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Country Profile on Employment and Decent Work

Morocco

Salim Araji, and Carlos Soto Iguarán*



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* Araji is a first economic affairs officer in the Economic Development and Integration Division at United Nations Economic and Social Commission for Western Asia, araji@un.org. Carlos Soto Iguarán is an assistant professor at the Universidad Externado de Colombia (CIPE). We want to thank, Dr. Khalid Abu Ismail of ESCWA for his comments. We also want to thank Mohamad Al-Kotob of ESCWA for his research assistance. The views expressed are those of the authors and do not necessarily reflect those of the United Nations.

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1. Introduction

Sustainable Development Goal number 8 aims at promoting, sustainable economic growth, full and productive employment and decent work for all. Contingent on data availability, employment and productivity targets and relating indicators are analyzed in this profile to assess those areas where the country has more challenges for achieving the desired decent work and productivity objectives. The main objective of this profile is to provide policymakers and government officials with an overview of critical issues in the above-mentioned areas, in order to facilitate decision making that contribute to improve employment and productivity prospects in line with Agenda 2030. For this purpose, the first section explains how demographic evolution influence labor. The following sections concentrate on changes in employment, unemployment and participation rates in many places disaggregated by sex, age and educational level to highlight existing heterogeneity of the Moroccan labor market. Crosscutting issues such as output growth, productivity and sector transformation and their link to employment are also addressed in other sections. Lastly, informal employment, public sector employment, child labor and social protection are analyzed, as they are a central characteristic of the Moroccan labor market.

The profile was built using secondary data on population, labour force, unemployment, output and productivity provided by the World Bank Development Indicators and its respective sources. We also used national estimates only when it does not conflict with international estimates of the world bank. This country profile and other country profiles are expected to be a first step in triggering a policy debate on how to achieve decent employment in the Arab region and to form an informative basis for future research.

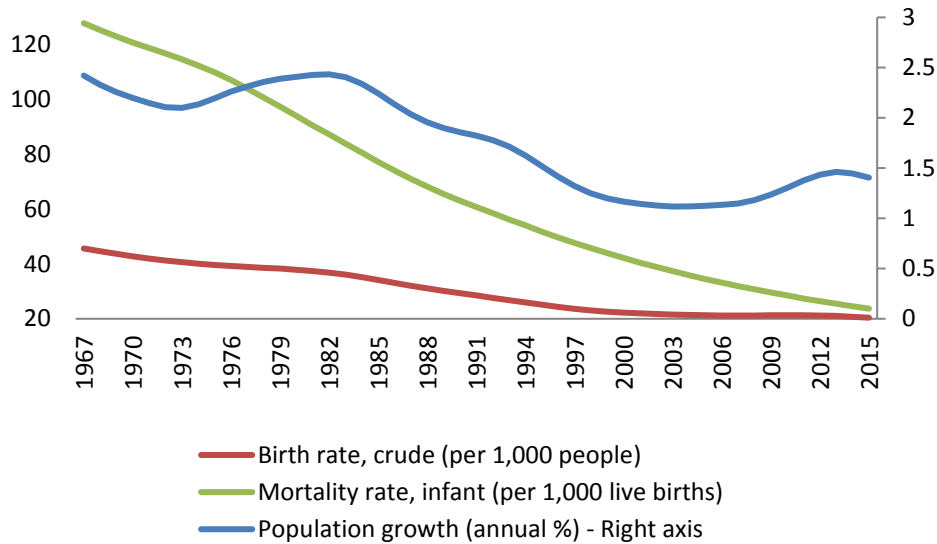
2. Population trends and Demographic analysis

Morocco is classified as a lower middle-income country according to the World Bank's World Development Indicators (WDI) with a gross national income per capita of US\$2,850 in 2016 and a level of Human Development Index ranked as medium range (123 out of 188 countries in 2016). In 2016, the population of Morocco reached 35.2 million with an average annual growth rate of 1.28% since 2000. Birth and mortality rates experienced a progressive decline since the late 1960s up to 2010 when both rates relatively stabilized. Up until the late 1980s, the annual population growth rate was close to 2% per year. Between 1994 and 2004, the same rate was equal to 1.38%, showing a progressive decrease of population growth (Figure 1)¹. Birth rates decreased from 7 children per women in 1960 to 2.5 in 2015. Even if major demographic transition has been achieved, important differences remain compared to OECD countries. In 2015, birth rates in the OECD was equal to 11.8 per 1,000 people and the infant mortality rate to 5.8, against 20.4 and 24.6 in Morocco. The same

¹ The last census in Morocco took place in 1994, 2004 and 2014.

figures were equal to 22.7 and 20.1 in lower middle income countries and to 23.3 and to 38.3 in MENA countries. The demographic transformation in Morocco has been accompanied by an increase of urbanization (60.3% in 2014 against 35.1% in 1970) that has contributed to changing the Moroccan society in terms of education access, employment and women's role.

Figure 1. Morocco: demographic indicators 1967 -2015

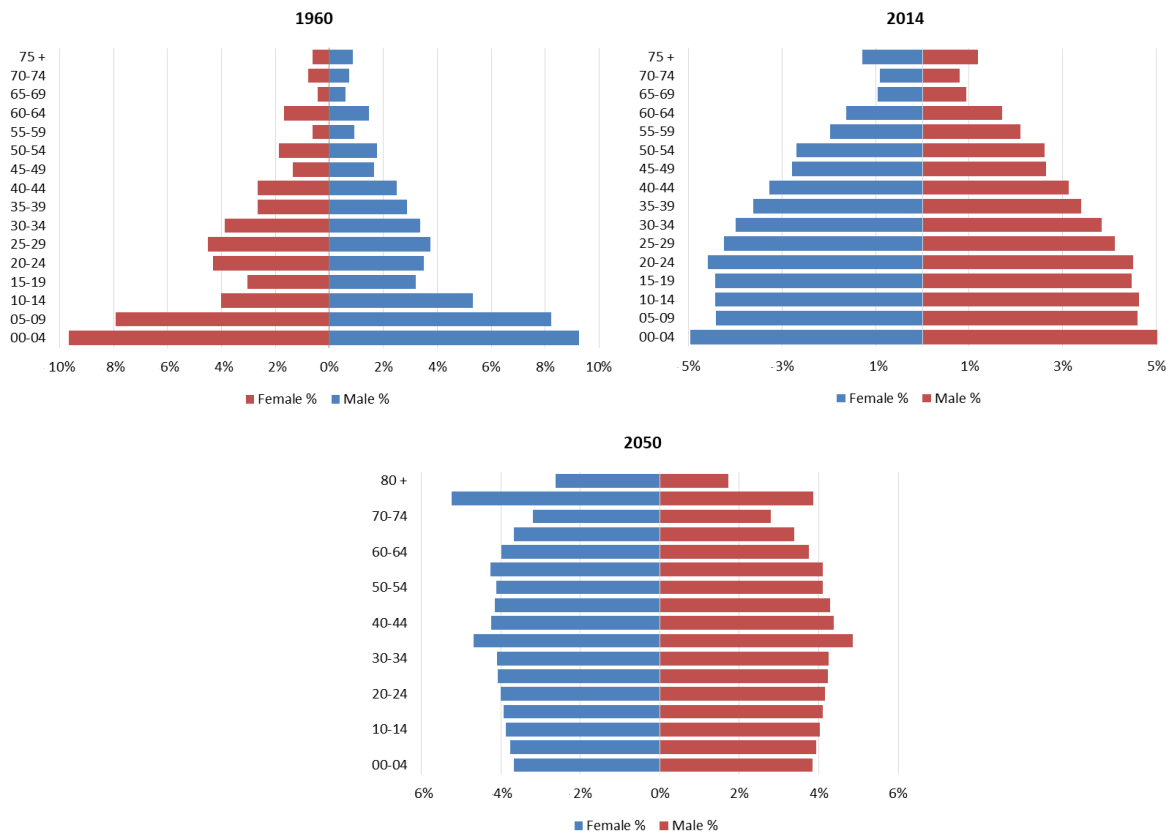


Source: World Development Indicators

The ages pyramid of Morocco shows that despite the surge in the ageing population, youth still represent an important share of the total. In the 1960, the pyramid has its expected shape as any developing country with a broad base and a narrow top. This expansive shape is in accordance with high population growth and high fertility rates. Individuals below 15 years old represent more than 44% of total population. In 2014, the pyramid continued to have an expansive form with a broad base but smaller compared to the 1960s (28% of the population was below the age of 15). It is worth mentioning that even though life expectancy increased up to 75 years, the percentage of adult population also increased. Projections of the pyramid of ages done by the *Haut Commissariat au Plan(HCP)* of Morocco expects that in 2050, the share of young population will shrink while the middle-aged and the elderly will represent the bulk of the population (Figure 2)².

² The Haut Commissariat au Plan (High Commission for Planning) is the institution in charge of producing economic, demographic and social statistics and national accounts in Morocco.

Figure 2. Pyramid of ages 1960, 2014, 2050



Source : the Haut Commissariat au Plan

The demographic transformation mentioned above is also observed in the evolution of dependency rates. According to the Haut Commissariat au Plan's dependency ratio calculation, up until 1980 this ratio was close to 100, meaning that there were 10 dependents (people younger than 15 or older than 64) for every individual in the working age population (Table 1). These dependency ratio figures were mainly explained by the high share of children below the age of 15.

Table 1. Dependency ratio 1960 -2050

Years	Youth	Elderly	Total
1960	91.7	14.8	106.5
1971	97.7	15.1	112.8
1982	81.8	12.2	94
1994	66.3	12.7	78.9
2004	50.9	13.1	63.9
2014	45.3	15.1	60.3
2050	30.4	39.3	69.7

Source: Haut Commissariat au Plan's calculation

However, the ratio regressed significantly after 1982, to reach in 2014, a dependency ratio of 60.3 indicating that for every 6 dependents, there is one individual between 15 and 64 years old³. This drop in the dependency ratio was a consequence of a sharp decrease in fertility rates especially in urban areas, but that progressively concerned rural areas as well⁴. Demographic dependency is below countries such as Jordan and Palestine (a rate of 65 and 77 in 2015) and higher than Tunisia with a ratio of 44%. In 2050, the ratio is expected to increase again to 70%, depending on the share of the elderly, even if dependent children will still account for the largest portion. The country benefits from the demographic window since from the 1980s until 2004 the growth rate of the working age population has been 20pp higher than the dependents' growth rate, and this difference will remain up to 2030 according to *Haut Commissariat au Plan's* own projections.

On the other hand, we also calculate the Economic Dependency Rate (EDR) which corresponds to the ratio of unemployed and inactive individuals, per employed person. On average, this rate has been equal to 2.2 between 2000 and 2015, meaning that there are more than 2 economic dependents per person working on the labor market. The EDR is lower compared to countries such as Jordan, where there are more than 4 dependents per person employed and similar to the one observed in Tunisia (2.46). The EDR changes depending on the evolution of economic dependents. Demography is a central factor that has been experiencing important changes with the progressive reduction of younger cohorts and the increase of older ones. Employed workers, has increased on average 1.55% and while unemployment and the share of below 15 years individuals has decreased between those years, the inactive population and those with 65 years or more has been increasing (Table 2).

Table 2. Economic Dependency Rate – 2000 -2015

Average growth rates					Average EDR
Unemployed, total	Inactive, total	Population 0-14	Population 65 +	Employed workers	
-0.84	2.60	-1.18	2.37	1.55	2.21

Source: WDI

3. Labor Force Participation

The labor force, defined by the ILO as the number of persons employed and the number of persons unemployed (the active population of 15 years of age or more). Trends between 2000 and 2016 show that the labor force participation rate went down from 53% to 49%, a decrease that was observed to the same extent in both rural and urban areas, but that is more pronounced in men's participation rates, compared to women and individuals aged 15 to 24 years, compared to the rest

³ The decline in the 1980s is linked to the fact that marriage started to take place at a later age and that the use of contraceptives started to be generalized. At the same time, enrollment rates were increasing, youth started to have new aspirations and social norms were evolving.

⁴ Mghari, M. (1998). Population et développement: Chapitre II: Accroissement et structure de la population. Centre d'Etudes et de Recherches Démographiques.

of age brackets. This decline in partition is mostly explained by higher enrollment rates of younger cohorts. Morocco's labor force participation rates could be compared to Egypt and Tunisia (49% and 47% respectively), however, Morocco performs better than Jordan (40%) and Palestine (43%), but lags behind Oman (69%) and Saudi Arabia (54%). Compared to these countries, Morocco has the highest female participation rates

A detailed composition of labor force participation rate in 2014 showed that 73% of the labor force are men and 27% are women⁵, while 53% live in urban areas and 47% in rural areas. Individuals between 15 to 24 years of age represent 17% of the active population, while those that are between the ages of 25-34 represent 30% of the total labor force. Labor force above the age of 35 adds up to more than 53%. The labor force participation rates that corresponds to the ratio of labor force to the total population of 15 years or more was equal to 48% in 2014. The same ratio changes according to sex, age, place of residence and education level (Table 3).

Table 3. Labor force participation rate by categories - 2014

	2000	2014		
	Total	Total	Urban	Rural
15-24	45.6	32.6	22.6	44.5
25-34	63.5	61.3	58.7	65.2
35-44	63.3	60.4	56.1	68.1
45-59	57.8	57.3	50.6	70.3
60+	28.3	23.5	13	40.1
Male	78.8	72.4	68.2	78.7
Female	27.9	25.3	17.8	36.9
Urban	47	42.1		
Rural	61.4	57.2		
No education	52	48.3	36.8	59.3
Mid-level education	49.8	43.9	41.7	49.5
Higher education	71.8	58.3	58.2	59.4
Total	52.9	48	42.1	57.2

Source : Haut-Commissariat au Plan

In 2014, participation rates were 15 percentage points lower in urban areas (42%) compared to rural areas (57%). This difference was explained by women's lower participation rates compared to men: 25% against 72%, but this difference is less accentuated in rural areas where women participate more than their counterparts in cities (37% vs 18%). In terms of ages and similar to other MENA countries, young individuals (32%) and the elderly (23.5%) have also lower participation rates compared to middle age cohorts (60% on average). Further, It is worth mentioning that individuals in Morocco with higher education participate more in the labor market (58%) compared to those with no education (48%).

⁵ Labour force participation rates of 2016 are provided by the WDI (74.5 % males and 24.5 females), however, we intended to show table 3 from HCP as it provides a more disaggregated structure of the data.

4. Employment and Unemployment

According to *Haut Commissariat au Plan*, in 2016, out of the 11.8 million individuals are in the labor force, more than 1.1 million were unemployed resulting in a national rate of 9.4%. However, unemployment varies from one category to another: it is higher in cities, and affects in particular younger individuals (15-24 years old) where women are slightly more unemployed than men and the rate is much higher for individuals with higher education (Table 4).

Table 4. Unemployment rate - 2016

Category	%
15-24	22.5
25-34	13.5
35-44	4.8
45 or more	2.7
Men	8.9
Women	10.9
Urban	13.9
Rural	4.2
No Diploma	3.7
Mid-level education	14.1
Higher education	22
Total	9.4

Source: *Haut Commissariat au Plan*⁶

Table 5. Distribution of the unemployed labor force by age

Age	2000	2016
15-24	39.7	36.7
25-34	44.1	43.9
35-44	11.9	11.9
45+	4.3	7.4

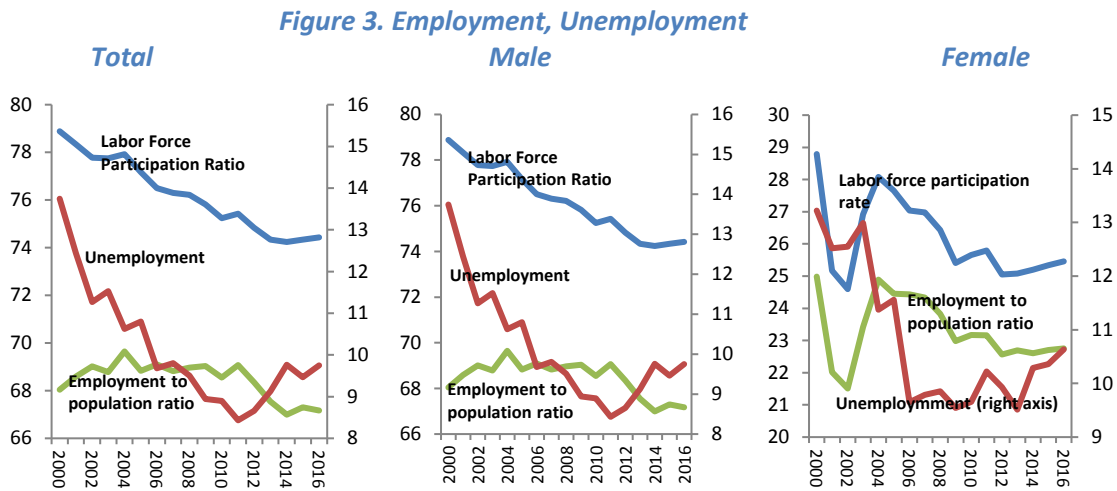
Source: *Haut Commissariat au Plan*

In 2016, individuals between 25 to 34 years old represent 43.9% among those who are unemployed and the unemployment rate of this age group was equal to 13.5% of the labour force with the same age bracket. Those between 15 to 24 years old have higher unemployment rates compared to the rest (22.5%) and add up to 36.7% of the total unemployed individuals. On the other hand, those between 35 and 44 years old had lower unemployment rates (4.8%) and were only 11.9% of the total unemployed individuals (Table 4 and 5).

Since 2000, a progressive decrease of unemployment rate occurred with a slight increase in 2013. As shown below, the trend is the same for both females and males yet differs in the case of individuals between 15 to 24 years old. The decline in unemployment is explained by high economic growth rate experienced after the year of 2000. Different causes are presented to explain why 1 out of 10 individuals is still unemployed: insufficient economic growth in light of the demographic trends, low productivity growth, industrial decline, insufficient investment in sector that could trigger economic growth, and institutional rigidities in the labor market. Additional to unemployment we also plotted employment to population ratio and the labor force participation

⁶ The authors are aware of the fact that there is a 0.5% discrepancy between ILO estimation of unemployment and HCP estimations. The authors intended to present the HCP estimates along with WDI estimation to provide the reader with a more disaggregated picture of unemployment in Morocco which WDI won't provide.

rate (LFPR). They both declined in the same period, with the exception of 2002-2004. This shows that in the referred period the economy has not been creating jobs, as Figure 4 shows, fewer individuals were employed and more individuals were leaving the labor force⁷.



Source: WDI

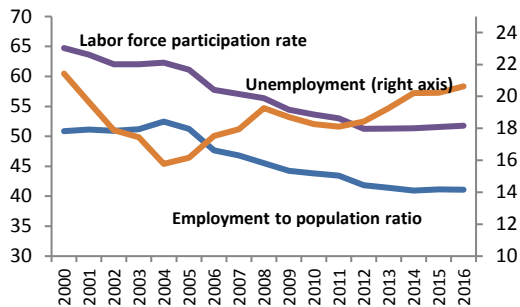
If we disaggregate our employment analysis by sex, males unemployment also shows a downward trend between 2000 and 2011, explained by a decrease of participation rate while the employment to population ratio has remained stable, fluctuating around 69%. Since 2011, even though the LFPR declines, unemployment has been increasing as the occupation rate diminishes. In the case of females, between 2000 and 2006 unemployment also went also down. In the same period both, LFPR and employment increased, there has been a labor market absorption of new females entering the labor force. Since 2006, unemployment has been increasing for females while participation and occupation has remained stable with declining trends in some years (Figure 5). If we investigate young females and males between the ages of 15 to 24 years old, while occupation has been declining, unemployment has been increasing, in spite of lower labor force participation rates. Young workers are leaving the labor market and those who stay in the labor force are not finding employment (Figure 5)⁸.

⁷ Employment to population ratio corresponds to the proportion of a country's population that is employed. The labor force partition rate is the proportion of the population ages 15 and older that is economically active. Unemployment is the proportion between unemployed individual and the active population.

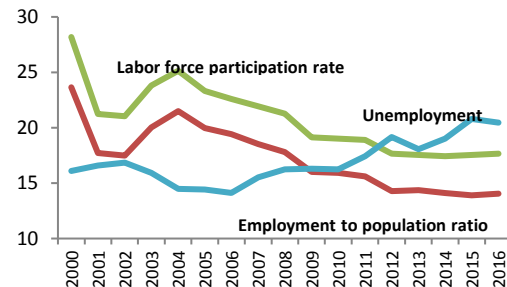
⁸ The same trend is observed both for young women and men in the case of Morocco.

Figure 4. Employment indicators 15 to 24 years by sex

Male



Female



Source : WDI

Although unemployment affects around 1 out of 10 individuals, unemployment duration is very high even if some progress is observed compared to 2000. In 2014, 62% of unemployed have been searching for employment during 12 months or more. The share is higher in urban areas compared to rural areas and for individuals with higher education compared to the rest. 45% of first time job seekers have also been looking for one year or more, this share is also more important in the cities and for higher levels of education (Table 6).

Table 6. Long term unemployment and first time job seekers: 2000 and 2014.

	Year	Total	Urban	Rural	No diploma	Mid-level education	Higher education
Share of long term unemployment (percentage of unemployed)	2000	70.2	74.8	48.7	51.5	74.9	84.8
	2014	61.8	66	44.7	41.9	65	76.4
Share of unemployed that have never worked (percentage of unemployed)	2000	51.5	54.5	37.9	51.5	74.9	84.8
	2014	45.3	50.5	37.2	22.3	49.3	71

Source: HCP. Long term unemployment: 12 months or more

5. Employment and education

The average years of schooling is higher among younger cohorts, compared to older ones. This is the result of an increase in enrollment rates observed in recent years (Figure 6). Gross enrollment rates, that correspond to the share of enrollees regardless of the age of the corresponding education level, have been increasing since 2000 in all education levels.

Figure 5. Enrollment rates by education level

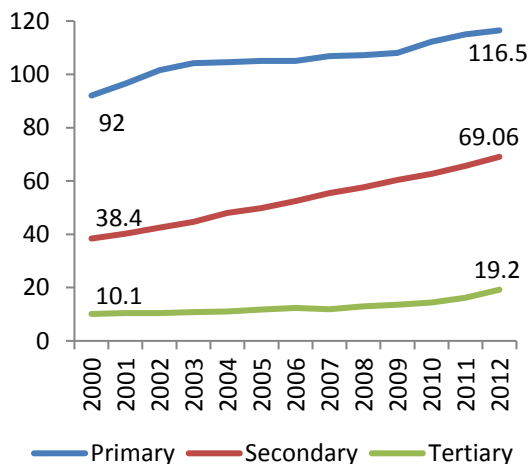
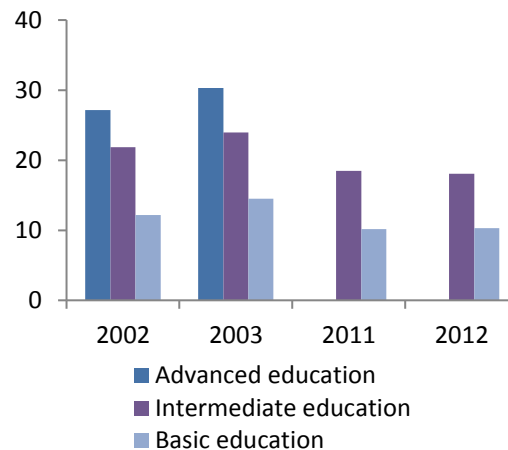


Figure 6. Unemployment by education level



Source : WDI

In 2012, primary education gross enrollment was equal to 116% and to 69% and 19% in the case of secondary and tertiary levels, respectively⁹. While net primary education was close to universal access with a rate of 98%, net secondary enrollment was significantly lower at rate of only 56%. On the other hand, primary completion rate is very high (103% in 2015), however, the progression to secondary school was equal to 88%, explaining the lower enrollment and completion rate at this level and the fact that many students abandon their schooling at this stage of education. Similarly, the number of persons that pursue higher education is low given the low share of enrollees in tertiary education. Bridging education with employment was not very successful in Morocco. According to figure 7, despite of the progress in the years of schooling and enrollment rate that should be translated into higher human capital accumulation and productivity gains at the aggregated level, education is not a guarantee of labor market insertion where unemployment rates are higher for individuals with educational attainment which is case of many Arab states.

6. Informal employment

Informality is a heterogeneous phenomenon difficult to account for, both in the economy and the labor market. It can be measured considering firms' size: those below a given number of employees are considered as being part of the informal sector. A second measure of informality refers to

⁹ In 2014, this indicator was equal to 98% in the case of Primary and to 28% in the case of Tertiary. No information was available for Secondary education on that year.

employment characteristics. Usually contributions to social security are considered as the defining point of informal employment. Currently, there are no updated figures available for Morocco but different estimations exist using proxies such as the undeclared output, contribution to social security, and self-employment. The three estimations show a high prevalence of informality in the country: 37.3% of employment is independent labor, more than 76% of the labor force does not contribute to social security and undeclared output is estimated to add up to 38% of GDP¹⁰. Structural characteristic of the economy influence the size and shape of informality and are related mainly to law enforcement and regulations, education level, production structure, demographics, labor costs and the size of the public sector. In the particular case of Morocco, informality is affected by the combination of different factors including the significant share of agriculture in total output, the existence of high labor taxes and severance payments, the employment of educated workers in the public sector and by self-employment in small and unregistered firms.

Table 7. Informality by economic sector and employment status

Economic sector			Employment status		
	Employment by sector	Informality (%)		Population share	Informality (%)
Agriculture	28.4	94.1	Wage worker	51.4	67.1
Industry	12.6	78.9	Employer	3.9	98.4
Services	54.5	82.2	Sel.employed	29.6	98.1
Public administration	4.5	18.5			

Source: Angel-Urdinola and Tanabe (2012)

Source: Angel-Urdinola and Tanabe (2012)

Informality is very high in agriculture and in the service sector, compared to manufacturing and construction (Table 7).

7. Child labor

The ILO defines child labor as the work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development¹¹. Child labor can be measured

¹⁰ Self-employment is considered to be part of the informal sector, those not contributing to social security have informal employments, while undeclared output is the aggregated measure of the informal economy.

¹¹ The worst forms of child labor include slavery and trafficking, prostitution and pornography, the use, procuring or offering of a child for illicit activities, work which harm the health, safety or morals of children.

as the ratio of economically active children involved in economic activities and the total number of children. Over the years, Morocco, has a downward trend of child labor. In 1999, child labour affected more than half a million children between the ages of 7 and 15 years old, for a total rate of 9.9% of total children. In 2014, out of 4.6 million children, around 69,000 were employed, with a national rate of 1.5. Child labor is more present in the rural areas, where 90% of working children live, and it also affects more boys than girls. As such, agriculture concentrates 82.5% of these employed children especially in farmers, fishermen, foresters, hunters and agricultural workers with 84.5% of total employment are contributing family members (Table 8).

Table 8. Child labor in Morocco: 1999 – 2014

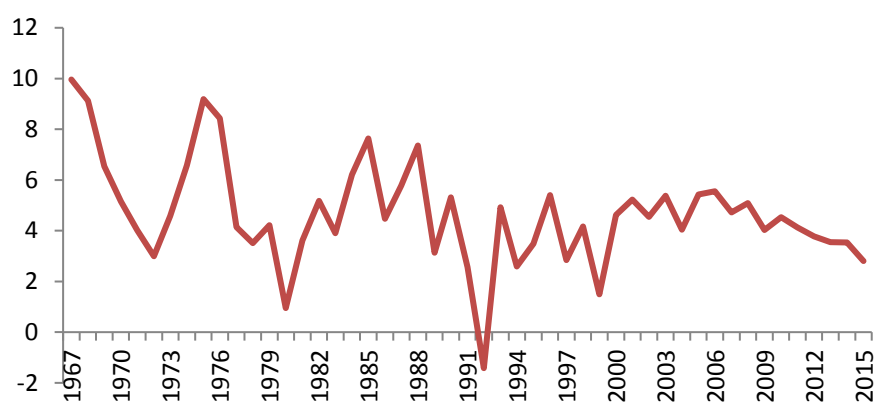
	1999			2014		
	Urban	Rural	National	Urban	Rural	National
Children 7 to 15 years old (thousands)	2554	2785	5339	2615	2059	4674
Children in employment (thousands)	65	452	517	7	62	69
As a % of 7-15 years old individual	2.5	16.2	9.7	0.3	3	1.5
Feminization rate	32,5	49,1	47,0	10	43,3	40
DISTRIBUTION BY OCCUPATION						
Wage employment	33,5	5,3	8,8	17,5	1,8	3,4
Self-employment	3,0	0,7	1,0	4,2	4,7	4,6
Contributing family members	17,5	92,2	82,9	30,9	90,5	84,5
Apprentices	45,6	1,6	7,0	47,4	2,7	7,2
Others	0,4	0,2	0,3	0,0	0,3	0,3
TOTAL	100,0	100,0	100,0	100,0	100,0	100,0
DISTRIBUTION BY PROFESSIONAL STATUS						
Wage employment	2,3	0,1	0,4	1,7	0,4	0,6
Traders, craftsmen	39,9	2,6	7,3	31,0	6,1	8,6
Farmers, fishermen, foresters, etc.	7,6	94,8	83,8	13,9	94,2	82,5
Non-agricultural laborers and laborers	49,7	2,4	8,4	53,4	3,3	8,3
No info	0,5	0,1	0,1	0,0	0,0	0,0
TOTAL	100,0	100,0	100,0	100,0	100,0	100,0
DISTRIBUTION BY ECONOMIC SECTOR						
Agriculture, forestry and fishing	7,8	94,8	83,9	6,9	90,2	82,5
Industry	41,9	3,1	8,0	26,8	6,6	8,6
Construction	1,2	0,2	0,3	1,2	0,2	0,3
Services	48,6	1,8	7,7	65,1	3,0	8,6
Other	0,5	0,1	0,1	0,0	0,0	0,0
TOTAL	100,0	100,0	100,0	100,0	100,0	100,0

Source: HCP

8. Output growth and productivity

While, the size of agriculture influences the Moroccan economy, economic performance is can be also linked to the Eurozone business cycle especially due to the Moroccan non-agriculture exports to Europe. Europe concentrated more than 64% of Moroccan exports in 2016, followed by the United States with 3.5%.¹² The decomposition of economic growth by its contributing factors shows that employment and human capital had a small contribution to output growth with total factor productivity close to zero in recent years compared to capital accumulation that played a central role in economic growth¹³.

Figure 7. GDP growth (2 years average)



Source: WDI

Overall, the Moroccan economy has experienced relatively lower growth rates compared to the 1970s; with fewer fluctuations in the recent years (Figure 8). The average annual growth rate declined between the late 1960s and the mid-1990s from more than 5% to 2%. Since then, this rate started to recover. Structural reforms implemented (macroeconomic stabilization, trade liberalization, privatization, improvement of business environment, financial reform) played a significant role in recent acceleration of the recent economic growth. Further, agriculture also played an important role in boosting economic growth as a consequence of favorable climatic conditions and improved production techniques and infrastructure investments¹⁴. As a consequence of economic growth fluctuations, citizen's well-being was affected: GDP per capita growth decreased from 3% in the 1970s to 1.6% in 1990s and went up again to 3.5% in the 2000s. After the great recession in 2008, growth has slowed down as a result of the implemented fiscal consolidation policies by the government, the reduction of domestic demand and the drop in private

¹² In 2015, economic growth was equal to 4.5%, private consumption represented 2.8pp, with an important contribution of rural household consumption.

¹³ OCDE (2017), Examen multidimensionnel du Maroc : Volume 1. Évaluation initiale, Les voies de développement, Éditions OCDE, Paris.

¹⁴ Banque africaine de développement (2015). Diagnostic de croissance pour le Maroc: Analyses des contraintes à une croissance large e inclusive.

investments. The above analysis signals to the necessity of new and durable sources of growth in order to achieve target 8.1 of SDGs goal 8 (related to sustained per capita economic growth.)

9- Output growth and unemployment

Positive changes in economic output are expected to translate into lower unemployment, especially if inter-sectoral linkages that promote job creation exist. In the case of Morocco, these variables show a negative relationship between 1990 and 2016 and the same is true for the years 2000s recent period. However, during the 1990s the relationship was positive, as a consequence of lower employment during that decade. In this period the labor market performance was affected bad weather that affected agriculture, low economic growth in general and increased rural migration to urban areas¹⁵.

Table 9. Unemployment and output growth: 1990 - 2014

	1990-2016	1990-1990	2000-2006	2010-2016
Correlation	-0.12	0.026	-0.31	-0.61

Source: WDI

To look at the relationship between employment and output, we calculate the employment elasticity of output. To do so, we divide the proportionate change in employment by the proportionate change in output. This ratio indicates in what proportion employment reacts to an increase in economic growth. Between 2002 and 2014, a 1% growth of output increased employment by 0.32%, however, this relation is not evenly distributed through economic sectors. The relationship is higher in the case of the services sector compared to industry and even more compared to agriculture (Table 10). Elasticity ratios are in accordance with recent employment growth, which has been concentrated in tertiary activities.

Table 10. Employment-output elasticity 2002 2014

Total	0.32
Agriculture	0.04
Industry	0.16
Services	0.75

Source: WDI

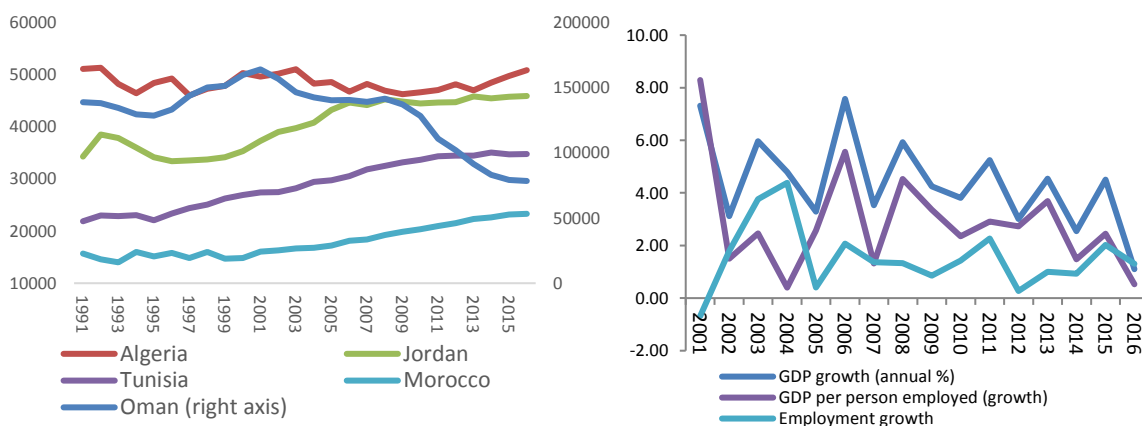
10-Labor productivity

The GDP per person employed is the relation between output and total employment in the economy. It corresponds to a measure of labor productivity or the output per unit of labor input. Morocco's labour productivity is lower compared to other countries in the region, however, productivity growth experienced in recent years has been more important. Labor productivity in

¹⁵ Ragbi, B. et Azeroual, A. (2003). L'impact de la transition démographique sur la croissance et l'emploi au Maroc. Document de travail n° 95. Ministère des Finances et de la Privatisation.

Morocco could be blamed to the employment of low skilled labor in low value added activities and high informality rates especially in the agriculture sector.

Figure 8. GDP per person employed, 1991 - 2016 (constant 2011 PPP \$)



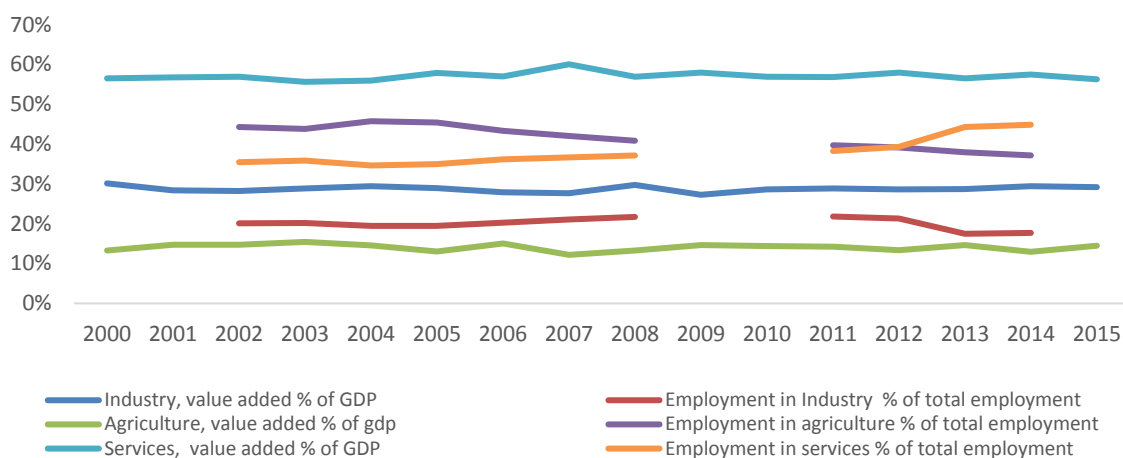
Source: WDI

Different productivity cycles were observed: between 2000 and 2004, an important decline in productivity took place, as output decreased while employment increased. In 2005-2006, economic growth increased however without employment creation leading productivity to go up again. In recent years, productivity growth has been sluggish, with a small increase in employment. Consequently, to reach a higher productivity levels in Morocco, economic production and employment must be oriented toward high valued added sectors to achieve higher levels of economic productivity and more employment, as stated by target 8.2 of SDGs goal 8.

11-Employment and sector transformation

The relatively low performance in terms of productivity is linked to the economic structure of Morocco. Between the 1980s and the current decade little changes were observed. On average agriculture has an almost stable share of value added activities to GDP since 2000. Agriculture reached its highest share in 1996 (20%) and started a decline since then, with a total participation below 15% from 2010 on-ward. On the contrary industry value added went down from 33% to 29% between those years. It is worth mentioning that in the early 1980s, industry achieved almost 35% with a progressive decline afterwards to reach below 30% after 2000. The services sector increased from 52% to 57% between 1980 and 2016. Looking at the figure below, in 2000, the services sector started a progressive growth from 57% to a peak of 60% in 2007. Then its contribution stabilized back at around 57% between 2008 and 2016.

Figure 9. Value added as a percentage of GDP per sector and related employment



Source: WDI. Services are on the right access.

Even though agriculture represents an average of 14% of GDP between 2000 and 2015, this sector concentrates on average more than 40% of total employment, affecting productivity at the aggregate level. In the same period, industry is around one third of total GDP employing 20% of the labor force, while the service sector represents 57% of total GDP and employing 38% of the labor force. During the last decade, there has been a transfer of labor out of agriculture mainly towards the services sector that tends to be more productive on average; however, many of these tertiary activities have low productivity levels. In the case of secondary activities, two segments coexist: dynamic sectors such as aeronautic, pharmaceuticals and automobile industries and traditional sectors such as garment, textile and ceramic. These sectors have become new sources of economic and employment growth, but their contribution is not high enough to compensate for the decline of traditional activities. Large firms coexist with micro and small enterprises which represent a higher share of all firms and of total non-agricultural private jobs. However, smaller firms tend to be less productive compared to bigger one. In the case of Morocco it is estimated that those with nine employees or less have one-half of the productivity of firms with more than 100 employees.

12-Public Sector employment

Although, employment in private firms absorbs the majority of total employment, public employment, including both public administration (national and local level) and public and semi-public firms represented 10.4% of the total employment in 2000, against 8.7% in 2016¹⁶. The share of public employment is very low compared to Jordan where 39.2% of all people employed in 2016 worked for the government and to a lesser extent Palestine (22%) and Tunisia (19%). When comparing education level by institutional sector, it is observed that almost all individuals with no diplomas are in private firms and to a lesser extent, the same applies to mid-level diplomas. On the

¹⁶ Between 2000 and 2014 no major change is observed in the share of public and private employment.

contrary, there is a more even distribution across institutional sectors in the case of individuals with high level diplomas: 57% are in private firms while almost 40% are in public administration employments. Public employment provides job security and non-wage benefits that constitute as an important incentive. As a consequence, individuals prefer diplomas related to public administration, such as law, literature and education, which not necessarily correspond to the skills needed by private firms and overall production. The result is a mismatch between the supply and the demand for labor that leads to high unemployment rates for individuals with higher education.

Table 11. Employment by institutional sector of employment: 2000 - 2014

	2000	2014			
	Total	Total	No diploma	Mid-level	High level
Public administration	9	7.9	1.6	8.9	39.4
Public and semi-public firms	1.4	0.8	0.2	0.9	3.2
Private firms	89.5	91.3	98.2	90.2	57.4

Source : HCP

13-Social insurance and social safety nets

After independence, the social contract in Middle East and North African countries was characterized by a preference of public intervention instead of market mechanisms to redistribute economic wealth. Citizens accepted economic security and redistribution in exchange of reduced political participation. Social policies were fueled by high economic growth during the initial stages of development. However, after the 1980s macroeconomic stabilization programs reduced the capacity of the state to meet its commitment. In a context of limited economic resources, policy makers must deal with increasing social demands as a result of demographic changes and scarce employment opportunities. Public employment has been a specific feature of the social contract in the region, however, as previously discussed, Morocco has relatively low share with less than 10%. Given the limited coverage of social insurance schemes, the social protection system is based on subsidies to food and fuel, safety nets and housing programs. The pension system has three compulsory schemes: the *Caisse Marocaine des Retraites* (CMR) targets civil servants; the *Régime Collectif d'Allocation de Retraite* (RCAR) targets public sector workers and contractors; the *Caisse Nationale de Sécurité Sociale* (Maroc) targets private workers. Besides, the *Caisse Interprofessionnelle Marocaine de Retraite* (CIMR) is a voluntary pension scheme. The three schemes are financed by employer and employees and only the CMR has the same contribution rate for each part. The three compulsory schemes have a very low share of total contributors as a percentage of the labor force and they also cover a small percentage of the elderly as a percentage of individuals over 60 years old (Table 12).

Table 12. Pension system coverage and contribution rates by scheme - 2011

	CNSS	CMR	RCAR	Total
Number of contributors	5,488,735	651,021	336,425	6,476,181
Active	2,537,677	629,892	146,501	3,314,070
Coverage rate (active contributors / labor force)	22%	6%	1%	0.29106286
Number of beneficiaries	400,212	219,776	94,525	714,513
Retired	264,427	154,923	60,502	479,852
Survivors (widows, orphans, etc..)	135,785	64,853	34,023	234,661
Coverage rate (beneficiaries / population over 60)	15%	8%	4%	27%
Contribution Rate (as % of covered wage)	20%	20%	18%	
Employer	4%	10%	6%	
Employee	16%	10%	12%	

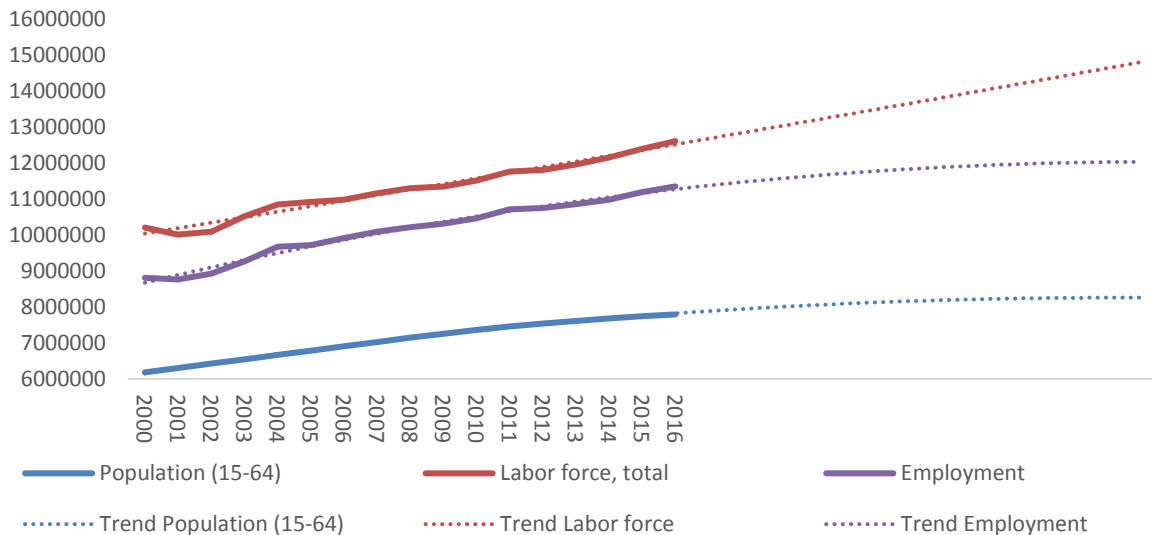
Source: World Bank (2015) Labor Force in 2011: 11,386,097; Population over 60 in 2011:2,670,200

In terms of social safety nets expenditure, food and fuel subsidies represent the highest share for Morocco. The objective of these subsidies is to maintain essential commodities below market price and protect households' consumption. In 2013, subsidies accounted for 6.6% of total GDP with butane and wheat representing almost 60% of all subsidies. Health coverage is offered through the *Régime d'Assistance Médicale* composed by the AMO (*Assurance Maladie Obligatoire*) a contributory scheme that provides outpatient medical care, dental care, surgery, specialist care, laboratory services, prostheses and medicine; the RAMED (*Regime d'Assistance Médicale aux Economiquement Démunis*) is a non-contributory income-tested scheme that provides services in health centers and hospitals, including general and specialist care, emergency care, among others. In order to encourage primary school enrolment, the ministry of education implements TAYSSIR, a condition cash transfer for households with children aged 6 to 15 years in rural areas with high poverty rates. Other social safety nets are also available for vulnerable individuals such as abandoned children, poor students, disabled persons and the elderly. In particular, the *Initiative Nationale pour le Développement Humain* (INDH) aims at reducing poverty and social gaps through the improvement of living conditions in rural areas, fighting social exclusion in urban areas, socio-economic vulnerability and upgrading living conditions in remote areas. The INDH and the RAMED are the two major social interventions targeting specifically poor households and individuals, covering 10 million and 8 million individuals, respectively. Improving housing conditions is also another main priority of public policies. The *Villes Sans Bidonvilles* concerns more than 300 thousand households and aims at ending existing urban slums.

14- Expected jobs required by 2030

Figure 11 plots current labor force, total population 15 to 64 years old and total employment between 2000 and 2015, together with simple projections up until 2030 in order to project employment scenario for the years to come. No particular change in labor force participation rate, is assumed. These projections are used to establish the necessary employment creation in order to close the gap between the labor force and total employment to a minimum difference.

Figure 10. Employment projections 2030



Source: World Development Indicators and authors projections.

In order to reduce unemployment to a natural rate of 5%, expecting that 95% of the labor force is employed, Morocco will need to create almost 6 million jobs between 2017 and 2030. This corresponds to an annual increase of 467,000 jobs, which is on average more than 3 times of what the economy has been creating in recent years.

15-Policy considerations to address these challenges

This profile highlights important employment and productivity trends and displays associated challenges in the Moroccan economy. Based on the analysis above, one can deduce that the economy is not being able to create enough jobs and failed to absorb the bulk of the labor force into productive employment. Recent transformation toward competitive and productive activities such as aeronautics, automobiles, chemicals, have been developed with the support of the public sector. However, they still represent a small share of total GDP and total employment as well. These dynamic sectors are still not able to compensate the losses in employment in traditional activities. Much more is needed in order to transform the productive structure to develop higher value-added activities able to boost economic growth and employment.

From the analysis above, labor force participation and employment to population ratios are considered relatively low in Morocco, especially for the young generations and at a higher extent for young females. Although population growth represents a demographic window for the country and as such a source of economic growth, many challenges surfaced in Morocco in terms of the educational choice of school attendees and matching employment. Even if there has been an increase of school enrollment, education at the secondary and tertiary education were not a secure approach to be inserted properly into a productive job. According to our analysis, those with higher

education are even more unemployed compared to those with no studies. This hints to the skill mismatch creating a labour supply and demand crunch.

Although, the employment to output elasticity has a positive sign it has been diminishing over time and job creation is not enough to reduce the high informality rates. As a consequence, and consistent with other countries in the Arab region, the share of workers contributing to social security schemes are very low. This problem will eventually translate into a lower share of individuals capable to care for their needs after they reach the retirement age. Based on our analysis, these intertwined employment and productivity challenges could raise the following policy recommendations:

- Increase productivity and competitiveness of the economy
- Reduce barriers and costs for entrepreneurship
- Increase school enrollment and education quality
- Improve the match between workers' skills and demand for labor
- Reduce labor costs and labor market rigidities
- Introduce pension reform in order to increase coverage
- Rationalize and reduce duplication of social safety ne