UJ Sociology, Anthropology & Development Studies

W E D N E S D A Y S E M I N A R

Hosted by the Department of Sociology and the
Department of Anthropology & Development Studies

Meeting no 20/2010

To be held at 13h00 on Thursday, 12 August 2010,

in the Anthropology & Development Studies Seminar Room, DRing 506, Kingsway campus

Social policy development and global financial crisis in the open developing economies of Botswana and Mauritius

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Marianne Ulriksen

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Marianne S. Ulriksen, PhD
Post.Doc, Centre for Social Development in Africa
University of Johannesburg, South Africa
Email: mulriksen@uj.ac.za

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Abstract: It is highly disputed how open economies in a globalised world shape social policy development, more so what is the impact of the current financial crisis. From one perspective, it may be argued that globalisation and economic austerity force a dismantling of social policies. Alternatively, it may be proposed that open economies – facing greater volatility and risks, especially during the financial crisis – push for greater social protection. Using the examples of Botswana and Mauritius, two highly open middle-income countries with similar economic, institutional, and democratic attributes, this paper argues that, in fact, both arguments may be correct. The impact of external influences such as globalisation and economic crisis depends on the character of the welfare system already in place as well as the organised interests underpinning it. In Botswana a main social policy thrust is to increase efficiency in spending, whereas issues of job security and compensation are more prevalent in Mauritius. The finding implies that divergence across welfare systems persists and that, even in crisis, countries tend to use tried social policy solutions rather than re-inventing the role of social policies in the political economy.

Introduction

> "For social security systems […] the recent period [of economic crisis] has proved to be a double-edged sword. The crisis has boosted social security's status, not least in its role as a social buffer and economic stabilizer. But the crisis has also underlined that increased social spending on benefits, especially when this accompanies reduced income from contributions and investments, has reduced the latitude for maintaining, indeed increasing, levels of social spending required in the future" (McKinnon, 2010: 2-3).

Over the last decades of increased globalisation academics have researched and debated the impact of economic integration and trade openness on social policy development, with contradictory arguments not unlike those related to the effects of economic crisis as cited above. Both in the OECD and the Global South there is an *efficiency* literature whose proponents argue that globalisation forces countries to retrench social policies – seeing the side of the sword that call for sustainability and effectiveness in spending. Equally, there is a *compensation* literature which suggests that increased openness, and even more so economic crisis, push countries to expand social policies so as to compensate for (temporary) hardships. However, this presumed convergence of either 'a race to the bottom' or 'catching up' may be too simplified. Rather, the effects of globalisation and the recent global economic crisis may depend on some intermediate institutional structures which cause political actors to pursue different social policy strategies despite a similar external stimulus.

This article scrutinises the suggestive argument by Castles (2010: 99) that "the consequences of emergency events are likely to be mediated by the type of welfare state and/or political economy in which they occur". That is, I argue that the impact of globalisation, and specifically the recent economic crisis, on social policies depends on the character of the welfare system already in place. As such, I follow a recent *it depends* literature in the globalisation-social policy debate. Unlike such mostly large-N contributions, however, I conduct a comparative case study analysis in order to explore the manners in which the effects of globalisation and crisis push policies in different directions due to given institutional and political set-ups. This approach may enlarge our theoretical understanding of social policy development in an increasingly integrated world. Further, I touch new empirical ground by studying social policy reactions to globalisation and economic crisis in two developing countries with very open economies, namely Botswana and Mauritius.

The outline of the article is as follows. First, I present the globalisation–social policy debate; this debate is a critical starting point because even though the recent economic crisis put extra pressure on social policies it arguably does so in a similar manner to globalisation – on the hand pushing for spending cuts and on the other calling for extra protection. Subsequently, I elaborate on the theoretical arguments of how existing welfare systems cause countries to choose different social policy strategies; this discussion also justifies the use of case studies as a means to understand *how* similar external pressures can lead to different social policy outcomes. Second, I introduce the two cases of Botswana and Mauritius and discuss how they are well suited for a comparison. Next, I analyse how globalisation and economic crisis of recent years have impacted on social policy changes in the two countries. The article ends with a comparison of the two countries and a discussion of the implication of the findings.

Globalisation, crisis and social policy development: The debate

Globalisation is defined simply as increased economic integration and, as common in most literature (Brady et al., 2005: 928), may be reflected by various indicators such as trade openness, volatility in trade, and a competitive and free market economy. It is generally agreed that globalisation has intensified during recent decades thereby forcing many countries to open their economies. This push for economic integration creates expanding trade opportunities and business interaction but also, arguably, limits domestic policy choices and makes countries vulnerable to global market fluctuations. Given that globalisation is seen to impact on economies in both positive and negative ways, it may not surprise that the impact of globalisation on social policies – such as social transfers and social services – is equally disputed.

The earlier literature on the effects of economic openness (rather then specifically globalisation) on social policy followed a compensation argument. Here it was suggested that open economies would have higher levels of social policy spending largely because exposure to external risk in concentrated industries push labour organisations to demand social protection (Cameron, 1978). The positive effects of globalisation and trade openness on social spending have been confirmed by other studies of OECD (Adserà & Boix, 2002; Burgoon, 2001). Rodrik (1998) found positive and robust correlations between openness and government spending for both low- and high-income countries; and Mares' (2005)

study of more than 100 countries suggest that higher volatility in trade and concentration of exports is correlated to social policy schemes with wider coverage across occupational groups.

This compensation argument is disputed by scholars of the efficiency literature, who maintain that increased global competition force governments to curtail social spending so as to decrease the costs of labour. As such, there is a negative association between increased openness and social spending (Busemeyer, 2009; Benarroch & Pandey, 2008). Scholars of the Global South also find negative associations between globalisation and social spending. Here with argument that labour in developing countries – unlike those in developed countries – are insufficiently organised and therefore unable to prevent the dismantling of welfare policies (Rudra, 2002); or, alternatively, that internationally inspired volatility and income shocks undercuts the capacity of governments in developing countries to smooth consumption across business cycles and hence lead to social spending cuts (Wibbels, 2006).

Adding to the confusion, other scholars again use various indicators of globalisation and welfare states and find that in the OECD globalisation does not clearly cause social policy expansion, reduction or convergence (Brady et al., 2005). This conclusion trigger Brady and his colleagues to call for case studies to "examine how […] actors filter globalisation pressures and make globalisation claims" (Ibid.: 945).

That the relationship between globalisation and social policies is ambiguous, is maybe because "it depends"? Certainly, a third strand of literature is creeping to the fore in both North and South. For instance, Jensen (2010) shows in a study of OECD countries that globalisation only has a negative impact on social spending in liberal market economies (LMEs) but not in coordinated market economies (CMEs). The argument is related to the role of employers and employees, where employers in CMEs are dependent on workers' willingness to invest in specific skills and therefore are more supportive of social spending which reduces the risks of workers, whereas employers in LMEs are less dependent on a specific skills working force and therefore less supportive of social spending.

Other potential intermediate variables – and explanations to the varying social policy effects of globalisation – relate to the political system. Thus, authoritarian regimes are arguably more sensitive to pressures of globalisation than democratic regimes where po-

litical competition makes governments more responsive and therefore less likely to cut social spending (Rudra & Haggard, 2005). A related argument is that the effects of globalisation are mediated by domestic political institutions such as the electoral systems, number of veto players, and centralisation of government (Dion, 2008). Finally, while Mares (2005) found a positive relationship between globalisation indicators and social coverage, the existence of such social protection schemes is conditional on the presence of strong state institutions.

Certainly, these contributions cast interesting and valuable perspectives to the globalisation-social policy nexus. However, as with most of the compensation and efficiency literature, these scholars too rely on statistical cross-country analyses. Such research strategies enable the scholar to generalise the findings across many countries and control easily for competing explanations, but the disadvantages are also well-known. When using statistical analyses the scholars are forced to use relatively simplified proxies of often complex phenomena – even more so when studying developing countries where data bases are less elaborate. For instance, indicators of social policy developments usually boils down to measures of overall social spending even though such figures may not reveal social policy changes with respect to for example eligibility and extent of coverage; and the important theoretical contribution of the intermediate effect of institutions is tested with simplified measures of for instance democracy vs. authoritarianism or the number of parties in government. Furthermore, the mere evidence of co-variation forces the researcher to make important theoretical assumptions about the political process through which globalisation affects the social policy framework; there is in fact a genuine risk that lack of contextual information can undermine the validity of statistical analyses (Kreuzer, 2010). As suggested by Brady and his colleagues, there is a need for case studies which explore more in-depth how and why nations may react differently to otherwise similar globalisation pressures characterised by increased economic integration and subsequent economic crisis.

Specifically, this article addresses the following question: How does economic crisis in an increasingly global world affect social policy choices in countries with different welfare systems? The welfare system is understood as the broader economic and social structures in which social policies are embedded and may be equated to Esping-Andersen's

understanding of the welfare state (1990). However, as developing countries are generally in the process of social policy expansion and have substantially different levels of development to their Western counterparts, the term welfare system may more appropriately capture the social and economic context of social policies.

The main hypothesis is simply that the welfare system makes social policy choices path dependent. In this sense, the welfare system with its institutions, traditions and even underlying philosophy as it has developed (consciously or not) confines the policy choices that are perceived to be available to decision makers. The rationale for this argument stems in the main from the path dependence literature (Pierson, 1994). Basically, once social policies are in place they are hard to revert as the policies are strongly supported by the beneficiaries who will object to any down-scaling. Related, the vast set of institutional routines which have been established over the years creates a certain institutional inertia as also the providers of social policies have interests in policy continuations.

The argument is thus that the character of the welfare system affects social policy reactions to globalisation and economic crisis. To go one step deeper, power relations and political bargaining between various influential political, economic, and social groups shape the development of welfare systems over time and also more immediate policy choices (Ulriksen, 2010). As such actors taking part in the political decision-making processes may affect social policy choices. However, in line with the path dependent argument, the welfare system has also created institutional attributes and even developed a public perception of the role of social policies in the economy, which confines the actors in their policy reactions.

One may imagine that globalisation, and especially an economic crisis, can motivate an overhaul of the social policy framework. Not only because globalisation and crisis put pressure on the economy, but also because these external pressures may change the power relations of different influential stakeholders; certainly it may be that employers' arguments of needs to reduce labour costs in order to stay competitive are given more weight in such a climate (Jensen, 2010). More radically, the notion of crisis put pressure on decision-makers "to do something". Even in this potential climate of change, however, dramatically new policy directions seem unlikely. Because as decision-makers "wonder what to do" (Heclo, 1974: 305), they may find it easier to continue with well-known and tried

policies, which means that any social policy reactions to globalisation and crisis are likely to, mainly, result from previous experiences and already available policy instruments (Ibid.; Castles, 2010). The point is then not that there will be no changes in social policies, but merely that they will be confined within a certain array of policy options and aligned to the interests of the main influential groups who have also in the past defined the social policy path.

This article does not necessarily dispute the previously discussed intermediate impact of state capacity, democracy and political institutions on social policy directions in global economies. Nevertheless, these factors may rather be of a more indirect nature as they certainly do shape the character of welfare system (Haggard & Kaufman, 2008; De Swaan, 1988; Castles, 1998). Be that as it may, the focus here is to study how different welfare systems may cause different social policy reactions to globalisation and therefore I seek to control for these factors in the comparative study of Botswana and Mauritius.

Before I go on to the two cases it may be worth pondering over potential differences between developed and developing countries regarding the impact of globalisation and economic crisis as well as the institutionalisation of welfare systems. On the one hand, it has been suggested that globalisation hit developing countries harder as these countries are vulnerable to market fluctuations, already at a disadvantage in the Western dominated global market, and are still establishing their welfare systems (Hill, 2006: 276-78). On the other hand, it appears that the recent economic crisis may not have been so severe in the South compared to OECD countries, at least as regards immediate financial impacts on funds and assets (Orton, 2010). Hence, the extent to which globalisation and crisis impact on countries at different developmental levels may vary. Even so, the nature of this impact may be fairly similar in that there are pressures to deal with potential social costs and to create competitive economies.

Because welfare systems in developing countries are less well institutionalised compared to the welfare states in OECD countries, it may be easier to change social policies in the South. Pierson argues that because the social policy framework is less extensive, the supporters of wide-ranging social provisions are typically much weaker and the social policy system less deeply embedded in domestic social arrangements. For that reason the path dependent effects are likely to be much more limited (Pierson, 2002). This article then

brings a hard test to the hypothesis that the effects of globalisation on social policies are path dependent – also in developing countries. As we shall see, the welfare systems of Botswana and Mauritius shape the way decision makers react to globalisation and the recent global economic crisis consequently leading the countries down (continuous) diverging social policy paths.

Studying the open economies of Botswana and Mauritius

A comparable case study analysis offers a much needed opportunity to probe into the political processes which shape the effects of globalisation and crisis on social policy development. As such, this study complements the statistical analyses which suggest that the relationship between globalisation and social policies is dependent on intermediate institutional and political factors. The clear advantage of the case study analysis is that I can observe more complex variables and hence ensure stronger internal validity; at the same time the exploration of political debates, arguments, and social policy reactions to globalisation and crisis allow me to move somewhat beyond mere co-variation. Further, as the two cases are similar on most of the relevant competing explanations to social policy development, the effects of different welfare systems are isolated and the findings therefore of broader relevance. In the following I elaborate on the important similarities and differences between Botswana and Mauritius and I end the section with hypothesising how the two countries, given their different welfare systems, are expected to react to globalisation and, particularly, the recent economic crisis.

Botswana and Mauritius have separately been dubbed as rare miracles on the African continent (Samatar, 1999; Acemoglu et al., 2001; Miles, 1999; Subramanian & Roy, 2003); and certainly, on many developmental parameters the two countries stand out in a similar manner. Botswana and Mauritius are equally wealthy with GDP per capita well above US$ 12,000 and among the very few African nations classified as upper-middle-income countries (UNDP, 2007). Their state capacity have been praised and on governance indicators measuring aspects such as voice and accountability, government effectiveness, rule of law, control of corruption, political stability, and regulatory quality the two countries are constantly in the top five (Kaufman et al., 2009). Botswana and Mauritius are also democratically stable countries with a long history of free and fair elections and high scores on most aspects of democracy (though political rights in Botswana has recently de-

clined due to falling transparency and accountability in the executive branch under President Khama) (The Economist, 2008; Freedom House, 2010).

Geographically the two countries are quite distinct in that Mauritius is a small island in the Indian Ocean, whereas Botswana is a huge land-locked country embracing most of the Kalahari Desert. Nonetheless, the two countries both have small populations and minute market sizes resulting in very open economies (Alesina & Wacziarg, 1998). In fact, in terms of trade openness (imports and exports as a share of GDP) Botswana and Mauritius were much more open than the average of sub-Saharan Africa nations as well as of middle-income countries in both 1990 and 2005 (UNDP, 2007). Economically both countries have focused on ensuring economic freedom and creating competitive markets during the recent decade of increased globalisation. Hence, both countries have changed their taxation system to ensure advantageous taxes for businesses and instead increased indirect taxation (such as VAT) on the population (Ulriksen, 2010: 199). Both have been concerned with attracting business and foreign direct investments such that according to the World Bank (2009) Mauritius is the best and Botswana the third best countries in Africa to do business in. Equally, Botswana and Mauritius are the only two 'mostly free' economies in Africa when measured on such parameters as business, trade, fiscal, monetary, investment, financial and labour freedoms (Index of Economic Freedom, 2010).

Given the high level of economic openness in Botswana and Mauritius already in the early 1990s and the similar economic focus to strengthen openness and competiveness, one could expect social policies in the two countries to be somewhat similar – either minimal in accordance with the efficiency argument or generous from a compensation perspective. However, the social policy frameworks and the welfare systems in which they are embedded are in fact remarkably distinct. As we shall see in the next section, so divergent are the welfare systems in the early to mid-2000s that it affects the deviating social policy choices taken by the two countries during the recent period of ever increasing globalisation and then economic crisis.

From a social policy perspective, Botswana and Mauritius have focused greatly on expanding human capital – that is, social services as of the mid-2000s are characterised by universal access to education and health, and both countries have prioritised spending on these services as is also evident in Table 1 below. The main distinction of the social policy

frameworks of the two countries concerns benefits and transfers; maybe not surprising as countries tend to vary more on social transfers than on social services (Castles, 2008; Dion, 2008). Evidently, whereas Mauritius spent about one fifth of government expenditures on social welfare policies like pension, social security and other social provisions, such policies amounted to a meagre one to three percent in Botswana. In fact, Botswana has no national social security legislation and in general the social provisions in place are means-tested (such as the destitution policy) and meagre (even for the universal pension scheme). Mauritius also has a number of means-tested programmes aimed at reaching vulnerable groups, but in general social security policies are more elaborate. Not only does Mauritius have an unemployment scheme but the universal pension is more generous than in Botswana and is complemented by a well-developed contributory scheme (Nthomang, 2007; Bunwaree, 2007).

Table 1: Government expenditures in percentages, budget year 2001/02 and 2004/05

	Botswana		**Mauritius**	
	2001/02	2004/05	2001/02	2004/05
General services, incl. defence	27	27	17	17
Social services	43	46	55	52
Education	*25*	*24*	*14*	*15*
Health	*6*	*12*	*9*	*9*
Social welfare	*3*	*1*	*20*	*20*
Housing	*6*	*6*	*10*	*7*
Other community, social services	*3*	*3*	*1*	*1*
Economic services	20	15	11	9
Transfers	11	12	17	22
Total	**100**	**100**	**100**	**100**

Source: Bank of Botswana; Ministry of Finance and Economic Empowerment, Mauritius

The different priorities given to social security protection and redistributive social benefits are also reflected in the general welfare systems. In Mauritius social and economic policies have been considered as complementary and efforts at social and economic development have been pursued through purposeful economic transformation aimed at creating full employment. The development of the welfare system has in the main been forged through

compromises between labour, small farmers and the business sector. Such is the character of the welfare system which has developed in Mauritius that the population consider access to social services and benefits as a right to be bestowed to all Mauritians (Bunwaree, 2007; Sandbrook et al., 2007).

In Botswana, to the contrary, policy choices have been directed by a strong alliance, even fusion of, the economic and political elite with only occasional concern for the poor. Policies aimed at economic growth have generally taken preference over social policies which are seen as secondary; economic growth is considered as the main vehicle to create employment and ensure well-being. Like Mauritius, Botswana has experienced decades of high economic growth; however, this diamond-led growth has not been complemented by a modernisation of the economy which is still dominated by traditional beef rearing and a small manufacturing sector. Arguably, social policies, particularly redistributive benefits, are merely regarded as safety nets to be targeted at the poor and vulnerable; this is so, as middle-income groups with employment in the formal sector have little interest in redistributive policies as they are already insured through their jobs and as low-income groups generally have little influence over policy making (Ulriksen, 2010; Hillbom, 2008).

Given these overall differences in the welfare systems and the political alliances supporting them, it seems unlikely that the countries – even with the current economic crisis – will converge in their social policy reactions. Rather, the divergence is expected to remain. To the extent that globalisation and economic crisis force the countries to change any social policies the options will be limited to choices which fit the character of the welfare system already in place. In fact, turning to the two sides of the globalisation-social policy literature, it is likely that the efficiency argument will prevail in Botswana – reactions to economic pressures will tend towards ensuring economic growth and making minimal social policies more efficient. In Mauritius, on the other hand, concerns for compensation and efforts at transforming the economy towards increased employment in a changing economic environment may feature prominently.

Reactions to globalisation and economic crisis in Botswana and Mauritius

In this section I explore how globalisation and economic crisis have impacted on social policies in Botswana and Mauritius from the mid-2000s onwards. Through the analysis of key policy documents and debates I trace recent changes to social policies and the political

arguments related hereto, and I consider how such developments correspond to previous policies and are aligned to the dominating political interests.

Botswana: "We are just juggling with what we are used to"

A defining feature of Botswana's social policy framework as of the mid-2000s was as mentioned a strong priority on human capital investment such as health, housing and especially education. Less priority was given to social protection benefits which are generally considered as social safety nets aimed at the poor and vulnerable; such safety nets include a universal old-age pension, the national policy on destitute persons (destitute policy), war veterans pension, feeding schemes for school-going children and vulnerable groups. The feeding schemes have been in existence since independence in 1966 and have throughout been complemented by labour based drought relief programmes, where able-bodied persons do manual work to earn a supplementary income during years of drought. The destitute persons policy have been in existence since 1980, whereas the old-age pension was introduced in 1996 and the war veteran pension in 1998 (Seleka et al., 2007).

Up to the mid-2000s the main changes to the social policy framework were a revision of the destitute policy in 2002 and the introduction of the National Strategy for Poverty Reduction (NSPR) in 2003. The objectives of the destitute policy remained unchanged: "to ensure that government provides minimum assistance to the genuine destitute persons" (Republic of Botswana, 2002: 2) and the main new invention was a small cash allowance on top of the food basket. The NSPR may be considered as an attempt to improve coordination and implementation of existing programmes and fall within the social policy thinking of the established welfare system: to stimulate economic growth and expand employment opportunities, provide social safety nets to the most vulnerable and only as a last resort (Republic of Botswana, 2003).

Policy debates during the last five years have been dominated by concerns of improving international competitiveness and ensuring efficiency and sustainability in social spending; and more dramatically so as the impacts of the global economic crisis were felt – which tightened the public budget, but also threatened living standards and jeopardised already high levels of unemployment. Despite the realisation that "we must find innovative solutions that are consistent with the changed environment" (Republic of Botswana, 2010: 2) most social policy reactions are in line with the established welfare system and the

dominant political interests underpinning it. I discuss three main social policy 'changes' within the last five years: changes to funding of education, revision of social safety nets, and employment creation programmes.

After 20 years of free secondary schooling the BDP Government of Botswana re-introduced school fees, or "cost sharing", with effect from January 2006; cost sharing at primary level was not being introduced "at this stage". BDP ministers argued that this step was necessary due to "sluggish economic growth, resulting from turbulent global economic conditions", and that the government therefore had found it necessary to identify "equitable and sustainable methods of cost recovery" (Hansard, no.147: 212-13). This policy initiative was highly controversial and criticised even by BDP backbenchers who argued that "the reintroduction of school fees hurt the poor people most" (Monitor 7 April 2008). Despite criticism cost sharing for secondary schooling has remained in place, though two years after its introduction the government introduced a threshold policy whereby parents with income below a certain level were exempted from paying school fees (Ibid.; Sunday Standard 6-12 April 2008).

At first, the concept of cost sharing in education appears as a move away from a welfare system 'tradition' of universal access to social services. However, in a period of perceived economic austerity the *re*-introduction of school fees was already a tried and tested policy. The concept of cost-sharing also fits well with the dominating interests of the political and economic elite as well as a growing middle class who for the most parts already turn to private secondary education for their children and may be less fond of an increase in general taxation as an alternative method of fund raising (Ulriksen, 2010).

Around 2006 the BDP government initially seemed satisfied that "the existing programmes and social safety nets continue to make the desired impact on poverty" (Republic of Botswana, 2006:11). However, during the next year there was a concern as to how well such social safety nets actually target the poor and a review of all social safety net programmes was conducted (Seleka et al., 2007). The report concluded that "there is a need to ensure policy sustainability and better pro-poor targeting" (Ibid.: xx). The government accepted all recommendations related to introducing procedural and policy refinements, but came short of introducing a means-test for the old-age pension which was otherwise recommended (Republic of Botswana, 2007).

In the last two to three years, as the diamond-dependent economy has come under pressure, the government has emphasised the need to transform the role of the public sector in the economy, focusing on efficient and sustainable ways of delivering public services. As such a public expenditure review was conducted in collaboration with the World Bank. Concurrently, in August 2008 the destitute policy was reviewed again as the government found that "the increasing number of beneficiaries is economically unsustainable" and that many benefiting from such social programmes are not eligible for such assistance. Hence a new review was going to ensure that only eligible people benefit from the destitute programme and that all able-bodied destitute are de-registered from the programme and enrolled in *Ipelegeng* (see below) on a permanent basis (Republic of Botswana, 2010). From a social protection perspective then, the recent years of economic crisis, unemployment and rising social costs have caused the BDP government to ensure that social safety nets are better targeted, focused and sustainable.

Coinciding with the recent review of the destitute policy, the government made the existing Labour Intensive Public Works Programme (formerly the Drought Relief Programme) a permanent feature in July 2008, also called the Ipelegeng programme (Republic of Botswana, 2009). Though presented as a new intervention, the Ipelegeng is still about creating temporary employment so that poor, but able-bodied, can earn a supplementary income. Hence, the jobs are not permanent and the income is below the already low minimum wages. The only main difference is that the programme is no longer drought related and has received a massive infusion of cash (Ibid.; Botswana Gazette, 8 December 2009).

Even though the Ipelegeng seems mainly to be considered as a social safety net rather than a job creation programme (Daily News, 19 February 2010), the programme "cumulatively employed 234,462 people" on a rotational basis from April 2009 to February 2010 (Republic of Botsawna, 2010). This is somewhat more than before the public works programme became permanent with for example 180,000 employed in 2007, almost 110,000 in 2006, and 120,000 in the 2003/04 drought period (Ulriksen, 2010: 157; Republic of Botswana, 2007). Hence, it may seem that the government has used an existing programme to reach a larger segment of the population in a period of economic difficulties; as in the past, however, this is not a tool that creates permanent jobs, transform the economic sectors, or provide the vulnerable with a stable source of income security; unemployment

levels at around 20 percent, high poverty and inequality rates, and lack of economic diversification are still features of the Botswana economy.

While Ipelegeng may be considered as an attempt, together with the safety nets, "to support those who cannot afford basic necessities" (Republic of Botswana, 2010: 25), the government of Botswana has increasingly been concerned with cutting public spending and making social policies more efficient and sustainable. There appears to have been no focus on social compensation for the unemployed and little committed efforts towards the creation, or at least saving, of formal, permanent jobs – for instance, reduced government spending negatively affects employment in the construction sector which could otherwise buttress the economy (Botswana Gazette, 18 February 2010). The government seems keen to "find strategies to resume rapid economic growth" and "to transform this economy into one which is globally competitive, more diversified, and resilient to external shocks, such as the recent global crisis" (Ibid.:1). However, new interventions are lacking – both as regards the priority of economic growth as well as social policy programmes – instead, in the words of BDP parliamentarian Tawana Moremi: "There is nothing innovative that we have done as a government, we are just juggling with what we are used to" (Daily News, 28 February 2010).

Mauritius: "La priorité des priorités of this government is to save jobs"

The range of social and economic policies – which characterises the welfare system in Mauritius by the mid-2000s – were mainly introduced and/or extended during the period from round independence in 1968 through to the early 1980s. The main policy initiative as regards social transfers was the National Pensions Act in 1976. It built on the non-contributory pension scheme already in place such that it was extended to also include widows under 60, orphans and disabled – the inclusion of non-aged in the pension scheme is something quite unique (Willmore, 2006). Furthermore, the universal pension was complimented by a contributory earnings-related pension scheme to include all employees earning above a minimum level. Due to relatively high levels of unemployment, there was still some pressure for payment of unemployment benefits in the 1970s. In 1983, an Unemployment Hardship Relief Scheme was introduced, and while it is strictly targeted, any pressures for further expansion are likely to have dwindled thereafter due to the dramatic increase in employment during the 1980s to near full employment. Primary education, al-

ready free at independence, was made compulsory in the early 1970s and secondary education became free in 1976. Expenditures on social transfers increased in this period and included payments of pensions, relief grants and the family allowance introduced in 1962. It may also be added that the government spent substantial amounts on subsidising food products thereby keeping down living expenses (Mootoosamy, 1981; Willmore, 2003; Bundoo, 2006; Bunwaree, 2007).

In the following two decades there were few changes to the social policy framework despite periods of structural adjustments, tax reforms and increasing openness to adapt to changing global markets (Ulriksen, 2010). By the mid-2000s the Mauritian economy was under pressure due to the triple shock of increased competition and loss of preferences on the international textile market, changes in the EU sugar protocol and cut in sugar prices – both major exports markets – as well as high oil prices. Public finances furthermore deteriorated and unemployment rose to the (very high for Mauritius) peak at around 10 percent in 2005 (AfDB, 2006; Republic of Mauritius 2007). Coinciding with these events, there was a change of government in 2005. The new government embarked on bold economic reforms to turn around the economic situation (US Embassy, 2008), and in this sense the perception of crisis in Mauritius preceded the global economic recession. Certainly, the new government embraced changes to create an even more open and competitive platform that is fully integrated in the global economy, something that the country has been quite successful at as we saw earlier. Even so, from a social policy perspective, strategies followed the well-known goals of full employment and compensation with emphasis on the complementary role of social and economic policies; overall the social policy framework remained in place with a strong pension system, poverty alleviating safety nets, and even continued subsidies of some essential commodities (Republic of Mauritius, 2008). The two most interesting developments from a social policy perspective, on which we shall focus, are attempted changes to the universal pension scheme and the introduction of the Employment Rights Bill.

Given economic austerity in the mid-2000s there were some concerns about financial sustainability of social policies and efficiency in public spending, and in August 2004 the then government imposed an income test on the basic retirement pension for the third time in Mauritian history. As with the previous experiences, means-test on pension turned

out to be only a temporary measure and came with high political costs. Not only was the income test hugely unpopular among beneficiaries and others who considered this as a move away from general social rights and as a tool associated with stigma; targeting – despite promises of better pensions for needy beneficiaries – also created considerable problems for citizens and administration alike in fulfilling the requirements. In the elections in 2005 the incumbent government lost and the new leading coalition quickly implemented two of its electoral promises – free public transport to pensioners and students and the re-establishment of the universal pension to "end the humiliation previously imposed on pensioners" (Government of Mauritius cited in Willmore, 2006: 73; AfDB, 2006; ISSA, 2008).

It may be contended that fulfilling such electoral promises were not exactly the way to reduce budget deficits and improve the public finance situation (AfDB, 2006). Clearly however, the public were in no mood to accept social spending cuts even in a period of financial difficulty (Bunwaree, 2007). The current government have shown apprehension regarding the financial sustainability of various pension schemes which, in the main, has led them to revisit the retirement age. As such the National Pension Act was to be amended to align retirement age in the private and public sectors and to gradually increase the pension age to 65. Nevertheless, "in view of the pressure on purchasing power of pensioners due to food inflation, Government will not align the Basic Retirement Pension with retirement age and will continue to pay this to those aged 60 and above" (Republic of Mauritius, 2008: 45).

The main policy intervention of the new government is the Employment Rights Bill which came into force early 2009; and while it has sought to reform the labour market and liberalise the economy, it appears to still strike a balanced compromise between labourers and business by compensating workers in lieu of increased demands of flexibility.

Due to relatively high unemployment in the mid-2000s and yet many vacancies in new economic sectors the government identified a need to do away with "labour laws that have been biased on protecting jobs rather than protection workers, on protection the rights of the employed and overlooking the rights of the unemployed" (Republic of Mauritius, 2006: 12). The government argued further that other countries which liberalised the labour market were more successful at creating jobs and had lower unemployment (Ibid.).

The ILO assisted the government in reviewing the Bill with the aim of increasing the flexibility and mobility of workers by revising and consolidating laws related to contract of employment, hours of work, payment of remuneration and other basic terms and conditions of employment. The Bill was not particularly popular with trade unions who feared that the increasing flexibility would come at the expense of decent work (US Embassy, 2008; Afrol News 2 September 2008). Nonetheless, the Bill also includes a workfare programme which by focusing on retraining and skills development aims to assist in the transition of workers from sugar, textile and other activities suffering from increased global competition to other higher value added activities with better paying jobs. Specifically, the programme also emphasises the retraining of unemployed women who traditionally have been employed in the textile export sector; for instance by giving them opportunities of on-the-job-training, and – interestingly also – facilities to take care of children so that the women are able to acquire new skills (Republic of Mauritius, 2006). Any unemployed worker who sign up for the workfare programme is furthermore entitled to Transition Unemployment Benefits which provides support to laid-off workers for a reasonable period of time (Ministry of Labour, 2008).

The increase in labour market flexibility has possibly favoured employers more directly than employees who are now less well protected in a specific job position; causing also the opposition to criticise the bill. Further, the leader of the opposition argues that employers have been favoured during the recent economic crisis as firms received stimulus packages to ride off the worse of the crisis whilst employees are still expected to contribute one percent of their salary to the financing of the Workfare Programme (Parliamentary Debate, March 2009). As discussed in the theoretical sector it may be that the bargaining power has shifted somewhat in favour of employers in an increasing globalised market. Even so, the government of Mauritius contends that not only do employers as well as the government equally contribute to the workfare programme, the situation of laid off workers due to recent economic turmoil would also have been substantially worse had it not been for this programme and the opportunities it gives to make available some income security: "It is thus fortunate that the [Bill] makes provision for innovative measures such as the Workfare Programme which provides, to some extent, a safety net to those workers

in the affected sectors who would anyway, have lost their jobs as a consequence of this global financial crisis" (Ibid.).

The Employment Rights Bill may be considered as a new policy intervention; shifting the main benefits and hence power resources to the employers at the expense of workers. Even so, the objectives are much the same as in the past – transforming the economic sectors with the purpose of creating full employment whilst ensuring reasonable compensation and new opportunities for those who are (temporally) outside the job market. In budget speeches there are concerns of financial sustainability and efficiency in public spending, but the dominating concern of both the current and the previous governments relates to full employment growth – alternatively called inclusive growth – where "social progress and wealth creation get the same right of way" (Republic of Mauritius, 2009: 34; Republic of Mauritius, 2005). Hence, in these recent periods of economic difficulties the Minister of Finance and Economic Empowerment, Dr Sithanen, maintains that "La priorité des priorités of this government is to save jobs"(Hansard No.5 of 2009: 11).

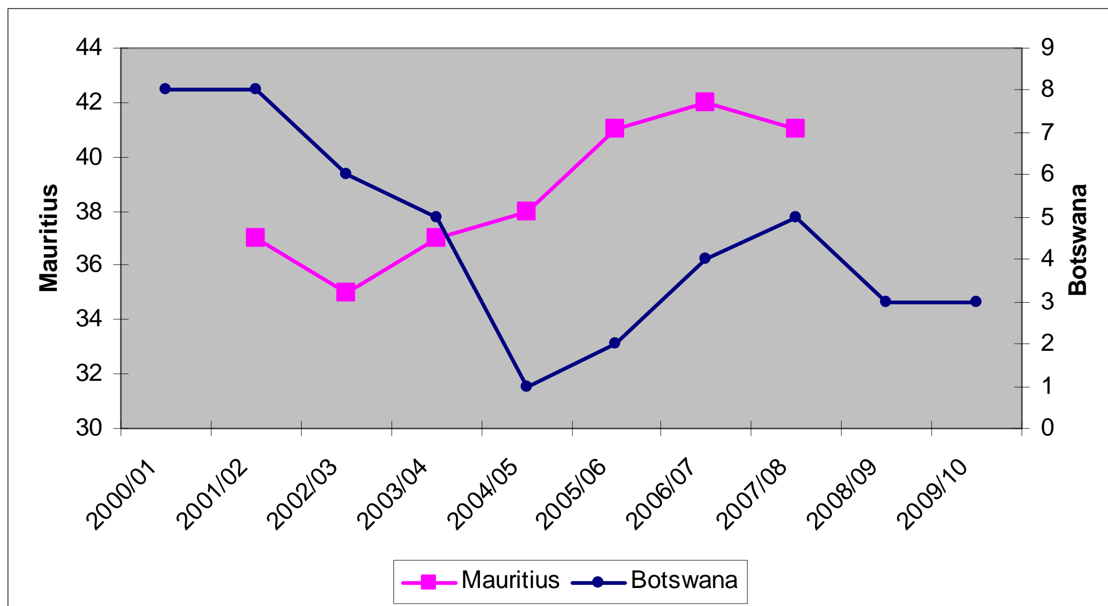
Comparing divergent social policy paths

By comparing recent social policy reactions in Botswana and Mauritius – during a period characterised by high globalisation and then global economic crisis – it is evident that the social policy frameworks are only changed incrementally. Not only are social policies path dependent, any recent changes are framed to suit the existing welfare system: Botswana continues to emphasise economic growth and a minimal safety nets which is in the interests of the dominating political and economic elites; whilst in Mauritius focus is on economic transformation, job creation and a guarantee of social rights seeking to compromise the interests of social policy beneficiaries as well as employers and employees. It is in fact interesting – and probably indicative of the dominating policy thinking in the two countries – that Botswana sought advice from the World Bank to rationalise public spending whereas Mauritius worked together with experts from the ILO in their review of the Employment Rights Bill.

Consequently it may not surprise that trends in social security expenditures – a simple measure for any social policy change – reflect such divergent priorities as illustrated in Figure 1. Social security spending as a percentage of total social policy spending in Botswana – while already minimal – has in fact decreased during the last years from

about 8 percent in 2000/01 to a mere 3 percent in 2008/09 and 2009/10. In Mauritius, on the other hand, social security expenditures have increased from around 35 to 37 percent in early 2000s to 41 to 42 percent in the most recent available budget of 2007/08. Of course, each of these trends also reflects varying priorities in other social policy sectors in the two countries – for example increased spending in Botswana on the health sector and a decrease in Mauritius on housing – but, as already argued, social security provisions tends to be the areas where countries vary most substantially.

Figure 1: Social security spending as a percentage of total social policy spending



Source: Bank of Botswana; Ministry of Finance and Economic Empowerment, Mauritius

One may suggest that such changes in spending is not an indication of governments' diverging social policy reactions but merely mirrors demographic changes which are outside their control. However, this seems unlikely to fully account for the realities as potential increases of elderly in both countries cannot then explain a downward trend in Botswana; also any potential rise in unemployment in Mauritius cannot be reflected in the budget as payment of the Transition Unemployment Benefit was only initiated in 2009. Rather, the expenditure trends reflect the diverging priorities of the two countries – tellingly, pension

rate in Botswana increased by 32 percent between 2005 and 2010, whereas in Mauritius it increased by (at least) 52 percent in the same period.[1]

Path dependence seems especially strong when social policies have a broad coverage – evident as the universal pension schemes prevail. Both countries equally relied on already available policy instruments during the crisis – notably the public works programme in Botswana and the newly introduced workfare programme in Mauritius. This suggest that it is difficult for countries to introduce new schemes or ad hoc measures to quickly cushion the impact of economic crisis – rather it is easier to build on already existing administrative structures and instruments (Bonnett et al., 2010).

This article then argues that the character of the welfare system mediate the influence of external factors and that any social policy changes are mere incremental and in line with dominating political and economic interests. Is it possible that other explanations – intermediate domestic factors – can better account for the continued divergence of social policies in the two countries? At the outset we can rule out economic wealth, state capacity, democracy and level of economic openness as Botswana and Mauritius are reasonably similar on these accounts. Even so, it may be argued that there is a higher degree of pluralism in Mauritius, with its regular changes in ruling coalitions, which may restrain the Government more from retrenchment than in Botswana. One may also suggest that ideology plays an important role – that simply the decision-makers in the two countries have different outlooks on the role of social policies and that this may then change if there is a shift in ruling parties.

Certainly, a more centralised government in Botswana may better control decision-making and be less concerned about taking unpopular decisions if there are no immediate threats to losing power. Nevertheless, many policies, also in Botswana, do appear sacred from a major overhaul, such as for instance the universal pensions and labour intensive programmes. Equally, a new government in Botswana – in that case, for the first time in history – could introduce new policy measures and have an alternative ideological outlook. However, if Mauritius is anything to go by, the existing welfare system does frame a

[1] In Botswana pension increased from P166 in 2005 to P220 in 2010; whereas in Mauritius the pension rates for 2005 was Rs 1900 for ages 60-69 and Rs 2000 for ages 70-89, in 2010 pensioners between 60-89 were paid Rs 3048 a month with an even higher rate for those older than 89 (SSA, 2005; updates on government websites accessed on 21 June 2010: http://www.gov.mu/portal/goc/ssns/file/rates2010.pdf; http://www.gov.bw/en/Ministries--Authorities/Ministries/Ministry-of-Local-Government-MLG1/Services/Old-Age-Pension-/

general understanding of the role of social policies in the political economy that appear difficult to overturn – not least because existing policies place vested, and strong, interests among beneficiaries and administrators alike. So, yes, ideologies – or more generally the perceived role of social policies – do differ in the two countries, but it is unlikely that Mauritians will embrace the Batswana understanding and vice versa; for that the welfare systems in the two countries are already too entrenched.

Conclusion

External pressures, such as globalisation and economic crisis, definitely influence policy making in both North and South. Even so, the impact of economic integration and global recession on social policies is conditional. It depends on the welfare system already in place and the political and economic interests underpinning this system.

The divergence of social policy frameworks therefore persists and, as evident in Botswana and Mauritius, social policy strategies are confined to routines, past policy experiences, and the interests of beneficiaries and other dominating actors. As such, both the compensation and the efficiency literatures may be relevant – and partially correct. Some countries cut social spending during periods of economic pressure whereas others increase, or seek to maintain, social spending.

The analysis of Botswana and Mauritius also makes it apparent that the political arguments related to social policy changes are markedly different – each country focusing on aspects salient to their unique welfare system. Hence, the case studies allows us to probe into the political processes which link external stimuli to social policy choices, and we get an idea of *how* and *why* globalisation and economic crisis cause different social policy reactions in two countries with otherwise many similar attributes.

That globalisation, and even the recent economic crisis, impact differently on social policy strategies – but in ways relatively predictable if one understands the character of the underlying political economy – is contended to be a relevant conclusion for welfare systems in both North and South. Further studies may confirm such a relationship across countries and/or explore further the political processes which shape social policy choices, thereby enhancing our theoretical understanding of the conditional impact of external pressures on social policies.

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