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

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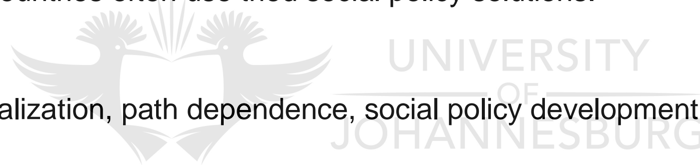
Abstract
The manner in which open economies in a globalized world shape social policy development is highly disputed, as is the impact of the current financial crisis on social policy. One argument is that globalization and economic austerity force social policy dismantling. Alternatively, it is proposed that open economies – facing greater volatility, especially during crisis – push for greater social protection. Using the examples of Botswana and Mauritius, two open middle-income countries, this article suggests that, in fact, both arguments may be correct. The impact of globalization and economic crisis depends on the character of the welfare system already in place and the organized interests underpinning it. In Botswana a main social policy thrust is to increase efficiency in spending, whereas issues of job security and compensation are more prevalent in Mauritius. The findings imply that divergence across welfare systems persists and that, even in crisis, countries often use tried social policy solutions.



Keywords
Financial crisis, globalization, path dependence, social policy development, social security spending

Introduction

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

Over the last decades of increased globalization, academics have researched and debated the impact of economic integration and trade openness on social policy development, with contradictory arguments not unlike those related to the effects of economic crisis as cited above. Both in the OECD and the Global South there is an *efficiency* literature whose proponents argue that globalization forces countries to retrench social policies – seeing the side of the sword that calls for sustainability and

effectiveness in spending. Equally, there is a *compensation* literature that suggests that increased openness, and economic crisis, push countries to expand social policies so as to compensate for (temporary) hardships. However, this presumed convergence of either 'a race to the bottom' or 'catching up' may be too simplified. Rather, the effects of globalization and the recent global economic crisis may depend on some intermediate institutional structures that cause political actors to pursue different social policy strategies regardless of a similar external stimulus.

This article scrutinizes the suggestive argument by Castles (2010: 99) that 'the consequences of emergency events are likely to be mediated by the type of welfare state and/or political economy in which they occur'. That is, I argue that the impact of globalization, and specifically the recent economic crisis, on social policies depends on the character of the welfare system already in place. As such, I follow recent contributions to the globalization–social policy debate that suggests that the effect of globalization is conditional on intermediate factors. Unlike these studies which predominantly use statistical cross-country analyses, I conduct a comparative case study analysis in order to explore the manners in which the effects of globalization and crisis push policies in different directions due to given institutional and political set-ups. This approach enlarges our theoretical understanding of social policy development in an increasingly integrated world. Furthermore, this article breaks new empirical ground by studying social policy reactions to globalization and economic crisis in two developing countries with very open economies, namely Botswana and Mauritius.

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This article is structured as follows. First, I present the globalization–social policy debate; this debate is a critical starting point because even though the recent economic crisis places extra pressure on social policies it arguably does so in a similar manner to globalization – on the one hand pushing for spending cuts and, on the other, calling for extra protection. Then I elaborate on the theoretical arguments of how existing welfare systems cause countries to choose different social policy strategies; this discussion also justifies the use of case studies as a means to understanding how similar external pressures can lead to different social policy outcomes. Second, I introduce the two cases of Botswana and Mauritius and discuss their suitability for comparison. Next, I analyse how globalization and the economic crisis of recent years have impacted social policy

changes in the two countries. The article ends with a comparison of the two countries and a discussion of the implication of the findings.

Globalization, crisis and social policy development: The debate

Globalization is here defined simply as increased economic integration and, as common in most literature (Brady et al., 2005: 928), may be reflected as trade openness, volatility in trade and a competitive and free market economy. It is generally agreed that globalization has intensified during recent decades, thereby forcing many countries to open their economies. This push for economic integration creates expanding trade opportunities and business interaction but also limits domestic policy choices and makes countries vulnerable to global market fluctuations. Thus, globalization affects economies in both positive and negative ways; the impact of globalization on social policies – such as social transfers and social services – is equally ambivalent.

The earlier literature on the effects of economic openness (rather than globalization specifically) on social policy followed a compensation argument: open economies would have higher levels of social policy spending largely because exposure to external risk in concentrated industries pushes labour organizations to demand social protection (Cameron, 1978). The positive effects of globalization and trade openness on social spending have been confirmed by other studies of the OECD (Adserà and Boix, 2002; Burgoon, 2001). Rodrik (1998) found positive and robust correlations between openness and government spending for both low- and high-income countries; and Mares' (2005) study of more than 100 countries suggests that higher volatility in trade and concentration of exports is correlated with social security policies which have wider coverage across occupational groups.

This compensation argument is disputed by scholars of the efficiency literature, who maintain that increased global competition forces governments to curtail social spending so as to decrease the costs of labour. As such, there is a negative association between increased openness and social spending (Benarroch and Pandey, 2008; Busemeyer, 2009). Scholars of the Global South also find negative associations between globalization and social spending. One argument is that labour in developing countries is insufficiently organized and therefore unable to prevent the dismantling of welfare policies

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(Rudra, 2002); another, that internationally inspired volatility undercuts the capacity of governments to smooth consumption across business cycles which thus leads to social spending cuts (Wibbels, 2006).

Adding to the dispute, other scholars again find that in the OECD globalization does not clearly cause social policy expansion, reduction or convergence (Brady et al., 2005). This conclusion prompts Brady and his colleagues to call for case studies to ‘examine how . . . actors filter globalisation pressures and make globalisation claims’ (Brady et al., 2005: 945).

That the relationship between globalization and social policies is disputed is maybe because it is conditional on intermediate factors. Certainly, a third strand of literature is coming to the fore. For instance, Jensen (2010) shows in a study of OECD countries that globalization only has a negative impact on social spending in liberal market economies (LMEs) but not in coordinated market economies (CMEs). The argument is that employers in CMEs are dependent on workers' willingness to invest in specific skills and therefore more supportive of social spending which reduces the risks of workers, whereas employers in LMEs are less dependent on a specific skills workforce and therefore less supportive of social spending.

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Other potential intermediate variables – and explanations of the varying social policy effects of globalization – relate to the political system such as extent of democratization, centralization of governments and number of veto players. For example, authoritarian regimes are more sensitive to pressures of globalization than democratic regimes where political competition obscures governments' willingness to cut social spending (Rudra and Haggard, 2005). Finally, while Mares (2005) found a positive relationship between globalization indicators and social coverage, the existence of such social protection schemes is conditional on the presence of strong state institutions.

Certainly, these contributions provide valuable perspectives on the globalization–social policy nexus. However, as with most of the compensation and efficiency literature, these scholars too rely on statistical analyses. Such research strategies enable the scholar to generalize findings across many countries and control easily for competing explanations. Nevertheless, statistical analyses force scholars to use relatively simplified proxies of complex phenomena – even more so when studying

developing countries where data often are inadequate. For instance, the important theoretical contribution of the intermediate effect of institutions is tested with simplified measures of, say, democracy vs authoritarianism or the number of parties in government. Furthermore, the mere evidence of co-variation forces the researcher to make important theoretical assumptions about the political process through which globalization affects social policies; there is in fact a genuine risk that a lack of contextual information can undermine the validity of statistical analyses (Kreuzer, 2010). Hence, while statistical cross-country studies make valuable contributions, case studies are equally relevant, particularly as they are better suited to explore how and why nations react differently to otherwise similar external pressures.

Specifically, this article addresses the following question: How does economic crisis in an increasingly global world affect social policy choices in countries with different welfare systems? The welfare system is understood as the broader economic and social structures in which social policies are embedded, and may be equated to Esping-Andersen's understanding of the welfare state (1990). However, as developing countries are generally in the process of social policy expansion and have substantially different levels of development to their western counterparts, the term welfare system may more appropriately capture the social and economic context of social policies in the South.

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The main hypothesis is simply that the welfare system makes social policy choices path dependent. In this sense, the welfare system with its institutions, traditions and even underlying philosophy confines the policy choices that are perceived to be available to decision-makers. The rationale for this argument stems from the path dependence literature (Pierson, 1994). Accordingly, once social policies are in place they are hard to revert as the policies are strongly supported by the beneficiaries, who object to any downscaling. Similarly, the institutional routines that have been established over the years create a certain institutional inertia as providers of social policies also have interests in policy continuity.

The argument is thus that the character of the welfare system affects social policy reactions to globalization and economic crisis. To go one step deeper, power relations and political bargaining between various influential political, economic and social groups

not only shape the development of welfare systems over time but also affect more immediate policy choices (Ulriksen, 2010). As such, actors in the political decision-making processes affect social policy choices. However, in line with the path dependence argument, the welfare system has also created certain institutional characteristics and developed a public perception of the role of social policies in the economy, which confines the actors in their policy choices.

Globalization, and especially economic crisis, could potentially motivate an overhaul of the social policy framework. This is not only because globalization and crisis put pressure on the economy, but also because these external pressures may change power relations among the different stakeholders; certainly employers' arguments of labour cost reductions in order to stay competitive may be given more weight (Jensen, 2010). More radically, the notion of crisis puts pressure on decision-makers to do something. Even in this potential climate of change dramatic new policy directions seem unlikely. Because as decision-makers 'wonder what to do' (Heclo, 1974: 305), they may find it easier to continue with well-known and tried policies, which means that any social policy reactions to globalization and crisis are likely to, mainly, result from previous experiences and policy instruments that are already available (Castles, 2010; Heclo, 1974: 305). The point then is not that there will be no changes in social policies, but merely that these changes will be confined within a certain array of policy options and aligned to the interests of the main influential groups who have also in the past defined the social policy path.

The impact of globalization and economic crisis as well as the institutionalization of welfare systems may differ between developed and developing countries. On the one hand, it has been suggested that globalization has hit developing countries harder as they are vulnerable to market fluctuations, already at a disadvantage in the western-dominated global market and are still establishing their welfare systems (Hill, 2006: 276–8). On the other hand, it appears that the recent economic crisis has been less severe in the South compared to OECD countries (Orton, 2010). Hence, the impact of globalization and crisis may vary at different developmental levels. Yet the nature of this impact is similar as there are pressures to deal with potential social costs, ensure efficiency in spending and to create competitive economies.

Pierson argues that because the social policy framework is less extensive in the South, the supporters of wide-ranging social provisions are typically much weaker and the social policy system less deeply embedded in domestic social arrangements. For that reason the path dependent effects are likely to be much more limited (Pierson, 2002). This article then offers a hard test to the hypothesis that the effects of globalization on social policies are path dependent – also in developing countries. As we shall see, the welfare systems of Botswana and Mauritius shape the way decision-makers react to globalization and the recent global economic crisis, consequently leading the countries down diverging social policy paths.

Studying the open economies of Botswana and Mauritius

A comparable case study analysis offers an opportunity to probe into the political processes that shape the effects of globalization and crisis on social policy development. As such, this study complements the statistical analyses which suggest that the relationship between globalization and social policies is dependent on intermediate institutional and political factors. The advantage of the case study analysis is that I can observe more complex variables, and hence ensure stronger internal validity; at the same time, the exploration of political debates and social policy reactions to globalization and crisis allows me to move somewhat beyond mere co-variation. In what follows I elaborate on the comparative framework and I conclude the section by hypothesizing how the two countries, given their different welfare systems, are expected to react to globalization and, particularly, the recent economic crisis.

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Botswana and Mauritius have been selected for the comparative case study because they are reasonably similar in competing explanations to social policy development, which allows for a comparison within a most-similar-system design. Basically, in this comparative framework I seek minimum variance on control variables and maximum variance on the (intermediate) independent variable of interest – i.e. the character of welfare systems (Lijphart, 1975). Regarding important competing explanations, it was previously discussed that intermediate factors such as state capacity and the character of political systems (for example democratic vs authoritarian) affect the impact of globalization on social spending. Equally, demographics – particularly the number of elderly –

can affect the extent of social policies (Huber et al., 1993), while economic affluence is generally seen as a precondition to social policy expansion (Castles, 1998).

Botswana and Mauritius have separately been dubbed as rare miracles on the African continent (Samatar, 1999; Subramanian and Roy, 2003); and certainly, on many developmental parameters the two countries stand out in a similar manner. Botswana and Mauritius are equally wealthy with GDP per capita above US$12,000 and among the very few African nations classified as upper-middle-income countries (UNDP, 2007). They each have relatively strong state capacity and on governance indicators measuring aspects such as voice and accountability, government effectiveness and rule of law, the two countries are persistently in the top five (Kaufmann et al., 2009). Botswana and Mauritius are also democratically stable countries with decades of free and fair elections (Freedom House, 2010).

Geographically, the two countries are distinct in that Mauritius is a small island in the Indian Ocean, whereas Botswana is a huge land-locked country embracing most of the Kalahari Desert. It is unclear how and whether country size affects social policy development, but it is, however, noticeable that the economic structures vary: Botswana is reliant on diamond export, whereas Mauritius's economic growth success is mainly carried by a productive export-manufacturing sector. These differences in economic structures may imply that globalization and recession produce varying types and extents of economic pressure. Nonetheless, as we shall see, politicians in both countries have perceived globalization as an economic challenge of creating competiveness and they have discussed ways of dealing with economic depression. The potential impact of economic structures on social policy change is rather indirect as differences in production and industries form power relations and political alliances, which in turn shape the welfare systems; in fact, economic structures and the character of welfare systems tend to overlap (Huber and Stephens, 2001).

There are relative few people above the age of 65 in Botswana and Mauritius – 61,200 and 79,200 respectively (UNDP, 2007). Furthermore, both have small populations and minute market sizes resulting in very open economies (Alesina and Wacziarg, 1998). In fact, in terms of trade openness (imports and exports as a share of GDP), Botswana and Mauritius were much more open than the average sub-Saharan

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Africa nations and middle-income countries in 1990 and 2005 (UNDP, 2007). Economically, both countries have focused on ensuring economic freedom, creating competitive markets and attracting foreign direct investments such that according to the World Bank (2009), Mauritius and Botswana are, respectively, the best, and third best countries in Africa to do business in. Equally, Botswana and Mauritius are the only two ‘mostly free’ economies in Africa when measured on such parameters as business, trade, fiscal, monetary, investment, financial and labour freedoms (Miller and Holmes, 2010).

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

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From a social policy perspective, Botswana and Mauritius have focused greatly on expanding human capital – that is, social services as of the mid-2000s have been characterized by high spending and universal access to education and health. The main distinction of the social policy frameworks of the two countries concerns social transfers. Evidently, whereas Mauritius spent about one-fifth of government expenditures on social security policies, such policies amounted to a meagre 1–3 percent in Botswana. In fact, Botswana has no national social security legislation, and in general, the social provisions in place are means-tested (such as the destitution policy) and meagre (even for the universal pension scheme). Mauritius also has a number of means-tested programmes aimed at reaching vulnerable groups, but in general, social security policies are more elaborate; specifically the universal pension is more generous than in Botswana and is complemented by a well-developed contributory scheme (Bunwaree, 2007; Nthomang, 2007).

The different priorities given to redistributive social transfers are also reflected in the general welfare systems. In Mauritius social and economic policies have been considered as complementary and efforts at social and economic development have been pursued through purposeful economic transformation aimed at creating full employment. The development of the welfare system has been forged through compromises between labour, small farmers and the business sector. Such is the character of the welfare system that the population considers access to social services and benefits as a right to be bestowed on all Mauritians. In fact, despite IMF-imposed structural adjustment programmes in the 1980s, the universal and relatively comprehensive social policy framework has been maintained (Bunwaree, 2007; Sandbrook et al., 2007).

In Botswana, to the contrary, policy choices have been directed by a strong alliance between the economic and political elite. Policies aimed at economic growth have generally taken preference over social policies, which are seen as secondary; economic growth is considered as the main vehicle to create employment and ensure well-being. Like Mauritius, Botswana has experienced decades of high economic growth; however, this diamond-led growth has not been complemented by a modernization of the economy, which is still dominated by traditional beef rearing and a small manufacturing sector. Arguably, social policies, particularly redistributive benefits, are merely regarded as safety nets to be targeted at the poor and vulnerable. While Botswana is considered an exemplary developmental state with a focus on infrastructural and human capital development, it nevertheless has an elite-driven welfare system unable to address high levels of unemployment, poverty and inequality (Good, 2008; Hillbom, 2008; Nthomang, 2007).

Given these differences in the welfare systems and the political alliances supporting them, it seems unlikely that the countries – even with the current economic crisis – will converge in their social policy reactions. Rather, the divergence is expected to remain. To the extent that globalization and economic crisis force the countries to change any social policies the options will be limited to choices that fit the character of the welfare system already in place. In fact, turning to the two sides of the globalization–social policy literature, it is likely that the efficiency argument will prevail in Botswana – reactions to economic pressures will tend towards ensuring economic growth and

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making minimal social policies more efficient. In Mauritius, on the other hand, concerns for compensation and efforts at transforming the economy towards increased employment in a changing economic environment may feature prominently.

Reactions to globalization and economic crisis in Botswana and Mauritius

In this section I explore how globalization and economic crisis have impacted on social policies in Botswana and Mauritius from the mid-2000s onwards. The examination of the two countries focuses on the introduction/revision of social services, transfers and employment-related policies. The comparative section that follows sums up the main differences in these recent developments and compares the social policy frameworks with the use of different expenditure indicators. Through the analysis of key policy documents, parliamentary debates and newspaper articles referring to such debates, I trace recent changes to social policies and the political arguments related hereto, and I consider how such developments are aligned to the welfare system and dominating political interests. Thus, the analysis makes evident how social policy changes are prompted with reference to perceived and real pressures on the countries' economies.

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

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

By 2005 the main changes to the social policy framework were a revision of the destitute policy in 2002 and the introduction of the National Strategy for Poverty Reduction (NSPR) in 2003. The objectives of the destitute policy remained unchanged: 'to ensure that government provides minimum assistance to the genuine destitute persons' (Republic of Botswana, 2002: 2), and the main new invention was a small cash allowance on top of the food basket. The NSPR may be considered as an attempt to improve coordination and implementation of existing programmes and falls within the social policy thinking of the established welfare system: to stimulate economic growth and expand employment opportunities, and provide social safety nets to the most vulnerable – and only as a last resort (Republic of Botswana, 2003).

Policy debates during the last five years have been dominated by concerns of improving international competitiveness and ensuring efficiency and sustainability in social spending. Despite the realization that 'we must find innovative solutions that are consistent with the changed environment' (Republic of Botswana, 2010: 2), most social policy reactions are in line with the established welfare system and the dominant political interests underpinning it. I discuss three main social policy changes within the last five years: changes to funding of education, revision of social safety nets and employment creation programmes.

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After 20 years of free secondary schooling, the ruling BDP (Botswana Democratic Party) reintroduced school fees with effect from January 2006. BDP ministers argued that this step was necessary due to 'sluggish economic growth, resulting from turbulent global economic conditions', and that the government therefore had found it necessary to identify 'equitable and sustainable methods of cost recovery' (Hansard, No. 147, 2005: 212–13). This policy initiative was highly controversial and criticized even by BDP backbenchers, who argued that 'the reintroduction of school fees hurt the poor people most', adding that 'people who can afford school fees send their children to private schools' (*Monitor*, 2008). Despite the criticism, school fees remained in place, though two years after the policy's introduction the government introduced a threshold policy whereby parents with income below a certain level were exempted from paying the fees (*Monitor*, 2008; *Sunday Standard*, 2008).

At first, the concept of cost-sharing in education appears a move away from a welfare system tradition of universal access to social services. However, in a period of perceived economic austerity the reintroduction of school fees was already a tried and tested policy. The concept of cost-sharing also fits well with the dominating interests of the political and economic elite as well as a growing middle class who for the most part already turn to private secondary education for their children, and may be against increased taxes as an alternative method of fund raising.

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

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

Coinciding with the recent review of the destitute policy, the government made the existing Labour Intensive Public Works Programme (formerly the Drought Relief Programme) a permanent feature in July 2008, now called the Ipelegeng programme (Republic of Botswana, 2009). Though presented as a new intervention, Ipelegeng is still aimed at creating temporary employment on a supplementary income level for the able-bodied poor. Hence, the jobs are not permanent, and the income is below the already low minimum wage. The main difference is that the programme is no longer drought related and has received a massive infusion of cash (*Botswana Gazette*, 2009; Republic of Botswana, 2009).

Even though Ipelegeng is regarded as a social safety net rather than a job creation programme (*Daily News*, 2010a), the programme cumulatively employed 234,462 people on a rotational basis from April 2009 to February 2010 (Republic of Botswana, 2010). This figure is higher than those obtained before the public works programme became permanent (for example 180,000 employed in 2007) (Republic of Botswana, 2007). It thus appears that the government has used an existing programme to reach a larger segment of the population in a period of economic difficulties. However, as with previous programmes, Ipelegeng is not a tool that creates permanent jobs, transforms the economic sector, or provides the vulnerable with a stable source of income. Unemployment levels at around 20 percent, high poverty and inequality rates and lack of economic diversification are still features of the Botswana economy.

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While Ipelegeng may be considered an attempt, together with the safety nets, 'to support those who cannot afford basic necessities' (Republic of Botswana, 2010: 25), the government of Botswana has increasingly been concerned with cutting public spending and making social policies more efficient and sustainable. There is little focus on social compensation for the unemployed or towards the creation of formal, permanent jobs. The government seems keen to 'find strategies to resume rapid economic growth' and 'to transform this economy into one which is globally competitive, more diversified, and resilient to external shocks, such as the recent global crisis' (Republic of Botswana, 2010: 1). However, new interventions are lacking – both as regards the priority of economic growth as well as social policy programmes – instead, in the words of BDP par-

liamentarian Tawana Moremi: 'there is nothing innovative that we have done as a government, we are just juggling with what we are used to' (*Daily News*, 2010b).

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

The range of social and economic policies which characterized the welfare system in Mauritius by the mid-2000s were mainly introduced and/or extended during the period from around independence in 1968 through to the early 1980s. The main policy initiative as regards social transfers was the National Pensions Act in 1976. It built on the non-contributory pension scheme already in place such that it was extended, rather unusually, to also include widows under 60, orphans and the disabled (Willmore, 2006). Furthermore, the universal pension was complemented by a contributory earnings-related pension scheme. In 1983, an Unemployment Hardship Relief Scheme was introduced, and while it is strictly targeted, any pressures for further expansion are likely to have dwindled thereafter due to the dramatic increase in employment during the 1980s to near full employment. Primary education, already free at independence, was made compulsory in the early 1970s and secondary education became free in 1976. Expenditures on social transfers increased in this period and included payments of pensions, relief grants and the family allowance introduced in 1962. In addition, the government spent substantial amounts on subsidizing food products thereby keeping down living expenses (Bunwaree, 2007; Mootoosamy, 1981; Willmore, 2003).

In the two decades that followed, there were few changes to the social policy framework despite periods of structural adjustments, tax reforms and increasing openness to adapt to changing global markets. By the mid-2000s the Mauritian economy was under pressure due to the triple shock of increased competition and loss of preferences on the international textile market, changes in the EU sugar protocol and cuts in sugar prices – both major exports markets – as well as high oil prices. Public finances furthermore deteriorated and unemployment rose to the (very high for Mauritius) peak at around 10 percent in 2005 (AfDB, 2006; Republic of Mauritius, 2007). Coinciding with these events, there was a change of government in 2005. The new government embarked on bold economic reforms to turn around the economic situation (US Embassy, 2008), and in this sense the perception of crisis in Mauritius preceded

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the global economic recession. Certainly, the new government embraced changes in order to create an even more open and competitive economy. Even then, from a social policy perspective, strategies followed the well-known goals of full employment and compensation with emphasis on the complementary role of social and economic policies. Overall the social policy framework remained in place with a strong pension system, poverty-alleviating safety nets and even continued subsidies of some essential commodities (Republic of Mauritius, 2008a). The two most interesting developments from a social policy perspective, on which we shall focus, are attempted changes to the universal pension scheme and the introduction of the Employment Rights Act.

Given economic austerity in the mid-2000s, there were some concerns about financial sustainability of social policies and efficiency in public spending, and in August 2004, the then government imposed an income test on the basic retirement pension for the third time in Mauritian history. As with the previous experiences, means-test on pension turned out to be only a temporary measure and came with high political costs. Not only was the income test hugely unpopular, targeting – despite promises of better pensions for needy beneficiaries – also created considerable problems for citizens and administrators alike in fulfilling the requirements. In the 2005 elections the incumbent government lost and the new leading coalition quickly implemented two of its electoral promises: free public transport for pensioners and students and the re-establishment of the universal pension to 'end the humiliation previously imposed on pensioners' (Government of Mauritius, cited in Willmore, 2006: 73; AfDB, 2006; ISSA, 2008).

Fulfilling such electoral promises was not exactly the way to reduce budget deficits and improve the public finance situation (AfDB, 2006). Clearly, however, the public were in no mood to accept social spending cuts even in a period of financial difficulty (Bunwaree, 2007). The current government has shown apprehension regarding the financial sustainability of various pension schemes, which has led them to revisit the retirement age. As such, the National Pension Act was amended to align retirement age in the private and public sectors and to gradually increase the pension age to 65. Nevertheless, 'in view of the pressure on purchasing power of pensioners due to food inflation, Government will not align the Basic Retirement Pension with retirement age

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and will continue to pay this to those aged 60 and above' (Republic of Mauritius, 2008a: 45).

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

Due to relatively high unemployment in the mid-2000s coinciding with many vacancies in new economic sectors the government identified a need to do away with 'labour laws that have been biased [towards] protecting jobs rather than protecting workers, on protecting the rights of the employed and overlooking the rights of the unemployed' (Republic of Mauritius, 2006: 12). The ILO assisted the government in reviewing the Act with the aim of increasing the flexibility and mobility of workers by revising and consolidating laws related to contract of employment, payment of remuneration and other basic terms and conditions of employment. The Act was not particularly popular with trade unions, who feared the increasing flexibility would come at the expense of decent work (*Afrol News*, 2008; US Embassy, 2008). Nonetheless, the Act also includes a workfare programme that focuses on retraining and skills development to assist workers in the transition from industries suffering from increased global competition to other newer and higher value added jobs. Specifically, the programme emphasizes retraining of unemployed women who traditionally have been employed in the textile export sector, for instance by giving them opportunities of on-the-job-training, and – interestingly also – facilities to take care of children so that the women are able to acquire new skills. Any unemployed worker who signs up for the workfare programme is furthermore entitled to transition unemployment benefits, which provide support to laid-off workers for a reasonable period of time (Republic of Mauritius, 2006, 2008b).

The increase in labour market flexibility has possibly favoured employers more directly than employees, who are now less well protected in a specific job position. As discussed in the theoretical section, it may be that the bargaining power has shifted somewhat in favour of employers in an increasingly globalized market. Even then, the government of Mauritius contends that the situation of laid-off workers due to recent

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economic turmoil would have been substantially worse had it not been for the workfare programme: 'it is thus fortunate that the [Act] makes provision for innovative measures such as the Workfare Programme which provides, to some extent, a safety net to those workers in the affected sectors who would anyway have lost their jobs as a consequence of this global financial crisis' (National Assembly, 2009).

The Employment Rights Act may be a new policy intervention. Nevertheless, the objectives are much the same as in the past – transforming the economic sectors with the purpose of creating full employment while ensuring reasonable compensation and new opportunities for those who are (temporarily) outside the job market. In budget speeches there are concerns of financial sustainability and efficiency in public spending, but the dominating concern of both the current and the previous governments relates to full employment growth where 'social progress and wealth creation get the same right of way' (Republic of Mauritius, 2009: 34; see also Republic of Mauritius, 2005). Hence, in these recent periods of economic difficulties the Minister of Finance and Economic Empowerment, Dr Sithanen, maintains that 'La priorité des priorités of this government is to save jobs' (Hansard, No. 5, 2009: 11).

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Comparing divergent social policy paths

Table 1 gives an overview of the welfare systems and recent social policy changes in Botswana and Mauritius as explored in this article. By comparing recent social policy reactions – during a period characterized by high globalization and then global economic crisis – it is evident that the social policy frameworks are only changed incrementally. Not only are social policies path dependent, any recent changes are framed to suit the existing welfare system: Botswana continues to emphasize economic growth and minimal safety nets, which is in the interest of the dominating political and economic elites; while in Mauritius focus is on economic transformation, job creation and a guarantee of social rights, seeking to balance the interests of social policy beneficiaries as well as employers and employees. It is in fact interesting – and probably indicative of dominant policy thinking – that Botswana sought advice from the World Bank to rationalize public spending, whereas Mauritius collaborated with experts from the ILO in their preparation of the Employment Rights Act.

Table 1: Botswana and Mauritius compared

	Botswana	Mauritius
Welfare system		
Political alliances	Fused political and economic elite	Cross-class alliances
Economic strategies	Little economic transformation; job creation through economic growth	Strategies of full employment and economic diversification
Role of social policies	Secondary to economic growth strategies	Social and economic policies complementary
Social policy framework	Social services prioritised, social transfers aimed at the poor and vulnerable	Social services prioritised, comprehensive pension scheme and targeted unemployment scheme
Recent social policy changes		
Services	Re-introduction of school fees	No substantial changes
Transfers	Moves to improve targeting and sustainability	Restoration of universal pension; introduction of workfare programme
Employment	Continuation and expansion of public works programmes	Attempt to transform work force to cope with economic changes and retain employment

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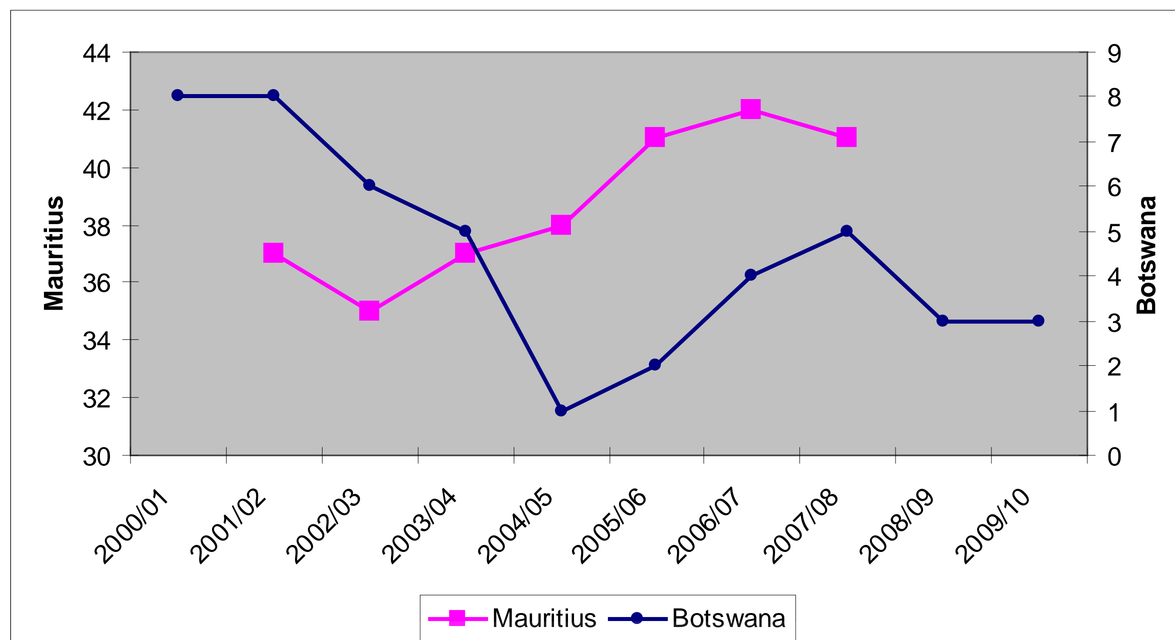
Trends in social security expenditures reflect such divergent priorities as illustrated in Figure 1. Social security spending as a percentage of total social policy spending in Botswana – while already minimal – has in fact decreased during the last years from about 8 percent in 2000–1 to a mere 3 percent in 2008–9 and 2009–10. In Mauritius, on the other hand, social security expenditures have increased from around 35–37 percent in the early 2000s to 41–42 percent in the most recent available budget of 2007–8.

If instead we consider social transfers' share of total government expenditures and in absolute terms, there was only a very slight increase (possibly less than inflation) in Botswana from Pula 463 million in 2000–1 to Pula 553 million in 2009–10. In Mauritius, to the contrary, social security spending increased from Rupees 6,698 million in 2001–2 to Rupees 11,745 million in 2007–8 (see Table 2).

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



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

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Table 2: Trends in social security spending in Botswana and Mauritius: 2001-2010

	2001 /02	2003 /04	2005 /06	2007/08	2009/10
Botswana, social security spending					
Pula million	463	384	190	587	553
% government expenditure	3	2	1	2	1
% social expenditures	8	5	2	5	3
Mauritius, social security spending					
Rupees million	6 698	7 887	10 305	11 745	
% government expenditure	20	19	21	20	
% of social expenditures	37	37	41	41	

Note: Average exchange rate for 2005: Pula 5.1 to USD 1; Rupees 29.6 to USD 1
Source: Bank of Botswana; Ministry of Finance and Economic Empowerment, Mauritius

One may suggest that such changes in spending are not an indication of governments' diverging social policy reactions but merely mirror demographic changes that are outside their control. However, this seems unlikely as any potential rise in unemployment in Mauritius cannot be reflected in the budget as payment of the

transition unemployment benefit was only initiated in 2009; and even if Mauritius has slightly more citizens of age 65 and above than Botswana, the main difference in the universal pension schemes is rather related to diverging priorities and policy decisions as regards pension age (60 in Mauritius and 65 in Botswana), as well as pension rates and their yearly increase. It is in fact pertinent that the pension rate in Botswana increased by 32 percent between 2005 and 2010, whereas in Mauritius it increased by at least) 52 percent in the same period.[1]

Path dependence seems especially strong when social policies have a broad coverage – evident as the universal pension schemes prevail. Both countries equally relied on already available policy instruments during the crisis – notably the public works programme in Botswana and the newly introduced workfare programme in Mauritius. This suggests that it is difficult for countries to introduce new schemes or ad hoc measures to quickly cushion the impact of economic crisis; rather, it is easier to build on already existing administrative structures and instruments (Bonnett et al., 2010). This finding need not imply that crisis may not cause extension of coverage or lead to incremental changes with long-term impacts on the social policy frameworks (Prasad and Gerecke, 2010). Rather, it is merely suggested that the welfare system mediates external stimuli and that any social policy changes are incremental and in line with dominant political and economic interests.

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Due to the design of the comparative analysis we can be reasonably sure that factors such as state capacity, democratic governance, economic affluence and demographics – where Botswana and Mauritius are alike – do not explain the divergent paths of social policy change. The two countries have very open market economies, which make them both vulnerable to global economic change, despite differences in economic structures. Rather, the diverse economic structures affect the strength of various economic and political stakeholders, such as the strong political-economic elite in Botswana and influential middle classes in Mauritius; these differences in political alliances have shaped the welfare system in the past (Ulriksen, 2010) and, as we have seen, influenced the way globalization impacts on social policy changes in recent years.

Conclusion

External pressures, such as globalization and economic crisis, influence policy-making both in the North and South. This notwithstanding, the impact of economic integration and global recession on social policies is conditional. As suggested, but not tested, by Castles (2010: 99), the consequences of external stimuli on policy are mediated by the welfare system already in place and the political and economic interests underpinning this system.

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

While the comparative study complements cross-country statistical analyses that emphasize the mediating impact of institutional factors, this study is able to analyse a more complex intermediate variable, namely the welfare system, by which our attention is drawn to the value of path dependence theories and the complex role of political interests herein. The analysis of Botswana and Mauritius also makes it apparent that the political arguments related to social policy changes are markedly different – each country focusing on aspects salient to their unique welfare system. Hence, the case studies allow us to probe into the political processes which link external stimuli to social policy choices, and we get an idea of how and why globalization and economic crisis cause different social policy reactions in two countries with otherwise many similarities.

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

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Note

1. In Botswana pension increased from P166 in 2005 to P220 in 2010; whereas in Mauritius the pension rates for 2005 were Rs1900 for ages 60–69 and Rs2000 for ages 70–89, and in 2010 pensioners between 60 and 89 were paid Rs3048 a month with an even higher rate for those older than 89 (SSA, 2005; updates on government websites: www.gov.mu/portal/goc/ssns/file/rates2010.pdf; www.gov.bw/en/Ministries--Authorities/Ministries/Ministry-of-Local-Government-MLG1/Services/Old-Age-Pension-/.

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