



## Self-Employment and Poverty in Morocco: The Case of the Informal Sector

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**ABSTRACT:** Among the most important sectors where self-employment is expanding are the agricultural, industrial and service sectors. Support programs to accompany self-initiative and enable the integration of the informal sector include : the "Moukawalati" program in its new version, the "Infatih" program, the "Imtyaz" program and the "Moussanada" program, in addition to the "Rawaj", "Damane Express" and "Tatwir Express" programs. The possibility of obtaining financing is one of the difficulties for the self-employed and small businesses. In addition to this, there are problems related to management, equipment, supervision, support, lack of regular and rigorous accounting management, insufficient training provided (initial and continuing), problems in the use of new technologies and lack of knowledge related to planning and management. The system, the conditions of risk-taking, coupled with the numerous and slow administrative procedures, not to mention the difficulty in obtaining information, low competitiveness, and high costs of speculation.

**KEYWORDS:** Development, Integration, Informal Sector, Poverty, Self-Employment.

### INTRODUCTION

The status of the self-entrepreneur aims to support the dynamics of self-employment, especially among young people and women, to contribute to the integration of the informal sector, to reduce unemployment in a systematic and practical way, to increase the rate of medical coverage, as well as to integrate nearly 6 million active people and non-salaried employees who do not benefit from a pension scheme. In accordance with the said law, the self-employed entrepreneur must register in the National Register of Self-Employed Entrepreneurs, which includes a set of personal and professional data. Following the signature of the agreement with Barid Al-Maghrib, the registration in the National Register of Self-Employed has been extended to commercial banks involved in the support of self-employment. The status of Self-Entrepreneur also offers easier registration, membership, exit, more regulatory possibilities, access to qualifications and training, which allows the Self-Entrepreneur to work in legal and stable conditions, with health insurance, social security and pension, to access resources and benefit from privileged bank financing schemes, with the possibility of benefiting from public aid schemes and the protection of intellectual and industrial property rights

Our research consists in presenting a state of the art of the informal sector, but also in identifying its actors and their vulnerable situations, as well as the contribution of self-employment in the reduction of poverty and the integration of this sector. Hence the formulation of our problematic in the following main question :

**"How will self-employment address vulnerability within the informal sector ?"**

Based on this central problem, we will try to answer a number of questions throughout our article :

- What is the informal sector ?
- What are the socio-demographic characteristics of the informal sector ?
- What is self-employment ?
- How will self-employment reduce poverty in Morocco ?
- What are the main conclusions of international experiences in integrating the informal sector ?



In order to better define our research and to give a certain logic to our study, we will subdivide our task into two points, the first dealing with the socio-demographic characteristics of the informal sector and then in the second, we will highlight the role of self-employment as a pivotal actor that can play a key role in contributing to the fight against vulnerability on the one hand and facilitating the integration of the informal sector on the other. In order to clarify the object of the research we opted for the qualitative method. We justify our methodological choice through several criteria, on the one hand the chosen method will allow us to understand the informal sector in general and the problem of poverty in particular is its inclusion in the Moroccan formal economy. On the other hand, we will start our work with a literature review about the key concepts, then we will enrich our work with the contribution of self-employment and we will demonstrate the objective or the expected result of this action. Thus, we have adopted a qualitative research strategy.

## 1. Socio-demographic characteristics of the informal sector

The socio-demographic characteristics of the workforce and the way in which they are articulated influence the type of activity carried out and the type of unit created. Age, gender, family position, rural or non-rural origin, level of education and type of training, sometimes representation, in addition to the position in the family hierarchy and the social origin of the workers, influence the type of job held. These characteristics have an impact on the forms of insertion, but also on the performance of the units.

### 1.1 Poverty dynamics and the informal sector

When examining poverty, a series of problems arise, particularly those related to the definition and measurement of poverty and the categories most affected. The classic definition of poverty is that of the World Bank, "Poverty is the inability to attain a minimum standard of living. In addition, two poverty lines have been established: poverty and absolute poverty. But this indicator is static because it does not show the cost of reducing poverty. Poverty is a multidimensional phenomenon, not limited to insufficient income or insufficient caloric intake. It has different dimensions, including health problems, illiteracy, lack of access to basic services, insecurity, lack of mobility, social exclusion, physical isolation and vulnerability.

### 1.2 Low staffing levels

The configuration of employment in microenterprises shows the small size of their workforce (between 2 and 5 employees) and the predominance and growth of one-person units (74.9 percent of units). In addition to the youthfulness of the workforce, the data also showed significant family support. Research and surveys have shown that the role played by informal micro-units in taking care of the "post, pre or unproductive" and the importance of work depend on the activity income. Collectively, this phenomenon reflects the persistence of a family and community logic based on the need to redistribute small business owners. Correlatively, the safeguarding of rights (migrants' land rights, etc.) in the network of groups to which they belong. Thus, through this support, the logic of informal activity constitutes a social safety net that can sometimes resolve crises. However, as living standards deteriorated and incomes fell in the 1980s, this role was increasingly called into question. The informal sector is increasingly unable to meet its group obligations, which has implications for its rights within the community.

### 1.3 Training and qualifications

One of the main obstacles to microenterprises in the informal sector is the low level of education and vocational training of their managers and workforce compared to the rest of the workforce. All the studies and surveys conducted are in line with this general trend. Thus, 33% of workers have no education, 40.7% have primary education, 23% have secondary education and only 3% have completed higher education .



**Table :** Employed persons in the sector by education

Emploi informel permanent selon le niveau scolaire		
Aucun niveau	705 076	33,0 %
Pré-scolaire ou kouttab	173 058	8,1 %
Primaire	697 602	32,6 %
Secondaire	492 407	23,0 %
Supérieur	63 607	3,0 %
Autre niveau	5 798	0,3 %

**Source:** National Survey on the Informal Sector 2006-2007, HCP (2010).

The observable trend is certainly toward higher educational attainment. Compared to 1999, the proportion of informal workers with primary or secondary education has increased from 57.5 percent to 63.7 percent<sup>1</sup>. This suggests that those excluded from the school system are increasingly joining the ranks of informal activities, especially since the vocational training system does not have any specific training opportunities to cater for school dropouts at the primary and college levels. A flow of workers, educated but without diplomas, is growing on the labor market alongside the migrants. It should be added that the current saturation of the market means that a diploma is less and less considered as a passport for obtaining a job in the Administration, which would have conferred security and prestige on its holder. The unprecedented rise in unemployment among graduates bears witness to this. In sum, there is no univocal relationship between rural exodus and the informal sector. The lack of adaptation to the school system also favors this phenomenon.

This low level of education negatively affects the management and development of informal units, as unit managers lack the assets to acquire more knowledge about market integration mechanisms and formal credit systems, and are deprived of management skills.

## 2. Self-employment, a lever for development and integration of the informal sector in Morocco

In the early 1980s, with the implementation of structural adjustment programs<sup>2</sup>, problems of unemployment emerged at the national level, particularly among young graduates, leading to a weakening of the role of the state as the main employer of university graduates and higher education institutions. In fact, government job creation fell from 47,981 in 1980 to about 8,000 in 1990. To compensate for this decline, self-employment initiatives were launched, including the "Crédit aux Jeunes Promoteurs" scheme (1987).

### 2.1 Conceptual framework of self-employment

The 15th Conference of Labour Statisticians (1993) introduced the classification of work situations. Six situations were identified: Wage earners, employers, own-account workers, members of producer cooperatives, contributing family workers, and unclassifiable workers based on occupational status.

According to the International Labour Office (1993) classification of work situations, these fall into two groups:

- **Paid jobs:** jobs for which incumbents have explicit or implicit contracts, written or oral, that entitle them to basic pay that is not directly dependent on the income of the unit for which they work (that unit may be a firm, a non-profit institution, a government, or a household);

<sup>1</sup> HCP 2010 p. 46

<sup>2</sup> Between 1983 and 1993, Morocco recorded a growth rate of barely 3.1%, a decline of 1.8 percentage points compared to the period 1972-1982. The rate of investment also declined during the same period (approximately 22.4%).



- **Self-employment** : jobs whose remuneration is directly dependent on the profits from the goods or services produced (own consumption being considered part of the profits). The incumbents make the management decisions affecting the enterprise or delegate this authority. In this context, the "enterprise" includes one-person enterprises.

Therefore, employees were classified in the paid employment group and other situations in the self-employment group. The states were given full discretion to harmonize this classification with their specific situation.

In accordance with this definition, one could identify the categories that have been classified by the International Labour Office as self-employed:

- **Employers** : persons who, working on their own account or with one or more partners, hold the type of employment defined as "self-employment" and who, in this capacity, hire, over a continuous period including the reference period, one or more persons;
- **Self-employed** : persons who work on their own account, with one or more partners, and do not hire any persons over a continuous period, including the reference period ;
- **Cooperative members or associates** : persons who are "self-employed" and, as such, belong to a cooperative producing goods or services, in which each member participates on an equal footing in the organization of production, sales, and decides on investments and the distribution of the establishment's profits among the members ;
- **Family workers collaborating with the family business without pay** : individuals who are "self-employed" in a market-oriented business operated by a relative living in the same household.

The categories of self-employment at the national level have been defined by the HCP as follows : "employers, self-employed persons and members of a cooperative or associates".

## 2.2 Self-employment sector

Self-employment is multiform. However, the diagnosis of the situation of the sector shows that beyond the digital economy, the production units that can be inserted in the framework of self-employment are also very active in the sectors of the social and solidarity economy. It should be noted that they are also present in the agricultural, industrial and service sectors.

- **Self-employment in the social and solidarity economy** : As far as the social and solidarity economy is concerned, the production units that can be inserted in the framework of self-employment are income-generating activities likely to reduce the extent of poverty, precariousness and marginalization. The nature of the projects financed under the National Initiative for Human Development attests to this. They are often located in very poor areas, managed, with limited means, by unskilled categories who carry out artisanal activities and who remain dependent on the support provided to them. The majority of the beneficiaries of the support of the National Initiative for Human Development are either unemployed, day laborers or employees of the informal sector who suffer from difficult and unstable conditions.
- **Self-employment in the agricultural, industrial and services sector** : The agricultural, industrial and services sector is one of the main areas for promoting self-employment. Morocco is an agricultural country par excellence. The primary sector counts about 1.5 million farmers, and contributes on average to 40% of the job offers<sup>3</sup>. Moreover, the diagnosis of the self-employment situation in Morocco shows that the agricultural sector accounts for 42.5% of the total, followed by trade (27.8%). According to the place of residence, these rates reached respectively 74.5% and 11.7% in rural areas. As for self-employment in urban areas, the share of trade is 46.5% compared to 13.3% for industry. Therefore, these sectors allow the auto-entrepreneur to fully engage in the dynamics of self-initiative and business creation.
- **Self-employment in the digital economy, technologies and innovation sectors** : The digital economy is considered one of the most promising sectors for emerging companies. It offers, indeed, opportunities for initiative and innovation for creative categories capable of integrating the fields of economy, knowledge and digital. As such, the care of talented and brilliant people and the support that is granted to them has enabled this category to access research, innovation and create added value allowing more modernization, diversification and competitiveness. As one of the main sectors of self-employment, the digital economy and technology offer opportunities to develop the national economy by boosting the GDP and reducing the unemployment rate significantly.

<sup>3</sup> Green Morocco Plan



### 3. Key findings from international experiences with informal sector integration

The benchmark on self-employment consists in the exhibition of the best international practices in the development and improvement of the business climate and in the overcoming of obstacles to the development of self-employment, both at the level of legislation and at the level of incentives for the accompaniment of self-entrepreneurs.

#### 3.1 A legal framework that guarantees complete protection to the auto-entrepreneur

A study of the French experience shows the importance of establishing a comprehensive and well-developed legal framework to regulate self-employment in order to respect the specificity of individual initiative. A framework that can provide the entrepreneur with the necessary material support and tax incentives. The legal framework also provides protection mechanisms for the auto entrepreneur, who benefits from this particular legal framework, including health insurance, social security and a pension scheme that encourages him to work in decent conditions.

#### 3.2 An accompanying body responsible for supporting the initiative

Most foreign experiences show the importance of supporting institutions, supporting self-initiative, undertaking lateral actions to provide statistics on self-employment and developing training and continuing education programs, support and accompaniment. These agencies also constitute a national framework for consultation and dialogue to promote the development and restoration of autonomy. The support agency guarantees the contribution of all stakeholders in the process of elaboration, implementation and evaluation of public policies related to self-employment; in the development of a strategic vision for self-employment and in the design of special programs for independent entrepreneurs.

#### 3.3 Training, support and financing

Funding arrangements vary by country and economic development policy, but all are designed to support development projects, based on the needs and funding capacity of the country. Self-sufficient policies depend on funds to provide the material support needed by self-sufficient holders. Indeed, despite the variety of projects, they all require funding to develop in a sustainable manner.

A training program dedicated to the accompaniment of young project holders is one of the success factors of the self-initiative. These projects focus on the content of the training and its dimensions and aim to contribute to the training of a new generation of young independent entrepreneurs.

#### 3.4 Partnership with the university and the private sector

Partnerships with universities and the private sector are considered the most effective way to support and encourage emerging and innovative companies that create high added value and contribute significantly to wealth creation. Partnerships take many forms to support a network of emerging companies in order to create a dynamic between them based on cooperation and complementarity. Particular mention was made of incubators for sharing ideas and achievements within the framework of public-private partnerships, whether they be contributions from universities, university students and civil society, or business incubators.

#### 3.5 Local Approach to Informal Sector Integration

The integration of the informal sector is one of the main concerns of developing countries where this phenomenon continues to grow. The most effective experience is that of a local approach to integrating the informal sector into the formal economy, taking into account the local specificities of this phenomenon. These countries aim to provide decent employment through the support of the initiative for the fight against poverty and insecurity.

## CONCLUSION

The status of auto-entrepreneur exempts from the obligation to be registered in the trade register, and from the obligation provided for in article 19 of law n° 15-95 forming the trade code to keep accounts in accordance with law n° 9-88 relating to the accounting obligations of traders. The status of auto-entrepreneur grants, according to its declared objectives, many advantages, including

- A streamlined registration, enrollment and withdrawal procedure, as this could affect transactions with customers
- Organization and access to upgrading and training
- An opportunity to work in legal and stable conditions and to benefit from medical and social coverage as well as retirement





- Independence and access to resources
- The possibility of benefiting from special bank financing programs, in addition to the possibility of benefiting from the support provided by public programs
- An opportunity to retain intellectual and industrial property.

Furthermore, according to article 2 of the above-mentioned law, an auto-entrepreneur can safely carry out his activities in his premises or his main residence, as long as he cannot be subject to seizure of these assets, movable or immovable, for the purpose of repaying debts. The law protects auto-entrepreneurs working at home, as such, they benefit from a legal immunity against any confiscation of their home or movable property unrelated to the activities carried out.

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