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The Impact of the Employment Protection Legislation Reform on the Labor Market's Flexicurity in Morocco

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Abstract. This paper uses the OECD's methodology to build an Employment Protection Legislation index (EPL) for the Moroccan economy. In this framework, the main objective is to assess the impact of the new Labor Code's provisions on the degree of flexicurity in the labor market. The paper also investigates the approximate influence of the EPL changes as regards to some employment-related variables. Our results show that after the 2004 Labor Code reform, the labor market's flexibility level went down from 75 percent to 44 percent, as EPL became significantly stricter. Furthermore, our analysis suggests that the new legislation, although it brought relatively strict restrictions on hiring and firing, generated a significant increase in dismissals during the three first years of its implementation. And unlike the buckle of conventional literature and several empirical findings, the unemployment rate actually dropped, allegedly backed-up by a solid GDP growth during the 2000's.
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1. Introduction

The causality between EPL and labor market performances has been subject to a large debate among economists. And the difficulty when discussing such question comes from the fact that it combines institutional, legal, behavioral and real economic variables. There is still no strong consensus in this framework according to previous studies, which mostly tackledthe case of advanced countries and did not yet reach developing economies.

A significant part of the literature argues that sclerotic labor markets are often the consequence of stiff EPL measures. Blanchard & Wolfers (2000) defend this

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particular hypothesis when discussing the causes of the lessened rates of hiring and job creation in 20 western European economies from 1960 to the mid-1990's. Other economists reached relatively similar conclusions; EPL was found to have a downward influence on employment according tostudies led by Lazear (1990), Heckman & Páges (2000), Di Tella & MacCulloch (1999) and Elmeskov *et al.* (1998).

On the other hand, several other papers defend that the exact impact of EPL shocks on employment isoften insignificant or difficult to assess,since several other real and institutional variables happen to permanently influence the labor market. OECD (1990) found no significant effect of EPL on the unemployment level. However, the literature agrees to a certain extent as regards to the existence of a significant relationship between EPL and the labor market's flexicurity and dynamics, at least on a disaggregate scale.

However, in order to objectively tackle EPL as a variable that encompasses different legislative provisions, thereby enabling a valid comparative approach, the research community had to agree on a quantitatively measurable index. Several research papers helped calculate EPL indexes for developed countries, based on different approaches, including the OECD's (2008). Yet, empirical studies regarding this particular aspect are extremely scarce when it comes to developing countries, especially the MENA region. The present paper fits in this very line, as it motivates an EPL index for employment policy analysis and labor market flexicurity assessment in Morocco.

Using the EPL methodology developed by the OECD (2008), we examine the Moroccan labor legislation prior to the 2004 reform and compare its different flexicurity characteristics with the new Labor Code's. From that point, we draw a primary analysis of the impact of the EPL change on some aspects of labor market performances in the Kingdom.

2. A theoretical overview of the different methodologies

In order to effectively assess the impact of a change in the Employment Protection Legislation (EPL) on the labor market's performances, economists are bound to build employment protection indexes. In this context, a few types of indexes were developed, particularly by Botero *et al.* (2003), the World Bank's Doing Business program and the OECD (2008), and have delivered consistent elements of analysis on an international level.

In this paper, we use the OECD's methodology as it combines several contributions of OECD member countries and experts' recommendations, and proved to generate consistent econometrical outputs (Bekker *et al.*, 2008; Tangian, 2010). The downstream aim is to come up with credible indexes that would further enable the research community to analyze the macroeconomic implications of the new labor legislation in Morocco.

We build the employment protection legislation indexes following 21 criteria that fit into three main sets of information:

- The protection of regular workers, in the case of dismissal;
- The regulation of the temporary forms of employment;
- The specific obligationsof the employers in the case of collective layoffs.

These criteria concern the protection of employment via the main legislation, but also through its implementation procedures as stipulated by other regulatory texts.We convert the collected data per each criterion into one finalscore on a scale from 0 to 6, where the larger is the value the more strict are the regulations[1]. As to analyse the evolution due to the application of the new Labor Code in 2004, we apply this methodology to the legislative framework before and after this reform.

[1] For more details, see the OECD's methodological approach for calculating summaryindicators of the strictness of regulations.

In the following section, we calculate the value of the index for the period before 2004 in order to be able to analyze the alleged implications of the post-2004 legislative framework shift.

3. The EPL Index before the 2004 Reform

In the period from 1921 to 2004, the legal labor frameworkin Morocco was in fact scattered among a series of Dahirs (i.e. Royal decrees), laws and decrees. Based on a thorough study of the elements encompassed in these different legal texts, we proceed to the allocation of scores to each of the 21 criteria of the EPL index.

3.1. Legal provisions and choice of scores

i) Notification Procedures

The decision of dismissal, in written form, was given in person to the employee. As the employer must inform the employee in writing of the reasons for this decision, the corresponding score is 2, following OECD's methodology.

ii) Time before the notice period

There were no legal provisions on the notice period as a whole. Therefore, the corresponding score is 0.

iii) Duration of the notice period for a period of service

As mentioned in the previous criteria, there were no obligations to consider a notice period; the corresponding scores are respectively 0 for all seniority periods, i.e.9 months, 4 years and 20 years.

iv) Indemnities of employee termination for a period of service

The amount of the severance pay established by the Royal Decree No. 316-66 of August the 14th, 1967 is equal, per year or fraction of a year of effective work, to:

- 48 hours of pay for the first five years of service;
- 72 hours of pay for the period of service from the sixth to the tenth year;
- 96 hours of pay for the period of service from the eleventh to the fifteenth year;
- 120 hours of pay for the period of service beyond the fifteenth year.

As the termination indemnities for seniority periods of 9 months, 4 years and 20 years are respectively less than 15 days, 15 days and 3 months, the scores correspond to 1, 1 and 1.

v) Definition of justified and unfair dismissal

According to the Royal Decree No. 316-66 of August the 14th, 1967, only serious professional misconduct may justify dismissal. When the employee's competencies cannot be grounds for their dismissal, the corresponding score is 6.

vi) Duration of the trial period

The previous regulation did not mention the period during which regular workers are not fully covered by the provisions involving employment protection, where it is usually impossible to file a claim for unfair dismissal. This is considered as a security-oriented element and could be seen as a restriction for employers. The corresponding score is 6 (the one on the smaller period).

vii) Compensation for unfair dismissal

The legal texts that used to regulate labor before 2004 were silent regarding any form of compensation for unfair dismissal. The corresponding scorefor this criterion is then 0.

viii) Possibility of reinstatement following unfair dismissal

There was no right to reinstatement or any practice in this perspective. The corresponding score is 0.

ix) Maximum time to seek redress for unfair dismissal

The Moroccan labor code did not mention any time limit for bringing an action for wrongful dismissal. Therefore, the corresponding score for this criterion is 0.

x) Cases where the use of fixed-term contracts is justified

Since the Moroccan labor legislation before the reform did not specify any restrictions on the use of temporary contracts, the corresponding score is 6.

xi) Maximum number of successive fixed-term contracts

No limit on the number of successive fixed-term contracts existed before 2004, the corresponding score is 0.

xii) Maximum cumulative duration of successive fixed-term contracts

There were no restrictions on the cumulative duration of successive fixed-term contracts. Subsequently, the score for this criterion is 0.

xiii) Types of jobs for which temporary contracts are allowed

There was no legal framework governing temporary contracts, thereby providing employers with the possibility to use temporary contracts without constraints. The corresponding score is 0.

xiv) Restrictions on the number of renewals of temporary contracts

There were no restrictions on the number of temporary contract renewals in the Moroccan Labor Code before 2004. Therefore, the corresponding score is 2.

xv) Maximum cumulative duration of temporary contracts

In the same logic as in the criteria 13 and 14, there were no restrictions on the total duration of temporary contracts. The corresponding score is then 0.

xvi) Whether or not the creation of a temporary contract implies authorization or disclosure requirements

The creation of a temporary contract did not imply any authorization or disclosure requirements. Again, the corresponding score is 0.

xvii) Whether or not regulations guarantee fair and equitable treatment of regular and temporary workers

The regulation does not require any obligation of equal treatment between regular workers and temporary ones. The corresponding score is 0.

xviii) Definition of collective dismissal

The Royal Decree No. 314-66 establishing the Law on the continuing industrial and commercial corporations' activities and the dismissal of their personnel, did not specify the exact number from which the dismissal is considered collective. Based on this finding, the score for this criterion is 0.

xix) Additional notification obligations (compared to individual employment terminations)

The Royal Decree No. 314-66 requires that the governor of the prefecture or province and the labor inspectors get a notice regarding the employer's decision of collective dismissal. When at least two other "stakeholders" are involved and must be informed, the corresponding score is 6.

xx) Additional time before the start of the notice period (for collective layoffs)

The aforementioned Royal Decree does not specify any additional time compared to that which applies to individual dismissals. The corresponding score is then 0.

A21. Other specific costs for employers

This decree does not charge any additional costs to the employer in the case of collective layoffs. The corresponding score is 0.

3.2. Criteria coefficients and EPL index calculation: pre-2004 period

In a nutshell, the scores for the 21 criteria during the period preceding the 2004 Labor Code reform can be written as follows:

Table 1. *Scores of the 21 criteria measuring the degree of strictness of employment protection in Morocco before 2004*

No.	Criteria		Score
A1	Notification Procedures		2
A2	Time before the notice period		0
A3	Duration of the notice period for a period of service	9 months	0
		4 years	0
		20 years	0
A4	Indemnities of employee termination for a period of service	9 months	1
		4 years	1
		20 years	1
A5	Definition of justified and unfair dismissal		6
A6	Duration of the trial period		6
A7	Compensation for unfair dismissal		0
A8	Possibility of reinstatement following unfair dismissal		0
A9	Maximum time to seek redress for unfair dismissal		0
A10	Cases where the use of fixed-term contracts is justified		6
A11	Maximum number of successive fixed-term contracts		0
A12	Maximum cumulative duration of successive fixed-term contracts		0
A13	Types of jobs for which temporary contracts are allowed		0
A14	Restrictions on the number of renewals of temporary contracts		2
A15	Maximum cumulative duration of temporary contracts		0
A16	Whether or not the creation of a temporary contract implies authorization or disclosure requirements		0
A17	Whether or not regulations guarantee fair and equitable treatment of regular and temporary workers		0
A18	Definition of collective dismissal		0
A19	Additional notification obligations (compared to individual employment terminations)		6
A20	Additional time before the start of the notice period (for collective layoffs)		0
A21	Other specific costs for employers		0

Source: Authors' calculations

Based on OECD's (2008) methodology, we procede to the allocation coefficients corresponding to each criterion and set of criteria.

Table 2. *Allocation of coefficients to the 21 criteria of the EPL index*

Criterion	Score	Coefficients	Weighted score	Level			
				4	3	2	1
A1	2	0.50	1.00	1.00	0.33		
A2	0	0.50	0.00				
	0	0.14	0.00				
A3	0	0.14	0.00	0.00			
	0	0.14	0.00		0.19		
	1	0.19	0.19				
A4	1	0.19	0.19	0.57		0.55	
	1	0.19	0.19				
A5	6	0.20	1.20				
A6	6	0.20	1.20				
A7	0	0.20	0.00	2.40	0.80		
A8	0	0.20	0.00				
A9	0	0.20	0.00				1.50
A10	6	0.50	3.00				
A11	0	0.25	0.00	3.00	1.50		
A12	0	0.25	0.00				
A13	0	0.33	0.00			0.69	
A14	2	0.17	0.33				
A15	0	0.17	0.00	0.33	0.17		
A16	0	0.17	0.00				
A17	0	0.17	0.00				
A18	0	0.25	0.00				
A19	6	0.25	1.50	1.50	0.25		
A20	0	0.25	0.00				
A21	0	0.25	0.00				

Source: Authors' calculations

The composite index we have calculated measures the extent to which the Employment Protection Legislation could be considered to be strict in Morocco. It is equal to 1.5 on a scale of 6. Therefore, in terms of percentage, the Moroccan EPLwas strict at a level of 25 percent before the 2004 labor code reform. As for the

level of flexibility, which is nothing but the exact opposite of the EPL rigor level, its percentage value was equal to 75 percent.

The EPL composite index for the period before 2004 will constitute a basis out to analyze the impact of the labor code reform on the flexicurity, as well as its possible implications on the labor market performances in the Kingdom. In the next section, we apply OECD's (2008) methodology to the new legislative framework driven by the Labor Codethat was voted in 2004.

4. Caclculating the EPL Index for the Period after 2004

In this section, we calculate the EPL index for the period from 2004 up until now, based on the 2004 Moroccan Labor Code. As opposed to the former legislative framework, which was made ofa series of Dahirs (i.e. Royal decrees), laws and decrees, the buckle of the new Labor Code is encompassed in one single law (Law No.65-99). However, a few aspects of its implementation were detailed afterwards by decrees.

Following the same methodology as in the pre-2004 period, we start by allocating scores for each of the 21 elements ofsaid index, based on this very law.

4.1. Legal provisions and choice of scores

i) Notification Procedures

Article 63 of the new Labor Code did not change much of the former regulation regarding this aspect, as it stipulates that the dismissal decision is to be either directly given to the employee with an acknowledgement of receipt or sent through registered mail within the 48 hours following the date on which that decision was taken.

As seen in the previous section, when the legal framework obliges the employer to inform the employee in writing of the reasons for their dismissal, the corresponding score is 2.

ii) Time before the notice period

Article 44 states that the notice period begins the day after the notification of the decision to terminate the contract. In this frame, when the time is less than 2 days, the corresponding score is 0.

iii) Duration of the notice period for a period of service

According to the additional implementationdecree No.2-04-469 of 29 December 2004, the notice period is set as follows:

For managers and equivalents, according to their seniority:

- Less than a year: one month;
- One year to 5 years: two months;
- More than 5 years: three months.

For employees and workers, according to their seniority:

- Less than a year: 8 days;
- One year to 5 years: one month;
- More than 5 years: two months.

Based on our methodology, for managers and equivalents, when the notice periods are lower than 1,2 month, 1,25 month and 5 months respectively for seniority periods of 9 months, 4 years and 20 years, the scores should be respectively 3, 2 and 2. As for employees and workers, and for respectively the same abovementioned periods of seniority, the scores are 2, 1 and 1. Thus, the overall scores for this criterion are 2.5, 1.5 and 1.5, as we choose to consider the average of both categories of employees.

iv) Indemnities of employee termination for a period of service

Article 53 of the Labor Codestipulates that the amount of severance pay is equal, for per year or fraction of year of effective work, to:

- 96 hours of pay for the first five years of service;
- 144 hours of pay for the period of service from 6 to 10 years;
- 192 hours of pay for the period of service ranging from 11 to 15 years;
- 240 hours of wages for the period of service exceeding 15 years.

More favorable to the employee provisions may be included in the employment contract, collective labor agreement or the internal regulations.

The employee is also entitled to benefit under the legislation and regulations in force of the indemnity for loss of employment for economic, technological or structural reasons.

Since the termination indemnities for seniority periods of 9 months, 4 years and 20 years are less than (1 month, 1 month and 6 months), we allocated the respectivescoresof 2, 2 and 2.

v) Definition of justified and unfair dismissal

At the image of the previous legislative framework, articles 35, 36, 37 and 38 of the new Labor Codespecifythatonly serious professional misconduct may justify dismissal. However, social factors, age or seniority are, to a significant extent, taken into account in the selection of the workers to be dismissed. Subsequently, the score to be given to this criterion is 2.

vi) Duration of the trial period

Article 14 of the reformed Labor Codestipulates that the trial period in the case ofindefiniteterm contracts is set at:

• Three months for managers and equivalents;
• A month and a half for employees;
• A fortnightfor workers.

The new legal framework allows the trial period to be renewed once.

As for fixed-term contracts, the trial period may not exceed:

• For six-month contracts or shorter, a day for each work week, provided that the trial period does not go beyond a maximum of two weeks;
• A month in the case of more-than-six-months contracts.

Shorter trial periods may be provided by the employment contract, the collective agreement or the internal regulations of a given company.

When the trial period is less than 1 month and a half, the score is 6 and when it is between 1.5 month and 2.5 months, the score is 5. Therefore, the scores for allcategories of staffin both fixed and indefinite term contracts are 6, except formanagers. The score for the latter is 5. Nonetheless, after calculating the weighted average for this criterion and slightly rounding up the result, we obtain a final score of 6.

vii) Compensation for unfair dismissal

Paragraph 6 of Article 41 of the Labor Code specifies that in the case both parties fail to reach an agreement through a preliminary conciliation, the employee is entitled to apply to the competent court. The latter may order, in the case of unfair dismissal of the employee, to reinstate the employee in their initial position or to pay a financial compensation. The amount of said compensation is calculated by multiplying a month and a half's salary by the number of years of fraction of year worked, without exceeding the equivalent of 36 months.

According to the OECD's (2008) methodology, when the combined amount of compensation for unfair dismissal – in the case of 20 years of seniority –, arrears of remuneration and other indemnities (notwithstanding the classical severance package) is less than 30 months of salary, the corresponding score is 5.

viii) Possibility of reinstatement following unfair dismissal

Article 532 of the Code provides that labor inspection agents are in charge of:

• Ensuring the enforcement of laws and regulations relating to labor;
• Providing technical information to both employers and employees on the most effective means in accordance with the legal provisions;
• Making attempts at conciliation in individual labor disputes.

These attempts at reconciliation are recorded in a report signed by the conflicting parties and countersigned by the officer in charge of labor inspection. This record serves as a discharge for the amounts that are brought there.

In practice, an employeerarelyreturns to their business after a conciliation procedure. The corresponding score is then 2.

ix) Maximum time to seek redress for unfair dismissal

Article 65 of the 2004 Labor Code stipulatesthatalawsuit concerning the dismissal must be broughtbefore the competent court within 90 days from the date of receipt by the employee of the dismissaldecision. Said period must be stated in the decision of dismissal under Article 63 of the Code.

When the time limit for bringing an action for wrongful dismissal is less than 3 months, the corresponding score is 2.

x) Cases in which the use of fixed-term contracts is justified

Article 16 of the law No 65-99 specifies that the employment contract can beused for an indefinite period, for a fixed term or to perform a particular task. Fixed-term work contracts are only allowedin the cases where the employment relationship cannot fit in an indefinite framework. These cases are as follows:

- When replacing another employee whose employment contract is in suspension, unless the latter is due to a strike;
- A temporary increase of the company's business;
- When the work is strictly seasonal.

Furthermore, fixed-term contracts are not legal unless they concern a specific number of sectors and in certain exceptional cases detailed by a series of regulatory texts (Prime Minister's decrees) that followed and completed the implementation side of the Labor Code.

However, the first paragraph of Article 17 of the said Code allows employers to use fixed-term contracts when opening a business for the first time or a new facility within the company, or when launching a new product for the first time in sectors other than agriculture. This legal provision sets a maximum period of one year, renewable only once. After this period, companies are bound to switch to indefinite term employment contracts.

As opposed to the previous legal framework, the law No 65-99 introduces significant restrictions. Nevertheless, it also enables both employers and employees to use fixed-term contracts in some specific case. The corresponding score is 2.

xi) Maximum number of successive fixed-term contracts

Unlike the pre-2004 employment protection legislation, the new Labor Code actually limits the maximum number of successive fixed-term contracts to one (1), i.e. less than 1.5 as defined by OECD (2008). Therefore, the corresponding score is 6.

xii) Maximum cumulative duration of successive fixed-term contracts

The 2nd paragraph of Article 17 of the new Labor Code states that the contract for a maximum period of one year becomes an indefinite-term one when it is kept functional beyond itsinitial period. When the maximum cumulative duration of successive fixed-term contracts is equal to or longer than 12 months, the corresponding score is 6.

xiii) Types of jobs for which temporary contracts are allowed

According to Article 498 of the new Code, when a company totally or partially dismisses its employees for economic reasons, it cannotcall for temporary employment agencies' employees during the year following the dismissal to deal with the increase of temporary activity of the company, subject to the provisions of Article 508.

When the temporary contracts are generally allowed, with few exceptions, the corresponding score is 4.5.

xiv) Restrictions on the number of renewals per temporary contract and their maximum cumulative duration

Article 500 specifies that this kind of temporary tasks/contrasts should not exceed:

• The contract suspension period regarding the replacement of an employee, under the 1st paragraph of Article 496;

• Three months, renewable once with regard to the case mentioned in the2nd paragraph of that Article;

• Six months, non-renewable,in the cases mentioned in paragraphs 3 and 4 of said Article.

When there are restrictions on the number of temporary contract renewals, the adequate score is 4. And as the maximum cumulative duration of temporary contracts in the new Moroccan EPL framework is less than or equal to 6 months, the corresponding score is 6.

xvi) Whether or not the creation of a temporary contract implies authorization or disclosure requirements

Article 501 specifies that the contract between the temporary employment agency and their staff member working for other companies (users) must be a written one. Moreover, said contract must state the following:

• Qualifications of the employee;
• The salary and terms of payment;
• The trial period;
• Characteristics of the position that the employee occupies;
• The registration number of the employee to the National Social Security Fund;
• The repatriation clause of the employee by the temporary employment agency if the task is done abroad.

The contract must also stipulate the possibility of hiring the employee by the user after completion of their task. When periodic information requirements must be contained in the interim agreement/temporary contract, the corresponding score is 4.

xvii) Whether or not regulations guarantee fair and equitable treatment of regular and temporary workers

In perfect similarity with the pre-2004 EPL framework, this criterion's score is zero, as the regulation remains silent regarding any obligation of equal treatment between regular workers and temporary ones.

xviii-xix-xx) Definition of collective dismissal; additional notification obligations; additional time before the start of the notice period

Article 66of the new Moroccan Labor Code stipulates in its first paragraph that employers that operate with ten or more employees in the sectors of industry, agriculture and trade, must inform the employees' delegatesand, where appropriate, union representatives at the company*at least one month* before proceeding to the dismissal of all or part of their staff, whether for technological, structural or economic reasons.Moreover, the employers must provide all necessary information relating thereto, including the reasons for dismissal, and the number and categories of employees who are concerned by this decision, as well as the period in which the layoff is supposed to take place.

The new legal framework also obliges the company to initiate consultations and negotiations to discuss possible measures that could prevent the dismissal or mitigate its negative effects, i.e. possibility of reinstatement in other positions.

In companies that work with more than fifty employees, the staff's delegates are replaced by a Works Council. The company's administration provides a report stating the results of the abovementioned consultations and negotiations, signed by both parties; a copy is addressed to the employees representatives (whether delegates or a works council), and another one is sent to the provincial labor inspector (at the city level).

Following OECD's (2008) methodology, a score of 4.5 points is given to criterion No. 18 (i.e. $3 \times \frac{6}{4}$). As at least two other parties must be informed of the dismissal, the corresponding score is 6 for criterion No 19, which did not change from the former Labor Code. And since there is still no additional time here compared to the one which applies to individual dismissals, the score for criterion No 20 remains unchanged, at 0.

xxi) Other specific costs for employers

Article 70 of the current Labor Codestipulates that employees receive financial compensation related to the notice and the severance pay, whether the employer is granted the authorization to terminate their work contract or not, pursuant to Articles 66, 67 and 69 of said Code.

However, in case of termination pursuant to those provisions and without such authorization, the dismissed employees wouldnotreceive any damages unless a court order is issued if they are not reinstated in their positions while preserving their rights.

When there are no costs that refer to the existence of additional severance pay and to the mandatory aspect of the social compensation plan (e.g.specifying re-employment measures, retraining, reclassification, etc.), the corresponding score is 0.

As demonstrated above, the 2004 Labor Code brought several changes to the employment protection framework, which supposedly had a significant impact on the EPL index. The EPL index based on the scores of each of the 21 criteria in light of this labor legislation reform can be calculated as follows:

Table 3. *Allocation of coefficients to the 21 criteria of the EPL index (Post-labor code reform)*

Criterion	Score	Coefficients	Weighted score	Level			
				4	3	2	1
B1	2.0	0.50	1.00	1.00	0.33		
B2	0.0	0.50	0.00				
	2.5	0.14	0.35				
B3	1.5	0.14	0.21	0.77			
	1.5	0.14	0.21		1.15		
	2.0	0.19	0.38				
B4	2.0	0.19	0.38	1.14		1.09	
	2.0	0.19	0.38				
B5	2.0	0.20	0.40				
B6	6.0	0.20	1.20				
B7	5.0	0.20	1.00	3.40	1.13		
B8	2.0	0.20	0.40				
B9	2.0	0.20	0.40				3.38
B10	2.0	0.50	1.00				
B11	6.0	0.25	1.50	4.00	2.00		
B12	6.0	0.25	1.50				
B13	4.5	0.33	1.49			1.85	
B14	4.0	0.17	0.67				
B15	6.0	0.17	1.02	4.87	2.44		
B16	4.0	0.17	0.68				
B17	6.0	0.17	1.02				
B18	4.5	0.25	1.13				
B19	6.0	0.25	1.50	2.63	0.44		
B20	0.0	0.25	0.00				
B21	0.0	0.25	0.00				

Source: Authors' calculations

After the 2004 labor legislation reform was adopted in Morocco, the OECD's composite index measuring the degree of strictness of the EPL jumped from 1.50 to 3.38on the OECD's scale of 6 points. In other words, the legal framework for employment protection has become strict at a level of 56 percent since the new Labor Code was passed in 2004, as opposed to only 25 percent before said legislative reform.

It is worth noticing that, seen from a flexibility-oriented perspective, the Moroccan labor market has allegedly dropped to 44 percent, compared to 75 percent in the previous legislation of labor market.

5. The Labor Code's Impact on Employment Variables

Concretely, the impact the 2004 EPL reform has driven on the Moroccan labor market is worth examining. On the global scale, the unemployment rate dropped from 11.5 percent in 2003 to 10.8 percent in 2004, before moving back up to 11.1

percent in 2005, according to the public statistics institution, i.e. High Commission of Planning (HCP). From 2006 to 2015, the yearly rates remained stable at 9.4 percent, i.e. a structurally lower level of unemployment than the period prior to the Labor Code reform. The impact of the latter could likely have been lagged by one year, which would explain the significant decrease in employment in 2005. Furthermore, it is worth noticing that during the 2000s, Morocco has known a significant economic growth, at a yearly average of 5 percent, which most likely helped compensate, stabilize and then quasi-structurally reduce the unemployment indicator.

A more revealing variable is the causes of unemployment. Despite the fact that the 2004 Labor Code came up with further employment protection-related restrictions, dismissals actually increased in a significant proportion. This puzzle was most momentous in the early years of the new Code's implementation, i.e. 2004, 2005 and 2006. In 2003, the reason of unemployment of 28.6 percent of the unemployed population was "dismissal or firm bankruptcy". Right after theimplementation of the new Labor Code in 2004, this proportion went up to 31.4 percent, and increased to 32 percent in 2005. In other words, from 2003 to 2005, the percentage of unemployed people following a dismissal jumped by 3.4 points. It is only after three years that it started regaining its normal level.

Based on the theoretical literature and the empirical evidence on the matter, EPL is likely to have real effects on labor market dynamics. As a matter of fact, it is said to discourage recruitment and dismissals, improve average job duration and increase long-term unemployment. However, the causal relationship with productivity and overall unemployment rate remains subject to a large debate.But one can argue that strict EPL could generate structural unemployment since it evidently reinforces labor market "insiders" at the expenses of the "outsiders" (school/university graduates, workers in transition between two jobs, etc.), thereby promoting and sustainingfrictionalunemployment.

Nevertheless, the extent of the market's reaction to the new EPL restrictions should not be exaggerated in the Moroccan framework. Severance packages and notice periods are certainly substantial in some countries (especially in Europe), thereby discouraging layoffs. This is not quite the case in Morocco when seen the relatively manageable severance amounts and periods. Nonetheless, following the new Labor Code in the Kingdom, it became very difficult for employers to dismiss staff members based on poor productivity or non-critical misconduct. A straightforward consequence of the latter is the significant risks of weak labor productivity, which could drive a downward influence on GDP growth as a whole from the supply side.

6. Concluding Remarks

In this paper, we built an EPL index for employment policy analysis and labor market flexicurityassessment purposes in Morocco. Such research takes its interest from the factthatit is the first time that this methodology is applied fora country that is not member of the OECD.Using the EPLmethodology developed by the latter, we examined the Moroccan labor legislation prior to the 2004 reform and compared its different aspects with the new Labor Code.

Our first finding is that the legal framework for employment protection has become strict at a level of 56 percent since the new Labor Code was passed in 2004, as opposed to only 25 percent before said legislative reform. In other words, the Moroccan labor market's flexibility has dropped to 44 percent, compared to 75 percent in the pre-reform paradigm. The EPL indexes thatwe calculated are meant to constitute a background for further in-depth researchregarding the relationship between the employment protection legislative framework and labor market dynamics in the Kingdom.

The changes in the EPL did not drive an observable impact on the unemployment rate. One of the possible explanations is the fact that during the 2000s, Morocco benefited from a significant GDP growth, at a yearly average rate

of 5 percent, which most likely helped compensate, stabilize and then quasi-structurally reduce the unemployment indicator. Moreover, despite the fact that the 2004 Labor Code came up with further employment protection-related restrictions, dismissals actually increased in a significant proportion during the three first years following this reform. Based on these elements, it is possible to state that strengthening the employment protection legislation does not necessarily lead to a "sclerotic" labor market, where restrictions on dismissals partially prevent employers from hiring and, thus, contribute to increasing unemployment. Institutional shocks regarding employment protection, if supposedly kept at an acceptable level, is likely to generate an insignificant impact on aggregate variables such as the unemployment rate, provided that EPL shocks are compensated by relatively strong GDP growth rates over the period in question. These findings provide with the premises of a different perspective than Blanchard & Wolfers' (2000), Nickell (1997) and Lazear (1990), which mostly analyzed the European framework.

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