

Trade Liberalisation and Labour Market: Evidence from Morocco

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In the last two decades, trade liberalisation has mainly been a characteristic of developing countries. The consequences have been substantial and widespread in all the branches of these societies. In particular, I would investigate how trade policy affects household's welfare through the labour market channel. The existing literature suggests that in developing countries tariff reductions impact more on wages than on the employment level. Recently, some authors have shown evidence of the importance of examining the determinant of the low net employment change and they show the importance of the churning effect, i.e. the workers' reallocation. Following the methodology suggested by Davis and Haltiwanger (1990), I analyse the churning effect in the Moroccan economy.

The data derives from the Annual Industrial Census. The sample covers 1,300 enterprises and contains data for five macro-sectors for 1990 and 2002 in Morocco. The five sectors covered are: clothing and textiles, food processing, chemicals and plastics, metallurgy, and electrical machines. One of the substantial advantages of this survey is that it contains extremely detailed information at the firm level. For each firm I have information on the sales, production, exports, and start-up data. In particular I have detailed information on labour supply for each firm, with employment divided by gender, and temporary versus permanent workers.

After a general overview of the macroeconomic situation in Morocco in the last ten years and of sample firms' characteristics, I compute the indexes of job creation and job destruction at sectoral level. Gross job creation (POS) is defined as the sum of the new places available through expansion of existing firms and creation of new establishments within the sector. Similarly, gross job destruction (NEG) is computed by adding up employment losses over shrinking and dying establishments within a sector. Adding up POS_{st} and NEG_{st} produces SUM_{st} , a measure of the gross job reallocation rate in sector s between $t-1$ and t . After classifying firms on the base of their trade orientation, size and sector of activity, the results show a significant simultaneous job creation and destruction in all the cases. The same analysis has been done comparing permanent VS temporary, male VS female, skilled VS unskilled workers. The results put in lights different patterns among the categories. Then, following Davis and Haltiwanger (1992), I decompose excess job reallocation in two components. One component represents the contribution of reshuffling employment among sectors, and the other component represents the contribution of excess job reallocation within sectors. The job reallocation decomposition suggests that the churning effect is mostly explained by movement of workers (whatever defined) within sectors. Consequently, the swing across sectors is negligible and firms' heterogeneity is the key determinant of the churning effect.

On the basis of these results I investigate the determinants of job creation and job reallocation at firm level, using a fixed effect model. To capture pure firm heterogeneity, I use the firm as the group definition in my regressions. At this stage, I try to capture the different impact of trade and technological change on the job reallocation by adding among the regressors an indicator for productivity (TFP) and one for trade openness (export status). Results show that trade and productivity exert an opposite impact on job creation but they don't influence job destruction. In particular, the exporter condition impacts positively on job creation and productivity negatively. This last effect could be explained by the adoption of labour-saving technology. Finally, the main determinant of job destruction is the sector of activity. To better investigate this aspect, I run a fixed effect model using sector as the group definition. In this way, I capture the within sector variation. Keeping fixed the sector of activity and allowing workers to move inside it, I find that trade influences positively job destruction but productivity is still not significant. If I run the same analysis on job creation, I get the same results as in the previous analysis, but the coefficients are

more significant. I can conclude that trade orientation, by increasing job creation and destruction, rises churning and hence market instability. Moreover it has more explicative power than the liberalisation process, since time effect are not significant in all the regressions. From the technological point of view, an increase in productivity decreases job creation but does not influence job destruction, keeping the labour market in a sluggish condition. From a policy point of view, the results suggest that trade liberalisation and technological change should be matched with labour market policy, which are not focused only on the sector of activity but take into account firm heterogeneity. In particular, plant size and trade orientation are two key features for policymakers.