be for the domestic or export markets. The ACP countries affected can lobby the EU for assistance for funding to implement some of these programmes.

The Southern African Development Research Network (SADRN) was launched in 2007 as a broad-based policy and research network. It aims to increase the supply of policy-relevant research in the SADC region and strengthen evidence-based policy-making. The project is funded by the International Development Research Centre (IDRC)

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SADRN focuses on three themes: industrial policy, services sector development at the regional level and trade policy and its linkages to pro-poor growth. The Botswana Institute for Development and Policy Analysis is the host of the trade and pro-poor growth theme working group, Trade and Industrial Policy Strategies hosts the industrial policy theme and the University of Mauritius hosts the services sector

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