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TRADE & INDUSTRIAL POLICY STRATEGIES



## Trade and Pro-Poor Growth Thematic Working Group

### Trade and Poverty in Mauritius: Impact of EU Sugar Reforms on the Livelihood of Sugar Cane Workers

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indigenous growth

**Trade and Poverty in Mauritius:**  
**Impact of EU Sugar Reforms on the Livelihood of Sugar Cane Workers**

by

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**Abstract**

With the EU sugar reforms, the overall economic weight of the sugar sector has fallen. The sugar sector's contribution to GDP is now comparatively small, around 1.9% of GDP in 2008. In this context, the Mauritian government and the private sector defined the Multi-Annual Adaptation Strategy (MAAS) to restructure and establish a more competitive sugar sector. Among the different policies of the MAAS, one measure is the implementation of the Voluntary Retirement Scheme (VRS) which is in line with the right sizing of the labour force and a reduction in the labour costs in the sugar industry. The aim of this study is to assess the impact of the EU sugar reforms on the livelihood of the VRS beneficiaries. Firstly, we analyse their living conditions before and after the reform. We, then, adopt a gender assessment evaluation of the VRS to evaluate its differential impact on men and women. Third, we investigate as to how the land and compensation they benefited have been used. Lastly, we focus on the training aspect of the scheme. We analyse the different training programmes and see their contribution in improving the living standards of the beneficiaries. In line with the above, focus group discussions and a survey were undertaken. Focus group discussions were conducted on VRS beneficiaries in the North and South of the island. Our survey considers 175 VRS beneficiaries from five sugar estates. We observe that a high percentage of the beneficiaries move to a lower income bracket with their expenditure exceeding their present income level. Further both men and women are affected negatively under the scheme but the impact appears to be more significant for women. Further, most of the VRS II beneficiaries have not yet been trained. For those who have undergone training, they have not yet obtained a new job or applied their knowledge to set up their own business.

Keywords: Trade reforms, agricultural policy and developing countries

JEL classification: F02, Q17, Q18, 055

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## **1. Introduction**

The Mauritian economy has developed rapidly over the last two decades. Since 1990, Mauritius has experienced accelerated economic growth, with annual growth rates averaging 5%. It has moved from a low-income country based on a single revenue earner which is sugar to a middle-income country with a diversified economic base and a GDP per capita of \$7,000 in 2008. The economic success of the past is today under threat as key sectors, previously protected under preferential agreements, now face major economic challenges due to the changing global environment. The reform of the EU sugar regime, the dismantling of the Multi-Fibre Agreement in 2005, and increasing competition from emerging economies like China and India have led to an overall structural reform process to increase the country's competitiveness in previously protected sectors.

In particular, sugar has been the most protected sector as since 1975 it has benefited enormously from the EU sugar regime. Compared to other ACP countries, Mauritius benefited from the biggest annual sugar quota of 507,000 tonnes under the ACP-EU Sugar Protocol. Mauritius enjoyed the high-price EU market where the guaranteed price of sugar was almost three times the world market price. Net sugar revenues have been estimated at some 4 billion euros over the last 30 years. The stability and predictability procured by the sugar protocol provided the necessary impetus for economic growth. Revenues from sugar have been used to transform the economy from a mono-crop stage to a five-pillar-based economy with manufacturing, tourism, sugar, financial services and ICT sectors. Sugar is seen as a multifunctional pillar of the economy, given its direct contribution to economic growth, rural stability, increased social welfare provision and the protection of the environment. It assisted not only in the development of the economy and but essentially in the alleviation of poverty.

However, with the EU price reduction of 5% in 2006 and a total of 36% in 2009, the overall economic weight of the sector has fallen, albeit mitigated by the emerging cane-related sector. The sugar sector's contribution to GDP is now comparatively small, around 1.9% of GDP in 2008. In this context, the Mauritian government and

the private sector defined the Multi-Annual Adaptation Strategy (MAAS) to restructure and establish a more competitive sugar sector. Among the different policies of the MAAS, one measure is the implementation of the Voluntary Retirement Scheme (VRS) which is in line with the right sizing of the labour force and a reduction in the labour costs in the sugar industry.

The VRS scheme has been implemented since 2001. It offers a package to all employees of the sugar industry, wishing for an early retirement. Priority is given to those aged 50 and above. The package includes, among others, compensation in terms of cash payment as well as land entitlement (about 300m<sup>2</sup>), exemption from income tax in respect of the cash and land compensation payable and housing loans at preferential rates. To date, around 15,000 people have benefited from the scheme.

The aim of this study is to assess the impact of the EU sugar reforms on the livelihood of the VRS beneficiaries. Firstly, we analyse their living conditions before and after the reform that is whether their standard of living has worsened or improved under the VRS scheme and have they shifted to other activities. We, then, adopt a gender assessment evaluation of the VRS to evaluate its differential impact on men and women. Third, we investigate as to how the land and compensation they benefited have been used. Lastly, we focus on the training aspect of the scheme. We analyse the different training programmes and see their contribution in improving the living standards of the beneficiaries. In line with the above, focus group discussions and a survey were undertaken. Focus group discussions were conducted on VRS beneficiaries in the North and South of the island. Our survey considers VRS beneficiaries from five sugar estates namely Deep River Beau Champ Ltd (DRBC), Mon Desert Alma Ltd (MDA), Compagnie Agricole Du Mount Limitée, The Savannah Sugar Estate Co Ltd and Mon Tresor Mon Desert Estate.

Our study is structured as follows. Section 2 reviews the sugar industry in Mauritius with particular emphasis on its contribution to the economic development of the country. Section 3 covers the EU sugar reforms and its impacts on Mauritius. Particular emphasis is also laid on the VRS scheme implemented by the government. Section 4 reviews the reforms implemented in the sugar industry as a result of the new

EU Sugar regime. Section 5 analyses the data and sets out the methodology used. The results are discussed in section 6 and we conclude in section 7.

## **2. The Sugar Industry in Mauritius**

Sugar cane is an important crop and remains one of the major contributors of the Mauritian economy. Sugar cane has remarkable attributes. It tolerates cyclonic winds, losses being far less important than in other crops (Julien, 1995). It is a plant with a highly efficient mechanism of photosynthesis (Alexander, 1973) and possesses a diversity of yield components (Paturau, 1989). It can be used as a clean and renewable source of energy (Payne, 1991). It has a high potential for improvement because of its wide genetic diversity (Stevenson, 1965). It is a perennial plant.

Sugar cane was introduced into Mauritius by the Dutch in 1639. The canes were growing well and by 1641 two sugar processing plants were established. However, by 1652 the manufacture of sugar was abandoned. In the early days of the French occupation of the island, no attention was paid to sugar cane. It was Mahé de Labourdonnais who gave great impetus to the production of sugar and who created the first sugar factories. At the beginning of the 19<sup>th</sup> Century, there were 60 to 80 factories producing over 3,000 tonnes of sugar (Koenig, 1988). However, since that time, the sugar industry has been undergoing a process of constant expansion, modernization and centralization of factories. By the mid-nineteenth century, Mauritius became one of Britain's major sugar-producing colonies.

In 1968, when Mauritius acceded to independence, the economy was highly dependent on sugarcane. By the end of the 1960's, the export of sugar was over 90% of annual overseas sales and 90% of all cultivated land was used for sugarcane plantation. More than 30% of the total workforce was employed by the sugar industry. In 1972, the sugar industry was the largest employer with 70,000 workers that is 36% of the population. Sugar exports amounted to around 45% of total exports and 94% of visible exports. In the same year, sugar represented one third of GNP.

In 1975, Mauritius benefited from the ACP-EU Sugar Protocol where it has a quota of 507,000 tonnes of sugar at a guaranteed price of export to the EU market. At the time

of the agreement of the Sugar Protocol, there was an accrued scarcity of sugar on the world market. In the mid-1980s, in line with the Sugar Protocol, the government introduces the Sugar Action plan that provided a number of incentives to producers of sugar including significant tax relief for them to take full advantage of economies of scale offered under the agreement. The Sugar Action Plan gave a further boost to the sugar industry. The success of the sugar industry has to a significant extent been due to the preferential trade agreements that the country benefited successively from the United Kingdom and from the European Union. The stable revenues from sugar exports served to develop not only the local sugar industry but have also fostered the diversification of the Mauritian economy, with rapid growth during the 1980s and 1990s of tourism, financial services and manufacturing industries geared towards export.

The sugar industry was facing a number of problems (Julien *et al*, 1994) namely loss of cane lands, scarcity of labour, increases in the cost of production, lower prices for sugar on world and preferential markets and increased awareness of environmental issues. In 1995, there were only 17 sugar factories which produce around 630 000 tonnes of sugar annually. The major problem of lack of sufficient irrigation water drought in the North was resolved through the construction of a major dam, some 30M, and the rehabilitation of downstream canals and reservoirs. However, a very severe drought in 1999 bringing about a crop reduction of some 45% and a very weak euro compared to the dollar substantially reduced funds available and investments come to a standstill.

In 2003, sugarcane was cultivated on 72 000 hectares, representing 85 % of the arable land in Mauritius. The cane is grown by some 28 000 planters with holdings ranging from more than 4000 hectare to less than 0.1 hectare. The vast majority of these planters are small holders. Some 20 000 persons are directly employed in this sector. In fact, 60 000 persons, one out of every three family in the rural areas, are directly or indirectly involved in the sugar industry, which represent a significant number for a small island economy like Mauritius.

On average, 575 000 tonnes of sugar was produced annually, exports to the EU and the US under preferential arrangements amount to some 540 000 tonnes, whereas

some 8000 tonnes of special sugars were sold to 23 world market destinations at world market prices plus a premium. Domestic consumption of sugar was about 40 000 tonnes per year. The bulk of local consumption is in the form of white sugar, two thirds of which is for direct use and one third for industrial use. The bulk of the exports are under the Sugar Protocol (507 000 tonnes), the Special Preferential Sugar Agreement (SPS), (some 20 000 tonnes), while sales to the US under the Global Import Quota represent some 12 000 tonnes.

The share of sugar production in the Mauritian economy has consequently over the years and in relative terms dwindled to about 3.5% of the GDP in 2003 (from 25% in the 1970s). Sugar production represented about 19% of foreign exchange earnings. In 2003, the cost of cane sugar production in Mauritius was among the highest due to a low milling capacity (3700 tonnes cane crushed per day by the 11 existing mills), a short milling season (an average of only 132 days per year) and a high ratio of labour to total production costs with field labour making up 80% of the total labour costs. The rockiness in some 40 000 hectares of sugar cane lands hindering the adoption of mechanized cultural practices is also a constraint to sugar production in Mauritius.

In June 2005, the European Commission published legislative proposals to reform the Common Market Organisation (CMO) for Sugar, which calls for severe reductions in EU sugar prices and an end to the current system of national quotas. ACP countries have traditionally played an integral role in the EU sugar regime, supplying fixed quantities of sugar at preferential rates to the EU market under the terms of the ACP-EU Sugar Protocol. The provisions of the Commission's reform proposal would have enormous effects on ACP sugar supplying states including Mauritius and inevitably lead to the destruction of centuries old traditions of sugar production with devastating socio-economic consequences. Mauritius has profited significantly from preferential access to European markets for the past 50 years. Practically all of Mauritius' sugar production is exported to the EU under the ACP/EU Sugar Protocol. Through the Sugar Protocol and Special Preferential Sugar Agreement the country received guaranteed prices that at some 100–200% above world market prices and guaranteed market share through quotas. Between 1975 and 2000 the cumulative benefit to Mauritius from quasi transfers from European consumers amounted to about \$3.5 billion (IMF 2002a), or 6.1% of GDP.

Under the new EU sugar regime, which lasts from 1 July 2006 to 30 September 2015, the EU reference price for both raw and white sugars would undergo a staged cut up to 36% by October 2009. As the biggest quota holder under the Sugar Protocol (37%), Mauritius is the mostly affected country. It is expected to lose up to €95 million during the nine years of the implementation of the new Sugar Regime and suffer from a direct permanent loss of €95 million annually. In the face of this new economic order and strong competition on the traditional markets to which Mauritius exports its sugar, the Mauritian sugar industry must strive to be more competitive. In 2006, Mauritius exports to the European Union under a preferential trade arrangement were around 505,000 tons of raw sugar, about 30,000 tons to the United States and some 54,000 tons of other kinds of sugar products to buyers in European countries. Around 60,000 people were earning a living directly or indirectly from the industry.

### **3. EU Sugar Reforms**

The sugar market is generally recognised (along with rice and dairy products) as being the most heavily protected agricultural market world-wide. The global sugar trading regime is complex: high protection rates in the major OECD countries on the one hand are only partially balanced by concessions to some developing countries that have preferential access deals for relatively minor quantities. Production costs have become almost irrelevant for these two groups. In the middle are the major sugar exporters trading at a global price that is artificially reduced by a combination of denied access and subsidised exports, from the EU in particular.

The Sugar Protocol benefits a group of African, Caribbean and Pacific (ACP) countries by offering preferential access to the highly priced EU market. Many of these countries have become heavily reliant on sugar production, and depend on the sugar protocol for an important part of their export earnings. In many cases, access to the highly protected EU sugar market is crucial for the survival of their sugar industries. Under the Sugar Protocol of the Lomé Convention (renewed as the Cotonou Agreement) 1.295 million tonnes (white value) of raw sugar are imported from the ACP group of countries, plus 10,000 tonnes of white sugar from India under the 1983 Agreement. This sugar is imported duty-free.

Under the Everything But Arms initiative, Least Developed Countries (LDCs) are granted duty-free access to the EU. It was agreed to introduce a tariff rate quota (TRQ) for raw sugar of 74,185 tonnes, white sugar equivalent, from 2001 to 2002. This TRQ would be increased by 15% each year to 2008/09 (when it would reach 197,355 tonnes), after which unlimited duty free access will be granted to LDC countries (from July 1st 2009). An added feature of the EBA initiative is that between 2006/07 and 2008/09, the rate of duty on out of quota raw sugar imports and all white sugar imports is also reduced for LDC countries. The import duty on out of quota imports is to be reduced by 20% on 1st July 2006, by 50% on 1st July 2007 and by 80% on 1st July 2008 before the complete elimination of import duties on 1st July 2009. At this point the TRQ and tariff on out of quota imports would cease to exist and there would be complete harmonisation of trade for all LDC sugar allowing unlimited and duty free access to the EU market.

If there is still a deficit after these sources have been allowed for, then an additional quantity of raw sugar is imported under the “Special Preferential Sugar” (SPS) quota, which is allocated among the ACP countries, and India, which holds a further 10,000 tonne white sugar quota under the SPS scheme.

However, the high prices offered by the EU sugar regime were unsustainable in the long-term. There is a general recognition that trade preferences are a relatively inefficient form of development assistance. They have often provided limited benefits, and have sometimes proven counterproductive by supporting uncompetitive industries. The EU sugar reform arose from within the European Union, and as a result of trade agreements and negotiations, most importantly WTO commitments and the ‘Everything But Arms’ (EBA) initiative. The European Commission considered a set of options to reform the EU sugar regime. All of the proposed reform options entailed a significant fall in the EU sugar price.

The EU sugar reform impacts significantly on ACP sugar producers, and is increasingly causing the contraction or closure of industries with high production costs. Economic and social consequences, in countries that are heavily dependent on sugar and have limited options for diversification are considerable. All trade reform

generates winners and losers, and the benefits for poor people globally from reforming the EU sugar regime are likely to be significant. These points notwithstanding, it is essential to address the negative impacts of the reform to the sugar regime that are experienced in certain countries. Firstly, the potentially significant impact on poor people in Sugar Protocol countries which remain dependent on sugar needs to be considered. Further, the potential impact of preference erosion on progress in WTO agriculture negotiations and the wider progress on liberalisation of widespread benefit to poor countries would be significantly slowed by countries likely to lose from the ending of preference arrangements.

This creates both winners and losers amongst African producers. The losers are those that currently have preferential access (the haves) and will see their economic rents dissipated, while the winners are those operating almost exclusively on the global market (the have nots) who will see their world export price rise. In Africa the first group is mainly Mauritius (a high cost producer) and Swaziland (a lowest cost producer). These production costs are likely to now dictate how a country fares in the sugar market. Among the losers it is likely that Mauritius, at the extreme, may exit the sugar sector completely. The second group (winners) is exclusively South Africa (a low cost producer), and here there is potential to see an expansion of the sector in response to enhanced global market prices. But South Africa will have to face the more competitive suppliers of Brazil and Australia.

There is a third group of least developed countries (LDCs) who will have quota and duty free access into the EU under EBA. For Africa these countries with reasonable supply potential are Malawi, Zambia, and possibly Zimbabwe and Sudan. Their future is basically in their own hands and depends upon their ability to increase production and exports under the new EBA regime. The 'wild card' is the recent offer by the EU to the African, Caribbean and Pacific (ACP) countries negotiating a package of Economic Partnership Agreements (EPAs) for quota and tariff free access to the EU. The offer covers all products, including agricultural goods excepting rice and sugar, and will apply immediately following the signing. It appears that rice and sugar will be fully liberalised in 2015, but this is a guarded offer with the threat of safeguards. The only country exception will be South Africa. These concerns provide a strong

case for making some form of development assistance available to Sugar Protocol countries adversely affected by reform. The purpose of the assistance would be to support a smooth and less damaging transition towards more open market conditions.

For Mauritius in particular, the EU represents the world's largest sugar purchaser and buys around 540,000 tonnes of sugar per year. The sales to the EU under the Sugar Protocol are mainly in the form of raw sugar for refining, representing some 447 000 tonnes. The remaining 60 000 tonnes are sold in the form of special sugars, that is sugar destined for direct consumption. The basic price earned under the Sugar Protocol, is at 523.7 euro per tonne raw is a cif price for the ACP. In fact, the net price for the ACP ex factory is significantly lower than 523.7 euro per tonne due to cost of inland transport, fobbing, insurance and freight. Proceeds from the export of sugar amount to some 300M US\$ per year on average, this enables the country to meet a very high proportion of its food import bill. Moreover, net export earnings from sugar account for more than 30% of such earnings from merchandise trade.

Between 1975 and 2000 the cumulative benefit to the country from quasi transfers from European consumers amounted to about \$3.5 billion (IMF 2002a), or 6.1% of GDP. Mauritius, previously a major sugar exporter and beneficiary of economic rents from sugar exported into the EU under preferences, is recognising that this position is becoming less tenable and higher production costs (and opportunity costs for its limited land) are leading to an adjustment away from sugar. The sugar sector is facing lower sugar prices and fiercer competitors, having unlimited access, at the same time. The reduction in price in the EU means a shortfall in export earnings of 782 M€ over the 2006-2015 period. The effective loss to the economy is in fact much higher if the social and environmental multiplier effects of the sugar industry are taken into account.

## **4. The Mauritian Sugar Industry: Reform Process**

### ***4.1 Sugar Industry Strategic Plan and the Multi Annual Adaptation Strategy***

The sugar industry revolves along three main categories of partners, the corporate sector, the planters, essentially small ones, and employees. Whilst economic rationale presides over the running of the sugar industry, equity factors complement this rationale. The multifunctional role of the sugar sector is considered as a critical element by Government. This role encompasses both direct and indirect contributions, namely economic return for all operators, small and large; gainful income for employees; net fund flows for the overall economy; food procurement capacity; reduction of the dependence of the country on imported oil; development and stability of the rural areas; protection of the environment; soil and water conservation; prevention of degradation of the landscape; maintenance of the multiplier effect of the sector; and a sustainable agricultural sector. Government has always ensured that the benefits of the country's preferential access to the EU filter down and are distributed among all stakeholders including workers, growers and their dependents and the population at large.

Reform in the sugar industry is on going process since 1984. The Bagasse Energy Development Programme was formulated in 1991 to consider bagasse electricity and the reduction of oil dependency. In 1994, a major deal was reached between Government and the sugar producers whereby in exchange for the abolition of the export duty on sugar by Government, sugar millers agreed to set up public milling companies where employees and planters through a Sugar Investment Trust (SIT) were entitled to 20% of the equity of the milling companies. This was a major step in democratisation bearing in mind the emotional and historic context which had been prevailing in the millers/planters relationship. From 1996 to 2000, three sugar factories were closed on the basis of a framework called the Blue Print on Centralisation of sugar Milling Operations in Mauritius. Power purchase agreements were made for the supply of electricity in the crop season using bagasse and supply of electricity using bagasse and coal. Factory modernization and upgrading were also main developments of the reform process.

Since 1999, the Mauritian government has started with sugar restructuring plans. In 2001, Mauritius launched the Sugar Industry Strategic Plan (2001 - 2005) to cut down on production costs in the sector. The number of sugar factories was reduced from 17 in 1997 to 11 in 2002. Some 8,000 employees have been laid off under a voluntary retirement scheme, allowing the industry to reduce money spent on salaries by 25%. The implementation of the voluntary retirement scheme (VRS) of some 8000 employees, the closure of the three sugar factories, the signature of a power purchase agreement for a 2 x 42 MW bagasse/coal power plant are the main aspects of the strategic plan. However, the high cost of the VRS and the administrative and market difficulties encountered in the sale of land to recoup the costs of the VRS have resulted in a significant debt burden for the industry.

With the changing global environment and the EU sugar reforms, the Mauritian Government, in consultation and collaboration with stakeholders, devised a multi-annual adaptation strategy in the form of a ten year, 2006-2015, Action Plan. The objective of the MAAS is to ensure the commercial viability and sustainability of the sugar sector for it to continue fulfilling its multi-functional role in the Mauritian economy, but at a significant social cost.

The Strategy provides for a set of measures/projects aiming at:

- i) Improving the cost competitiveness of the sugar sector
- ii) Increasing the country's revenue: increasing the contribution of the sugarcane cluster to national electricity production with the installation of new power plants in the remaining mills;
- iii) Optimising the use of by-products: producing 30 million litres of ethanol from molasses in two of the four remaining sugar factories to be used locally for blending with gasoline,
- iv) Maintaining the social welfare of low income groups of the sugar industry: an estimated 6,000 field employees would accept voluntary retirement (Voluntary Retirement Scheme –VRS)

The eight main elements of the MAAS are as follows:

- i. Regrouping of small planters
- ii. Sustaining difficult areas under sugarcane cultivation
- iii. Moving out of sugar cane
- iv. Centralisation
- v. Right sizing of the labour force
- vi. Increase contribution to national electricity production
- vii. Shift to ethanol production
- viii. Optimising the use of sugarcane lands

We will focus on the pro-poor dimension of the MAAS and investigate the implication of the EU sugar sector reforms on the VRS beneficiaries.

## ***4.2 The Voluntary Retirement Scheme***

### ***4.2.1 Blue Print, VRS I and ERS***

In 1997, Government came up with a document on the closure of sugar factories entitled Blue Print on Centralisation of sugar Milling Operations in Mauritius. One of the main features was the recommendation that employees affected by a factory closure would be offered compensation in cash and in kind if they accepted to voluntarily terminate their contract of employment. **The Blue Print** indicated that an employee would be entitled to cash compensation equivalent to 2.5 months per year of service and in kind compensation in the form of a plot of land of an extent ranging from 540 to 720 square metres with all infrastructural works having been effected. Moreover, the employee is also entitled to some other benefits and the children of the employees are entitled to scholarships in specified areas of study.

In 2001, the principle of compensation being paid to employees voluntarily terminating their contract of employment was extended to the growing activities of the sugar industry. Thus the **Voluntary Retirement Scheme (VRS)** was introduced. Two categories of workers were defined, those having more than a certain age and the rest. This categorisation was effected to work out a package to encourage and facilitate the departure of the elderly. The offer was compulsorily made to those

having more than a certain age. For the other employees, the employer has the liberty to choose to whom he makes an offer of a VRS but the decision to accept or reject the offer rest solely with the employee. Once the employee has the choice to accept or reject the offer, this scheme is termed as the **Early Retirement Scheme (ERS)**. Moreover, the older category was entitled to higher cash compensation, 2 months compensation per year of service plus the possibility to draw an early pension, as compared to 1.25 months on average for the others.

The cash and in-kind compensation given to workers as part of VRS and factory closure contribute positively to the financial security of those living in rural communities. The financial compensation is generous when compared with other sectors providing a financial buffer prior to retirement (in most cases) or new employment. The provision of land is also highly valuable, providing a means to grow subsistence crops and/or to build a house, whilst at the same time being an asset that can be handed down to heirs. Both the VRS and the Blue Print make provision for the grant of scholarships to the children of employees having voluntarily terminated their contract of employment. This practice is continued to ensure that the children of these employees are not hampered in their quest for better education.

The provisions of the Blue Print and the VRS have through attractive and socially acceptable packages facilitated the modernisation of the sugar industry and represent today a significant asset for the implementation of the Action Plan. Indeed, depending on the category and age of a VRS employee, he/she secures 4 to 6 times more compensation/value (value of land) than an employee in any other sector who is paid the severance allowance. For Blue Print employees the ratio moves to 6 to 8 times. These packages are in fact effective means to combat poverty among those having voluntarily terminated their contract of employment.

In 1997 and in 2001, Government came up with measures to relieve the producers of the high costs incurred in the implementation of the social packages of the Blue Print and the VRS. In both instances, the producers were offered the possibility to convert agricultural land and sell it, with minimal payment of land taxes, to recoup costs incurred. It is to be noted that the producers raise loans from banks to meet these social costs. In 2001, the Bank of Mauritius (BoM) provided concessionary finance

by way of a line of credit to provide relief to those implementing the VRS to the tune of Rs 2.4bn. This amount has to be compared to the total cost of the VRS that is Rs 3.4 bn.

Around 8000 employees accepted the VRS. In the first VRS, some two thirds of those who left were the elderly employees who in fact received a very attractive package with benefits much higher than those they would have obtained if they had retired normally.

#### 4.2.2 *VRS II*

The intent now is to encourage the younger employees to accept the VRS offer. In this context, some modifications have been made to what can be termed VRS I to come up with what will be termed **VRS II**. The improvement of the 2001 Voluntary Retirement Scheme in three aspects, namely the lowering of the cut off age for entitlement to the highest level of compensation per year of service and to early receipt of the contributory retirement pension; the increase of the compensation package to younger workers; and the introduction of a reskilling scheme. Some 6000 employees would be involved in this case.

The age limit to benefit from a 2 months per year of service compensation is being brought from 50 years for women and 55 years for men to 45 and 50 years respectively. The package for the younger employees has been increased from an average of 1.25 months per year of service to 1.5 months. Employees above a certain age who accept the VRS are entitled to the early receipt of the contributory retirement pension but at an actuarially calculated reduced rate. Thus a person aged 50 would receive 60% of his/her retirement pension. The age to receive actuarially reduced pension moves correspondingly.

The effects of the reduced pension are more pronounced in the case of women for three reasons namely their basic salary is lower than for men on account of the wage packages and remuneration orders prevailing in the sugar industry. Also, they retire younger 45 or 50 years as opposed to 50 or 55 years for men and the actuarial factors used to compute retirement pension are lower. Lastly, they are often widows or are

the only bread earner in cases where the husband is unable to work. Thus, there is need to provide support to women retiring voluntarily through the VRS 2 and who have retired in the VRS I.

To provide support to women affected by the VRS, an amount of Rs 800 M has been included in the Action Plan 2006-2015 for adaptation and empowerment. These funds would go to safety nets, possibly in a revamped Social Aid program (as part of broader welfare reform), to augment the resources of the Empowerment Fund and to finance technical assistance by Enterprise Mauritius, SEHDA and the MSA to facilitate the creation of SMEs and their registration to benefit from access to financing vehicles. To ensure greater ownership by the employees, trade unionists would be involved in discussions on the allocation of funds and monitoring to ensure impact.

Moreover, there would be the implementation of reskilling programmes prior to the voluntary retirement of an employee. From the overall perspective there is in place an adaptation and empowerment policy to ensure that those employees who lose their jobs can be retrained with a view to either their redeployment to other sectors or to their starting up small enterprises in the agricultural and non agricultural sectors. The reskilling is done prior to an employee leaving in the context of the VRS 2. Assistance for enterprise creation is in the form of support from the Empowerment Fund set up by Government in May 2006 together with reforms to encourage registration of small firms to obtain credit and with a reduction of the administrative burden for compliance with rules and regulations. A well monitored Small and Medium Enterprise programme could also lead to significant job creation and this would be one further element of the pro poor strategy.

Table 1 below illustrates the packages of VRS I and VRS II.

**Table 1: VRS package of 2001 (VRS I) and proposal for VRS II**

Category of employees	Age (Years or more)		Cash Compensation (months/year of service)	
	VRS I	VRS II	VRS I	VRS II
Female agricultural worker	50	45	2.0	2.0
Male agricultural or non-agricultural worker	55	50	2.0	2.0
All other cases including staff				
First 5 years of service			1.50	1.50
Next 10 years of service			1.25	1.50
Next 10 years of service			1.00	1.50
Remainder of service			0.75	1.50

*Source: Multi Annual Adaptation Strategy, 2006-2015*

The cost of the new VRS amounts to more than Rs 3.6 billion and has an internal rate of return of 5 %. Cash compensation is paid in year one while infrastructure costs and other social costs are incurred in years 2 and 3. The funding of this project would have to comprise a mix of accompanying measures and producers' own fund. The implementation of this project will facilitate the right-sizing of the labour force in order to reduce labour costs (especially in the estate sector) and create a more flexible labour force that will enable estates to accelerate mechanisation of field operations. Currently labour costs are very high by international standards and have a major bearing on the industry's costs of production.

#### *4.2.3 Cost of VRS II*

VRS II is not financially attractive. However, it is an important element of the Accelerated Action Plan from both an economic and social perspective. This is because it makes it possible for estates to mechanise field operations, which would not be possible if the vast majority of workers remained as permanent employees. Although the second phase of VRS and centralisation will reduce the number of workers employed in the industry, the sugar sector is projected to remain an important source of employment following the implementation of the Action Plan. The implementation of VRS II is expected to result in around 6,000 agricultural and non-agricultural workers leaving the industry. However, it should be noted that many of these workers may be replaced with workers employed on a seasonal basis in the short

term. Over time, however, it is expected that these seasonal employees will be reduced in number.

While it is difficult to estimate the future level of employment due to factors such as greater mechanisation, Table 2 below shows the expected reduction in the permanent workforce as a result of VRS II and mill centralisation.

**Table 2: Expected Reduction in the Sugar Sector Workforce**

	Number of Workers
Current Sugar Workforce	41,355
Labour Force Reductions:	
VRS II	6,000
Centralisation	1,164
Future Sugar Workforce	34,191

*Source: Multi Annual Adaptation Strategy, 2006-2015*

Since higher number of employees are expected to accept the VRS and the cost of infrastructure in respect of land given to the employees has gone up, the total costs of the VRS II has been revised upward from 47 to 97 millions euro. Given the low level of accompanying measures, it is essential to carry out a prioritisation exercise and in this regard, the first priority has been those projects that have both the economic and social dimensions namely the VRS, social costs of factory closure, enhancement of the competitiveness of planters; revenue support in difficult areas, cess reduction and the provisions for the social safety net under a revamped Social Aid program and contributions to the Empowerment Fund.

The costs of the VRS II scheme amount to 14.4% of total costs involved in the restructuring of the sugar industry. This can be shown by Table 3 below. Further table 4 presents the funding obtained from different sources to finance the restructuring process. In the case of the VRS, finance was mainly from the private sector that is the sugar cane producers.

**Table 3: Requirements of the Sugar Industry on a Calendar Year Basis**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total	% to Total
	Figures in Rs Mn												
Field Operations Derocking		130	130	130	130	130	130	130	130	130	130	1300	5.2
Field Operations Irrigation				260	260	260	260	260				1300	5.2
Field Operations Mechanisation			180	180	180	180	180					900	3.6
<b>VRS</b>			<b>1080</b>	<b>1440</b>	<b>720</b>	<b>360</b>						<b>3600</b>	<b>14.4</b>
Restructuring of cess			450	450								900	3.6
Centralisation Capital Expenditure	300	1100	100	100								1600	6.4
<b>Blue Print: Social cost of closure</b>		<b>113</b>	<b>495</b>	<b>258</b>	<b>301</b>	<b>76</b>	<b>48</b>	<b>6</b>	<b>3</b>			<b>1300</b>	<b>5.2</b>
Power Plant	540	2415	1920	965	2160	1110	840	350				10300	41.2
Ethanol				300	300							600	2.4
Debt Alleviation			375	375	375	375						1500	6.0
Difficult areas				50	50	50	50	50	50	50	50	400	1.6
Research			63	62	63	62	63	62	63	62		500	2.0
Social safety nets and contribution to Empowerment Fund			100	200	200	200	100					800	3.2
<b>Total Yearly</b>	<b>840</b>	<b>3758</b>	<b>4893</b>	<b>4770</b>	<b>4739</b>	<b>2803</b>	<b>1671</b>	<b>858</b>	<b>246</b>	<b>242</b>	<b>180</b>	<b>25000</b>	<b>100.0</b>
<b>Yearly % total</b>	<b>3.4</b>	<b>15.0</b>	<b>19.6</b>	<b>19.1</b>	<b>19.0</b>	<b>11.2</b>	<b>6.7</b>	<b>3.4</b>	<b>1.0</b>	<b>1.0</b>	<b>0.7</b>	<b>100.0</b>	

Source: Mauritius Sugar Authority and Landell and Mills Corporation (MAAS 2006-2015)

**Table 4: Funding the projects of the Action Plan**

<b>Component</b>	<b>Amount required M€</b>	<b>Accompanying Measures</b>	<b>ACP/EU Energy Fund</b>	<b>Other ACP/EU Funds</b>	<b>Private Sector/Producer Funding</b>	<b>Bilateral Sources</b>
Field Operations Derocking	35	Yes			Yes	
Field Operations Irrigation	35	Yes		Yes	Yes	Yes
Field Operations Mechanisation	24				Yes	
<b>VRS</b>	<b>97</b>	<b>Yes</b>			<b>Yes</b>	
Restructuring of cess	24	Yes			Yes	
Centralisation Capital Expenditure	43				Yes	Yes
<b>Blue Print</b>	<b>35</b>	<b>Yes</b>			<b>Yes</b>	
Power Plant	278	Yes	Yes		Yes	Yes
Ethanol	16	Yes	Yes		Yes	Yes
Debt Servicing	41					
Difficult areas	11	Yes	Yes	Yes		
Research	14	Yes	Yes	Yes		
Social safety nets and contribution to Empowerment Fund	22	Yes			Yes	Yes
<b>Total</b>	<b>675</b>					

Source: Mauritius Sugar Authority (MAAS 2006-2015)

#### *4.2.4 The Sugar Industry, VRS and Social Development*

The sugar industry has always contributed significantly to social development and welfare on Mauritius through its central role as a service provider to rural communities. It has ensured that essential services (in the form of housing, healthcare, education and training, recreational facilities and technical (for example financial assistance) are still provided for a period of three to five years following closure. These services will be gradually transferred to the government and local authority, along with the maintenance of infrastructure in the form of roads, telecommunications and other public utilities.

With the implementation of the two VRS schemes, the sugar producers will at specific times of the year (for example harvest/replanting) need to have recourse to seasonal labour. Closure of mills will result in a reduced workforce, but seasonal employment opportunities exist and training are available for those who wish to acquire skills in other fields. The sugar industry has also put in place mechanisms to try and ensure that the benefits of sugar filter down and are distributed amongst workers and their dependents. This has been done in a number of ways, for instance through the Sugar Investment Trust (SIT) and via support provided to the various institutions and organisations that underpin the industry and its workforce. Moreover, there are plans to increase the benefits that the workforce receives from sugar cane with a planned increase in the shares that planters have in bagasse energy and ethanol companies. The Trust is also looking at diversifying its investments.

Finally, the re-grouping of farmers proposed under field operations, centralisation and maintenance of production in difficult areas, has significant social benefits for small planters by increasing cost efficiency and lowering investment risk. It provides an opportunity for intensification of production and hence increased returns, whilst at the same time encouraging community cohesion and capacity building. Table 5 below depicts the potential economic, financial, environmental and social impacts of the sugar industry restructuring.

**Table 5: Summary of Economic, Financial, Environmental and Social Impacts**

POTENTIAL AREA OF IMPACT	PROJECT PROPOSALS								
	1. Field Operations	2. Centralisation	3. Power Plants	4. Ethanol Production	5. VRS II	6. Indebtedness	7. Restructuring of Cess	8. Production in Difficult Areas	9. Research and Capacity Building
<b>Economic issues</b>									
Reduce Sugar Production Costs	+1	+1	0	0	+2	0	0	0	+1
Availability of Foreign Exchange	0	0	+2	2	0	0	0	0	0
National Employment	-2	-2	+1	1	-2	0	0	+2	0
<b>Financial Issues</b>									
Internal Rate of Return (IRR)	+2	+1	+2	-1	+1	0	0	0	0
<b>Environmental Issues</b>									
Soil conservation	+2	0	0	+2/-1	0	0	0	+2	0
Water quality	-1	+2	-2	-2	0	0	0	2/-1	0
Water supply (availability)	-2	+2	0	0	0	0	0	0	0
Biodiversity (inland and marine)	-1	+1	-1	-2	0	0	0	+2	0
Air quality	+2	+2	+2	-1	0	0	0	0	0
Health and safety	-1	+1	+1	-1	0	0	0	0	0
Noise, nuisance and odour	-1	+1	+1/-1	-1	0	0	0	0	0
Global environment	0	0	+2	+2	0	0	0	0	0
<b>Social Issues</b>									
Financial security	-2/+2	-2/+2	0	0	-2/+2	0	0	-2/+2	0
Investments	0	-1	0	0	0	0	0	0	0
Demographics and migration	0	-1	0	0	-1	0	0	0	0
Livelihoods and ancillary employment	0	-2/+1	+1	+1	+1	0	-1	0	0
Social cohesion	+1	+1	0	0	-1/+1	0	0	+1	0
Welfare and anxiety	0	-1	0	0	0	0	0	0	0
Training and capacity building	-1	+2	0	0	0	0	0	-1	0

Notes:

*Table indicates potential overall significance of impacts (+2 = very positive; +1 = positive; 0 = neutral; -1 = negative; -2 = very negative). Where negative impacts may occur, mitigation measures have been identified by study and/or are already understood to be implemented within sector. Source: Landell and Mills Corporation (MAAS 2006-2015)*

In the case of VRS II, we can observe that it has a positive impact in reducing the sugar production costs but has a very negative effect on employment level. It has a positive internal rate of return and as far as the environment is concerned, the scheme has no impact overall. From a social perspective, we observe from the table that we have a mixed effect of the scheme on financial security and social cohesion. There seems to be no impact on welfare and anxiety as well as training and capacity building. There is a positive effect on livelihoods and ancillary employment essentially since they have been moving to other jobs while a negative impact can be noted on demographics and migration.

Most studies (Bureau et al., 2007, 2008 and Ruffer and Williams, 2003, among others) have examined the macroeconomic impact of EU preference erosion on ACP economies. To the best of our knowledge, none has investigated the impact of the EU sugar reforms on poverty in the sugar sector.

## **5. Data Analysis and Methodology**

To assess properly the welfare impact of the EU sugar reforms on the VRS beneficiaries, we adopt a sampling strategy where we considered VRS beneficiaries from different parts of the island. Subsequently we sample beneficiaries from five main sugar estates which have applied the VRS namely Deep River Beau Champ Ltd, Mon Desert Alma Ltd, Compagnie Agricole Du Mount Limitée and The Savannah Sugar Estate Co Ltd and Mon Tresor Mon Desert. The sample covers various regions of the country and also from Table A in the appendix; these sugar estates have a large number of workers who have accepted the scheme. The profile of the five sugar estates are explained below in section 5.1. Section 5.2 will then describe the sampling method used. Section 5.3 analyses the primary data obtained from our survey.

### ***5.1 Industry Structure***

#### *Savannah Sugar Estate Company Limited*

The Savannah Sugar Estates Company Limited is part of the ENL Group. The Company is engaged in the cultivation of sugar cane and in a number of agro-industrial activities – mainly poultry-farming and the production of vegetables. The

2007 sugar cane crop was disappointing with a harvest of 191,282 tonnes, inferior both to the previous year's (196,639 tonnes) and to the average for the previous 5 years (213,580 tonnes). As a result of adverse climatic conditions during the maturing period, the extraction rate was also below standard. In 2008, sugar accruing to the Company amounted to 15,030 tonnes compared with the previous 5 years' average of 17,062 tonnes.

With the agreement reached between Government and the MSPA at the end of December 2007, a second VRS (VRS 2) was implemented at Savannah and 275 of the Company's 811 employees opted for the scheme. The total cash paid amounted to Rs 130.5m, of which the Company has recovered Rs 66.6m from the Sugar Reform Trust. Some 25 arpents of land will be transferred to those 275 employees, including all residential infrastructures, and in return the Company will obtain the right to sell land free of land conversion tax to recoup the cost of the VRS II.

#### *Mon Desert Alma Limited (MDA)*

The Company is engaged in the cultivation of sugar cane and in a number of agro-industrial activities. It received revenues from sugar and electricity production through the milling activities of its subsidiary company, Mon Désert Alma Sugar Milling Company Limited. The 2007 sugar cane crop proved disappointing as a result of the adverse climatic conditions that prevailed during the crop's vegetative and maturing periods. In 2008, the factory produced 44,373 tonnes of sugar from 427,299 tonnes of cane including the 37,981 tonnes of cane received from SUDS factory area. Sugar accruing to the Company amounted to 22,788 tonnes in 2008 as against 24,725 tonnes the previous year.

In accordance with the Multi Annual Adaptation Strategy (MAAS) Action Plan, Mon Désert Alma Sugar Milling Company Limited has closed down its sugar factory before the start of the 2008 crop season. MDA Milling has signed an agreement with FUEL Milling and with Deep River Beau Champ Milling for these two companies' factories to process the canes of the MDA factory area. In consequence of the agreement reached between Government and the MSPA at the end of December 2007, a second VRS (VRS 2) was implemented at Mon Désert-Alma Limited and 420 of the Company's 763 employees opted for the scheme. The cash paid amounted to Rs

176.9m, of which the Company has recovered Rs 93.3m from the Sugar Reform Trust. Some 29.4 arpents of land will be transferred to those 420 employees, along with all residential infrastructures, and in return the Company will obtain the right to sell land free of land conversion tax to recoup the cost of the VRS 2.

*Deep River-Beau Champ Limited (DRBC)*

The Company, founded in 1912, cultivates 4,000 hectares of sugar cane, in the Eastern part of Mauritius around the villages Grande Rivière South East, Bel Air, Sebastopol and Ferney further South. A total of 320,000 tonnes of canes is harvested annually, representing an operating income of around Rs 500m. Over recent years, significant investments have been made to increase the mechanisation of fields operations, which has now reached 54% of the area under cane. The Company currently provides 1,000 permanent employment opportunities. Deep River-Beau Champ Milling Company Limited processing 6,000 tonnes of cane per day, over a period of 130 harvest days. The annual sugar production amounts to 80,000 tonnes, of which 60,000 tonnes is refined sugar for Europe and 20,000 tonnes of sugar for direct consumption. All the production is intended for export, mainly on the EU market. The company has a turnover of Rs 325 m and employs 230 persons.

The 2008 harvest was estimated at 304,604 tonnes from 3,419 Ha. under cultivation, which in terms of cane productivity per hectare is 19% higher than the 2007 harvest. The climatic conditions that prevailed during the 2008 intercrop have been conducive for a better crop than that of 2007. Cane re-growth was initially delayed due to a dry spell in December 2007. However, regular rains were recorded during the first three summer months of 2008, which was enough for meeting the crop water requirement. The extraction rate has been estimated at 10.80%, higher than the level of 10.45% in 2007. Total sugar production reached 32,897 tonnes in 2008.

On the cost side, the voluntary retirement scheme was implemented in December 2007 and this resulted in a cost overrun of Rs 8m. Globally, operating expenses for 2007/2008 amounted to Rs 422m compared to a budget of Rs 433m, mainly due to the delay of the implementation of the VRS 2. As a result of the retirement scheme, it

was estimated that there would be an additional saving to the order of Rs 30m for 2008/2009.

#### *Compagnie Agricole Du Mount Limitée*

The Multi Annual Adaptation Strategy (MAAS) was implemented in January 2008 for staff members and by June 2008, 12 had retired under the Voluntary Retirement Scheme (VRS 2). During the course of the year, another 6 staff members ceased employment (4 under normal retirement and 2 of their own volition). None were replaced.

#### ***Sampling Method***

As a starting point of our analysis, we concentrate on beneficiaries of VRS II only. The rationale behind this arises mainly from the fact that sugarcane workers who benefited from VRS I in 2001 are by now 60 or more years old and within their normal retirement period. For those beneficiaries of VRS II, they are middle aged workers and have some more years before their normal retirement age so much that their livelihoods are likely to be impacted by the scheme. The workers in our sample benefited from the scheme in 2007 and 2008.

Our sample consists of beneficiaries from five main sugar estates which have applied the VRS namely Deep River Beau Champ Ltd (DRBC) (East), Mon Desert Alma Ltd (Plaines Wilhems -Moka/St Pierre), Compagnie Agricole Du Mount Limitée (North), Mon Tresor Mon Desert (South) and The Savannah Sugar Estate Co Ltd (South). The sample covers various regions of the country and also the sugar estates are among those with the highest VRS II beneficiaries. The sample was designed in such a way as to allow for age, gender, length of service and remaining livelihood span. Our sample covers 175 VRS II beneficiaries from the five sugar estates.

### **5.3 Methodology**

A questionnaire was designed to cover our main research questions as follows:

- Assess the living conditions of the VRS II beneficiaries before and after the reform;

- Adopt a gender assessment evaluation of the scheme to analyse whether the impact of the voluntary retirement scheme is different across men and women;
- Investigate how the land and compensation they benefited have been used; and
- Focus on the training aspect of the scheme. Examine whether the different training programmes have been beneficial and helped them in having a better living standard.

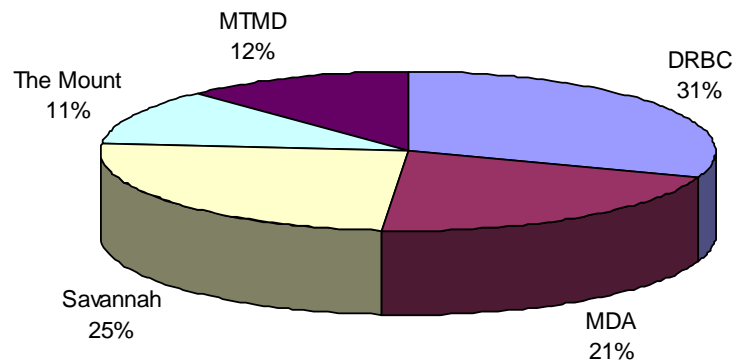
As far as the training element is concerned, focus group discussions were organised in two parts of the country namely the North and South. We were able to access VRS beneficiaries who were being trained in ‘Gardening’ by the Mauritius Agricultural Research and Extension Unit (AREU) and the Regional Training Centre. The focus group discussion in the North was mainly with those beneficiaries who were previously permanent workers of Compagnie Agricole Du Mount Limitée. They were around 20. Similarly in the Southern part of the country, our group discussion involves 19 beneficiaries from Savannah Sugar Estate Company Limited.

## **5.4 Data Analysis**

### *5.4.1 Beneficiaries by Industry*

The total number of VRS II beneficiaries as at July 2009 turns around 6,628 as presented by Table A in the appendix. The largest number of beneficiaries can be observed in Flacq United Estates Limited (FUEL) with a total of 950. Our data set covers 175 beneficiaries. A distribution of the beneficiaries in the five sugar estates can be depicted by the following:

**Figure 1: Beneficiaries by Industry**

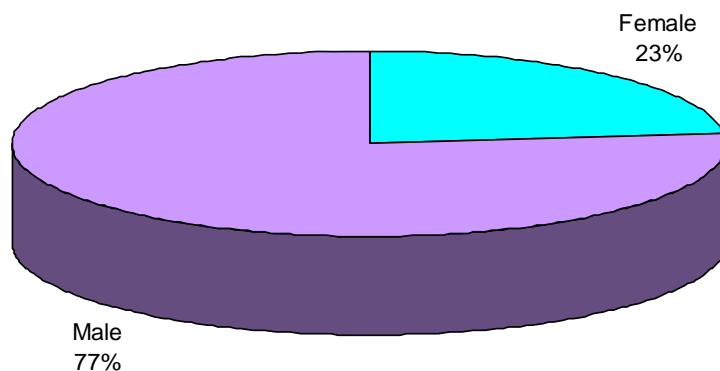


31% of the beneficiaries surveyed are from Deep River Beau Champ Ltd, 25% from Savannah Sugar Estate, 21% from Mon Desert Alma Ltd, 12% from Mon Tresor Mon Desert and 11% from Compagnie Agricole Du Mount Limitée.

*5.4.2 Beneficiaries by Sex*

Female beneficiaries form part of 23% of our sample while the rest are male. Women are well represented since out of the total number of VRS II beneficiaries, they consist only of 14.75 %. Figure 2 below shows the distribution by sex.

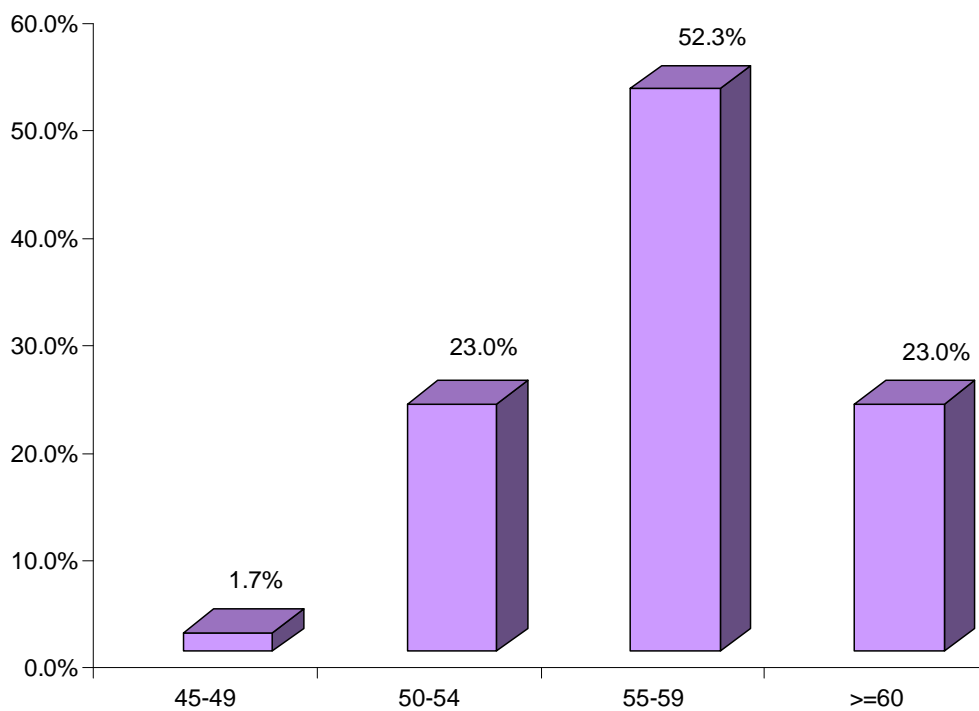
**Figure 2: Beneficiaries by Sex**



### 5.4.3 Age Structure

The majority of respondents were aged between 55 and 59 while 23 % were over 60 years. 23 % were between 50 and 54 years while only 1.7% were between 45 and 49 years old. A higher percentage of the sample was within the age group 55 to 59 since the majority of the VRS II beneficiaries were actually within that range. Figure 3 below shows the age structure of the respondents.

**Figure 3: Beneficiaries by Age Group**



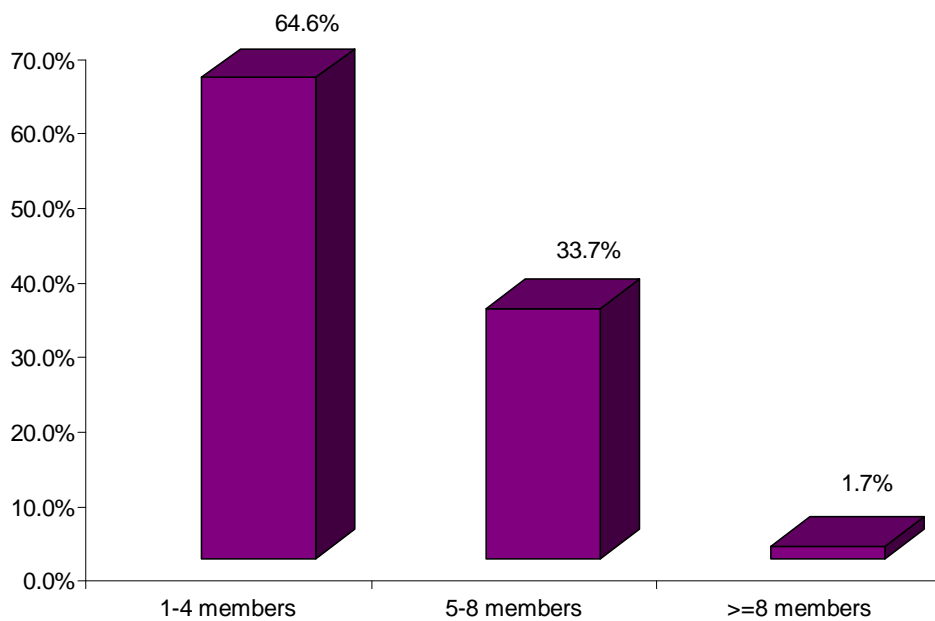
### 5.4.4 Marital Status and Head of Household

From our survey, we note that 89% of the VRS beneficiaries were married, 8% were widowed and the rest were either single or separated. Most of the male beneficiaries were head of household. In the case of women beneficiaries, 43.3% of them were head of household while for the remaining percentage, both husband and wife were contributing to the income of the family.

#### 5.4.5 The Family Size of the Beneficiaries

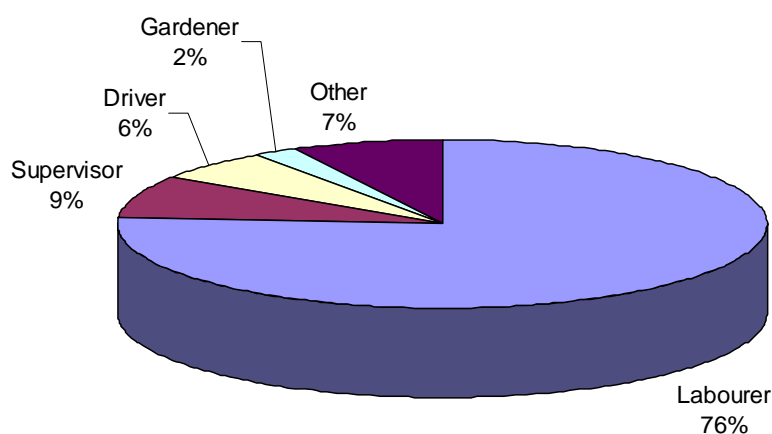
64.6% of the survey respondents have a family size averaging 1 to 4 members inclusive while 33.7% have a family size between 5 to 8 members and the rest around 1.7% have more than 8 family members. This can be shown by Figure 4 below. In fact, the average number of children per family varies from 1 to 3.

**Figure 4: Family Size of the VRS Beneficiaries**



#### 5.4.6 Occupation at the Time of Retirement

**Figure 5: Occupation at the time of retirement**



From Figure 5 above, we observe that 76% of the respondents were previously labourers, 9% were supervisors, 6% were drivers and 2% were gardeners. 7% of them were watchmen, mechanics or messengers in the sugar factories. In fact most of the VRS beneficiaries were labourers. The average monthly income earned ranges from Rs 3,600 to 10,000 for labourers and it is much higher for supervisors as shown by Table 6 below.

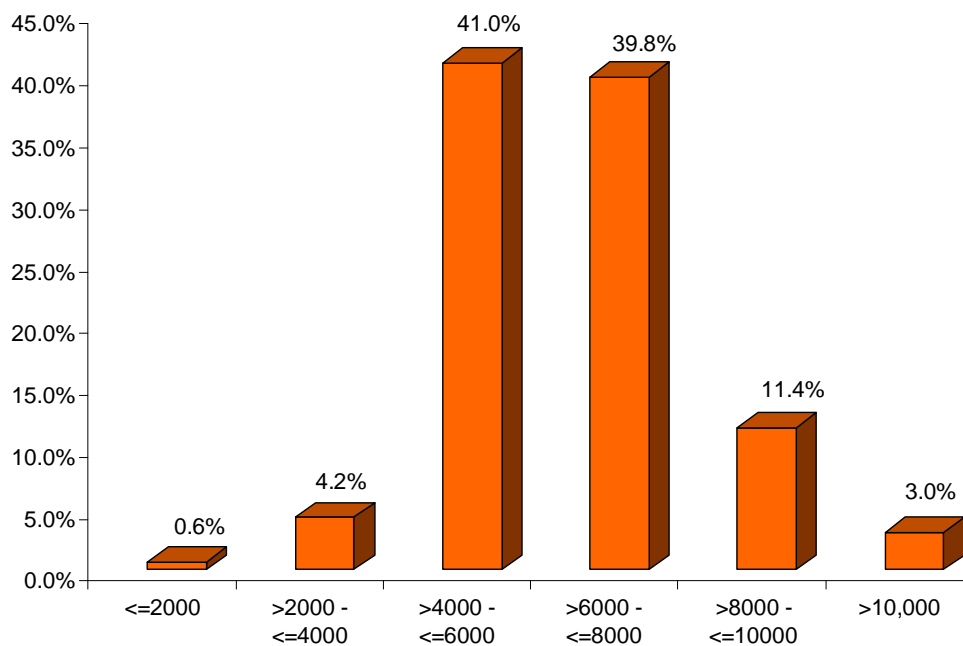
**Table 6: Monthly income per occupation (Rs)**

Job Title	Income (Rs)
Labourer	3,600-10,000
Supervisor	6,000-12,000
Gardener	4,500-7,300
Driver	7,000-8,000

### 5.4.7 Income Before VRS

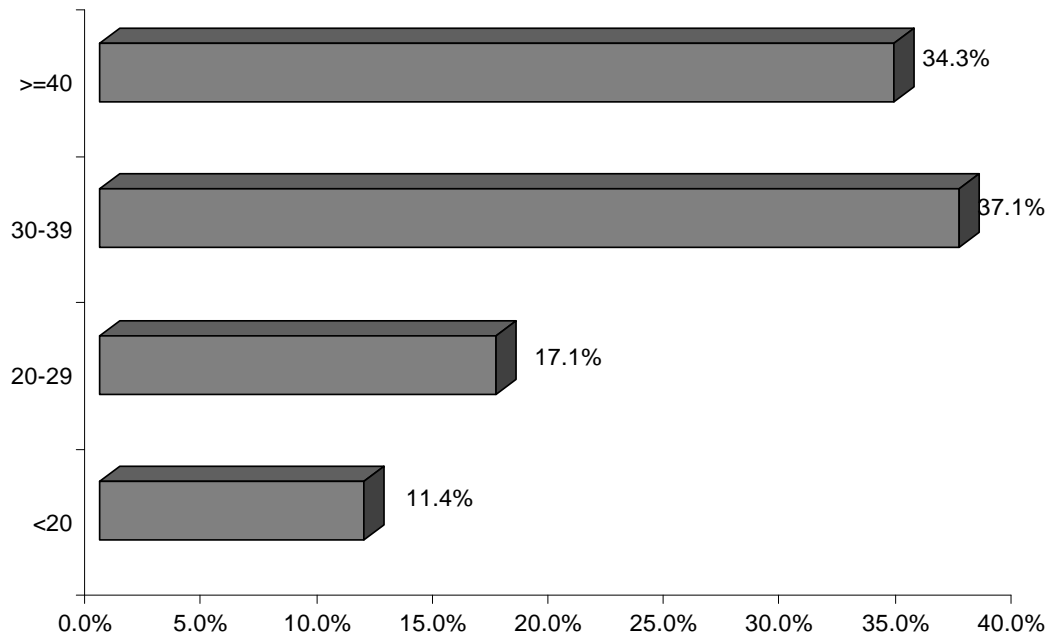
**Figure 6: Income Before VRS**

The beneficiaries were asked the income they benefited before the scheme. From Figure 6 below we note that 39.8% of them have an income between Rs 6,000 to 8,000 whilst 41% are within the income bracket of Rs 4,000 to 6,000. 3% of them have a salary of more than Rs 10,000 and 11.4% earn between Rs 8,000 to 10,000.



#### 5.4.8 Years of Service in the Sugar Industry

**Figure 7: Years of Service in the Sugar Industry**



Most beneficiaries have spent 30 to 39 years in the sugar estates. Around 34% have at least 40 years of service while 17.1% have 20-29 years of service and around 11.4% have been on the sugar estates for less than 20 years. The number of years of service determines the amount of compensation the sugar cane workers benefit under the VRS.

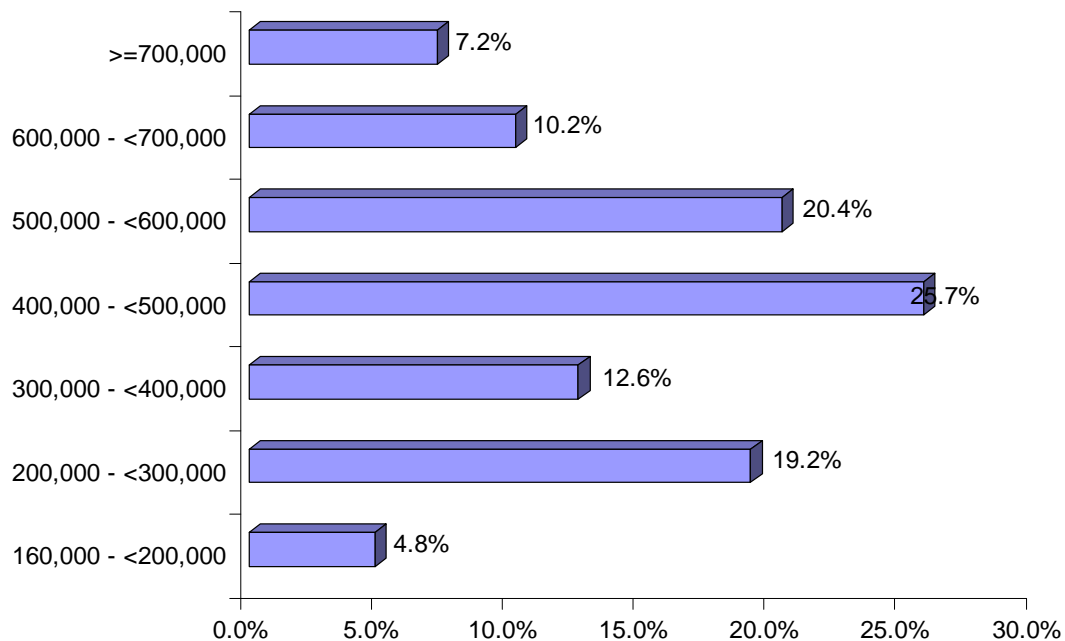
## 6. Results

### 6.1 VRS Compensation and Land

From our survey, we first examine the amount of compensation which they have received from the VRS scheme. We observe from Figure 8 below that around 25.7% of the VRS beneficiaries obtained a compensation in the range of Rs 400,000-500,000. 20.4% received between Rs 500,000-600,000 while 19.2% benefited around Rs 200,000-300,000. The amount of compensation obtained is related to the number of years of service in the sugar industry (see table 1 above).

The employees having voluntarily terminated their contract of employment are also entitled to a plot of land to build their houses. From our sample, more than 97% of the beneficiaries have not yet received their plot of land. Three of the respondents obtained 7 ‘perches’ of land. The significant delay in allocation of plots of land is mainly owing to lengthy procedures. Legislative and administrative measures are being taken at present to ensure that the employees receive their land with the least delay. Moreover, discussions are underway on land use to explore the possibility of small holders and recipients of land under the VRS to pool land; to make it available for commercial purposes as part of a land use master plan to be developed to accommodate the wider economic restructuring program, particularly for the new economic pillars.

**Figure 8: Amount of VRS Compensation**



## 6.2 Use of VRS Compensation

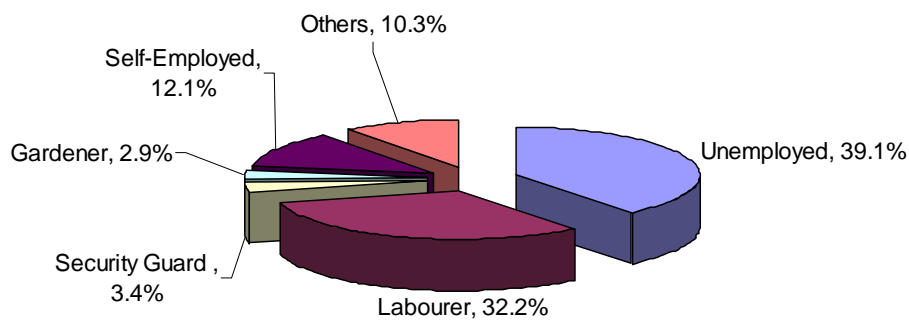
Second we analyse how the respondents have used or spent their compensation. It was observed that out of 175 respondents, 87.7% saved part of their money, out of which 30.8% saved the total amount. 40% saved at least three-quarter of their

compensation, around 15% saved around half and 28% saved less than half of their compensation. None has invested their money possibly because they have not been trained yet for any other activities where they can set up their small businesses.

Most of them have used the money either to finance the wedding or studies of their children. Others have built or refurbished their house and some have travelled abroad. For many they are using this sum of money to pay daily expenses and loans or past debts incurred.

### 6.3 Present Activity

**Figure 9: Present Activity of the Beneficiaries**

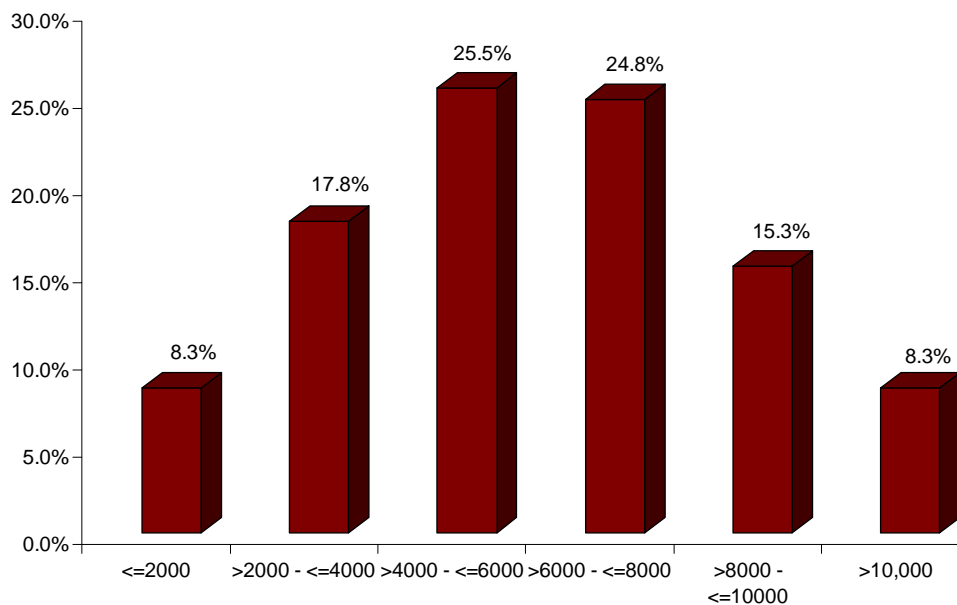


Around 39% of the respondents are now unemployed but 32% of them are already 60 years and above. 32.2% of the VRS beneficiaries are still labourers and are often employed as casual workers in the same sugar estate they were previously working. 5.7% are self-employed which implies that they work on their own fields and earn an income from the cultivation of vegetables and other crops.

### 6.3 Present Income

From Figure 10, we can observe that most of the beneficiaries (around 25.5%) are within the income bracket of Rs 4,000 to Rs 6,000 compared to 41% before the scheme. In fact a large percentage has moved to the lower income brackets of less than Rs 2000 and between Rs 2000 to Rs 4000, with a percentage rise of 13.4% for the later range. Further, 8.3% of the beneficiaries are now earning at most Rs 2,000 compared to 0.6% before the VRS. Those earning between Rs 6,000 to Rs 8,000 has also reduced substantially from 39.8% to 24.8%. It must be noted that in the higher income range of Rs 8,000 to Rs 10,000, we have 15.3% and 8.3% of beneficiaries respectively. Though the percentage of beneficiaries in these income groups has increased with the introduction of the scheme, this rise is less compared to those who fell in the lower income brackets.

**Figure 10: Present Income of the Beneficiaries**



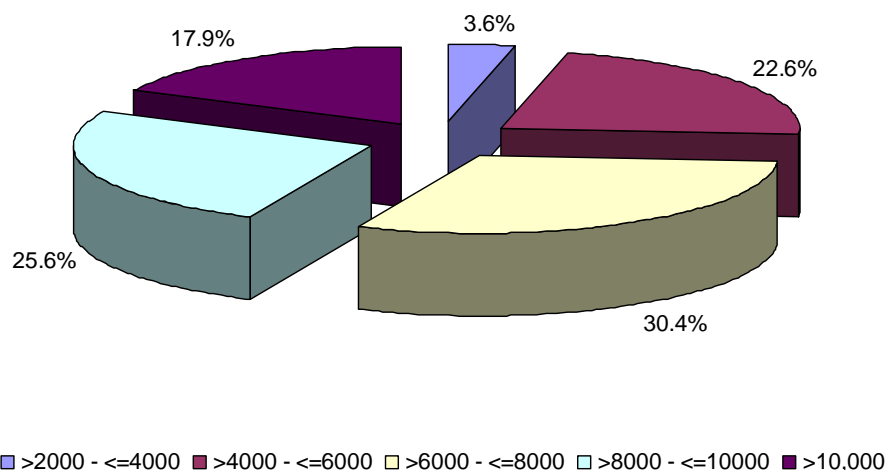
Further their higher income of the respondents in these income ranges is explained by support income from family members mainly working children. 20% of those with an income above Rs 10,000 benefit from family support while 60% of those within the range Rs 8,000-10,000 get an income from family members. Those within the lower income range of below Rs 2,000 and between Rs 2,000 and 4,000 do not receive any

family support. Even those in the range of Rs 4,000 to 6,000 (around 16%) receive family support which helps them earn this income level. We observe that with the VRS scheme, sugarcane workers have moved to a lower income bracket and for those who have moved up the income range, this was essentially due to family support, in particular income from their working children. In addition, we also note that those within the higher income groups, they are employed as casual worker within the same sugar estate and earn basically the same salary as before the introduction of the VRS.

#### 6.4 Present Expenditure

From Figure 11 below we observe that 30.4% of the respondents spend between Rs 6,000-8,000 per month, 25.6% spent between Rs 8,000 to Rs 10,000 and some 17.9% spent more than Rs 10,000. While the majority of the VRS beneficiaries are within the income bracket of Rs 4,000-6,000, they tend to spend more than their income. In fact, for many of them, the compensation is being used to meet daily expenses, which in the long run is not sustainable.

**Figure 11: Present Expenditure of the Beneficiaries**



#### Breakdown of Expenditure

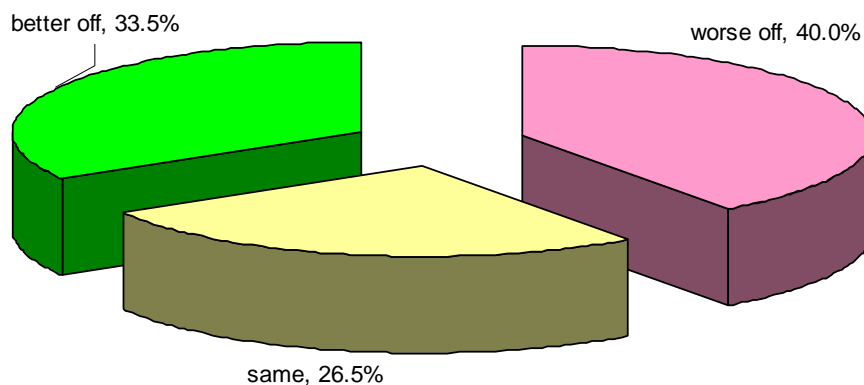
Most of the respondents spend 60-90% of their monthly income on food and clothing. Electricity, Water and telephone bills consist of around 10-40% of their expenditure.

15% of the beneficiaries have loans and debts which form part of their monthly expenditure.

### 6.5 VRS Livelihood

To investigate the impact of the VRS on the beneficiaries, we ask them as to how their lifestyle has changed with the scheme. They provide information on their income, leisure hours, standard of living, less stressful life among others. These are few indicators which we consider when assessing as to whether they are better off or worse off after the implementation of the VRS.

**Figure 12: How do you see your life/lifestyle after the VRS?**



From our survey we note that 26.5% of the respondents claim that they have the same lifestyle as before mainly because they are employed as casual workers in the sugar estates and earn basically the same salary as before the implementation of the VRS. 33.5% state that they are better off. In effect for most of them, being better off implies more leisure activities and more time spent with their family and children. We note that out of this 33.5%, 63% have said that they have more time and life is less stressful than before. Though income is less, they are enjoying more time. Also they feel better off since they have been able to build a house and will soon benefit from a plot of land. For those who are have said to be worse off, around 40%, they are struggling to have an income-generating activity since they still have dependent

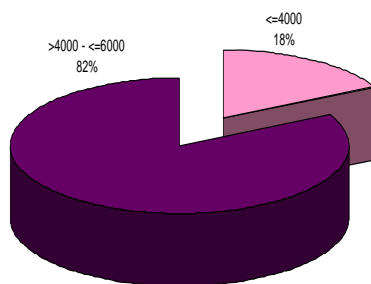
children. Life seems to be more difficult for them as the compensation is not sustainable in the long run.

In addition, from our focus group discussions with beneficiaries in the North and South of the island, we note that those beneficiaries in the North claim that they are happy with the scheme and have a similar or in some cases better life style with the VRS scheme. This is essentially because most of them are actually employed as casual workers in the sugar estates. They are doing the same job and having the same salary as before the VRS. However, a different picture is seen in the South of the island where most of them revealed that they were worse off and poorer. Most of them were unemployed or doing some part-time job with a much lower salary.

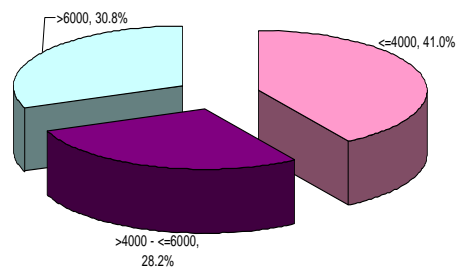
### 6.6 VRS Livelihood – A Gender Perspective

The second objective of the study is to assess whether the VRS scheme has a differential impact on female and male beneficiaries.

**Figure 13a: Income Before VRS**



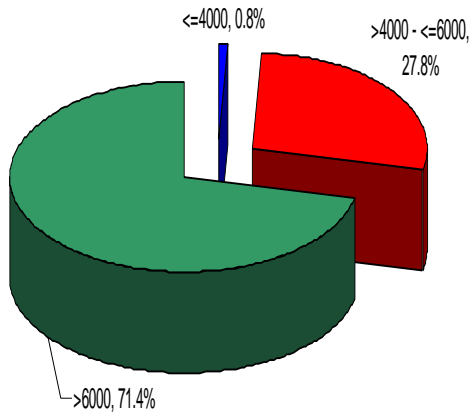
**Figure 13b: Income After VRS**



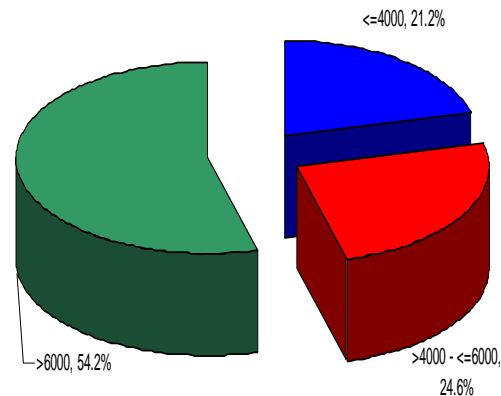
From Figure 13a above, we note that most women in our sample were earning between Rs 4,000 to 6,000 per month before the implementation of the VRS. None benefited from an income above Rs 6,000 and around 18% was in the income category of at most Rs 4,000. After the VRS scheme, in Figure 13b, we observe that a high percentage (41%) has moved in the lowest income bracket. Also 28.2% is now earning between Rs 4,000 and 6,000 while 30.8% is earning more than Rs 6,000.

However out of this 30.8%, 30% benefits from family support that is income from children or other relatives.

**Figure 14a: Income Before VRS**



**Figure 14b: Income After VRS**



Before the VRS, 71.4% of the male respondents were earning an income exceeding Rs 6,000 as shown by Figure 14a above. Only 0.8% was earning less than Rs 4,000 and the rest (27.8%) was within the income range of Rs 4,000 to 6,000. After the scheme, in Figure 14b above, we observe a similar picture to that of women where a large percentage of male beneficiaries has moved to the lowest income range of at most Rs 4,000. In the case of male recipients, however, we find that the percentage of those within the highest income bracket is even lower after the scheme. With the scheme, male workers seem to be worst off in terms of their earnings.

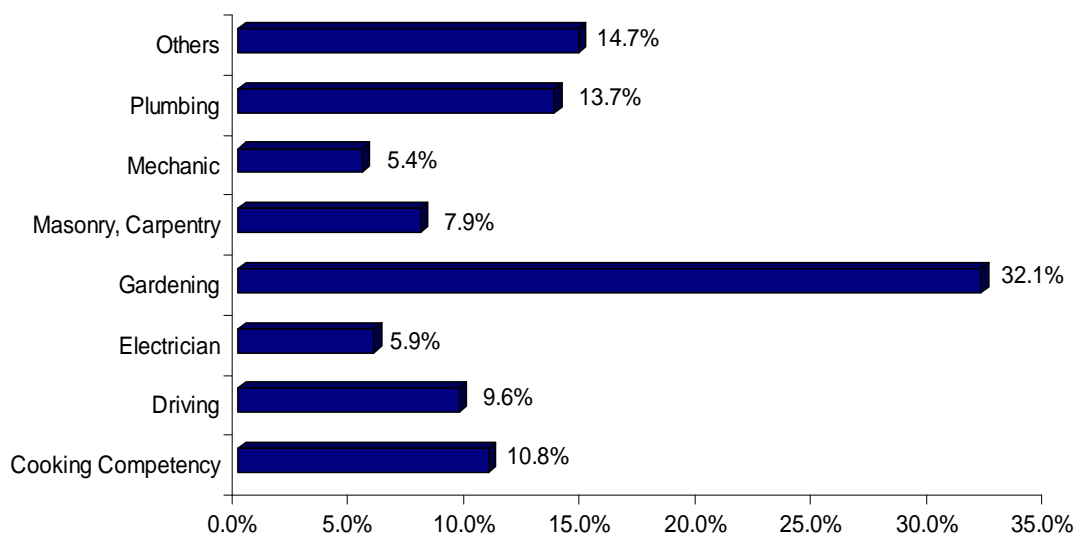
Income of male sugar workers is much higher relative to that of women. A larger percentage of men (54.2%) is earning more than Rs 6,000 whilst only 30.8% of female workers is within this income group. Moreover 41% of women is earning Rs 4,000 or less where as only 21.2% of men is within this income category. Though after the scheme, we observe that men are worst off in terms of income, women are even worse off than men.

## 6.7 Training

Finally, we assess whether training is a useful mechanism in helping the VRS beneficiaries in moving out of poverty.

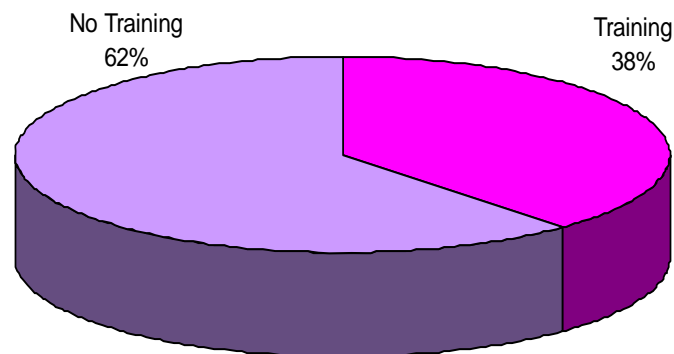
**Figure 15: Training Courses**

From secondary data, we note that 2,248 sugar workers were trained in different fields (A list of the training courses is presented in Table C in the Appendix). It can be seen that a large percentage around 32% were trained in gardening. 13.7% were trained in plumbing, 10.8% in cooking competency, 9.6% in driving and 7.9% in masonry and carpentry.



From our survey, around 38% of the beneficiaries were being trained, as seen in Figure 16 below. 75.4% of those trainees were male workers and the remaining 24.5% were women. Their training session was around 9-10 weeks.

**Figure 16: Training**



Most of them were trained in gardening. They chose this specific training since most of them were labourers or gardeners on the sugar estate. The training will help them to know more about gardening techniques which can enable them in getting a better job or set up their small business or still apply those methods on the plot of land that would be made available to them under the scheme. There does not seem to be a high correlation between the training and the level of income of the beneficiaries. For many the training was still undergoing. Further, they have not yet shifted to another job where these training skills could be used as they are employed as casual workers on the sugar estates.

#### **7. Schematic Analysis of the Gains and Losses Faced by the VRS II Beneficiaries in the Sugar Sector**

It is especially the issue of overall welfare implications of the EU sugar trade reforms in developing countries that is generally underexposed. Most impact analyses so far are largely partial, focusing only on the economic consequences for the sugar sector, without taking into account the general welfare implications. Such an analysis is necessary to get a full picture of the impact of EU sugar reforms and provides a basis for the possibility of more financial support if we are likely to lose from the EU sugar sector reforms.

The positive and negative direct and indirect effects of the EU sugar reforms on VRS beneficiaries can be summarised by the following matrix.

<b>Well-Being of VRS Beneficiaries</b>	
<b>Positive Direct Impacts</b>	<b>Negative Impacts</b>
<ul style="list-style-type: none"> <li>• Cash compensation</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of employment</li> </ul>
<ul style="list-style-type: none"> <li>• Small plot of land</li> </ul>	<ul style="list-style-type: none"> <li>• Unsustainable long term source of income (as expenditure and prices rise)</li> </ul>
<ul style="list-style-type: none"> <li>• Re-skilling</li> </ul>	<ul style="list-style-type: none"> <li>• Income livelihood threatened</li> </ul>
<ul style="list-style-type: none"> <li>• More leisure time</li> </ul>	<ul style="list-style-type: none"> <li>• Food security</li> </ul>
<ul style="list-style-type: none"> <li>• Land and housing loans at preferential rates</li> </ul>	<ul style="list-style-type: none"> <li>• Lower standard of living</li> </ul>
	<ul style="list-style-type: none"> <li>• Compensation used for daily expenses or for other non productive purposes</li> </ul>
<b>Positive Indirect Impacts</b>	<b>Negative Indirect Impacts</b>
<ul style="list-style-type: none"> <li>• New job opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Social problems (alcoholism)</li> </ul>
<ul style="list-style-type: none"> <li>• Casual workers (lower income)</li> </ul>	<ul style="list-style-type: none"> <li>• Changed lifestyle around the village and sugar estates</li> </ul>
	<ul style="list-style-type: none"> <li>• Education and future of children may be affected</li> </ul>
	<ul style="list-style-type: none"> <li>• Women have to enter the labour force – more stressful family life</li> </ul>

From our survey of 175 VRS II beneficiaries, we estimate the net benefits and costs which have been prompted by the EU sugar reforms and as such affected the livelihood of sugar cane workers. First, we analyse the financial situation of the respondents if they had continued working on the sugar estates and did not accept the VRS. We differentiate across them according to occupation, age and years of service in the sugar sector. Our methodology also rests on the assumption that we considered their last salary obtained before retirement and also allow for an increase in wage rate of 8% (which was in line with the inflation rate in 2008 whereby all workers benefitted from a rise of 8%). Similarly we consider the retirement to be 60 years when calculating the income the respondents would have earned if they had continued their work on the sugar estates and have refused the VRS.

<b>Total Benefits and Costs</b>							
<b>Total beneficiaries surveyed</b>	<b>Total cash compensation for 175 beneficiaries surveyed</b>	<b>Average compensation per beneficiary</b>	<b>Average income earned without VRS (Retirement age - 60)</b>	<b>Net Benefits/Costs of the Cash Compensation</b>	<b>Percentage of VRS beneficiaries who have got a job</b>	<b>Percentage of VRS beneficiaries who are now unemployed</b>	<b>Difference in monthly income before and after the VRS</b>
175	72,568,000	414,667	367,692	46,975	51%	49%	
<b>Main Occupations</b>		<b>Average compensation per beneficiary (by occupation)</b>	<b>Average income by occupation (without VRS and retirement age - 60)</b>	<b>Net Benefits/Costs of the Cash Compensation by occupation</b>	<b>Average monthly salary per occupation before VRS</b>	<b>Average monthly income after VRS</b>	
Labourers		395,646	415,114	(19,468)	6,023	5,967	(56)
Gardeners		348,740	518,400	(169,660)	5,825	8,156	2,331
Supervisors		678,533	284,820	393,713	9,153	6,493	(2,660)
Drivers		534,889	359,946	183,943	7,467	4,647	(2,820)
Watchmen		401,667	584,496	(182,829)	11,200	8,600	(2,600)

*Source: Author's Calculations*

From the above, we note that the cash compensation given to the 175 VRS II beneficiaries in our sample amounts to Rs 72,568,000. The average compensation per beneficiary totals Rs 414,667. If the sugar workers did not accept the VRS and have continued to work on the sugar estates, their average accumulated income would be around Rs 367,692. Though this is less than the amount of compensation obtained under the scheme, we note that this figure is inflated mainly by the compensation obtained supervisors and drivers. The amount of compensation when considering the occupation of the sugar workers gives us a different picture. We note that labourers, gardeners and watchmen are those to be worst off with the scheme as the compensation is much less when compared to the income they would have earned when working. In fact most of the VRS beneficiaries are labourers and gardeners and they are likely to be poorer after the scheme with a small plot of land and a cash compensation which often has been used to build houses or for their children in terms of financing their studies or wedding.

Further we observe that income of sugar workers before the VRS was higher than the income they earned now after the VRS except for gardeners. They have moved into a lower income bracket and a huge percentage (49%) is unemployed as they have not been able to find another job. In effect it is mainly the poorest segments of the population (unskilled, very low literacy rates and large rural families) which are the most affected by the EU sugar reforms. Though the MAAS comprises a set of measures to compensate and assist the affected populations (pro-poor dimension), the VRS II social package is not enough. As we have seen above the cash compensation does not compensate the labourers, gardeners and watchmen who are among the lowest occupation levels on the sugar estates. A rise in cash compensation in the range of 10 to 30% may be useful for VRS II beneficiaries in different occupations. In addition to the cash compensation, a tiny plot of land has also been allocated to the beneficiaries, however, most of them have not yet received the land. The benefits which accrue to the VRS beneficiaries in terms of more leisure time or more time with their family is difficult to quantify, in so far as we have been able to calculate only the monetary benefits in terms of the cash compensation and income earned.

There is a high risk of increased poverty for families that are directly dependent on the sugar industry unless alternative employment opportunities are created. From our sample, 49% of the beneficiaries are still unemployed. After two years now, they have not been trained and redeployed in another sector or in another workplace. Though some have been trained, we found that the training has not been useful in getting a job. The training which was mostly on gardening has only helped them to cultivate their own plot of land for their subsistence. Indeed, the redeployment of the sugar workers into other economic sectors remains a challenge for the government, since they are generally low-skilled and hence will need time to be trained. There is thus a need for swift and comprehensive intervention on the part of Government.

In the context that the MAAS there is the provision for increasing empowerment and welfare schemes, with a special focus on women (pro- gender). These include programmes to support re-skilling as well as incentives for small farmers to regroup for better economic efficiency. In addition, funds are provided to trade unions from the Empowerment Schemes which caters for the welfare of the rural groups who depend on the sugar sector. However, the schemes and programmes seem to exist but the delay in implementation is considerable. In the meantime, most VRS II beneficiaries are moving into increased poverty as the cash compensation is either already used or is being used for daily expenses which are unsustainable in the long term. Those who are most hit by the EU sugar reforms are the ones who are within the age bracket 50 – 57 years who could have worked for more years on the sugar estates.

## **8. Conclusion and Policy Implications**

The reform of the EU sugar regime is leading to real challenges for the sugar industry in Mauritius with consequent risks to the sector and particular hardship for labourers in sugar production and other sugar industry employees for whom the future is bleak in the only occupation they have known. The major concern is the short to medium term social impacts of industry closures, despite the progressive development of alternative sources of livelihood. Employment loss in mills and estates significantly impact on poverty, as well as lower income for sugarcane workers and cut-backs in industry-provided social services.

From our survey, we find that with the VRS scheme, a high percentage of the beneficiaries move to a lower income bracket with their expenditure exceeding their present income level. Many are using the compensation to finance their daily expenses. Further both men and women are affected negatively under the scheme with lower income levels but the impact appears to be more significant for women. In terms of more leisure hours and a less stressful life, they are better off. They have more time for their families and children. For those beneficiaries whose standard of living has remained unchanged, they are mostly employed by the sugar estates as casual workers earning basically the same salary as before the VRS.

Moreover, we note that many of the VRS II beneficiaries have not yet been trained. For those who have undergone training, they have not yet obtain a new job or applied their knowledge to set up their own business. For many the training is still undergoing and they expect to benefit from it by setting up their own business.

The VRS compensation and the plot of land are well viewed by the beneficiaries. For many of them, they have been able to build a house. The scheme is seen to be a good opportunity mainly for older workers nearly reaching 60 years. For the other beneficiaries, who still have dependent children, life is hard. It is very difficult for them to get another job or to set up their own business. Most of the beneficiaries, argue that in the long run it will be impossible to manage with this amount of money. As far as the sugar industry is concerned, we asked them their views about the future of the sector. Most of them acknowledge the significant contribution of the sugar

industry to the development of the Mauritian economy but perceive a gloomy future for the sector. Further, they believe that there is a wide disparity between owners and workers. They value the plot of land and compensation which have been offered by the sugar estate but still believe that workers do not enjoy fully the benefits of the sector.

### ***Policy Implications***

From our analysis, we argue that well targeted safety nets should be provided to accompany the transition for affected population categories, taking into account that, in addition to retrenched mill or estate workers, vulnerable populations can also include employees of labour contractors and smallholder farms. Public provision of social amenities may need to be expanded or upgraded, in case industry-provided services are affected by the impacts of the reform.

Developing and implementing a code of best practices in terms of corporate social responsibility, as regards to enhancing the sustainability of the sugar sector development, could be beneficial to the ex-workers and the rural community. Possibilities may also be examined by government authorities jointly with sugar industry representatives for social services hitherto provided by the sugar sector to be taken over partly by national bodies. In this context, opportunities for financial contributions from the donor community might be sought.

We argue that there is a need to apply EU-financed accompanying measures aimed at providing retraining to open the possibility of alternative employment for those who can no longer work in the sugar industry. Training in a number of fields can prove beneficial in helping the beneficiaries to move to other sectors or inculcate a business culture which will drive them in setting their own small enterprise.

Consideration should also be given to the possibility of using EU financing to promote new initiatives such as special sugars and alternative uses for sugar-cane such as ethanol production, as well as further developing the use of bagasse to fuel electricity production. The development of the use of co-products of sugar (animal feed and others, and services, like tourism and others), and the alternative cane-

derived products, such as ethanol, rum or others will lead to the creation of employment. Diversification can range from changes within the cane-based production system (e.g. in the cases of associated crops between cane rows or of development of alternative cane products), to a complete reorientation of the area's economy. In any case, diversified income sources are an important factor to reduce vulnerability of areas which presently depend on sugar.

Considering the market, policy, technology and investment related requirements of these activities, there will be enormous employment opportunities which will have a positive on the overall economy. This may also help in improving the standard of living of the VRS II beneficiaries as well as community development near the sugar estates. From our field survey, we also gather the views of those who have benefited indirectly from the sugar estate production. With the closure of the sugar factories, many have closed their business and are now jobless. So job creation via the increase in production of sugar-cane related products may help in improving the livelihood of those who depend on the sugar industry.

All policies conducive to an enabling business environment and to the sustainable integration of the poor into the economy usually contribute to sustainable diversification and development. However, some key elements of a pro-poor diversification strategy need to be considered, namely the identification of market opportunities, rather than production capacities, should be the first driver of a diversification strategy. Further, the development of an alternative economic sector requires a comprehensive sectoral strategy. This means taking into account firstly all levels of the chain, and the diversity of enterprises at a given level.

Second the complementary roles of both the private and public sector; and last all factors which influence the diversification potential, whether in the field of market opportunities, economic and financial conditions, policies and regulatory settings, human resources and knowledge, production structures and services, natural resources, technology, research and development, infrastructure, etc need to be considered. Where alternative economic activities are meant to progressively substitute sugar production, their development should be programmed in adequate sequencing with the downsizing or phasing out of sugar production. Third, closures

or downsizing of the sugar industry must take into account the potential environmental consequences. Changes in land use, if relevant, should be a planned process. Re-conversion of milling sites also requires specific support measures.

The financial allocations for accompanying measures for Sugar Protocol Countries affected by the reform of the EU sugar regime over the period 2007-2013 must be sufficient to meet the pressing needs of the economy and must be timely as it is imperative for Mauritius to be able to put in place restructuring before the price cut leads to insoluble financial crises. The ACP group must maintain solidarity in confronting the challenge of sugar sector reform and in addressing the EU institutions in dialogue over the level and use of accompanying measures financing; differences between individual Sugar Protocol countries must not allow this solidarity to be compromised.

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## Appendix

**Table A: Total Number of VRS II Beneficiaries per Company as at 10th July 09**

<b>Sugar Companies</b>	<b>Total No of Beneficiaries</b>
BEL AIR SUGAR ESTATE LTD	95
BENARES SUGAR ESTATE CO LTD	76
BRITANNIA SUGAR ESTATE	133
CIE SUCRIERE DE MON SONGE LTEE	26
CIE SUCRIERE DE ST ANTOINE LTEE	91
COMPAGNIE AGRICOLE DE LABOURDONNAIS LTEE	80
COMPAGNIE AGRICOLE DU MOUNT LTEE	204
COMPAGNIE SUCRIERE DE BEL OMBRE LTEE	236
CONSTANCE LA GAIETE CO LTD	442
DEEP RIVER BEAU CHAMP LTD	551
FLACQ UNITED ESTATES LTD (FUEL)	950
HAREL FRERES LIMITED	302
MON DESERT ALMA LTD	421
MON TRESOR SUGAR ESTATE	283
COMPAGNIE DE BEAU VALLON LTEE	420
ROSE BELLE SUGAR ESTATE	252
S I T (Britannia)	252
SAINT AUBIN LIMITEE	148
SOCIETE DE GERANCE DE MON LOISIR LTEE	361
STATE LAND DEVELOPMENT CO LTD (SLDC)	269
THE MEDINE SUGAR ESTATE CO LTD	431
THE MOUNT SUGAR ESTATE CO LTD	40
THE SAINT ANDRE SUGAR ESTATE CO LTD	15
THE SAINT FELIX SUGAR ESTATE CO LTD	135
THE SAVANNAH SUGAR ESTATE CO LTD	275
THE UNION SUGAR ESTATES CO LTD	140
<b>Total for VRS II</b>	<b>6,628</b>

Source: Mauritius Sugar Authority, July 2009

**Table B:****Total VRS I, ERS and Blue Print Beneficiaries per Company as at 10th July 09**

<b>Schemes</b>		<b>Sugar Companies</b>	<b>Total No of Beneficiaries</b>
<b>Early Retirement Scheme ERS</b>		BELLE VUE MILLING CO LTD	<b>80</b>
		FUEL SUGAR MILLING COMPANY LTD	<b>36</b>
		THE MEDINE SUGAR MILLING COMPANY LTD	<b>38</b>
		SAVANNAH - SOCIETE USINIERE DU SUD	<b>54</b>
		<b>Total for ERS</b>	<b>208</b>
<b>Factory Closure</b>	<b>Blue Print</b>	MON DÉSERT ALMA SUGAR MILLING CO LTD	<b>184</b>
		SUDS - MON TRESOR MON DESERT SUGAR FACTORY	<b>61</b>
		SUDS - RICHE EN EAU SUGAR FACTORY	<b>72</b>
		SUDS - SAINT FÉLIX SUGAR FACTORY	<b>144</b>
		<i>Total for Blue Print</i>	<b>461</b>
	<b>Adapt</b>	MON DÉSERT ALMA SUGAR MILLING CO LTD	<b>5</b>
		SUDS - MON TRESOR MON DESERT SUGAR FACTORY	<b>66</b>
		SUDS - RICHE EN EAU SUGAR FACTORY	<b>94 *</b>
		SUDS - SAINT FÉLIX SUGAR FACTORY	<b>-</b>
		<i>Total for Adaptation</i>	<b>165</b>
<b>Total for Factory Closure</b>		<b>626</b>	

**Table C:**

**Training Courses Offered to the VRS Beneficiaries**

<b>Course Title</b>	
1.	Basic Arc Welding
2.	Basic Automotive Electricity
3.	Basic Carpentry
4.	Basic Course in Masonry
5.	Basic Course in Painting
6.	Basic Vegetable Production
7.	Control Circuits for Induction Motors
8.	Domestic Electrical Installation
9.	Domestic Pipework Installation
10.	Food Production (JR School)
11.	Food Production Techniques
12.	Gardening
13.	Houskeeping Operations
14.	Learner Driver for Articulated Lorry
15.	Learner Driver for Bus
16.	Learner Driver for Goods Vehicle
17.	Livestock and Poultry Production
18.	Pastry Production
19.	Pattern Drafting and Sewing Ladies' Wear
20.	Restaurant and Bar Services
21.	Servicing of Petrol Engines and Diesel Engines

## **The Case of one VRS II Beneficiary – Mrs Kawlowtee**

Mrs Kawlowtee, announced in 2001: ‘I’m fed up! I’m taking my VRS!’ She was referring to the Voluntary Retirement Scheme.

She’s a big strong woman, who for 14 years had worked as a labourer on a sugar estate in the South. This meant she had led an orderly life. Generations of cane-workers had struggled for it. The work is hard, so the hours had got short. The sun is hot, so you start work early. You have time: for family, the women’s movement, St John’s Ambulance, to play in a band, whatever. You get new work gloves every three weeks. And extra money for cutting cane on a slope. The pay’s OK too, totalling around \$120 a month.

Kawlowtee and her husband had bought their housing estate house when the Government was selling them off cheap. Then they had taken a bank loan to add three rooms for the children. Their daughter, a cashier in a transnational retail firm, and an older manual-worker son could both help with repayments – as well as with their younger brother’s schooling.

Then Kawlowtee’s life gets hit by globalization: the price of sugar is to be fixed by the free market now.

During decolonization, when countries like Mauritius were faced with the riddle of how to be ‘independent’ with a monocrop economy invented to foster dependence, the Lomé Agreement between Europe and its ex-colonies solved it, fixing quotas at guaranteed prices. The agreement arguably also served to tie the economy even further into subservience and lined the pockets of the sugar oligarchs, but it did provide some security for workers like Kawlowtee.

Until liberalism came back.

Now, the World Trade Organization’s Dispute Settlement Tribunal finds Europe to be ‘illegally subsidizing’ sugar. Its judgment in favour of Australian, Thai and Brazilian sugar producers who cry unfair competition is binding. Sugar prices fall around 36 per cent. The estate owners and Government see only one way out: cut costs by destroying jobs in their tens of thousands.

Kawlowtee doesn’t agree. ‘I don’t want to retire!’ she said. ‘Who would at 42?’

But after the first batch of older women nearing retirement age accept the VRS package, work gets tough for the rest. Workloads increase, unemployment rises, casual workers move in on lower wages. The bosses put the screws on younger labourers to take their VRS too. Kawlowtee, a union organizer, realizes they’ll find a pretext to kick her out anyway. So she takes her VRS. With the sum of \$2,125, plus the promise of a tiny plot of land, she becomes unemployed.

She lands a job with a cleaning company. She gives a false address because they won’t take someone from the south because of the bus fares. So, part of her pay goes on transport. How much is her pay? \$75 a month.....

Kawlowtee chips away at the VRS money for loan repayments. She buys a computer for her son doing A-levels. 'May help him get a job next year,' she says. Then her daughter falls in love with an Italian colleague brought in to fix computers at work. More VRS money goes into the wedding and her daughter emigrates.

Her older son, having become unemployed, ends up, like thousands of youngsters, in jail – stole a mobile phone from a tourist.

Bank repayments become impossible. So the bank is foreclosing. Her house is the collateral. She, like her workmates, still hasn't got the promised bit of VRS land.....Kawlowtee's isn't a hard-luck story. She'll manage. But her story is typical.

The lives of everyone in Mauritius are in similar disruption and disequilibrium.....

Extract from *The New Internationalist Magazine*, April 2006, by Lindsey Collen - a Mauritian novelist.