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# Impact of Trade and Investment Policies on Productive Employment and Decent Work

Country Report for Morocco

Executive summary

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## ▶ Executive Summary

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**Enhancing trade and foreign investments has been one of the main objectives of the national policies and strategies in developing countries.** The increase of such trade has been significant recently (apart from the times of crises, particularly during Covid-19 pandemic), with a strong expansion of inflows and outflows, providing a source of finance for the developing countries and significantly contributing to their economic growth.

**Following the example of middle-income developing countries, the analysis of the Moroccan trade relations with its various partners highlights an increase of trade maintained since the 1990s, showing a shift to a more open economy to the global environment and accordingly boosting of measures conducive to the liberalization of almost all trade in products.** This was translated in a 40% contribution to the GDP in terms of exports, versus 26% in 2000. A similar trend has been observed in Foreign Direct Investments (FDI) that kept growing in recent years, translating Morocco's will to leverage the external finance to develop domestic activities' sector and to create more decent and productive jobs, to improve the living standard of the population and to enhance the labour and capital productivity.

**This study underlines the probable ties between trade and investment policies in Morocco on one hand, and the enhancement of decent and productive work indicators in the country on the other hand.**

**Building on existing empirical work and research, strengthened by in-depth analysis within the Moroccan background, the study provides an answer to the following key question: to what extent do the trade and investment public policies influence the decent and productive jobs offered to the population?** The answer to this key question requires intermediate analysis of the progress of trade and investment structure in Morocco with its partners, especially the European Union (EU). The analysis of this progress will ensure at a later stage an assessment of its impact on the labour market structure.

Hence, the study also attempts to identify the impact of Covid-19 pandemic on the economy, the dynamics of labour market and the activities of SMEs and VSBEs.

The study was conducted in two stages. The first stage consisted of an in-depth documentary research, with the aim of identifying the theoretical and empirical work that sought to establish the impact of the policies of trade and investment openness to decent work and productive employment, considering the gender approach (women and youth employment), the weight of informal sector and the required qualifications in different sectors of activity. This review of the literature gave rise to an overall model. The second stage was the opportunity to empirically test the established model within the Moroccan environment.

**The main results and proposals stemming from the study seek to redirect the trade and investment policies and to improve their contribution to the creation of productive employment and decent work in Morocco. They may be summarized in the following points:**

▶ **The existing literature does not have a clear position and consensus on the connection between trade and investment policies and the enhancement of decent work and productive employment.** Therefore, these studies emphasize the instrumental role of some intermediate variables that are meant to translate the openness options, such as: an effective institutional and regulatory framework, good governance and a qualified human capital.

▶ **Decent work is a multidimensional concept.** This concept relies on four pillars, namely: employment, social protection, workers' rights and tripartite social dialogue. However, the economic openness and the trade and investment liberalization that translate only into an increase of employment in terms of quantity and not quality (decent work and productive employment) cannot sustain to ensure the well-being of populations, let alone in times of crises (the case of Covid-19 pandemic). They would even lead to disastrous consequences, such as job loss and disappearance of VSBEs and SMEs.

▶ **The need to include female employment in global value chains (GVC).** Even if there is a significant job creation all the way through the links of value chains implanted in the country (automotive industry, aeronautics, agri-good, etc.), the fact remains that the weight of women in job creation dynamics remains lesser than men. Furthermore, these often hold posts in permanent jobs and are better paid, while women

are more exposed to precarious working conditions (in terms of income and job retention over time); this can be explained by the economic structure that relies on the workforce to complete the tasks rather than innovation.

▶ **The persistent employment-centered export- and investment-related constraints despite the opportunities offered.** The main opportunities offered by the export and investment sectors that the public authorities give a special attention, mobilize significant measures of support and incentives, and develop increasingly conducive institutional and regulatory frameworks, are: the geographic location, diversified partners... On the other hand, there are persisting export- and investment-related constraints that need to be mitigated in order to ensure more decent work and productive employment for the economy. It's about challenges related to upscaling, sophistication and diversification of exported products, inadequate qualified labour for new high-added value sectors, persistent tariff and non-tariff measures, difficulties to access to finance, particularly for SMEs and VSBEs, etc.

▶ **The multiple institutional players and the need to harmonize their means of intervention.** The analysis of the institutional framework that governs the trade and investment policy in Morocco showed that there are multiple stakeholders and players that need to harmonize their means of intervention, especially in formulating the instruments of this strategy that is meant to be cross-cutting (trade and investment conducive to decent work and productive employment) with respect to targeted segments of such policies. Speaking of regulatory policy and its openness and liberalization approach, its progress in the last two decades shows a progressive adaptation to both national and international economic changes has been carried out, yet it remains inadequate despite its compliance with the country's commitments at the bilateral, regional and multilateral levels. Hence, the regulatory framework did not progress enough in view of the rapid pace of openness and liberalization (the enforcement decrees of the Law 91-14 on external trade are not yet adopted).

▶ **The need for a proactive strategy in view of enhancing the trade and investment policies' capacity to generate decent and productive jobs.** The trade and investment policies, as well as sectoral strategies (industrial speed-up plan, Green Morocco plan, etc.) should ensure both the sophistication and the diversification of the industrial productive structure and the prioritization of the objective of decent and productive job creation (in terms of quality and not only quantity). Attention should be paid to integration of activities stemming from the informal sector in the national framework, an issue that remains a major concern for public authorities, given the size of this sector (30% of the GDP). Further, speeding up the implementation of some key success factors will certainly support the future of decent and productive work, especially in digitalization and e-commerce era. The expansion of remote work in many segments of the economy and the need to call upon expertise in such areas have become essential especially after Covid-19 pandemic.

▶ **With regards to the attractiveness of FDIs in high-added value tradable goods' sectors with a strong impact on job creation (particularly manufacturing industries),** it is strongly recommended to grant more bonuses to investors and encourage them compared to those turning towards non-tradable and low-added value sectors.

▶ **Lastly, monitoring the market progress in terms of trade and investment flows and their impact on human capital** (in terms of quantity, quality and gender) should be realized by a monitoring structure governed by the high decision-making bodies in the country in order to leverage the positive externalities of research, development and technology transfer made possible through trade liberalization and the establishment of multinational firms via FDIs.