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Ethnic Diversity, Development and Social Policy in Small States

The Case of Mauritius

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Acronyms

CPE	Certificate of Primary Education
CSO	Central Statistics Office
EPZ	Export Processing Zone
FDI	Foreign Direct Investment
GNP	Gross National Product
HDI	Human Development Index
ICRG	International Country Risk Guide
IMF	International Monetary Fund
MLP	Mauritian Labour Party
MMM	Mouvement Militant Mauricien
MSM	Mouvement Socialiste Mauricien
PMSD	Parti Mauricien Sociale Democrate
PPP	Purchasing Power Parity
PSM	Parti Socialiste Mauricien
ZEP	Zones d'Education Prioritaires

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Summary/Resumé/Resumen

Summary

Rapid development episodes are known to result in perceptible increases in the incomes of individuals distributed over different income and social groups. Income growth, however, may not translate into human capabilities to enjoy the fruits of development. Lack of access to education, housing and health services, alongside deterioration in the income shares of low-income citizens, poverty and disparate tax treatment of individuals, can hamper human capabilities and welfare. Several of these changes depend upon the quality of public policies and the institutions that implement development policies.

Historians, social researchers and institutional analysts, both in the past and present, have pondered over the value of cultures, traditions and social structures in their social policy discussions. But the recent revival of interest in policies and institutions among economists is not random; it has a deep theoretical underpinning. New growth economists have challenged the predictions of neoclassical economists that countries will converge in terms of growth rates, giving hope that the widening gaps between poor and rich countries will narrow and thereby social divisions will diminish. So the current conventional wisdom in economics is that these divisions can be better addressed by understanding the dynamics of policies and institutions emanating from societal interactions and colonial inheritance.

The present study critically examines social policy performance in Mauritius in terms of the quality of institutions, overall resources of the government, social welfare orientation of government budgets and ethnic balance in social policy formulation. The historical roots of colonization and political developments are analysed to assess their impacts on social policies. Part 2 of the study portrays the colonial history and politics, and part 3 describes post-independence political developments that have marked the economic and social trajectories. Part 4 depicts the social situation in terms of social indicators during different phases of development and economic transformation. Part 5 contains an assessment of the budgetary performance of social policy. Part 6 examines the institutional foundations to meet the social policy challenges. The discussion in this section is carried out in the light of the alternative strands of literature, namely participatory democracy, power of state jurisdiction and social cohesion. An analytical exercise is undertaken in part 7 to examine the welfare orientation of social policy with particular emphasis on budgetary efforts to catch up with other countries in the region. Part 8 summarizes the major findings and puts forward some guidelines for social policy reform in small states and a tentative agenda for future research directions.

Some of the emerging conclusions are as follows. Ethnic factions in Mauritius have not resulted in conflict for power and resources as in some sub-Saharan African countries. Rather these factions recognize the benefits of sharing, thereby producing a congenial environment for social cohesion and social capital growth. The ethnically divided Mauritian society has proved to be growth and welfare promoting because of small country size, colonial and diasporic links and a high degree of fragmentation, resulting in a variety of human resources. Rapid economic development, institutional quality and improved income distribution have acted as additional harmonizing factors.

Empirical analysis of social expenditures confirms as expected that income and democracy have positive impact on social expenditures. As regards the impact of ethnic diversity and income inequality, the results are quite revealing. The findings do not contribute to the contention that ethnic or religious factors exert any perceptible influence on social budgets. Coming to income inequality, what is suggested is that as income inequality increases, share of social spending in total government expenditure does not increase commensurately. This means that if social budgets have the explicit job of designing social policies in the light of existing income inequality, this objective is apparently not being achieved.

In international comparisons, it is observed that small countries have allocated relatively larger budgets to education. As regards allocations to health, there has been a slight deterioration in health budgets in these countries. Keeping the same trend, this analysis further shows that Mauritius has outperformed global averages only in educational allocations and health remains the critical sector for social policy attention in the future. Our analysis nevertheless demonstrates that there is some evidence for the effectiveness of catch-up policy on social fronts in terms of budgetary allocations.

When compared against other small and upper income countries in sub-Saharan Africa, Mauritius has outperformed Seychelles in allocations to social expenditure in general and allocations to health and education in particular; and it has outperformed Botswana in social expenditure allocation, suggesting significant outlays on social welfare in general rather than on education or health. In other words, there is a phenomenal increase in government expenditure on social security and protection. Transfer expenditures have surpassed real expenditures. The dismal performance of Mauritius compared to Botswana in sectors like health and education may however cast doubt on the consistency of effectiveness of catch-up policy.

At the time of finalization of this research work, Yeti Nisha Madhoo was a Visiting Research Scholar at University of California, Berkeley, United States and Shyam Nath was a Visiting Professor at Amrita University, Kerala, India.

Résumé

On sait que les épisodes de développement rapide entraînent des hausses perceptibles des revenus d'individus de divers groupes sociaux et catégories de revenu. Cependant, la hausse des revenus ne donne pas forcément aux hommes et aux femmes la capacité de jouir des fruits du développement. Lorsque l'éducation, le logement et les services de santé sont peu accessibles, que les citoyens économiquement faibles voient baisser leur part de revenus, que la pauvreté frappe et que le traitement fiscal des individus manque de cohérence, cela peut les empêcher de développer leurs capacités et nuire à leur bien-être. Plusieurs des changements requis dépendent de la qualité des politiques publiques et des institutions chargées d'appliquer les politiques de développement.

Des historiens, des chercheurs des sciences sociales et des analystes institutionnels se sont penchés dans le passé et se penchent aujourd'hui encore sur la valeur des cultures, des traditions et des structures sociales dans leurs débats sur la politique sociale. Le récent regain d'intérêt des économistes pour les politiques et les institutions n'est pas l'effet du

hasard mais a des soubassements théoriques profonds. Si les économistes néoclassiques prédisaient une convergence des taux de croissance entre les pays et ont fait espérer ainsi un comblement partiel du fossé entre pays pauvres et pays riches et une atténuation des divisions sociales, les nouveaux économistes de la croissance ont remis en cause ces prédictions. Si l'on en croit l'opinion dominante chez les économistes actuellement, il faut d'abord comprendre la dynamique des politiques et des institutions issues des rapports sociaux et de l'héritage colonial si l'on veut réduire ces divisions.

Dans cette étude, les auteurs soumettent à un examen critique les résultats de la politique sociale à Maurice, jugés en fonction de la qualité des institutions, des ressources globales du gouvernement, de l'orientation des budgets gouvernementaux sur la protection sociale et de l'équilibre ethnique dans les politiques sociales. Ils analysent les origines coloniales de l'histoire politique pour en évaluer l'incidence sur les politiques sociales. La deuxième partie de l'étude retrace l'histoire coloniale et politique et la troisième partie décrit les événements politiques qui se sont produits après l'indépendance et qui ont marqué le parcours économique et social du pays. La quatrième partie dépeint, au travers d'indicateurs sociaux, la situation sociale pendant les diverses étapes du développement et de la transformation économique. La cinquième partie est consacrée à une évaluation de l'exécution du budget en ce qui concerne la politique sociale. La sixième partie porte sur les institutions nécessaires pour relever les défis de la politique sociale et les examine à la lumière des autres courants présents dans la littérature, à savoir la démocratie participative, les pouvoirs de l'État et la cohésion sociale. Dans la septième partie, les auteurs analysent l'orientation de la politique sociale sur la protection sociale en portant une attention particulière aux efforts budgétaires déployés pour rattraper d'autres pays de la région. La huitième partie résume les principales conclusions de l'ouvrage, indique les axes que pourrait suivre une réforme de la politique sociale dans les petits États et suggère des pistes de recherche pour l'avenir.

L'ouvrage aboutit aux conclusions suivantes. Les factions ethniques à Maurice n'ont pas donné lieu à un conflit pour le pouvoir et les ressources comme dans certains pays d'Afrique subsaharienne. Au contraire, en reconnaissant les avantages du partage, ces factions créent un climat propice à la cohésion sociale et à la croissance du capital social. La société mauricienne, avec ses divisions ethniques, s'est révélée de nature à favoriser la croissance et la protection sociale à cause de la petite taille du pays, des liens avec les puissances coloniales et la diaspora et d'une forte fragmentation, qui fait aussi la diversité des ressources humaines. La rapidité du développement économique, la qualité des

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