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Impact of globalization and macroeconomic change on
employment in Mauritius: what next in the post-MFA
era?

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ABSTRACT

**Impact of globalization and macroeconomic change on employment in
Mauritius: what next in the post-MFA era?**

By

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The development process of Mauritius, an island country of 1.2 million people, has been one of the most successful stories of positively benefiting from globalization through international trade. Mauritius has been successfully undergoing economic transformation, moving from an agricultural economy based on mono-culture sugar production to a more diversified economy through an introduction of light manufacturing industry of textile and garment in the Economic Processing Zones (EPZs) for the last 20 years. At the same time, the economy's high dependency on international trade in limited commodities has implied inherent vulnerability to external shocks, and posed a major challenge to its long term economic sustainability and employment security for both enterprises and workers in the relevant sectors.

The labour intensive manufacturing sector of textile and garment in the EPZ has absorbed an increasing number of women over many years. The sector has been the major private employer, particularly for women since the late seventies in Mauritius. In fact, this has been the major source of wage employment for them, partly due to limited alternative paid employment opportunities available to women in the Mauritian labour market. However, since the termination of Multi-Fibre Arrangement (MFA) under the WTO trade regimes at the end of December, 2004, the country has been undergoing some economic difficulties. Despite the long-expected termination of the quota system and the lead time for its termination, its effects on employment have been rather drastic for Mauritius in the recent years. A large number of workers, mostly women, have been retrenched in thousands from the EPZ sector, particularly since 2004.

Furthermore, the changes in the terms of trade for sugar of which price had been protected under the EU-ACP Sugar Protocol has also been negatively affecting not only the government revenues but also the overall economic growth, contributing to the diminishing trend in the total production and export. The country's annual GDP growth rate slowed down from 4.7 per cent in 2004 to 2.7 per cent in 2005. With major trade related downturns of the mainstay of the economy - sugar and more importantly, ready made garment, Mauritius is clearly now faced with a major challenge of turning the economy around from one based on low technology and labour intensive production towards higher technology and knowledge based and more value-added industries and services. This will also require an increasing number of more highly skilled workers, and the current labour supply and demand mismatch in the labour market, which particularly affects women, remains to be one of the major challenges for the country in the economic and structural adjustments in 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 retrenched no longer wish to go back to the same type of work, as they no longer consider working in the EPZ as attractive employment opportunity. Nor do they consider textile and garment sector as a growing sector, hence, they would rather work somewhere else. As a consequence, and also due to the overall cost increases, some companies have either relocated their production sites to other developing countries, or brought foreign migrant workers

mostly women from Asia. In the meantime, the overall unemployment rate has been increasing, particularly, since 2004 - the unemployment rate for women has been higher than for men in Mauritius, and the gap has been widening in the recent years.

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

The paper reviews the overall macroeconomic and labour market trends over the last ten years, in order to examine the impact of macroeconomic performance and economic growth on employment trends prior to and after the end of MFA. The paper also reviews the implications of macroeconomic and labour market policies for the labour market performance. Specific attention has been paid to gender differentials in the overall analysis of the data and impacts of macroeconomic change and policies, given that recent trade downturn in the textile and garment sector has had lopsided and substantial negative impact on women's employment and income.