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The Informal Economy Employment Impacts Of Trade Liberalisation And Increased Competition In Export Markets: The North African Textile, Clothing And Footwear Sector

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"THE INFORMAL ECONOMY EMPLOYMENT IMPACTS OF TRADE LIBERALISATION AND INCREASED COMPETITION IN EXPORT MARKETS: THE NORTH AFRICAN TEXTILE, CLOTHING AND FOOTWEAR SECTOR"

Final Report

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Femise Research Project nr. 22-06

The employment impacts of trade liberalization & increased competition in export markets: the North African textile and clothing sector

Research Coordinated by the Federico Caffè Centre
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EXECUTIVE SUMMARY

The Maghrib economies have been subjected to a number of economic policy pressures due to government choices and the international institutions recommendations during the last twenty years. At the end of a decade characterized by the structural adjustment programs, the liberalization and privatization processes were implemented at the international level by the WTO's, at regional level by the establishment of free trade agreements between individual states on the southern and eastern Mediterranean rim and the EU [under the Barcelona Process] and by bilateral agreements as the one signed between Morocco and United States. The overall logic of such measures was that liberalization and privatization would stimulate trade, support the requested modernization of the production systems and infrastructures, and enhance public administrations and services as well. Positive impacts on income, employments and general welfare conditions were forecasted.

The main purpose of this study is to verify the above mentioned assumptions by the achievement of a better understanding of the impact of these economic measures on income formation, employment and welfare conditions in North Africa. The study has chosen to focus on the impacts of restructuring in the formal textile and clothing sectors (TC) which is the major employer in three Maghrib countries: Algeria, Morocco and Tunisia. The textile and clothing sectors have been particularly exposed to increased competition in foreign and/or domestic markets. The study focused especially on the clothing sector.

Trade in textiles and clothing sector is subject to the General Agreement on Tariffs and Trade from January 1st, 2005. This puts an end to the import quotas system that has bound it for the past forty years. This change strongly influence the production and trade structure that we have known during the last two decades already exposed to the increasing globalization. The patterns of reaction will be various and different from country to country. The world-wide diffusion of TC industries in a more open market increases the fight to survive on one side and creates the possibility for further expansion for those countries and industries that will best utilize the new market opportunities.

Spinning, weaving, dying and stitching -garment making- has been in the vanguard of most of the world's industrial revolutions, from the Lancashire mills of the 19th century to the Hong Kong sweatshops of the 1980s. Labour-intensive, with low start-up costs, the industry has until now provided the first vital foothold in global manufacturing for many low income countries. The textile and clothing industries account for around 40 percent of the merchandise exports of Tunisia and Morocco, and for a lower percentage in Algeria. A very high output growth rate has been achieved during recent years by countries such as Bangladesh, Sri Lanka, Vietnam, Mauritius and Cambodia. The role of China as the world's larger exporter is well-known. China was the world's largest exporter both of textiles and clothing during the period 1995-2002 and its world's market share increased from 22.5 to 30 percent in the clothing sector and 16-22 percent in the textile sector.[1]

However, TC maintains importance also in the industrialized countries. The EU's TC sector share in total manufacturing is about 4 percent of the value added and 7 percent of employment. The three quarters of EU production of TC are concentrated in Italy, the UK, France, Germany and Spain, followed by Portugal, Belgium, the Netherlands, Austria, Greece, Denmark, Sweden, and Luxembourg. The turnover of Euro 200 billion is produced in 177,000 enterprises employing more than 2 million people.[2] The share of the informal sector is per definition unknown but probably significant.

[1] Nordås, H. K.. *The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing.* Discussion Paper n. 5, World Trade Organization, Geneva, Switzerland, 2004: 16.

[2] Commission of the European Communities. European Commission (2003). *Economic and Competitiveness analysis of the European Textile and Clothing Sector in support of the Communication: the Future of the*

In relation to export, the dominant textiles exporters, after China, are Italy, Germany, Republic of Korea, Chinese Taipei, France, Belgium, Japan and UK; in the clothing sector the major exporters in addition to China are Italy, Germany, France, Turkey, Indonesia, Republic of Korea and Thailand.

Economic history is full of instances of sheltered industries that could not survive exposure to an open market. Might Bangladeshi garment-makers become another such example? According to a June 2005 report by the International Monetary Fund, the country could lose a quarter of its exports and 2.3 million jobs once quotas are lifted. They will not be the only country to suffer: North Africa, Turkey and Eastern Europe might partially be squeezed out of the EU clothing market, while African and Mexican garment-makers might lose a substantial share of the American market. The rapid success of Cambodia garment exports that represent the main source of manufacturing production is also at risk.

This research has operated with the hypothesis that the specific socio-economic conditions of the Maghrib economies would make it difficult for many workers recently displaced from the formal textile sector to obtain new employment in the formal economy and instead would compel them to enter lower return activities in the informal economy. These were, firstly, the already high urban sector unemployment rates in all three economies, and, secondly, the actual causes of the restructuring: increased competition in domestic markets following trade liberalization in all three economies and increased competition for Moroccan and Tunisian clothing exports within the EU market.

This study aims to bring together the evidence already available on output and employment trends in the textile sectors of the three countries, with a particular focus on the clothing sub-sector, and to throw light on the experiences of displaced workers, chiefly through the implementation of three small surveys of such individuals, one in each country. Differences in the history and structure of the three sectors have been registered among the three countries and particularly between Morocco and Tunisia on one side and Algeria on the other.

The consequences of job loss varied, both between and within countries, for reasons which appear to be associated with some of the distinctive structural characteristics of the three economies and with their associated levels of economic development. Among formally registered clothing firms, we also found a range of conditions of employment which undercut the notion of a firm dichotomy between the formal and the informal economy: rather, there appears to be a continuum of firm characteristics and firm behaviour which result in many firms conducting their business partly according to formal rules and regulations and partly in avoidance of these. However, the study also found evidence of firm down-sizing, of failure to re-enter the job market, of enduring unemployment, and, among some of those interviewed, clear evidence of economic hardship. Overall, the survey evidence confirms other reports of increasing informality in conditions of employment in North Africa.

The study shows that it is highly improbable that the clothing sectors in the three Maghrib economies will be able to reabsorb all of the labour which has been displaced in recent years as well as the labour which continues to be shed, however efficient the adaptations and upgrading which are undertaken. It is important that all steps possible should be undertaken to enhance the efficiency and competitivity of the sector but in our view it will be necessary to take a much broader view in designing a strategy for labour absorption, which extends beyond the clothing sector itself.

The policy recommendations contained in the report take into account differences and similarities among the three countries. Common to the TC sector in the three countries is the need both to up-grade their production in terms of quality, and to recognize that mass clothing

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Textiles and Clothing sector in an enlarged Europe. Commission Staff Working Paper, SEC (2003) 1345, Brussels, Belgium.: 3-4.

production for export in North Africa is likely to remain import intensive and dependent on the ability of exporting firms both to respond quickly to new orders and to switch production quickly between products. This is likely to mean reliance on a significant amount of outsourcing, as is already the case in Morocco, and a reinforcement of the pattern of occasional, rather than regular, wage employment which is also already a feature of the Moroccan clothing sector. In Tunisia, where the majority of firms have been accustomed to produce continuously for brand names such as Levis and Lee Cooper there is a need for firms to adjust to supplying more short-term orders

Development of production for niche markets, enterprise innovation, modern management techniques are pointed out in this study as possible measures to be adopted by government and the EU in various forms. The EU might provide assistance to North African firms in identifying such opportunities by providing start-up funding for joint EU-MED ventures in the clothing sector, by supporting innovation in small and medium-sized enterprises (SMEs) and by providing support to North African firms for market analysis within the EU.

The relevance of SMEs in the TC sectors of the three countries suggests policy measures in support of trade facilitation policies, design and production skills, microfinance, technical advice and promotion of clusters. These initiatives should aim to the promotion of SMEs in North Africa, both in the clothing sector and beyond it. One important role which the governments in the Maghrib can play in helping firms to adjust to new market conditions is by streamlining customs bureaucracy. Firms which are genuinely attempting to adapt to meeting short-term export orders are currently sometimes undercut in their attempts to meet these orders by inflexible red tape governing the release from customs of essential imported inputs.

Problems with income losses and employment suggest extending for Morocco the period of implementation of the Free Trade Area with the EU started several years later than in Tunisia. A reinforcement of the educational sector is proposed for Algeria, Morocco and Tunisia in formal education curriculum at all levels. Such reforms should pay attention to the need of developing a labour force which is increasingly flexible and adaptable: one which is equipped with the basic skills and confidence which enable future learning on the job. In today's world, these skills include IT skills. The planning of the secondary and tertiary curriculum should also be designed to generate improved provision for professional and vocational training.

The need to design more overall development strategies tailored to the specific countries specificities emphasize the need to identify and exploit new export opportunities while exploring possibilities to enhance the expansion of labour intensive production for the domestic mass market. In Morocco, where there is still some significant unused capacity in available water supplies[3], some restructuring of the farm sector by redistributing land from large-scale irrigated grain production towards smaller scale, more labour intensive livestock and horticulture units, could provide increased employment and income opportunities and, through these, a contribution to the expansion of the domestic demand for locally produced goods and services. The implementation of such a strategy would, however, only be viable if EU liberalization of agricultural imports not only occurs but does so within a negotiating framework which recognizes the need for a much slower pace of removal of agricultural protection in the Maghrib.

[3] See Yang and Zehnder, 2002.

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The employment impacts of trade liberalization & increased competition in export markets: the North African textile and clothing sector

1. Introduction

The main purpose of the research reported in this paper was to achieve a better understanding of the employment impacts of restructuring in the formal textile and clothing sectors of the three economies in the Maghrib in response to increased competition in foreign and/or domestic markets. The research was motivated by a concern that certain features of the Maghrib economies would make it difficult for many workers recently displaced from the formal textile sector to obtain new employment in the formal economy and instead would compel them to enter lower return activities in the informal economy. These were, firstly, the already high urban sector unemployment rates in all three economies, and, secondly, the actual causes of the restructuring: increased competition in domestic markets following trade liberalisation in all three economies and increased competition for Moroccan and Tunisian clothing exports within the EU market [chiefly from lower cost Asian suppliers and expected to strengthen following termination of the Multi-fibre Agreement in January 2005]. This project aimed to bring together the evidence already available on output and employment trends in the textile sectors of the three countries and to throw light on the experiences of displaced workers, chiefly through the implementation of three small surveys of such individuals, one in each country.

The textile sector in North Africa, as elsewhere, embraces three sub-branches of production: textiles, clothing and footwear. In North Africa, it is the clothing sector which is the major employer and it is primarily on this sector that our study has focussed. In North Africa we found a clothing sector which is currently facing severe external demand shocks in both Tunisia and Morocco but which in Algeria, after the severe shocks of the 1990s due to privatisation and liberalisation, has recently experienced a period of relative stability of total output, albeit at much reduced levels compared with 15 years ago. Nonetheless, in Algeria too, we found evidence of recent worker dismissals. The consequences of job loss varied, both between and within countries, for reasons which appear to be associated with some of the distinctive structural characteristics of the three economies and with their associated levels of economic development. Among formally registered clothing firms, we also found a range of conditions of employment which undercut the notion of a firm dichotomy between the formal and the informal economy: rather, there appears to be a continuum of firm characteristics and firm behaviour which result in many firms conducting their business partly according to formal rules and regulations and partly in avoidance of these. The latter applies

particularly to conditions of employment. Not all of the dismissed workers who were interviewed perceived themselves to be worse off at the time of interview: some had found new wage employment either in the textile sector or outside and some had entered self-employment –and of those who were in employment, some, albeit a minority, reported an improvement in earned income.

However, the study also found evidence of firm down-sizing, of failure to re-enter the job market, of enduring unemployment, and, among some of those interviewed, clear evidence of economic hardship. Overall, the survey evidence confirms other reports of increasing informality in conditions of employment in North Africa.

This report of our research is structured as follows. The rest of this overview paper will provide an account of the conceptual framework which underpinned the study and the methodology employed [section 2], a review of the background to the present situation in each of the three countries [section 3] a more detailed summary of the findings derived from the surveys of displaced workers [section 4] and a review of the study's conclusions and policy implications [section 5]. The appendices provide the full country reports for each of the three countries.

2. Conceptual framework and research methodology

2.1 Conceptual framework

Over the past three decades adverse macro demand shocks have assumed increasing significance in many low and middle income economies, with various impacts on both formal and informal employment[4]. The sources of these shocks have included adverse movements in world demand for developing country exports, increasing competition in export markets and domestic macro policy reforms, including unilateral trade liberalisation and attempts to cut inflationary public sector deficits through cutbacks in public expenditure. The ensuing impacts on levels and conditions of employment - both formal and informal - stem not only from the initial shock itself but from the domestic macro policy response which the shock engenders. For instance, unilateral trade liberalisation and public expenditure cuts are often followed by [or combined with] devaluation and interest rate hikes respectively. The ensuing impacts on domestic demand and employment are often represented as impinging on the formal economy in the first instance, with mainly indirect ramifications for informal SME production and employment, although adverse movements in world demand for farm exports and liberalisation of agricultural imports may also impact directly on SMEs in the farm sector.

In recent decades trade liberalisation has been urged upon, and implemented by, competitively weak economies as well as those in a relatively strong position to respond to this competitive stimulus. Imperfect price flexibility and factor mobility, skill constraints, other direct constraints on international competitivity [*eg* different product standards, uncompetitive product design[5]], poor infrastructure and constraints on access to credit for restructuring may each impede rapid factor reabsorption at comparable levels of productivity and income to those which prevailed before the shock.

[4] The informal economy as defined by the ILO embraces unincorporated household enterprises which do not keep complete accounts and are unregistered for purposes of tax and social security contributions. These enterprises are based mainly on self-employment but may employ some hired workers [ILO, 2002: 232-235].
[5] Also barriers to market entry due to economies of scale, constraints on entry into marketing chains, *etc.*

For two of the North African economies, Morocco and Tunisia, unilateral trade liberalisation *vis à vis* the EU, their main trading partner, has been matched by only minimal enhancement of export opportunities to the EU. Indeed, existing exports, notably from the clothing sector, now face increasing competition from third party suppliers. Not surprisingly, pressures have already developed to devalue the domestic currency in an attempt to sustain export competitivity, while both governments seek to combine any devaluation with a tight domestic monetary policy in order to contain any ensuing upward pressure on prices.

When output and wage employment in the formal economy contract, some backward and forward demand linkages[6] from medium and large formal enterprise to small and micro enterprise, often in the informal economy, also contract: demand impacts will be negative for outputs which are inputs into modern economy production rendered uncompetitive by trade liberalisation and/or which are inputs into, or finished products for, non-essential consumption by formal sector workers whose incomes contract. On the other hand, demand impacts may be positive for outputs which are low cost substitutes for modern economy products. However, any such demand switch from domestic formal to informal production further depresses demand, incomes and, hence, employment in the formal economy. While some displaced formal economy labour may remain unemployed, less skilled workers in particular are likely to seek alternative employment in small and micro enterprises, often informal, where they may face a more than marginal wage reduction. Within SMEs, labour incomes vary between different branches of production due largely to variations in the skill and capital intensity of production[7].

In a context of declining aggregate demand, there is no automatic balance between the quantity of labour displaced from formal production and any additional labour demanded, at prevailing returns, by small and micro enterprises, whether formal or informal. Rather, part of the increased labour supply to such enterprises will be 'perverse' in so far as it is not motivated primarily by increased demand for labour but, rather, by the search for a fall-back income. When this is the case, then, in the face of inability to find wage employment[8], such labour can be expected to enter low capital intensity self employment [LKSE], often in the non-tradable sector. The consequence is likely to be a reduction in average hours worked and/or in output/hour in informal LKSE as more suppliers compete in the same market[9]. The problem is illustrated in Figure 1 which illustrates the transformation of an initial formal economy demand shock [Figure 1a] into a 'perverse' labour supply shift into LKSE [Figure 1b]: the rightwards shift in the labour supply curve in Figure 1b reflects an acceptance of

[6] Backward and forward demand linkages refer to demands for producer goods and consumption goods respectively.

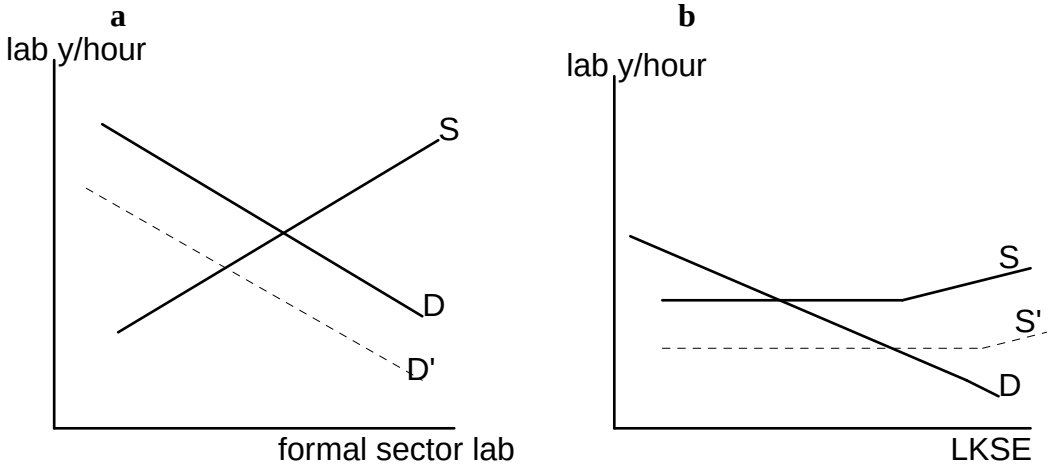
[7] In low income areas where in the past incomes have risen, infrastructure has been developed and skills diversified, a widening range of outputs are produced in the informal economy. These developments, combined with the constraints just noted and imperfect capital markets, have all contributed to a growing variation in marginal labour productivity. For example, introduction of electricity supply to a small market town in eastern Kenya made possible the establishment of small-scale welding. For the self-employed worker, this activity, given its relatively high physical and human capital: labour ratio, generates a higher joint return to labour and capital than, say, tin-smithing. [Ranis and Stewart, 1999, also distinguish between modern and traditional informal production, the former having stronger supply linkages to the formal sector, to which it sells part of its output, while also being characterised by higher levels of capital: labour than traditional informal production.]

[8] There is some evidence of downward inflexibility in the basic informal economy wage, presumably due to the existence of a socially determined minimum basic wage.

[9] *eg* in petty trade, other personal and repair services and small-scale construction. In the classification used by Ranis and Stewart, 1999, these individuals tend to enter the traditional, as opposed to modern, branches of the informal economy, in which production is oriented largely towards the needs of the poor.

reduced returns to informal self-employment. As long as labour is underutilised and in excess supply, it will require a, possibly substantial, increase in demand [rightward shift in the demand curve in either Figure 1a and/or Figure 1b] to significantly raise income/hour worked[10].

Figure 1: Impact of Adverse Modern Sector Demand Shock on Informal Sector Labour Supply



Should policy makers be concerned when there is an expansion of LKSE employment or relieved by the apparent absorptive capacity of these branches of production? The returns to labour in sectors with the lowest labour productivity determine the supply price of labour with equivalent skills to other branches of the economy. As Lewis and Emmanuel first showed in the 1950s and 1960s, only when labour productivity rises in these low productivity branches will a rising supply price begin to force up wages for low skilled occupations in the formal economy. Until this happens, any gains in labour productivity will be passed on to the consumer [national or foreign] in the form of lower prices rather than to workers via wage increases[11]. However, the same reallocation of labour to low return LKSE also dampens the prospects for such productivity gains via its adverse impact on aggregate domestic demand. From this perspective, any expansion of the numbers engaged in LKSE, and any consequent reduction in average returns to LKSE, are indeed a cause for concern, for two reasons: the adverse welfare impacts on those directly involved and the longer term implications for increases in aggregate demand and mass living standards.

Yet lower labour incomes and increased informal sector employment are seen by proponents of market liberalisation as essential features of adjustment of price relatives. According to this perspective, any reduction in real incomes in the informal economy will lead to a reduction in the supply price of labour to the modern economy. Both will then experience increased price competitivity in world markets leading to expanded output and a resumption of growth. Reasons for questioning these assumptions include:

- the operation of Cline's 'fallacy of composition' in export markets;
- the incentive for competitive devaluations;
- the possibility that, in liberalised markets, capital intensification and labour;

[10] For example, Ssemogerere reports that in Uganda in the 1990s, even in the context of small farm expansion of export crop production, excess labour supply prevented any increase in the casual wage rate [Ssemogerere, 1999: 135].
[11] See Lewis, 1954 and Emmanuel, 1972.

- displacement become necessary in order to raise competitivity[12];
- asymmetry in price elasticities of demand for producer imports [as between price cuts and price increases] due to 'technology lock-in'.

The pursuit of trade liberalisation and export promotion by many economies which export similar products can be expected to cause a world market price fall for these goods if demand expands less fast than supply. This will bring reduced returns/unit to export production and, for some producers, an inability to compete [Cline, 1982]. The world market for textiles and clothing epitomises this problem of supply growth in excess of demand expansion. In such circumstances, exporting firms are likely to press for competitive devaluations[13] but such devaluations generate inflationary pressures and may have to be complemented by further restraints on domestic demand[14]. In the face of relatively low price and income elasticities of demand, such devaluations are also unlikely to generate sufficient export expansion by the affected sectors to reabsorb all of the labour initially displaced by trade liberalisation, especially ion those countries which do not have a competitive advantage in terms of labour and/or transport costs. Meanwhile, asymmetries in the price elasticity of demand for imported producer goods further diminish potential gains to the trade balance from devaluation, price elasticity of demand often being greater when prices are lowered due to import liberalisation than when they rise following subsequent devaluation, due to the intervening 'technological lock-in'.

In sum, the likelihood that there will be a net labour displacement to SME production, including to low return LKSE, following unilateral trade liberalisation by uncompetitive economies is high. This raises important questions with respect to appropriate policy response. Most notably, it raises important questions concerning the extent to which policy interventions geared to raising SME resource productivity are appropriate in the context of a depressed domestic mass market and limited export contribution by informal SMEs - a context in which one seller's gain may be another's loss [Hunt, 2003 and 2003a]. In this context, it may be that meso and macro policy interventions geared to non-inflationary expansion of the mass market have an important prior role [Hunt, 2004]. However, policy design itself needs to be informed by a clearer understanding of what is actually happening and it is this concern which the proposed research is intended to address.

Against this background, the primary goals of this study are to establish:

- what are the main categories of labour to experience job loss due to restructuring in the textile and clothing sector [*eg* skilled, semi-skilled, low-skilled];
- what are the main occupations into which semi and low skilled displaced labour has transferred;
- what has been the impact of this transfer on the welfare of displaced workers and their families;
- what conditions of employment prevail for those who remain within the textile sector.

Subsidiary goals, which we have covered less intensively, were to establish:

[12] In a study of liberalisation impacts on employment in India's cotton textile sector, Kambhampati and Howell, 1998, report such an outcome.
[13] As is currently the case in Morocco.
[14] See Cogneau and Tapinos, 1995.

- what types of enterprise are engaged in textile, clothing and footwear production in each of the North African economies both for the domestic market and for export[15];
- which categories of enterprise have shed labour over the past five years;
- which categories of enterprise have taken on labour.

In regard to the first three objectives, the main hypotheses to be tested were:

[i] formal labour displacement from the textile sector in North Africa has increased labour supply to informal small and micro-enterprise, including LKSE;

[ii] in both tradable and non-tradable receiving branches of production formal labour displacement has resulted in a decline in the returns to labour via a decrease in hourly earnings and/or in hours worked

[iii] actual earnings impacts vary according to the skill and capital intensity of different branches of small and micro production activity.

2.2 The employment impacts of restructuring: an empirical example

There is relatively little case study material in the development literature covering attempts to assess the impacts of negative demand shocks and consequent economic restructuring on displaced workers. This is not surprising given the difficulties which can arise in tracing such individuals and, in consequence, it is usually necessary to rely on analysis of data derived from household living standards survey [where these are available]. However, one such trace, based on contacting the former owners of small firms in Indonesia which were forced to close following the 1998 South-east Asian Financial Crisis, is reported by Van Diermen, 2003. Van Diermen had previously surveyed these firms in a period of economic expansion. He provides follow-up details for one small family owned garment factory in Jakarta [producing blue jeans for the local and regional market] which had employed twelve young men as well as the owner, his wife, three sons and daughter. After the firm was forced to close, the father found work as a garment cutter in another factory; the youngest son returned to full time schooling, two older sons worked periodically for other garment factories, the daughter had found work in a laundry and the wife operated a stall in a nearby market. Of the 12 workers, three found work in other garment factories and seven returned to their villages to be with family and seek work. Of these, one was helping on the family farm and in a small village stall owned by a relative while four others had returned on at least one occasion to Jakarta but without finding permanent employment. Of the remaining two workers, one was working as a salesperson in a garment kiosk and one as a street vendor selling noodles [Diermen, *op.cit.*]. The experiences of these 18 individuals seem to epitomise the short to medium term impacts of adverse demand shocks on displaced workers in low and middle income economies: only one third had found alternative regular paid employment, some had found occasional work, at least one had returned to work on the family farm and at least one had dropped out of the labour market. The findings also appear to support elements of the framework just outlined. In the present study an attempt was made to trace displaced workers using a variety of sampling methods which are summarised in Section 4 below.

[15] Possible categories include: large state owned firms, large foreign owned firms, firms under joint ownership, local private small and medium enterprises, informal unincorporated enterprises which are subcontracted to formal enterprises, and informal self-employed artisans and family-owned enterprises [based on a list proposed by Manuelli, A., personal communication, October 2003].

2.3. Research Methodology

The research team approached this study through a combination of a review of secondary sources, interviews with relevant officials, structured interviews with displaced workers and direct observation. The primary data collection consisted, firstly, of interviews with representatives of relevant government departments and of both employers' and labour organisations in order to develop a clearer picture of recent trends in the textile sector in individual countries. Secondly, a survey was implemented in each country of individuals who, over recent years, have been displaced from formal sector employment in textile production. Approximately one hundred structured interviews were conducted with such individuals in each economy. These interviews were designed to elicit information on socio-economic background, educational attainment and skills, previous formal sector employment, terms of contract termination and subsequent employment history. The sampling procedures which were employed in each country are summarised in Section 4 below. Finally, the researchers also used direct observation both in order to check and to contextualize the responses from the structured interviews.

3. The background to the present employment situation in the textile clothing and footwear sector [TCF] in North Africa

3.1 Historical background

Over recent years – since the early 1990s in Algeria and since the late 1990s/early twenty first century in the case of Morocco and Tunisia – textile and clothing firms in the Maghrib economies have been engaged in a process of cutbacks and restructuring. In Algeria this has been caused by a process of privatisation and liberalisation which has formed part of the transition from a centrally planned to a market economy: a process which has been undertaken later in Algeria than in the other two economies and which has been more extensive given the greater degree of state control and state ownership of the means of production which had previously been established as compared with either Tunisia or Morocco. In the latter countries, the recent and current problems faced by their textile sectors have two main causes: increasing competition in EU markets to which much of their clothing production is exported and the emerging impacts of trade liberalisation with the EU [which entails in its final phase the removal of tariff protection of the domestic textile and clothing sector in North Africa: a phase which has already started in Tunisia and is about to start in Morocco].

In the Maghrib, a production decline in the textile sector began in Algeria in the early 1990s, in Morocco in 1999 and in Tunisia in 2002 [see Table 1 above]. More or less the same periods have been associated with cutbacks in employment in the sector.

Table 1 - Textile Sector Production Indices: Algeria, Morocco and Tunisia

	1997	1998	1999	2000	2000	2001
Algeria*	48.6	48.1	39.0	33.8	28.8	n.a.
Morocco**	139.7	147.5	142.1	138.7	131.2	129.2
Tunisia***	167.3	180.9	186.0	205.1	233.4	227.9

* Textiles; 1989 = 100.
** Clothing only; 1992 =100.
*** Textiles, clothing and leather; 1990 = 100.
Sources: Economist Intelligence Unit, 2003a: 71, 2004:61 and 2003b:59.

Algeria

During the 1980s, employment in the Algerian textile and clothing sector constituted a relatively high proportion of total industrial employment [although the sector's contribution to industrial output was much lower]. According to the data provided in an official survey (ONS, 1983) already by the early eighties the TCF sector represented nearly 30 % of total industrial employment – with a share of 43% for the private sector and 11% for the public sector. This share apparently rose during the 1980s until wage employment in the TCF peaked at 135,700 in 1990 before falling to an estimated 87,800 in 2000 [see Table 2 below]. At this stage the sector contributed 5 per cent of GDP. Until privatisation began in the 1990s, textile production was concentrated in the public sector while clothing production was allowed to remain a predominantly private sector activity. The main period for privatisation or closure of publicly owned textile firms was the 1990s. Both the public and the private sector experienced particularly severe contraction in the mid-1990s when protection of the sector from competing imports was finally removed. Public sector production began to stabilise, at less than 25 per cent of its 1990 level, in 2001. Clothing production began to stabilise in 1999 at about 40 per cent of the 1990 level, with low rates of decline from 1999 until 2001 and a slight rise in 2002 and 2003 [see Graph 1]: by the late 1990s the ratio of the value of clothing to textile production in Algeria had risen significantly. In the first phase of liberalisation, retailers of clothing in Algeria increasingly sourced their goods from overseas suppliers but for recent years there is evidence of some revival in domestic production[16]. Nonetheless, some further restructuring and employment cutbacks have occurred since 2000[17]. By 2002 the sector produced 4.4 per cent of industrial output excluding hydrocarbons. However this figure is based on an interpretation of industrial production which includes public sector production of water and energy. Within the private sector the TCF sector was responsible in 2003 for 9.9 per cent of the value of output and, it is reasonable to assume, a significantly larger share of employment [*cf* Table 4 below for Morocco, which shows that in that country in 2003 the TCF sector share of manufacturing employment was three times its share of manufacturing output].

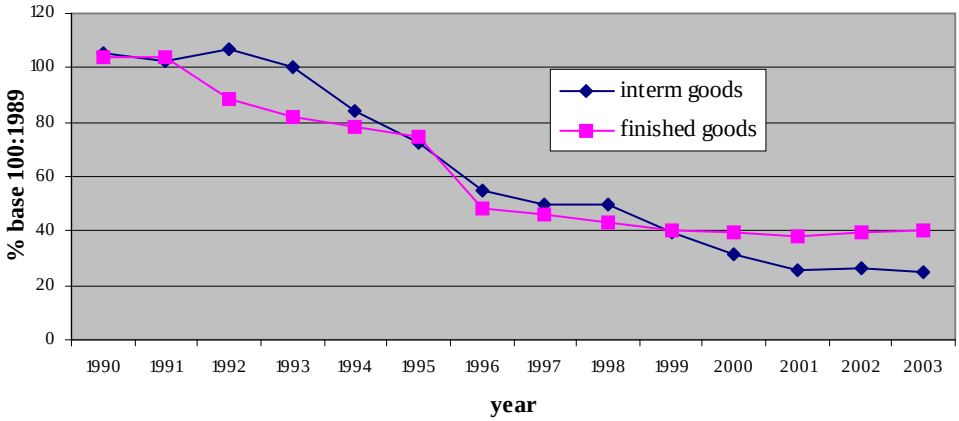
Table 2 - Employment and Production in the TCF Sector [Algeria]

Legal status	Public		Private		Informal (*)		Overall	
Year	1990	2000	1990	2000	1990	2000	1990	2000
Wage employment	67700	27300	38000	27500	30000	33000	135700	87800
Production in M. DA	111,7	14,7	51,3	52	ND	ND	ND	9,8
Added Value (M DA)	ND	2,9	ND	9,3	ND	ND	ND	2,4

(*) estimates
Sources: Algiers ILO Office, 2004)

[16] See also the Algeria country report [Appendix 1]
[17] Our survey found evidence of individuals who had lost employment in the sector between 2001 and 2004 and is based on their experiences [see Section 4 below and Appendix 3].

Graph No. 1 - Index of textile sector production [Algeria]



Source: Government of Algeria, Office National des Statistiques, Sept . 2004

Morocco and Tunisia

Today, in all three countries of the Maghrib the highest proportion of the value of production, and of employment, in the textile sector is in clothing production [for Morocco see Table 3 below]. This is significant for both the existing levels of formal manufacturing employment in the three economies and, in Morocco and Tunisia, for future trends therein, because clothing production is highly labour intensive whereas textile production is much more capital intensive. The relative labour intensity of the TCF sector is well illustrated in Table 4, also for Morocco. As this table shows, output of textiles and clothing in 2003 amounted to 15% of manufacturing production by value, while accounting for 45 per cent of employment; in Tunisia in 2002, TCF accounted for one-third of manufacturing output, more than half of manufacturing employment and 7.1 per cent of GDP [EIU, 2003b:37].

Table 3 - Shares of Textiles and Clothing in Output, Exports Investment and Employment: Morocco, 2003

Branches	Entreprises (%)	Exportation (%)	Production (%)	Valeur ajoutée (%)	Investissent (%)	Emploi (%)
Textile	36,60	17,58	38,43	30,22	56	19,08
Habillement	63,40	82,41	61,56	69,77	44	80,91
Total	100	100	100	100	100	100

Source: Government of the Kingdom of Morocco, Ministère du Commerce et de l'Industrie

In Morocco, as in Tunisia, formally recorded employment in the textile and clothing sector expanded rapidly in the 1990s, driven by expansion of clothing exports to the EU. In Morocco, recorded employment peaked in 1999 at a level of 216,665 [Source: Ministry of Commerce and Industry]. Formally recorded wage employment then fell slightly in both 2000 and 2001. However, by 2002 the sector still employed over 202,000 workers. The sector experienced a slight recovery in 2003, with employment rising by 1.6 per cent[18], but has

[18] Association Marocain de l'Industrie Textile et Habillement [AMITH], Rapport Économique, 2003.

experienced a dramatic decline in the first half of 2005, with preliminary estimates indicating the loss of 60,000 jobs[19]. In Tunisia, although reliable statistics are difficult to access, formal wage employment in the sector has apparently been falling since 2002.In both Morocco and Tunisia, textiles and clothing [primarily clothing] have been the main category of manufactured exports since the 1980s.

Table 4 - Main Economic Performance Indicators by Sector: Morocco, 2003

Industry	Production (%)	Value Added (%)	Investment (%)	Employment (%)	Exports (%)
Food processing	33	30	32	19	21
Chemicals	34	35	35	20	24
Electrical goods and electronics	6	6	5	6	14
Machinery and metal goods	12	11	13	10	4
Textiles and clothing	15	18	15	45	37
Total	100	100	100	100	100

Source: Ministère du Commerce et de l'Industrie, Rabat, cited in Lahlou, 2005.

As Table 5 shows, in Tunisia, by 1996, textiles constituted over half of all exports by value and in 2001 textiles, shoes and leather goods still constituted 48.5 per cent of total exports by value [EIU, 2002c.: 41] before falling to 42 per cent in 2002[20]. Although in Tunisia, 79 per cent of textile and clothing firms [1,690] are reported to produce solely for export [of which 997 have foreign participation with 632 wholly foreign owned][21], the sector continues to face difficulty in competing with lower cost Asian suppliers both in the EU market and domestically[22].

In 1996, Morocco's TCF exports amounted to 23 per cent of the total value of manufacturing exports, but that share rose rapidly in following years to approach 33 per cent by 2001 after setbacks in 1999 and 2000. According to AMITH (Association Marocaine des Industries du Textile-habillement[23]), 2003 saw evidence of revived performance in the Moroccan clothing sector, with output growth of 2,9 % relative to 2002, and employment growth of 1,6%, while investment remained stable at the 2002 level[24], accounting for 13,5 % of total industrial investment.

Table 5 - Commodity Export Shares [1996] by Product Category

	Algeria	**Morocco**	**Tunisia**
Agriculture	0.2	24.2	3.1
Extractive Industries	76.6	10.5	9.8
Manufacturing	22.5	65.2	87.1
Of which			
Food, beverages, tobacco	0.3	10.5	4.4
Textiles	0.4	22.7	50.9
Wood, wood products	0.0	0.8	0.2

[19] Data published May 2005 by Haut Commissariat au Plan; Rabat. Web Site: www.hcp.ma. See also Appendix 2.1 below.
[20] EIU, 2003b: 45.
[21] Since 1998, the main focus of FDI in Tunisia has been manufacturing and one third of foreign firms in this sector are in textiles. In Tunisia in 2001, textiles accounted for one-third of manufacturing output [Economist Intelligence Unit, 2002c: 34].
[22] Tunisia's main clothing exports to the EU [which takes 95 per cent of all its textile and clothing exports] are blue jeans and overalls.
[23] AMITH. Rapport économique 2003.
[24] 1,82 milliard de Dirhams.

Paper, paper products	0.0	1.0	0.6
Chemicals	19.9	22.7	16.0
Non-metal minerals	0.0	1.0	1.5
Basic metals	1.0	2.0	1.2
Metal manufactures	0.6	4.0	11.5
Other	0.1	0.4	0.7

Source: United Nations, 1996: 7, 699-703, 1032.

Exports, however, experienced a small decline, 0.14 percent, following previous declines in exports, production and investment in 1999 and 2000. However, this revival appears to have been short-lived: the abandonment of the Multi-fibre Agreement in January 2005 has led to a substantial switch in sourcing by EU importers away from Morocco [and Tunisia] towards China[25]. In countries, textile and clothing production has high import content. This constrains the share of domestic value added in total output and weakens the scope for use of devaluation as a means of raising international competitivity.

While the TCF sector remains important for their domestic economies, both Tunisia and Morocco are small players in terms of share of world exports. Morocco supplies 2.3 per cent of world clothing exports, with a slightly higher share for Tunisia [Table 6]. The main export destination for both countries is the EU where until 2004 each had about 5 per cent of the market [Table 7][26]. In contrast, Algeria's much more limited textile exports tend to go to the near and middle East and consist mainly of specialist products such as women's headwear[27]. In both Morocco and Tunisia there has been substantial foreign investment in the sector, but none in Algeria.

[25] Morocco's share of the EU market is expected to fall from 5 to 4 per cent in 2005 in the face of expanding imports into the EU from low cost suppliers in Asia, notably China.

[26] Morocco's textile exports to the EU go mainly to France [39%], Spain [23 %], the UK [18%], Germany [7%] and Italy [3%]. Exports to the UK have fallen substantially in recent years [by 12 per cent in 2002 relative to 2001 and by 7 per cent the following year] but exports to Italy have been rising fast over the same period, albeit from a small base.

[27] Zine Barka, Faculty of Economics and Management, University A. Belkaid, Tlemcen, Algeria, personal communication, October 2003.

Table 6 - Principal Exporters of Textiles on the World Market 2001 [% share]

Country	Share of market [%]
China	36.7
Hong Kong	23.4
EU	15.7
Mexico	8.0
USA	7.0
Turkey	6.6
India	6.0
Bangladesh	5.1
Indonesia	4.5
South Korea	4.3
Thailand	3.6
Czech Republic	2.8
Rumania	2.7
Dominique	2.7
Tunisia	2.6
Taiwan	2.5
Morocco	2.3
Poland	1.9
Hungary	1.3
Slovakia	0.6

Source: WTO, 2001, cited in Lahlou, 2005.

Table 7 - Principal Exporters of Textiles to the EU (in million Euros)

Country	Amount	%	Rank
China	6,278	15.5	1
Turkey	4,593	11.3	2
Hong Kong	2,772	6.8	3
Tunisia	2,372	5.9	4
Morocco	2,111	5.2	5
Romania	2,082	5.1	6
Poland	1,778	4.4	7
Bangladesh	1,759	4.3	8
India	1,654	4.1	9
Indonesia	1,391	3.4	10
Total	26,790	66.0	

Source: EURATEX, cited by Industry Promotion Agency, Government of Tunisia website.

Further observations

The textile and clothing sector in North Africa resembles in a number of key respects the sector in other developing economies: production is labour intensive and the work force predominantly female, especially so in the clothing sector: spinning, weaving and finishing cloth are more capital intensive activities with a higher ratio of males to females in the work force.

Two important characteristics of the TCF sector in all three economies are, firstly, the importance of the employment share of the informal sector and secondly, the manner in which formally recorded firms may also employ un-recorded labour as a means of cutting costs: in this sector in North Africa we found that there is not a simple dichotomy between formal and informal enterprises but rather a continuum of firm characteristics and firm behaviour which result in many firms conducting their business partly according to formal rules and regulations and partly in avoidance of these. The latter applies particularly to conditions of employment [see Section 5 below]

Although now dated, Belghazi 2004, provides a useful picture of the overall structure of employment in Morocco's textile and clothing sector in 1994, based on the population census of that year. He concludes that at that time, in addition to the wage labour force employed in textile production there was a large self-employed workforce of some 138,000 individuals operating in the informal economy. Just over half of the latter were home based, with the rest operating from commercial premises, often assisted by a relative or an apprentice [Belghazi, 2004: 11]. While sectoral structure may have changed since then, the scale of informal employment, including self-employment, is still reported to be large. Of the three textile sectors in North Africa, Tunisia's has the highest rate of foreign investment in the sector[28]. However, the development of export production has been geared heavily towards a particular segment of the EU market: that for blue jeans and workers' overalls]. Although for blue jeans various fashion labels are supplied, the sector has made little progress in supplying high value niche markets. Past success in supplying regular mass orders also meant that at the start of 2005 Tunisia's clothing sector was not well adapted to supplying irregular export orders at short notice: something which is already a dominant feature of the Moroccan clothing sector and which is likely to become an increasingly important role for the clothing sector in both economies as EU importers source more and more of their core supplies from Asia[29].

From the 1970s until January 2005 imports of textiles and clothing in to the OECD economies were regulated by export restraints imposed on most low and middle income economies by the importing economies under the Multi-fibre Agreement [MFA]. However, the EU had granted exemption from these constraints to the North African economies. Even so, competition in EU markets from lower labour cost countries in Asia began to rise already from the end of the 1990s. Then, in 2004, EU firms began to increase their orders in Asia, especially in China, in anticipation of the ending of the MFA. Moroccan firms, and apparently also Tunisian firms, experienced a large drop in orders in the early months of 2005. In Morocco, according to statistics issued by the Planning Commission in Rabat, textile and

[28] This outcome has been linked to Tunisia's relatively high levels of investment in human capital [see Table 9 below], plus a favourable tax regime and relatively good infrastructure. The World Economic Forum has rated Tunisia the most competitive country for investors in Africa.' [EIU, 2002: 45].
[29] See Belghazi, *op. cit.*

clothing exports fell by 1.2 per cent in the first three months of 2005 relative to the same period in 2004. Widespread job losses have also been reported, as well as a 6 per cent withdrawal from the active female labour force.

Table 8 – Average Hourly Wage for Textile Workers: Main Producing Economies 2002 [$]

Japon	22,8
UE	14,8
Etats-Unis d'Amérique	15,1
Taiwan	7,2
Corée du Sud	5,7
Portugal	4,8
Pologne	2,9
République Tchèque	2,4
Mexique	2,3
Turquie	2,1
Estonie	2.0
Slovaquie	1,9
Maroc	1,9
Tunisie	1,8
Thaïlande, Mexique	1,2
Inde	0,6
Chine	0,4
Bangladesh	0,3

Source: Werner spinning weaving labour cost comparisons, cited in Le Monde, 14 December 2004.

The competitive difficulties faced by Tunisian and Moroccan clothing suppliers to the EU are due largely to the level of their labour costs relative to those of Asian competitors [see Table 8 below]. As of 2002 the average wage in the textile sector in Morocco and Tunisia was almost five time that in China and was approximately the same as that of Eastern European suppliers such as Slovakia and Estonia as well as of Turkey. Given this difference in labour costs, it is hardly surprising that, with the easing of quota controls on TCF imports from lower cost Asian producers, Morocco and Tunisia are feeling competitive pressure. These pressures have led producing firms in these economies to lay off workers and in some cases to close entirely. This provides both the context of, and part of the motivation for, our study.

3.2. Elements of domestic economic structure which influence the employment impacts of TCF restructuring

The competitive market conditions which TCF producers in all three North African economies now face give rise to three important questions:

- how well placed are the sectors to respond to this competition?
- what is the current impact of job loss on affected workers and their families?
- what measures can be adopted, either in or outside the TCF sector, to offset any adverse output and welfare impacts of the increased competition?

In approaching this study, we hypothesised that the answers to the second question would either be similar across all three sectors or would at least show a significant degree of similarity between Tunisia and Morocco[30]. In the outcome, there was some unexpected diversity of impacts as well as some of the expected similarity. There are a number of

[30] The expectation of similarity across all three economies was based on the logic that in economies which are characterised by high rates of formal unemployment and large informal economies, the consequences of job loss for low skilled labour may be similar even though the precise causes may differ.

structural and performance differences between the three economies which in our view help to explain these results. The more important of these are highlighted in what follows.

Three important aspects of difference between the Maghrib economies lie in their different levels of average per capita income, in the level of educational attainment of the population and in the proportion of the population which remains within the rural economy. For the year 2002, purchasing power parity [PPP] per capita income was $6,280, $5,530 and $3,690 in Tunisia, Algeria and Morocco respectively[31]. Both expenditure per head on education and educational attainment are highest in Tunisia [see Table 9]. While agriculture still employs a large share of the labour force in all three economies, this is especially the case in Morocco. Although they refer to 1990, the data in Table 10 provide an indication of the relative importance of agriculture's labour force share in the three economies [by the mid-1990s the share in Morocco and fallen to 40 per cent[32]]. Tunisia has also moved furthest to make the economy attractive to foreign investors[33] and has the most diversified manufacturing sector and manufactured exports. We shall return to these structural characteristics when interpreting the survey results which are reported in Section 4.

Table 9 - Education in the Maghrib Economies

Country	Public expenditure on education [% GDP] 1997	Net Enrolment Ratio [% relevant age group] 1997		Adult Illiteracy [1998 % of people aged 15 & above]	
		Primary	Secondary	M	F
Algeria	5.1	96	69	24	46
Morocco	5.0	77	38	40	66
Tunisia	7.7	100	74	21	42

Source: World Bank, 2001, *World Development Report, 2000-2001*: Table 6.

Table 10 – Labour Force Share by Sector

Country	Agriculture	Industry	Services
Algeria	27	31	42
Morocco	45	25	30
Tunisia	28	32	40

Source: World Bank, *World Development Report, 1997*: Table 4.

Meanwhile, a common feature of all three economies is their high unemployment rates. These are reported to be: 18, over 15 and 18 per cent respectively in Morocco, Tunisia and Algeria[34]. Moreover, these rates almost certainly underestimate unemployment as some workers, especially women, withdraw from the labour force following job loss. All three economies still set minimum wages in the formal economy. Remarkably, the minimum wage in Morocco is currently 50 per cent higher than that in Tunisia.

[31] World Bank, 2004: Table 1, pp. 252-253.
[32] See Lofgren *et al.*, 1999.
[33] See footnote 21 above.
[34] Economist Intelligence Unit, 2003:31, 2002c:29 and Appendix 3 below.

3.3. Labour Force Characteristics and Conditions of Employment in the North African Clothing Sectors

The following summary draws on both documentary and survey evidence regarding labour force characteristics and conditions of employment in the TCF sector. The degree of documentation which it has been possible to access varies between the three countries. However, in Morocco, the ILO has recently sponsored research on employment practices and conditions in the textile and clothing sector and the following summary is based on the reported findings from that research.

Key features of the structure and conditions of employment in clothing production in Morocco include a predominance of female labour, of informal production, of young, unmarried workers with low education and of irregular, periodic employment. By 1999, 61 per cent of waged workers in the sector and 90 per cent of home workers were female. Employers in Morocco are reported to prefer young unmarried female workers because they expect that these women will be unencumbered by family responsibilities and will also be more submissive. According to Bouquia, 2002, 59 per cent of female workers in Morocco's textile and clothing sector are aged 25 or less, as are 43 per cent of males[35]. However, contrary to the expectations of employers, many of these young people, as well as older workers, have responsibilities as contributors to family incomes. A large proportion of workers in the sector work periodically rather than throughout the year, especially those working for small and medium sized firms. This employment pattern derives from the export orientation of firms in the formal sector and the reliance of many on *ad hoc* orders from EU distributors. The latter still prefer to use firms closer to hand when quick delivery is needed: for example, for a repeat order if a product is selling faster than anticipated [Belghazi, *op. cit.*] and a large proportion of Morocco's exports apparently meet such needs.

How do these characteristics compare with those of the labour force which is engaged in clothing production in Tunisia and Algeria? Our own surveys generated sample compositions which in Morocco reflected the predominantly young labour force which is reported by Bouquia, but the Tunisian and Algerian samples, especially that for Algeria, were indicative of a somewhat older labour force, albeit still with a substantial component aged under 30 [see section 4 below]. All three samples indicated a predominance of female labour. However, in Tunisia, where average *per capita* income is almost double that in Morocco, it appears that many of young women are motivated to seek work not out of family need but for more personal reasons: for many the motive is apparently to earn enough money to buy a wedding trousseau [see Section 4 below and Appendix 3].

In Algeria, over the past 15 years conditions of employment have worsened in the context of the transition to a market based economy. In the 1980s, many workers in experienced relatively good conditions of employment, especially those employed by the public sector but in the private sector textile workers who were contracted to smaller firms were disadvantaged by the use of home workers and apprentices as means of lowering labour costs. During the 1990s, in a context of economic restructuring which impacted in various ways on the textile sector, many publicly owned enterprises in the sector closed and formally recorded employment in the sector fell by about 60 per cent. In total, approximately 1,500 enterprises [small, medium and large] either closed or substantially cut back production in the space of 15 years. Salaries were cut and there was an increase in occasional work. Employers gave less

[35] Bouquia, R., 2002. A further perceived attraction of this labour force structure is that young workers are less likely to have become involved in trade union activity.

attention to regulations governing conditions of employment, including health and safety standards, hours worked and social insurance. Professional training programmes for workers were abandoned, paid holidays were cut or abolished and works canteens and medical centres closed. Meanwhile, private sector employers have continued a well established practice of not registering workers: with the agreement of the latter, instead of making legally required social security contributions, firms make slightly higher direct wage payments.

The role of informal production

According to the ILO's definition, the informal economy embraces unincorporated household enterprises which do not keep complete accounts and are unregistered for purposes of tax and social security contributions. Such enterprises are based mainly on self-employment but may employ some labour[36]. However, early in this study it became clear that in the North African textile sector the distinction between formal and informal production is often blurred: formally registered enterprises often use informal employment practices. Both informal and semi-formal textile productions are widespread in the Maghrib. For example, in Algeria during the 1990s, as restrictions on clothing imports and on internal distribution were relaxed, there was a rapid expansion of informal distribution of imported clothes: formal sector wholesalers would import in bulk and release their imports partly to informal distributors selling in *souks* and weekly markets. However, from 1996 – 2001 clothing imports by value apparently declined. While this may be partly due to under-reporting and partly to a switch to lower cost sources of supply in Asia, it appears that there has also been some expansion of domestic clothing production. Much of this production is in turn dominated by distributors who provide small-scale producers, formal and informal, with orders, production credit and inputs. Home-based production to order has expanded, both for small-scale firms needing to complete their orders and, again, directly for distributors. In Morocco, too, according to Belghazi, *op. cit.*, a large proportion of production for the domestic market comes from the informal sector. It is important to bear in mind, however, that in all three economies both small firms which straddle the formal and informal sectors, and those enterprises which are fully informal, are highly diversified both within and between production sectors. It is, for example, possible for an individual who works informally in a small or micro enterprise to earn a higher income than someone who is formally employed in a larger firm. Whether this occurs is a function of the product produced, market conditions and the skills of the individual.

[36] See ILO, 2002: 232-235. National definitions often impose a maximum of five on hired labour, in some cases rising to ten [*ibid.*: 244-249].

4. The Surveys of Dismissed Workers

More detailed summaries of the survey findings for the individual countries are provided in Appendices 1-3. This section focuses on the sampling methodology and on some of the main findings arising from the surveys.

4.1. Sampling methodology

Algeria

In Algeria, two sampling procedures were employed. First, the data base of the National Data of Unemployment Scheme was accessed. This scheme has recorded all textile firms, private and public, which have closed since 1999. There is a list of nearly 1,200 workers fired during this five and a half year period. Most public enterprises in the sector closed during the nineties so relatively few are represented in these records. However, from the Scheme file, the team selected one public enterprise which was recorded as having closed in 2001[37]. From the list of former employees a systematic sample was drawn, selecting every fifth worker but excluding those still on the dole[38]. All workers chosen were interviewed either directly or through a member of their family during June 2005.

Secondly, the team bought an updated list of Registered Private Textile Enterprises in the area of Algiers from the Chamber of Trade and Industry[39]. The purchased list contained 52 private firms registered from 1998, out of which 15 had not renewed their registration by 2004. These firms were then visited. Some agreed to supply a list of all workers fired from 2001 onwards, while others had either moved to another region, or changed their activities or declined access to the employee's list. With nine cooperating firms the same sampling method was adopted, but with a change in the selection step to every third name on the list. Respondents were interviewed mostly during May 2005. In total, from the two procedures, a sample of 150 was drawn. However, 40 questionnaires had to be rejected, leaving a total of 110.

Morocco

Neither in Morocco nor Tunisia was it possible to obtain a sampling frame comparable to those used in Algeria: neither from the Office of Social Security, the Ministry of Employment, an employers' association nor a trade union. In Morocco, following discussions with trade union representatives who themselves lacked detailed information on dismissed personnel, it was decided to send enumerators into industrial zones to areas where people looking for work were known to group. Using mainly this approach, a survey was conducted in four cities: in Fes, Settat and Rabat and in four industrial zones in Casablanca-Mohammedia [the main textile producing region in Morocco]. Sample selection procedures varied slightly as between the first three and the last, and also within Casablanca-Mohammedia. In the first three cities, enumerators used two methods to identify respondents; firstly, interviews were conducted with individuals waiting in job queues outside textile firms and secondly, introductions were provided by some of these interviewees to other individuals who were known to have been dismissed from jobs in the textile sector but who were currently in employment. In Casablanca-Mohammedia, interviews were again conducted

[37] Although the workers had not been dismissed until 2003.
[38] Algeria is the only one of the three countries in which unemployment benefit is paid. The payment lasts from 3 months to 3 years, depending on the length of previous employment.
[39] The national list would have cost 2,000 US$.

partly among those waiting in job queues. However, in one zone the survey team failed to find any queues and instead interviewed current textile workers who had previously been dismissed but had been re-employed within the sector. In two industrial zones in Casablana-Mohammedia, the survey team purposefully ensured that equal coverage was given to male and female respondents. This seems to have introduced some male bias in the sample population[40]. In total, 120 respondents were interviewed, from which 95 completed questionnaires were retained for analysis[41].

Tunisia

In Tunisia, in the absence of reliable statistics on the geographical distribution of textile firms, it was decided on the basis of informal information to conduct half the interviews in the Tunis area and the other half in the region of Ksar Helal (including the towns of Hergla and Sidi Bou Ali). In Tunis, student interviewers were sent to factories to talk to workers who were either queuing to get hired or standing around during their lunch break. The interviews were either conducted at that time or (for people with jobs and having to go back to work) at a time agreed upon with the interviewee. In the Ksar Hellal area, the same technique was used but in addition some students visited families asking them if they had any member who used to work in the textile industry and had lost his/her job[42]. All respondents except one who had worked in firms that are no longer in business were located in the Ksar Helal area.

Although quite similar sampling procedures were used in Morocco and Tunisia, whereas in Morocco most of those interviewed were currently unemployed, most of those interviewed in Tunisia were currently in work, most either having been reemployed by their former employer or having found new jobs in the clothing sector.

General comment on sample selection

Of the three samples, only that completed for Algeria was drawn from a sample frame which was located at the point of dismissal [*ie* firms' lists of dismissed employees.]. Given the different methods of sample selection, the three surveys generated three rather different samples, although there were also some similarities between them. The Tunisian sample appears to be representative of the commercially and technically most modernised and outward oriented segment of the textile and clothing sector, both in Tunisia and in north Africa as a whole; that for Morocco represents a segment of the clothing sector which is characterised by substantial reliance on short-term export contracts which are linked to short, irregular bouts of employment for many workers. Information from other sources, *eg* Belghazi, *op. cit.*, suggests that this types of export production predominates in Morocco, although there is also a smaller segment which is engaged in niche production for a high income export market, including in the UK. The Algerian sample appears to be representative of that country's formal clothing sector, especially in the Algiers region, in a country in which exports play a less significant role.

The Algerian sample, though small, is also the most likely to provide a reasonably accurate reflection of the full range of employment consequences of job loss. One question is whether we can use this sample to provide guidance as to the likely range and distribution of

[40] National data indicate 71 per cent female employment in the sector [see p. above], compared with 63 per cent female respondents in the sample.
[41] Of the others, either many answers were incomplete or the interviewees had been dismissed before 2001.
[42] This was possible because many workers and former workers lived in the immediate vicinity of factories.

consequences of job loss in the other two economies. It is possible to argue that both the policy and institutional environment and the market orientation of the textile sector have been so different in Algeria that it would be invalid to draw any conclusions from this sample with respect to the likely consequences of job loss in the formal textile sectors of Morocco and Tunisia. However, it may be that while these differences have important implications for the causes of job loss and are also significant for the design of future policy, their implications for the actual consequences of job loss for dismissed workers in the formal textile sector are less distinctive. As noted in Section 3, all three countries have high rates of urban unemployment[43]. All three countries also have large informal economies, oriented largely towards the domestic market and in which the majority of the economically active population are engaged in a broadly similar range of activities across the three economies.

The dismissal dates for the respondents to the three samples are summarised in Table 11.

Table 11 - Year of Dismissal of Respondents [%]

Year dismissed	Algeria	Morocco	Tunisia
2000	0	0	1.0
2001	0	20.0	17.0
2002	19.1	8.4	21.0
2003	47.3	13.7	44.0
2004	33.6	28.4	17.0
2005	0	29.5	0
Total	100.0	100.0	100.0

4.2 Comparison of some basic sample characteristics

The following pages provide a brief comparative overview of the three samples, followed by a review of the main conclusions to be drawn from each.

All three samples confirmed the importance of female labour in the textile and clothing sector [see Table 12]. Respondents in the Algerian sample had the lowest average level of formal education, and in the Tunisian sample the highest. The Moroccan sample contained a notably higher proportion of respondents aged under 30 than either of the other two. In both the Tunisian and the Moroccan samples there was a significant negative correlation between respondents' age and education[44]. For both the Tunisian and the Moroccan samples a probit regression was run with age and education as the right-hand-side variables to see to what extent these determine whether respondents would be employed or unemployed at the time of interview. The regression results indicated a strong positive correlation between age and unemployment for respondents in the Tunisian sample and a weaker but negative relationship for the Moroccan sample [see Tables 16 and 20]. In both samples, the education variable was insignificant once age was allowed for but in both cases inclusion of education improved the predictive power of the regression. It appears that these contrasting results can be explained as follows.

In Tunisia, the majority of younger respondents [aged under 30] were young women who were not responsible for supporting their households: the main income earners were usually

[43] See p. above.

[44] In Morocco, the Pearson correlation coefficient between age and education was -0.304 significant at a level of 0.01 [two tailed test]; in Tunisia the correlation coefficient was much stronger: -0.534, significant at the same level.

fathers, husbands and/or brothers. Yet following job loss it was mainly these younger women, who wanted to earn personal spending money, who were prepared to stand in job queues for indefinite periods in order to obtain new employment. In contrast, the unemployed women who were interviewed [all aged over 30] were unwilling or unable to spend long periods queuing and had apparently withdrawn from the labour force[45]. For most of these women and their households, this withdrawal had apparently not caused any significant hardship but for a minority, 25 per cent of female unemployed respondents, it had [see below]. Thus, for the majority of Tunisian respondents it appears that their unemployment represented a voluntary withdrawal from the labour force, mainly by married women aged in their thirties and over, but for a minority unemployment was involuntary. In contrast, in Morocco, where *per capita* incomes are on average 50-60 per cent of those in Tunisia, and where there is still a large rural population [40 per cent in the late 1990s] from which young migrants in particular are moving to urban areas in search of work, it appears that there is a slight tendency for unemployment to be highest among this age group. Possible explanations include that employers prefer workers with some experience and/or that these young people lack the contacts which may facilitate reemployment. In Morocco, employers are also reported to find it easier to dismiss young workers who have not yet developed ties of loyalty with the firm.

While relatively young, the Moroccan sample also contained the highest proportion of sample heads, many of whom were aged less than 30 [see also Table 12].

Table 12 - Socio-economic Characteristics of the Three Samples

	Algeria	Morocco	Tunisia
Females as % labour force	73	67	85
Age range of sample	19-56	18-49	19-61
% sample aged <30	37	75	47
% sample aged <25	14.5	45	13
Respondents' mean education: yrs	4-6	7-9	9
% no formal education	19	4	2
% no education beyond primary	83	55	30
% males no educ beyond primary	90	40	7
% females no educ beyond primary	80	63	34
% respondents = household heads	22	32	11
% household heads aged < 30	0	64	27
Average household size	5	6	4
% unemployed at date of interview	19	75	17

The firms in which respondents had previously worked varied in terms of size, market orientation and ownership, both between samples and, to varying, degrees, within them [see Table 13]. All Tunisian respondents, and most Moroccan respondents, had previously worked for large firms with more than 50 employees. The responses of those who were in work at the time of interview in both the Moroccan and Algerian samples reveal a transfer of some of this labour into smaller firms and into self-employment [see Appendices 2 and 3]. The Tunisian sample contained the highest proportion of respondents who had had permanent contracts and the Algerian sample the lowest. It appears that in all three countries firms relied to a large extent either on employing workers on relatively short, fixed term contracts or, as the Moroccan data, and other supporting evidence for Morocco, suggest, the use of more *ad hoc* agreements with workers, without a written contract. Hours worked were often long: in Algeria although the working day should be 8 hours, 40 per cent of respondents stated that their average working day had been longer than this. In Morocco also, 40 per cent of

[45] On these points, see also Appendix 1 below.

respondents stated that their average working day had exceeded 8 hours, while in Tunisia the clear norm was 9 hours [84 per cent of respondents].

Table 13 - Firm Characteristics & Work Experience with Previous Employer in the Textile Sector

	Algeria	Morocco	Tunisia
Firm Size [no. of employees]			
5-19 [% of respondents]	40.9	6.3	0
20-49 [% of respondents]	27.3	3.2	0
50+ [% of respondents]	31.8	90.5	100
Market orientation of firm			
Export [% of respondents]	0	75.8	100
Local [% of respondents]	55.5	6.3	0
Both [% of respondents]	45.5	17.9	0
Ownership structure of firm			
Foreign [% of respondents]	0	55.8	90
Foreign + local [% of respondents]	0	6.4	1
Family firm [% of respondents]	90.9	36.8	9
Public enterprise [% of resp'd'ts]	9.1	0	0
Average duration of employment: yrs	5	3	10
Contract type:			
Piece rate [%]	13.6	10.5	0
Fixed term [%]	77.3	27.4	56.0
Indefinite [%]	9.1	29.5	44.0
Other [%]	0	32.6	0
Average hours/day	8.7	9.5	8.9
Range of hours/day	8-12	6-12	8-9
Compensation received [% of respondents]	29*	20**	1

*All > 3 months' pay / ** Most < 3 month's pay

While the main reasons given by employers for the dismissal of respondents emphasised closure or production cutbacks, many respondents, especially in Morocco and Algeria, attributed their job loss to bad management. All three samples reflect considerable scepticism on the part of respondents with respect to the reasons given by their employers.

Among respondents who were in work at the time of the survey, some respondents had been re-employed in the textile sector, including most of the Tunisian sample, and some had found work elsewhere. The in-work respondents gave varying responses with respect to the level of their current earnings relative to that which they had in their previous job in the textile sector [see Table 14]. However, these responses should be treated with caution because they may simply reflect a rise in the minimum wage. For example, while almost all respondents in Tunisia who were currently in work stated that their wage had risen, most were earning at, or only slightly above, the minimum wage.

Table 14 - Current Earnings Relative to Previous Earnings [% of employed respondents]

	Algeria	Morocco	Tunisia
Current earnings =/> previous	74	67	98
Current earnings < previous	26	33	2

The extent of evidence of movement into the informal economy which is provided by the three sample varies, partly due to the differing methods of sample selection. One point which should be noted, however, is that not all those who entered either self-employment or employment in micro-enterprise [firms with less than 5 employees] were made worse off by this change of occupation: a minority of such individuals reported a clear improvement in

their earnings. As is observed in the Algeria country report [Appendix 3 below] the motivation behind such a move may sometimes be to seek higher earnings while avoiding social charges

In what follows, the main findings to emerge from each of the three surveys are summarised for each country separately.

4.2.1. Tunisia

The Tunisian sample, recruited mainly from workers taking their lunch break, consists predominantly of individuals who, following their dismissal, had been re-employed in the formal textile economy, probably once more by exporting firms. Almost all currently employed respondents were earning at or slightly above the minimum wage. All of these respondents also thought that they had social security provision. However, under Law number 93-120 of 27 December 1993, the Tunisian state undertook to exempt all new projects and any SME from social security contributions for five years – a period which can be renewed for one additional period of 5 years. In practice, once the exemption period is passed, many firms in the clothing sector may fail to start making these contributions. if this occurs, it is possible that an employee who falls sick once the exemption period has passed may find that in fact s/he has no social security cover.

The survey revealed some notable differences in the jobs held by male and female respondents [see Table 15 below]. Male workers held more skilled jobs and also tended to be better paid: of those employed at the time of the survey, 33 per cent of men were earning twice or more the minimum wage compared with 10 per cent of women. However, the majority of both genders were earning at or very close to the minimum wage.

Table 15 – Current Job by Gender: Cross tabulation Tunisia

Job now	male	female	Total
office assistant		3	3
supervisor	1	5	6
assistant director	1		1
cleaner		3	3
machine operator	2	50	52
general worker	1	2	3
quality controller		4	4
chauffeur	1		1
skilled worker	7	1	8
outside the textile sector	1	1	2
Total	14	69	83

We know from studies conducted in other countries[46] that, in a context of economic restructuring, there may be substantial labour market 'churning': firms fire labour in the context of restructuring but the more successful then re-employ workers as do newly established firms. The findings from the Tunisian survey suggest that some of this may have been happening in Tunisia's formal textile sector. However, Tunisian firms are also increasingly behaving as do many Moroccan textile firms, by adjusting the size of their labour force to the size of their order book: many respondents had apparently been re-employed by their previous employer.

[46] See, *eg*, Levinsohn, 1999 on restructuring in Chile's manufacturing sector.

The strong probit regression results obtained for the Tunisian sample which were referred to earlier [see also Table 16 below], seem to suggest that a clear cut recruitment strategy has been adopted by employing firms, manifested in a preference for young female workers: the mean age difference between the currently employed and unemployed in the sample was striking [31 and 48 respectively][47]. However, there is an alternative interpretation of these results which is more consistent with the informal observations of respondents and the direct observations of the Tunisian research team. This interpretation gives greater weight to a socio-cultural interpretation of the age composition of the labour force and to the choices made by actual and potential employees. According to this interpretation, young unmarried women, often encouraged by their mothers, see wage employment in the textile sector as a means of earning both some pocket money and, more importantly, the savings needed to buy a wedding trousseau. Certainly, this interpretation is consistent with the characteristics of many of the younger and unmarried female respondents [41 per cent of female respondents who were aged less than 30]. It may also be the case that many of those women who remain in work after they have married do so because they value the element of economic independence which this provides – but not because the low pay which they earn is essential for household maintenance[48]. According to this interpretation, a main reason why the unemployed are all to be found among the older women in the sample, aged 38 and above, is that these women are unwilling to give up time to stand for indefinite periods in a job queue[49].

However, the survey data also suggest that this motivation for working in the textile sector did not hold for all female respondents. Among those in work a minority [13 per cent], almost all of whom were women, stated that they were the sole income earners in their household[50]. In these instances, we can assume that the income earned fulfilled a central role in household maintenance.

It is also probable that more than one set of reasons explains failure to return to work: while for some this may have been a voluntary decision, for others this may be involuntary and/or there may be a greater degree of fatalism among some in their attitude to this change in their work status. Among the unemployed households there is considerable variation in the number of other household members who are employed [ranging from 0-3], as well as in the highest level of education attained by any household member [ranging from none to higher] and in the value of durable goods owned, these last two being strongly correlated[51]. The number of members in work was strongly correlated with household size. While the positions of many women as subsidiary income earners means that it may be relatively easy for their households

[47] This would be consistent with the employment strategy which Bourquia, 1999, ascribed to formal sector textile employers in Morocco: a preference for young unmarried females on the assumption that they would be unencumbered by family responsibilities and both more amenable and more submissive to authority.
[48] One indication that some of the female respondents did not consider themselves as, and were not, their household's main income earner came from their supplementary observations in response to questions concerning the household's possession of consumer durables. Quite often, the response was affirmative but followed by the comment 'but is not mine: it bought by so-and-so [usually the respondent's father, brother – or husband]'
[49] Although it is also possible that Tunisian firms which have successfully upgraded their production processes, and/or product design, may require a better educated work force: individuals who, for example, are able to interpret written instructions quickly and accurately as firms seek to respond at short notice to new design specifications, this also seems an unlikely explanation for the age distribution of the work force which was observed in the sample: most women were engaged as basic sewing machine operators or to perform a mixture of tasks including some garment finishing as well as pressing and packing.
[50] Two of the women also stated that they were heads of household.
[51] Pearson correlation coefficient = 0.685 significant at the level of 0.01 [two tailed test]

to adjust economically to their unemployment[52], a source of concern in the Tunisian sample is a group of households with low educational attainment, low asset values and no member employed. On the evidence provided, these were among the poorest of the households in this group [their reported mean values of durable goods owned ranged from 500 to 900 compared with a mean of 1740 dinars]. In each case the household consisted of either two or three members and in three out of the four cases the household head had received no education. [In two cases the respondent was the household head.] These respondents had mainly had low skilled occupations: a security guard, two cleaners and one machine operator. Because the sample itself was, unavoidably, not a random sample, it is not possible to say what proportion of displaced workers previously engaged in textile production, and their households, now find themselves in similar circumstances – without a regular source of earned income.

The Tunisian sample thus provides evidence which suggests the probability of significant hardship among some unemployed respondents but given the method of sample selection which it was necessary to use, the survey did not provide any clear indication of what proportion of former textile workers are now experiencing serious economic stress. Nor did the sample provide an indication of whether, and if so to what extent, dismissed workers have turned to the informal sector as a source of income. However, direct observation suggests that this is likely to be the case among young women who lose their jobs and who remain motivated by the same goals which led them to seek work in the first place: they may undertake work at home, making and repairing clothes for friends family and neighbours both to earn pocket money and to save for their trousseau. Meanwhile, the fact that a sample which covered only a small number of unemployed individuals, selected at random, identified serious economic problems among 20 per cent of the unemployed respondents is cause for concern.

Table 16 - The Determinants of Employment Status: Logistic Regression Predictions Based on Age and Education [Tunisia]

Classification Table

Observed	Predicted In work	Predicted Out of work	Percentage Correct
In work	81	2	97.6
Out of work	5	12	70.6
Overall % age			93.0

Variables in the Equation [Nagelkerke R-squared = 0.727]

	B	S.E.	Wald	Sig.	Exp(B)
AGE	.264	.075	12.368	.000	1.302
EDUCLEVE			2.161	.904	
EDUCLEVE(1)	16.013	199.090	.006	.936	9000652.954
EDUCLEVE(2)	7.432	91.266	.007	.935	1689.704
EDUCLEVE(3)	6.860	91.263	.006	.940	953.724
EDUCLEVE(4)	5.736	91.263	.004	.950	309.691
EDUCLEVE(5)	-2.418	110.757	.000	.983	.089
EDUCLEVE(6)	.454	211.552	.000	.998	1.575
Constant	-18.541	91.283	.041	.839	.000

Note: Respondents in work are coded '0', those out of work are coded '1'. The reference value for the education dummies is 'Formation Professionelle - post secondary'.

[52] An observation also made by the Algerian research team.

4.2.2. Morocco

As with the Algerian sample, a striking feature of the Moroccan sample is the similarity, in many respects, between the personal characteristics of employed and unemployed respondents and of their households. However, the sample composition differs in certain important respects from those for both Tunisia and Algeria as do the range of employment impacts stemming from job dismissal which were observed: due to the main method of sample selection [from among groups of job-seekers] a much higher proportion of the Moroccan sample 71 per cent, was unemployed at the time of interview than in either of the other two. Again, given the method of sample selection, it is reasonable to suppose that these individuals are representative of unemployed textile workers in Morocco. The average household size of respondents at the time of the survey was 6, ranging from 2 to 13 – the larger sizes being typical of poor families. Thirty two per cent of respondents were heads of household, 64 per cent of whom were aged under 30.

Previous work experience in the textile sector and current occupation

Respondents' reported dismissal dates range from 2001 to 2005 [Table 17]. However, 56 per cent of respondents had been fired in 2004 or the first months of 2005, a reflection not only of the sort-tem contracts which characterise clothing production in Morocco but of the recent high rate of job loss in the Moroccan textile sector. Respondents had worked for the textile firm from which they had been dismissed for an average of just under 3 years [minimum one month and maximum 12 years]. This average reflects a context in which a relatively small proportion of the workforce has permanent contracts. Respondents had had an average of 2.5 other jobs prior to working for the textile firm from which they stated that they had been dismissed. This statistic is surprising given the age distribution of the sample and is also to be explained by the high rate of occasional employment in the Moroccan clothing sector.

Table 17 – Year in Which Respondents Had Been Dismissed: Morocco

	Frequency	Percent	Cumulative Percent
2001	19	20.0	20.0
2002	8	8.4	28.4
2003	13	13.7	42.1
2004	27	28.4	70.5
2005	28	29.5	100.0
Total	95	100.0	

Most of the textile enterprises for which respondents had previously worked were large, employing more than 50 workers and producing for export: firms which are directly affected by increased competition in EU markets. Fifty six per cent of respondents had worked for foreign firms, 37 per cent for local family firms and the rest for firms under joint ownership. Most, 97 per cent, stated that they had worked full time for these firms [defined as more than 14 days per month]. Hours worked per day ranged from 6 [one respondent] to 12 with a mean of 9.5. In the Moroccan sample, a much higher proportion than in either of the others [60 per cent] described their previous job in the textile sector as 'general worker'[53]. However, this appears [from researcher observation] to be typical of job composition in the Moroccan formal textile sector: in Morocco a significant proportion of garment production for formal sector firms is undertaken by home workers or by subcontracted informal enterprises. Meanwhile, at the firm's own site, a range of manual tasks are undertaken on demand by

[53] On average in Morocco, this group was paid less than machine operators [the main employment category observed in the other two samples for those working in the textile sector].

general workers, including aspects of garment completion such as sewing on buttons as well as pressing and packaging. Seventy three per cent of women were 'general workers' and thirty seven per cent of men. In contrast, 29 per cent of men compared with 17 per cent of women were machine operators [see Table 18].

Table 18 - Positions Occupied prior to Dismissal: Morocco

	Frequency	Percent	Valid Percent	Cumulative Percent
supervisor	1	1.1	1.1	1.1
directeur adjoint	1	1.1	1.1	2.1
machine operator	20	21.1	21.3	23.4
general worker	56	58.9	59.6	83.0
quality control	2	2.1	2.1	85.1
specialist worker	8	8.4	8.5	93.6
other	6	6.3	6.4	100.0
Total	94	98.9	100.0	
Missing	1	1.1		
Total	95	100.0		

Most respondents in Morocco [77 per cent] had been paid hourly – an arrangement which can give the employer considerable flexibility with respect to hiring and firing. The types of contract which the respondents had had are summarised in Table 19. The 27 per cent of respondents who had had fixed [*ie.* limited] term contracts are representative of those textile workers whose contracts are determined by occasional large foreign orders [often from EU distributors who need to replenish supplies of a particular line at short notice, mid-season]. The high proportion of 'other' contract types is almost certainly a further reflection of the occasional nature of much employment in the sector. This group probably includes labour migrants on home visits, as well as local residents, who give their phone number to a textile firm in the hope of being called to help meet a specific order and who work without formal contracts. Given the overall structure of employment in the sector, a particular cause for concern is the 30 per cent of respondents who had been on permanent contracts: their job loss implies either firm closure or firm contraction. Just twenty per cent of Moroccan respondents had received compensation for dismissal, most for less than 3 months' pay. All had worked for large firms, with more than 50 workers, but they represented less than 25 per cent of respondents who had worked for such firms.

Table 19 – Contract Types in Previous Employment: Morocco

	Frequency	Percent	Cumulative Percent
Piece rate	10	10.5	10.5
Fixed term	26	27.4	37.9
Indefinite period	28	29.5	67.4
other	31	32.6	100.0
Total	95	100.0	

At the time of their dismissal, seventy six per cent of the Moroccan respondents were living in households in which other members were also working and twenty four per cent were sole income earners. Seventy two per cent of respondents stated that their dismissal had led to changes in their household's expenditure, 49 per cent of all respondents citing changes in food expenditure and 35 per cent citing changes in other expenditures [some cited both]. When asked whether these changes had had any consequences for the respondents themselves, 59 per cent of those whose household expenditure had been affected cited mental health impacts, while 38 per cent stated that their physical health had been adversely affected, often as well as their mental health. Twenty six per cent stated that there had been no impact.

Respondents out of work [67 out of 95 respondents]

In Morocco, 58 per cent of unemployed respondents were female as compared with 67 per cent female for the sample as a whole. Eighty three per cent of the unemployed in the Moroccan sample were aged under 30, compared with 48 per cent of the employed[54]. In contrast with Tunisia, the average age of unemployed respondents in Morocco was slightly lower than for those in work: 26 years as compared with 31, while the mean education of those out of work was slightly higher. The average employed respondent had only received primary education but the average unemployed respondent had completed part of middle school. [There was a significant negative correlation between age and educational attainment for the sample as a whole[55].] However, in a number of respects the characteristics of the households of the employed and unemployed show no significant difference. They were similar in terms of the mean and distribution of household size, in terms of education of the household head and in terms of the average number of consumer durables owned[56], although possibly not in terms of their value [see below]. Thirty six per cent of respondents who were in work were heads of household, compared with 30 per cent for those out of work.

A simple logistic regression with age and education of the respondent entered as the two right hand side variables proved moderately successful in predicting the employment status of respondents: see Table 20. The regression results indicate a negative correlation between age and unemployment for respondents in Morocco in contrast to the positive relationship which was observed for the Tunisian sample. As for Tunisia, in the regression on the Moroccan sample, the education variable is insignificant but improves the predictive power of the regression. However, as with age, the sign on education differs: in the Tunisian sample those with more education were more likely to be employed but not in Morocco. These surprising results may be partly due to the high proportion of young respondents in Morocco combined with the rural origins and relatively recent urban arrival of some. The Moroccan regression predicted accurately the employment status of all but five out of 67 unemployed - but only 11 out of 28 employed respondents, indicating that at least one other significant factor is at play in determining access to employment.

Only one member of the Moroccan sample had received any training following job loss: a young male who had also moved in order to take up new employment. However, when interviewed this person was out of work and living out of town in a village: his assessment was that the retraining had had no practical value for him in obtaining work.

Table 20 - The Determinants of Employment Status: Logistic Regression Output

Classification Table			
Observed	**Predicted In work**	**Predicted Out of work**	**Percentage Correct**
In work	11	17	39.3
Out of work	5	62	92.5
Overall Percentage			76.8

[54] Pearson Chi-square significant at the level of 0.004.
[55] The Pearson correlation coefficient between age and education = -0.304 significant at a level of 0.01 [two tailed test].
[56] A mean of 4.75 items for households of employed respondents and 5.04 for those of the unemployed.

Variables in the Equation [Nagelkerke R-squared = 0.287]

	B	S.E.	Wald	Sig.	Exp(B)
AGE	-.113	.035	10.284	.001	.893
NIVEAUED			4.147	.657	
NIVEAUED(1)	-8.256	34.432	.057	.811	.000
NIVEAUED(2)	-8.160	34.420	.056	.813	.000
NIVEAUED(3)	-6.939	34.419	.041	.840	.001
NIVEAUED(4)	-7.182	34.420	.044	.835	.001
NIVEAUED(5)	-7.127	34.423	.043	.836	.001
NIVEAUED(6)	.769	54.267	.000	.989	2.157
Constant	11.353	34.431	.109	.742	85222.570

Note: Respondents in work are coded '0', those out of work '1'. The reference value for the education dummies is 'Formation Professionelle - post secondary'.

Consistently with the findings regarding age and education, the previous occupations of unemployed respondents suggest that, on average, the jobs which they had held had a slightly higher set of skill requirements than those of the respondents who were still in work [for example, there is a higher ratio of machine operators to general workers: among the unemployed: see Table 21a and b]. This may be a further indication of the longer-term cutbacks which were referred to earlier.

Table 21 – Positions Held Prior to Dismissal: Morocco

A. Unemployed Respondents

	Frequency	Percent	Cumulative Percent
directeur adjoint	1	1.5	1.5
conducteur de machine	15	22.4	23.9
ouvriere	38	56.7	80.6
controle qualite	2	3.0	83.6
ouvriere specialise	6	9.0	92.5
autre	5	7.5	100.0
Total	67	100.0	

B. Employed Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
superviseur	1	3.6	3.7	3.7
conducteur de machine	5	17.9	18.5	22.2
ouvriere	18	64.3	66.7	88.9
ouvriere specialise	2	7.1	7.4	96.3
autre	1	3.6	3.7	100.0
Total	27	96.4	100.0	
Missing	1	3.6		
Total	28	100.0		

Thirty one per cent of the unemployed stated that they were heads of household, while 24 per cent of the unemployed were household heads age under 30. Among all unemployed household heads, 40 per cent were sole income earners. The latter respondents fell into three categories: young men and women aged less than thirty and older women in their forties. The circumstances of these latter households are a particular cause for concern. They included one which possessed only one consumer durable compared with an average of five for the whole sample [out of a list of eight specified[57]] and which had no gas, water or electricity connection[58].

Among Moroccan respondents there was no significant relationship between the size of the firm for which the respondent had previously worked and the likelihood of being unemployed.

[57] Fridge, cooker, radio, tv, video, clothes washing machine, fixed telephone, mobile phone.

[58] This was also the case for the household of one young male household head in which there was no income earner. Both these respondents were urban residents.

The year of dismissal from the textile firm for unemployed respondents in Morocco is given in Table 22. Thirty nine per cent had been dismissed in 2005 compared with 30 per cent for the full sample. Among the unemployed respondents, as many as 53 per cent had had at least one job since their dismissal and 33 per cent had had more than one. These statistics are a further reflection of the occasional and impermanent nature of many of the jobs which are available to the low skilled, including in the clothing sector[59]**.** There was no significant relationship between year of dismissal and the number of subsequent periods of employment. Ninety one per cent of unemployed respondents in Morocco gave lack of available work as the reason why they were currently not working and 57 per cent stated explicitly that they were still looking for work. Eleven per cent had moved to another town in search of work..

Table 22 - Year of Dismissal from Textile Firm: Morocco Unemployed Respondents

	Frequency	Percent	Cumulative Percent
2001	9	13.4	13.4
2002	4	6.0	19.4
2003	8	11.9	31.3
2004	20	29.9	61.2
2005	26	38.8	100.0
Total	67	100.0	

Seventy four per cent of unemployed respondents reported that their dismissal had affected their household's expenditure as compared with 68 per cent of those who were in work[60]. Sixty two per cent of the unemployed stated that they had experienced adverse health impacts [mainly mental stress] following these changes. However, only one respondent gave poor health as the reason for not working. This may have been partly due to the relative youth of the Moroccan sample.

Only 3 per cent of unemployed respondents lived in households which possessed items of productive equipment which could be used either to generate cash income or for the household's own benefit [in both cases apparently sewing machines]. In both cases the respondent was a female head of household. Not all respondents were able to value a selective inventory of durable goods but for those who did, the mean value of items possessed was 4451.93 dhirams for the households of the unemployed, compared with 5548.00 dhirams for the households of the employed[61].

Twenty per cent of unemployed respondents stated that they would be willing to return to work for less than the minimum wage.

Further observations on the circumstances of respondents in work

Six per cent of all respondents had previously been employed in firms with 5 – 19 employees. However, at the time of the survey, three of the employed were self-employed[62]. Most of the rest had been reemployed with the same job description as previously but not all in the textile

[59] According to statistics of the Caisse National de Sécurité Nationale, in 2000 22 per cent of workers in Morocco's textile and clothing sector were employed for less than four months in the year and 47.5 per cent for less than 8 months.

[60] Of these, 62 per cent reported that food expenditure had been adversely affected and 44 per cent that other expenditure had [some cited both].

[61] The poor may raise the number of consumer durables which they possess by buying second hand items. All households try to own a mobile phone, not to use it but so that a member may be called if work is available

[62] Typical occupations for the self-employed include petty trade, running a telephone booth or selling fast food.

sector. Most of those in wage employment were working for enterprises with more than ten employees, with just 4 per cent in a firm with less than 5 employees, and 8 per cent in firms with 5-9 [firms of this size sometimes operate outside the formal economy]. In all, of those who were in some form of productive employment at the time of interview, between 14.3 and 21.4 per cent were probably working in the informal economy. The sample thus provides some evidence of transfer to the informal economy by dismissed workers, while many of the others continued to straddle the formal and informal economies, working for registered firms many of which use partly informal employment practices [see below].

The range of occupations of those who were in work at the time of interview is quite similar to those reported by the whole sample as previously undertaken in the textile sector [see Tables 18 and 23]. However, in at least two cases those who were in work had been taken on as cleaners or watchmen in the public sector. Three had become self-employed.

Table 23 – Current Occupations of Moroccan Respondents

	Frequency	Valid Percent	Cumulative Percent
general worker	17	63.0	63.0
quality control	1	3.7	66.7
other	4	14.8	81.5
supervisor	1	3.7	85.2
machine operator	4	14.8	100.0
Total in work	27	100.0	

Two thirds of currently employed respondents stated that their present rate of remuneration was an improvement on that prior to their dismissal. However, 52 per cent stated that they were earning the minimum wage or less[63]. Some [28 per cent] of those who were earning less than the minimum wage nonetheless stated that this was an improvement on their previous salary. Of those who had returned to work for larger firms [above 10 employees], 50 per cent were earning the minimum wage or less. Sixty three per cent stated that they had social security cover, all of them working in the larger firms. As in Tunisia, the person who was working for the smallest firm was earning above the minimum wage.

Concluding comments

Relative to both the other samples, two striking features of the Moroccan sample were a] the young age of many respondents [45 per cent under 30 compared with 13 per cent in the Tunisian sample and 15 per cent in the Algerian] and b] the significant proportion of respondents in this age group who were also household heads [30 per cent]. The latter may partly reflect the recent rural urban migration of many young job seekers. These two factors, plus respondents' awareness of the occasional nature of much employment in the sector, may contribute to explaining the apparently high level of optimism expressed by respondents in Morocco with respect to their future re-employment in the textile sector. These responses reflected little apparent awareness of recent employment trends in the sector.

The Moroccan sample provides a picture of conditions of work in the formal clothing sector which include high rates of job turnover, long hours and low rates of pay – the former apparently linked to the occasional nature of much production activity and the last two to an attempt to compete through repressing labour costs. In contrast to the Tunisian sample, employers did not discriminate in favour of the more educated. The poor performance of the

[63] 90 per cent were earning less than twice the minimum wage.

regression analysis for the Moroccan sample in predicting who was in work at the time of interview also suggests that some unobserved factor is at play in determining who is lucky enough to get work. For some this may be related to willingness to accept a wage cut: it is noteworthy that one third of those who were employed at the time of interview stated that they were working for a lower rate of pay than previously and that 52 per cent were working for less than the minimum wage. Both facts appear to reflect a tightening of the job market as well as international competition through cost cutting[64]. As with the Tunisian sample, the fact that some unemployed respondents were household heads in households with dependents but no other income earner is a cause for concern.

Remarkably, 84 per cent of all respondents in the Moroccan sample, and 80 per cent of the unemployed, expected to work in the textile sector in the future. These proportions were higher than in either of the other two samples, yet the responses were recorded following a period of massive job cuts in Morocco's formal textile sector in the early months of 2005[65]. It appears that as of May/June 2005 many young job seekers with low formal education did not regard these cut-backs as permanent. Some may have been deterred from doing so by a lack of alternative sources of income and an unwillingness to return to rural parental homes. Twenty four per cent of the unemployed were household heads age under 30: some may well have lacked the necessary skills and contacts to set up in self-employment or to obtain work elsewhere. Importantly, this category of the unemployed, with not more than nine years education, is representative of the majority of the unemployed in Morocco.

The sample evidence suggests that, of the respondents who were currently in work, between 14 and 24 per cent may have transferred into the informal sector. The sample thus provides some confirmation of such transfer but, given the method of sample selection, we should be cautious about placing much weight on the actual percentages. Meanwhile, the sample also provided some evidence of deep poverty among a minority of unemployed respondents.

4.2.3. Algeria

One striking feature of the Algerian sample, compared with the other two, is the wider, and more even, spread of post-dismissal employment outcomes which are recorded. This may be attributed to the sampling methodology which was employed [see Section 4.1 above]. However, the sample is subject to the limitation that it was drawn entirely in the region of Algiers where re-employment opportunities are higher than in most of the rest of the country and this should be borne in mind when interpreting the results. The following paragraphs explore the impact on respondents and their households of recent job loss in the clothing sector.

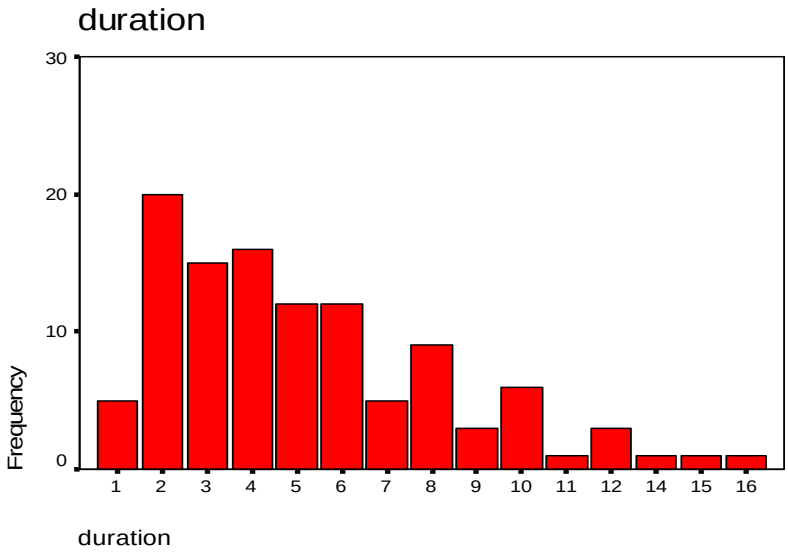
In Algeria mean educational attainment for the sample as a whole and for the individual sample segments which are reviewed below[66] was similar: on average respondents had partially completed the final three years of primary school.

[64] Belghazi, 2004, observes that this is one of the two competition strategies open to Moroccan textile and clothing firms. The other is industrial upgrading. This, however, is likely to entail increased capital and skill intensity of production and increased difficulty in finding jobs for those at the lower end of the skill distribution.
[65] Estimated at between one quarter and one-third of the textile sector's wage labour force.
[66] Defined according to employment status.

In Algeria, respondents had worked for the textile firm from which they had been fired for an average of 5.2 years [see Graph 2 for the frequency distribution]. Prior to working for this firm, most [84 per cent] had had at least one other job. Out of the 110 respondents, following their dismissal 36 per cent had been reemployed in the textile sector, 23 per cent had found new employment outside the sector [almost all in wage employment], 21 per cent had become self employed within the textile sector and 20 per cent were unemployed [see Table 24]. Of those who had become self-employed, less than a quarter [22 per cent] was living in households which owned productive equipment – mainly sewing machines – even though the majority were apparently still working within the textile sector[67]. The self-employed category included a minority of women who were apparently sole income earners in their households.

Twenty three per cent of respondents reported that their household's expenditure had changed following their dismissal[68]. The main change [reported by 67 percent of all those whose households' expenditure had changed], was a decline in expenditure on food. The main reported consequences for the respondents of this expenditure decline are reported in Table 25. The majority reported a decline in their physical or mental health or both, while a minority stated that the change in their economic circumstances had led to divorce[69].

Graph 2 Job Duration with Previous Employer in the Textile Sector: Algeria



[67] While some of these respondents may have been engaged in distribution, others may have been engaged in manual activities including embroidery and garment finishing

[68] Although the majority did not acknowledge such a change, it is possible, and indeed it seems probable, that other households were also affected.

[69] The respondents who reported divorce as a consequence of job loss include two women and two men aged from 21 [female] to 55 [male], this last one being the only one who is a head of household. All four were currently in wage employment.

Table 24 - Current Occupations of Algerian Respondents

	Frequency	Percent	Cumulative Percent
office assistant	3	2.7	2.7
receptionist	2	1.8	4.5
accoutant	1	.9	5.5
cleaner	2	1.8	7.3
salesperson	2	1.8	9.1
machine operator	10	9.1	18.2
general worker	19	17.3	35.5
chauffeur	1	.9	36.4
self-employed	23	20.9	57.3
employed outside the textile sector	25	22.7	80.0
unemployed	22	20.0	100.0
Total	110	100.0	

Table 25 - Consequences of Household Expenditure Decline: Algeria

	Percent	Cumulative Percent
none	12.5	12.5
decline in physical health	33.3	45.8
deterioration in mental health	33.3	79.2
both	4.2	83.3
divorce	16.7	100.0
Total	100.0	

Comparison of Selected Characteristics of the Employed and Unemployed

In terms of mean age and education, and in a number of other respects, the characteristics of those in work and out of work in Algeria were very similar. However, there were also differences between the two groups. Among those who were in work 71 per cent were female but among those out of work, 81 per cent. The age range for those in work was from 19 to 56[70] but, surprisingly, for the unemployed it was narrower: 20 to 44[71]; the 10 oldest members of the sample [aged 45 and above] were all in work. Of those in work, 36 per cent were aged under 30 compared with 43 per cent of the unemployed. There is thus some evidence, although not as strong in Morocco, of the existence of a cohort of young job seekers who find it difficult to obtain permanent employment[72]. These young unemployed respondents were mainly female [89 per cent]. A much smaller proportion of unemployed respondents were heads of households than of those in work [10 per cent compared with 25 per cent].

Indicators of relative well-being

Within the Algerian sample, the proportion of respondents who were living in households in which other members are currently working was similar for the employed and the unemployed. Two other indicators of household earning power are education of the household head and the highest level of education of any household member and these were also similar. The mean levels of education of the household heads of the two groups of respondents in both cases indicated some experience of middle school[73] while on average the highest level of education of any household member indicated some experience of secondary school in both groups. However, when we turn to the number of selected consumer durables [white and other

[70] The range for men was 21 to 56 and for women 19 to 53.
[71] 20-44 for unemployed men and 20-42 for unemployed women.
[72] One possible explanation, still to be checked, is that these were recent immigrants from rural areas.
[73] The mean scores were 3.56 and 3.38 for the household heads of respondents who were in work and out of work respectively.

electrical goods] which were owned by respondents' households, the households of respondents who are out of work show a tendency to possess fewer items which is not fully explained by variations in household size [Table 26].

In two thirds of the households of unemployed respondents there was at least one other household member engaged in wage employment [with income in a few of these households also being supplemented by self-employment]. However, in 33 per cent of these households there was no wage earner[74]. None of the households of unemployed respondents possessed items of productive equipment, such as a sewing machine, which might have been used by household members either for the household's benefit or to generate cash income, whereas 28 per cent of respondents who were currently in work reported that their households possessed such items[75].

Nineteen per cent of the unemployed had received some further training following their dismissal, mainly from family members, in skills ranging from food preparation to bakery to data processing ['informatique']. However, even though one of these respondents had moved to a different town to take up new employment, none had been successful in obtaining work[76].

Table 26 – Number of Selected Consumer Durables Owned by Respondents' Households: Algeria*

A Households of Respondents Currently in Work

	Frequency	Percent	Cumulative Percent
2	3	3.4	3.4
3	7	7.9	11.2
4	19	21.3	32.6
5	26	29.2	61.8
6	27	30.3	92.1
7	6	6.7	98.9
8	1	1.1	100.0
Total	89	100.0	

B Households of Unemployed Respondents

	Frequency	Percent	Cumulative Percent
2	2	9.5	9.5
3	1	4.8	14.3
4	2	9.5	23.8
5	13	61.9	85.7
6	3	14.3	100.0
Total	21	100.0	

* Items on the selective inventory of consumer durables were: refrigerators, cookers, radios, tvs, videos, washing machines, fixed telephones, mobile phones.

Characteristics of those reemployed in the clothing sector

Thirty six per cent of the Algerian sample had obtained reemployment within the clothin sector, 70 per cent of them female[77]. The age range was from 20 to 53, with 40 per cent under 30, 81 per cent of them female. We this have evidence of a tendency for a relatively high

[74] Whether in the 33 per cent of households of unemployed respondents in which there was no wage earner there was anyone earning income from self-employment is not clear from the data base.
[75] 28 per cent for households of respondents who were in wage employment and 27 per cent for households of respondents who were self-employed.
[76] This may be partly a reflection of the stagnation of demand in the Algerian economy and not necessarily on the quality of the training.
[77] Seventy three per cent of the full sample was female [see Table 12 above].

proportion of dismissed workers who remained unemployed to be female and, among those who returned to work, for a relatively high proportion of young women to have returned to textile production. Mean educational attainment of the group was similar to that of other groups. Thirty five per cent had previously worked for firms in the size range 5-19 employees, 35 per cent for medium size firms and 30 per cent for firms employing more than fifty people. Twenty per cent were household heads, almost two-thirds of them male[78]. Like those respondents who were in wage employment outside the textile sector, a smaller percentage of this group had previously worked for small firms than of either the unemployed or the self-employed. However, in other respects the characteristics of this group did not appear in any way distinctive.

Characteristics of those who had been reemployed outside the textile sector

Many of the characteristics of this group were also similar to those of the sample as a whole. Twenty per cent were household heads, the majority of them male [63 per cent][79]. Thirty six per cent had previously worked for firms in the size range 5-19 employees [a lower proportion than for the unemployed or self-employed], 28 per cent for medium size firms and 36 per cent for firms employing more than fifty people, the latter a slightly higher proportion than for any other group [see Table 27].

Table 27 – Labour Force Size of Firms for Which Respondents in Algeria Had Previously Worked [%]

Current Employment Status	5-19	20-49	50+
Unemployed	47.6	19	33.3
Reemployed in clothing sector	35	35	30
Working outside clothing sector	36	28	36
Self-employed in clothing sector	46	28	26

In this group, 32 per cent were aged under 30, most of them female [87 per cent]. Thirty nine per cent of females were aged under 30 – as compared with 50 per cent among the self-employed and 47 per cent among the unemployed. One striking characteristic of the group is that their perceptions of their current pay relative to that which they were previously earning in the clothing sector are more favourable than for those who have been re-employed in the sector: 80 per cent stated that their earnings had improved as compared with 55 per cent of those who had been re-employed in clothing production. Whereas 43 per cent of those who had been reemployed within the textile sector were earning the minimum wage or less, in the case of those who had found work outside the textile sector, only 12 per cent were earning the minimum wage and none less than this [Table 28].

The somewhat lower proportion of respondents aged under 30 in this group compared with either the self-employed or those reemployed in the textile sector suggests that greater weight may have been given to work experience by firms recruiting labour outside the textile sector than in it [see below and Table 29]. As with those re-employed within the textile sector, it also appears to have been an advantage in obtaining new employment to have previously worked for a large firm.

[78] The result of a Chi-square test of the relationship between the respondent's gender in this group and whether they were a household head was significant at the level of 0.039.
[79] The result of a Chi-square test of the relationship between the respondent's gender in this group and whether they were a household head was significant at the level of 0.025.

Table 28 – Current Pay Rates of Respondents in Wage Employment Relative to the Minimum Wage: Algeria

A Respondents employed outside the textile sector

	Frequency	Percent	Cumulative Percent
=smig	3	12.0	12.0
1-2smig	12	48.0	60.0
2-3smig	9	36.0	96.0
NC	1	4.0	100.0
Total	25	100.0	

B Respondents reemployed within the textile sector

	Frequency	Percent	Cumulative Percent
moins que smig	6	15.0	15.0
=smig	11	27.5	42.5
1-2smig	11	27.5	70.0
2-3smig	12	30.0	100.0
Total	40	100.0	

Table 29 - Age Distribution of Respondents by Occupational Category: Algeria

	empl textile	selfempl	empl o/s textile	unemployed	Total
<30	40.0%	40.0%	32.0%	33.3%	37.3%
30+	60.0%	60.0%	68.0%	66.7%	62.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Characteristics of the self-employed in Algeria

In many respects the characteristics of this group were also similar to those of the sample as a whole. Sixty nine per cent of the self-employed were female, close to the gender distribution in the sample as a whole. The most striking feature of this group was the high proportion of females aged under 30 [50 per cent], none being their household's sole income earner. These results appear to be indicative of the difficulties faced by young women in Algeria in obtaining wage employment. They also appear to confirm that one form of low capital intensity self-employment which is engaged in by those who cannot obtain wage employment is within the clothing sector itself. Almost all the self-employed were engaged in clothing production.

Further comment

Probit regression analysis was fairly successful in predicting which members of the sample were or were not currently in wage employment in the clothing sector [see Table 30 below]. However, while the final regression predicted successfully the employment status of 87 per cent of those who were not currently working in the textile sector it did so for only 45 per cent of those who were. These results suggest that at least one other unidentified factor also determined who was reemployed within the sector. The variables which entered the final regression are reproduced in part B of Table 14. Although all had an influence on the predictive power of the regression, none was significant at the level of 0.05. However, this could be due to small sample size in relation to the number of variables. The size of firm for which the respondent had previously worked was significant at the level of 0.086: someone who had worked for a small firm was less likely to have been re-employed within the textile sector.

Table 30 - The Determinants of Current Employment Status - within or outside the Textile Sector: Algeria

A. Classification Table

Observed	**Predicted employed in textile sector**		**%Correct**
employed in textile sector	**yes**	**no**	
yes	18	22	45.0
no	9	61	87.1
Overall Percentage			71.8

The cut value is .500

Variables in the Equation

	B	**S.E.**	**Wald**	**Sig.**	**Exp(B)**
AGE	-.008	.033	.066	.798	.992
SEX(1)	-.532	.574	.859	.354	.588
EDUCLEVE			2.432	.876	
EDUCLEVE(1)	-7.886	60.438	.017	.896	.000
EDUCLEVE(2)	-8.582	60.436	.020	.887	.000
EDUCLEVE(3)	-7.997	60.437	.018	.895	.000
EDUCLEVE(4)	-8.531	60.440	.020	.888	.000
EDUCLEVE(5)	-7.543	60.441	.016	.901	.001
EDUCLEVE(6)	-1.005	85.467	.000	.991	.366
SIZEFIRM			4.897	.086	
SIZEFIRM(1)	-.685	.731	.878	.349	.504
SIZEFIRM(2)	-1.912	.960	3.968	.046	.148
MARKET(1)	1.162	.765	2.309	.129	3.196
HHLDHEAD(1)	.336	.688	.238	.626	1.399
HHHEDUC			2.944	.816	
HHHEDUC(1)	-7.499	24.144	.096	.756	.001
HHHEDUC(2)	-7.517	24.138	.097	.755	.001
HHHEDUC(3)	-7.340	24.148	.092	.761	.001
HHHEDUC(4)	-8.332	24.140	.119	.730	.000
HHHEDUC(5)	-8.116	24.138	.113	.737	.000
HHHEDUC(6)	-8.342	24.148	.119	.730	.000
Constant	17.083	65.096	.069	.793	26241926.512

Note: Respondents working for the textile sector are coded '1', the rest '2'. The reference value for the education dummies is 'Formation Professionelle - post secondary' and for 'market' it is 'production for both domestic and export markets'].

One unexpected finding in the Algerian sample was that those who had moved out of the textile sector into other branches of production were on average better paid than those who had remained within this sector. Of those now employed in other sectors, none were earning less than the minimum wage and 80 per cent stated that their income had risen since dismissal from the textile sector. Of those who had been re-employed in the textile sector 15 were earning less than the minimum wage and 55 per cent stated that their income had risen in their new job. Meanwhile, the disproportionately high proportion of women among the unemployed is suggestive of continuing male bias in the labour market.

It seems reasonable to suppose that most, if not all, of those who had become self-employed were now operating informally, while 14 per cent of those in wage employment were working in firms of less than five employees. In other words, amongst respondents who were in wage or self-employment at the time of the survey up to 30 per cent may have transferred to the informal economy. A further 38 per cent were currently working in firms in the size range of 5-9 employees where firm characteristics often straddle those in the formal and informal economies[80]. Certainly, the overall direction of movement of the sample has been towards

[80] Size Distribution of Firms for Which Respondents in Wage Employment Were Currently Working: Algeria

	Percent	Cumulative Percent
less than 5	14.3	14.3
5-9	38.1	52.4
10+	47.6	100.0
Total	100.0	

working in smaller units of production, with 52 per cent of wage employees working in firms with less than 10 employees, compared with 41 per cent who had been working in textile firms with less than 20 employees before they were fired.

Not all the informally employed necessarily earn less than those in formal wage employment. However, a majority [58 per cent]of the full sample, including the unemployed, reported their income to be lower than previously. In a context in which national and personal economic objectives are oriented towards raising real incomes, this is a cause for concern. Job loss had not only been a source of stress and ill health for the majority, but in a minority of cases had led to family break up. While most of the unemployed have been partially protected from the more extreme consequences of job loss by membership of households in which there were other income earners, for a minority this was apparently not the case.

These findings provide support for the hypothesis that labour's displacement from the formal textile economy in North Africa can be expected to lead to increased entry into the informal economy and into self-employment. They are also consistent with what one might expect in a previously centrally planned economy which is engaged in a programme of liberalisation and privatisation, with producers facing negative demand shocks as consumers switch part of their demand to imports.

In an economy where, unusually, it is possible to sample displaced workers at the point of dismissal, there is arguably a case for extending this survey, or implementing a larger one, in order to validate these findings.

5. Conclusions and Policy Implications

The three economies of the Maghrib – Tunisia, Morocco, and Algeria – are characterised by a range of structural differences but they have each experienced severe negative demand shocks in their clothing sectors: a sector which in all three economies had played a leading role in the development of manufacturing production, employment and exports, both in the 1980s and, in Tunisia and Morocco, in the 1990s as well. The objective of this study has been to obtain a better understanding of one aspect of the impact of these shocks: the impact of job loss in the sector on the displaced workers and their households. The research was motivated by a concern that many of the workers fired from formal employment in the clothing sector in North Africa may be entering low return employment [often self-employment] in the informal economy.

While production and employment in Algeria's clothing sector have begun to stabilise after a period of rapid contraction following import liberalisation in the mid-1990s, textile workers in Tunisia and Morocco currently face a situation of rising job insecurity. Their responses to job loss vary as do the impacts of this loss on the well-being of their households. Indeed, in Algeria too there is evidence of continuing restructuring of the sector with a number of private firms closing in recent years. Our surveys of displaced workers in these three economies point to a tendency for those who obtain work again after job loss to find that employment in smaller firms, while the Algerian sample [the only one to be drawn from firms' lists of dismissed workers] also points to a significant degree of movement into self-employment. Our surveys suggest that not all dismissed workers had become worse off than they had been in their previous employment but that a significant proportion had. An important reason why all three economies have so far been able to absorb substantial job

losses in their clothing sectors relates to the predominantly female composition of the work force. However, this situation may change if further cutbacks, in the face of increased competition from much lower cost Asian producers, lead to a] an increase in male unemployment and/or b] to increasing destitution among affected households.

In the view of the research team, it is highly improbable that the clothing sectors in the three Maghrib economies will be able to reabsorb all of the labour which has been displaced in recent years as well as the labour which continues to be shed, however efficient the adaptations and upgrading which are undertaken. It is important that all steps possible should be undertaken to enhance the efficiency and competitivity of the sector but in our view it will be necessary to take a much broader view in designing a strategy for labour absorption, which extends beyond the clothing sector itself. This perspective is reflected in the policy recommendations which follow.

Policy recommendations

Because the pressures currently facing the TCF sector differ as between Morocco and Tunisia on the one hand, and Algeria on the other, in this section the focus is primarily on the policy implications of the current situation, and of our research findings, for Morocco and Tunisia. In some respects the policy measures which are needed to promote the adjustment both of the clothing sector in particular, and the wider economy, to the much tougher export competition which this sector now faces, also differ as between Tunisia and Morocco but there are also areas of common interest as the following paragraphs seek to show. Meanwhile, some of the measures identified are also relevant to Algeria. The measures which are reviewed below fall into two broad categories: those which if implemented could begin to generate an impact in the short to medium term and those whose main impact would be felt in the medium to long term. We start with the former.

Firm level adjustments

The changing structure of global clothing production and current trends in sourcing by the EU all suggest that clothing exporters in the Maghrib need to adapt to new market conditions: conditions in which the sourcing of bulk supplies by the EU will increasingly be from Asia, especially China and India, while higher cost exporters located closer to the EU are likely to find that their main role as suppliers of the mass clothing market will be as suppliers of shorter production runs, often at short notice, for example to fill mid-season supply gaps arising from unexpectedly high demand. The need among EU distributors to ensure uniformity of product supply means that they will continue to impose strict controls on both product design and input sourcing [which will continue to be mainly from outside North Africa]: mass clothing production for export in North Africa is therefore likely to remain import intensive and dependent on the ability of exporting firms both to respond quickly to new orders and to switch production quickly between products. This is likely to mean reliance on a significant amount of outsourcing, as is already the case in Morocco, and a reinforcement of the pattern of occasional, rather than regular, wage employment which is also already a feature of the Moroccan clothing sector. In Tunisia, where the majority of firms have been accustomed to produce continuously for brand names such as Levis and Lee Cooper there is a need for firms to adjust to supplying more short-term orders [as is also already happening in Jordan and Egypt].

As Morocco has already shown, there is also scope for a minority of North African firms to develop production for niche markets oriented towards the high income end of the EU market. However, to identify new markets is not easy. In Tunisia, current problems which constrain successful moves in this direction are reported to include a lack of imagination among firm managers, who are often fearful of change, and lack of use of modern management techniques[81]. One measure which could help to raise management efficiency in the Maghrib would be the promotion in all three countries of programmes for the placement of trainee managers in European firms for an internship of 3-6 months. There may be a role for the EU on the promotion of such programmes [which should apply not just to the textile sectors but to others also]. There is also a potential role for the EU in assisting North African clothing exporters to identify niche markets within the EU. For example, there may be scope for further exploiting traditional skills in embroidery and in other forms of decorative design for particular markets. [These may include the production both of traditional items such as kaftans and leisure wear based on traditional designs and of embroidered wedding gowns and evening wear geared to traditional European designs but using the decorative skills of the North African labour force]. The EU might provide assistance to North African firms in identifying such opportunities by providing start-up funding for joint EU-MED ventures in the clothing sector, by supporting innovation in SME firms and by providing support to North African firms for market analysis within the EU.

Training

There is scope for further development of design and production skills among the North African labour force, but it is important not to create excess capacity and to ensure that training institutions set up close links with manufacturers. Initiatives have already been taken, especially in Tunisia, to establish technical and design schools relevant to the TCF sector. Yet at present these are not fully utilised. Rather than duplicating such facilities across the Maghrib, there is a strong case for regional cooperation in the development of training institutes. Again, there may be a role for the EU in encouraging such cooperation. The institutes should also be strongly encouraged to increase their links with manufacturers.

Promotion of SMEs: microfinance, technical advice and promotion of clusters

Our surveys provide evidence that movement of labour into smaller production units and towards the informal economy does not always entail a loss of income and welfare. Recognising this, there may be some scope for an enhanced role for the promotion of SMEs in North Africa, both in the clothing sector and beyond it, through provision of small-scale credit and technical advice and, in some cases, the promotion of firm clusters to facilitate delivery of these and other services as well as inter-firm cooperation[82]. However, it is important to emphasise that, unless such interventions take place in the context of an expanding market, one seller's gain may be another's loss. For this reason, we take the view that greater emphasis should be given to the design of development strategies in North Africa which can be expected to generate this outcome [see medium term recommendations below].

[81] *Cf.* Zghal, 1999.
[82] In other cases, firm dispersal may constitute a marketing advantage.

Streamlining bureaucracy

One important role which the governments in the Maghrib can play in helping firms to adjust to new market conditions is by streamlining customs bureaucracy. Firms which are genuinely attempting to adapt to meeting short-term export orders are currently sometime undercut in their attempts to meet these orders by inflexible red tape governing the release from customs of essential imported inputs. For example, in Tunisia a firm may receive a fax with an order to be met within two weeks and the information that the materials will arrive by plane within 48 hours. If these cannot be speedily processed through customs, the order will not be met and future orders will be lost. This may also be an area where EU sponsored technical advice could assist procedural reform. However, in the case of Morocco it will be necessary to coordinate with recent and ongoing activities in customs modernisation and trade facilitation, which are being sponsored by the World Bank[83] and which have attempted to address the problem just noted. At this stage, a review of firms' assessments of the effectiveness of customs reforms in Morocco could be helpful for the planning of customs administration in all three economies of the Maghrib.

Adjustment of the minimum wage

A further policy option would be to allow a continuing erosion of the real value of the minimum wage [which is currently also the rate of pay of the majority of formally employed clothing workers in all three clothing sectors in the Maghrib]. However, given the 5:1 wage differential between Morocco and Tunisia and their main Asian competitors, the degree of erosion needed to restore competitivity on the basis of labour costs alone would be politically unacceptable. A range of other measures will also be needed in order to stem job loss in the clothing sector and to expand employment in the economy as a whole.

Extension of the adjustment period for FTA implementation with the EU

In Tunisia, where the EU has already extended once the period allowed for adjustment of the economy to import liberalisation from the EU, there seems little to be gained from any further extension. Rather, both the government and private firms should now be required to face up fully to a changed market reality. On the other hand, in Morocco, where implementation of the FTA with the EU started several years later than in Tunisia, there does appear to be a case for extending the adjustment period for a further 3-5 years, as was done in Tunisia, conditional on the further implementation of measures designed to increase the economy's ability to respond effectively to import liberalisation. Reported job losses in Morocco's clothing sector in early 2005 have been extremely high and such an extension would postpone any further competitive pressures, and associated job losses, which may arise in the domestic clothing market following full import liberalisation from the now enlarged EU.

The measures so far reviewed could, if implemented, bring some benefits relatively quickly, many of them within the clothing sector itself. However, in both Tunisia and Morocco there is also a need for other measures designed to enable both economies to respond to a severe adverse demand shock in one sector not only be implementing ameliorative measures which

[83] See De Wulf and Sokol, 2004, Chap.4, and De Wulf and Sokol, 2005, Chap 6.

are directly linked to the affected sector but by a restructuring of domestic production and employment in the face of the new market reality. These measures are likely to bring benefits in the medium- rather than the short-term. They include the following.

Educational reforms

Within all three economies of the Maghrib there is a strong case for implementing fundamental reforms to the formal education curriculum at all levels. Such reforms should be governed by the over-riding goal of developing a labour force which is increasingly flexible and adaptable: one which is equipped with the basic skills and confidence which enable future learning on the job. In today's world, these skills include IT skills. The planning of the secondary and tertiary curriculum should also be designed to generate improved provision for professional and vocational training.

The design of development strategy

An important failing of the initial EU-North Africa FTAs was the absence of any clearly thought through economic strategy for the liberalising economies. As events have unfolded, it has become increasingly clear that the latter face major difficulties with respect to the generation of the increased domestic employment and rising incomes which, in the mid-1990s, optimistic proponents of liberalisation thought would ensue from FTA implementation combined with implementation of associated domestic policy reforms. In the mid-1990s there appears to have been either no, or insignificant, recognition of the nature of the increased competition which these economies could expect to face in their main export market for manufactures. Today, in the face of such difficulties with respect to a key export from both Tunisia and Morocco, there is urgent need for strategic thinking with respect to the way forward – thinking which is also pragmatic and founded on economic realism rather than dogma and which recognises that institutional reform and further investment in infrastructure, while essential preconditions for enhanced economic dynamism do not, in themselves, generate that dynamism. It is what comes next that determines whether an enhanced economic dynamic is achieved.

The research team proposes the pursuit of a two-pronged strategy which aims to identify and exploit new export opportunities while also, over the medium-term, aiming to enhance the scope for expansion of labour intensive production for the domestic mass market. The latter will only be viable if the domestic market itself expands but there is no single path to that expansion which can generate the scale of increased demand which is needed. Rather, domestic market expansion will depend, *inter alia*, on labour intensive export expansion - of commodities, manufactured goods and services, and on the willingness of the EU to assist the first of these by reducing restrictions on horticultural imports from North Africa – an issue of especial significance for Morocco [see below]. Such export expansion could also be assisted by pursuit of initiatives to identify markets in, and establish joint ventures with, both eastern European and Asian countries. Meanwhile it is also necessary to pursue measures which are geared directly to developing the domestic market, both through generating new income opportunities and by implementing measures geared to improving the quality, and hence the competivity, of domestically produced goods. This should come partly through improvements in technical training, both on the job [though apprenticeship schemes] and in formal institutions.

Especially in Morocco, there may also be scope for structural reforms in the agricultural sector which would help to expand small scale labour intensive production and thereby to expand mass demand.

In Morocco, where there is still some significant unused capacity in available water supplies[84], some restructuring of the farm sector by redistributing land from large-scale irrigated grain production towards smaller scale, more labour intensive livestock and horticulture units, could provide increased employment and income opportunities and, through these, a contribution to the expansion of the domestic demand for locally produced goods and services. The effective implementation of such a strategy would, however, only be viable if EU liberalisation of agricultural imports not only occurs but does so within a negotiating framework which recognises the need for a much slower pace of removal of agricultural protection in the Maghrib. Only in this way can existing, let alone new, income opportunities in North Africa's farm sectors be maintained until the excess labour supply to the non-farm sectors has been absorbed into productive employment.

Remittance income

If the EU were to ease immigration restrictions on North African labour, then remittances could also make an increased contribution to expansion of domestic demand.

Although the focus in the preceding observations has been primarily on Tunisia and Morocco, a number of the policy reforms which have been proposed are also pertinent to Algeria, including those with respect to educational sector reform, the development of a regional programme of investment in technical training institutes, the streamlining of bureaucracy and the development of a clearly formulated economic strategy with emphasis on job creation both through export expansion and the expansion of the domestic market.

The labour force in North Africa is still growing fast and unemployment rates are still very high, exacerbated in both Morocco and Tunisia by the current crisis in their clothing sectors[85]. To enhance the prospects for labour absorption in this context will require a combination of good policy and effective policy implementation. This could be significantly assisted by more far-sighted action by the EU.

[84] See Yang and Zehnder, 2002.
[85] The growth rates will peak during the period of FTA implementation: Aoudia and Talahite, 2003.

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APPENDIX 1: TUNISIA COUNTRY STUDY

1. Historical overview

1.1. Current structure of the textile sector

Following a process that had become familiar throughout the world since the Industrial Revolution Tunisia decided, shortly after independence, to use the textile and clothing sector as a starting point of the industrialization process, the latter having been decreed by states, economists and development agencies as the only tool capable of pulling a country out of backwardness and poverty into modernization and development. The prevailing model at the time was that of import substitution. It spread from Latin America to the newly independent states of Africa, and its dogmatic implementation was going to have long-lasting effects everywhere.

Clearly, import substitution did present a number of advantages. In nothing else, it created 'modern' activities, (i.e. activities not related to agriculture), factories and jobs. The investments required could only be mobilized by the state, given the scarcity of private capital and the socialist orientation of most regimes at that time. In the case of Tunisia a variety of activities were created, ranging from assembling cars and tractors to printing textbooks. In the textile sectors, the first units to be set up were weaving plants designed to produce cloth and fabrics for future garment producers.

In the meantime a number of changes were taking place in the developed world. As standards of living improved in Europe and the US, the cost of labour also increased. The impact was most visible in labour-intensive activities such as the garment industry. As a result, competition from low-wage producers (such as Korea, Hong-Kong, Taiwan) became a serious threat. To protect their local producers the US and European countries negotiated in the 1950's self-imposed export ceilings with Asian countries. This protection was further extended in the framework of the Multi-fibre Arrangements (MFA) by allocating quotas to each exporting country. Finally, Europe and the United States entered into preferential trade agreements with neighbouring countries giving them access to their markets under specific conditions.

These measures have had different effects on developed and developing countries. The former slowly abandoned manufacturing activities that were labour intensive to concentrate on those that required capital and know-how. With respect to the textile/garment industry, this has meant that the North concentrated on the production of fabrics and on the upstream activities of the garment industry (design, research…) as well as distribution and marketing, and delocalized garment production to low-wage countries. The MFA and the stipulations of the preferential agreements (rules of origin, in particular), in combination with delocalization, gave the North important economic benefits: captive customers for the textile industry, products made to specifications, and lower cost of the finished product.

As for the developing countries, they found an entry into industry and a welcome outlet for jobs. Tunisia, along with other Mediterranean countries, signed in 1976 an association agreement with the European Community (as the European Union was called then) giving it free access to European markets for manufactured products. Prior to that, it had passed a piece

of legislation known as the 1972 Law that was designed to attract foreign investors. It offered any business that would produce exclusively for export a variety of incentives (tax holidays, exemption from custom duties, free transfer of benefits to the home country, exemption from social security contributions…). The number of these offshore companies grew steadily, the majority of them being in the garment industry, and so did their exports to Europe.

The trends that were set in the early 1970's persist to this day. A few major brands opened their own subsidiaries in Tunisia. They brought their own raw materials, made the transformation locally, and re-exported the finished products. Others joined local businessmen to create joint ventures that operated on the same principles. But the majority of the businesses were owned and operated by nationals who acted as subcontractors to foreign customers. The latter supply the raw material (most often in pre-cut form), and the local firm does the assembly (sewing) and sometimes a few additional transformations (ironing, folding, pre-packaging).

The 1972 Law made it easy and attractive to set up a project. The initiator needed to bring up front only 10 percent of the total cost of the project; the remaining funds could be borrowed from (state-owned) banks with practically no collateral, at low interest rates, and with long grace periods (the first reimbursement could take place up to two years after the project became operational, and could easily be postponed beyond that deadline). Since the investments were minimal (a large hall and some sewing machines), and the qualifications required minimal, the number of applications filed with banks was extremely large. Many emanated from individuals who would transform their apartments into shops, buy a few machines with the bank loan, and hire some seamstresses who would be paid the minimum wage (SMIG) – if that.

Table 1: Distribution of firms employing 10 workers or more according to activity and markets

Activities	**TE***	**OTE***	**Total**
Spinning, thread making	12	32	44
Fabric weaving	10	44	54
Finishing	15	16	31
Hosiery, knitting	175	61	236
Manufacture of fabric and knitted wear	**1 381**	**216**	**1 597**
Other textile industries	177	138	315

TE: Totally Exporting ; OTE: Other than totally exporting
Note: Certain enterprises have several activities at the same time.
Source: Industry Promotion Agency - February 2005

This is what has given the sector its current physiognomy. In 2004 there were some 2,094 units (2,200 in 2003); 25 percent of them are foreign-owned and another 25 percent have mixed capital. 80 percent produce exclusively for export (cf. Table 1 for the distribution by activity), and employ 85 percent of the workers active in the garment industry. The total number of workers employed in the garment industry is currently estimated at 250,000; they represent about half of the manufacturing labour force and ten percent of the active workforce. About 85 percent of the garment workers are women, and the sector accounts for ¾ of female job creation and ¼ of female employment nationwide.

The ratios of skilled/unskilled workers and skilled/all workers are relatively low in all industrial sectors and stood at about 24 percent and 13 percent, respectively, but were 9 percent and 10 percent, respectively, in the textile/garment industry (these estimates are more than 10 years old but they do reflect what is considered to be a major weakness of the sector).

The labour-intensity feature of the sector is confirmed by estimates of the capital per worker ratio which is about ½ and ⅓ of its value for the chemical and food-processing industries, respectively. In sum, the garment industry has the following characteristics:

- It accounts for half of the employment and nearly half of the exports of the manufacturing sector. The sector is particularly important for women, especially those with little education and no skills.
- Most of the firms are small; only five firms figure on the list of the 100 largest companies in the country. They employ few or no people with managerial, marketing, technical or other specialized skills.
- They depend on foreign markets for their inputs and outputs. The EU, particularly France and Italy, account for most of the imports and exports.
- Production is concentrated on a few items of mass consumption such as slacks/jeans, shirts, blouses, although lingerie (bras and panties) is a significant exception.
- Salaries tend to be low and stick to the legal minimum wage, and vary little with experience or skill level (see Table 2). For example, in 2001 the top hourly rate received by a newly-hired skilled worker (cutter or stockroom manager) was 33 percent higher than that of the lowest-paid unskilled worker. A 10-year experience brought in 2001 a pay increase of 1.5 percent to unskilled workers (vs. 1 percent in 2003), and a 6-percent increase to those with the highest skills (vs. 5 percent in 2003). In 2002 hourly rates increased by about 11 percent across the board, but decreased by only 4 percent in 2003. For workers paid on a monthly basis, the salary difference between skilled and unskilled inexperienced workers was 37 percent in 2001 and 40 percent in 2003. For workers with a ten-year experience, salary difference was 40 percent. Ten years on the job brought a pay increase of 2 percent to unskilled workers in 2001 (but 1 percent in 2003), and of 6 percent to those with skills (4 percent in 2003). Although labour costs are low in comparison with wages in other manufacturing sectors, they are still higher than those prevailing in some Asian countries that are emerging as competitors to Tunisia's garment industry.

These features have caused the sector's current predicaments which, in turn, are likely to have a serious impact on the country's economic and social future.

Table 2 : Hourly minimum pay (SMIG)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	*2001*	*2002*	*2003*	2004
Hourly minimum pay (SMIG (regime: 40h/week)	0.650	0.662	0.712	0.762	0.774	0.808	0.849	0.890	0.904	0.945	0.974	*1.015*	*1.049*	*1.090*	1.095
Hourly minimum pay (SMIG (regime: 48h/week)	0.615	0.625	0.673	0.721	0.731	0.765	0.804	0.843	0.855	0.894	0.923	*0.964*	*0.998*	*1.039*	1.049

The number of working hours per month is 173.3 for the 40h/week regime, and 208 for the 48h/week regime. Monthly salaries are computed by multiplying the number of monthly hours by the appropriate hourly rate.
Source: Institut National de Statistique (INS)

Table 3 : Hourly wages paid in the apparel industry

	2001			2002			2003		
	Years of experience			Years of experience			Years of experience		
Classification (category)	**1**	**5**	**11**	**1**	**5**	**11**	**1**	**5**	**11**
Unskilled (cat. 2)	1.097	1.105	1.114	1.222	1.230	1.239	1.179	1.184	1.193
Specialized (cat. 3)	1.225	1.237	1.269	1.393	1.405	1.437	1.333	1.345	1.377
Professional (cat. 4)	1.279	1.321	1.360	1.462	1.504	1.534	1.379	1.439	1.478
Qualified (cat. 5)	1.339	1.386	1.437	1.522	1.569	1.620	1.457	1.504	1.555
Highly qualified (cat. 6)	1.461	1.503	1.546	1.659	1.701	1.744	1.589	1.631	1.674

Source: EURATEX Bulletin 2004/4

1.2. Key policies that affected the industry

Shortly after independence Tunisia adopted the model of planned economy that was in vogue at the time. The government drew ten-year economic plans that were supposed to bring the country out of underdevelopment. It even experimented in the mid-1960's with collectivization and tried to eliminate private property in agriculture and trade, the only two economic sectors that were not dominated by the state. But the policy ran into strong resistance from farmers who refused to turn their land over to state-run cooperatives.

As already mentioned, the prevailing view in the 1960's was that development could be achieved only through industrialization. Therefore, an all-out effort was undertaken to start manufacturing activities to produce goods that were then imported. To protect the 'infant industries' against foreign goods, a series of measures were adopted, including the use of import licenses and a strict control of foreign currency operations (the Tunisian dinar was, of course, not convertible). High tariff rates were imposed on the few goods that were allowed into the country.

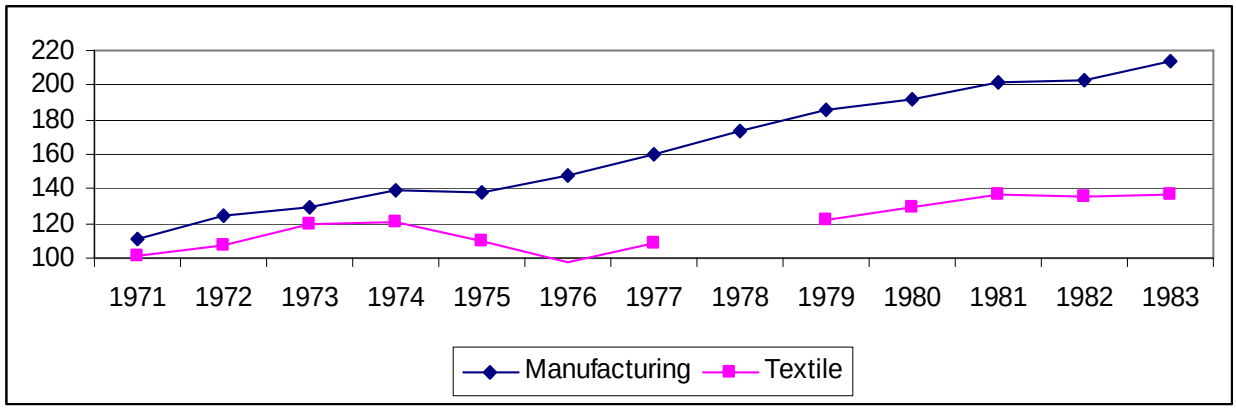
What was not known – or admitted – then was that a strategy of import substitution behind protectionist tariffs could not be economically efficient. Nevertheless, it was carried out, and the inefficiencies were financed with income from the small oil resources that were then available. However, when those oil wells started running dry in the mid-1980's the country found itself saddled with a costly manufacturing sector, an unreliable agriculture, and a standard of living well beyond its productive means. As one point, the central bank had no foreign currencies in its coffers with which to purchase even medicine from abroad. The country then had no choice but to turn to the International Monetary Fund (IMF) which 'suggested' the same solution that had already been prescribed to other countries that had a similar predicament: a structural adjustment plan or SAP. The features of those plans are well known: liberalization of trade, phasing out of tariffs, end of subsidies, liberalization of the economy, and an end to state interventionism in favour of the free play of market rules.

When the plan went into effect in 1987 it aggravated the social and political situation that was already tense. Ultimately, a coup was successfully carried out in November 1987 against the ailing president, and the new government promised political and economic reforms. Tunisia adhered to GATT in 1989. Import licensing was gradually abandoned for a variety of goods. Nominal tariff duties were reduced substantially.

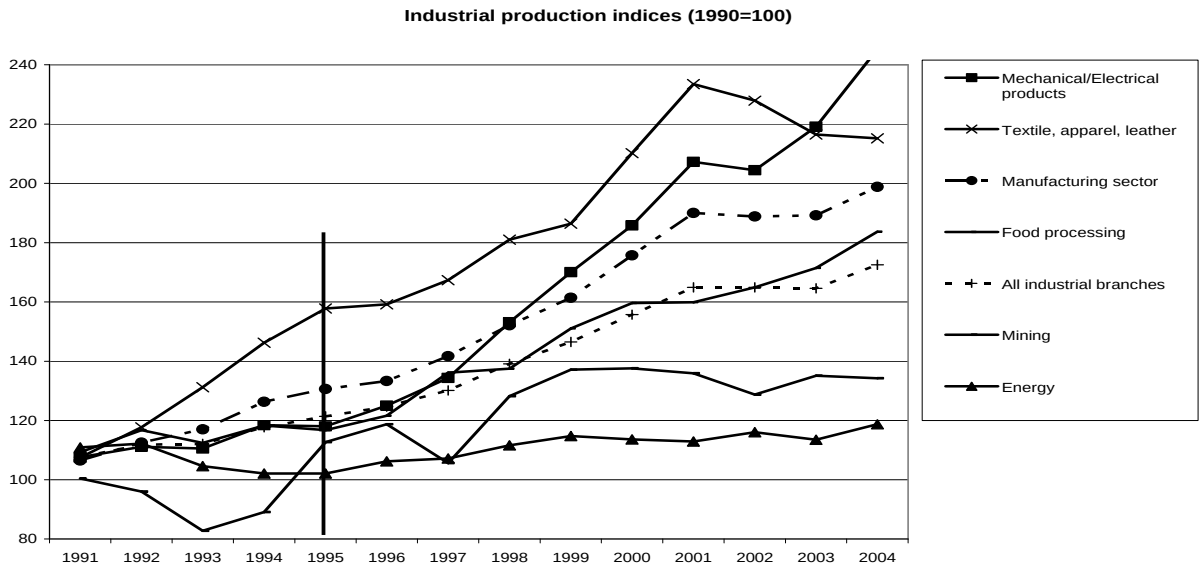
The manufacturing sector in general, and the garment industry in particular, took advantage of these measures to invest in export-oriented production. Production grew at a brisk rate, although it remained lower for the apparel sector than for the overall manufacturing activity in the 1970's and 1980's (see Graph 1). Between 1990 and 2001, production in apparel grew much faster than in any other manufacturing sector, but the trend has changed direction since 2001 (see Graph 2). Similarly, apparel exports remained modest until 1990 in comparison

with petroleum, the main export product, but increased substantially thereafter to account for nearly half of all export earnings (see Graphs 3 and 4).

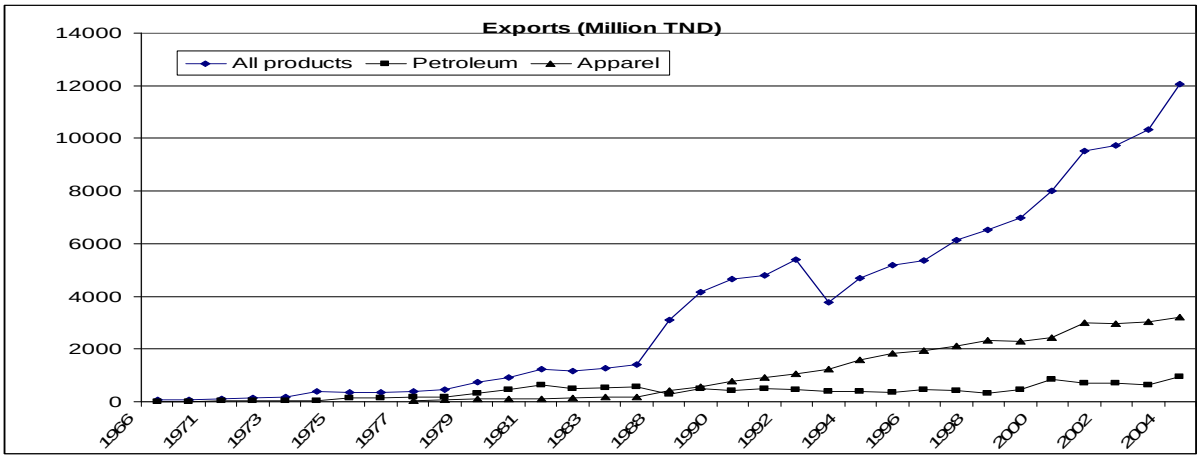
Graph 1 : Production index (1970=100)



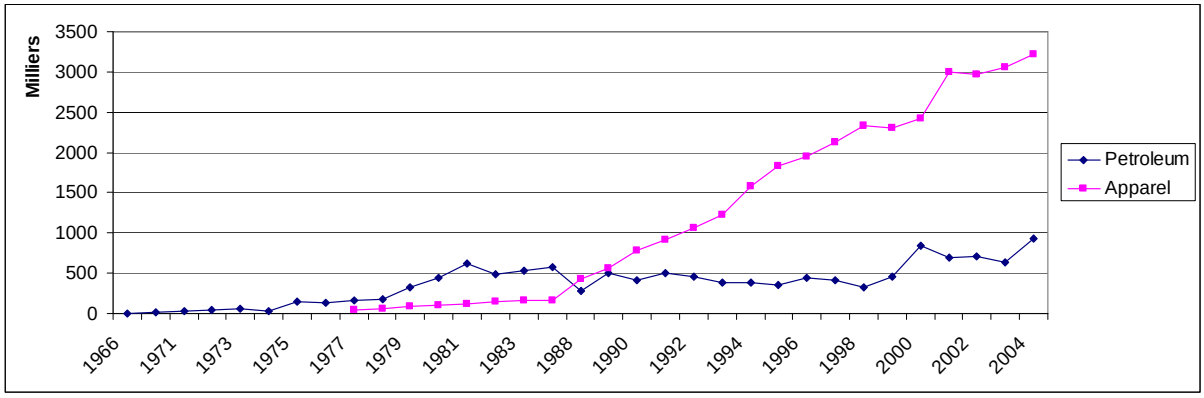
Graph 2 : Production index



Graph 3 : Exports (1000 TND)



Graph 4 : Exports



2. Trends in the textile sector since 1995

In 1995 Tunisia became a founding member of the World Trade Organization (WTO) and signed a Euro-Mediterranean Partnership (EMP) agreement with the European Union in July, before even the Barcelona Declaration was adopted (in November). When compared with the cooperation agreements that had been in place since 1976, the EMP brought no new benefits to Tunisia. The latter already had free access to EU markets for manufactured products. What would have been beneficial would have been free access for agricultural products, or changes in the rules of origins which stipulated that only goods made with raw material from the EU or Tunisia could gain free access to EU markets. Had this rule been changed, Tunisian manufacturers in the apparel or other sectors would have been able to obtain raw materials from lower-cost non-EU suppliers, and thus improve their competitivity.

There were, however, some new elements that the EMP introduced in trade relations, but they were not all beneficial to Tunisia. One of them in particular proved to be quite detrimental: this was the *rule of reciprocity*. Previously, preferential treatment extended by the EU was unilateral, whereas now all trade measures have to be reciprocal. This means that manufactured goods from EU members must have free access to the Tunisian market just as

Tunisian goods have free access to EU markets. Although this rule was to be implemented gradually, it has had already a serious impact on the country's economy. In fact, as tariff dismantling proceeds, more and more EU goods are gaining access to the local market, forcing uncompetitive producers out of business.

This problem does not apply directly to apparel manufacturers, at least for the present time, although it may have implications in the future. The difficulties that the sector faces are due to an entirely different factor, namely, the end of the MFA as of 1 January 2005, and the incorporation of textiles in the mainstream of international trade. This means that countries that benefited from preferential treatment with respect to quotas and tariffs will no longer enjoy such a treatment, and countries that did not have access to EU markets are now able to sell their goods in Europe on the same footing as previous MFA beneficiaries. Concretely, this means that Tunisia will have to contend with competition from Asian countries, particularly China.

The situation is serious for two main reasons: on the one hand, the new competitors are specialized in categories of goods that constitute the bulk of Tunisia's production (low-cost products of mass consumption such as T-shirts, slacks, shirts…), and they have lower input costs (particularly labour and raw materials). On the other hand, they will be targeting all EU markets, including those that have been Tunisia's main outlets.

The impact of the MFA dismantling is already visible. In the 1970's and 1980's the clothing sector was growing at a slower pace than the manufacturing sector as a whole (see Graph 1), but in the 1990's it outperformed all other manufacturing activities and became the engine of industrial production growth (see Graph 2). However, the situation changed starting in 2001. Production in the textile branch started to decline, while that of the manufacturing sector in general, and of the mechanical/electrical branch continued to grow, the latter overtaking textile production for the first time since 1991. Similarly, exports, which showed a steady growth in the 1990's and had jumped by 23 percent between 2000 and 2001, flattened out at around 2.8 percent thereafter. Finally, Tunisia is losing market shares, sliding from 4th to 5th and then 6th position (as of 2004) in the ranking of apparel suppliers to the EU.

The social consequences of this decline are serious. Although reliable information is not readily available, trade union sources indicate that in the last three years (2002-2004) some 600 firms (or 22 percent of the total in 2002) closed down, and 35,000 jobs were lost. According to Tunisia's only trade union, the Union Générale des Travailleurs de Tunisie or UGTT, globalization has forced Tunisia to liberalize its economy and to adopt measures that would allow it to confront international competition. Firms use different tools to improve efficiency, including the avoidance of a permanent labour force. Consequently, workers are hired on the basis of fixed term contracts (usually one year), at the end of which the worker is dismissed only to be rehired (if still needed) the following day on the basis of a new contract. Thus, the employer is not obliged to give tenure to the worker or to make contributions to such social security benefits as retirement pensions, and can easily and without much financial cost fire unwanted workers.

However, this approach does have negative side effects, the most important of which is low quality of production. In the absence of job security and of incentives for productivity or excellence, workers tend to show little loyalty to the firm or attachment to the job. The concrete manifestation of this attitude is the high rate of absenteeism (which is said to be around 20 percent on average) and the low level of discipline for which the garment sector is

notorious. The paradox then is that by trying to reduce costs by spending as little as possible on labour, firms may end up with other – possibly more costly – forms of inefficiency.

In any case, a large number of firms have manifestly been unable to cope with the new situation and have gone into bankruptcy – often in a summary fashion, i.e. without going through the legal procedures. The workers would simply discover, usually upon returning to work on a Monday, that the factory is closed and the owner gone (always with the paperwork, sometimes with the equipment). If the owner is a foreigner, workers have no further recourse to recover their rights. If he/she is a Tunisian, they may attempt to get severance pay, social security benefits, or some other form of financial compensation, although such attempts are rarely successful.

Photo 1: Fired workers occupying work premises

From the weekly Ashaàb (الشعب), 11 June 2005, p. 9.

Although labour disputes are seldom reported in the press, one exception has been the case of the firm Fantasia which has closed one of its units and fired 164 workers without any compensation. In retaliation, the workers have been occupying since April 2004 one of the company outlets in Tunis (see photo). The labour union weekly newspaper Ashaàb (The People) reports in is issue dated 11 June 2005 that the workers action has produced no results and the victims of what it terms 'arbitrary dismissal' are facing severe economic and psychological hardships. It further indicates that although no attempt has been made to dislodge the workers from the premises, nothing has been done either to help the workers obtain their legal rights. The protesters receive some moral and material support (mostly food) from some activist groups (human rights, some women organizations), but neither public authorities nor the labour union have taken any legal action to force the owners of the company to meet their obligations and resolve the issue. Needless to say, the workers themselves have neither the means nor the opportunity to take their case to the courts. Sooner or later the workers will simply give up.

According to a pamphlet published recently by UGTT, the phenomenon of mass dismissal has been spreading at an alarming rate in the garment sector since 2000. The documents points out that social peace and stability in the country is severely threatened, and that gains made by women in terms of liberation and economic autonomy may be lost.[*]

3. Corrective actions

If one were to describe the current state of mind of the main actors involved, one would say that business leaders are panicky, political leaders apprehensive, and workers resigned.
Workers, like the rest of citizens, live under a regime that allows little freedom of expression and even less room for militancy. Although there is one labour union, it has been since the late 1970's under the tight control of the government. Formally, union membership is allowed, and workers in the private and public sectors are allowed to have cells in their workplace to represent them in dealing with employers and to defend their rights. However, union representatives are in practice harassed by management and may even lose their jobs if

[*] UGTT (2005). « The textile and apparel sector in Tunisia and the challenge of professional reintegration of workers. » Tunis: UGTT.

they become too much of a nuisance. The right to go on strike is duly recognized in the constitution, but the criteria that need to be met for a strike to be legal are so numerous and vague that, for all intents and purposes, practically all strikes end up being considered as *grèves sauvages*, i.e. unauthorized and illegal.[*] Such strikes are quite common in the industrial sector (including textile) but they rarely lead to a satisfaction of workers demands.

The explanation of the labour movement's present weakness is to be found in its history. The UGTT had been founded well before independence and played a leading role in the struggle for independence. One of its co-founders was in the forefront of that struggle and was killed by French terrorists in the 1950's, and is considered to this day as a national hero. After independence, it gave its full backing to the country's first president Habib Bourguiba, but the latter grew uneasy about the danger that the UGTT could represent to his authority. He was well aware that as the country's only well organized civil society institution (aside from his own political party), the UGTT could become a challenge to his regime. Therefore, he sought to bring it under his control.

This was accomplished with relative ease. But in the 1970's opposition to Bourguiba began to appear. Intellectuals started calling for greater democracy and wanted to organize political parties. During that period also, the country was going through economic problems, leading the government to adopt austerity measures, including a reduction of the subvention to basic commodities. As a result, the price of bread increased, which led to the 'bread revolt' of 26 January 1976.

The popular uprising was probably spontaneous. But the UGTT leader at the time, Habib Achour, saw in it a good opportunity to free the labour organization from government control. When the dust settled, Achour found himself in jail and the UGTT practically disbanded. The government then spent year restructuring the labour organization from the ground up. From that time on the UGTT, along with other civil society organizations, functions as an extension of the regime.

Again, on a formal level, the law provides for and protects workers' rights. There is an extensive Labour Code that defines those rights, numerous laws setting standards that must be in the workplace, defining minimum wages, granting social security benefits, etc. In particular, the law grants the right to collective bargaining. But in fact, salaries are reviewed only during negotiations that are held every three years between the employers association, the UGTT and the Ministry of social affairs. Supposedly, the Ministry acts as a 'facilitator' and intervenes only as a last resort arbitrator. But in practice, it sets the guidelines that must be followed and the results that must be achieved. In doing so, it takes into consideration the 'higher national interest' and prevents a confrontation between parties each seeking the satisfaction of narrow selfish interests.

The problem that has been confronting the government for years has been unemployment. Every year, some 60,000 people enter the job market for the first time. On the other hand, the

[*] The most recent illustration is the 'administrative strike' organized by lecturers at Tunisian universities whereby teaching staff refused to correct end-of-year exams. The Ministry of higher education immediately declared the strike illegal and summoned non-striking lecturers and upper-echelon staff to correct exams, even if those people were not specialists in the subject matter (e.g. historians correcting psychology exams). After about four weeks the strikers suspended their movements (in circumstances that cannot be described here for lack of space), but were informed within days that they would not receive pay for the period during which they were on strike, and that other disciplinary measures will be taken against them in due time.

economy has been able to create in the best cases only about 50,000 jobs. As a result, the unemployment rate has been stubbornly hovering around 18 percent (although unofficial estimates put it at around 25 percent if disguised unemployment is taken into consideration). Therefore, and in order to encourage investors to create jobs and existing firms to hire more workers, the government offers them various incentives, including exemption from contributions to social security and to the fund for professional training (the government making those payments for up to 5 years). Another incentive is the newly adopted law on flexible employment which gives employers a lot of leeway about the conditions for hiring and dismissing workers: offering renewable fixed- or short-term contracts, dismissal for economic reasons, etc.

All such measures are designed to reduce production costs and allow producers to be more competitive. But there are also measures that have the same purpose without being legal. In general, the government would not rush to prosecute firms who do not meet their legal obligations or to ensure the implementation of rulings taken by courts against employers. Typical examples include non payment of social security dues or defection on debts to public banks or suppliers.

Naturally, employers are in favour of all such ubehaviour, and they know that the government is not in a position, especially these days, to become intransigent. It should be pointed out, however, that foreign-owned firms are usually (but not always) more law abiding that locally-owned ones, and that large healthy firms are more likely to respect their obligations than small shaky ones. But all of them, one would suspect, appreciate the fact that they do not have to worry about organized labour and union-inspired demands.

One rather ironic aspect of this issue is the intention of Tunisian employers and officials to include in the arguments that they would use to convince European clients to purchase goods from Tunisia the fact that the country fully respects social standards recommended by the ILO, such as forbidding child and forced labour and paying decent wages. It is true that there is no forced labour in Tunisia, and that child labour is not as widespread as it once was. It is further true that a Tunisian woman working in the garment industry gets a wage five times higher than her counterpart in some Asian country, but whether or not those wages can be considered as 'decent' is open to discussion.

The survey conducted in Tunisia as part of this project is indicative of prevailing trends. All but one of the respondents (an unemployed male household head) indicted that the loss of their jobs did not create any economic hardships for them. This is because the pool from which the garment industry drew its workers has been traditionally young girls who have left school because of failure or tradition, and who turned to employment in a 'sewing factory' as an alternative to other income-generating activities that they would otherwise have undertaken. Such activities include making dresses for friends and neighbours, knitting, embroidery, and other similar activities that girls traditionally undertook before marriage, and which were often related to the textile sector. In most small communities all girls were expected to be 'industrious' and have such activities.[*] The main purpose of such activities

[*] It may be noted in passing that there is one region (Jendouba, in the northwest, an extremely poor rural area) which developed over the years a totally different 'industry,' supplying maids to working couples in Tunis. Anyone seeking a maid can go there and find an 'agent' who has a list of candidates 'registered' by their parents. Once a potential employee meeting the employers' specifications is identified, the agent takes the couple to visit the parents and to look over the girl. Terms of employment are discussed (the salary, which is to be paid to the parents, home leave…), and if an agreement is reached, the girl is taken to Tunis. In most cases, the girls are

was to allow the girls to finance their *trousseau* or at least the parts that they cannot make themselves.

Until a few years ago, the girls would leave employment after marriage – again, for cultural reasons (few men accepted that their wives worked outside the home). Nowadays, economic conditions have changed, and a second income is welcome, but not vital, especially in modest milieus. Therefore, if a single or married woman loses her job in the garment industry, the impact is not dramatic. The situation is quite different, however, if circumstances have made the woman totally dependent on her job as a source of income. The Tunisian survey includes four such cases. The situation of such women is truly dramatic because they usually are not aware of their rights, or do not have the means to claim such rights, or do not in fact have any rights, having failed to ensure upon being hired that they have a contract in conformity with the law. In any event, and as the above mentioned case of Fantasia illustrates, the system is heavily stacked against workers.

In sum, any remedial action (in the form of better pay and/or better protection of rights) in favour of workers who are victims of the current crisis in the garment industry is unlikely inasmuch as it would further burden employers and make them less competitive – or so they believe. Another remedial action advocated by the UGTT is retraining of workers so that they can get skilled employment in the sector. In practice, however, the majority of the workers do not have a sufficient level of education that would allow them to acquire technical or advanced capabilities. Data from the survey confirms this.

Another corrective action that the government has undertaken is the design and implementation of the *programme de mise à niveau* or PMN. This is a program that was set up after Tunisia signed the free trade agreement with the EU, and was designed to upgrade selected manufacturing enterprises deemed to be capable of achieving greater efficiency if they make improvements in some areas. All sectors of activities were concerned by the PMN, including textile. However, the success of the program has been limited. The major problem was cost. The process involves making a diagnosis of the firm to determine its weaknesses. Then a plan has to be devised to corrective actions that are needed. Then money has to be raised to finance those actions. Then au audit has to be made to evaluate the impact of those actions. It turned out that the average cost of the mise à niveau of a single firm was about TND 600,000 (or € 400,000 today, € 500,000 a few months ago). Hardly any firm could finance such an action by itself, and the government could not mobilize enough money to upgrade even the 600 firms that had been initially selected, much less the estimated 3,000 that needed upgrading (in all sectors). The EU did make a contribution but it can never be sufficient to meet all needs.

In addition to money, time is also lacking. Among the measures being considered to resolve the current crisis is to move the sector from its current role as a subcontractor to a new one as a co-processor[*]. However, this requires technologies, know-how and financial resources that few Tunisian professionals possess at present, and that require time to acquire and master. Nevertheless, steps have been undertaken already to make that move. Thus, a department has

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very young (12 or 13) and they work until the parents decide to give them in marriage – or find a better pay for the child. One women's organization has made this 'industry' one of its advocacy campaigns.

[*] The profession distinguishes between three types of activities: subcontracting (*sous-traitance* in French) means assembling a garment which the client supplies in the form of pre-cut pieces; co-processing (*co-traitance*) means that the client orders a garment and the supplier purchases the raw material and transforms it; own brand means that the manufacturer designs, manufactures and markets garments under his own brand.

been created in the Tunis school of engineering to train engineers in textile. A textile institute has been created in Ksar Hellal, and a fashion institute has been set up within the Arts school. Garment producers will also need to acquire skills in cloth sourcing. This skill was never developed since clients used to supply their own materials. It would be even better if fibers were produced locally, but textile production is a capital-intensive activity that is now out of the country's reach. A last measure that co-processing requires is a change in the rules of origin. At present, garments are admitted duty free in the EU if they are totally produced in Tunisia or the EU. This rule needs to be extended so that a garment produced in Tunisia with e.g. Turkish or Egyptian material can still have duty-free access to the EU.

4. Future perspectives

For the short term there appear to be few ways to pull the Tunisian garment industry from its current predicament. A large (but undisclosed) number of firms have closed down, many others are likely to have the same fate, and the remaining ones face an uphill battle to remain in business. There are unconfirmed reports that a collective letter has been sent to government asking a write off of the sector's debts. Laid off workers will have fewer and fewer possibilities of finding new jobs in textile or of being trained for future higher-skilled jobs.

A deep restructuring of the sector is unlikely. Most of the firms are small family-owned units, and their owners would be reluctant to consider mergers or partnerships as a solution: this would be considered as a form of failure worse than bankruptcy. Nor would going public be envisioned, because owners would not easily accept the idea of having to report to stockholders. Several foreign consultants that have been commissioned to study the sectors suggested that owners need to be trained in modern management techniques, and that a 'new business culture' needs to be acquired.

Cross border partnerships would face not only psychological but also legal barriers. If multinational firms are to be set up, Tunisia and other southern Mediterranean countries would have to allow the free movement of factors of production, including capital. Tariffs need to be lowered and eventually eliminated. However, neither the EMP nor other free trade areas (such as the Agadir initiative or the UMA) institute such measures. In fact, this is the crux of the problem. The current crisis of the Tunisian garment industry is only an illustration of the wider problem of the viability of the Tunisian – and other North African – economies. It is not just the garment sector which is unviable, but also the industrial sector and even the national economy as a whole. In an era where firms are going global, parochialism needs to be abandoned. What is urgently needed is for Tunisia and other Arab countries to set up a full-fledged single market. This is not the place to discuss the theory of economic integration, but it is commonly known that many – if not most – industrial activities can operate efficiently only in large integrated markets. This is certainly true for textile production, and may be applicable to garment production.

Failure to recognize and to act on the need for regional integration decades ago is largely responsible for the current problems that confront the dismembered North African and Arab economies. The responsibility for this failure rest squarely on the shoulders of past and present political leaders who, then and now, refuse to yield any shred of personal power (abusively called national sovereignty) in favour of supranational structures and institutions that would have the authority to adopt and enforce decisions across borders. Therefore, any

measures that may be adopted to resolve the current economic crisis will not ensure the sustainability of the Mediterranean and Arab region as an economic entity.

APPENDIX 2 : PART 1 - MOROCCO COUNTRY STUDY

Introduction

Known as the engine of industrial development in Morocco since the seventies, today the textile and clothing sector employs about 50% of the manufacturing labour force.

Employment in this sector has increased at end of 2002, resulting in 202,000 workers, i.e. 46.4% of the total industrial employment. Of this, 145,900 are women, i.e. about 73% (72.7%).

Following the entry of the new agreement on textile and clothing in January 2005, the industries that operate in this sector seem to suffer a negative impact, with a loss of about 100,000 labourers in the first quarter of the current year.

1. The textile and clothing sector in Morocco: a relevant economic and social role which at present is facing high instability

1.1. Brief historical introduction of the sector

The origin of Textile and Clothing Sector (TC) in Morocco lays in the forties; the TC sector was mainly established by foreign capital, in particular French, which exploited the fiscal and labour force advantages present in Morocco. However, it is worth to mention that the actual establishment of the TC sector happened only after the independence of the country. In fact, since the end of the fifties, this sector faced several changes which had a remarkable impact on its development in the last decades. In the following sections, a description of the main phases, which marked the evolution of the TC sector, is presented:

Decade 1960-1970: Organization of the means of production, with a relevant contribution of the public sector

This period has been characterized by two main events which contributed to the growth of the sector: the creation of a protection system which allowed to resist foreign competition and the constitution of a legal framework of investments which promoted a favourable environment for the internal development of the sector.

During this phase, the TC sector was composed by less than 100 units of production and it covered about 25%-30% of the internal demand.

Decade 1971-1981: Sustained growth and the beginning of the opening to the external markets

During this phase, the industry TC has started to be more open to international markets, after having preached an import substitution strategy (in parallel to the objectives of the second "five year plan" 1973-1977) and satisfied almost the overall local demand. Since, Morocco became a convenient site for internationally subcontracted production in general and, for the European market in particular. In this phase, the growth has been sustained by several legal, financial and administrative measures introduced by the State in order to improve and make more attractive the industrial investment environment.

In this way, with the main objective to strengthen the existing capacities and to increase the rate of integration in the sector, the State, through the Department of Industrial Development, established several production units in partnership with local and foreign operators.

1982-1986: Development of Exports

In general, the outcome of the TC industry in the early eighties was positive. The volume of exports was very remarkable; employment in the sector was on average at 110,000 employees per year and the production reached higher levels, following the growth both of the local market and of exports. Of the total production of the sector, corresponding to 9.3 billion of dirham in the year 1986, one third was for export.

The TC sector started to collect the effects produced by the new code of investments, and then, investments in the TC sector recorded a high growth rate throughout this period, with a yearly average of about 560 million dirham and a normalized trade balance constantly above 100%.

Further, this phase was marked by a general consolidation of some branches that satisfied the needs of the local market, even if there was a growth of the exports in almost all the branches of the sector, like: garment, hosiery and textile.

1987-1991: the speeding up of the investment and the high growth of exports

This is period can be considered the most important in the recent history of the TC sector of Morocco; since 1987 investments in the sector record a high increase, directly deriving from the restructuring of the European TC sector, and of the delocalization of the European industrial firms of the chain. During this period, delocalization in Morocco represented an average of 30% of the investments in the textile sector of the country.

Concerning exports, the expanding phase characterized every products, in particular garments and hosiery. The normalized balance changed from 130% in the year 1986 to 166% in the year 1991.

First half of the nineties: the change in the national and international context

During this period, there are several events that had great impact on the activities of the TC sector, which also changed its environment both at the national and international level. At national level, the new code on investment was promulgated on 3rd October 1995; this code replaced the previous one and contributed to improving the investments conditions level. At international level, it is worth to mention the strengthening of several competitors of Morocco in the TC sector, namely Tunisia, Egypt, Turkey or Mauritius; and the entry of rules of international trade realised within the framework of Gatt/WTO.

1996-2004: Large projects of restructuring and upgrading

In 1996, Morocco and the European Union signed the agreement for the implementation of a free market area (the agreement has entered in function since March 2000). It represents also the beginning of the implementation of new projects to support the economic opening of the country. In this framework and scenario, the government of Morocco and the AMITH have signed on 23rd August 2003 a Framework Agreement 2002-2010 which define the new strategies for the TC sector, with the objective to capitalise the advantages of Morocco, overcome the handicaps, and preserve its comparative advantage and developing others, possibly more sustainable, advantages.

This period is also characterized by the signature of free trade agreements with Egypt, Jordan and Tunisia (declaration of Agadir, 2001), in addition to the one with the U.S. and Turkey (2004). The agreement between Morocco and USA has been considered as a "breath of air for the sector" by the Minister of Trade and Industry: "what we risk to lose in the European market can be compensated in the American market".[86]

2. Current role of the sector in the Moroccan economy.

The TC sector is structured in two sub-sectors: the sub-sector Textile and the sub-sector Clothing.

- The first is at the "upstream" level in the sector; it requires more capital and it covers three functions: spinning, weaving and finissage.
- The second is at the "downstream" level in the sector; is more labour intensive and it is composed by: garment and hosiery.

In terms of relative weight of these two sectors, it is shown in the following table[87]:

Table 1: Contribution of each branch in the TC sector, 2003

Branches	Enterprises (%)	Exportation (%)	Production (%)	Added Value (%)	Investments (%)	Employment (%)
Textile	36,60	17,58	38,43	30,22	56	19,08
Clothing	63,40	82,41	61,56	69,77	44	80,91
Total	100	100	100	100	100	100

Source : Ministère du Commerce et de l'Industrie

The clothing and leather industry employs 160,617 people, of which 129,000 women, i.e. 80.3%. The textile industry employs 41,303 people, of which 17,900 women, which correspond to a rate of 75%.

[86] Le Matin, dated 08/01/2005.

[87] It must be stressed that the table 1 ignores the participation of the informal sector (individual enterprises and quasi-companies) in the economic performance of the two sectors (TC).

The TC sector in Morocco has the same characteristics as in similar emerging countries: highly labour intensive, with a high participation of women and a wide use of temporary contracts.

In the same year, the production of the sector totalled 24.1 billion dirham, which represents 13.7% of the total manufacturing sector.

The TC sector is the main exporting sector of Morocco, representing about 34% of industrial exports of the country. However, on the global scale Morocco represents a very small share of world trade in the sector.

After a high growth during the 1970s and 1980s, the sector has experienced a relative stability during the 1990.

Table 2 - Evolution of textile and leather industries between 1998 and 2001(in MDH)

Grandeurs	1998	98/97%	1999	99/98%	2000	00/99%	2001	01/00%
Nombre d'étab.	1956	3	2003	2	2035	2	1962	-4
Effectif permanent	206688	7	216665	5	215735	0	214838	0
Production	26177	3	25920	-1	24712	-5	26017	5
Exportation	16788	11	16639	-1	16326	-2	17505	7
Investissement	2400	22	2429	1	1923	-21	1980	3
Valeur ajoutée	10271	11	10080	-2	9538	-5	10211	7

Source : Ministère de l'Industrie, du Commerce et de la Mise à Niveau de l'Economie

Table 3 : Participation of each sector to industry -2003

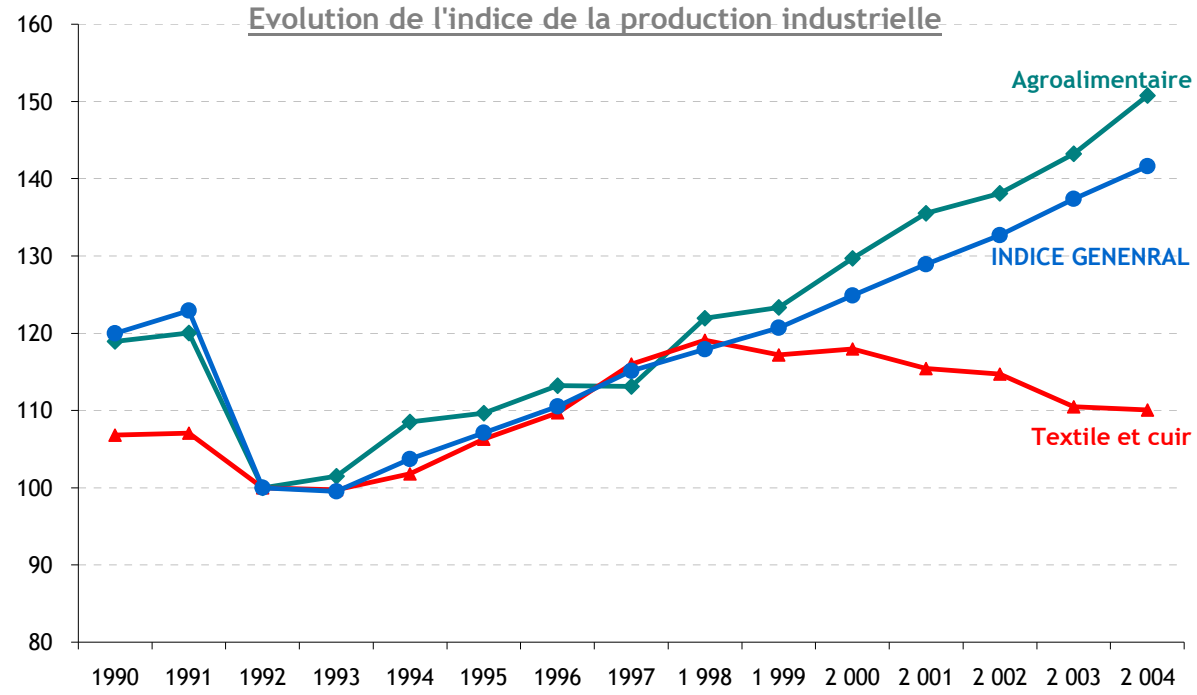
Industrie	Production (%)	Valeur Ajoutée (%)	Investissement (%)	Emploi (%)	Exportation (%)
Agroalimentaire	33	30	32	19	21
Chimie-Parachimie	34	35	35	20	24
Electricité-Electronique	6	6	5	6	14
Mécanique-Métallurgie	12	11	13	10	4
Textile-Habillement	15	18	15	45	37
Total	100	100	100	100	100

Source : Ministère du Commerce et de l'industrie, Rabat, 2003

Tableau 4: Evolution of production index of manufacturing industries in Morocco, Base 100 in 1992

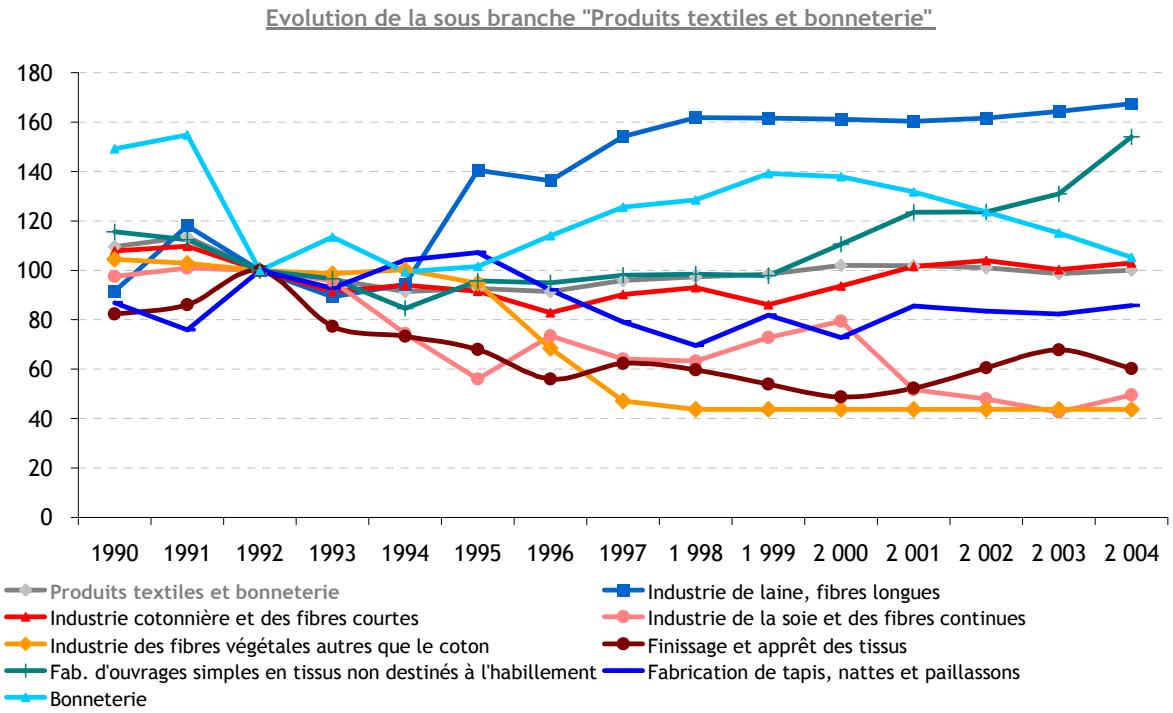
Base 100 : 1992	1992	1995	1996	1 999	2 000	2 002	2 004
Indice général	100,0	107,1	110,5	120,7	124,9	132,7	141,6
10-11-12 - Agro-alimentaire (10-11-12)	100,0	109,6	113,2	123,3	129,7	138,1	150,8
Textile et cuir	100,0	106,3	109,7	117,2	118,0	114,7	110,1
13 - Produits textiles et bonneterie	100,0	92,6	91,4	98,4	102,0	101,1	100,1
131. Industrie de laine, fibres longues	100,0	140,4	136,2	161,6	161,1	161,6	167,4
132. Industrie cotonnière et des fibres courtes	100,0	91,6	82,8	86,1	93,7	103,9	103,0
133. Industrie de la soie et des fibres continues	100,0	56,0	73,4	72,8	79,5	47,9	49,5
134. Industrie des fibres végétales autres que le coton	100,0	94,8	68,5	43,7	43,7	43,7	43,7
135. Finissage et apprêt des tissus	100,0	67,9	56,0	54,0	48,7	60,6	60,2
136. Fabrication d'ouvrages simples en tissus non destinés à l'habillement	100,0	95,8	95,0	97,8	110,6	123,7	154,0
137. Fabrication de tapis, nattes et paillassons	100,0	107,2	92,0	81,8	72,8	83,4	85,7
138. Bonneterie	100,0	101,6	114,0	139,1	137,9	123,6	105,2
14 - Habillement à l'exception des chaussures	100,0	123,1	130,6	142,1	138,7	129,2	119,5
141. Confection de lingerie et de chemiserie	100,0	115,9	105,8	109,7	106,7	98,5	89,2
142. Confection en série de vêtements de dessus	100,0	125,5	139,0	153,0	149,4	139,5	129,6
15 - Cuir, articles et chaussures en cuir	100,0	107,7	118,5	111,2	114,8	126,1	123,7
16 - Bois, articles en bois, vannerie-meubles	100,0	101,4	104,1	106,2	110,8	121,1	135,9
17 - Papier et carton-imprimerie	100,0	110,3	117,1	135,1	148,2	160,0	190,9
18 - Produits issus, transformation minéraux de carrières	100,0	107,1	114,2	117,3	121,3	132,8	152,3
19 - Produits de l'industrie métallique de base	100,0	110,7	108,6	135,0	135,3	168,4	186,4
20 - Ouvrages en métaux (n.c. machines, mat. de transport)	100,0	100,9	100,9	105,4	109,0	127,0	141,6
21 - Machines et matériel d'équipement (n.c. mat.de transport)	100,0	107,7	96,3	109,2	120,5	116,3	125,0
22 - Matériel de transport	100,0	92,7	106,2	120,3	125,5	134,8	139,5
23 - Matériel électrique et électronique	100,0	110,4	110,3	126,4	127,1	132,0	137,4
24 - Mat. de bureau, de mesure, optique, horlogerie	100,0	93,2	82,0	136,9	159,6	125,7	139,5
25 - Produits de la chimie et de la parachimie	100,0	108,0	109,7	125,7	130,0	145,2	154,6
26 - Articles en caoutchouc et en plastique	100,0	112,1	119,4	127,7	126,3	130,3	127,3
27 - Autres industries manufacturières	100,0	121,2	118,5	108,6	111,7	102,4	92,2

Source: Direction de la Statistique. Rabat 2005



Source : Ministère du Commerce et de l'Industrie, Rabat. 2005

The production index of the sub-sectors in the textile and clothing has continued after 1990.



Source: Direction de la Statistique. Rabat 2005

More specifically, the weight of the textile and clothing in relation to other manufacturing industries in Morocco is exemplified in the following graphs.

Figure 1 : Répartition de la production par type d'industrie

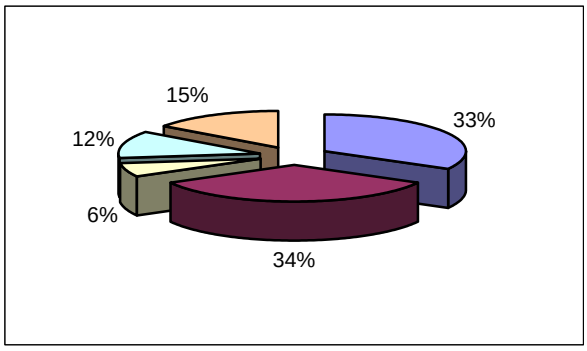


Figure 2 : Répartition de la valeur ajoutée par type d'industrie

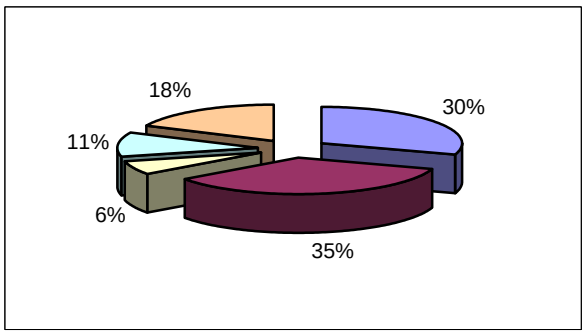


Figure 3 : Répartition de l'investissement par type d'industrie

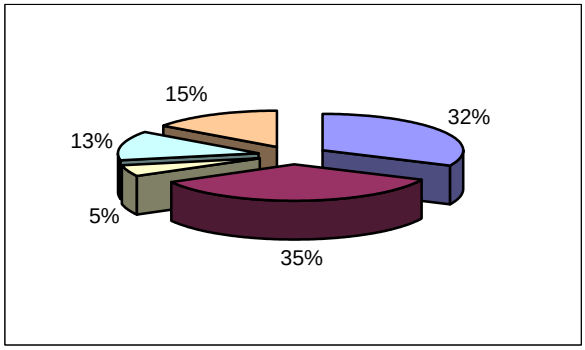


Figure 4 : Répartition de l'emploi par type d'industrie

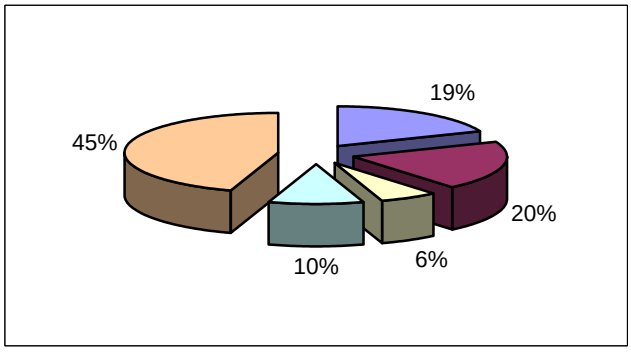
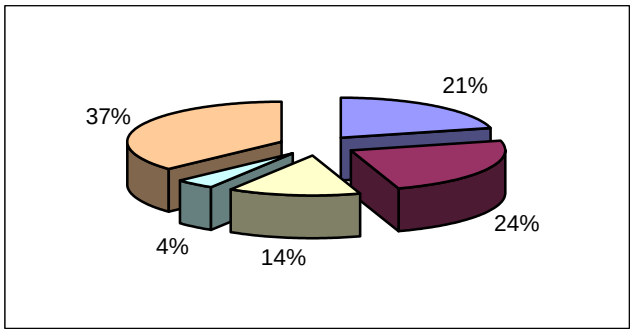


Figure 5 : Répartition des exportations par type d'industrie



- **Textile-Habillement ;**
- **Agroalimentaire ;**
- **Mécanique-Métallurgie ;**
- **Electricité-Electronique ;**
- **Chimie-Parachimie.**

The TC sector is surely the most important industrial sector in terms of employment and exports. It contributes to 45% of the available labour force and to 37% of exports.

Also, it represents 15% of production and investments and 18% of added value. At the same time, the comparison of the available labour force in the sector and the added value produced shows clearly that the TC has the weakest performance in the industrial activities of Morocco.

The structure of the production in the sector is as follows:

- small enterprises, mainly with a family management, contribute to 11% of the production;
- large enterprises contributing to 61% of the production; of which those with a foreign participation contributing to 33% of the production.

Geographically, the TC sector is characterized by a high concentration of activities in the Casablanca Region; this region is home to 59% of TC enterprises in the country, contributing in 2003 to:

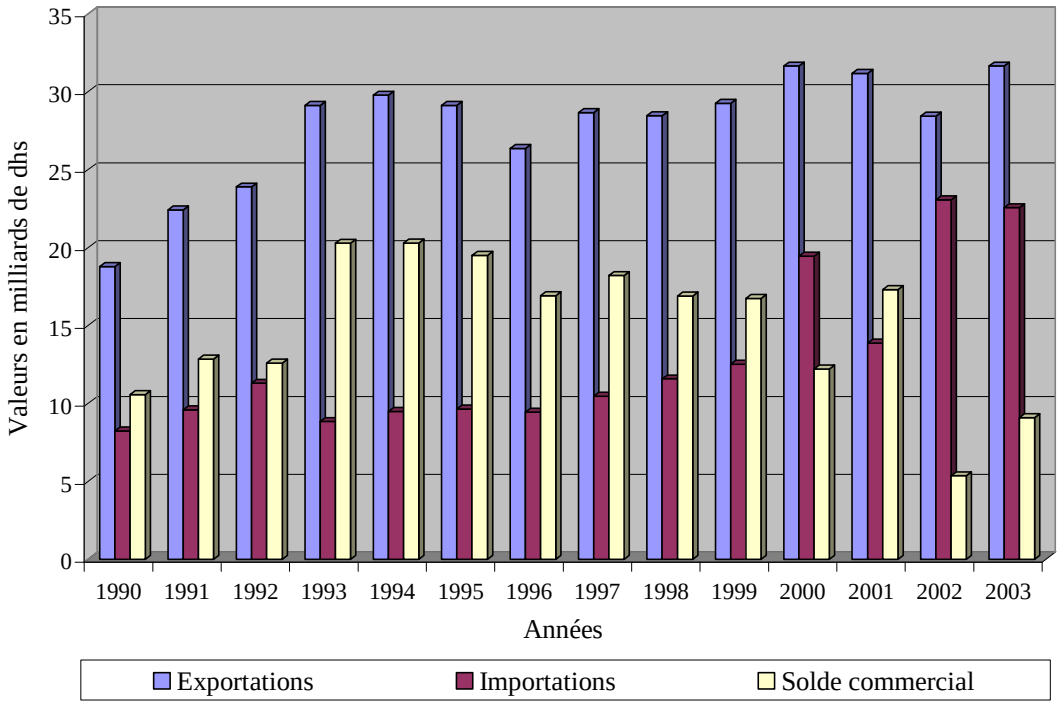
- 54% of sector production
- 52% of added value
- 30% of investments
- 50% of exports
- 53% of employment

3. Situation of the sector according to AMITH

According to the Moroccan Association of TC industries (AMITH), the year 2003 has been a "bon cru" for the Moroccan TC Industry.

Compared to 2002, turnover has increased 2.9% and employment has grown of 1.6%. Investments in the TC sector are about the same level as for 2002, with 1.82 billion dirham, equal to 13.5% of the total industrial investments in Morocco. Experts in the TC sector have considered such investments as a "sign of concrete efforts to rationalize the production conducted by the TC enterprises and as a reinforced confidence for the future and potentialities of this sector".

In terms of the external exchanges, at the end of December 2003 the statistic of the Department of Trade indicated that imports have been the same as in the previous year, i.e. 20.2 billion dirham; concerning exports there has been an increase of 0.14% equal to 27.9 billion dirham in 2003, compared to 28.3% billion dirham in 2002.



Source : Impact du démantèlement tarifaire sur le secteur du Textile-Habillement marocain. Projet de fin d'études soutenu à l'INSEA (Rabat) par les étudiants N. El Mahfoudi et Y. Tagroud . Juin 2005

Morocco, as the statistics indicate, is placed at 16th rank in the global market for garments export, with a share of 2.3% of the total world trade (calculated by WTO).

In 2004, imports of garments by EU countries from Morocco represent 5% of total EU imports of garments, although this will be reduced by the entry of the new agreement on

textile and clothing to 4% in 2005[88], while China will cover 29% of the market, against 18% in 2004.

BOX 1: Costs of the labour force in the textile sector in the main international producers - 2002

The difference between the hourly salary, in USD, for workers employed in the clothing activities varies between 1 up to 76 in 2002, from the cheapest countries (like Bangladesh) to the most expensive ones (like Japan).[89]

Japon :	22,8
UE :	14,8
Etats-Unis d'Amérique:	15,1
Taiwan :	7,2
Corée du Sud :	5,7
Portugal :	4,8
Pologne:	2,9
République Tchèque :	2,4
Mexique :	2,3
Turquie :	2,1
Estonie :	2.0
Slovaquie :	1,9
Maroc :	1,9
Tunisie :	1,8
Thaïlande, Mexique :	1,2
Inde:	0,6
Chine:	0,4
Bangladesh :	0,3

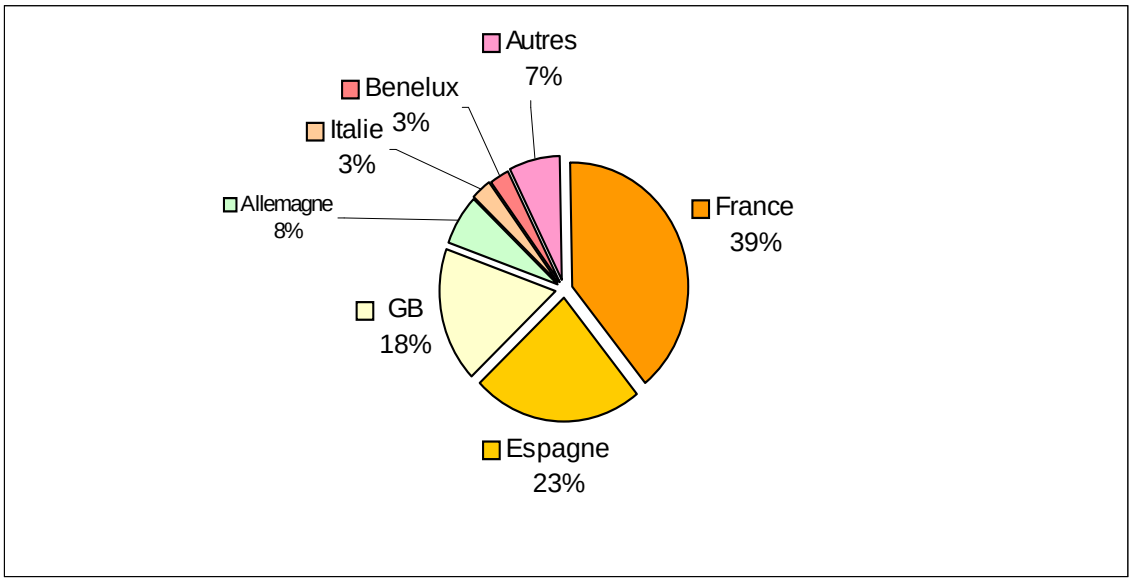
Source: Werner spinning weaving labour cost comparisons, cited in Le Monde, 14 December 2004.

In relation to the European Union, the French market followed by the Spanish, are the main ones:

- France accounts for 39% of Moroccan exports of the textile products in 2003. Exports of the TC products to France have recorded a growth of 4.5% in 2003 compared to 2002.
- Spain represents henceforth the second market with a share of 23% of Moroccan TC exports. This market has recorded a remarkable increase of 21% in 2003 in comparison with 2002.
- The British market represents the third outlet for Moroccan TC industry (18% of TC exports). In this market, Moroccan exports decreased by 12% from 2002. This reduction follows the previous one of 7% recorded in 2001.
- The German market represents the fourth outlet for Moroccan exports of textile products, i.e. its share stands at 7% of its exports.
- Even if it represents only 3% of the exports, the Italian market shows an increased interest on Moroccan textile products. The sells have increased by 20% in 2003 from 2002, following a previous increase of 7% between 2001 and 2002.

[88] WTO forecast, published on the newspaper Le Monde, 14 December 2004.
[89] Foreseen by WTO. Published in the journal "Le Monde", 14th December 2004.

Graph 1 - The main clients of the TC Moroccan sector in the European market in the year 2003



Source: Rapport économique de l'AMITH. 2003

The statistics show an ambivalent evolution in the sector, but in general a strong reduction because of the introduction in the international and European markets (which was mainly provided by the Tunisian and especially Moroccan textile products) in particular by China and India.

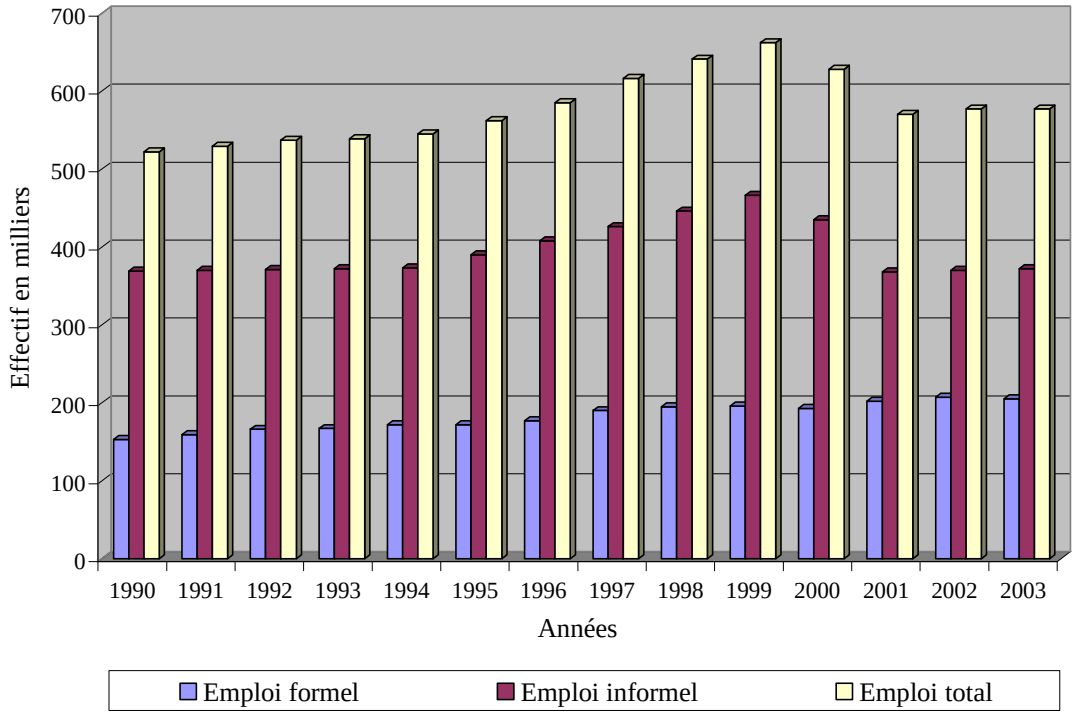
This change is producing – and worsening the social situation in the sector, with a high social deficit characterized by a high discrimination between men and women.

4. Social situation in the sector: an important social deficit and high discrimination between men and women

The TC sector

The TC sector, main employer in the manufacturing and especially of women is representative of the social deficit of Morocco. Within formal sector the TC employs 45% of available jobs. If one adds the informal sector, the TC would employ more than 70% of active persons (about 700,000 out of 10-11 millions active people). A sector which the main competitive advantages is widely based on the hourly wage, the TC sector of Morocco has a labour market characterized by two main features, both indicating a strong discrimination of women.

The first deficit is a generalized discrimination, which is present in all sectors of the economy, and it concerns the general educational level being that of women much lower than that of men. The second discrimination concerns the general situation on the labour market, especially urban, where unemployment is at about 20% and affects particularly women, whom are generally underemployed and doing non paid works.



Source : Impact du démantèlement tarifaire sur le secteur du Textile-Habillement marocain. Projet de fin d'études soutenu à l'INSEA (Rabat) par les étudiants N. El Mahfoudi et Y. Fagroud . Op. cit.

Level of female education

Abstracting from cultural and social factors affecting female participation in the labour market, in Morocco as in other Arab countries, women in the active population have worse working conditions than men, especially due to their low level of education.
Affected by illiteracy more then men, they are similarly discriminated from access to school. As it has been shown by the experts of Cosef[90] the level of education of young women is at any level less favourable.

Table 5: Population in school age and level of attainment at different levels of education 1998/1999

Indicateurs	*milieu urbain*	*milieu rural*	*ensemble*
Enfants de 7 à 12 ans	1.842	2.055	3.897
Taux de scolarisation ; niveau primaire dont, filles	86,1 83,4	57,0 47,0	70,8 63,9
Enfants de 13 à 15 ans	1.016	961	1.977
Taux de scolarisation ; niveau collège dont, filles	49,7 46,6	12,4 8,1	31,6 28,2
Enfants de 7 à 15 ans	2.858	3.016	5.874
Taux de scolarisation ; niveau fondamental dont, filles	83,7% 80,8	48,0 37,7	65,4 58,7

[90] Special commission education/training. Contributions of national experts network on the current situation and the way to reform the education and training sector. Volume II, August 2000.

Source : Enquête nationale sur les niveaux de vie des ménages ; 1998/1999 ; Direction de la Statistique, Rabat, Janvier 2000.

Situation of women in the labour market:

Given that the share of active women in the total active population is 26.6% (in 2003) out of a total of 10.9 million people, the level of women looking for an occupation is as high as 29% (of a total estimated population of 1.3 million people).

The rate of female unemployment is notably higher of that of men in urban areas, i.e. where there is the majority of formal sector.

Table 6: evolution of rate of unemployment per gender and urban/rural milieus (2001-2003)

Année	2001			2002			2003		
Milieu Sexe	Ur	Ru	Total	Ur	Ru	Total	Ur	Ru	Total
Féminin	24,7	1,6	12,5	24,2	1,7	12,5	25,8	1,6	13
Masculin	18	5,6	12,5	16,6	4,7	11,3	17,4	4,2	11,5
Total	19,5	4,5	12,5	18,3	3,9	11,6	19,3	3,4	11,9

Source : Enquête Activité, emploi et chômage. Direction de la statistique ; 2003

In percentage, the rate of unemployment among women in the urban areas is 50% higher than that of men. On the other hand the relative weakness of rate of unemployment in rural areas is balanced by the presence in this milieu of a consistent part of non-paid work. Non-paid work in rural areas is 53.6%, while in urban areas is 6.7%. This figure has increased since 1999 when it was about 48.8% in rural areas[91].

This general picture is fundamentally linked for both causes and effects to the employment conditions in general, and that of women in particular, in the TC sector. As shown in a the frame of a Pilot programme for decent work started in 2003 by the ILO in the TC sector of Morocco[92], the manufacture of textile and clothing products provide for 6.8% of total active population and 17.2% of female work.

Informal sector represents more than 70% of employment provided by the TC sector. The number of home workers is higher than the total of industrial workers.

The share of wage female workers in the sector has passed from 56.2% in 1982 to 61.1% in 1999, given that the home work is almost all female (90%).

Discrimination by age and marital status

Apparently discrimination of women in the labour market is mainly operated by age and marital status. According to a study realised in the sector "Gender and employment in the textile industry of Morocco"[93], appears that the owners of the enterprise prefer young and non married women. This preference is based on the fact that those will have less family

[91] Survey on Activity, employment and unemployment. Direction of Statitstics, 1999.
[92] Rerport by Saad Belghazi, PPTD, BIT-AMITH; Morocco, 2003-2004.
[93] R. Bourqia, a study for the Institute of Research and Social Development of the United Nations, 1999.

obligations (about 2/3 of women are responsible of 1 to 8 people) and hence will be more available to dedicate time to the enterprise and will be more flexible and accept the authority of the owner.

About 59% of the workers are less than 25 years old, and 22.3% are aged less than 20. Among men, the figures are respectively 42.9% and 14.3%. In the same order, 4.1% of female workers and 10.7% of male workers are more than 36 years old. In relation to marital status, 72.1% of workers are not married and 32.1% married.

65.8% of the workers have in charge from 1 to 8 persons, of which 23.8% are responsible from 4 to 8 persons, while 29.3% of men have a responsibility for 1 up to 8 persons, of which 10.7% take the charge for 4 up to 8 persons. Only 34.2% of women do not have any responsibility, in comparison to 60.7% of men.

Similarly, the fact that women are younger and also not married does not imply that they do not have a limited responsibility of their families; in this way, they face a triple discrimination vis a vis the other workers.

5. Education Level in the TC Sector

The education level of the workers (men and female) in the TC sector is very low, and it reflects the general level of the whole active population. More than two thirds do not have any education (38.1%), those with primary education are 28.4% and those with lower secondary education 25.9%. This indicates that these jobs do not require an initial qualification and therefore the possibilities of quick adjustments following important technological and organizational innovation are very limited.

This data and analysis are largely confirmed also by another report prepared by the already mentioned report by PPTD[94]. According to this report, 73% of women and 64% of men are illiterate. Among the percentage of those that declared to be able to read and write, 34% of women and 43% of men are at the level of the primary school.

6. Recruitment and working conditions

According to the same report, 90% of the workers are recruited in the TC sector without a contract. Concerning the duration of the working week, normally it has a longer duration than in other industrial sector: the share of employees working more than 48 hours per week is 36%, while the national average which is 25%. Since the TC Sector employs a higher number of women, it is clear that there is a strong discrimination affecting female workers, i.e. the sector in which they are more numerous is also the sector where working time is longer.

7. Social Protection in the TC Sector

According to different documents prepared in the frame of PPTD, only 17% of the employees are registered in the National Fund for Social Security-CNSS in the TC Sector, of which 16%

[94] Report by Amri Abderrahim, PPTD, BIT-AMITH, 2003-2004.

in the clothing and 40% in the textile. In this regard, women are discriminated even more because many of them quit their jobs when they get married, without claiming any right.

8. Participation level to the Trade Union

From the work conducted in the framework of the same program it emerges that only 5% of the workers in the formal sector are member of a trade union, of these 9% are in the textile and 4% in the clothing sector.

The proportion of women member of a union is lower: they are respectively 1.5% and 3% in the textile and clothing sector. Therefore, they have a smaller possibility to claim their rights.

9. Precarious working condition

In the year 2000, 22% of the workers have been hired less than four months during the year; 47.5% less than eight months, while about 38% have been employed during the whole year. The percentage of workers employed for the full year increases according to the size of the enterprise. It is about 30% for the small enterprises (between 20 to 10 employees), while it is 50% for the bigger enterprises (with more than 700 workers).

Also at this level, there is discrimination between workers. About 46% of men work fully during the year, while only 34% of women are employed during the whole year. More than 23% of the women have been hired less than four months during the year, while only 18.5% of men have experienced a similar experience.

The discrimination on the women is stronger in the case of smaller enterprises. The average number of months declared by the enterprises to the National Fund for Social Security (CNSS) is 7 for women and 7.8 for the men. These figures are respectively of 8.2 and of 8.3 in enterprise with more than 700 workers.

10. Wages

On the basis of the results of the survey carried out in this study, it emerged that the salaries for women are 25% lower than those for men. The female worker receives a minimum wage of 938 dh per month, while a male worker receives 1204 dh per month. Increases due to working experience are at the level of 0.8% for female workers and 1.3% for male workers. The precariousness of work in terms of duration of contract affects also women negatively. In particular, female workers are more discriminated in Fes and Casablanca than in other cities.

A study in the city of Salé on 225 workers in 16 enterprises in the textile sector confirms these findings.[95] According to this study the average first salary is at 703 dh per month for women and at 1025 for men, while skilled workers receive 1025 if they are female and 1624 if male.

Morocco in 2002 was one of the countries in the world with lowest salaries. Salaries are as low as new EU member countries like Estonia and Slovaquie. Morocco wages are slightly

[95] Figures from the study « Feminin-Masculin: La Marche vers l'égalité au Moroc 1993/2003 », Foundation Friedrich Ebert, Rabat, 2004.

higher than those in Tunisia, while the GDP per capita of this is double that of Morocco. Finally, the wages in Morocco are 4.5 times higher than those in China and 3 times higher than those in India.

APPENDIX 2: PART 2 - MOROCCO SURVEY RESULTS[96]

Analysis of the results

The survey carried out in Morocco has been addressed to 120 people; however only 95 questionnaires were judged valid. A part of the surveyed people either did not reply to some important questions or they were dismissed before 2001.

The selected sample, in the 4 chosen towns (Casablanca-Mohammedia, Rabat-Salé, Settat and Fès) is a completely random sample, which implies that the quantitative results from the questionnaires analysis can not be considered with having a general value. It should be considered as a qualitative study enabling to show the social reality of a sector that has been economically hit during the last years.

The difficulties that the sector is facing have been addressed, despite the absence of targeted studies by the AMITH (Moroccan Association of Textile and Clothing Industries), by the trade unions or by the Ministry of Trade and Industry, by the general data and indirect effects notified by the High Commission of Plan (HCP) in Rabat.

According to the HCP, in fact, the results of the national production during the first quarter of 2005 shows that the national economic activity has suffered during this quarter, by a slowing down of the growth rate in relation to the same quarter of the previous year. Then, the gliding annual growth rate of the GDP at constant prices, adjusted to seasonal changes, has registered an increase of 1% versus the 4.3% of the previous year. The manufacturing industries progressed by only 0.8% versus 4.2% in the year 2004, i.e. a performance even worse than that of GDP. Among the causes of this slowing down, the Textile and leather sector has known a reduction in its activities by 1.2%, although it registered an increase of 2.6% during the first quarter of 2004.

This evolution has clearly had direct consequences on the labour market during the first quarter of the year 2005. In particular, the industrial sector has experienced a reduction of 9.1% of the labour force, which corresponds to a loss of 121,000 jobs.

The active population older than 14 years decreased of 0.8% during the first semester of 2004 and 2005, passing from 11,322,000 to 11,233,000 people. This reduction of the labour supply has concerned especially women (-6.2% versus +1.5% of men) and it has been even more remarkable in the rural areas (-1.4% versus 0.2% in the urban areas). This refers mainly to the decline of employment in some sectors of the economy, mainly in the agriculture and textile sectors.

The reduction of the industrial employment regards particularly the losses registered in the branch “textile, hosiery and clothing” (-95,000 jobs, i.e. about 78% of the total job loss in the industrial sector). The reduction of the labour supply in this branch had mainly concerned the female workers. Female wage employment has been reduced by 30% in the first quarter of the year 2004 and 2005 (equal to a loss of 106,000 female workers).

[96] Translated from French by Francesco Slaviero.

The reduction of female labour, in particular in the industrial sector, has been accompanied by a withdrawing of women from the labour market. The rate of unemployment among women in the active population is also passed from 32.9% in the first semester of the year 2004 to 29.5% during the same semester of 2005.

In this way, it appears that the women have suffered most from the decrease of industrial activities. Their employment in the textile sector has declined by about one third, and consequently the active female population has decreased by 6.2% while the male active population increased by 1.5% in 12 months.

The results of the survey show the precariousness of the female situation in the textile sector, reflecting their generally negative position in the economy. Despite he results have an indicative and qualitative value, they reflect the real situation experienced by a high number of people (and families) working and living on this sector.

A visual evidence of this situation has been recently reported by a documentary released on June 28 2005 by the French Television TV5, in the framework of a broadcast "Rideau Rouge" which was focusing on the relationship between the European Union and the Maghrib. In the part of the documentary showing the textile sector in Morocco, a sequence of images shows Moroccan businessmen in Casablanca "blocked" by the arrival of Chinese textile; another focused on a big enterprise producing hosiery, organized to employ 450 workers but nowadays employing only 50; the third concerned with a numerous family (8 persons) living in the slum of Casablanca (in houses without either water nor electricity) and supported only by the father employment. He, whom received a wage of 4,000 dirham/month, now does not receive more than 2,000 dirham/month, and since the beginning of 2005 the amount has been further reduced to 1.000 dirham/month.

The results coming from the questionnaires analysis can not be considered with a general value, but some data confirms the situation presented in the official statistics published by the High Commission of Plan.

1. Identification of the respondents

a. Respondents according to gender

The sample is composed by 95 persons, of which 60 are female. With a female rate of more than 63% we are slightly far from the female rate of employment generally recorded in the textile sector -which is more than 70%.

Table 1 : Respondents per gender

Fréquence Sexe	Nombre	%
Masculin	35	36,8
Féminin	60	63,2
Total	95	100,0

b. Localization of the respondents

The respondents are in Casablanca-Mohammedia, Rabat-Salé, Settat and Fès, i.e. four of the main areas of industrial production in the country. Casablanca-Mohammedia is the economic

centre at national level, with more than 50% of “non agriculture” activities. Other centres of concentration of textile industries exist in Tangier (with its free zone) or Marrakech, but these two centres have not taken into account in the survey.

Table 2 : Localization of the enterprises / respondents

		Fréquence	Pour cent	Pourcentage valide	Pourcentage cumulé
Valide	Settat	15	15,8	15,8	15,8
	Rabat	24	25,3	25,3	41,1
	Casa	52	54,7	54,7	95,8
	Fès	4	4,2	4,2	100,0
	Total	95	100,0	100,0	

c. Age of respondents

The average age of respondents is slightly more than 27 years and half (27.6). The younger is 18 and the oldest is 49 years old.

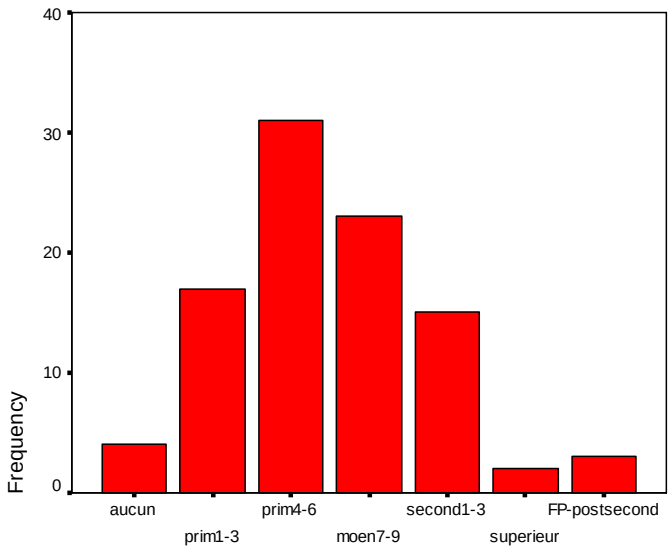
Table 3 : Age of respondents

Nombre	95
Age moyen	27,62 ans
Minimum	18 ans
Maximum	49 ans

d. Level of education

About 55% of the interviewed people have not finished the primary education and 4.2% are without education. These levels are higher than those recorded among the total active population.

Graph 1 -Level of Education



Female workers in the sample have a lower level of education than men. 63% of women have not passed the primary education, while men record a rate of 40%. Among other things such a difference also shows that female workers are less numerous (in %) among skilled positions or leading position.

2. The respondents at the moment of dismissal

a. Year of dismissal

56% pf the respondents have been dismissed between 2004 and the first 5 months of 2005. In this way the sample confirms the real situation of the sector, marked by a strong increase of the dismissals and especially since the beginning of 2005.

Table 4 – Year of dismissal

		Nombre	%	Pourcentage cumulé
Valide	2001	19	20,0	20,0
	2002	8	8,4	28,4
	2003	13	13,7	42,1
	2004	27	28,4	70,5
	2005	28	29,5	100,0
	Total	95	100,0	

b. Job position occupied prior to the dismissal

About 60% of respondents have been unskilled workers at the moment of the dismissal. The condition under which the survey has been carried out did not enable to verify the situation of skilled workers; however it must stressed that the sector is mainly labour intensive and the people directly affected by reduction of employment are those with less skills.

Table 5 : Job occupied at the moment of dismissal

Postes	Personnes	%
Superviseur	1	1,1
directeur adjoint	1	1,1
conducteur de machine	20	21,1
Ouvrier(e)	56	58,9
contrôle qualité	2	2,1
Ouvrier (ère) spécialisé(e)	8	8,4
Autres	6	6,3
ND[2]	1	1,1
Total Désigné	94	98,9
Total	95	100,0

[2] Non désigné

Table 6 : Job occupied per gender in the enterprise at the moment of dismissal

		Poste de travail occupé dans l'entreprise de licenciement							
		superviseur	directeur adjoint	conducteur de machine	Ouvrier(e)	contrôle qualité	ouvrier spécialisé	autres	Total
Sexe	M	1	1	10	13	1	5	4	35
	F	0	0	10	43	1	3	2	59
Total		1	1	20	56	2	8	6	94

73% of the women interviewed are workers; this has correspondence with the general situation in the sector where women are performing low skilled tasks. Men in this category are 37%. On the contrary, 28.5 % of men are employed in positions such as machine conductors, versus 17% of female, and 14.3% of men have been specialized workers, while only 3% of women were specialized workers.

c. Average duration of employment in the enterprise

The average duration of the contract at the moment of dismissal was 3 years, which is relatively long, in a period of strong tension in the labour market and in a framework of very little formalization of labour relations, as it has emerged in our survey. The shortest duration of work was 1 month, the longest 16 years.

Table 7: Duration of the job in the enterprise at the moment of dismissal (in months)

Nb de personnes	95
Moyenne	34,84
Minimum	1
Maximum	192

d. Number of jobs previously occupied

One fourth of the respondents were at their second occupation at the moment of dismissal. 7% were at their first job. About 23% were at their fourth job, which indicates a relatively high mobility.

Table 8– Number of jobs occupied in the past

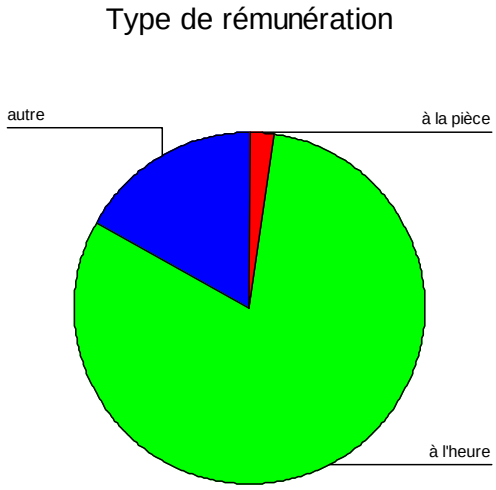
		Nombre	%	% cumulé
Valide	0	7	7,4	7,4
	1	25	26,3	33,7
	2	20	21,1	54,8
	3	21	22,1	76,9
	4	9	9,5	86,4
	5	3	3,2	89,6
	6	4	4,2	93,8
	7	3	3,2	97,0
	8	1	1,1	98,1
	10	1	1,1	99,2
	Total	94	98,9	
	NR	1	1,1	
Total		95	100,0	

Table 9 : Number of jobs occupied in the past and per gender, par sexe

Sexe		Nombre	%	% cumulé
masculine	1	9	25,7	25,7
	2	3	8,6	34,3
	3	10	28,6	62,9
	4	5	14,3	77,1
	5	1	2,9	80,0
	6	2	5,7	85,7
	7	3	8,6	94,3
	8	1	2,9	97,1
	10	1	2,9	100,0
	Total masculin	35	100,0	
féminin	0	7	11,7	11,9
	1	16	26,7	39,0
	2	17	28,3	67,8
	3	11	18,3	86,4
	4	4	6,7	93,2
	5	2	3,3	96,6
	6	2	3,3	100,0
	Total féminin	59	98,3	
	Valeur manquante	1	1,7	
Total		60	100,0	

e. Type of salary

The dominant system of payment is based on the effective number of hours worked. This system is more interesting for the enterprises because in this way they are able to respect the SMIG (minimum wage) and hence modulate their cost of labour according to the number of worked days each month. The SMIG is fixed by hour and not per month.

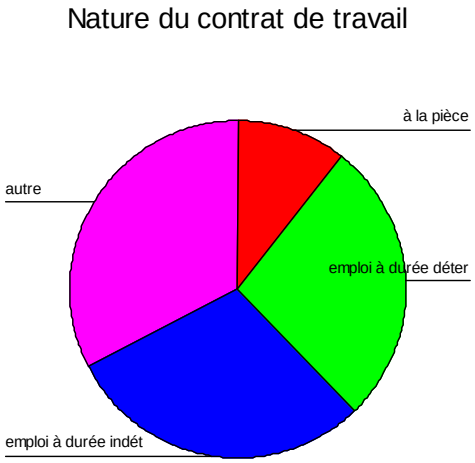


f. Nature of contract

In a situation of precariousness as that that characterized the textile sector, the share of contracts without limited duration is relatively important. This situation concerns three respondents out of 7. The share of people with “other situations” which is the largest concerns the people recruited for period of high demand.

Table 10 – Nature of contract

	Frequency	Percent	Cumulative Percent
Piece rate	10	10.5	10.5
Fixed term	26	27.4	37.9
Indefinite period	28	29.5	67.4
other	31	32.6	100.0
Total	95	100.0	



g. Fiche de paie

55% of the entrepreneurs seem to prefer to pay a social security to their employees which indicates that there is a contractual relation and also administrative difficulties at the moment of the dismissal and payment of compensation, as well as the obligation to enroll the employees in the National Fund of Social Security. The fiche de paie can also exist without a formal contract or can correspond to a contract on daily basis or by piece.

Tableau 11: Existence de la fiche de paye

	Fréquence	%
Oui	54	56,8
Non	40	42,1
Total	94	98,9
Indéterminé	1	1,1
Total	95	100,0

Table 12: Official reason for dismissal

Sexe	Raison	Nombre	%
Masculin	fermeture	3	8,6
	compression	3	8,6
	baisse d'activité	16	45,7
	faute professionnelle	3	8,6
	fin de contract	7	20,0
	autre	3	8,6
	Total	35	100,0
féminin	fermeture	9	15,0
	compression	10	16,7
	baisse d'activité	20	33,3
	faute professionnelle	7	11,7
	fin de contract	9	15,0
	Autre	5	8,3
	Total	60	100,0

Table 13 : Reasons of dismissal according to respondents

	Nombre	%
même raison	17	17,9
Mauvaise gestion	32	33,7
surendettement	8	8,4
Faillite frauduleuse	3	3,2
changement d'activité	2	2,1
Autres – non précisé	29	30,5
Total répondants	91	95,8
Total NR	4	4,2
Total	95	100,0

h. Characteristics of the enterprises

a. Size

Size

		Fréquence	Pour cent	Pourcentage valide	Pourcentage cumulé
Valide	5-19	6	6,3	6,3	6,3
	20-49	3	3,2	3,2	9,5
	>50	86	90,5	90,5	100,0
	Total	95	100,0	100,0	

b. Juridical status of the enterprises

Juridical status of the enterprises

Marché de production			Fréquence	Pour cent	Pourcentage cumulé
pour l'export	Valide	étranger	45	62,5	63,4
		local+étranger	3	4,2	67,6
		entrep.locale.familiale	22	30,6	98,6
		joint venture	1	1,4	100,0
		Total	71	98,6	
	Total		72	100,0	
marché local	Valide	étranger	1	16,7	16,7
		local+étranger	1	16,7	33,3
		entrep.locale.familiale	4	66,7	100,0
		Total	6	100,0	
Les deux	Valide	étranger	7	41,2	41,2
		local+étranger	1	5,9	47,1
		entrep.locale.familiale	9	52,9	100,0
		Total	17	100,0	

c. Markets

Markets

Fréquence Marché	Nombre	Pour cent
pour l'export	72	75,8
marché local	6	6,3
les deux	17	17,9
Total	95	100,0

4. Life conditions of the people dismissed after the loss of the job

a. Number of people in the household of the respondents at the moment of the dismissal

The households of the respondents are quite large. Each family has on average 6 members, the largest have 15 people. About 71% of respondents is living in a family with 4 to 9 members which implies a heavy charge for the working members and at the same time a stronger supplementary charge in case of loss of work of one of the members, and hence a decrease of the level of life of the whole household.

Table 14 Members of the household at the moment of dismissal

Répondants	95
Moyenne	5,82
Minimum	1
Maximum	15

b. Member of family working at the moment of the dismissal

For about a fourth of the families of the respondents, only the respondents were the bread winners. In this case the families have no resources at all, and in Morocco there is no unemployment benefit. This situation is evidently lived in a dramatic way for the respondents and for their parents.

1- Compensation suite au licenciement

Fréquences

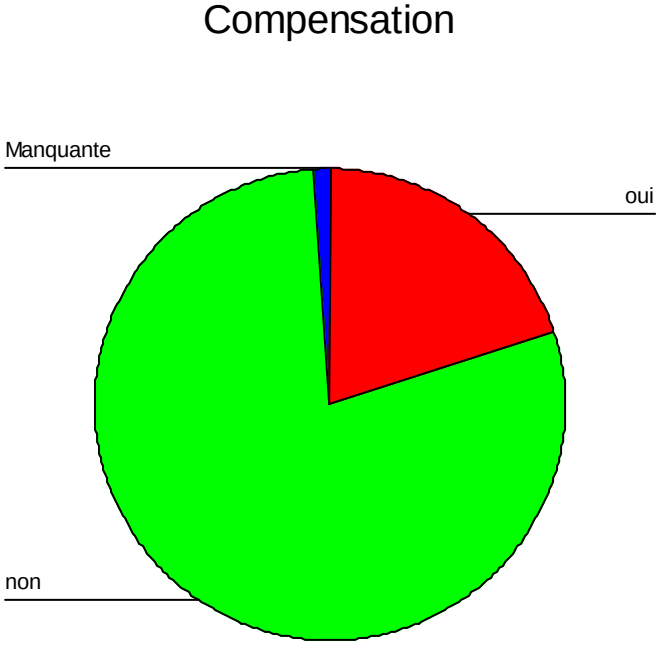
Statistiques

Compensation

N	Valide	94
	Manquante	1

Compensation

		Fréquence	Pour cent	Pourcentage valide	Pourcentage cumulé
Valide	oui	19	20,0	20,2	20,2
	non	75	78,9	79,8	100,0
	Total	94	98,9	100,0	
Manquante	NC	1	1,1		
Total		95	100,0		



2- Formation après licenciement

Statistiques

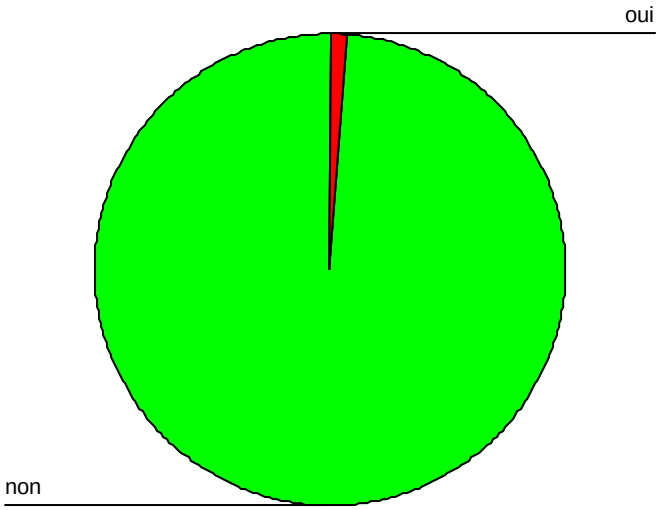
Formation après licenciement

N	Valide	95
	Manquante	0

Formation après licenciement

		Fréquence	Pour cent	Pourcentage valide	Pourcentage cumulé
Valide	oui	1	1,1	1,1	1,1
	non	94	98,9	98,9	100,0
	Total	95	100,0	100,0	

Formation après licenciement



3- Changement des dépenses de la famille après licenciement

Fréquences

Statistiques

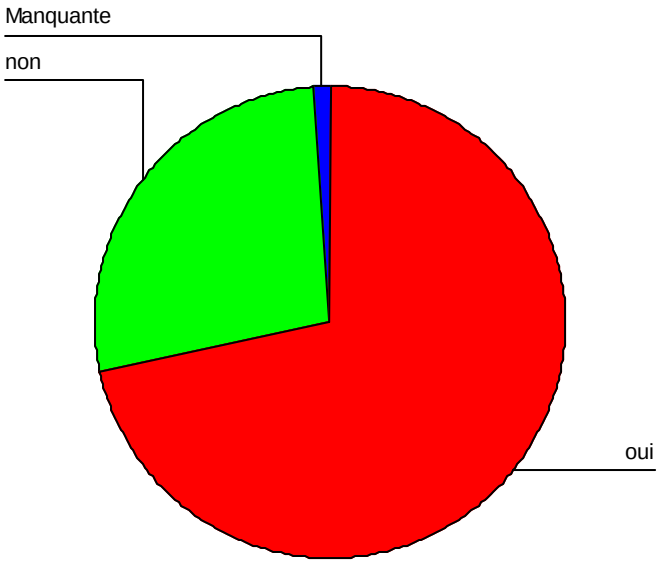
Changement de dépenses de la famille

N	Valide	94
	Manquante	1

Changement de dépenses de la famille

		Fréquence	Pour cent	Pourcentage valide	Pourcentage cumulé
Valide	oui	68	71,6	72,3	72,3
	non	26	27,4	27,7	100,0
	Total	94	98,9	100,0	
Manquante	NR	1	1,1		
Total		95	100,0		

Changement de dépenses de la famille



4- ***Nature de changement de dépenses après licenciement***

Fréquences

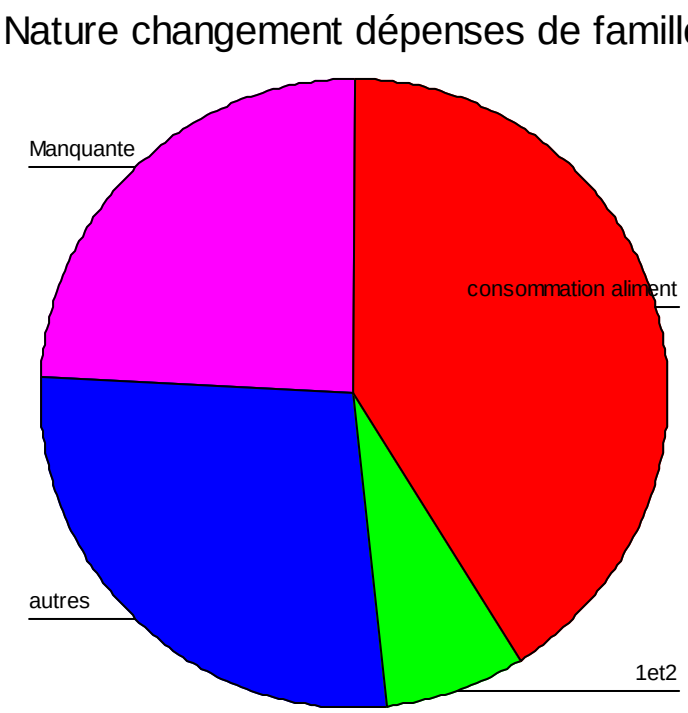
Statistiques

Nature changement dépenses de famille

N	Valide	72
	Manquante	23

Nature changement dépenses de famille

		Fréquence	Pour cent	Pourcentage valide	Pourcentage cumulé
Valide	consommation alimentaire	39	41,1	54,2	54,2
	1et2	7	7,4	9,7	63,9
	autres	26	27,4	36,1	100,0
	Total	72	75,8	100,0	
Manquante	NC	23	24,2		
Total		95	100,0		



5- ***Conséquences de changement sur l'enquêté***

Fréquences

Statistiques

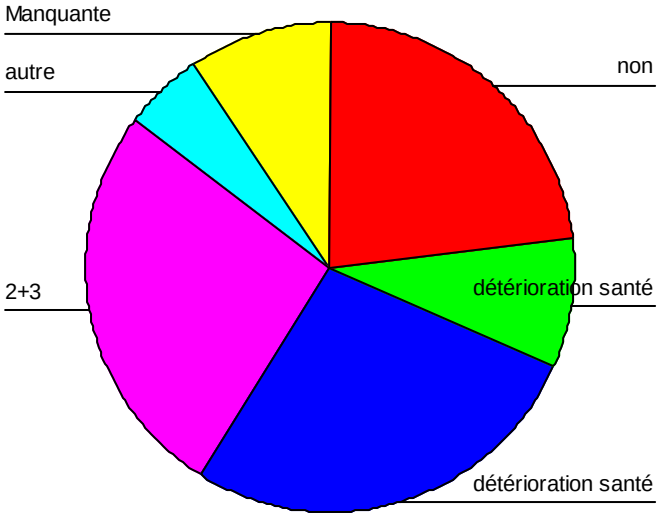
Les conséquences des changements sur l'enquêté

N	Valide	86
	Manquante	9

Les conséquenes des changements sur l'enquêté

		Fréquence	Pour cent	Pourcentage valide	Pourcentage cumulé
Valide	PdC	22	23,2	25,6	25,6
	détérioration santé physique	8	8,4	9,3	34,9
	détérioration santé mentale	26	27,4	30,2	65,1
	2+3	25	26,3	29,1	94,2
	autre	5	5,3	5,8	100,0
	Total	86	90,5	100,0	
Manquante	NC	6	6,3		
	NR	3	3,2		
	Total	9	9,5		
Total		95	100,0		

Les conséquenes des changements sur l'enquêté



6- ***Changement de ville après licenciement***

Fréquences

Statistiques

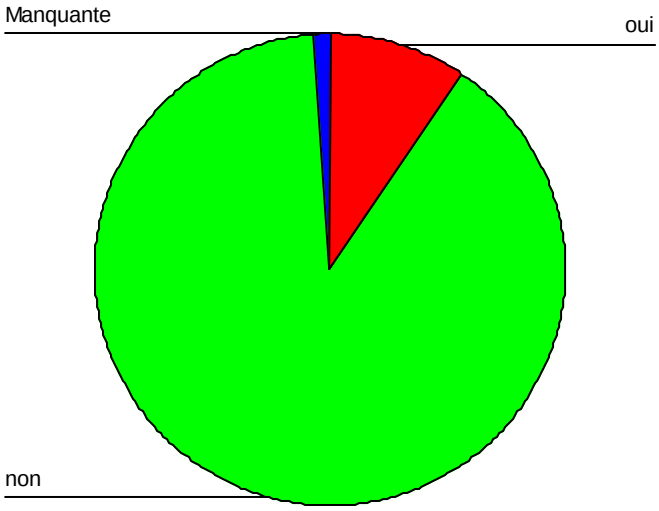
Changement de ville après la perte d'emploi

N	Valide	94
	Manquante	1

Changement de ville après la perte d'emploi

		Fréquence	Pour cent	Pourcentage valide	Pourcentage cumulé
Valide	oui	9	9,5	9,6	9,6
	non	85	89,5	90,4	100,0
	Total	94	98,9	100,0	
Manquante	NR	1	1,1		
Total		95	100,0		

Changement de ville après la perte d'emploi



7- *L'enquêté chef de ménage (au moment de l'enquête)*

Fréquences

Statistiques

L'enquêté chef de ménage

N	Valide	93
	Manquante	2

L'enquêté chef de ménage

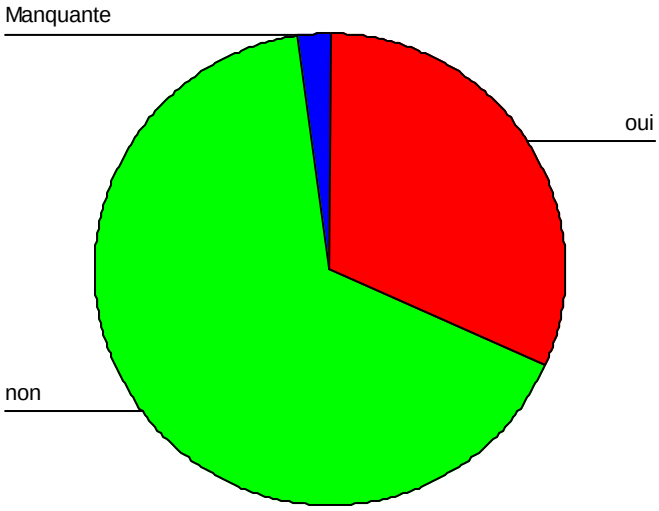
		Fréquence	Pour cent	Pourcentage valide	Pourcentage cumulé
Valide	oui	30	31,6	32,3	32,3
	non	63	66,3	67,7	100,0
	Total	93	97,9	100,0	
Manquante	NR	2	2,1		
Total		95	100,0		

Tableau croisé Sexe * L'enquêté chef de ménage

Effectif

		L'enquêté chef de ménage		
		oui	non	Total
Sexe	masculin	19	16	35
	féminin	11	47	58
Total		30	63	93

L'enquêté chef de ménage



8- Salarié dans le ménage (au moment de l'enquête)

Fréquences

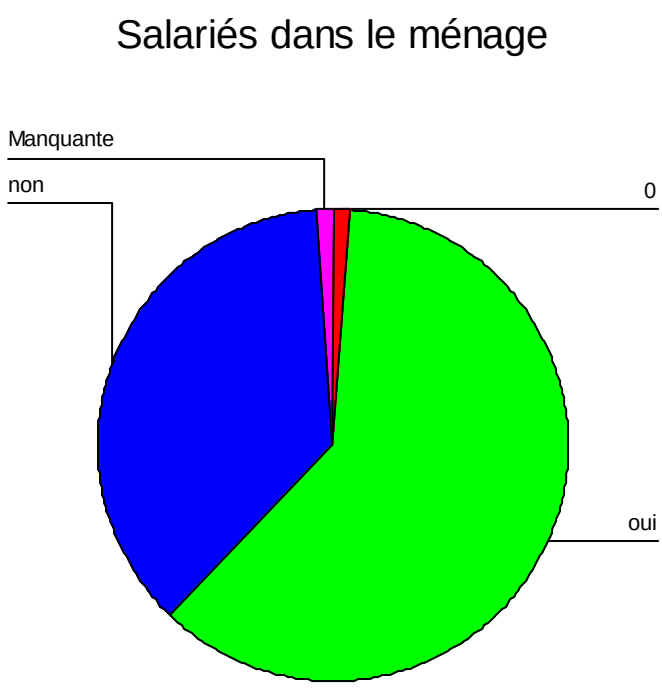
Statistiques

Salariés dans le ménage

N	Valide	94
	Manquante	1

Salariés dans le ménage

		Fréquence	Pour cent	Pourcentage valide	Pourcentage cumulé
Valide	0	1	1,1	1,1	1,1
	oui	58	61,1	61,7	62,8
	non	35	36,8	37,2	100,0
	Total	94	98,9	100,0	
Manquante	NR	1	1,1		
Total		95	100,0		



17- Salaire mensuel actuel

Fréquences

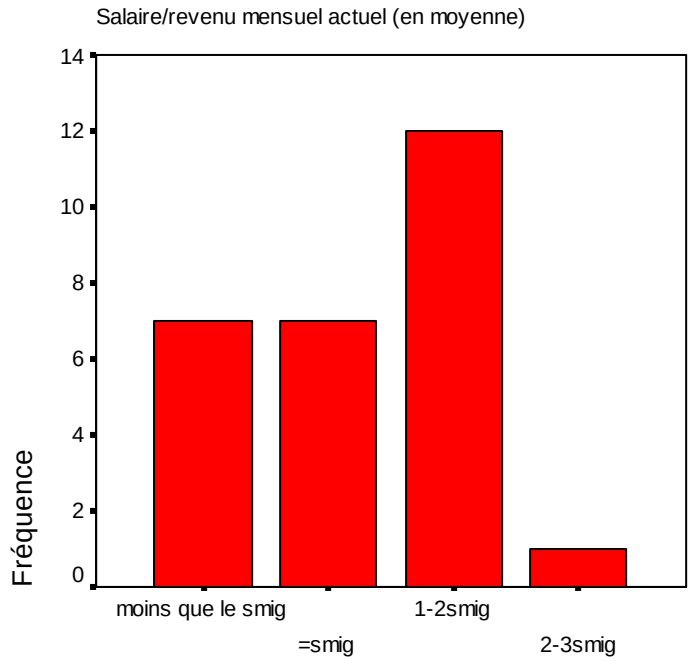
Statistiques

Salaire/revenu mensuel actuel (en moyenne)

N	Valide	27
	Manquante	68

Salaire/revenu mensuel actuel (en moyenne)

		Fréquence	Pour cent	Pourcentage valide	Pourcentage cumulé
Valide	moins que le smig	7	7,4	25,9	25,9
	=smig	7	7,4	25,9	51,9
	1-2smig	12	12,6	44,4	96,3
	2-3smig	1	1,1	3,7	100,0
	Total	27	28,4	100,0	
Manquante	NC	67	70,5		
	NR	1	1,1		
	Total	68	71,6		
Total		95	100,0		



Salaire/revenu mensuel actuel (en moyenne)

18- <u>Reprendre emploi dans le secteur textile</u>

Fréquences

Statistiques

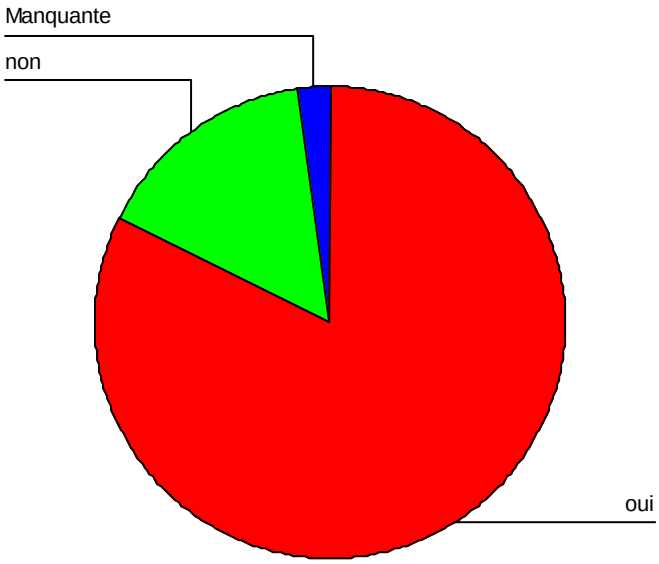
Reprise emploi dans le secteur textile

N	Valide	93
	Manquante	2

Reprise emploi dans le secteur textile

		Fréquence	Pour cent	Pourcentage valide	Pourcentage cumulé
Valide	oui	78	82,1	83,9	83,9
	non	15	15,8	16,1	100,0
	Total	93	97,9	100,0	
Manquante	NC	2	2,1		
Total		95	100,0		

Reprise emploi dans le secteur textile



19- ***<u>Salaire de réserve</u>***

Fréquences

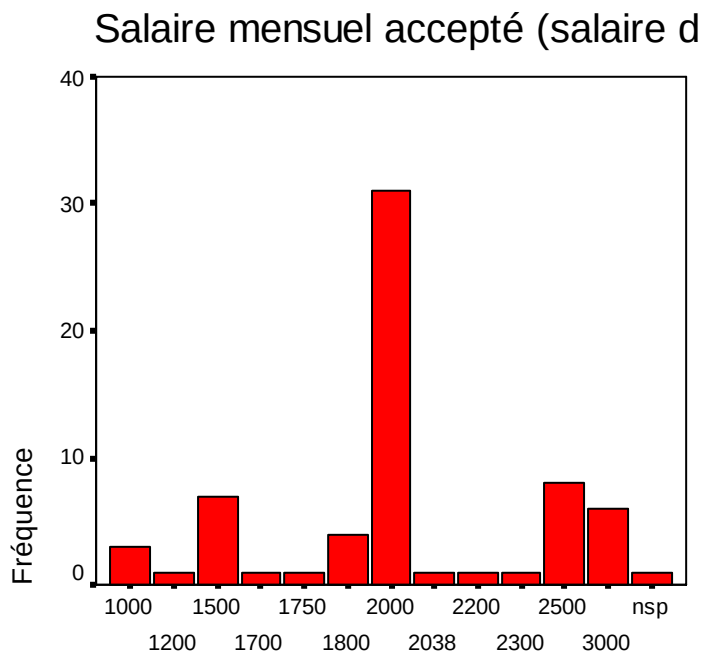
Statistiques

Salaire mensuel accepté (salaire de réserve)

N	Valide	66
	Manquante	29

Salaire mensuel accepté (salaire de réserve)

		Fréquence	Pour cent	Pourcentage valide	Pourcentage cumulé
Valide	1000	3	3,2	4,5	4,5
	1200	1	1,1	1,5	6,1
	1500	7	7,4	10,6	16,7
	1700	1	1,1	1,5	18,2
	1750	1	1,1	1,5	19,7
	1800	4	4,2	6,1	25,8
	2000	31	32,6	47,0	72,7
	2038	1	1,1	1,5	74,2
	2200	1	1,1	1,5	75,8
	2300	1	1,1	1,5	77,3
	2500	8	8,4	12,1	89,4
	3000	6	6,3	9,1	98,5
	nsp	1	1,1	1,5	100,0
	Total	66	69,5	100,0	
Manquante	NC	26	27,4		
	NR	3	3,2		
	Total	29	30,5		
Total		95	100,0		



20- <u>Eau au logement</u>

Fréquences

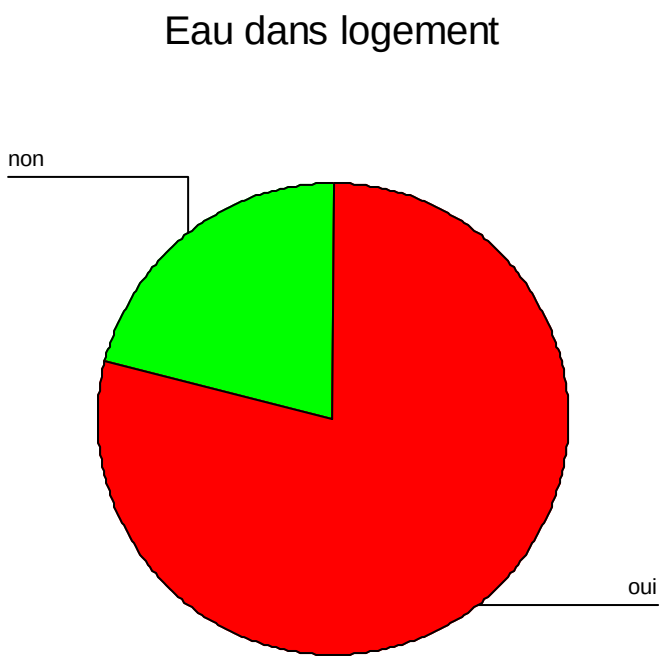
Statistiques

Eau dans logement

N	Valide	95
	Manquante	0

Eau dans logement

		Fréquence	Pour cent	Pourcentage valide	Pourcentage cumulé
Valide	oui	75	78,9	78,9	78,9
	non	20	21,1	21,1	100,0
	Total	95	100,0	100,0	



21- <u>Electricité au logement</u>

Fréquences

Statistiques

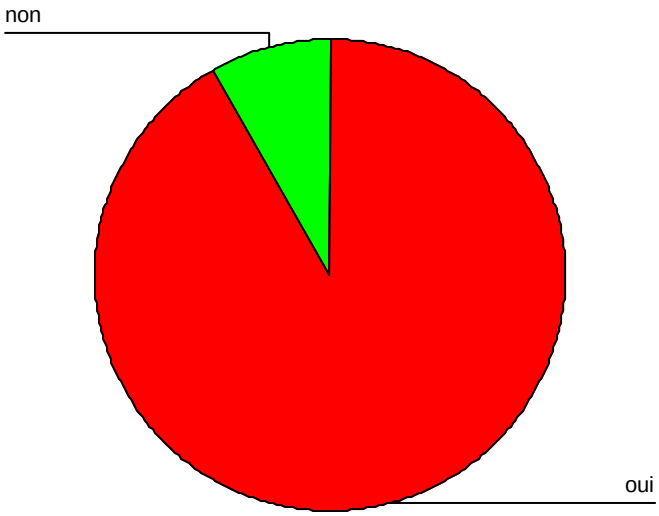
Electricité dans logement

N	Valide	95
	Manquante	0

Electricité dans logement

		Fréquence	Pour cent	Pourcentage valide	Pourcentage cumulé
Valide	oui	87	91,6	91,6	91,6
	non	8	8,4	8,4	100,0
	Total	95	100,0	100,0	

Electricité dans logement



APPENDIX 3: PART 1 - ALGERIA COUNTRY STUDY

Introduction

This background report on the Textile, Clothing and Leather (TCL) sector in Algeria is a part of the implementation of the FEMISE project, coordinated by the Roskilde (Denmark) University. This paper unfolds into four sections. First, we present the main historical trends that have characterized the TCL sector since the independence of Algeria. The next section makes a review of production growth, employment, and investments devoted to this sector. We then address the institutional framework and the social effects generated by the observed trends. Last we examine the way in which this sector is still resisting competition through informal activities.

1. THE MACRO ECONOMIC CONTEXT AND TEXTILE IN ALGERIA

The political, economic, and social experience lived by Algeria during the past fifteen years is characteristic of a transition phase. The project undertaken since independence (1962) towards building a socialist society based on a centrally planned economic organization heavily dependant on hydrocarbon resources, fostered major transformations in all fields.

However, as a result of the combined effects of demographic growth, new aspirations arising in the wake of both the mutations thus operated and of the economic recession generated by the 1986 energy counter-shock, the country was constrained to undertake radical economics and social reforms. Various economic reform legislations were to be adopted as early as 1988 towards breaking away from the socialist system and organizing the transition towards an open market economy.

The political system too was also altered by the promulgation of a new Constitution (1989) enshrining a multi-party system. Likewise, the social welfare policy was to be reviewed in 1990, spelling the gradual elimination of price subsidies. Conducting these reforms was not an easy task, and even brought about a multi-faceted crisis. Algeria was compelled to adopt (from 1994 to 1998) a structural adjustment plan in order to ensure the stabilization of macro-economic indicators.

A brief overview of the macro economic indicators during the 1990's decade makes it possible to size up the major economic stabilization challenges that Algeria had to face during this transition stage. The per capita GDP is estimated in 1990 at 2471 $EU, sank to 1457 $EU in 1995, and thereafter experienced a slight, slow recovery, to reach 1773 $EU in 2001 and 2093 en 2003.

The ratio of external debt service to non-factor goods and services exports jumped from 73.4% in 1991 to 81.3% in 1993, and then was marked by a progressive decline, to reach an acceptable level of 21.7% by 2001 and 18.17% by 2003. Special expenses incurred under the public debt /GDP which had reached 98.9% in 1995 fell down to 63.6 % by the end of 2001.

Likewise, inflation, estimated at 17.9% in 1990, reached 29.8% in 1995, and then lowered to 1.42 by the end of 2002. Finally, in terms of foreign exchange reserves, Algeria enjoyed a record level estimated at 32.9 billion $EU by 2003 and nearly 40 billion US$ in 2004.

These performances of the Algerian economy have not yet yield sound positive effects on social grounds. The unemployment rate was relentlessly on the increase, soaring from 20% in 1990 to 29% in 1999. A slight decline was noted in 2001 – with a rate of 27.2%, owing in particular to a lesser number of new job seekers on the labour market. The national rate for 2004 is estimated to 17.7%.

Unemployment has emerged in parallel with a substantial informalization of the Algerian economy: indeed, the informal non-agriculture employment rose from 26.6% in 1992 to 34.7 % in 2001, corresponding to a steadily growing fringe of workers not enjoying social protection. Social inequality remains still high, with a GINI index estimated at national level at 0.3690 in 2000, a figure slightly below that of 1988, estimated at 0.4036.

The restoration of macro-economic balances and the deterioration experienced in terms of social welfare emerged at a period characterized also by extremely violent political conflicts. Accordingly, the economic climate was affected. The transfer beyond borders of diplomatic representations in Algeria also had an adverse impact in terms of attracting foreign investment. Moreover, Algeria is the last of the Maghrib countries to sign the Partnership Agreement with Europe, and it is still one of the last countries not having yet joined the WTO agreements.

In brief, economic reforms are far from being completed. One of the core components of these reforms is privatization. The privatization process, many times re-launched by the Algerian authorities, still needs to be perfected, particularly in regards to their modus operandi.

Moreover, although the private sector has experienced a rapid expansion during the past ten years, the bulk of Algerian foreign financial resources (nearly 95%) is generated by the public sector, through the export of energy products.

Like the economies of the neighbouring countries (Morocco and Tunisia), the Algerian economy relies mainly on two exogenous factors i.e. the highly volatile price of petroleum and the climatic hazards' impact on agricultural production.

2. THE TCL SECTOR IN ALGERIA

2.1. Historical Overview

The TCL sector seems to be more and more marginal within the Algerian industrial sector: In 2002, it contributed 4.4% to added value, broken down into 3.7% for Textile and Clothing and 0.7% for Leathers and Footwear. The public sector is experiencing a drastic decline, with 1.2% as against 7.6% for private involvement in the textile industry. The same observation may be made in regard to the Leathers sector, with 0,2% for its public segment and 1.5 % for the private one.

With the privatization process recently re-launched by the Algerian authorities, the public sector is likely to be superseded by private capital. If this process proves inevitable, there is

little likelihood that it would generate the necessary spur to generate immediate recovery, as new investments requirements remain quite substantial. According to a recent study run for the government (2003), an investment of 320 millions Euros per annum should lead to 1.5 billion Euros by 2010. Increase of investment level would have to be achieved through FDI and through attracting group partnerships seeking outsourcing away from Europe.

Pre - 1976

The Textile, Clothing, and Leather (TCL) industries were encouraged as early as the first years of independence as part of a universally shared development approach involving: manpower valorisation at low investment costs and speedy response to the demand of a totally open local market. These industries depended on both public and private investment.
The TCL sector established during the socialist years (1967-1989) was geared essentially towards responding to the local demand. Starting practically from scratch, Algeria progressively developed a modern TCL sector that was essentially public, operating side by side with a private traditional sector. According to official data, the sector involved 36 public enterprises and 600 private ones. Altogether, it employed 50 000 workers and contributed nearly 10 % of the Industrial GDP in 1974.

Table 1 : The TCL Sector in 1974

	Number of enterprises	Public	Private	Employment	%Industrial GDP
Textile & clothing	432	19	413	38700	8.3
Leather	207	17	190	11000	1.4
Total	639	36	603	49700	9.7

Source : ONS, Algiers

Post – 1976

According to the data provided in an official survey (ONS, 1983) covering some one thousand local (private and public) enterprises, it appears that the TCL sector represented nearly 30 % of the total local industry employment - of which about 43% for the private sector and 11% for the public sector. Following the 1985 energy counter shock, Algeria opted for radical reforms of its production system, reforms that were carried out as of 1989. During that year, the TCL employed 107 000 wage earners, of which 63 % in the public sector.

The industrialization policy conducted by the Development Plans and which was to be carried on till 1980 concentrated efforts on the expansion of the public textile sector and was geared towards the spinning and weaving lines[97], with an investment of over 50 billion DA (1990) for the building of plants, and to a lesser extent, for the modernization of existing plants and the creation of a large distribution network[98].

The production capacities increased from 34 million metres textiles in 1977 to 180 million metres in 1982. The Leather sector experienced a similar development—the installed production capacities soaring from 7 million pairs of shoes to 50 million in 1982, for an investment of 160 billion DA.

[97] According to the list of branches.
[98] ONS, Algiers.

One may however observe two noticeable differences between the two sectors in regard to the approaches adopted for their respective expansions: (i) The textile investments were concentrated upstream, in the manufacture of fabrics, leaving the development of the garment- making line to private investment. (ii) On the contrary, the development of leather in the public sector involved the final product (shoes and leatherwork) being geared towards the consumption of the totality of public leather products.

One part of the market was earmarked for the private sector, which brought high investments in leather and shoes and in footwear items. Imports of fabrics towards the manufacture of ready-made clothes, which was overwhelmingly dominated by the private sector, steadily increased from 1974 to 1982. The growth of the two sectors was marked by one fundamental given: the bulk of their intermediate consumptions was based on imports (cotton, fibrane, thread, special textiles, raw hides, chemical products...), with one joint characteristic for this whole manufacturing sector, namely, the direct import by the public enterprises themselves and one public importing enterprise geared towards private sector requirements.

However, both the high dependency on imports and the structuring of this economic activity under a strongly centralized decision-making system did not fail to induce excessive vulnerability in relation to the fluctuations of the general economic situation, particularly to the restriction of financial resources availability. Such restriction was to stifle public enterprises and prevent reappraisal of their strategies towards working out those that would secure their adjustment to the new circumstances.

Paradoxically, it was during this period of weakening that new positive aspects emerged in both the public and the private sectors with

- a remarkable improvement in product quality;
- a change in the behaviour of managers, who now were more attentive to management constraints (in their attempts to identify demand and cost control)
- the placing on the enterprises' agenda of technical rationalization requirements;
- the mutual rapprochement that brought together public and private enterprises.

2.2. The TCL sector trends since 1995

In addition to data provided through the global economic analysis, some elements make the textile and leather sectors distinctive during that period and to a great extent account for the final appreciation to be made on their actual situation and their future prospects.

Both the public and the private sectors always shared the market among themselves in almost equal proportions in value, but their strategies supplemented each other and were seldom in competition; however, they were far from gratifying the demand.

This activity generated an informal economy, buttressed by the production and commercial public sector: through production (with the existence of clandestine workshops and home-based tailor-made manufacture) as well as through distribution, which absorbed undeclared production.

The geographic distribution of private enterprises is a relative one, and these enterprises are highly volatile, associated with a most elastic conception of law enforcement - in terms of taxability, labour laws, urban environment policies....

The activity level involved, being solely geared towards domestic demand, has been directly linked to the purchasing power of households. Local production was protected until the mid-1990's (increased customs duties, then additional taxation). The scattering and dissemination of this activity, as well as preference for the informal, have substantially led to a shrinking of the professional and trade-union organizational capacities (at employers and wage-earners' levels) needed for representation and bargaining with the public authorities.

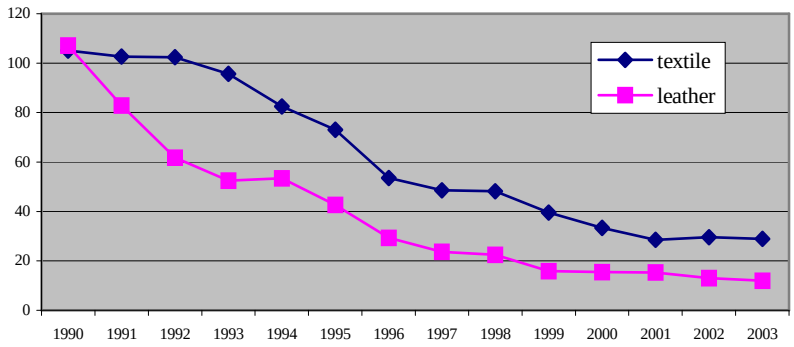
One should add that for the public sector, the persistence of rigid, centralized methods used the steering structures of enterprises - Holdings and Shared Management Companies - which neutralized the possible effects of the "openings" spelled out in the Enterprise Autonomy Laws.

A drastic reduction of employment in the TCL sector can be observed during the 1990's: 57,000 wage-earners were recorded in the modern sector in 2000, representing a fall of 47% within 10 years, with a reduction of nearly 60% of wage-earners in the public sector and 28 % in the private one. Finally, from a more global approach, this sector is actually in complete disintegration as production has been divided by three between 1990 and 2000 and the contribution to the GDP has fallen from 5% to 1,4% (ILO, 2004).

2.3 TCL production and investment trends

The TCL sector experienced a serious regression during the 1990's. The annual production index in the Textile and Clothing sector was reduced by threefold since 1990 - falling from 109 to roughly 30 in 2003. Worse, the leather and Footwear sector index was reduced tenfold during the same period. The following graph helps visualize this regression.

Graph 1 : Production trend in the TCL sector, 1990-2003, Base 100: 1989



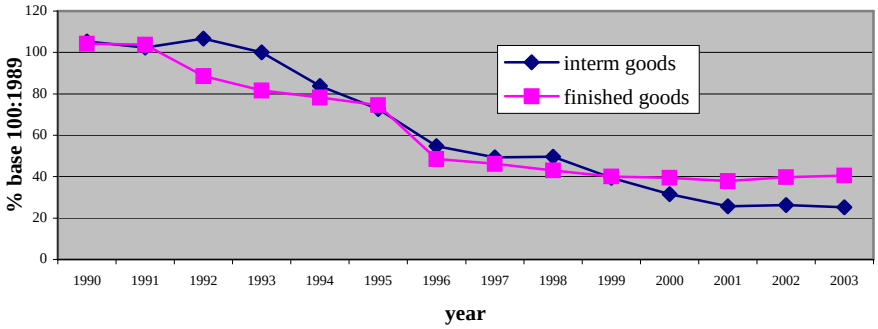
Source : Office National des Statistiques, Sept . 2004

A deeper outlook of each line (Textile and Leather) in regard to goods produced (finished or semi-finished) gives us a better understanding of these trends.

The textile line

The fall was much more important for end-of-line consumer goods, as illustrated in the following graph:

Graph No. 2 - Index of textile sector national production



Source : Office National des Statistiques, Sept . 2004

Public enterprises have to import all their raw materials and consumables. Moreover, their technology is highly dependent on international suppliers. Imports in 2001 for running activities amount to 2.3 billion DA i.e. $31 million over the $ 153 million of the line, with local purchases amounting to 1.3 Billion DA. Thirty out of the 48 textile public enterprises - i.e. the TEXMACO group – did not produce a sufficient added value to cover the sole staff expenses. The overdraft figure of the public Textile was 15.2 billion DA in 2001, i.e. 1.5 times the turnover.

This line has experienced a sharp fall within one decade, the industrial turnover passing from 10% to 5% ($1.6 billion in 1989 to $0.5 billion in 2000.) It accounts for 4.8% of the industrial turnover and 3.6% of the added value, for a result that is hardly balanced, the major part of which is in the clothing manufacture line.

Table 2 - Financial indicators per textile sector, Millions DA

	Public	Private	Line
Turnover	15001	30867	45868
Net Running Surplus	- 3507	+ 4174	+667
Intermediate consumables	5636	23072	28708
Salary incomes	3699	2502	6201
Amounts written off	1857	268	2125
Taxes	302	851	1153
Added value	2341	7795	10146

In monetary value, one may note a steady product growth—an average of 14% in DA, 1990 to 1999, while net running surplus (benefits) jumped by an average 88% over that period, reaching 98% in 1999 and 100% in 2000, for an added value whose mean increase was 14%, with a 29% peak in 1998, and a fall to 2% in 2000.

The growth rate of the public sector product is negative, not exceeding 9% over the whole decade. That of the net running surplus - 8% average rate over the ten years, was on the rise since 1997, reaching a peak of 12% in 1999, and reverting to zero in 2000. The growth rate of the added value remains negative, minus 8% on an average, with a positive peak of 13% in 1999 and 12% in 2000. The public sector experienced a sharp deficit (since 1993).

On the contrary, the private sector provided a product growth average rates of 26%, the net running surplus being 85%, with a 600% peak in 1995, which fell back to 40 % in 1998 and 0% in 2000, and a average added value of 26%, with a 175% peak in 1995, which fell to 7% in 2000. The private sector became largely predominant in this line, with a net apparent earning power of 13% of the turnover.

However, investment in this line is very low. For this line in fact, one must point out that private entrepreneurs, particularly in the clothing manufacture, unlike those of the public sector, have no immobilizations of built assets. They operate either in personally owned premises, or more frequently for the past few years, in rented ones. Moreover, most of the equipments have been acquired during the period 1975-1985, i.e quite now obsolescent.
Once more, the figures relating to the private sector, while undeniably reflecting its own dynamics, remain largely underrated. This is particularly noticeable when we consider the magnitude in ratio to the scantiness of the added value. One should also bring to bear the part played by underground activities in improving such outcomes.

Intermediate consumptions have remarkably progressed, jumping from 49% in 1990 to 74% in 2000. The Dinar devaluations alone is not sufficient to account for this increase. The fall in fabric production has certainly guided industrialists towards small added value products and towards re-conversion into the import of finished products to be resold as such.

The distribution of textile line products is secured through a national commercial net of some one thousand wholesale dealers, to which one should add 65 000 retailers and a multitude of unlicensed peddlers whose number is estimated at 45 000 (a hypothetical average of 5 per administrative commune).

The number of established importers was about 30 as against some 250 casual operators (with at least 3 operations within the decade). For example, a public enterprise employing 1500 wage earners enjoyed a national distribution grid with a turnover of 1.3 billion DA (in 2002). The Textile trade, legal and informal, employed 110 000 to 120 000 persons.

The strategy to be adopted to work out an industrial policy specific to this line should make a clear a distinction between the Textile and Clothing manufacture industries, which are actually mixed up. The failure of the policies taken in the years 1975-1980 to develop this line is to be ascribed to:

- the choice of cotton and wool lines for spinning and weaving and the fact that domestic demand was exclusively covered by the public sector;
- The discrepancy between their production and transformation capacities;
- The non-existence of a chemical fibre line;
- The voluntaristic over-estimation of cotton, silk, and woollen finished products;
- The delays and inconsistencies in the realization of projects, resulting in market disorganization, which made vertical integration questionable and neutralized adjustment capacities.

There is no need to recall the current problems experienced in the public sector, as they are well known, even if management rationalization measures were carried out, rather late.

However, there was strong justification for developing the Clothing sector, the latter being supported by the private enterprise and making a high contribution to the creation of low-cost employments.

This sector grew on the periphery of the public sector and apart from the objectives involved in the development policy of the line, and it exerted pressures over the public authorities with a view to secure for itself the intrants that the public enterprises were not in a position to supply to it under market quality and cost terms. Indeed, the worldwide increase of natural fiber clothing products (which generated the massive outsourcing of this industry as of the late 1970's) had an impact on the trend followed by garment manufacturers in favour of synthetic fabrics, which were less costly and more attuned to the populations' purchasing power.

The Leather line

The leather line has had organic characteristics similar to those of Textile, i.e.:

- A structured sector, with 20 public entreprises, of which one distribution enterprise and 1331 identified private entreprises,
- A private sector identified as operating outside regulations in force, and amounting to 400 micro-entreprises,
- An informal sector, consisting of small workshops, operating seasonally and according to juncture, generally sub-contracted to and under the order of some tradesmen.

The leather and footwear productions are located in the traditional centers of Algiers, Blida, Médéa, Oran, and Tlemcen, over half of this production being realized in the Centre region.
Since 1995, a regional redeployment has been noticeable in the regions of Tizi-Ouzou and Béjaia, where nearly one hundred manufacturing plants have been erected.
The staff identified for these enterprises is roughly as follows[99] :

Table 3 – Employment in the Leather line for 2000

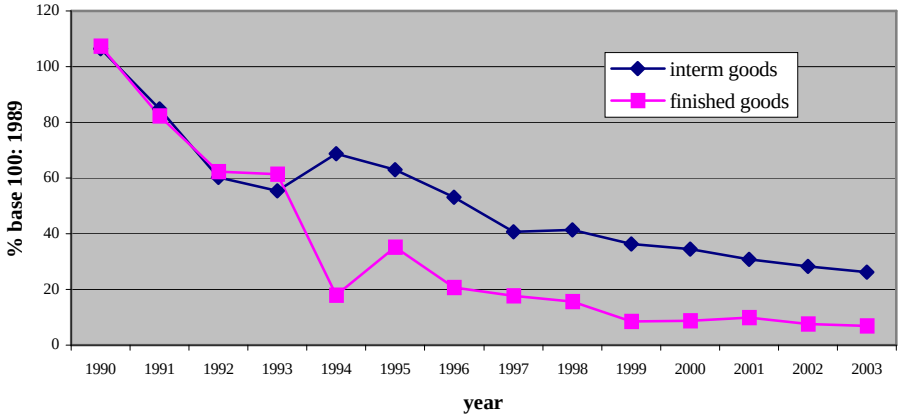
	Public	Private	TOTAL
Leather	07	28	35
Footwear	10	1331	1341
Miscellaneous	87*	ND	87
TOTAL	104	1359	1463

Source : Ministry of Industry, 2002

This line totally collapsed between 1990 and 2003, giving an additional blow to the public sector [100]. The national production index fell from 107 in 1990 to a mere 12% in 2003. As may be observed on the following graph, the most drastic fall recorded involved the production of final consumer goods.

[99] ONS-CACI-CNAS
[100]

Graph 3 : Index of national production in the Leather and Footwear sector



Source : Office National des Statistiques, Sept. 2004

Since 1996, the leather line experienced an expansion of exports (Cf. table N°4 below), increasing from $24.5 million to $ 41.7 in 2001, when imports sunk by 45%, jumping down from $30.7 million to $ 16.7 million;

Table 4 - Import/export development for the Leather and Footwear line

Million	Imports		Exports	
	1996	2001	1996	2001
LEATHER	4.2	3	17	25
FOOTWEAR	26.5	13.7	7.5	16
TOTAL	30.7	16.7	24.4	41.7

Source : Office National des Statistiques, Sept. 2004

The structure of imports in 2001 shows the prevalence of footwear imports to the amount of 947 million DA, that is, 31.5 DA/year/per capita, a figure that has been totally underestimated, well demonstrating the excessive under-evaluation at customs level.
Footwear parts (kits and soles) amount to 460 million DA while rawhides amount to 550 million DA. Considering the results achieved by the enterprises, the global earning power of this line, as is the case for the Textile sector, conceals the heavy degradation of the public sector, which was experiencing a structural deficit, having lost 12% of net running surplus between 1996 and 2000, while the private sector recorded a 28% gain. In 2000, this line accounted for 0.8% of the industrial turnover and 0.9% of the added value. As for Textile, the private sector was superseding:

Table 5 - Financial indicators Leather and Footwear line, 2000, Millions DA

	Public	Private	Line
Turnover	**2668**	**3371**	**6039**
Net Running Surplus	**-308**	**+946**	**+638**
Intermediate consumptions	**1742**	**1898**	**3640**
Earned Incomes	**875**	**391**	**1266**
Added value	**926**	**1473**	**2399**

Source : Office National des Statistiques, Sept., 2004

Intermediate consumptions throughout the decade remained stable (59% of the product), while wages fell down, and for the period following 1996, return to the margin situation was

to be noted. The outcomes were borne by the private sector. At the beginning of the decade, the public sector amounted to twofold the private sector, with an almost equal global earning power.

As of 1995, the public has undergone a structural deficit and has never been able to achieve successful restructuring. The private sector was constantly been experimenting benefits and had a steady growth, from 31% to 56% of the line. The product growth (in constant DA) was negative over the decade, except for the years 1998 and 2000. The added value growth was uneven, with an average rate of 4% over the ten years.

The net running surplus, with an average of 98%, recorded a 780% peak in 1999 (through exports and the increase in consumer prices) and fell back to 50% in 2000. In 2001, public industry involved imports totalling 340 million DA's worth of raw material and supplies, of which 190 million DA in the field of tanning and 150 million DA in regard to footwear. It exported 380 million DA's worth, of which 350 million DA for tanned products.

In 2001, tanning and the manufacture of synthetic leather generated positive finances to the amount of 45 million DA. One branch realized 21 million DA, i.e., nearly half the group's finances. The collection of hides also generated positive finances up to 17 million DA. This sub-branch also generated a 380 million DA added value, an amount adequate to meet running requirements.

3. LABOUR MARKET, INSTITUTIONAL FRAMEWORK & SOCIAL DIMENSIONS OF TCL EMPLOYMENT

After this review of the TCL in Algeria, let us have a glance at the labour market in this field, the institutional frame and last a deep insight at the social dimensions of employment in this field in Algeria.

3.1. Labour market in Maghrib countries

The overall labour force in Maghrib countries amounts nearly to 24 millions of workers within 72 millions of inhabitants, out of which 20 millions are employed

Table 6 : Labour force in Maghrib countries, 2004, thousands

	Algeria	Morocco	Tunisia	Total
Labour force	9469	10786	3329	23584
Employment	7800	9667	2866	20333
Unemployment	1669	1119	463	3251
Unemployment Rate	17,6	10,4	13,9	14.0

Sources :official statistics compiled by the author, 2005

The future needs for labour are estimated as 11 millions more jobs to be created up to 2020 to all the Maghrib countries in order to maintain the same unemployment rate (14%) all over the period. Morocco is faced with the most serious challenge and will have to create nearly 2 millions new jobs in a very short term (2009).

Table 7 - Employment needs up to 2020, millions

Country/year	2009	2015	2020	Total
Algeria	0,7	1,5	1,4	3,5
Tunisia	0,7	0,6	0,6	1,9
Morocco	1,9	2,0	1,9	5,8
Total	3,3	4,1	3,9	11,3

Sources: forecast estimated by the author on UN Statistics, 2005

We can note that in the 60s, all the Maghrib countries were bound to agriculture whose share to the overall employment were around 50% for Algeria and Tunisia but over 65% for Morocco.

Table 8 - Employment by sector in Maghrib countries (%)

Algeria	1966	1977	1987	1998	2003	2004
Agriculture	49,9	30,2	25,2	24,4	21,5	20,7
Industry	11,0	28,3	29,9	25,5	24,5	26,0
Service	39,1	41,5	44,9	50,1	54,0	53,3
Tunisia	1966	1975	1989	1997	2003	2004
Agriculture	45,8	39,0	25,7	22,0	21,3	16,3
Industry	20,9	30,0	22,1	34,1	33,3	34,3
Service	33,3	31,0	52,1	43,9	45,3	49,3
Morocco	1960	1971	1982	1992	2000	2004
Agriculture	65,8	52,2	40,3	42,4	47,8	n.a
Industry	11,6	14,7	23,2	22,4	13,8	n.a
Service	22,6	33,1	36,5	35,2	38,4	n.a

Sources: official statistics compiled by the author, 2005

According to the trends observed up to 2003, the structure is completely changed by now (2003), the tertiary sector employed 54% and 45% in Algeria and Tunisia respectively, whereas in Morocco Agriculture still remains the main source for employment.

The industrial sector (including construction) has had particular trends in Maghrib countries. Tunisia's industrial sector has followed a constant rise from 21% in 1966 to 34% in 2003, that is a growth of 64%. The industrial sector in Morocco has had an erratic evolution – it has doubled its structure from 11.6% in 1966 to nearly 23% in 1998. But these recent years, we can note a serious decrease with a rate of 14% in 2003.

Algeria stands out of the lot, having more than doubled its structural rate from 1966 to 2003 – from 11% to 26%, after having registered a peak in 1987 with nearly 30% of workers in the secondary sector. Out of the 26% in 2003, only 12% are employed in industrial firms, the rest being in the sub-section construction.

The labour force in the Textile, Clothing and Footwear (TCF) sector is quite different within the Maghrib countries. According to Achy (2001), the TCF contribute up to 42% of the overall industrial labour force in Morocco and this percentage is declining these recent years, though Lahlou (2005) confirms the same rate for 2002.

3.2. Labour force in the TCF sector in Algeria

The labour force in Algerian industrial sector amounts to 818 thousands of workers in 2003, with 27% of women. In 2000, the ILO estimates TCF labour force around 88 thousands of workers, with an equal rate of 31% in the private and public sectors, and 38% in the informal sector. There is no breakdown of these data available by sex ratio. According to the list of public TCF firms published in 2003 by the Government, it is estimate that 20 thousands of workers (temporary and permanent), out of which 15% are employed in the clothing sector and 85% in textile firms.

The only data with a breakdown by sex and occupational position of workers available are drawn from a recent field study runs in the textile public sector. The public textile sector labour force is estimated to nearly 16000 workers, covered by this fieldwork. No data are available in regard to clothing industry.

Table 9 - Breakdown of workers employed in the public textile sector by gender, occupational position and specialization

Sex	Staff	Supervisor	Executive	Total
Male	2,3	5,0	36,0	43,3
Female	0,1	0,3	2,3	2,8
Cotton	2,5	5,3	38,3	46,1
Male	1,7	3,8	14,1	19,6
Female	0,1	0,4	2,5	2,9
Wool	1,8	4,1	16,6	22,5
Male	1,2	1,3	5,1	7,6
Female	0,0	0,1	0,6	0,7
Silk	1,3	1,3	5,7	8,3
Male	1,4	2,7	17,9	22,1
Female	0,1	0,1	0,9	1,1
Industrial textile	1,5	2,8	18,8	23,1
Total	7,0	13,6	79,4	100,0
Male	6,7	12,8	73,1	92,5
Female	0,3	0,8	6,3	7,5

Source : CEGEP(2004), Algiers

The Algerian public textile firm employment structure is quite specific – with 92,5% are male and only 7,5% are female. This structure is rather typical in comparison to the Tunisian and Moroccan textile's employment structure where female labour force is dominant.

3.3. Institutional framework and social dimensions of labour conditions in TCL

In the 1980's, the Textile, Clothing, and Leather industries in both the public and private sectors ranked within the national mean in regard to salaries and social benefits, though employees in the private sector found themselves undergoing the handicap constituted by the high proportion of home-made labour and the resorting to apprentices for the purpose of saving on manpower costs.

The large and medium-size private enterprises, representing roughly 20 % of the total private (formal land informal) employment, used to comply with the labour legislation in a relatively standard way, including the social benefits provisions stipulated by this legislation.

For the remainder of the private sector, leaving aside the practice of daily wages, whose levels corresponded with the mean national average and characterized by employers' understated values, one observes a minimum amount of compliance with the labour legislation, particularly in regard to working hours, safety and security, and social protection.

The public enterprises, on the other hand, were totally in line with the general standard level of the economic public sector.

In addition to the loss of 60% of the employments - in the middle of the 1990's, 70000 out of 130000 – and the full or partial shutting down of about 1500 plants, manufactures, and workshops, within fifteen years, plus the effects induced upstream (entrant industries and trades) as well as downstream (retail business), the collapse of Textile, Clothing, and Leather has generated a major regression of the social efficiency of public enterprises, and to a lesser extent, of private ones. The salient features are:

- Remuneration setbacks and major salary losses,
- Weakening of employment through technical unemployment, and generalized instability linked with casual employment,
- Weakening of working conditions and of active wage-earners 'social protection (social security and retirement benefits, safety and security, labour medicine, working hours, compliance with labour legislation),
- Dwindling of social benefits (mutual assistance funds, cantinees, personal and family medical assistance, various types of premiums)
- Total relinquishing of professional training

The threat of unemployment with the continued regression of activity is making wage-earners vulnerable, and compelled to accept unfavourable working conditions. In the public sector, this has translated in: the general suppression of canteens, infirmaries and social and medical centres, of medical supervision in general, including medical supervision of jobs involving risks, discontinued provision of protection to ensure security or the prevention of sickness and accident, the elimination of returns meant to record professional and labour-related sickness, the closing of vocational and training centres, the closing of holiday camps, the reduction of indemnification under mutual insurance funds, and the inadequacy of refunds of fees incurred under the welfare system. By the end of 2002, 30 000 wage earners working in public enterprises were living in such conditions.

Private employers, with the exception of those of some medium-size plants, had for a long time been getting round their legal obligations in terms of employee-protection and labour-rights, by engaging in tacit agreements with the wage earners—the latter preferring to cash as remuneration the cost of such obligations. Salaries have always been negotiated individually. In this sector, understated salary-returns as well as informal remuneration, has been the norm, involving all the categories of workers (managers, first line supervisers, operatives). They have gained ground, become systematically generalized, going hand in hand with a substantial reduction of net salaries. Salaries have been computed on a daily basis, except in rare

circumstances when the employees, playing a key function for the employers, lead the latter to grant them a monthly salary.

A preliminary enquiry conducted with Algiers Clothing and Footwear manufacturers (in 2003) revealed that, one wage-earner out of 8 was the object of a return, still however at the lowest salary level - generally 120% of the National Minimum Guaranteed Wage and with a difference of about 50% in regard to the salary really cashed. The stated are, in most cases, those of first line supervisors. Some employers do not send in any returns regarding wage earners.

Well-enshrined habits generalized for 25 to 30 years in the profession and consisting in paying extras above the monthly salaries, in the form of occasional discretionary premiums on religious festive occasions, family events, or holidays, have been foregone for five years. Annual holidays are no longer counted out and paid for. At best, employers will grant an indemnification whose amount does not exceed one week's salary.

Both the private and the public sector are involved in compression of salaries through the reduction of differences of pay between categories of employees. The salaries of medium level managers have not exceeded the double of the lowest minimum wage and the difference between a foreman's salary and that of an operative is between 25 to 30% while in 1990 it used to be (depending on enterprises) 75% minimum.

In 2002, disregarding a few exceptions in the private Textile sector, one production manager's net monthly salary did not go beyond 20 000 DA, as against 900 to 10 000 DA for a specialized worker.

4. THE INFORMAL SECTOR AND IMPORTS

Informalisation of the Algerian TCL is no more a secret, anyway it is in close relationship to imports activities.

4.1. Trends in informal practices

The textile and Leather sectors may not be fully gauged without sizing up informal activity and the underground economy it generates. This activity have always existed ever since the first years due to the de-synchronization of the production and trade circuits and the rigidity of regulations and of the bureaucratic supervision conducted by the administration over the private enterprises.

This phenomenon is not to be addressed as a new one. It grew through the years 1980-2000 owing to the change that appeared in the running mechanisms and in the legislative framework of the economy, a growth that has required measuring its impact on the structured circuits of production and trade. After a period of "wild" development between 1985 and 1990, a progressive restructuring was noticeable in a system that was running in parallel to the legal circuit: goods were legally imported by wholesale dealers in questionable contexts (understated customs values, false currency returns) and these goods' display for consumption was diverted away from the controlled market circuits - traditional weekly markets, peddlars, shops, illegal street-sellers.

Clothing products - clothes and footwear - represent a major part of this trade, which is most dynamic and efficient. This is the very model of the free market economy, where the State in no way intervenes (on the contrary, it gives this model a stimulus through the facilities granted in the provision of areas and premises for its activities, and through lack of supervision and organizational measures); in this model, prices are fixed on the sole basis of the rule of offer and demand, and competition is established outside any framework identifying monopolistic positions.

One phenomenon has developed on a significant scale in this business ever since 1999: the dwindling of the proportion of imported goods, to the benefit of the introduced local production. The latter is not easy to gauge, however, given the lack of averred data, but, empirically speaking, it is *de visu* noticeable on displays and in shop-windows.

The trade sector currently determines industrial activity and market growth. It establishes rules and mechanisms, pushing to the margin of legislations and regulations, which have lost their mandatory character. Public enterprises alone are highly penalized by this state of chaos. Within such a context, the situation of the majority of Textile and Leather importers is at the confluence of the informal sector and they are being made subservient to the terms imposed by this sector (i.e. securing entrants and commercializing production). They do not have the means to import for their own account only a few SMEs have the required financial and technical means to do so. Being fastened to the informal enables them to keep afloat (through supply credit formulas and production solely under order) without having to bear the burden of stock financing. For the most part, this is what constitutes their margin of benefit. They thus become the vectors and the players (or actors) of the informal market.

The other segment of the Clothing informal business is tailor-made, generally homemade, manufacturing, although, during the past few years, a trend towards the integration of small enterprises is noticeable. This home-based tailor-made manufacturing is operated under two patterns: some of the order originators are small enterprises, concerned with supplementing deficits registered in regard to order fulfilment; some of them are tradesmen - some of whom ensure the product distribution to the shops and towards the grid of peddlers and illegal street vendors. The order originators finance the totality of entrants, and the home-based workers provide equipment and manpower.

Cross-checking with imports of fabrics and clothing items, with data relating to the intermediate consumption of enterprises, with production returns, with (transborder) air, maritime and road traffic, with estimates of individual imports (as per preliminary enquiries conducted with “trabendists”, the amount of the informal textile business turnover for the ten years may be estimated on an average at $ 300 million per annum (of which about 60% in finished products), that is, $ 10 per capita and per annum, the equivalent of 7 000 DA per annum, to which should be added an identified consumption of 7000 DA per annum and per capita (ONS 2000).

This trade and its financial source are the matrix of the informal business in the fabric, clothing, leather, and footwear lines. Networks draining the currency circulating at the periphery of these industries seem to be noticeable, networks whose function would be the financing of running operations and the recuperation of benefits, coupled with a pressure exerted over production prices by bringing to bear the competition constituted by imported products.

The capitals of these sectors' industrial activities have not generated the commercial expansion initiated as of 1995. It is only in 1999/2002 that private industrialists effected a conversion of their operations into import activities. In the informal context foreign capital is absent, at least apparently (unless the role played by nationals in financing imports is put under close scrutiny).

4.2. Evolution of Imports

For all the social partners in the Textile and Leather sectors, imports are the prime cause for the worsening of the crisis that started in the 1990's. In their view, it would have precipitated the deterioration characteristic of the period 2000-2004, which coincided with the advent of massive imports of finished products of Chinese origin by established importers.

In fact, imports have considerably decreased, falling between 1996 and 2001 from respectively $225 million to $153 million for Textiles and from $30.7 million to $16.7 million for Leather, thus sinking by 34%. The detail per product type indicates the general decline over all the products of the various lines: from production entrants to final consumption items.

Table 10 : Textile and Leather Imports (million $)

Year	1996	2001	Difference	% Difference
Total Textiles	225	153	- 72	32
Of which fibres and Threads	96	85	- 11	11.5
Fabrics	54	35	- 19	35
Clothes and clothing manufacture	50	20	- 30	60
Blankets	25	13	- 12	48
Total Leather	30.2	16.7	- 13.5	45
Of which footwear and accessories.	26.5	13.7	- 12.8	48
Leathers	4.2	3	- 1.2	28.5
GENERAL TOTAL	255.7	169.7	- 86	33.6

Source : Office National des Statistiques, 2002

It is obvious that even in correcting the understated values of finished products involving clothing –garments and footwear—as well as leather items, by doubling up such values so as to have an amount of $ 40 million and $20 million for 2001 - it does not stand that imports are the root-cause for the worsening of this crisis. One should however bring to bear two factors in order to ensure a properly adjusted analysis of the situation:

- the elimination of additional taxes has made it possible to reduce import costs;
- prices on purchase have certainly been considerably reduced owing to the change of provenance that has occurred (Asia, Middle East, Turkey, instead of Europe).

The values of imports do not cover quantities. Their nominal value has noticeably lowered during the past five years, in tune with the recession rate relating to the two lines. If one brings to bear the devaluation of about 20% that has affected this period, the important quantities prove to have substantially diminished. With corrected value, they must consist of 6 million ready-made clothing items and 4 million pairs of footwear. It seems that informal imports have likewise receded. Our informants, tradesmen specialized in this type of products and retailers supplying a multiple range of products, confirm the compression of their sales. This might be borne out by the price reductions noted on the market and by the fact that the

newly introduced sales system has tended to be generalized during the past two years. The rationale for the Textiles and Leather sectors crisis assuredly rests with other factors than the competition represented by imported products.

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STATISTICAL APPENDICES

Table 11 - Textile Line (including Clothing)

Legal status	Public		Private		Informal (*)		Total	
Year	1990	2000	1990	2000	1990	2000	1990	2000
Wage employment	56000	22000	26000	19500	25000	30000	107000	71500
Product (M. DA)	87	12,2	40	46,5	ND	ND	127	58.7
Added Value (M. DA)	ND	2	ND	7,8	ND	ND	ND	9.8

(*) estimates
Sources : A study made by the Algiers ILO Office

Table 12 - Leather Line

Legal status	Public		Private		Informal(*)		Total	
Year	1990	2000	1990	2000	1990	2000	1900	2000
Wage employment	11700	5300	12000	8000	5000	3000	28700	18300
Product (M. DA)	24,7	2,5	11,3	5,5	ND	ND	36	8,3
Added Value (M. DA)	ND	0,9	ND	1,5	ND	ND	ND	2,4

(*) estimates
Sources: Algiers ILO Office, 2004

Table 13 - GLOBAL TCL SECTOR

Legal status	Public		Private		Informal (*)		Overall	
Year	1990	2000	1990	2000	1990	2000	1990	2000
Wage employment	67700	27300	38000	27500	30000	33000	135700	87800
Production in M. DA	111,7	14,7	51,3	52	ND	ND	ND	ND
Added Value (M DA)	ND	2,9	ND	9,3	ND	ND	ND	ND

(*) estimates
Sources : Algiers ILO Office, 2004)

Table 14 - The industrial sector Added Value by legal status, 2000 – 2002

Branches / year	2000		2001		2002	
Legal status	Public	Private	Public	Private	Public	Private
Water and Energy	100	0	100	0	100	0
Mines and Quarries	95,2	4,8	93,9	6,1	93,1	6,9
ISMMEE	92,3	7,7	908	-808	90,2	9,8
Construction material, ceramics, and glass	72,2	27,8	72,5	27,5	72,4	27,6
Chemicals, plastics	83,2	16,8	81,1	18,9	75,9	24,1
Food and agriculture, tobacco, matches	36,1	63,9	29,4	70,6	22,9	77,1
Textile & clothing	23,2	76,8	35,3	64,7	20,1	79,9
Leathers and Footwear	38,6	61,4	24	76	19,3	80,7
Cork wood, paper	60,1	39,9	57,3	42,7	55,4	44,6
Miscellaneous industries	96	4	96,8	3,2	96,1	3,9
Total	66,3	33,7	64,7	35,3	61,3	38,7

Source : Office National des Statistiques, Sept., 2004

Table 15 - Structure of the industrial sector Added Value by branch (hydrocarbons excluded) 2000 – 2002

Year	2000			2001			2002		
Branches	public	Private	NATIONAL	public	private	national	public	private	national
Water and Energy	22,6	0	15	24	0	15,5	25,3	0	15,5
Mines and Quarries	2,4	0,2	1,7	1,9	0,2	1,3	2	0,2	1,3
ISMMEE	16,1	2,6	11,5	14,8	2,8	10,6	16,1	2,8	10,9
Construction material, ceramics, and glass	9,9	7,6	9,1	11,6	8	10,4	12,8	7,7	10,8
Chemicals, plastics	9,7	3,9	7,7	7,9	3,4	6,3	7,5	3,8	6,1
Food and agriculture, tobacco, matches	20,5	71,2	37,7	16,3	71,4	35,8	13,3	71	35,6
Textile & clothing	1,2	7,8	3,5	2,1	7	3,8	1,2	7,6	3,7
Leathers and Footwear	0,5	1,5	0,8	0,3	1,6	0,7	0,2	1,5	0,7
Cork wood, paper	3,2	4,1	3,5	3,3	4,5	3,7	3,4	4,3	3,7
Miscellaneous industries	13,9	1,1	9,5	17,8	1,1	11,9	18,2	1,1	11,7
Ensemble	100	100	100	100	100	100	100	100	100

Source : ONS, Alger- 2004

Table 16 - Textile, Clothing & Footwear indicators (2003)

Branches	Public Enterprises (%)	Exports (%)	Production (%)	Added Value (%)	Employment (Public) (%)
Textile	62	80	87	84	85
Clothing	38	20	13	16	15
Total	100	100	100	100	100

Source : ONS (2004) & Ministère de l'industrie (2004)

Table 17 - Indicators of Algerian Industries (hydrocarbons excluded) (2003)

	Production	Added Value	Employment (permanent)	Exportation
Food & agriculture	26,0	14,6	18,7	11,5
Textile	2,5	1,7	13,4	1,2
Leather & footwear	0,4	0,3		0,2
Mechanics & Energy industries	6,3	4,8	40,2	35,0
Miscellaneous Industries	64,9	78,6	27,6	52,1
Total	100,0	100,0	100,0	100,0

Source : ONS, Alger- 2004

Table 18 - Evolution of permanent employment (public sector) by branch

Secteur d'activité/ année	2000	2001	2002	2003
ISMMEE	67914	68765	68066	70365
Construction material, ceramics, and glass	23229	22853	22534	21781
Chemicals, plastics	13442	15552	15012	15257
Food & agriculture	42162	40461	36793	32809
TCL	**22943**	**25269**	**24143**	**23535**
Cork wood, paper	11264	11133	10413	11314
Total	180954	184033	176961	175061

Source : ONS, Alger- 2004

APPENDIX 3: PART 2 - ALGERIA SURVEY RESULTS

INTRODUCTION

This report completes our analysis on the global situation of the TCL Sector in Algeria. It summarizes the main results of the survey conducted by our team on the possible forms worker's shifting from the modern sector to the informal sector.

This paper is structured into five distinct sections: The first section recalls some elements of our global problematic, broadly developed in the country report, and includes the methodological approach worked out for the survey operated in the Algiers region. It is followed by a description of the main characteristics of the population targeted. We then felt it important to emphasize the fundamental components of the TCL segment covered by this survey. Finally, in the 4th and 5th sections, an endeavour is made to sketch out the various itineraries followed by the workers after being laid off - most of them having been able to find new employment either in the modern sector itself, or in the informal segment of this sector, while others yet have totally swerved towards a totally different sector of activity. One last category of workers is still either unemployed or has given up any form of economic activity.

Such results in themselves constitute a contribution towards a better knowledge of the impact of the globalization process on the TCL labour market in a developing country and towards the feasibility of evaluating the transfer of workers from the modern sector, which is facing exogenous factors, towards the informal sector. "Global unemployment" thus participates in impelling a new dynamics onto the informalization of TCL, owing to the growth of self-employment.

1. PROBLEMATICS AND METHODOLOGY

Prior to going into the heart of our study, a recall of some elements of the problematic developed in our report on the TCL sector in Algeria is necessary. The primary objective of this survey is to trace the trajectories followed by workers that have been dismissed for economics reasons from the TCL sector since the year 2001. Second, specifying the methodological approach developed towards the realization of this investigation is also deemed important, this approach having a determining role in regard to results achieved.

1.1. The problematic

The central issue addressed by this project is to identify the factors that generated the decline of the TCL sector in ALGERIA ever since the economy experienced transition towards a

market economy. The growth of the informal sector - particularly through "trabendo"[101] - seems to have been the catalyst that spelled the destruction of this sector at least up until 1995, when foreign trade was liberalized. In this new context, the intensity of trabendo was sensibly reduced with the emergence of "second-hand clothing business" (in French "frippe") and the conversion operated by many enterprises from production to TCL products imports from overseas.

However, one of the causes lies in one of the effects induced by the integration of the Algerian economy into the globalization process. The demythification of globalization as a system of shared development indeed proves to be a central factor for our analysis. What chances of recovery are offered for this sector as part of Algeria's joining WTO and of the implementation of the FTZ at Mediterranean level? Is not this sector, already to a great extent destroyed by the open economy, likely to disppear in a very near future? What would be the consequences on the future of workers in this sector? In sum, does not the decline of this sector go hand in hand with a transfer of the modern sector workers towards the informal sector, where labour standards fail to be respected or are hardly so?

The new profile of this sector is determined by the very nature of informal trade practices. The former informal mode within TCL, operating on the basis of traditional values, is currently merged with the informalization process, which has been accelerated by globalization. It is likely that in the Maghrib, this sector has become the rear-base of counterfeiting, in the face of an informal market whose restructuring at regional level is in full swing.

1.2. Methodological approach

The population targeted in this study consists of male and female workers dismissed from the textile sector. This choice has been determined by the main goal of this study, namely, finding out the prospects lying ahead for workers that have been laid off from 2001 up to now.

The field of our enquiry: for the purposes of this exploratory study, and due to time and cost constraints, the perimeter of this survey has been the Algiers Wilaya (province).

Itinerary and sampling: after exploring textile enterprises in the Wilaya of Algiers, the steps we adopted were determined by two modes strategies carried out simultaneously. The first one has involved the consultation of the "Fichier National de la Caisse Nationale d'Assurance Chômage" (National Registry of the National Unemployment Insurance Fund) -CNAC -, particularly as relates to those persons laid off as early as 2001 and who have been admitted as beneficiaries of Unemployment Scheme. The number of workers admitted as beneficiaries in the textile sector is 1200. One must however emphasize the fact that the majority of public enterprises that were shut down or subject to workers compression became so during the 1990's. Out of this registry, we pulled out the files of the Algiers region enterprises. In adopting this procedure, some bias factor slipped into our sampling, as the majority of the workers involved were still subservient to the unemployment insurance scheme. However, to select the workers of a given enterprise, we opted for a randomized method, drawing each fifth worker's file. All the workers thus picked up were then called by the Local CNAC agency for Algiers for interviews with our researchers, which took place between 11th and 22nd July 2005. The second strategy consisted in obtaining from the National Chamber of

[101] « trabendo» is a generic Algerian concept to qualify illegal imports' activities, avoiding also taxation on the resale local market. These activities are quite prominent in the textile sector.

Trade and Industry (Chambre Nationale de Commerce et d'Industrie) a database covering the TCL private enterprises. Accessing the national registry would be interesting, but the cost involved is rather expensive. This list included 52 enterprises registered since 1998 - of which 15 did not renew their registration in 2004. These - all small size enterprises - were selected and were the subject of preliminary visits by our team members. Some of these enterprises agreed to submit to us a list of the workers laid off since 2001. Other enterprises either had changed addresses, or had changed ther activities, or yet refused us access to the files of dismissed workers. The same random drawing system was used in their regard, this time however picking every third file. All the concerned workers were interviewed during working days (from 16.00 to 19.00 hours) during the period 18th June to1st July 2005.

Conduct of the survey: The survey was conducted by six junior researchers, all holding at least a BA degree, and with perfect command of the working languages (French, Arabic, and Berber). Prior to that, a training session geared towards clarifying the headings of the questionnaires was organized.

Control: The filled up questionnaires were checked, and systematically and simultaneously entered in through statistical database software by an operator. Following this control, out of the 150 questionnaires filled in, only 110 were retained towards their systematic processing. We ourselves checked and corrected the database, which, sometimes, after a first frequencies run, required going back to the questionnaire itself.

2. CHARACTERISTICS OF THE POPULATION INTERVIEWED

The population subjected to our investigation is characterized by three essential elements. The first observed fact – and this is no longer to be viewed as an isolated case-- is that the TCL private sector is to a great extent feminized. The second, obvious one was the low level of education of this population, a factor that may constitute a major handicap to their employability. On the other hand, the socio-economic situation of the dismissed workers for economic reasons has been the focus of our special attention.

Feminization of the THC sector

As a rule, the TCL private sector is highly feminized, and Algeria is no exception to this rule. We observed a percentage of 72.3% of women laid off, as against 27.3% men in the Algiers region. This fact should not lead to the conclusion that the women were targeted as a vulnerable category and thereby as one that would easily be apt to be fired (see Table No. 1).

As a whole, the most prevalent group age is 25 to 40 years' old. However one may note that the least aged (less than 25 year's old) women are more numerous than the younger-aged men, and that at an advanced age, the rate of men is slightly higher than that of women.

The feminization of the sector is one of the leading factors accounting for the trajectory followed by dismissed workers, in addition with the group age of these persons - corresponding to a category where constraints linked to household responsibilities are more important.

Table 1 – General Characteristics of the population investigated

Age Group	Male	Female	Total

Under 25	10,0	21,3	18,2
Between 25 and 40	70,0	61,2	63,6
Over 40	20,0	17,5	18,2
Educational level	**100.0**	**100.0**	**100.0**
Primary or less	90,0	80,0	82,7
Junior	0,0	11,3	8,2
Secondary or above	10,0	8,7	9,1
Duration of work	**100.0**	**100.0**	**100.0**
Less than 5 years	53,3	65,0	61,8
Between 5 and 10 years	36,7	30,0	31,8
Over 10 years	10,0	5,0	6,4
Head of household	**100.0**	**100.0**	**100.0**
Yes	50,0	11,3	21,8
No	50,0	88,7	78,2
Other family members occupied	**100.0**	**100.0**	**100.0**
Yes	76,7	67,5	70,0
No	23,3	32,5	30,0
Total	**100.0**	**100.0**	**100.0**

Low levels of education – a problem of employability

Concerning educational levels, we can observe that most of dismissed workers only enjoyed primary school education - we could also note the existence among them of "illiterate people"[102]. Only a rate of 20 % of women has studied beyond primary school, as against 10 % for men.

This low level of education is in itself problematic, but deserves to be addressed with a sense of nuances. Globally indeed, the labour market in Algeria consists essentially of "non-degree holding" active people, but this is due to the fact that the issue of workers' employability has for a long time not been properly responded to in Algeria. Thus, even while workers with "no level" of education may have acquired experience and training on ground, this capital has inadequately been valorised. Only recently have workers been called upon to register for cyclical internships (organized under the auspices of enterprises and training institutions) and to take professional exams that would enable them to get the necessary skills needed to reinforce their employability within the framework of a more flexible labour-market.

To compound the shortcoming constituted by the observed low level of education of the workers, particularly the female workers, this population is rendered even more fragile by its socio-economic situation.

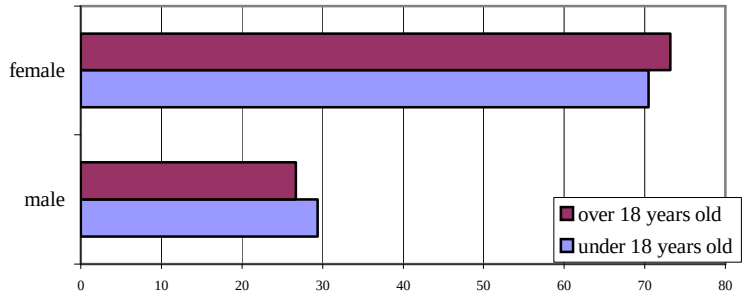
The Workers' Socio-Economic Situation

One interesting fact is interesting to take note of: the female workers laid off, to a greater extent have no family responsibilities, only 11% are "heads of households". This characteristic may be viewed not only as a factor of weakness, but also as an asset. The prevailing women's condition of dependency as per norms is a factor that should not make

[102] Literacy here is understood as the universal concept of schooling, excluding literacy in Islamic School, where Arabic language are taught.

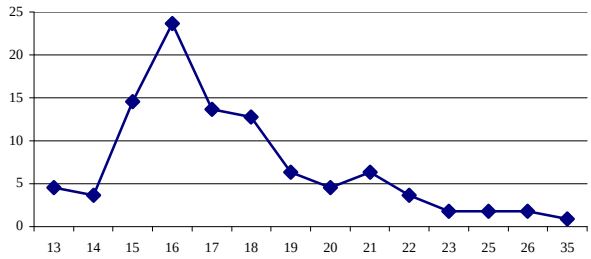
their being laid off a major setback on family income. Yet, this very condition tends to make female textile workers particularly vulnerable, as they are easily prone to being fired by their employers. The profile of the workers in regard to their age on their first employment is rather edifying:

Graph N° 1. Profile of laid off persons according to age and sex.



One may easily note that in spite of a minimum employment age, nearly 50% of males, and over 50 % of females started working well before the age of 18. Generally speaking, one may also observe the early age at which some worked for the first time (as of the age of 13) whereas others, particularly women, were latecomers on the labour market, after they reached the age of 21.

Graph N° 2. The age of the first employment for the laid off workers (%)



Age start working

Following this overall profile of the workers, let us consider the specific features of the TCL segment investigated.

3. THE TEXTILE SECTOR SEGMENT INVESTIGATED

This enquiry does not provide an exhaustive coverage of the TCL sector production. Here again, it seems to be important to specify the scope of the segment covered by our enquiry, particularly the range of its production and its characteristics. The working conditions typical of this segment deserved particular focus given the omnipresence of informalization elements even within the modern sector. We shall conclude this section by providing an illustration of the new dynamics impelled onto the informal sector particularly at the level of this TCL segment.

Characteristics of the Production segment

The production segment, subject of this survey, is rather specific, and this is why our results may in no way be generalized to the whole TCL sector. The segment investigated is that of the production of garment consumer goods, particularly those manufactured by some 10 production units in the Algiers region. Therefore, our enquiry has excluded intrants, weaving, fabrics, and other accessories of the textile industry, and does not encompass the extent of the national territory. The only products covered by our survey are ready-to-wear (men's, women's, children's) clothing and other labour and sports garments, as well as beddings (sheets and blankets). The enterprises manufacturing such products do not limit themselves to one type of products— these vary according to seasons and to demand.

Another factor borne in mind is that the enterprises covered by this survey are operating and producing only for the local market. The products geared towards export purposes are not surveyed in this investigation and most of them (90 %) are family-type enterprises. As may be noted on the graph below, for the most part (68% of respondents) the size of the enterprises for which they had previously worked, in terms of employment, consisted of less than 50 workers – and for 41 per cent less than 20.

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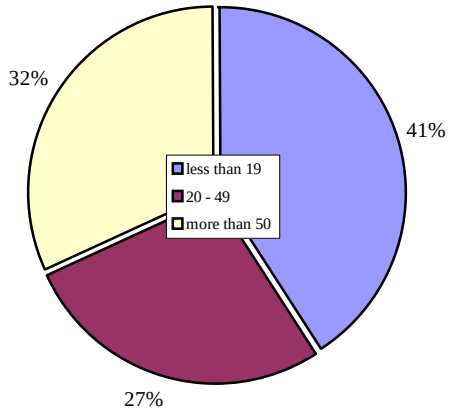
Graph 3 - Breakdown of enterprises for which respondents had worked by size



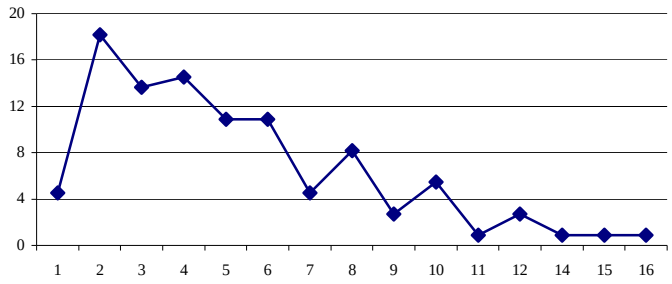
Due to this TCL segment configuration thus covered by the survey involves rather specific labour conditions.

3.2. Labour Conditions in this TCL Segment

The characteristics of this TCL segment are determined by the profile of the workers recruited: more women than men, middle age, low level of education, and coming from the enterprise's immediate environment, i.e., in the vicinity of the premises of the enterprise, sometimes, involving several members of the same household –30% at least of the persons had at least one member of their families working in the same sector but not necessarily in the same enterprise.

One of the major characteristics relating to labour conditions is the predominance of short term contracts («Contrats à durée déterminée» CDD), representing nearly 77% of the total number of our informants, 13% were recruited «by pieces», as against only 6% for undetermined period contracts. Such employment flexibility thus makes it possible for the employer to recruit or lay off according to the intensity of demand. And yet, the duration of time spent on the job in this sector varies between one to 16 years –60 % of the workers lasting at least 5 working years.

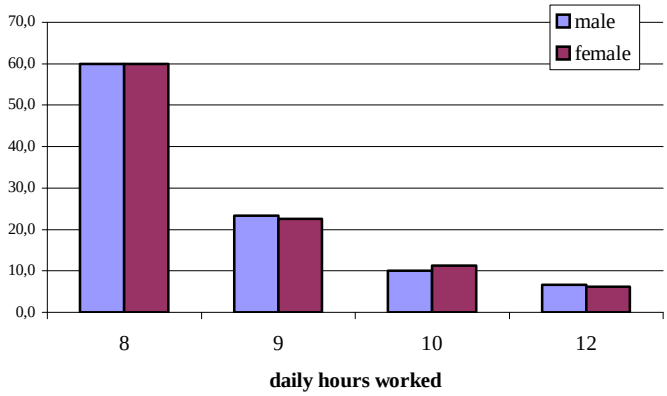
Graph 4 - Job Duration with Previous Employer in the Textile Sector



3.3. Informalization of the Segment

Moreover, though nearly the majority of respondents declare that they have pay-slips, such documents are generally « blank ». Moreover, we observed the little respect generally paid in this TCL segment, to working hours standards, be it for men or women: these working hours generally exceed the regular hour-load, which is 08 hours per day or 40 hours weekly.

Graph 5 - Breakdown of Workload daily hours by sex (%)



One of the major features of informalization in this sector is obviously the absence of any compensation granted as a result of the laying off of workers: only 29 % of the workers benefited from any form of indemnities (minimum requirement: three months salary amount)

4. CONSEQUENCES OF LAYING-OFF AND CURRENT SITUATION OF WORKERS

The effects of dismissal on workers are manifold and generate a diversity of reactions varying according to the social and economic circumstances of the workers. In this section, we propose to scrutinize the factors that made it possible for a category (by far the most important one) to bounce back and get reintegrated into the labour market. Three categories have thus been worked out: the first is one involves workers who could reintegrate some job in the very textile sector; the second one, consists of workers who opted to establish themselves at the periphery of the modern sector, either within the informal business or as part of self-employment; the third and last category one is the one that altogether cut off ties with the textile sector. Globally speaking, a few striking and rather distinguishing observations may be noted:

- the dissemination of dismissed workers according to the current sex-based situation is characterized by a perfect discrepancy: 19 % of the men are still laid off as against 81 % of the women.
- The same observation may be entered according to age group – records so that younger women (less than 25 years' old) represent the highest unemployment rate.
- If one considers educational levels, it is, again, the less educated women that are the most exposed to unemployment.

Table 10 - Current Situation of Laid off Workers in %

Variable	Index	Employment	Unemployment	Total
Sex	Male	29,2	19,1	27,3
	Female	70,8	80,9	72,7
Age Group	Less than 25 Years'old	16,8	23,8	46,3
	Between 25 and 40	64,1	61,9	50,9
	Over 40 years' old	19,1	14,3	2,8
Educational level	Primary and less	44,9	52,3	82,7
	Junior high school	51,7	47,6	8,2
	Secondary level and above	3,4	0	9,1
	Total	**19,1**	**80,9**	**100**

Source : CREAD Enquiry, 2005

A second explanation could be realized towards understanding the variables that might have generated similar effects. To this end, we have retained and dichotomized a certain number of variables in addition to that of sex, i.e.: educational level (Primary/Primary plus), age group (less than 25/over 25), the age of the first employment (less than 18 years' old/ more than 18 years'old), seniority on the year of laying off (less than 2 years/ more than 2 years), duration of occupation (less than 5 Years/ more than 5 years), current household size (less than 4 persons/ 4 Persons and more) and finally the existence of at least one additional employed person per household (Yes/No).

This exercise points to a non-significant causality between these indicators and the fact of one's currently holding a job or being unemployed. Which means that there are other implicit factors, which account for the current situation of dismissed workers.

Total number of cases: 110 (Unweighted)

Number of selected cases: 110
Number of unselected cases: 0

Number of selected cases: 110
Number rejected because of missing data: 0
Number of cases included in the analysis: 110
Dependent Variable Encoding:
Variable(s) Entered on Step Number
AGEBIN agebin
EDUBIN edubin
STARTBIN agestartbin
YRDISBIN yaerdismbin
DURBIN duration of work
HHSIZBIN household size
OTHEMPL othempl

Estimation terminated at iteration number 4 because
Log Likelihood decreased by less than 01 percent.

-2 Log Likelihood 104,233
Goodness of Fit 114,080
Cox & Snell - R^2 ,027
Nagelkerke - R^2 ,044

Chi-Square df Significance

Model 3,025 7 ,8827
Block 3,025 7 ,8827
Step 3,025 7 ,8827

Variables in the Equation

Variable	B	S.E.	Wald	df	Sig	R	Exp(B)
AGEBIN	-,5407	,6188	,7634	1	,3823	,0000	,5824
EDUBIN	-,9152	,8079	1,2834	1	,2573	,0000	,4004
STARTBIN	-,2180	,5771	,1427	1	,7056	,0000	,8041
YRDISBIN	-,0945	,6673	,0200	1	,8874	,0000	,9099
DURBIN	,3034	,5498	,3045	1	,5811	,0000	1,3544
HHSIZBIN	,4686	,7020	,4457	1	,5044	,0000	1,5978
OTHEMPL	,2849	,5351	,2835	1	,5944	,0000	1,3297
Constant	-,7151	2,4138	1	,7670			

Nevertheless, we have retained these very variables to scrutinize the current situation, this time breaking down the number of workers into three categories: those currently holding a waged job outside the textile sector, those who have been capable of reintegrating the textile sector, and those self-employed in the textile sector itself.

Table 3 - Current situation of dismissed workers classified by sex, age, educational level, first job age, length of period being laid off, number of years as job holders, household size

Variable	*Indicators*	Outside Textile	Textile	Self-employed	Unemployed	Total
Sex	*Male*	26,9	31,0	28,6	19,0	27,3
	Female	73,1	69,0	71,4	81,0	72,7
Age	*Less than 25 yr*	26,9	14,3	9,5	23,8	18,2
	Over 25 yr	73,1	85,7	90,5	76,2	81,8
Educational level	*Primary*	73,1	85,7	81,0	90,5	82,7
	Post Primary	26,9	14,3	19,0	9,5	17,3
Age of first Employment	*Less than 18 yr*	65,4	76,2	71,4	76,2	72,7
	18 yr and over	34,6	23,8	28,6	23,8	27,3
Period laid off	*Less than 2 years*	19,2	14,3	28,6	19,0	19,1
	More than 2 years	80,8	85,7	71,4	81,0	80,9
Duration of job held	*Less than 5 years*	38,5	31,0	47,6	33,3	36,4
	Over 5 years	61,5	69,0	52,4	66,7	63,6
Household size	*Less than 4 pers*	19,2	23,8	14,3	14,3	19,1
	4 pers and above	80.8	76,2	85,7	85,7	80,9
Additional job-holder per Household	*Yes*	73,1	66,7	76,2	66,7	70,0
	No	26,9	33,3	23,8	33,3	30,0
	Total	100,0	100,0	100,0	100,0	100,0
	Overall	**23,6**	**38,2**	**19,1**	**19,1**	**100,0**

If workers are distinguished according to sex, no statistics significant difference is observable in terms of situation within employment. However, age, educational level, age on first being employed seem to be discriminating factors : younger workers, workers with a level of education higher than primary, and who started working before the age of 18, have been the most numerous leaving the textile sector.

Having made this overall analysis, let us examine more closely the frame of he workers that were able to join a new job, that is, 81 % of the laid off population.

The 81% of the currently occupied population may be broken down into three major groups: 47.2% of the reemployed workers are again occupied as textile wage-earners; over 23.6 % have established themselves as self-employed, while 29.2 % have left the sector and are currently holding jobs that have nothing to do with textile. The following table draws a perfect breakdown according to sex, age group, and educational level within these three positions.

Table 4 - Distribution of workers per type of employment

Variable	Index	Outside Textile	Textile	Self-employed	Total
Sex	Male	26,9	30,8	28,6	29,3
	Female	73,1	69,2	71,4	70,7
Age group	Less than 25 years	26,9	14,2	9,5	16,8
	Between 25 and 40	57,7	66,7	66,7	64,1
	Over 40 years	15,4	19,1	23,8	19,1
Educational level	Primary and less	73,2	85,7	80,9	80,9
	Junior high school	11,5	9,5	4,8	9.0
	Post Secondary	15,3	4,8	14,3	10,1
Total		**29,2**	**47,2**	**23,6**	**100**

Previous employment is one of the factors likely to account for the justification underlying shifts from one sector to another or of position within the employment held. The following table illustrates the impact of this factor upon the various present situations.

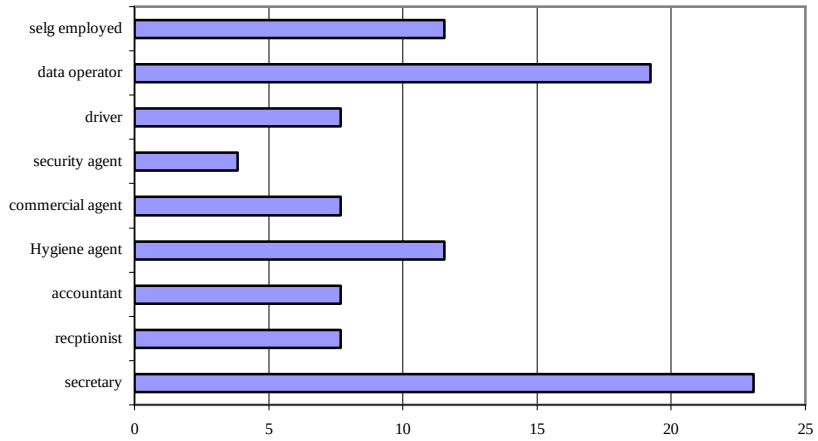
Table 5 - Worker distribution according to previously held jobs

Previous job	Ex-Textile	Textile Wage-earner	Self-employed	Total
Supervisor	3,8	2,4		2,2
Receptionist	3,8	4,8	4,8	4,5
Accountant	7,7		4,8	3,4
Hygiene agent		2,4		1,1
Commercial agent	3,8	2,4		2,2
Machine Operator	34,6	33,3	47,6	37,1
Security agent			4,8	1,1
Male/female general worker	42,3	47,6	28,6	41,6
Quality control agent		4,8		2,2
Driver	3,8	2,4	4,8	3,4
Specialized worker			4,8	1,1
Total	**100**	**100**	**100**	**100**

4.1. The Workers that Changed Sectors

The profession held seems also to account for the shift from one sector to another. In light of the following results, we may observe that the respondents who changed sectors as a whole established themselves in administrative jobs, as illustrated in the following graph.

Graph 6 - Breakdown of jobs currently held by persons having left the textile sector (%)

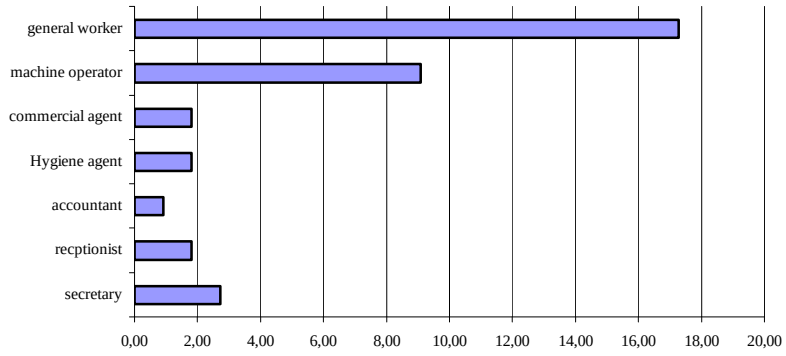


An overwhelming majority has repositioned itself within the NTIC sector and in secretarial positions, often assimilated with receptionist jobs.

4.2. Workers reintegrated the textile sector

The factors underlying reintegration into the textile sector are manifold and, as was noted, are not related to their fundamental characteristics. At least three elements may account for such reintegration. The nature of jobs held previously is a determining factor. It is a fact that 70 % of the workers are general workers and/or drivers, but it was also possible to observe that persons occupying administrative employments were also able to reintegrate the textile sector.

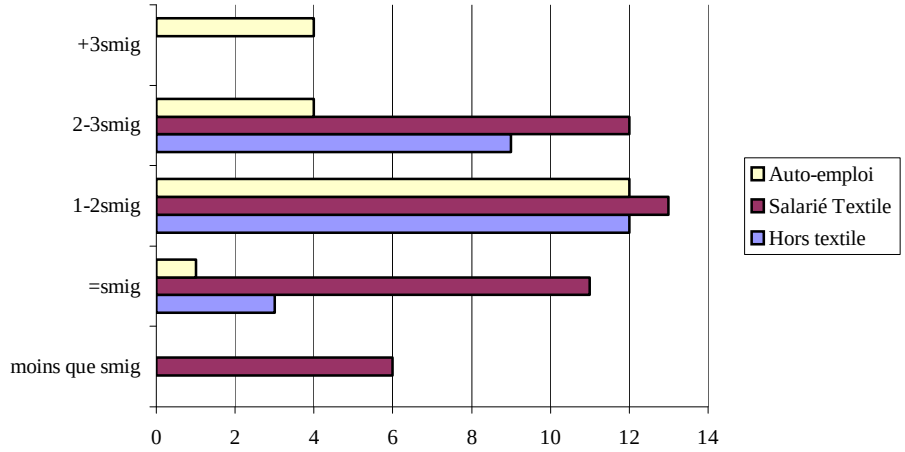
Graph 7 - Breakdown of persons who reintegrated as textile employees, according to previously held positions



4.3. Self-employment in the textile sector

However, what accounts for dismissed workers' establishing themselves as self-employed is certainly consistent with the outcomes of this study in relation to the context of their shifting from the modern sector to the informal sector, but the core motivation behind self-employment is not unrelated to the seeking of higher earnings while avoiding social charges.

Graph 8 - Breakdown of self-employment according to current earnings



This graph gives a clear picture of net earnings in the case of establishing oneself in self-employment: this is the only category currently benefiting from earnings three times higher than the minimum guaranteed wage, though on an everage the new earnings are once or twice higher than the minimum wage.

4.4. Unemployed workers

The effects of dismissal have also left a category of workers on the lurch that is jobless. Some 20 % of laid off persons are currently unemployed. We have already observed the characteristics of laid off workers in comparison to the job-holding ones. This new description of the unemployed population is established bearing in mind differences according to sex and offers a breakdown in function of jobs held previously, specific educational level differences, and age groups.

Table 6 - Distribution of unemployed workers per gender, occupied job, educational level, and age group

	Male	Female	Total
Previous job			
Commercial agent	0,0	5,9	4,8
Machine operator	50,0	76,5	71,4
General worker	25,0	17,6	19,0
Driver	25,0	0,0	4,8
Education			
None	0,0	11,8	9,5
Primary 1-3	50,0	52,9	52,4
Primary 4-6	50,0	23,5	28,6
Junior High 7-9	0,0	5,9	4,8
Secondary 1-3	0,0	5,9	4,7
Age			
Less than 25	25,0	23,5	23,8
Between 25 and 40	50,0	64,7	61,9
Over 40	25,0	11,8	14,3
Total by gender	**19,1**	**80,9**	**100.0**

The reasons for unemployment for this category are plural. Noticeable is even a sub-category (23.8% not concerned) having decided to total withdrawal from economic activity.

Table 7 - Reasons for unemployment status based on sex

Reasons	Male	Female	Total
Jobless	0	35.3	28.6
Still looking	25,0	23,5	23,7
Health	0	17,6	14,3
Other	0	5,9	4,8
Uninterested	25,0	0	4,8
Not Concerned	50,0	17,7	23,8
Total	100	100	100

In fact, only a rate of 52% of currently unemployed people is still seeking employment or is unable to date to find an available job position. The rest is either facing health problems (14%) or have failed to submit to us accurate reasons.

CONCLUSIONS: A RESILIENT SECTOR?

These first results of the investigation carried out over a segment of the textile sector production in Algeria provide a quite interesting comprehensive element concerning dismissed workers, but remain as a whole rather limited.

The most relevant elements to be retained in regard to the initial problematic put forward and the starting hypothesis are as follows:

- The textile sector in Algeria is highly feminized and noticeably employs people with a low level of education, which in itself raises the problem of the employability of dismissed workers

- The liberalization of the economy and the opening up of the textile sector have induced the closing of certain enterprises and the laying off of workers in Algeria, but 8O % of them have found new jobs. This issue explained the dependency of the textile sector through the dynamics impelled onto the informal economy.

- Among those who found new employment, 47.2% are workers employed again in the textile sector as wage-earners; 26% have become self-employed, while 29.2 % have left this sector and find themselves plying jobs having no relationship whatsoever with textile.

- The persons currently still unemployed are relatively young people and are among the least educated - which is rather the norm in terms of the current unemployment profile in Algeria.

Although these results are interesting, they remain however rather limited in scope, given the limits of the segment encompassed and of the location of the enterprises investigated, namely

the Algiers region, as capital and major metropolis, whose characteristics differ from those of other cities in Algeria. *Inter alia*, employment possibilities in this region are more substantial than elsewhere.

In addition, this exploratory survey of TCL in Algeria needs a much broader investigation, with the use of qualitative methods (interviews and biographies) in relation to the itinerary followed by the workers of this sector who were being dismissed.

Finally, an investigation conducted with the employers themselves would supplement the overall picture here sketched of the difficulties linked to survival and of the resistance, experienced by the enterprises in the face of competition within TLC at the level of the region. It would also suggest ways of re-dynamizing a formal sector, which, if left as is, would be likely to disappear for the benefit of the growing informalization of the productive system.

APPENDIX 4 - THE SURVEY QUESTIONNAIRE

SONDAGE FEMISE
Enquête auprès des « travailleurs (ses) déplacés (es) » du secteur textile en Afrique du Nord

Questionnaire à adresser aux travailleurs(ses),
objets de licenciement du secteur textile
depuis janvier 2001

Questionnaire N° /_/_/_/ DZ 1/ MAR 2/ TUN 3 /_/

A remplir par l'enquêteur (rice)

Ville/Site : ……..……..

Date : ……..

Nom de l'enquêteur (rice) : …….

Nom de l'enquêté (e) : ……

Observations et commentaires de l'enquêteur
(Durée , lieux, langue, conditions (difficultés rencontrées) de déroulement des entretiens etc…)

Module 1

Questionnaire Individuel

Q1. Age : /_/_/.

Q2. Sexe. 1 Masculin 2 Féminin /_/

Q3. Niveau d'instruction /_/

1. aucun
2. primaire (1e à 3e)
3. primaire (4 à 6e)
4. moyen (7 à 9)
5. secondaire (1e AS au 3e AS)
6. Supérieur
7. Formation Professionnelle (post-secondaire)

Q4. A quel âge avez-vous commencé à travailler pour la première fois ? /_/_/

Q5. Nom de l'ancien employeur ou de l'entreprise textile.
……..

Q6. Taille de l'entreprise ? /_/

1. moins de 5 employés
2. entre 5 et 19 employés
3. entre 20 et 46 employés
4. plus de 50 employés

Q7 Principaux types de production *(à coder ultérieurement)*
……
……
……

Q8. Est-ce que l'entreprise produisait /_/

1. pour l'exportation ?
2. pour le marché local ?
3. pour les deux ?

Q9. Quel était le statut juridique de l'entreprise ? /_/

1. étranger
2. local plus étranger
3. entreprise locale familiale
4. entreprise à capital mixte public et privé (joint venture)

Q10. Localisation de l'entreprise ? /_/

1. Settat

2. Rabat
3. Casablanca
4. Fès
5. Tunis
6. Ksar Hellal
7. Alger Centre
8. Alger Est
9. Alger Ouest

Q11. Année de licenciement ? /_/_/_/_/

Q12. Durée de travail au sein de l'entreprise textile ?

- Années (nombre entier) /_/_/
- Mois (fraction année en décimal) /_/_/

Q13. Nombre d'emplois que vous avez déjà eus par le passé ? /_/_/

Q14. Poste de travail occupé dans l'entreprise textile ? *(à coder ultérieurement)*

……..

Q15. Quelle était la nature de votre contrat de travail ? /_/

1. à la pièce (à la tache)
2. emploi à durée déterminée
3. emploi à durée indéterminée
4. autre (à préciser SVP) ……..

Q16. Avez-vous déjà reçu une fiche de paie ? /_/

1. Oui 2. Non

Q17. Si Oui, était-elle ? /_/

1. Blanche (claire et nette) 2. Grise (sans précision) 3. Autres

Q18. Quelles raisons vous a-t-on donné pour votre licenciement ? *(code à compléter)*

1. Fermeture /_/
2. Compression (réduction des effectifs)

Q19. Selon vous, quelle est la vraie raison de votre licenciement ? *(code à compléter)*

1. mauvaise gestion /_/
2. très endetté
3. politique
4. faillite

Q20. Avez-vous obtenu une quelconque compensation ? /_/

1. Oui 2. Non

Q21. Comment étiez-vous rémunéré (e) ? /_/

1. à la pièce
2. à l'heure
3. autre (à préciser) …….

Q22. Si « à la pièce », à quel taux ? /_/_/_/

Q23. Si « à la pièce », quelles étaient les pièces que vous fabriquiez ? *(à coder ultérieurement)*
……
……
Q24. Si « à la pièce », combien de pièces «en moyenne » faisiez-vous par jour? /_/_/

Q25. Combien de jours par mois travailliez-vous? /_/

1. moins de 5 jours
2. entre 5 et 9 jours
3. entre 10 et 14 jours
4. plus de 15 jours

Q26. Quel était le nombre d'heures moyen pendant vos jours de travail ? /_/_/

Q27. Pendant que vous travailliez, combien de personnes vivaient avec vous à la maison ?
/_/_/
Q28. Certaines travaillaient-elles ?

1. Oui 2. Non **(Si Non, passez à Q30)** /_/

Q29. Si Oui, quel était le lien familial ?

1. le père	1. Oui	2.Non		/_/
2. la mère	1. Oui	2.Non	/_/	
3. le(s) frère(s)	1. Oui	2.Non		/_/
4. le(s) sœur(s)	1. Oui	2.Non		/_/
5. de(s) cousin(s)	1. Oui	2.Non		/_/
6. autres	1. Oui	2.Non		/_/

Q30. Après avoir perdu cet emploi, y a-t-il eu des changements importants dans les dépenses de votre famille ?
1.Oui 2. Non /_/

Q31. Si Oui, quels sont les changements les plus importants ? *(code à compléter)*

1. Consommation alimentaire
2. Détérioration de l'état de santé /_/

Q32. Depuis que vous avez quitté cet emploi, combien d'autres emplois avez-vous occupés ?
/_/_/

Q33. Travaillez-vous actuellement ?

1. Oui 2. Non ***Si Non, passez à la question N°36*** /_/

Q34. Si Oui, quel est votre emploi actuel ? *(à coder ultérieurement)*

Q35. Est-ce que votre revenu actuel est plus élevé que le salaire que vous perceviez de l'entreprise d'où vous avez été licencié(e)?

1. Oui 2. Non /_/

Q36. Quel est (en moyenne) votre salaire/revenu mensuel actuellement ? /_/
1. Moins que le SMIG (Algérie SNMG)
2. Deux fois le SMIG
3. Trois fois le SMIG
4. Plus de trois fois le SMIG

Q.36a. Si plus de 2 fois le SMIG, pouvez-vous dire son montant ? /_/_/_/_/_/

Q37. Avez-vous déménagé (changé de ville) depuis la perte de votre emploi ? /_/

1. Oui 2.Non

Q38. Si Oui, pourquoi ? /_/

1. Pour habiter avec les parents
2. Pour intégrer un autre emploi
3. Pour chercher un autre emploi
4. Autre (à préciser) ……

Q39. Quel est votre lieu de résidence actuellement ? /_/

1. En ville
2. Au village
3. Sur l'exploitation familiale (la ferme des parents)

Q40. Pensez-vous reprendre un emploi dans le secteur textile ? /_/

1.Oui 2. Non

Q41. Si vous ne travaillez pas actuellement, quelles sont les raisons ? *(code à compléter)*

1. Encore à la recherche
2. Des raisons de santé (maladie..) /_/

Q42. Si vous êtes au chômage actuellement, à quel salaire mensuel accepteriez-vous un emploi ?

/_/_/_/_/

Q43. A la suite de votre licenciement, avez-vous bénéficié d'une aide pour une formation ?

1. Oui 2. Non /_/

Si Non, passez au deuxième volet du Questionnaire

Q44.. Si Oui, de la part de qui ? *(code à compléter)* /_/

1. d'un organisme d'Etat (exemple CNAC pour l'Algérie)
2. de la famille
3. Autres (à préciser)…….

Q45. Si Oui, quelles qualifications avez-vous acquises ? *(à coder ultérieurement)*

……..
……..

Q46 Si Oui, avez-vous été en mesure de vous en servir pour votre travail ?

1. Oui 2. Non /_/

Module 2

CARACTERISTIQUES DU MENAGE

SITUATION INDIVIDUELLE DES PERSONNES DANS LE MENAGE

Q47a. Etes-vous le chef de ménage ? 1. Oui 2. Non /_/

Q47b. Y a-t-il d'autres salariés dans le ménage ? 1. Oui 2. Non /_/

Q47c. Y a-t-il des membres du ménage, y compris l'enquêté, y travaille pour propre compte ?

1. Oui, régulièrement
2. Oui, occasionnellement
3. Non /_/

Q47 Lien de parenté *(à coder ultérieurement*	Q48 Age	Q49 Sexe *1. masculin* 2. *féminin*	Q50 Niveau d'instruction *1. aucun* *2. primaire (1e à 3e AF)* *3. primaire (4 à 6e AF)* *4. secondaire (7 à 9 AF)* *5. secondaire(1e AS au 3e AS)* *6. Supérieur* 7. *Formation Professionnelle*	Q51 Situation actuelle *1. occupé* *2. chômage* *3. scolarisé* *4. retraité* 5. *inactif*
	/_/	/_/	/_/	/_/
	/_/	/_/	/_/	/_/
	/_/	/_/	/_/	/_/
	/_/	/_/	/_/	/_/
	/_/	/_/	/_/	/_/
	/_/	/_/	/_/	/_/
	/_/	/_/	/_/	/_/
	/_/	/_/	/_/	/_/
	/_/	/_/	/_/	/_/
	/_/	/_/	/_/	/_/

Notes destinées à l'enquêteur

Après avoir rempli ce tableau ci-haut, prière relever les observations suivantes.
Si l'enquêté n'est pas le chef de ménage, prière encercler la personne appropriée dans la colonne Q47.

Q51a. Nombre de membres dans le ménage : /_/_/
Q51b. Nombre de membres masculins, âgé de 16 à 60 ans, qui travaillent /_/_/
Q51c. Nombre de membres féminins , âgé de 16 à 60 ans, qui travaillent /_/_/
Q51d. Nombre de membres, âgé de plus de 60 ans, qui travaillent /_/_/
Q51e. Nombre de membres, âgé de moins de 60 ans, qui travaillent /_/_/
Q51f. Quel est le niveau d'instruction du chef du ménage ? (cf. code Q50) /_ /
Q51g. Quel est le niveau le plus élevé atteint dans ce ménage ? (cf. code Q50) /_ /

EQUIPEMENTS DU MENAGE

Disposez-vous, vous-même, ou quelqu'un dans votre maison, d'une machine ou autres équipements pour travailler et avoir un revenu monétaire ? 1. Oui 2. Non /_/
Si oui, continuez. ***Si Non , passez à la question N° 57***

Q52 Désignation de l'équipement (ex. machine à coudre, machine à broderie, machine à tisser…) *à coder ultérieurement*	Q53 Type de propriété *1. cadeau/héritage/don* *2. location/prêt* 3. *achat*	Q54 Si, bien propre, année d'achat	Q55 Prix de l'équipement	Q56 Valeur de vente possible aujourd'hui
	/_/	/_/_/_/_/	/_/_/_/_/	/_/_/_/_/
	/_/	/_/_/_/_/	/_/_/_/_/	/_/_/_/_/
	/_/	/_/_/_/_/	/_/_/_/_/	/_/_/_/_/
	/_/	/_/_/_/_/	/_/_/_/_/	/_/_/_/_/
	/_/	/_/_/_/_/	/_/_/_/_/	/_/_/_/_/

Notes destinées à l'enquêteur

Après avoir rempli ce tableau ci-haut, prière relever les observations suivantes.

Q56a. Nombre de types d'équipements possédé par le ménage : /_/
Q56b. Somme de la valeur des équipements déclarée à la Q56 : /_/_/_/_/_/
Q56c. Type d'équipement : Machine à coudre oui /_/ non /_/
Autres oui /_/ non /_/

NIVEAU DE CONFORT DU MENAGE

Q57 Disposez ces biens ? 1 Oui 2.Non ***Si Oui, continuez Q14 à Q16*** **Si Non, passez au bien suivant**		Q58 Si bien, propre date de l'achat	Q59 Prix	Q60 Valeur de vente possible aujourd'hui
Réfrigérateur	/_/	/_/_/_/_/	/_/_/_/_/	/_/_/_/_/
Cuisinière	/_/	/_/_/_/_/	/_/_/_/_/	/_/_/_/_/
Radio	/_/	/_/_/_/_/	/_/_/_/_/	/_/_/_/_/
Télévision	/_/	/_/_/_/_/	/_/_/_/_/	/_/_/_/_/
Vidéo	/_/	/_/_/_/_/	/_/_/_/_/	/_/_/_/_/
Machine à laver	/_/	/_/_/_/_/	/_/_/_/_/	/_/_/_/_/
Téléphone fixe	/_/	/_/_/_/_/	/_/_/_/_/	/_/_/_/_/
Téléphone mobile	/_/	/_/_/_/_/	/_/_/_/_/	/_/_/_/_/

Notes destinées à l'enquêteur

Après avoir rempli ce tableau ci-haut, prière relever les observations suivantes.

Q60a. Somme de la valeur des équipements déclarée à la Q60 : /_/_/_/_/_/

Q61. Est-ce que dans votre logement, vous avez de

- L'eau courante ? 1. Oui 2. Non /_/
- De l'électricité ? 1. Oui 2. Non /_/
- Gaz de ville ? 1. Oui 2. Non /_/

Note à l'enquêteur

L'entretien est terminé, présenter nos remerciements à la personne pour sa contribution à la réalisation de ce travail de recherche.