



Morocco's Jobs Landscape

Identifying Constraints to an Inclusive Labor Market

Gladys Lopez-Acevedo, Gordon Betcherman,
Ayache Khellaf, and Vasco Molini



INTERNATIONAL DEVELOPMENT IN FOCUS

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Overview

INTRODUCTION

This report sheds light on major labor market issues and challenges that Morocco faces. It is the first phase of the programmatic jobs program jointly undertaken with the government of Morocco. It is a jobs diagnostic that analyzes data mainly from Labor Force Surveys and employs new analytical methods to identify the main trends in the labor market. The key challenges that emerge will provide the basis for a deeper analysis and policy formulation in the next phase of this program. The report identifies four priorities: (1) accelerate structural transformation to create more and better jobs in higher-productivity sectors, (2) encourage formalization and improve the quality of jobs, (3) increase female labor force participation (FLFP) and connect women to better jobs, and (4) support youth in their transition from education to the labor market and lower the large numbers of youth not working.

Morocco has made significant economic progress over the past 20 years, which has raised the living standards of its people. Per capita income doubled between 2000 and 2019, while the poverty rate fell to one-third of its 2000 level, and literacy rates and health outcomes improved, along with access to basic infrastructure such as water and electricity. Labor productivity also improved, driven by a high share of public capital accumulation, but the pace is slowing, and there is significant scope for improving efficiency.

However, Morocco's economic growth has not been labor-intensive enough to absorb its growing working-age population. Morocco's growth has had a low capacity to generate jobs, and this rate slowed after the 2008 financial crisis, in line with southern European countries. Few jobs have been created in the industrial sector, slowing the pace of structural transformation. The country is also characterized by a large informal sector, high rates of inactivity, low FLFP, a prevalence of low-value-added services, and a difficult business environment, especially for start-ups and young firms.

Morocco is trying to overcome the “middle-income trap,” which has been preventing its convergence with more affluent middle-income countries. Indeed, the ratio between average GDP per capita in Morocco and other lower-middle-income countries, as well as with upper-middle-income countries, has declined since 2000.

Morocco is also looking to capitalize on a substantial “demographic dividend” that will last until 2040. The expanding working-age population can be a strong force for economic growth, social inclusion, and development. But at the same time, it raises a challenge to create more and better jobs to absorb the growing labor force. As Morocco looks to adopt a jobs-led growth model, it is important to recognize that economic growth itself does not automatically translate into more jobs. Also needed will be a structural transformation that drives the creation of productive jobs and the inclusion of all groups.

King Mohammed VI has called for a new inclusive development model. It must address regional development imbalances, facilitate inclusion for youth and women, and continue to foster the upgrading of labor force skills. To address these labor market issues, which center on social and spatial inequalities, the King has suggested providing nationwide access to education, vocational training, and social welfare programs through coordinated efforts between the public and private sectors.

The COVID-19 (coronavirus) pandemic and resultant safety measures have halted or slowed economic activity, which is worsening the labor market situation. Demand has fallen and businesses have closed, eliminating or endangering employment for many and reducing household incomes. As of early April 2020, close to 60 percent of businesses had temporarily or permanently shut operations, according to the Haut Commissariat au Plan (High Commission for Planning, HCP), and by June 2020, 66.2 percent of workers were still on temporary layoff, citing the shutdown of enterprises as the main reason. In July, the unemployment rate spiked to 12.3 percent from 9.1 percent before the pandemic. The pandemic undoubtedly complicates prospects for jobs-led growth, and it will make the challenges highlighted in this report even more urgent and deserving of policy makers’ attention.

MORE AND BETTER JOBS

Growth has been dependent upon more capital-intensive sectors, generating labor productivity gains within sectors, but not much across sectors. In other words, labor has largely not moved from low- to high-productivity sectors. This matters greatly because international experience has shown that such a process is crucial for total factor productivity gains and jobs-led economic growth.

Thus, Morocco’s structural transformation has been slow. There has been job loss in agriculture but little job creation in manufacturing, suggesting “premature deindustrialization.” Large numbers of workers have been released from the agriculture sector, but just a small share has been absorbed by the industrial sector. Meanwhile, the share of services has also been slow to increase compared to other developing countries, and a large share of workers remain engaged in informal services.

Structural transformation has also suffered as the private sector has been unable to contribute enough to job creation. Despite some ranking gains in Doing Business Indicators, there are still considerable efforts to be made in the private sector. Public capital accumulation and a difficult business environment for firms, characterized by costly access to land, a complex tax system (and a comparatively high tax burden), lack of skilled labor and training programs, and insufficient access to financing (IFC 2019) have “crowded out” the private sector, limiting its contribution to job-intensive growth. Meanwhile, while

out-migration opportunities were available prior to 2008, potential migrants have had to queue up since the 2008 financial crisis. The fewer number of jobs, along with a growing labor force and persistent informality, has led to higher inactivity and persistent unemployment.

There have been marked regional differences in economic growth, job creation, and sectoral economic drivers. The services sector has driven growth and employment in some regions (Rabat), while the secondary sector (industry) has been more prominent in others (Casablanca). Even within services, growth in some regions has been characterized by more labor-intensive, low-value-added activities (Casablanca), while other regions (Rabat) have experienced growth in higher-productivity services. Hence, there are successful examples to promote spillovers to other sectors and regions.

Constrained by the business environment, private sector sales, which strongly correlate with job creation, have been sluggish. Despite some improvements in the regulatory framework, private firms report challenges in terms of shortages of skilled labor, competition from the informal sector, regulations, and tax burdens. The Moroccan export sector has failed to generate productive spillovers to upgrade local value chains. Together with a lack of industrial employment, this situation has created a dearth of productive jobs in high-value-added sectors.

Morocco has experienced increased formalization, but there is significant scope for further improvement. The proportion of formal wagedworkers has increased steadily from 33 percent in 2000 to 45 percent in 2019, which means that still more than half of wagedworkers operate in the informal sector. The result is not only lower government tax revenue but also an inability to benefit from more workers having regular contracts, pension schemes, and access to good and reliable health insurance. Thus, it is important to understand why formal hiring is limited and to develop policies that respond to the constraints.

INCLUSION: INTEGRATE YOUTH AND WOMEN INTO THE LABOR MARKET

The labor market has largely excluded two important groups: youth and women. A large share of Morocco's young people are not working or investing in improving their employment prospects. About 29 percent of 15-to-24-year-olds are classified as NEETs—not in education, employment, or training. The NEET phenomenon suggests there are a large number of inactive and discouraged young people, which can hamper their long-term ability to acquire skills and contribute to the country's economic and social future. At the same time, FLFP has been declining and stands below 30 percent, which is low even within a region characterized by low FLFP. The exclusion of women signals the need to address a variety of factors, including persistent social norms that may impair women's ability to work. The COVID-19 economic slowdown will likely exacerbate the challenges for these excluded groups.

The participation of youth and women in the labor market is low despite better education. Morocco's employment problem is characterized more by low labor force participation than open unemployment. Unemployment rates have been fairly level in the past few years (until COVID-19), while inactivity has increased, exacerbating the NEET and FLFP problems. This inactivity, as well as the low FLFP, has worsened despite improved education and better access to it by women. Many discouraged youth and women have been unable to find good

jobs and have stopped seeking work—raising concerns about the quality and relevance of education and the country's ability to reap returns from its large investments in education.

IDENTIFYING PRIORITIES AND SETTING THE STAGE FOR POLICY

To generate more and better jobs and bring more youth and women, especially NEETs, into the labor market, the analysis suggests the following priority areas. These priority areas each point to questions, which inform the agenda for the next stage of the programmatic work.

- First, accelerate structural change and create more jobs in high-productivity sectors. Morocco has transitioned from agriculture to informal, low-value-added services rather than to labor-intensive and productive industrial jobs or high-value-added service jobs. It may need to foster both industrialization and boost high-value-added formal services across the country, or focus on some subsectors and geographic “hotspots.” Either scenario requires further developing workforce skills and diffusing technology and know-how across sectors and regions. But concrete policy recommendations require further analytical work, using disaggregated productivity data.
- Second, promote more formalization in the economy. Having a large informal sector hampers labor productivity, erodes the tax base, and leaves many workers and their families without adequate health and social insurance. Encouraging formal jobs could involve different types of measures—including reforms to the business environment, reducing the cost of labor, or initiatives such as skills development to enhance productivity. Understanding the constraints to formalization and, thus, the actions that would tackle informality, requires analyses of firm-level data and wage data at the firm and individual levels. An important input would also be international experience in addressing informality.
- Third, integrate more women into the labor force. This effort would reduce gender disparities, empower women in household decision-making, increase household investment in education and health, and tap a key resource for economic development. Understanding the factors that drive these trends will be a focus of the next phase of the programmatic work, using World Value Surveys, Gallup data, focus groups, and international experiences with raising FLFP.
- Fourth, support youth in their transition from education to the workforce. Although Morocco has made important gains in education, further improvements are needed to develop a workforce that can drive employment growth and to help young people secure high-productivity jobs. The following issues are identified in the report but require further analytical work, along with a review of international experiences, to identify concrete policy options:
 - The need to lower high drop-out rates for young people
 - The need for scaled-up and high-quality vocational training to improve employability for 18-to-24-year-olds with no formal education beyond secondary school

- The need to help highly educated youth make the transition from postsecondary institutions to the workforce
- The need for a better-quality education to converge toward international benchmarks and standards

The next phase of the programmatic work program will undertake a careful review of drivers of productivity and informality, FLFP, and transitions from education to the workforce. The objective will be to assemble evidence on concrete policy options to address the issues we have identified in the initial stage. This jobs diagnostic has reviewed trends in the labor market and identified a set of issues that constrain Morocco from generating more jobs and higher-quality jobs and creating opportunities for all segments of the population (including women and youth). Carrying out this work will require access to data that would allow us to deepen our understanding of these issues.

REFERENCE

IFC (International Finance Corporation). 2019. *Creating Markets in Morocco: Country Private Sector Diagnostic*. Washington, DC: IFC.

Abbreviations

ALMP	active labor market program
ANAPEC	Agence Nationale de Promotion de l'Emploi et des Compétences (National Agency for the Promotion of Employment and Competencies)
CNOPS	Caisse Nationale des Organismes de Prévoyance Sociale (National Fund for Social Welfare Organizations)
CNSS	Caisse Nationale de Sécurité Sociale (National Social Security Fund)
ENE	Enquête Nationale sur l'Emploi (Labor Force Survey)
FLFP	female labor force participation
GDP	gross domestic product
HCP	Haut Commissariat au Plan (High Commission for Planning)
HDI	Human Development Index
MENA	Middle East and North Africa
NEET	not in education, employment, or training
OLF	out of the labor force
PISA	Programme for International Student Assessment
PMV	Plan Maroc Vert (Green Morocco Plan)
PPP	purchasing power parity
TVET	technical and vocational education and training

1 Introduction

DEVELOPMENT AND JOBS IN MOROCCO

This report looks at Morocco's economy through a “jobs lens,” putting job creation at the center of the ongoing development and growth debate in the country. The first stage of a programmatic work related to the critical jobs agenda, it aims to assist policy makers in adopting a jobs-led growth and development model. It analyzes labor market indicators and trends over 20 years and applies methodological approaches to identify job constraints, using labor force data and complementary sources. It highlights several issues affecting Morocco's labor market that need to be tackled. Moreover, these issues have recently taken on greater importance, given that COVID-19 and the resultant safety measures are likely to make them tougher to address and further slow economic recovery.

The motivation for this report rests on the idea that jobs represent the starting point for development and poverty reduction. Jobs are fundamental to achieving development and improved welfare. They generate incomes, reduce poverty, improve productivity as workers move from farms to industry and services, and bring people from different backgrounds together. They also have spillover effects. For example, women with earnings from employment enable households to spend more on education and health, and jobs connected to global markets bring new technologies. (See table 1.1 for the main concepts used in this report.)

This report breaks new ground in some areas that are crucial for Morocco's development. First, it makes an important contribution by using, for the first time, microdata available through a fruitful collaboration with the Haut Commissariat au Plan (High Commission for Planning, HCP). Second, it uses this microdata to analyze in depth 20 years of labor market developments—including the pace and sources of growth, regional patterns of structural transformation, drivers of formalization, and inclusion of subgroups of the working-age population in the labor market. In the past, much of this analysis largely relied on anecdotal evidence.

Following political and institutional reforms, Morocco registered solid growth and poverty reduction after 1999, but since 2009, growth has slowed. In 1999, Morocco established a constitutional monarchy with an elected parliament, which

TABLE 1.1 Main labor market concepts and definitions used in the report

LABOR FORCE	
Working-age population	Following the International Labour Organization (ILO) and the Moroccan Haut Commissariat au Plan (High Commission for Planning—HCP), this indicator takes into account all the population aged 15 years and older.
Active population (labor force)	All individuals aged 15 years and older who are employed or unemployed.
Employed	Individuals aged 15 years and older who hold a job (either paid employment or self-employment).
Unemployed	Individuals aged 15 years and older who do not hold a job (either paid employment or self-employment), but are available for work and are actively looking for a job.
Inactive population	Individuals who do not work and are not looking for work. They include students, homemakers, people engaged in household work, discouraged workers (those who have given up looking for jobs), sick people, and the elderly.
NEET (not in education, employment, or training)	Individuals aged 15–24 years old who are not employed and not attending any school or training.
LABOR STATUS	
Wageworkers	Workers who hold the type of jobs defined as “paid employment jobs,” where the incumbents hold explicit (written or oral) or implicit employment contracts that give them a basic remuneration that is not directly dependent upon the revenue of the unit for which they work (ILO 2015).
Self-employed	Workers who, working on their own account or with one or more partners, hold the type of jobs defined as “self-employment jobs,” and have not engaged on a continuous basis any employees to work for them. Members of producers’ cooperatives are workers who hold “self-employment jobs” in a cooperative producing goods and services (ILO 2015).
(Unpaid) Family workers	Individuals working in one or more companies for a family member of the same household without receiving a salary, or simply a person who helps a member of his or her family in his work (HCP).
Formal employment	Workers who benefit from any type of social protection scheme, receiving coverage against the risks of illness and occupational injury, maternity, disability, and old age.
Formal public wageworkers	Civil servants and students who receive health insurance by the National Fund for Social Welfare Organizations (Caisse Nationale des Organismes de Prévoyance Sociale—CNOPS). The Moroccan Pension Fund and other funds specific to certain public institutions manage the pension coverage. The National Social Security Fund (Caisse Nationale de Sécurité Sociale—CNSS) manages all the risks of the private scheme.
Formal private wageworkers	Workers employed in private firms subject to compulsory health insurance (assurance maladie obligatoire—AMO).

Source: World Bank compilation.

provided substantial political stability to carry out reforms and liberalize the economy. From 2000 to 2019, the country recorded strong economic progress, with annual gross domestic product (GDP) growth averaging 4.2 percent. The percentage of the population living below the poverty line dropped from 15.3 percent in 2001 to 4.8 percent in 2014. However, GDP per capita growth has decelerated, particularly after the 2008 global financial crisis. This occurred due to an economic slowdown in Europe—especially in France, Spain, and Italy, which are Morocco’s main trading partners.

Job growth has not kept pace with economic growth. Economic growth has not translated into enough high-productivity jobs to absorb the Moroccan workforce. The rate at which growth generates jobs has also been steadily declining. Moreover, the industrial sector has failed to provide enough jobs to promote a reallocation of the labor force from agriculture to industry, with services emerging as the dominant job-generating sector. But a very large share of service sector jobs remains informal.

Morocco is also trying to overcome its “middle-income trap,” which has been preventing the country from creating better jobs. Since 2000, GDP per capita growth in Morocco has lagged behind the average for other middle-income countries. Faced with greater economic woes since 2008, the economy has slowed. In terms of the labor market, unemployment has persisted and inactivity has risen, which has increased labor market exclusion, especially for youth and women. Poverty, social security, quality of education, and economic and social integration of various groups continue to pose a challenge.

Recognizing the jobs challenges, King Mohammed VI announced a committee tasked with adopting a participative and inclusive development model to reduce social and spatial inequality.¹ As part of avoiding a fall into the “middle-income trap,” the King addressed growth and employment creation to preserve an emerging, productive middle class.

Demographic changes can be useful for boosting growth through job creation and labor market outcomes. Morocco has potential to exploit a demographic “window of opportunity” from 2000 to 2040, with a favorable proportion of dependents to working-age population. This has the potential to support strong GDP growth if an adequate number of good jobs are created and sustained.

The imposed confinement has largely affected households’ economic conditions. According to the survey on the impact of COVID-19 on the economic, social, and psychological situation of households conducted by the HCP (2020a), 79 percent of households have respected the confinement imposed after the health emergency state was declared. However, those who have not obeyed it point to economic and professional reasons (domestic supply and work) as their main reasons for needing to go out. At the same time, 34 percent of households have declared not having any source of income during this period, while 38 percent of them can just cover their basic expenses with their current financial situation.

Ongoing trends in the nature of work are being accelerated by the COVID-19 pandemic. As the *World Development Report 2019* (World Bank 2019) notes, while the boundaries of the firm in developing economies are blurring due to the rise of platform marketplaces, technology has been reshaping the skills needed for work and low-skill jobs. However, workers often remain in low-productivity and informal jobs whose access to technology is poor. In this sense, the pandemic has accelerated the changing nature of work—demanding that firms rapidly adopt digitalization or face closure, and that workers gain skills and experience on distance digital work or lose their jobs.

COVID-19 also increases the urgency for job creation. COVID-19 has created further burdens on households and firms, accelerating job losses, exacerbating other labor market challenges, and threatening to undo years of poverty reduction. Measures to slow the spread of COVID-19 impede the ability of household members to work and generate income, increasing their risk of falling into poverty. Firms, facing operating restrictions and lower demand, risk falling into bankruptcy, which, in turn, would reduce

employment (see box 1.1). While the pandemic and lockdown are currently dominating factors, Morocco will face longer-term and long-standing labor market challenges going forward. The following section describes these labor market challenges and identifies the constraints to creating more, better, and inclusive jobs.

MOROCCO'S LABOR MARKET AND CHALLENGES TO JOB GROWTH

The low job-creating nature of Moroccan economic growth can be traced to reliance on capital-intensive sectors, low efficiency gains, and poor upgrading of economic sectors. As economies develop, structural changes and reallocation of inputs, including labor, usually help to upgrade the economy through new technology, production processes, and markets. Increased labor productivity underpins GDP growth, but it has taken place *within* and *not across* sectors, indicating greater capital accumulation without improved economic efficiency or upgrading of the economic structure. Significant public sector capital investments have not been efficiently allocated to maximize economic growth and create productive jobs.

The structural transformation process has been slow and heterogeneous across regions. The historical process of development involves a sectoral transformation of the economy, with the share of agriculture declining while industry

BOX 1.1

COVID-19 underscores the urgency for Morocco's job creation

Surveys of households and firms in Morocco in April and June 2020 give a snapshot of the impact of COVID-19 and how it is likely to complicate prospects for jobs-led growth.

By April 2020, an astounding 34 percent of Moroccan households indicated having no source of income because of confinement (HCP 2020a). By April 2020, about half (49 percent) of households said that at least one of their employed members was forced to stop working; 40 percent had received state or employer assistance; and 22 percent of urban and 11 percent of rural households had received state aid to compensate for job losses.

On the business front, almost 142,000 businesses (57 percent) had temporarily or permanently closed, and 27 percent of companies said they would temporarily or permanently reduce their workforce. (Note that the survey represents manufacturing, construction, energy, mining, fishing, trade, and nonfinancial market services.) Massive layoffs in tourism, hospitality, and labor-intensive exporting industries—textiles,

automotive, aeronautics, and transport—have destroyed about 726,000 jobs (about 3 percent of the working-age population). Young Moroccan workers and women will have a harder time than ever finding work. By June 2020, 66.2 percent of workers were still laid off, citing the shutdown of enterprises as the main reason (HCP 2020b). The unemployment rate spiked to 12.3 percent in July from 9.1 percent before the pandemic.

Recovery from the pandemic shutdown has been sluggish and is still a challenge for Moroccan workers. By June 2020, two-thirds of active workers had to temporarily stop their activity, according to HCP (2020b)—and more than half (53 percent) were still in a layoff situation, while just 36 percent had returned to their jobs. At the same time, 62 percent of workers had declared a reduction in their income in the confinement period. However, employers' expectations suggest a slight recovery, since 78 percent said they believed they could count on a return to their activity.

grows and then stagnates (and sometimes even declines), and the service sector eventually accounting for the largest share of GDP. However, in Morocco this transformation is occurring very slowly, and signs of “premature deindustrialization” are observed, whereby industry has not grown nor created the jobs that typically occurred in developed countries as they got rich.² While workers have left agriculture, the process has been slower than in some other countries, and workers who left agriculture have not found industrial jobs, instead transitioning to the service sector, but often in informal jobs. Moreover, the extent of growth and sectoral structural transformation varies widely by region. Among Morocco’s 12 regions, 2 of them—Casablanca-Settat and Rabat-Salé-Kenitra—account for more than 40 percent of GDP and more than one-third of the population, and the top 5 regions account for more than 70 percent of GDP.

Although formalization has improved, the overall quality of jobs is poor. A slow upgrading of the economy toward higher-value-added sectors has hampered the structural transformation needed to create demand for skilled labor. The Moroccan economy still largely depends on agriculture, which makes up the majority of low-productivity jobs, usually in the form of unpaid family work lacking social security and medical coverage. From 2007 to 2019, formalization among waged workers increased, driven by increases in the private sector; yet almost 55 percent of waged workers are still informal.

Private sector firms—facing a poor business climate—have been unable to become an engine of job creation. Though formal private wage employment has increased, private firms, faced with bottlenecks and a poor business environment, are not successful enough to expand. The private sector has been growing, creating 1.1 million formal jobs in the past two decades, but there are only a few job-creating start-ups and young firms. An adverse business environment hinders private sector growth, which strongly correlates with employment creation. According to the World Bank’s Private Sector Diagnostic,³ firms face restrictive regulations, exercised at the discretion of authorities who give undue advantage to some firms. Firms also cite tax rates (especially a high labor tax) and burdensome tax administration procedures as important obstacles.

The automotive industry, however, has managed to establish itself as a flagship business sector. According to the Department of Economic Studies and Financial Forecasts (DEPF 2020), this sector has proved to be sufficiently integrated into global value chains as it has become the leading exporting sector—with 26 percent of national exports and 27 percent of industrial employment in 2018. It is an aim of the Moroccan authorities to strengthen the country’s position in this industry and to continue to attract foreign investment to increase industrial capacity through 2023.

The low quality of education and workforce skills represent a further cause of concern. Although education levels have been improving, one-third of the population still suffers from illiteracy. Lack of employability for those with postsecondary and tertiary education also raises concerns about the quality of education. This skills mismatch decreases returns from investment in education.

Rising inactivity combined with persistent unemployment suggests that many discouraged Moroccans have given up on job searching. Unemployment has been relatively stable since 2009 but inactivity has been rising, leading to a very high rate of joblessness. The inactivity rate in Morocco increased from 47 percent in 2000 to 54 percent in 2019; more than half of Morocco’s working-age population does not work and is not even looking for work. Although the inactivity rate has increased in part due to higher enrollment in secondary and

tertiary education, nearly two-thirds of the rise in the inactive population was from people not in school. While education levels are improving, this raises concerns about Morocco missing out on possible productivity gains during its “demographic window of opportunity”⁴ that is expected to last until 2040. Among both men and women, younger age groups face higher unemployment. Intermediation systems are underutilized as most people rely on their network of family and friends to find a job.

Morocco has not yet been able to bring a large number of women and youth into its labor market. Women constitute a majority of the inactive, while men register lower inactivity but higher unemployment. Both inactivity and unemployment are high for youth in the 15–24 age group. Over the past decade, the NEET (not in education, employment, or training) rate has remained at about 29 percent, among the highest rate in the Middle East and North Africa. The NEET condition is disturbingly “sticky”: those who were NEET in 2010 were found to still be NEET even after 10 years (Alfani et al. 2020). This long-term outcome represents a major impediment to a jobs-led growth strategy.

More than 70 percent of working-age women are not employed or seeking a job. Despite improved school enrollment rates, women have been increasingly less likely to work outside of the home. This appears to be associated with domestic and childcare duties, traditional gender-related social norms, and a gap between women’s skills and those employers seek. Women in urban areas face a very different reality than those in rural areas. The former are unable to find high-productivity jobs despite superior education, while the latter are mostly engaged in low-productivity, unpaid agriculture work with no medical or social security.

COVID-19 will make the issues pertaining to NEETs and low female labor force participation (FLFP) more challenging and pressing to address. The pandemic might further reduce FLFP as it is expected that women will be held even more responsible for domestic chores, and because women usually do not have the priority within households to look for jobs. Also, the NEET population could increase since there will be fewer jobs, and vacancies will likely go to experienced workers.

REPORT OUTLINE

This report lays out the context for the programmatic jobs work by analyzing overall macroeconomic conditions and their effect on job creation. Following the jobs diagnostic framework, it first identifies the key factors for job creation: macroeconomic stability, an enabling business environment, investment in human capital, and the rule of law. It also analyzes trends over a 20-year span in Morocco’s growth, sectoral GDP, employment, demography, migration, and educational investment—and it tries to shed light on why growth has not been accompanied by job creation.

Next, the focus of the report shifts from the macro to the micro level to understand labor market trends and conditions. It is important to strive to steer growth in a manner that translates into more job opportunities, as growth in and of itself does not mean more jobs will be created. This requires understanding key demographic and economic factors: size and characteristics of the active and inactive population, the employed and unemployed, employers and firms, and regional and social disparities. Using labor force and World Bank enterprise data, the report profiles workers and employers/

firms across sectors, regions, education levels, and age groups. By further investigating Morocco's structural transformation, its business environment, and the profile of NEET and female workers, the report aims to identify insights and constraints for creating more, better, and inclusive jobs.

Specifically, this jobs diagnostic analyzes the following questions:

- How has job creation been correlated with growth?
- What macro policies have influenced the labor market?
- What micro changes have taken place in the labor market in Morocco over the past two decades?
- What are the main challenges facing the labor market?
- Which groups have been affected and how?

Moroccan policy makers need to know which jobs contribute most to development and how they can support the private sector to create more jobs. The next phase of the programmatic work, which started in July 2020, will analyze key issues related to structural transformation, determinants of NEET, and FLFP in more detail.

The remainder of this report is structured as follows:

Chapter 2 sets the context for Morocco's economy and how it affects job creation. The first half reviews economic and demographic trends. The second half reviews the various policies that affect job creation, including the macroeconomic framework, investment climate, labor policies and institutions, and education and training.

Chapter 3 focuses on micro trends in the labor market. This chapter looks at how the labor market has changed in the past 20 years. The first half sheds light on changes in the labor market during this time period, while the second half focuses on worker characteristics, sector of employment, and firms, using the latest available survey across age, gender, education, and wealth levels.

Chapter 4 focuses on specific labor market challenges. This chapter examines Morocco's slow structural transformation and how it varies between sectors, cities, rural areas, and different regions—with a focus on excluded groups (NEETs, youth, and women). It profiles these groups (including by educational attainment) and discusses key challenges to creating better jobs to promote their inclusion.

Chapter 5 sets the agenda for the next phase of the programmatic work. Based on the diagnostics and constraints identified in the first four chapters, the final chapter brings out the main trends and discusses areas that are key for policy development. It draws on international examples to deepen the analytical work, and it tries to delineate further work for the second phase.

Appendix A includes HCP survey results on the impact of the COVID-19 (coronavirus) pandemic on the economic, social, and psychological situations of households, carried out in April and June 2020. This represents the only source of data providing information on the economic situation of households in the context of the COVID-19 pandemic.

NOTES

1. Royal speech by King Mohammed VI, August 20, 2019.
2. Broadly speaking, the premature industrialization argument is that, because of technology and trade, developing countries start to lose industry GDP and employment at a lower stage of development than was the case with earlier industrializers.

3. *Creating Markets in Morocco, Country Private Sector Diagnostic*. International Finance Corporation, 2019.
4. As measured by the dependency ratio, that is, the ratio of population under 15 and above 65 to those in the age group between 15–65. This ratio is now only just above 50, indicating a lower burden on the working population, but after 2040, it is expected to rise above 60.

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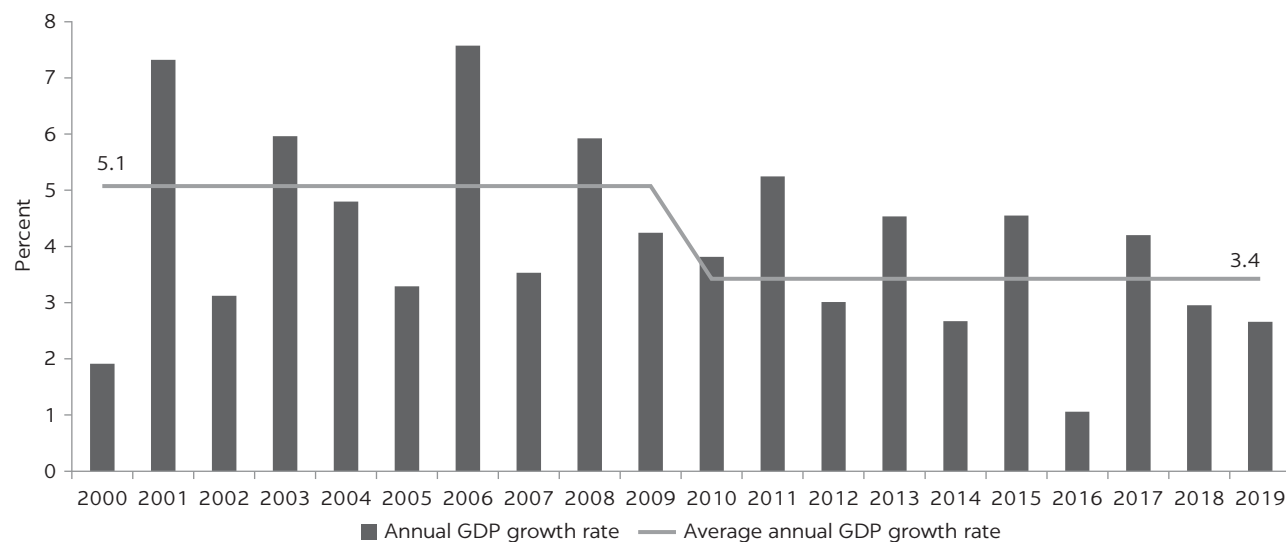
2 Economic, Demographic, and Policy Trends

ECONOMIC GROWTH AND EMPLOYMENT

Since the early 2000s, Morocco's population has experienced a significant improvement in living conditions. In the past 20 years, per capita income has almost doubled, reaching US\$7,514.70 in 2019 (in purchasing power parity [PPP], 2017 constant international \$); World Development Indicators [WDI]). The national poverty rate fell from 15.3 percent to 4.8 percent of the population between 2000 and 2014 (HCP 2016a), and extreme poverty has almost been eradicated. Health and education outcomes have improved significantly, with the country's Human Development Index (HDI) increasing by about 30 percent between 2000 and 2019 (UNDP 2020). Access to basic infrastructure has improved, with recent estimates showing that all households have access to the electricity grid, and over 70 percent have access to drinking water (WDI, World Bank 2021).

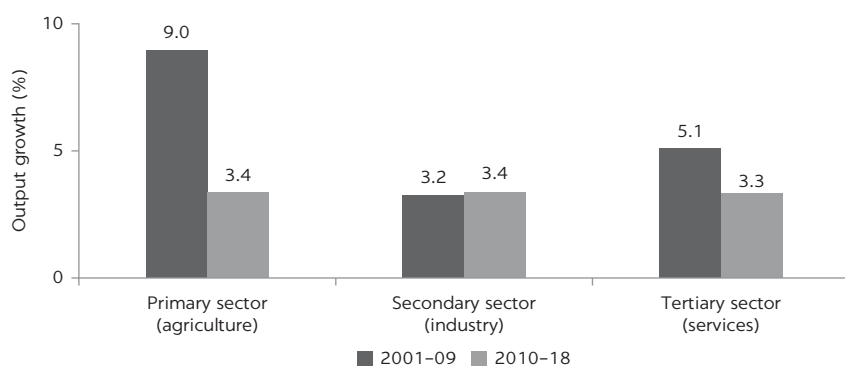
While economic growth since 2000 has been fairly strong, it has been losing momentum. Between 2000 and 2019, real gross domestic product (GDP) growth averaged 4.2 percent per year, although growth decreased during and after the financial crisis. The average annual GDP growth rate slowed from 5.1 percent between 2000 and 2009 to 3.4 percent between 2010 and 2019 (figure 2.1). For comparison, Morocco is growing a bit faster than Tunisia, which had real GDP growth between 2000 and 2019 of 3.2 percent per year, declining from 4.3 percent before the financial crisis (2000–2009) to 1.8 percent between 2010 and 2019.

The growth slowdown has occurred in both the primary and tertiary sectors. The deceleration of GDP growth before and after 2009 has been particularly striking in the primary sector (figure 2.2). It largely reflects a slowdown in agriculture (with forestry), which accounts for about 95 percent of primary sector output. Primary sector growth also became more volatile between 2001 and 2018.¹ Annual growth in the tertiary sector also declined over the two periods (2001–09 and 2010–18), although not as dramatically. Output growth increased only in the secondary industrial sector, from 3.2 percent annually in the earlier period to 3.4 percent in the later one. Manufacturing accounts for almost two-thirds of secondary sector output, and average annual manufacturing growth rates improved from 2.7 percent to 3.2 percent over the two periods.

FIGURE 2.1**Economic growth in Morocco slowing over past 20 years**

Source: International Monetary Fund, <https://www.imf.org/en/Countries/MAR>.

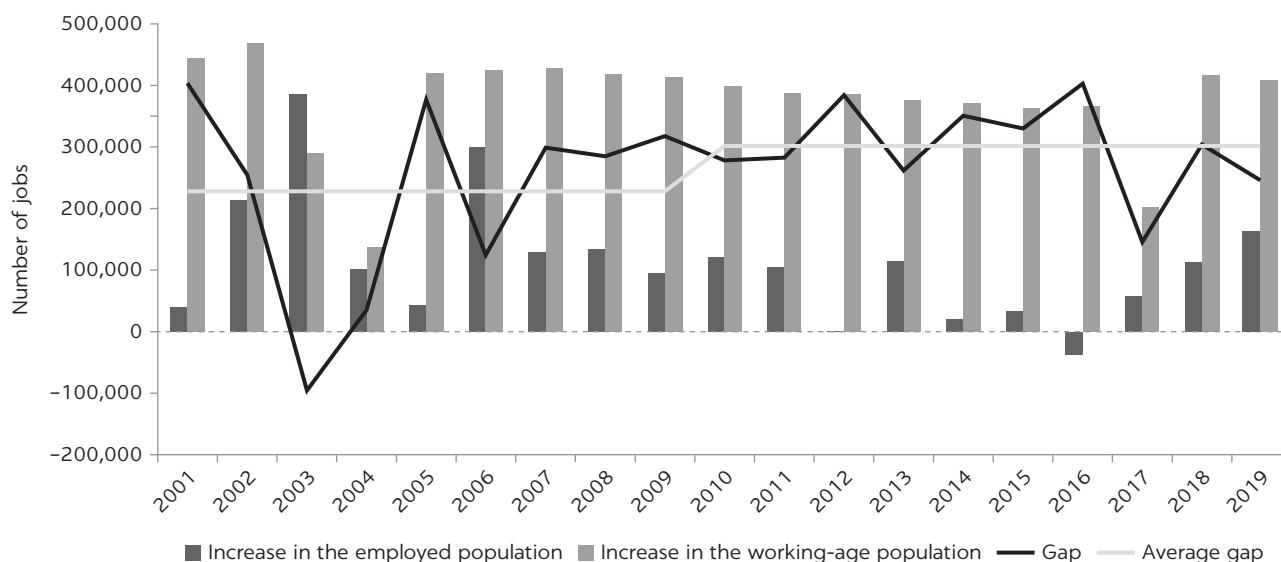
Note: 2019 is preliminary.

FIGURE 2.2**Big slowdown in agricultural growth**

Source: HCP (Haut Commissariat au Plan), <https://www.hcp.ma/>.

A key demographic issue is that Morocco's economy has not generated enough jobs to absorb the growing working-age population. Between 2001 and 2019, the working-age population grew on average by about 374,000 annually, while the economy created an average of 112,000 additional jobs per year—leaving an average annual jobs shortfall of 262,000. This gap worsened over the period, from 227,000 between 2001 and 2009 to 300,000 between 2010 and 2019 (figure 2.3). The unemployment rate has persisted in the 9–12 percent range since the financial crisis. Recorded unemployment would be even higher if Morocco did not have a relatively low labor force participation rate: in 2019, 54 percent of the working-age population was classified as inactive. While this is very similar to inactivity rates in nearby countries such as the Arab Republic of Egypt and Tunisia, the level of inactivity is much lower in comparable countries

FIGURE 2.3

Jobs gap remains stubbornly high

Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

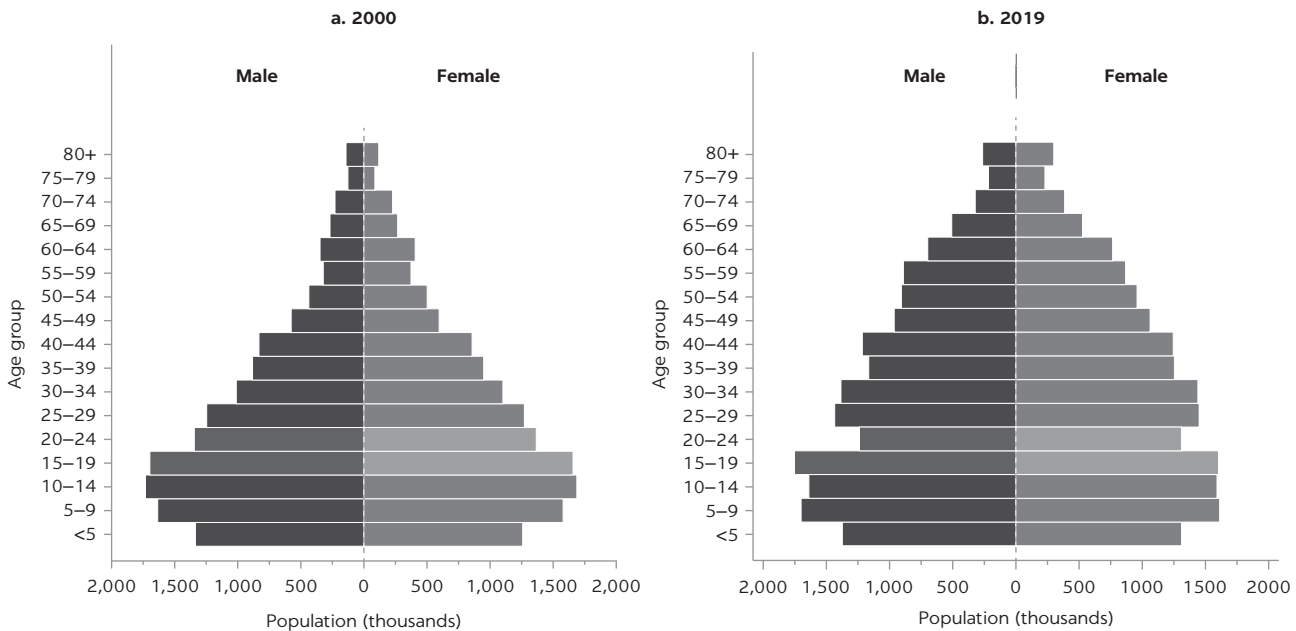
outside the region, such as Turkey (47 percent of adults inactive), South Africa (44 percent), and Indonesia (32 percent).

Various factors explain the inability of the labor market to absorb the working-age population. The employment challenge has two aspects: one concerns a shortage in the number of jobs needed to accommodate a bigger labor supply, and the other concerns the poor quality of the jobs being created. Several factors contribute to these challenges: high population growth, low employment intensity of economic activity, slow improvement in the efficiency of using production inputs, and the slow pace of structural change.

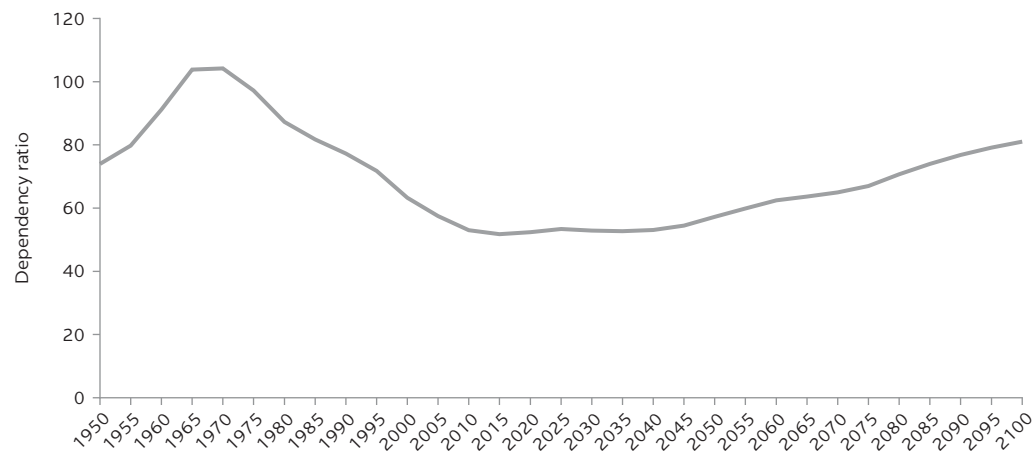
Labor force growth and demography

The demographic structure is concentrated in the working ages. The large increase in the working-age population, as shown in figure 2.4, reflects Morocco's stage in the demographic transition between 2000 and 2019. In addition, the total fertility rate has declined sharply, from 7 children per woman in 1960 to about 2.2 in 2014 (HCP 2016a). As a result, there is both a slowdown in the growth of the overall population and a change in the structure of the population—involving a greater concentration in the working ages.

While significant growth in the working-age population has created pressure in the labor market, it also presents economic opportunities. Populations concentrated in the working ages hold the potential for boosting economic growth, thanks to a “demographic window” (also known as a “window of opportunity”)—defined by a low dependency ratio (share of the total population either under 15 or over 65 compared to the working-age population). This window opened up for Morocco in the early 2000s and will continue for the next couple of decades (figure 2.5). But for this to occur, there needs to be enough jobs to absorb the growing youth population.

FIGURE 2.4**Population, by age groups, 2000 and 2019**

Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey), 2000 and 2019.

FIGURE 2.5**Low dependency ratio offers “demographic window”**

Source: United Nations, World Population Prospects 2019, <http://esa.un.org/wpp>.

Note: Dependency ratio is an age-population ratio of those not typically in the labor force (0-14 and 65+ years old) to those in working age (15-64).

Employment intensity of growth

Economic growth has not been employment-intensive. Unfortunately, growth in Morocco has been “job-poor” (Dadush 2017). To assess the employment intensity of growth, we calculated output elasticities of employment to growth for 2000–18 (see box 2.1). The results show that the elasticity of employment to growth for the aggregate economy (increase in employment for an additional percentage point of increase in output) over this period was 0.27 (table 2.1).

BOX 2.1**Methodology for calculating elasticity of employment**

The most basic definition of employment elasticity is the percentage change in the number of employed persons in an economy or region associated with a percentage change in economic output, measured by GDP. Within this broad definition, two methodologies are frequently utilized for calculating elasticities. The first technique gives the *arc* elasticity of employment:

$$\varepsilon_i = \left(\frac{(E_{i1} - E_{i0})/E_{i0}}{(Y_{i1} - Y_{i0})/Y_{i0}} \right).$$

The numerator simply gives the percentage change in employment in country i , E_p , between periods 0 and 1, while the denominator gives the corresponding percentage change in output, Y_i . While this methodology is computationally very simple, Islam and Nazara (2000) and Islam (2004) have demonstrated that year-over-year employment elasticities calculated using this method tend to exhibit a great deal of instability and

may therefore be inappropriate for comparative purposes.

As a result, following Kapsos (2005) we use a different method, a multivariate log-linear regression model with country dummy variables, D_i , interacted with log GDP for generating the *point* elasticity.

$$\ln E_i = \alpha + \beta_1 \ln Y_i + \beta_2 (\ln Y_i \times D_i) + \beta_3 D_i + u_i.$$

In this equation, the elasticity of employment with respect to GDP in country i is given as $1 + \beta_2$. This is calculated by differentiating both sides of the previous equation and solving for E/Y :

$$\frac{\partial E}{E} = (\beta_1 + \beta_2) \left(\frac{\partial Y}{Y} \right) \rightarrow \frac{\partial E}{\partial Y} \left(\frac{Y}{E} \right) = \beta_1 + \beta_2.$$

Using this econometric method, $\beta_1 + \beta_2$ represents the change in employment associated with a differential change in output.

TABLE 2.1 Not enough jobs generated by growth

	EMPLOYMENT ELASTICITIES (%)		
	2000–09	2010–18	2000–18
Aggregate	0.37	0.12	0.27
By sector			
Agriculture	0.10	–0.27	–0.04
Industry	0.41	0.03	0.08
Mining	—	–0.53	—
Manufacturing	—	–0.07	—
Construction	0.90	0.56	0.91
Services	0.51	0.60	0.53
Trade	—	0.75	—
Other services	—	0.54	—

Source: Calculations by World Bank.

Note: — = not available.

This is relatively low compared to other countries, with employment elasticities most often in the 0.3–0.8 range (Crivelli, Furceri, and Toujas-Bernat  2012). However, elasticities do tend to be lower in developing and emerging economies than in high-income countries, with the Middle East and North Africa (MENA) region usually at the lower end or below the typical range.

Moreover, the employment intensity of Morocco’s growth has slowed in the past decade. The results also show that growth in economic output has resulted in less additional employment since 2010 compared to the prior decade

(0.12 percent elasticity since 2010 compared to 0.37 percent prior to 2010). And there are significant differences by sector, with construction and services generating more jobs per additional unit of output than industry and agriculture—the latter even seeing reductions.

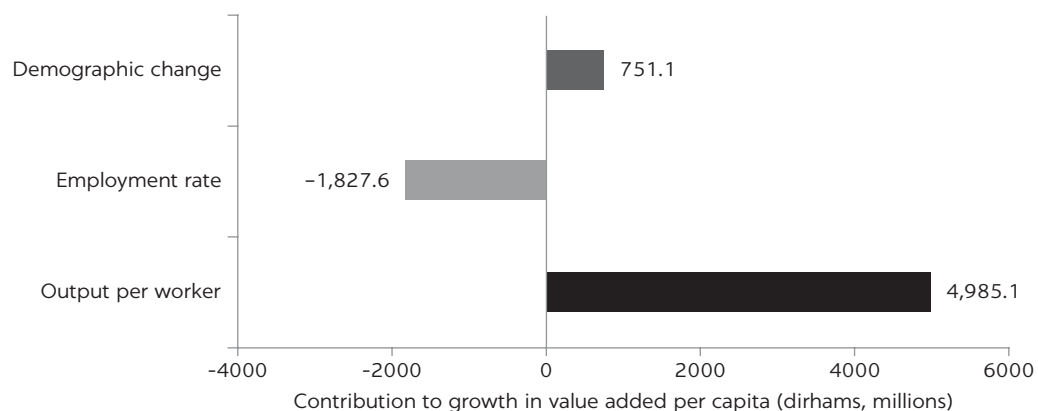
Productivity

Moroccan economic growth over the past decade has been due to higher labor productivity. GDP growth per capita is composed of two factors: the number of workers and the output per worker. The number of workers, in turn, is determined by the size of the working-age population and the share of this group that is employed (that is, the demographic change). What has been driving economic growth in Morocco? As figure 2.6 shows, between 2010 and 2019,² the employment trend had a negative effect on growth, while demographic change and higher productivity (as measured by output per worker) had a positive impact.

Labor productivity has been increasing, but at a slower pace in recent years. Between 2010 and 2018, labor productivity (measured as output per worker) grew by 2.7 percent annually—a decline from 3.7 percent between 2000 and 2009. Although the rate of increase in labor productivity has been equal to or better than productivity growth rates in countries such as Tunisia, Egypt, and Turkey, the *level* of output per worker is considerably higher in those countries. In 2019, GDP per employee (in 2017 PPP) was US\$25,402 in Morocco, compared to US\$36,017 in Tunisia, US\$43,930 in Egypt, and US\$82,049 in Turkey (WDI). In addition, output per worker differs significantly by major sector (figure 2.7). In 2019 an industrial worker produced 3.1 times the value of an agricultural worker. But labor productivity rose more rapidly in agriculture (4.8 percent annually) than in industry (2.7 percent) or services (1.3 percent) over the 2010-19 period.

Growth in labor productivity reflects high capital accumulation but not greater economic efficiency. Calculations made for the 2018 Country Economic Memorandum found that from 2000 to 2014, physical capital accounted for 60 percent of Morocco's growth (Chaffour 2018). This reflected high investment, with an important share coming from the public sector. However, the

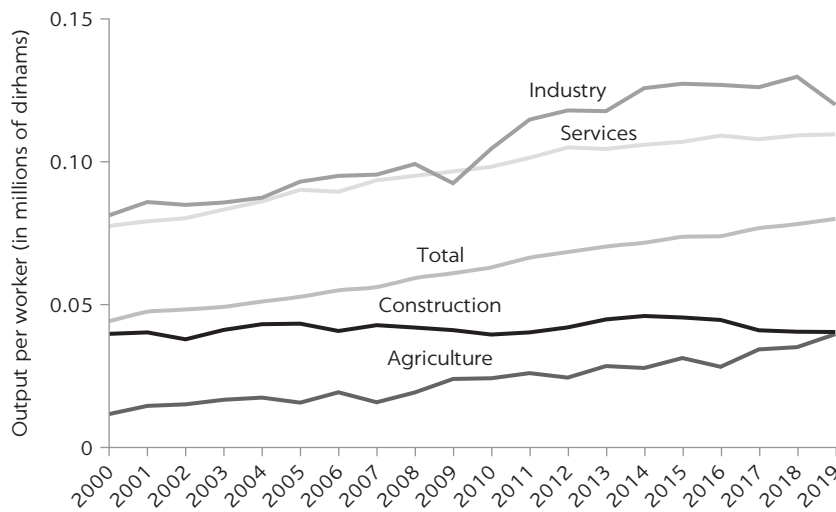
FIGURE 2.6
Economic growth driven by higher output per worker



Source: Figure adapted from Jobs Generation and Growth (JoGGs) Decomposition tool with data from Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

FIGURE 2.7

Labor productivity highest in industry but growing fastest in agriculture, 2000–19



Source: Direction des Études et des Prévisions Financières, <https://www.finances.gov.ma/fr/Ministere/Pages/depf.aspx>.

capital accumulation has not generated high growth. According to an HCP (Haut Commissariat au Plan [High Commission for Planning]) study (HCP 2016b), the incremental capital-output ratio indicates that capital investments in Morocco have decreasing efficiency and marginal returns. More evidence for low efficiency comes from disappointing trends in total factor productivity. According to Abbad (2017), three factors explain the weak link between capital accumulation and efficiency: the accumulated capital is “low quality”; it has not been efficiently allocated to potentially dynamic sectors; and labor force skills have not been adequate to fully exploit the capital. This weak link is worrisome, because going forward, efficiency gains are key to creating growth opportunities and employment—especially good jobs.

Structural change

Most of the labor productivity gains have occurred within industries rather than through sectoral reallocation. Between 2010 and 2019, 59.2 percent of growth in labor productivity was due to *within-sector* gains (table 2.2). Only 40.8 percent came from a reallocation of productive inputs—such as capital and labor—between sectors. One of the central insights of development economics is that when labor and other productive inputs move from low- to high-productivity sectors, aggregate productivity and incomes rise, and good jobs are created (McMillan, Rodrik, and Verduzco-Gallo 2014). Indeed, a synthesis of World Bank country jobs diagnostics concludes that creating more and better jobs depends on structural changes—that is, a reallocation of labor from less- to more-productive activities (Merotto, Weber, and Aterido 2018).

Structural change in the Moroccan economy has been slow. From 1980 to 2018, the share of agriculture in GDP declined from 20 percent to 15 percent, industry remained at 30 percent, and the service sector’s share increased to 55 percent. However, since 2000, GDP shares across the three sectors have remained nearly constant, with only minor shifts toward services and the primary sector and away from industry (figure 2.8).

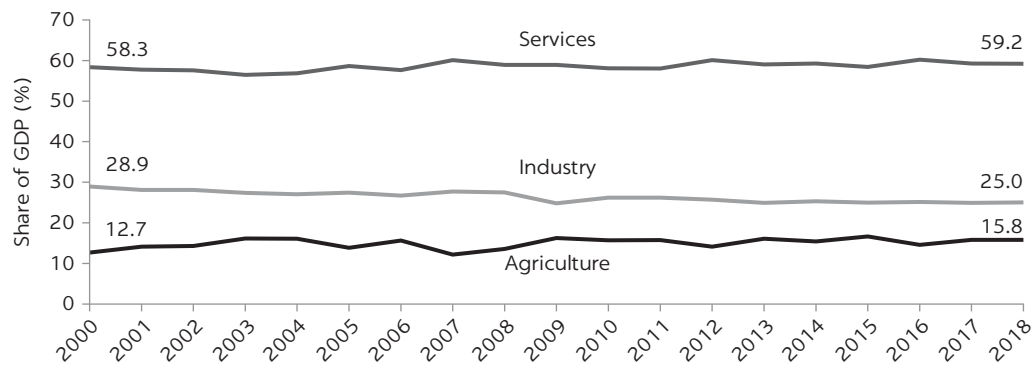
TABLE 2.2 Labor productivity gains due to improvements within sectors, not reallocation of resources across them

	CONTRIBUTION TO CHANGE IN TOTAL OUTPUT PER WORKER	CONTRIBUTION TO CHANGE IN TOTAL OUTPUT PER WORKER (%)
Within-sector gains	9,417.92	59.24
Agriculture	3,923.8	24.7
Mining	290.2	1.8
Food industry	-144.7	-0.9
Textile industry	358.0	2.3
Other industries	918.1	5.8
Electricity and water	230.8	1.5
Construction	244.9	1.5
Hotels and restaurants	-196.4	-1.2
Transport and telecommunication	1,687.6	10.6
Financial activities	-1,308.7	-8.2
Other services	3,195.9	20.1
Trade	218.4	1.4
Inter-sectoral shift	6,479.0	40.8
Total change in output per worker	15,896.9	100.0

Source: Jobs Generation and Growth (JoGGs) Decomposition tool using data from Enquête Nationale sur l'Emploi (ENE).

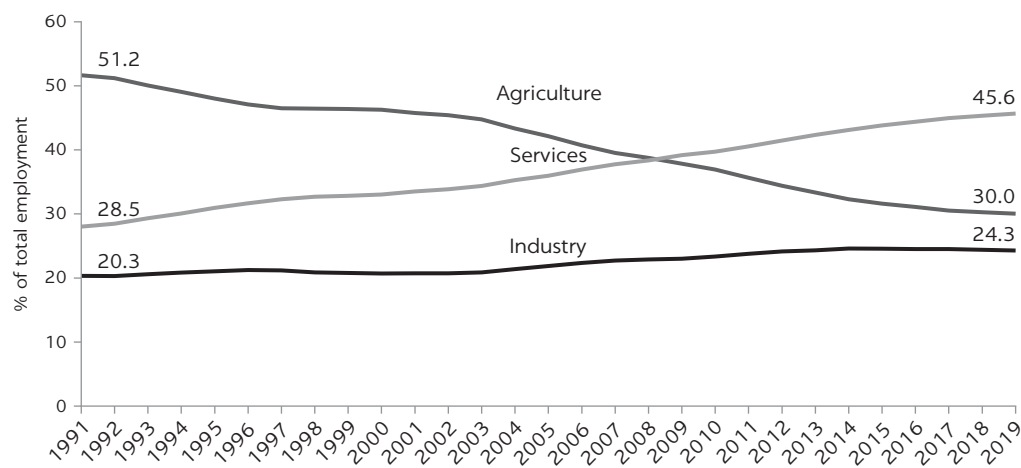
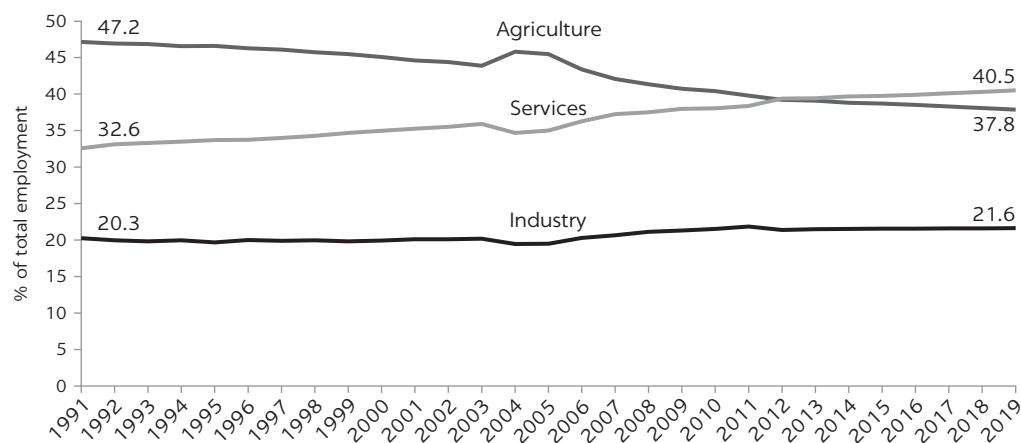
The same story holds for structural change in employment. The pace of change in the structure of employment is well below that of other middle-income countries (figure 2.9). In 1991, the agricultural sector accounted on average for more than 50 percent of employment in middle-income countries, declining rapidly to 30 percent by 2019. But in Morocco, the share of agriculture fell by only 10 percentage points over the same period and still accounts for 37.8 percent of total employment. Similarly, the share of services increased from 28.5 percent to 45.6 percent of total employment on average in middle-income countries between 1991 and 2019. But in Morocco, this share grew more slowly, from 32.6 percent to 40.5 percent. It is only with regard to industry that Morocco seems to be aligned with the evolution of other middle-income countries. The share of industrial employment in middle-income countries rose from 20.3 percent to 24.3 percent between 1991 and 2019, compared to Morocco's increase from 20.3 percent to 21.6 percent.

The Moroccan government has introduced initiatives to boost structural transformation. Several plans have been put forward to encourage development of sectors that are higher value added, could diversity the export base, and help drive growth and job creation. Examples include the automotive, aeronautic, and electronics sectors. By and large, though, the strategy has focused on attracting foreign direct investment rather than encouraging development of local firms (IFC 2019). Initiatives to support small and medium enterprises through Maroc PME (Agence Nationale pour la Promotion de la Petite et Moyenne Entreprise), for example, are generally small in scale and financing, compared to initiatives for large investors (IFC 2019).

FIGURE 2.8**Not much change in the structure of GDP over past two decades**

Source: HCP (Haut Commissariat au Plan), <https://www.hcp.ma/>.

Note: GDP = gross domestic product.

FIGURE 2.9**Morocco lags middle-income countries in structural change in employment****a. Middle-income countries****b. Morocco**

Source: World Bank World Development Indicators, <https://datacatalog.worldbank.org/dataset/world-development-indicators>.

Structural transformation should involve expansion of high-value-added services. In traditional structural transformation, the growth of industry, especially manufacturing, played a big role. However, global competition and technological change have resulted in what Rodrik (2015) has called “premature deindustrialization,” which can disrupt long-standing convergence processes in developing and emerging countries. This phenomenon applies to Morocco, where the share of industry in total GDP declined by 4 percentage points between 2000 and 2018 (figure 2.8). One consequence of premature deindustrialization is that opportunities for economic development and creation of good jobs are more likely to be found in services, especially in high-value-added service industries.

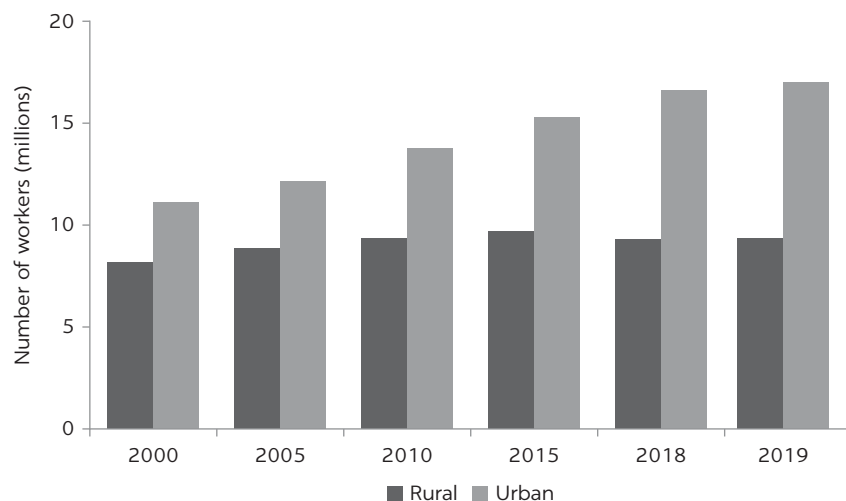
Urbanization

Most Moroccans now live and work in cities. Urbanization is critical for structural transformation, and advanced economies are concentrated in large urban centers. Between 2000 and 2019, urban population gains represented 97 percent of the total population increase in Morocco. Over this period, the working-age population in urban areas grew by 2.3 percent annually, while in rural areas it increased by just 0.7 percent per year. By 2019, 64 percent of the working-age population was in urban areas, compared to 58 percent in 2000 (figure 2.10).

Regional disparities

Important differences among Morocco's regions exist in economic growth rates and sources of growth. While Morocco has 12 regions, 2 of them—Casablanca-Settat and Rabat-Salé-Kenitra—account for more than

FIGURE 2.10
Workers increasingly moving to cities



Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

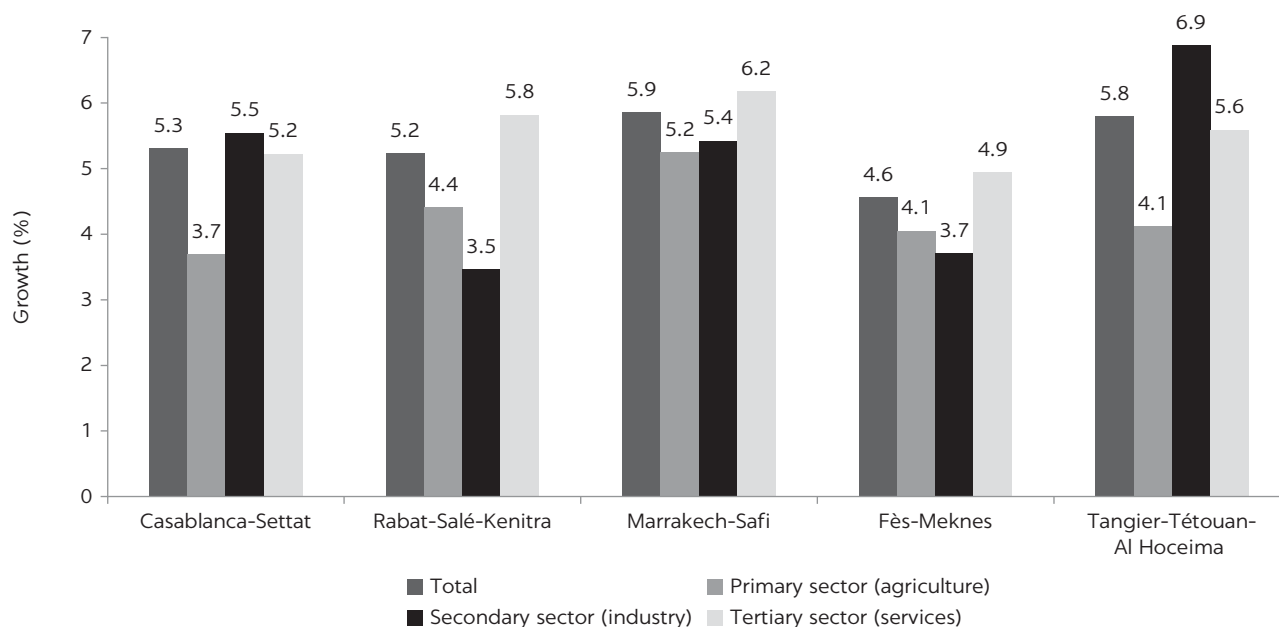
40 percent of the country's GDP and one-third of total population. The top 5 regions in terms of economic activity account for 70 percent of GDP and population. Economic growth in these regions has been faster than in the country as a whole, with annual GDP growth averaging at least 5 percent (except in Fès-Meknes at 4.6 percent) between 2001 and 2017 (figure 2.11). These growth poles have very specific and different sectoral structures, and economic development has been driven by different factors. For example, in the Rabat region, growth can be explained by continued productivity gains in high-value-added services and public administration. But in the Casablanca region, the important manufacturing sector has become more capital-intensive and has increased its labor productivity, along with expanding labor-intensive, low-value-added services.

Jobs are concentrated in regions with large urban centers. The same 5 regions account for over 70 percent of total employment, with Grand Casablanca-Settat alone accounting for 22.4 percent of all jobs in 2019. Over the past decade, *all* net job creation has been in these regions—where between 2010 and 2019 employment grew by about 430,000 while declining by about 22,000 in the rest of the country. Although agriculture still remains the major employer in 5 of Morocco's 12 regions, services now dominate employment in diverse regions. In both urban Rabat and the rural Oriental region, the services sector employed slightly over 50 percent of total workers in 2019.

FIGURE 2.11

Industry drives growth in Casablanca, while services drive growth in Rabat

Average annual growth, 2001–17



Source: HCP (Haut Commissariat au Plan), <https://www.hcp.ma/>.

Migration

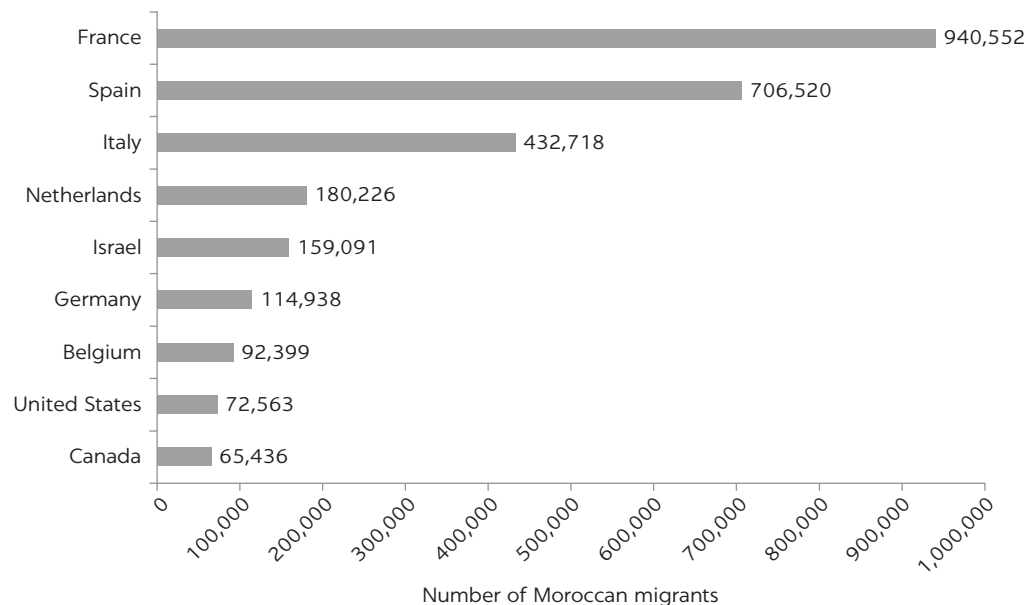
Migration, especially to Europe, has been significant since independence. Beginning in the 1960s, large numbers of Moroccans have emigrated to Western Europe primarily to meet the region's needs for labor (de Haas 2014). France was initially the dominant destination, and continues to be so, but by the 1990s, there were also large flows to Italy and Spain. According to United Nations (UN) Population Division statistics, nearly 3 million Moroccans live outside the country; in fact, this may be an undercount with some estimates placing the total closer to 4 million (de Haas 2014).³ Over 70 percent are in France, Spain, and Italy (figure 2.12).

Europe's aging population combined with Morocco's low dependency rate would normally point to a continuation of these large migrations, but the complex political situation regarding migration to Europe clouds the future.

The most common motivation for migrating is economic or employment related, particularly for men. To learn more about migrants and their experience, in 2018–19 HCP carried out l'Enquête Nationale sur la Migration Internationale (HCP 2019). The survey collected data from 15,076 households, with 8,144 reporting members who were currently migrants. More than half (54 percent) of migrants had left Morocco primarily to work or to improve their economic situation. However, while this motivation dominated for men, women were more likely to migrate for family reasons or to study—as is reflected in employment results: overall, 64 percent of migrants were working, but the difference was large between males (76 percent) and females (38 percent).

While migrants come from all segments of the population, they are more likely to be young and male. More than 69 percent of Moroccan migrants are

FIGURE 2.12
Moroccans migrate mostly to France, Spain, and Italy



Source: United Nations Population Division, <https://www.un.org/en/development/desa/population/migration/data/estimates2/estimates17.asp>.

male, according to the UN data. The HCP survey found that about 60 percent of migrants were under 40 years of age. The average age to migrate in the HCP sample was about 25.

A considerable proportion of Moroccan emigrants are well educated, which raises “brain drain” concerns. According to the HCP survey, one-third of the migrants had some postsecondary education and another 17 percent had completed secondary school. While some migrants return to Morocco, the survey found that the incidence of postsecondary-educated migrants returning was somewhat lower than the incidence for migrants still living abroad. Among nonmigrants with professional training, 40 percent said that they intended to migrate in the future.

Morocco recently has also become a more important destination for migrants. The latest data indicate that the stock of migrants and refugees in the country is slightly more than 100,000, about double what it was 15 years ago (UN Population Division).

KEY POLICY AREAS AFFECTING JOBS

Macro policy

Sound macroeconomic policy is important for job creation. The macroeconomic environment affects job creation in two important ways: creating an environment conducive to growth and minimizing the risk of shocks. For example, fiscal policy needs to accommodate investments in public goods that support job creation while avoiding high public debt levels that would have the opposite effect. Macroeconomic stability is essential for encouraging investment and minimizing shocks. However, macro shocks can also come from external sources, as the current COVID-19 crisis illustrates.

Morocco has strengthened its macroeconomic fundamentals in recent years, and until 2020 the overall economic picture was relatively favorable for employment. Morocco entered the COVID-19 crisis with sound macroeconomic fundamentals. A fiscal consolidation program initiated in 2013 reduced the deficit, stabilized the debt-to-GDP ratio, and decreased the current account deficit, although with some slide backward after 2017. Monetary policy delivered exchange rate stability, and inflation has been low for several years.

However, the COVID-19 crisis obviously has serious consequences for growth, macroeconomic stability, and the labor market. The crisis has plunged Morocco into a serious recession with previous forecasts of modest growth replaced by expectations of a substantial GDP decline in 2020, and only a slow return to the prepandemic growth trajectory. The crisis will also worsen the fiscal deficit considerably, with significantly increased expenditures to mitigate the pandemic’s consequences and reduced revenues due to the recession. The current account deficit will also worsen, as reduced energy imports will not fully offset the decline of exports and tourism revenues. All of these developments will discourage job creation, increase job destruction, and lead to more informality at least through 2020, and probably into 2021.

Investment climate

The business environment affects private sector job creation. Investment and entrepreneurship—which are key for growth and employment—are influenced by factors such as access to finance, taxation, regulation, governance, and infrastructure. But how the business climate affects countries or firms depends on a country's stage of development and the size of private firms. For example, skill shortages are more likely to be a serious constraint in high-income countries, while infrastructure tends to be a more severe challenge in lower-income countries (World Bank 2012). Regardless of income levels, cross-country analysis has found that lack of access to finance and poor infrastructure constrict the growth of medium and large firms more than small ones, while business regulations affect the growth of small firms more than larger ones (Aterido, Hallward-Driemeier, and Pagés 2009).

The Moroccan government has introduced various reforms to improve the business environment. The Country Private Sector Diagnostic (IFC 2019) highlighted many of these improvements—including simplifying and streamlining various business regulations, corporate tax reductions, and changes to the national social insurance contribution system. According to the IFC diagnostic, infrastructure progress has been “rapid and impressive.” These improvements are evident in Morocco's continued climb in the Doing Business rankings. In 2020, it stood 53rd, 7 spots higher than in 2019 and 16 spots higher than in 2018. For some Doing Business Indicators, Morocco now ranks quite high: for example, “dealing with construction permits” (16th), “paying taxes” (24th), and “getting electricity” (34th).

However, these assessments center on legal requirements and do not correspond with the actual experience of many firms. For example, while the Doing Business rankings rate taxation very positively, the reality for many firms seems to be different. In the 2019 World Bank Enterprise Survey, Moroccan firms identified tax rates and tax administration as 2 of the top 3 constraints, along with corruption, from a list of 15 potential constraints. According to respondents to the Enterprise Survey, Morocco also does not fare well in terms of dealing with government regulation, access to finance, labor regulation, and skills.⁴

The business climate is not equally attractive for all firms due to limited competition. Lack of market competitiveness in Morocco constrains private sector expansion. The World Bank Private Sector Diagnostic emphasized that Morocco lags other countries in terms of antimonopoly policy and market competition (IFC 2019). According to the diagnostic, regulations are either too restrictive or applied in a manner that favors insiders, firms are not treated equally, and competition policy is not well enforced. The overall effect is that key industries are not competitive, and young firms face obstacles in terms of entering the industry or growing. This hurts job creation, especially the employment prospects for young workers.

The Moroccan business environment seems to have worsened in recent years in a number of key dimensions. A comparison of results of the 2019 Enterprise Survey with the previous 2013 survey indicates that more firms identified various operating obstacles in 2019. For example, participating firms in the Casablanca-Settat region cited government regulation, bribes, access to credit, labor regulation, and workforce skills as more problematic in the 2019 survey. In the same period of time, Morocco has only managed to move two places in the

Global Competitiveness Index (WEF 2019) from the 77th to the 75th, with labor market, skills, information and communication technology adoption, and innovation capability its greater weaknesses.

Labor policies and institutions⁵

Labor policies and institutions are important for protecting workers while contributing to a positive business environment. Labor regulation, collective bargaining, and social protection for workers are meant to address imperfections in the labor market—such as inadequate information, uneven bargaining power, and the need to provide insurance for employment-related risk. Perspectives on these policies and institutions differ: some claim that they have large efficiency costs and reduce job creation, while others deem them essential for creating good jobs and decent work. On balance, international evidence suggests that most countries operate on a “plateau” where labor policies have a redistributive effect without significantly impeding labor market efficiency (World Bank 2012). However, excessive or insufficient labor market interventions in some countries hamper productivity, job creation, or social and economic justice.

In Morocco, the very diverse employment profile presents significant challenges for labor policy. Morocco’s economic structure includes some large, formal firms, along with a range of very different workplaces—including small firms operating partly or fully informally, self-employment, domestic work, and unpaid family work. Over one-third of the employed labor force is engaged in agriculture. This context is challenging for labor policy makers since diverse rules and institutions would be needed to reflect the range of realities.

Most Moroccan workers are outside the formal regulatory regime. Fewer than 1 in 4 workers are employed in formal-sector wage and salary jobs, the sector for which labor regulations and institutions are designed. Moreover, even where labor regulations apply, it is difficult to enforce them because of informal competition and limited enforcement capacity. Morocco’s labor inspection service is small with very limited resources (Kuddo and Moosa 2019).

The 2004 Labor Code primarily governs labor market regulation. Morocco largely complies with international labor conventions and recommendations through its 2004 Labor Code.⁶ The Labor Code covers various aspects of employment—including hiring rules, requirements for dismissal (such as notice and severance), working hours, leave policies, and minimum wage. While the Labor Code applies to all private sector employees, coverage is only partial in practice. Indeed, if we consider existence of an employment contract a proxy for coverage, in 2019 only 45 percent of workers reported having a contract (HCP).

The legal framework provides for collective bargaining at the national, sectoral, and firm levels. Agreements at the national level pertain mostly to economic, social, and labor policy, while sectoral and firm-level bargaining is concerned with wages and working conditions. Provisions allow the Ministry of Labor to extend sectoral agreements throughout an industry or for an entire occupation by decree. But in reality, collective bargaining is limited, with very low union membership and relatively few collective agreements negotiated at either the sectoral or company level.⁷

In terms of hiring, the Labor Code restricts the use of fixed-term contracts. The law provides for two main types of employment contracts: open-ended (*contrat à durée indéterminée*) and fixed-term (*contrat à durée déterminée*). A fixed-term contract is only permissible in specified situations; it is not

available when the work is not time-bound, and the maximum duration is 12 months. While restrictions on fixed-term contracts are intended to encourage stable, long-term employment relationships, they can also create hiring disincentives by limiting employer flexibility. For this reason, in general, countries do not restrict fixed-term contracts to time-bound tasks, nor do most limit the duration of these contracts (Kuddo and Moosa 2019). Morocco's fixed-term hiring rules are more restrictive than those in neighboring countries (table 2.3). In some cases, firms may be able to work around these restrictions, for example, by relying on temporary work agencies (Gannat and Betcherman 2021).

Morocco, like most countries, regulates dismissals by establishing just cause and requiring notice periods and severance payments. As with hiring, the challenge with dismissal rules is to protect workers without imposing costs on employers that will discourage them from hiring. Under the Labor Code, the employer must inform the employees' representatives and negotiate the terms of dismissal. This can be subject to the authorization of the district governor. In the case of group redundancies (9 or more workers), the employer must also notify and consult with a third party, typically the Ministry of Labor, who must approve the dismissal. Notice must be given for both individual and group dismissals, with the required length of time dependent on the category of employee and the type of contract. Overall, Morocco's dismissal requirements are comparable to those in neighboring countries (table 2.3).

Morocco lacks an unemployment benefits program. Severance payments represent the only support for laid-off workers but provide limited benefits. The Labor Code stipulates severance obligations for laid-off workers: Eligibility and the amount of payment depend on length of service. However, these obligations often lead to lengthy and costly disputes, and actual payment of severance occurs only in a few cases.⁸

The minimum wage in Morocco is high in relative terms, but compliance is not clear. The official minimum wage is 2,699 dirhams per month for the general private sector, and 1,994 dirhams per month for the agricultural sector. In 2018, the general minimum wage represented about 50 percent of the mean wage reported to the Caisse Nationale de Sécurité Sociale (CNSS). As a point of reference, data for 75 countries suggest that the minimum wage level is most frequently set at about 40 percent of mean wages (Kuddo and Moosa 2019). When the minimum wage is compared to the average value added per worker, the ratio in Morocco is about 70 percent, which is higher than in Tunisia and Algeria (World Bank 2020). While these figures suggest that the minimum wage

TABLE 2.3 Morocco's fixed-term hiring rules are stricter than those elsewhere

COUNTRY	FIXED-TERM CONTRACTS PROHIBITED FOR PERMANENT TASKS?	MAXIMUM LENGTH OF FIXED-TERM CONTRACTS (MONTHS) ^a	THIRD-PARTY APPROVAL IF ONE WORKER IS DISMISSED?	THIRD-PARTY NOTIFICATION IF 9+ WORKERS ARE DISMISSED?	THIRD-PARTY APPROVAL IF 9+ WORKERS ARE DISMISSED?	NOTICE PERIOD FOR DISMISSAL (WEEKS OF SALARY) ^a	SEVERANCE PAY FOR DISMISSAL (WEEKS OF SALARY) ^a
Morocco	Yes	12	Yes	Yes	Yes	7.2	13.5
Algeria	Yes	No limit	No	Yes	No	4.3	13.0
Egypt, Arab Rep.	No	No limit	Yes	Yes	Yes	10.1	26.7
Tunisia	No	48	Yes	Yes	Yes	4.3	17.2

Source: World Bank Doing Business database, <http://www.doingbusiness.org/>.

a. Average of 1, 5, and 10 years of employment.

may be high in Morocco, more detailed analysis should investigate compliance, coverage, and its effects on employment at a disaggregated level.

Only a minority of firms report labor regulations as a major obstacle, but these regulations are apparently becoming more problematic. Labor regulations do not seem to pose serious problems for the majority of Moroccan firms. According to the 2019 World Bank Enterprise Survey, 22.7 percent of responding companies indicated that labor regulations were a major constraint. This is less, for example, than the percentage of firms who identify a poorly educated workforce as a major constraint (30.2 percent). However, the share of firms concerned about labor regulations is higher than the MENA average (10.7 percent). Also, it is significantly higher than the 12.3 percent of firms in the 2013 World Bank Enterprise Survey citing labor regulations as a major constraint. Moreover, incomplete compliance with labor regulations likely reduces the number of firms that experience problems with regulations.

Only a minority of workers benefit from formal social insurance. Private sector employees receive pension, health, and other types of social insurance coverage through the CNSS.⁹ However, the social insurance system benefits only a minority of Moroccan workers, 75 percent of whom do not have access to pension systems, and 85 percent of whom are excluded from health insurance.

While social insurance provides important social protection, one potential concern is how contributions increase the cost of labor. Employer and employee payroll contributions finance insurance plans in Morocco—contributions total 27.83 percent of wages—with a ceiling on contributions for some benefits. Economists often calculate the “tax wedge” to measure the effect of social contributions and income tax on labor demand and supply. It represents the difference between gross and net pay due to social contributions and personal taxes, with a higher tax wedge having a more negative effect on employment. The tax wedge for a Moroccan worker earning the average wage in 2018 was 38 percent, which is high compared to neighboring countries. For minimum-wage workers, who are exempt from income taxes, the tax wedge was 22 percent. Even though the average worker’s tax wedge is high, very few firms (4 percent) responding to the World Bank Enterprise Survey identified CNSS contributions as the tax that weighs most on their activity.

Without an unemployment benefits program, active labor market programs (ALMPs) represent the primary instrument for supporting unemployed workers—but the focus and reach of ALMPs have been limited (Gannat and Betcherman 2021). The Agence Nationale de Promotion de l’Emploi et des Compétences (National Agency for the Promotion of Employment and Competencies; ANAPEC) is the public agency responsible for ALMPs.¹⁰ These programs include subsidized internships for new entrants, training, and self-employment support. Traditionally, ANAPEC programs have focused on unemployed young graduates, but while this group is important, other types of workers also experience widespread difficulties accessing the labor market. For that reason, the National Employment Strategy and the ANAPEC development plan also prioritize inactive women, nongraduate youth, and the disabled. The ANAPEC has also served major urban areas more than less developed regions, many of which have difficult labor market conditions.

The ANAPEC’s labor market penetration is small, and it is difficult to assess the effectiveness of ALMPs because of lack of evaluation. Only an estimated 1 percent of registered jobseekers find employment through the ANAPEC.

Moreover, it appears that awareness of the agency and its services is limited (Badawi and Harders 2017). In terms of the effectiveness of ALMPs, it is difficult to make a rigorous assessment. Ministry of Labor and ANAPEC reviews focus on inputs (such as whether participation targets are met) rather than outcomes (such as the net addition to employment) (ETF 2018; Ibourek 2018). While the 2015–20 ANAPEC development plan aimed to improve quantitative input and output indicators, the agency has not undertaken scientific impact evaluations.

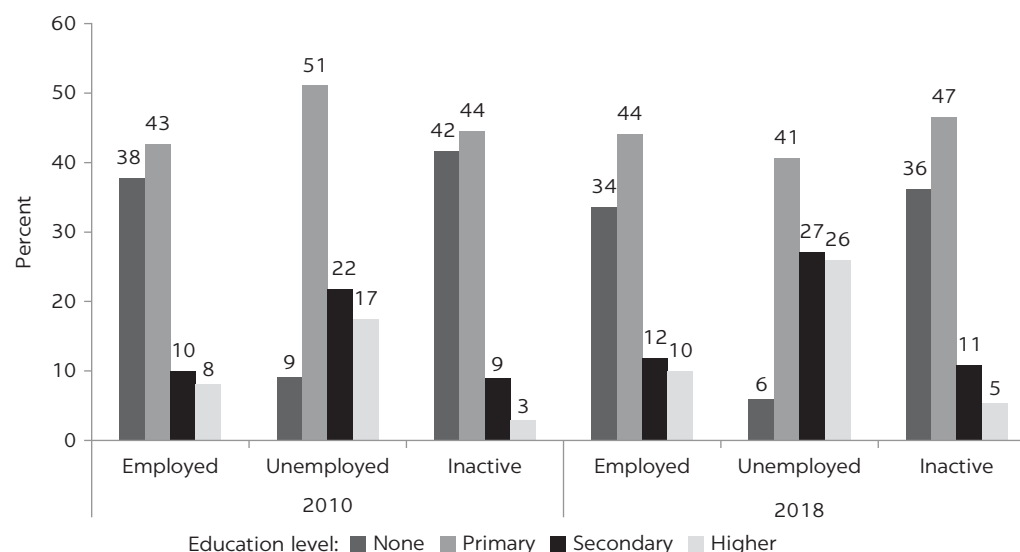
Human capital development

The current workforce is poorly educated. The average length of schooling for the Moroccan population was 5.6 years in 2019—6.6 years for men and 4.7 years for women (UNDP 2020, HDI). One-third of the population is still illiterate, affecting 42 percent of women and 22 percent of men (HCP 2016a). These low levels of human capital are reflected in the educational attainment of the labor force. In 2018, more than three-quarters of the employed workforce had either no schooling or only primary education (figure 2.13). Only 12 percent had secondary education, and just 10 percent had postsecondary education.

However, educational attainment has been increasing, which will result in a more educated workforce in the future. Educational attainment is rapidly improving because of the universalization of schooling. Net primary enrollment was 99 percent in 2019, a big leap from 76 percent in 2000. The average Moroccan child entering school in 2019 could expect to complete 13 years of education, double the length of schooling for a child who started in 1990 (UNDP, HDI). Illiteracy should therefore continue to decline.

But there are also concerns about the quality of education, as reflected in learning outcomes. The Organisation for Economic Co-operation and Development (OECD) Programme for International Student Assessment (PISA)

FIGURE 2.13
Workers fare poorly on educational attainment



Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

produces standardized measures across countries (or subcountry regions) of 15-year-olds' knowledge about mathematics, reading, and science. In the latest (2018) assessment, Morocco ranked among the bottom 5 for the 79 participating countries and jurisdictions.¹¹ According to this study, 60 percent of Moroccan students performed poorly in all three learning areas, and Morocco's best students barely reached the average OECD level.

Another area for concern is the employability of postsecondary graduates. The well-educated have unexpectedly poor labor market outcomes. In 2019, individuals with postsecondary schooling accounted for 26 percent of the unemployed, a proportion much higher than their share of employment (10 percent). The reasons for this are complicated, and at least partly reflect limited creation of higher-skilled jobs. However, the situation also raises questions about whether the skills acquired in postsecondary education match employer needs.

Morocco needs to get higher returns from investments in human capital. Disappointing employment outcomes for the well educated raise serious issues for policy makers. They represent a major obstacle to Morocco's development—in particular, the upgrading needed for innovation and productivity gains to move into higher-value-added activities that create good jobs and increase incomes.

NOTES

1. These multiyear averages for the primary sector mask large annual swings in the sector's output, especially due to agriculture. Between 2010 and 2018, there were 3 years when agriculture and forestry output increased by more than 10 percent, and 3 years when output declined.
2. Decomposition GDP growth has been performed using the World Bank's Jobs Generation and Growth (JoGGs) Decomposition tool, which uses Shapley decompositions.
3. This is based on the UN definition of "international migrants," which includes the number of people living in a country or area other than that in which they were born. The methodology and data are available at <https://www.un.org/en/development/desa/population/migration/data/estimates2/estimates17.asp>.
4. These observations from the World Bank Enterprise Surveys are based on calculations by the authors. The latest survey results for Morocco can be accessed at <https://www.enterprisesurveys.org/en/data/exploreeconomies/2019/morocco>.
5. This section is based on Gannat and Betcherman (2020).
6. Morocco has ratified all of the International Labour Organization (ILO) core conventions, with the exception of C87 on the Freedom of Association and Protection of the Right to Organize. Notwithstanding, freedom of association is "largely possible" (EC and ILO 2015).
7. Union membership data are not published, but a 2010 estimate was that fewer than 10 percent of the workforce was unionized, with higher rates in the public sector than in the private sector (EC and ILO 2015).
8. This observation has been made by CGEM, the Moroccan employer organization, and by labor unions.
9. Public sector employees are insured separately through the Caisse Nationale des Organismes de Prévoyance Sociale (CNOPS).
10. Other government agencies and departments, such as the Ministry of Youth, also operate ALMPs.
11. PISA results are available at <https://www.oecd.org/pisa/publications/pisa-2018-results.htm>.

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3 Labor Market Trends

The evolution of the Moroccan labor market in the last two decades, the main characteristics of workers, as well as sectors of activity and key features characterizing the employers are described in this chapter. The first section includes a comparison of the labor market structure in the country between 2000 and 2019 using data from the Moroccan Labor Force Survey (box 3.1). Over time, levels of inactivity of the Moroccan labor force increased, whereas unemployment remained quite stable. This suggests that women and young people who mainly compose the category of the inactive encounter so many barriers trying to enter the job market that they become discouraged and stop looking for a job. On the other hand, informality characterizing the Moroccan labor market slowly but constantly declined in the last two decades, although informal jobs prevail in the country.

Profiles of labor market status developed through a set of individual characteristics taken simultaneously, such as gender, education level, and living area, are presented in the second section. Main profiles are analyzed by region and in the 2000–19 timespan to show geographical heterogeneity and variation over time of different categories of workers that characterize the Moroccan labor market. Frequent profiles of the inactive suggest that women with low levels of education residing in urban areas are the most numerous of those who are neither working nor looking for work. Young urban men with high levels of education mostly represent the profile of the unemployed. Among the employed, self-employed and small-business owners are mostly men with low levels of education, whereas formal wagedworkers are mostly educated men living in urban areas. Furthermore, considering formal wagedworkers employed by private and public sectors, the latter results to be the most male-dominated. With respect to women, highly educated female workers are more employed in Casablanca and Rabat than other parts of the country.

Sectors of activity and profiles of firms where the Moroccan labor force is typically employed are presented in the third section. The decline in agriculture results to be homogenous across the country, but more marked both in traditionally poorer and lowly populated regions such as Drâa-Tafilalet and Souss-Massa, and in the Fès-Meknes and Marrakech-Safi regions. On the other hand, Tangier is the only region experiencing a small increase in the employment of the manufacturing sector. The expansion of the services sector in Grand

BOX 3.1**Main data sources**

The analysis in this chapter draws significantly on information from the Enquête Nationale sur l'Emploi (ENE) from 2000 to 2019, with some emphasis on dynamics in recent years, namely the 2010–19 period. The ENE is a nationally representative Labor Force Survey conducted by the Haut Commissariat au Plan (HCP), including detailed information on the active population as well as main demographic, cultural, and socioprofessional characteristics of workers. In most cases, survey rounds provide comparable data that can be used to perform analyses over almost two decades.

The survey was conducted for the first time in 1976 and extended to rural areas in 1999. Since

then, the ENE is collected every year. The sampling frame follows a two-stage stratification strategy in urban and rural areas and regions, which have been reduced to 12 from the original 16 in 2013. Since 2017, the sample increased from 60,000 households (20,000 in rural areas) to 90,000 (30,000 in rural areas). Moreover, since 2017, the ENE follows the new administrative division in 12 regions, and 75 prefectures or provinces. However, the rotating panel data are available for about one-half of each survey round between two adjacent years—that is, 2010/2011; and two-thirds, since 2017.

Casablanca-Settat and Rabat-Salé-Kenitra seems to be mainly driven by high-value-added sectors such as information and communication technology (ICT) and financial services, but also by labor-intensive and low-value-added activities. Micro firms mainly characterize the Moroccan labor market and largely operate in construction and services. Small and medium enterprises are primarily active in agriculture, whereas larger firms work in the industry sector. Micro and small firms operating in the nonagricultural sector mainly employed male wagedworkers with low levels of education. Female wagedworkers with high levels of education were employed by medium-large and large enterprises, although well-educated men represented the majority of those employed in nonagricultural medium-large and large establishments.

A SNAPSHOT OF MOROCCAN WORKERS

Coming up with ways to create more and better jobs to absorb the growing working-age population—especially for youth and women—it is vital to drill down from the macroeconomic picture to the microeconomic one.

Despite some improvement, the overall situation remains alarming for Moroccan workers. Already high Moroccan labor force “inactivity”—those individuals of working age who have dropped out of the workforce—further increased over the past two decades. This (inactive) group accounted for about 9 million Moroccans in 2000 (figure 3.1) and increased to nearly 14.3 million in 2019 (figure 3.2). The rise is also remarkable in percentage terms. Between 2000 and 2019, the inactive as a percentage of the working-age population increased from 47 percent to 54 percent, with a corresponding decline of the active population from 53 percent to 46 percent.

Whereas this increase had in part to do with higher gross enrollment ratios, the surge of the inactive group was mainly due to the growth of the population not in school. In Morocco, the gross enrollment ratio—expressed as the percentage of population in the official school age group—improved from 61 percent to 83 percent between 2009 and 2019 (UNESCO 2020), and not counting these latter, the total number of inactive grew from about 7.3 million in 2000 to about 10.9 million in 2019.

A high and growing rate of inactivity also explains the relatively low and stable unemployment. When compared to other Middle East and North Africa (MENA) countries,¹ Morocco has experienced a relatively low unemployment rate that has hovered between 13 and 9 percent, corresponding to 1.4 million people in 2000 and 1.1 million in 2019. The combination of declining activity and stable unemployment rates suggests that many Moroccans, especially women and young people, find so many barriers to entry in the job market that they become discouraged and give up searching for a job. It follows that over the past two decades, the inactive group grew while the unemployed group—those who actively search for a job without finding it—remained stable.

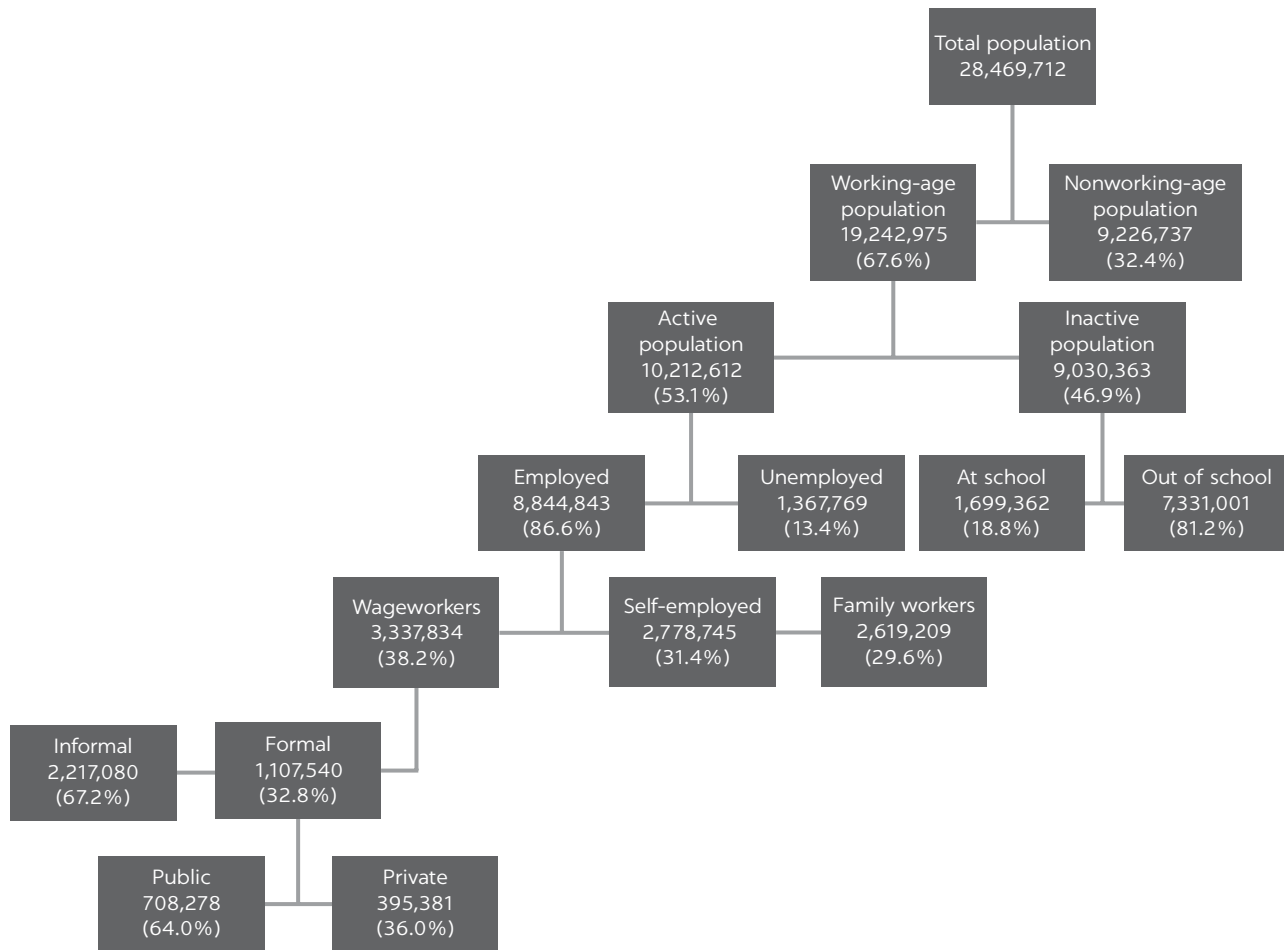
At the same time, there have been positive changes in the composition of the employed population (active minus unemployed)—a group that can be further disaggregated into wagedworkers, self-employed, and family workers. Between 2000 and 2019 the wagedworkers increased by 39 percent, corresponding to almost 2.2 million employees, whereas the self-employed rose by about 27 percent, or about 1 million. Although the number of family workers decreased over time, this category comprises the most vulnerable—mostly women and young city dwellers who lack a regular salary (often paid in kind). Family workers accounted for about 30 percent of the employed in 2000, and 15 percent in 2019. In absolute terms, this corresponded to a sharp reduction of about 1,000,000 people. Although it is not possible to exactly track these family workers, some certainly became inactive, while others might have contributed to the increase of the self-employed (from 31.4 percent to 34.6 percent) and wagedworkers (from 38.2 percent to 50 percent). Most likely, family workers were engaged in informal activities but at least remunerated with a monetary salary.²

This increase in formalization was mostly driven by the private sector—where the 1.3 million new formal jobs were all created—whereas the share of public sector employment declined significantly. Against a general perception of an overburdened public sector (IMF 2014), public employment dropped from 67.2 percent of total formal wage employment in 2000 to about 35.9 percent in 2019.

Age, gender, education, and wealth of the Moroccan labor force

What do Moroccan workers look like in terms of personal characteristics such as age, gender, education, and wealth? To begin with, Morocco is currently enjoying a demographic bonus that will last until 2040, with the working-age population the dominant feature and on the rise, able to take care of those dependent on it (individuals over 65 and under 15). However, the working-age population is becoming less “active,” which can be partially explained by growing school enrollment (figure 3.3), especially in urban areas. Moreover, of the 14.3 million Moroccans who are inactive, the vast majority are women (specifically in the cohorts of 25–59 years old), with even those of secondary or tertiary school age (15–24) often not enrolled in school.

FIGURE 3.1

Labor status of the population in Morocco, 2000

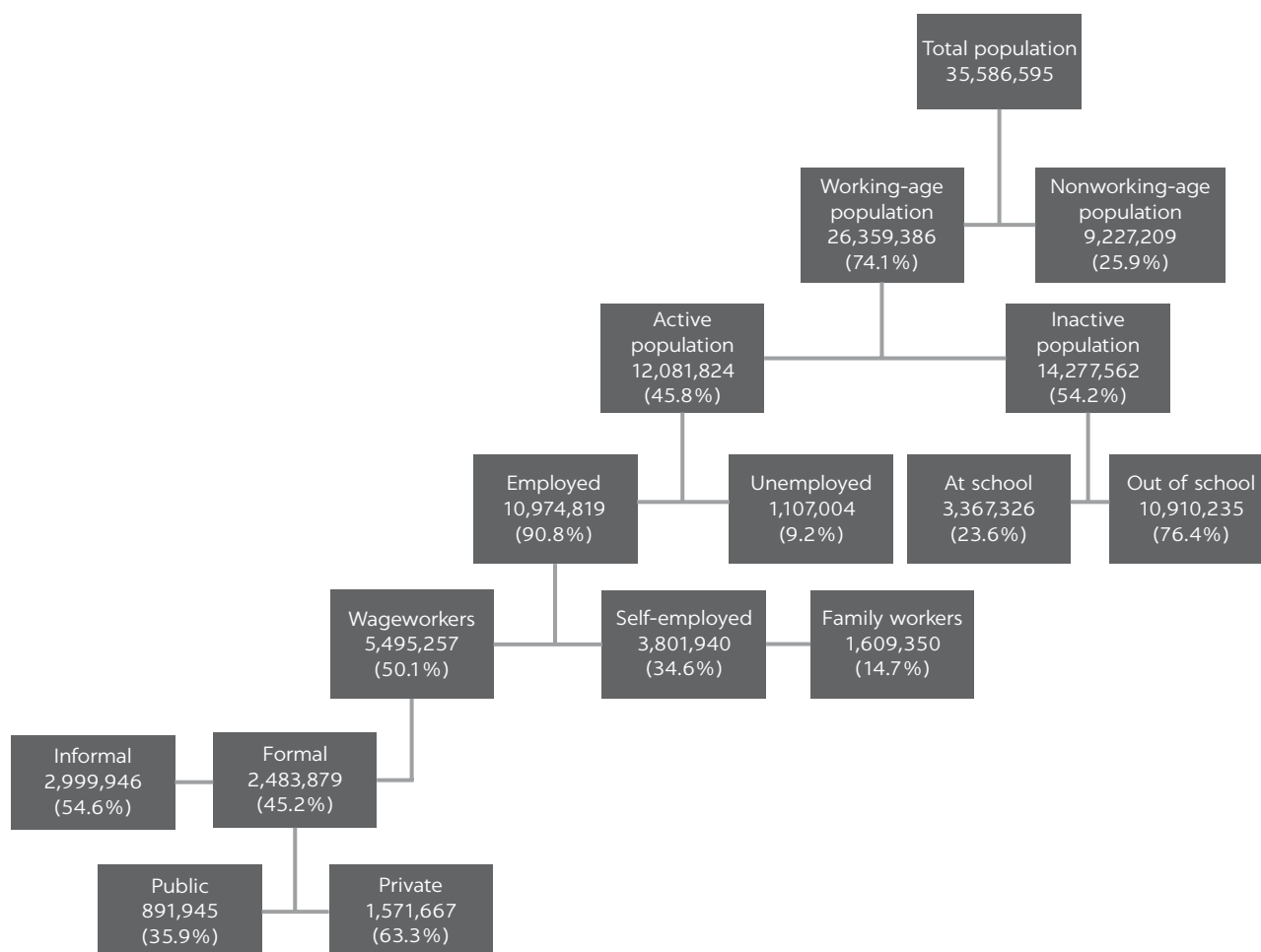
Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

Differences between men and women in labor market status start early in life. Thanks to an increase in access to education, early secondary education is now almost universal: 80 percent of 15-year-old women and 95 percent of 15-year-old men are in school. However, gender differences start to manifest soon thereafter. In 2019, most young men continued through secondary school, about 10–15 percent started working, and only a small percentage became “not in education, employment, or training” (NEET). Statistics for young women illustrate a different picture, with high shares of young women either continuing schooling or becoming NEET. In addition, school enrollment for women declined much faster than for men. At the age of 18, about 60 percent of women were still in school compared to 80 percent of men. In 2000, the trajectory was very similar, although enrollment rates were lower for women.

As age increases, the gender gap in work status widens markedly. In 2019, about 22 percent of 24-year-old men were NEET compared to more than 70 percent of women—a very large difference that points to severe retrenchment for women (Alfani et al. 2020). Although the male-female gap widened both in 2000 and in 2019, in relative terms it was far more disheartening, with the great gains girls made in early education seeming to be lost. In 2019, about 15 percent

FIGURE 3.2

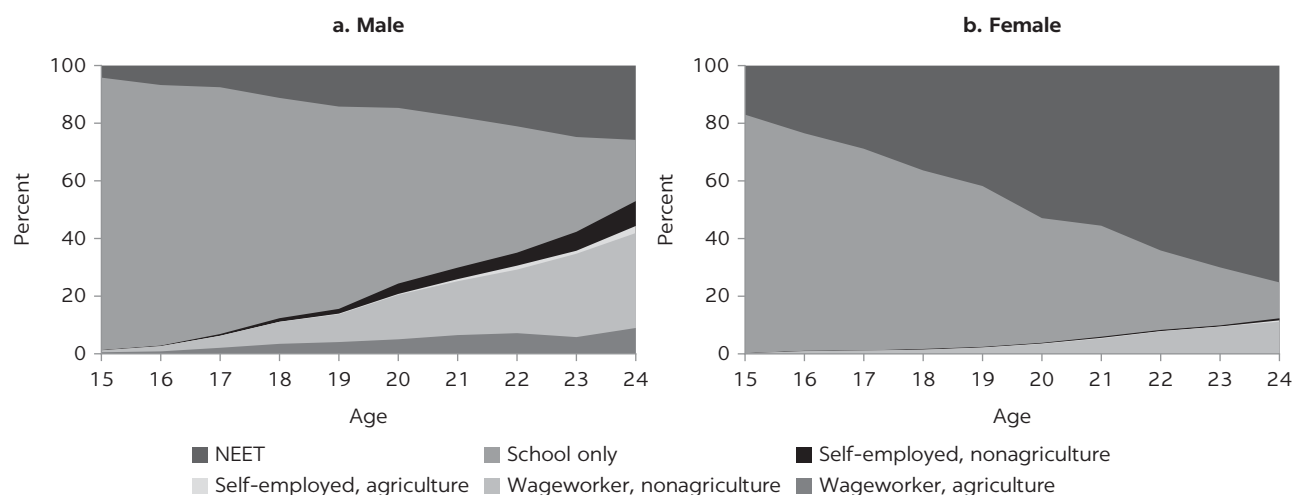
Labor status of the population in Morocco, 2019



Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

FIGURE 3.3

School-to-work transition for males and females aged 15–24, 2019



Source: World Bank elaboration based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

Note: NEET = not in education, employment, or training.

FIGURE 3.4**Higher inactive rate for women, especially once they marry***Marital and school enrollment status among inactive males and females, aged 15–24 and 25–34, 2019*

Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

of women aged 24 were in school, and about 15 percent were working, compared to about 20 percent of their male counterparts in school and about 57 percent working.

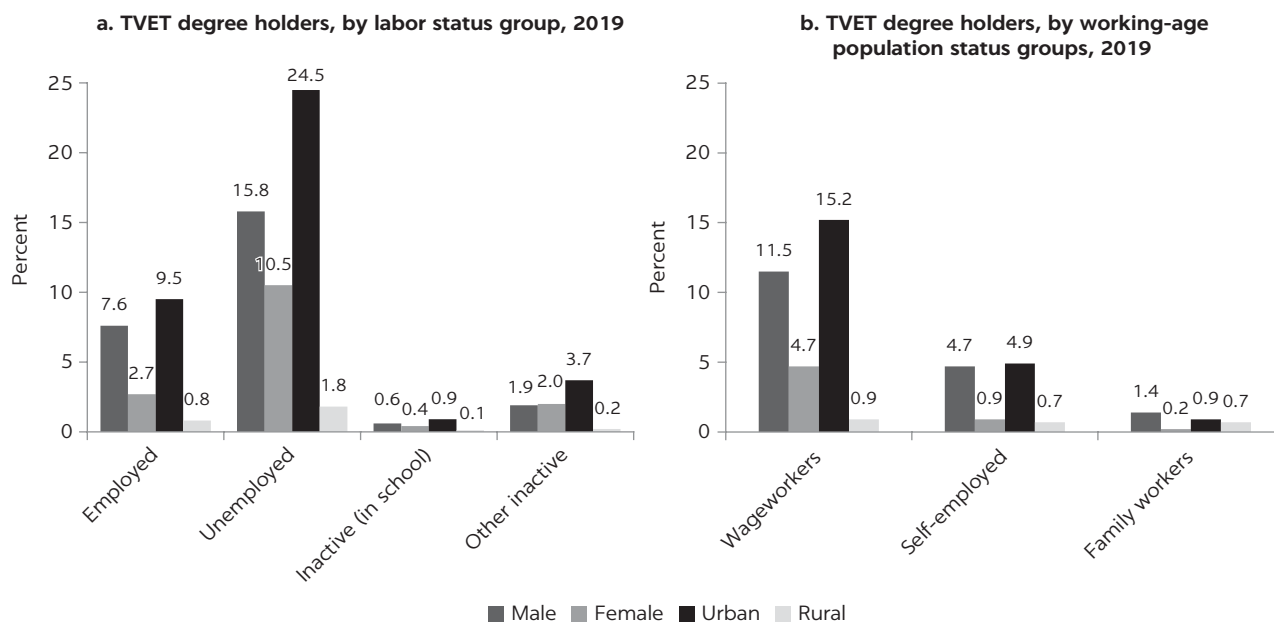
The inactivity status is predominant among women, especially when they enter the marital age. In 2019, whereas most of the inactive males aged 15–24 were either in school or unmarried, about 44 percent of females in the same age group were already not in school, either married or unmarried (figure 3.4). The situation changes completely for those aged 25–34, with 81 percent of inactive women being married and not in school.

Trends point to an increasingly educated labor force. Secondary and tertiary education rose steadily for both men and women aged 15–24, with the percentages of younger males and females with secondary education increasing to about 30 percent over the past two decades. Even so, learning outcomes are still relatively low, early dropouts still represent a key problem, and urban-rural gaps remain. For example, while 50 percent of male and 42 percent of female students aged 19–24 were enrolled in tertiary education in urban areas in 2019, coverage in rural areas was still at 22 and 10 percent for males and females, respectively.

Low rates of technical and vocational education and training (TVET) are due to the fact that the informal sector has mainly supported Moroccan skills development through informal apprenticeships. Although TVET has recently increased, the number of people with professional training is still low (figure 3.5). In 2019, 15.8 percent of unemployed men and 10.5 percent of unemployed women (26 percent in total) had obtained a TVET degree—and 10.3 percent of the employed (7.6 percent of men and 2.7 percent of women), corresponding to about 1 million workers, had completed TVET.

The bottom line for education is that most of the working-age population has at best a primary education, and only a small percentage has completed higher education. Even so, over the past 20 years, the share of people with no education has declined steadily and literacy has improved. Between 2000 and 2019, the share of illiterate men aged 25–59 dropped from 40 percent to

FIGURE 3.5

Technical and vocational education and training still low

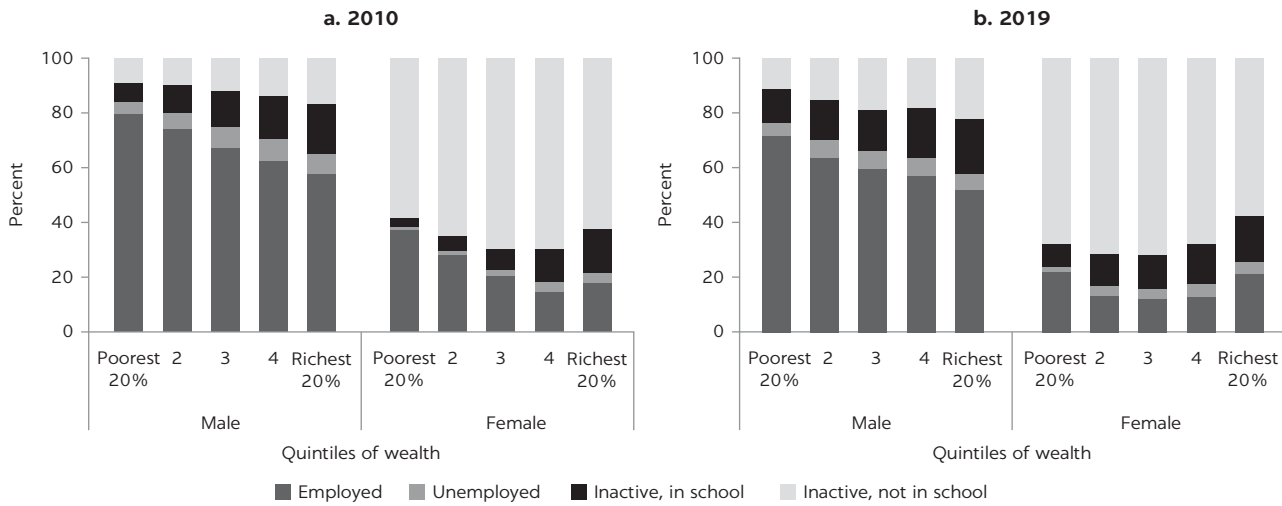
Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

Note: TVET = technical and vocational education and training.

27 percent, and the share among those aged 15–24 dropped from 20 percent to 5 percent. For working-age females, the share of illiterate women aged 25–59 decreased from almost 70 percent to 48 percent, while for younger women the percentage declined from 43 percent to 8 percent. Despite these improvements, the number of illiterate workers in the 25–59 age cohort remains high for a lower-middle-income economy.

In terms of wealth, poor household members (especially males) have higher activity rates than those in wealthier households. In the lowest quintile of the asset index³ (the bottom 20 percent), about 80 percent of the male working-age population was employed in both 2010 and 2019; of the remaining 20 percent, half were men that were NEET, while the rest were inactive in school (7 percent) and unemployed (3 percent) (figure 3.6). The male employment rate declined with wealth quintile, as the shares of other categories—unemployed and inactive—increased. The share of inactive women in the third and fourth quintiles of the wealth distribution was very high in both 2010 and 2019: about 20 percent of women belonging to wealthier households were enrolled in schooling activities in both years.

No relevant change in labor market status by wealth quintiles is observed between 2010 and 2019. When ranking labor force by wealth quintiles, we observe that in both 2010 and 2019, there were higher employment rates among the poorest. In particular, male workers belonging to the lower quintile of wealth were mostly employed in farm activities, whereas about 60 percent (85 percent) of male (female) members of richer households were wagedworkers employed in off-farm activities (figure 3.7). On the other hand, poorer women were mainly employed as family workers in both years.

FIGURE 3.6**Poorer households have higher worker participation rates**

Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

Note: The years of comparison are 2010 and 2019 due to the availability of variables in the ENE used to define the wealth indicator.

FIGURE 3.7**Members of richer households are mainly wageworkers employed in off-farm activities**

Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

PROFILES OF THE WORKING-AGE POPULATION: THE INACTIVE, THE UNEMPLOYED, AND THE EMPLOYED

Turning to workers' profiles—those who are classified as “inactive,” “unemployed,” and “employed”—it is helpful to examine individual characteristics. For simplicity, we look at binary variables, such as male or female, urban or rural, and low (up to primary including illiterates) or high (secondary and above) levels of education, and occasionally age (see box 3.2). We then analyze recurrent profiles by regions and

BOX 3.2

Key variables used in defining profiles of the working-age population

We look at four main variables from the 2019 round of the Enquête Nationale sur l'Emploi to profile inactive, unemployed, and employed Moroccans:

Gender. Being a male or a female represents a very important element when looking at different labor status. The vast majority of “inactives,” for instance, are women.

Area of residence. Living in urban or rural areas also plays a key role in defining profiles of workers due to a different availability of jobs, depending on the area of the country.

Level of education. Jobs offering better conditions mostly require better education. We classify people as having “no education” if they have had schooling only up to and including primary education, whereas we classify people as having “education” if they have lower secondary education and above.

Age. Age matters mainly when looking at the profile of the unemployed. We divided people into two age groups: 15–34 and 35–60 and over.

over time. In every region, we look at the profile distribution as a share of the total labor market outcome—for example, plotting how many inactives in the Casablanca-Settat region are low-educated rural women or high-educated urban women.

Looking at the “inactive group,” the two most common profiles are women with low levels of education—with those residing in urban areas by far more numerous than those in rural areas (figure 3.8, panel a). The vast majority of the “inactive” working-age population are women (83 percent), who tend to have low education and reside more in urban areas (35 percent) than in rural areas (24.1 percent). The third-largest profile is characterized by women living in urban areas with higher levels of education, which accounts for about 2 million women who went to school or even university. In a country where education levels are particularly low, this represents dramatic waste and underutilization of human capital, especially given the costly educational investments the country has made.

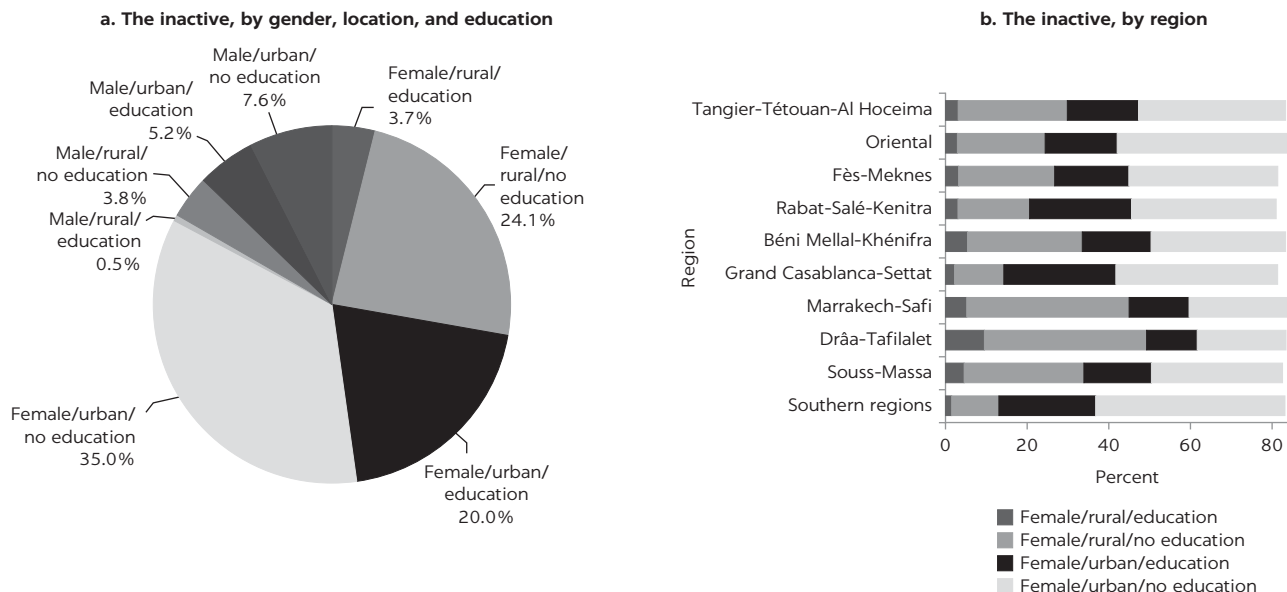
The four main profiles of inactive show a rather homogenous distribution across regions (figure 3.8, panel b). In all regions, the vast majority of the inactive are women, and, rather interestingly, in all regions women account for up to 80 percent of all the inactives. The most common profile—low-educated urban women—is particularly present in both the most populous (Casablanca-Settat) and least populated region (southern regions), where it accounts for about 60 percent of the local inactive in both regions. On the other hand, in the relatively poorer and more rural Drâa-Tafilalet region, the most common profile is low-educated rural women.

The “unemployed” are mostly young, urban, and have high levels of education (figure 3.9, panel a). Of the 1.1 million Moroccan unemployed in 2019, about 36 percent are young men with high levels of education living in urban areas. Women with the same characteristics represent the second-most common profile. Together they account for about 60 percent of the total unemployed both nationally and regionally. At the regional level, the first male profile represents about 30–40 percent of the unemployed, with the highest value share in Casablanca-Settat. The second, female profile ranges between 10 and 30 percent by region, with the highest shares in the Rabat-Salé-Kenitra and southern regions (figure 3.9, panel b). Overall, unemployment has remained about 10 percent over the last two decades.

The self-employed and small-business owners, corresponding to about 35 percent of the employed, are mostly men, generally with low levels of

FIGURE 3.8

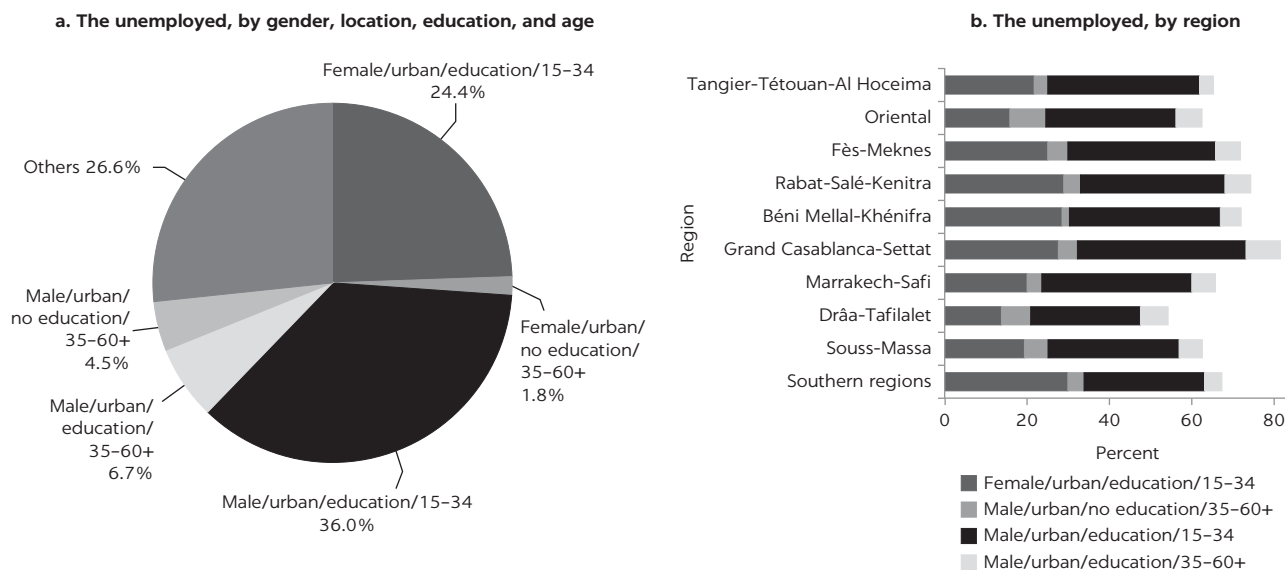
The “inactive” are mostly urban women with low educations, followed by their rural counterparts



Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey) 2019.

FIGURE 3.9

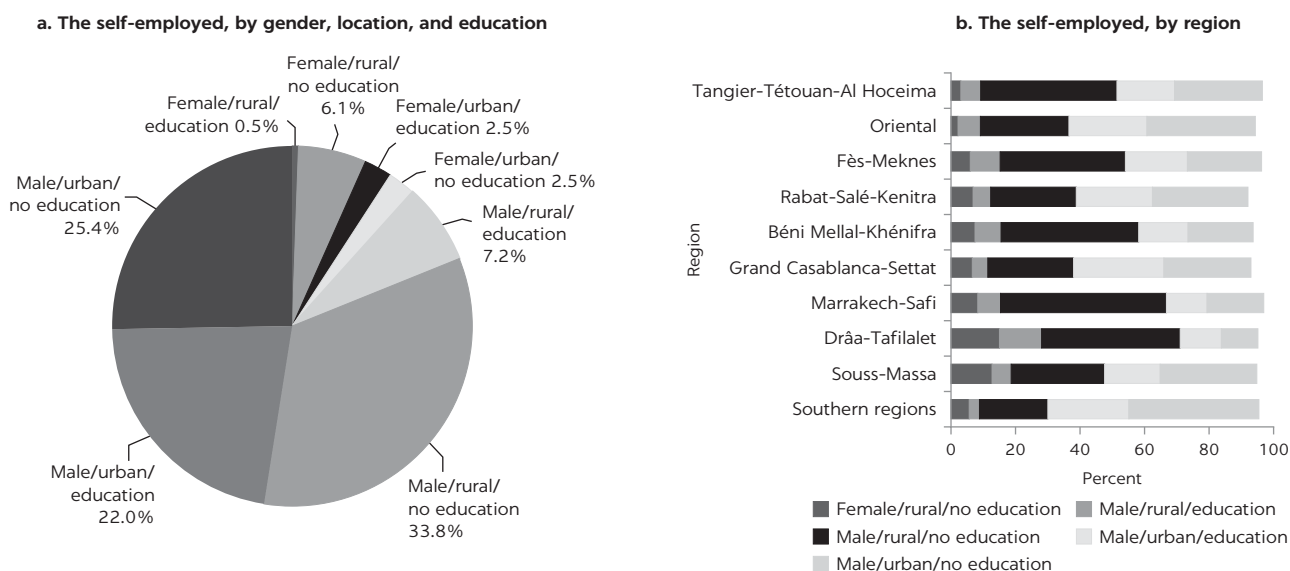
The “unemployed” are mostly young, urban, and educated



Source: World Bank elaboration based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey) 2019.

education (figure 3.10, panel a). Self-employed with low education living in rural areas represent 34 percent, while those running small activities in urban areas represent about 25 percent of the total. A smaller group, but still accounting for about 800,000 people, are male entrepreneurs living in urban areas with higher education. This is the pool, together with educated women, from which we would expect to find entrepreneurs to lead innovation and improve business (World Bank 2012). Certainly, women are underrepresented among the self-employed. The only profile with some prominence, women running some farm activities,

FIGURE 3.10

The “self-employed” are mostly rural, low-educated males

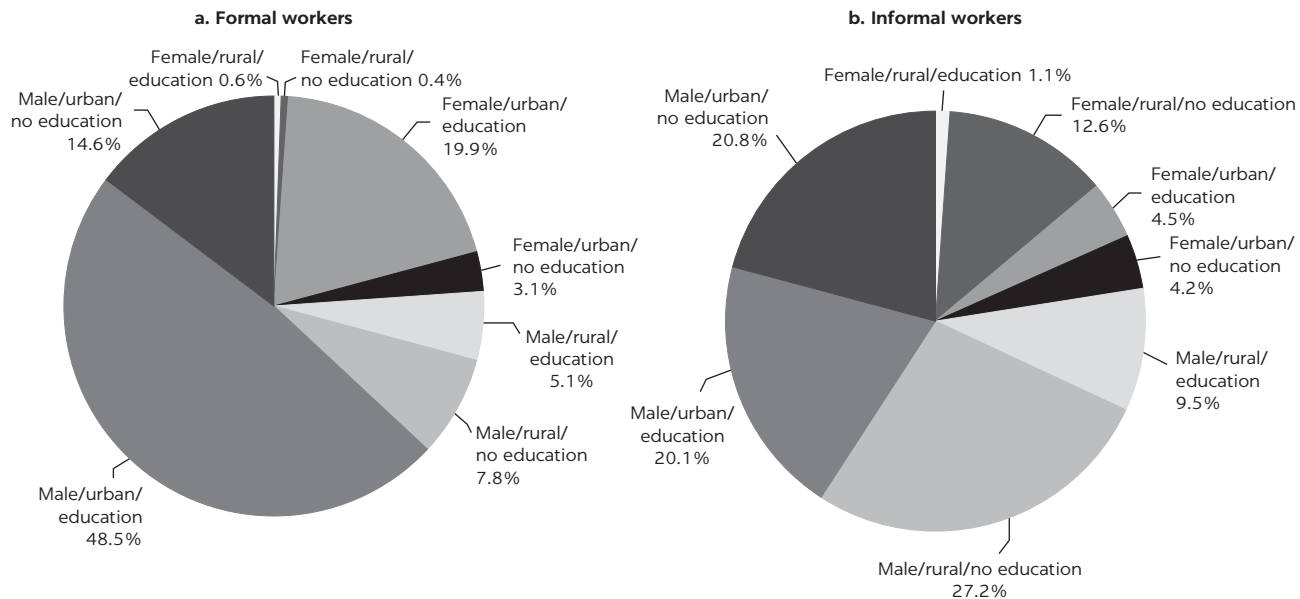
Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

represents about 250,000 women. These self-employed women concentrate in regions with the highest inequality and poverty rates, such as Drâa-Tafilalet and Souss-Massa (see World Bank 2018a). The highly educated self-employed men are particularly present in the two most dynamic regions, Casablanca-Settat and Rabat-Salé-Kenitra (figure 3.10, panel b).

Formal workers are mostly educated men living in urban areas, while informal workers generally have lower education (figure 3.11). As expected, people with high levels of education and living in urban areas make up the majority of formal waged workers: taking men (48.5 percent) and women (19.9 percent) together, they account for 68.4 percent of total formal waged workers. Informal waged workers tend to be less educated and more present in rural areas: low-educated men (27.2 percent) and women (12.6 percent) living in rural areas account for about 40 percent of informal workers. Their distribution follows closely that of the self-employed, since their differences in terms of status are small: the vast majority of self-employed work informally and tend to have small and highly volatile incomes, much like informal waged workers.

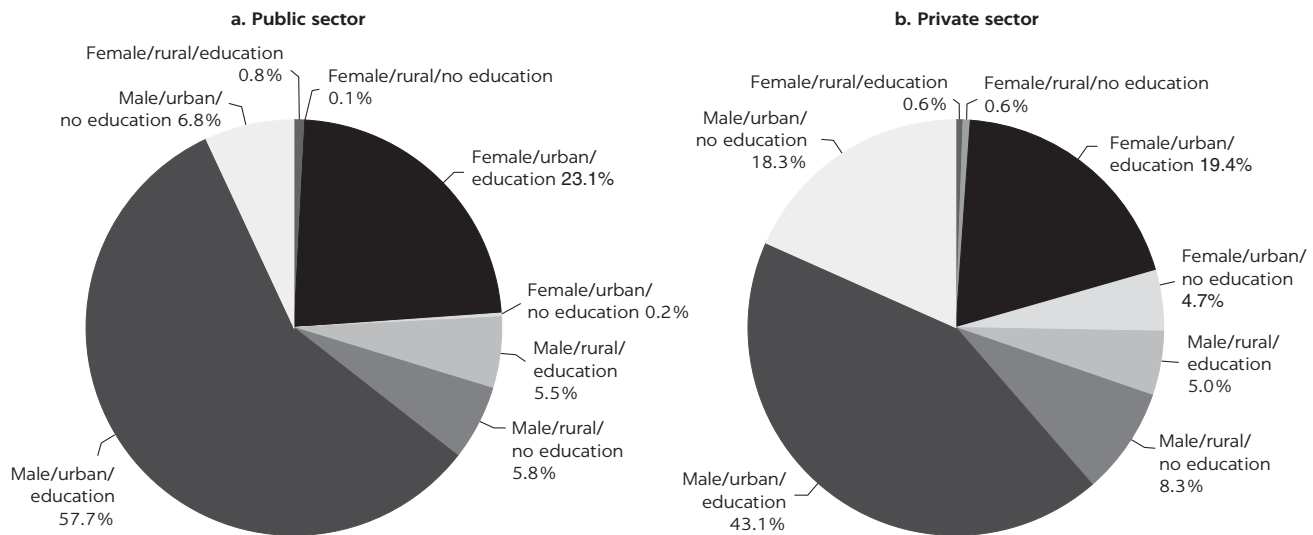
Males dominate formal wage work in the public and private sectors (figure 3.12). In the public sector, about 57.7 percent of public workers are highly educated men living in urban areas. Women with similar characteristics do not even account for half of male workers. This is also the case in the private sector, where women do not reach 30 percent of total waged workers. The public sector has a higher concentration of highly educated workers, probably because it offers particularly advantageous conditions for the better educated. This suggests that public administration attracts skilled people and that the *esprit de corps* is strong—possibly pointing to why Morocco managed the COVID-19 crisis in April–May 2020 so well. But there is also a concern that high returns to public employment raise the reservation wage for private sector employment, inducing workers to wait for government jobs and “crowding out” employment in potentially more productive activities.

FIGURE 3.11

Level of education divides formal and informal workers

Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey), 2019.

FIGURE 3.12

Public and private employees are mostly urban, educated males

Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey), 2019.

WHERE MOROCCANS WORK: EMPLOYMENT SECTORS AND THEIR CHARACTERISTICS

What are the sectors of activity in which the Moroccan labor force is typically employed? The answer to the question “where do they work?” is twofold. We start with the sectoral and geographical location of workers, and then describe the firms. In both cases, we make use of the Labor Force Survey, the

Enquête Nationale sur l'Emploi, and occasionally integrate data from the 2014 Census (both wagedworkers and self-employed are analyzed).

The Moroccan population and labor force concentrates in a triangle that has as its sides the Mediterranean and Atlantic coasts and the Atlas Mountains. Most economic activity and large towns and infrastructures concentrate in this part of the country. Moving away from this triangle, we encounter either mountainous areas in the north, or desert areas across the Atlas Mountains and toward the sparsely populated southern regions.

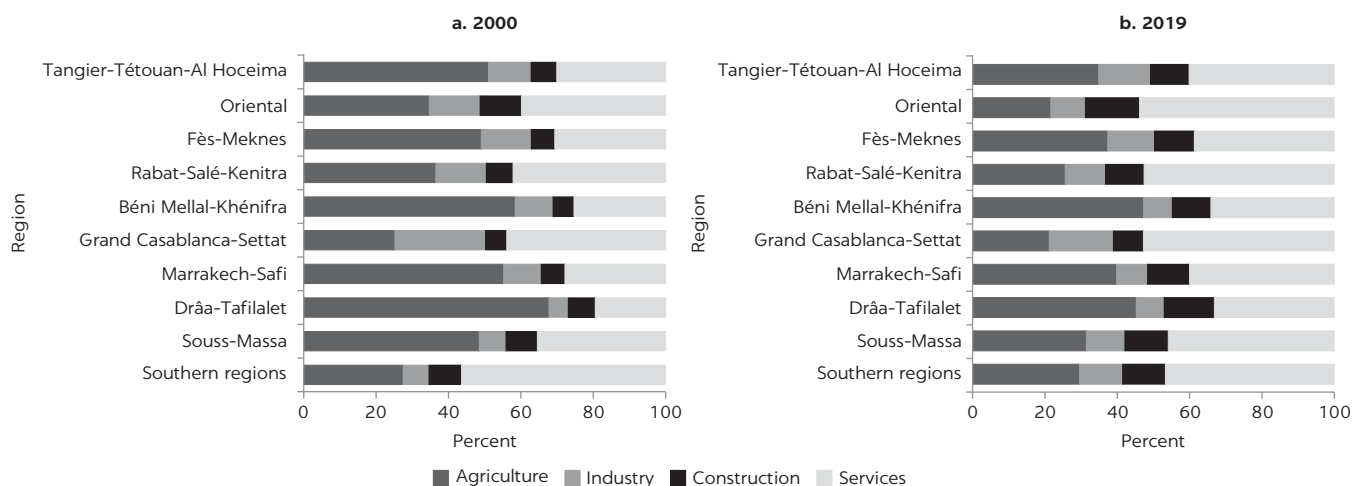
While the agricultural labor force is spread out within the main triangle, industrial labor concentrates in two Atlantic coast clusters. Within the triangle, agriculture represents the majority of employment in traditionally highly productive areas such as Meknes, Settat, and the Tangier region. In industry, the only two clusters with real economies of agglomeration, and where industrial labor makes up more than 25 percent of all labor in the province, is in the Grand Casablanca-Settat region (Nouaceur, Casablanca, Mediuna, Mohammedia, and the Tangier-Assilah province).

The share of the labor force in the construction sector is particularly high in low-populated provinces, while service workers concentrate mostly in densely populated areas. A high share of the labor force in the provinces east of the Atlas Mountains and the Rif region works in the construction sector. The presence of service workers is particularly high in tourist destinations, such as in the Agadir province (61 percent of workers are service workers), Marrakech (65 percent), Fès (60 percent), and in the two growth poles of Casablanca (66 percent) and Rabat (81 percent).

Employment by sector has changed only very slowly, both nationally and regionally. Nationally, as employment in agriculture declined from about 40 percent in 2000 to 30 percent in 2019, workers mostly moved to services and, to a lesser extent, to the construction sector. Industry did not significantly vary in terms of its share of the national labor force, but the regional dimension provides a more granular account, showing that apparent national industrial stagnation hides some regional dynamism (figure 3.13).

FIGURE 3.13

Workers mostly moved to services and construction sectors, 2000 and 2019



Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

The decline in agricultural employment is taking place across Morocco, but it is more marked in regions such as Fès-Meknes and Marrakech-Safi. The economy in these regions has traditionally been mainly agriculture-based, together still accounting for about 30 percent of total Moroccan agricultural value added. During the 2000s, however, Marrakech-Safi specialized in tourist services, with part of the workforce shifting to this sector. Fès-Meknes lost ground compared to more dynamic coastal regions in the sense that it increasingly relies on agriculture: in 2019 agriculture accounted for 23 percent of value added in the region compared to 16 percent in 2001.

Tangier is the only region experiencing a substantial increase in manufacturing employment, but this is still small. The creation of the Port of Tangier-Med and the annexed industrial facility has contributed to the transformation of Tangier into a manufacturing hub, which has employed 61,000 workers since 2000, compared to general stagnation in the country. While positive for the region, its impact nationally is negligible. Between 2000 and 2019, total industrial sector wageworkers increased by about 200,000, and the self-employed in the sector increased by 40,000 (table 3.1). In 2019, Tangier accounted for 12 percent of the manufacturing labor force and about 10 percent of total manufacturing value added. By comparison, the manufacturing labor force did not increase in the Grand Casablanca region, which accounted for about 17 percent of the industrial labor force in 2019 and about 46 percent of total industrial sector value added.

Between 2000 and 2019, the total number of Moroccan wageworkers increased by more than 2.1 million, of which 1.3 million found employment in services. During this time period, services experienced the fastest growth in employment of all sectors. The self-employed in services also rose by 57 percent, but this represented only about 647,000 workers.

Grand Casablanca-Settat and to a lesser extent Rabat-Salé-Kenitra and Marrakech-Safi explain the big employment increase in services. Service employment grew in all regions, but Grand Casablanca-Settat experienced the

TABLE 3.1 Employment growing fastest in services

SECTOR	2000		2019		2000-19 VARIATION	
	NUMBER	%	NUMBER	%	NUMBER	%
<i>Wageworkers</i>	3,337,834	37.7	5,495,258	50.1	2,157,424	64.6
Agriculture	475,827	5.4	743,293	6.8	267,466	56.2
Industry	737,455	8.3	937,716	8.5	200,261	27.2
Construction	399,805	4.5	824,150	7.5	424,345	106.1
Services	1,718,102	19.4	2,979,592	27.1	1,261,490	73.4
<i>Self-employed</i>	2,778,745	31.4	3,801,941	34.6	1,023,196	36.8
Agriculture	1,225,696	13.9	1,390,002	12.7	164,306	13.4
Industry	291,085	3.3	330,508	3.0	39,423	13.5
Construction	131,352	1.5	303,341	2.8	171,989	130.9
Services	1,128,631	12.8	1,775,786	16.2	647,155	57.3

Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

most growth in service employment while it grew the least in the southern and Béni Mellal-Khénifra regions. Besides being the most important industrial hub of the country, together with Rabat-Salé-Kenitra, Grand Casablanca-Settat is a services hub: since 2000, the region accounted for about 20 percent of total annual services value added. While in 2000, the services labor force accounted for 52 percent of the regional labor force, in 2019 it grew to 60 percent, contributing to increase the share of national service wagedworkers from 21 percent in 2000 to 32 percent in 2019. This expansion is not only driven by high-value-added ICT and financial services but also by labor-intensive and low-value-added activities.

Marrakech-Safi increased its tourism-driven services labor force over the years. The regional service growth is obviously driven by the booming and labor-intensive tourist industry. Annual tourist arrivals in Marrakech increased from 591,142 in 2000⁴ to 2.4 million in 2018. The city significantly increased its capacity to host tourists, passing from 18,696 total bed spaces in 2000 to 70,000 in 2018. Rabat-Salé-Kenitra, where the capital Rabat is located, saw an increase in administrative and education-based services. Marrakech-Safi is one of the biggest draws for Morocco's overall tourism industry, which the government is hoping to boost with its Vision 2020 Tourism Strategy (see box 3.3).

When looking at socioeconomic worker characteristics by sector, agriculture has the highest female participation rate and the highest share of workers above age 45. Almost 35 percent of workers in agriculture are women, and about 42 percent are above age 45, both uncommon characteristics in the Moroccan labor force (figure 3.14). Other sectors tend to be characterized by lower female participation and a smaller share of over-45 workers. Industry and construction, being physically intensive, have a relatively younger labor force, with about two-thirds of workers below age 44.

The illiterate or low-educated labor force concentrates in agriculture, while services employ the lion's share of highly educated workers (figure 3.15, panel a). The education level of the Moroccan labor force remains low, even when subtracting the agricultural labor force. In the industrial and construction sectors, about two-third of workers do not have an education above primary school. Workers in the services sector are slightly more educated, where 60 percent of workers still have a low education but about 20 percent have tertiary education. Only about 13 percent of workers in the other sectors have a tertiary education.

Half of agriculture workers belong to the lowest wealth quintiles, whereas service workers make up a larger share of the top wealth quintiles. The working poor typically concentrate in agriculture (figure 3.15, panel b). The situation is more balanced in other sectors, although construction workers seem, on average, poorer than those in industry and service. Service workers, on the other hand, tend to be more present in the wealthier quintiles, with almost 50 percent of them belonging in the richest two quintiles.

Sectors are also characterized by different formalization levels and trends. Focusing now just on formal wagedworkers, our analysis shows that this group increased by about 640,000 from 2010 to 2019, and accounted for 45.2 percent of total wagedworkers in 2019 (table 3.2).

BOX 3.3

The Moroccan tourism and hotel industry: Vision 2020 Tourism Strategy and COVID-19

The tourism and hotel industry represents a main economic driver in Morocco. The sector employs 337,000 people, accounts for 3 percent of total jobs, and contributes 7 percent of total GDP, as of 2018. Travelers mainly come from: (1) France, the source of nearly 1.8 million tourists and 17.4 percent of total arrivals every year, (2) Spain (6.6 percent), (3) followed by the United Kingdom (4.6 percent), and (4) Belgium (about 2.6 percent). Marrakech remains the main anchor of the country's tourism sector, also due to strong government support and an expansion of connectivity between Marrakech Menara Airport and numerous European cities.

In November 2010, the Minister of Tourism presented Morocco's Vision 2020 Tourism Strategy with the objective of doubling the size of the Moroccan tourist industry—pushing it into the world's top 20 tourist destinations—and establishing Morocco's sustainable development credentials in the Mediterranean basin. The unique tourism model combines vigorous growth with responsible environmental management and respect for sociocultural authenticity.

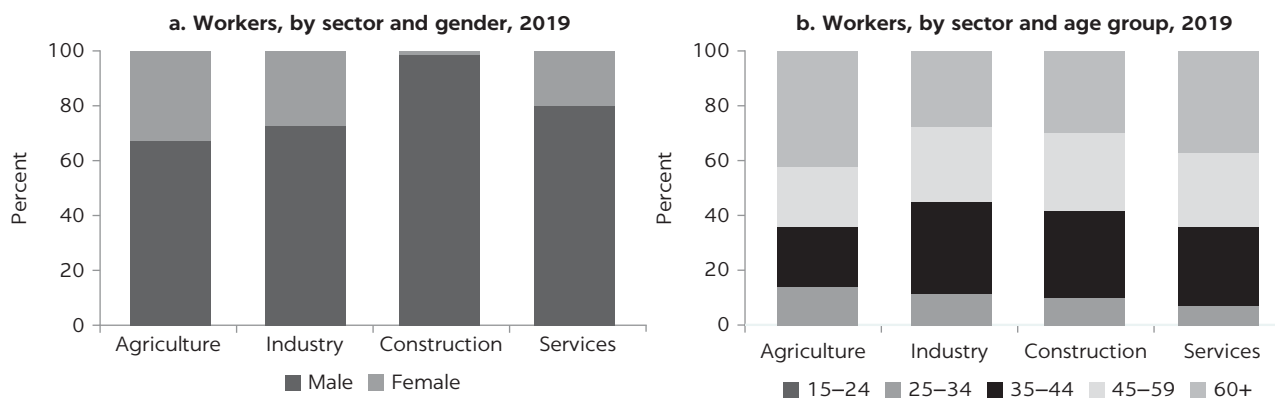
The strategy is based on three fundamentals: (1) a regional planning policy for tourism, (2) a new

governance structure, and (3) an embedded sustainable development approach. It follows sustainable development principles, with a focus on improving relevant skills in the sector through an e-learning platform, awareness-raising measures, and good practice guides. The Ministry is tracking sustainability through a nationwide use of indicators. It also seeks to use tourism to protect and promote ecological sites, and it has undertaken pilot projects to determine tourism effects on local people.

The COVID-19 (coronavirus) pandemic, which led to a full lockdown and a ban on all international travel in March 2020, reduced the income of many workers employed in small and medium-size tourist enterprises across Morocco's tourist destinations. To demonstrate sensitivity and build trust, the Moroccan government launched an advertising campaign with the slogan “Until We Meet” to remind citizens of the country's attractions. Although it is difficult to time a recovery, the government has drafted a law on crisis measures to help protect the tourism industry recovery by 2022 (otherwise, recovery would be delayed until 2024). Government action will boost domestic and foreign tourism to save a key sector of the Moroccan economy.

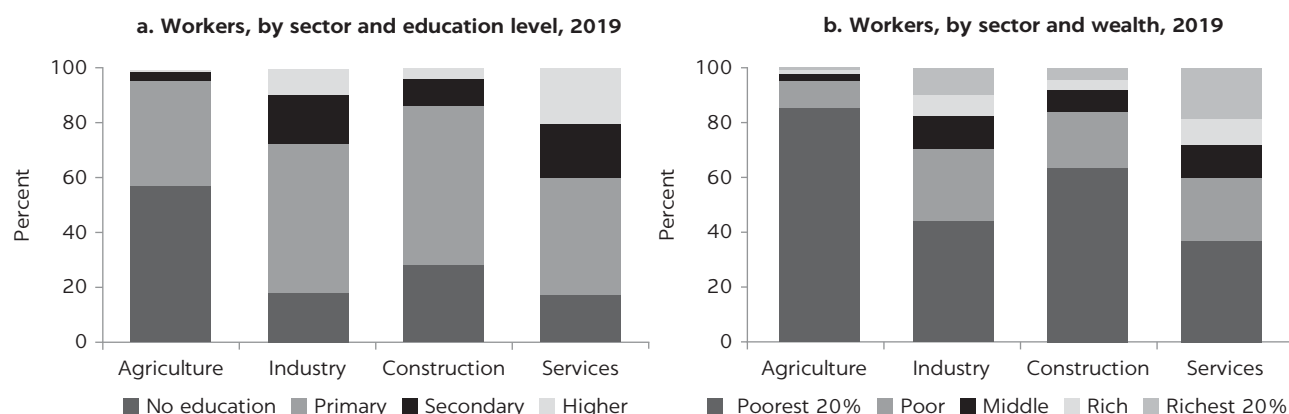
FIGURE 3.14

Agriculture has the biggest share of female workers and workers above age 45



Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

FIGURE 3.15

Poorest workers in agriculture, richest in services

Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

TABLE 3.2 Share of formal wageworkers increasing in all sectors

Sectoral distribution and variation of formal wageworkers between 2010 and 2019

SECTOR/SUBSECTOR	2010		2019		2010-19 VARIATION	
	NUMBER	%	NUMBER	%	NUMBER	%
<i>Agriculture</i>	104,157	15.0	144,989	19.5	40,832	39.2
<i>Industry</i>	449,628	43.9	530,205	56.5	80,577	17.9
Mining	20,691	53.7	30,734	77.2	10,043	48.5
Food and beverage	67,378	45.7	97,543	55.5	30,165	44.8
Textiles, hosiery and clothing	159,633	42.1	117,457	44.0	-42,176	-26.4
Other manufacturing	165,804	40.0	238,117	60.0	72,313	43.6
Electricity, gas and water	36,122	82.0	46,353	79.6	10,231	28.3
<i>Construction</i>	67,833	7.6	128,675	15.6	60,842	89.7
<i>Services</i>	1,218,936	48.9	1,675,409	56.2	456,473	37.4
Repairs	7,283	6.6	13,840	16.6	6,557	90.0
Trade	76,473	24.3	172,702	39.3	96,229	125.8
Hotel and restaurant	69,837	31.9	110,222	36.4	40,385	57.8
Transport, warehouses, and communications	106,602	32.1	147,493	41.8	40,891	38.4
Banks, insurances, and real estate	115,944	59.2	252,781	71.7	136,837	118.0
Personal and domestic services	7,573	2.3	26,856	7.6	19,283	254.6
Social services provided to the community	367,082	73.2	445,708	78.7	78,626	21.4
General administration	462,369	95.6	505,806	95.7	43,437	9.4
Activities poorly or not designed	5,773	46.5	4,601	43.8	-1,172	-20.3

Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

While more pronounced in high-value-added sectors, formalization also increased in agriculture, construction, and low-value-added services. Although there is a high prevalence of informality in the country (see box 3.4 for an international comparison), higher rates of formalization typically characterize the public sector, where more than 95 percent of wage-workers are formal, or in high-value-added and capital-intensive sectors (such as mining, banking, and finance). The financial and real estate sectors, already with higher formalization than the national average, increased their share of formal workers from 59 percent to 72 percent between 2010 and 2019. Formalization has also risen among low-educated men; indeed, one would expect that it also took place in sectors with low-value-added and labor-intensive sectors that typically employ low-educated men. The data in table 3.2 confirm this, as formal employment rose in the agriculture, trade, and construction sectors, which typically employ low-educated males. In 2010, 85 percent of agricultural wagedworkers were informal, but in 2019 this fell to about 80 percent. The same pattern occurred in trade and construction, which experienced relatively rapid increases in formal work—in both cases representing an increase of more than 100 percent. Further efforts are being made in the agricultural sector, such as the Plan Maroc Vert (Green Morocco Plan; see box 3.5) to create more and better jobs in this specific sector.

BOX 3.4

Informal jobs are the main source of employment for workers in developing countries

The informal sector is a key part of the labor market—with a large effect on employment creation, production, and income generation. Informal jobs represent the main source of employment for 2 billion workers—corresponding to 61.2 percent of the total employed population worldwide. Workers in the informal sector are employed in at least one informal sector enterprise in a given time period. Countries define informal jobs of employees based on the following criteria: (1) lack of coverage by social security system; (2) lack of entitlement to paid annual or sick leave; and (3) lack of written employment contract.

Workers living in rural areas are almost twice as likely to be in informal employment as those in urban

areas. Agriculture is the sector with the highest level of informal employment—estimated at more than 90 percent (ILO 2018).

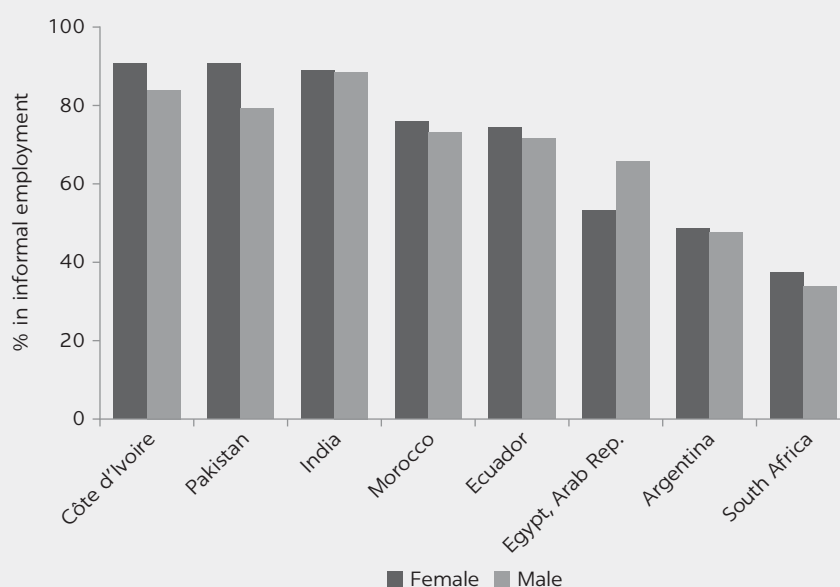
Women seem to be more exposed than men to informal employment in more than 85.8 percent of African countries, 89 percent of South Asian countries, and almost 75 percent of Latin American countries. Moreover, as figure B3.4.1 shows, for all selected countries—except the Arab Republic of Egypt—the share of women in informal employment exceeds the share for men. A major difference between female and male workers is that women are mainly contributing family workers, usually considered as unpaid; this holds in the informal sector, where the number of

continued

Box 3.4, continued

women in informal employment is three times higher than men. Consequently, a lower share of informally employed women are employees, own-account workers, and employers. This means that female informal workers earn a lower income from labor and are exposed to higher risks of decent work deficits.

At this point, government policy interventions should focus on: (1) facilitating the transition to other categories of employment status; (2) improving working conditions as a first step toward formalization; (3) increasing the productivity of informal activities; and (4) implementing appropriate regulatory frameworks and governmental reforms.

FIGURE B3.4.1**Women are more exposed than men to informal employment in most developing countries**

Source: ILOSTAT, <https://ilostat.ilo.org/>.

BOX 3.5**Moroccan agricultural strategies: The 2009–2019 Plan Maroc Vert and the 2020–2030 Génération Green**

To boost agriculture, in 2008, Morocco launched its Green Morocco Plan (Plan Maroc Vert [PMV]) with the main objectives of increasing agricultural output, creating jobs, and reducing poverty, while making the sector more competitive and more resistant to climate threats. The strategy, established by the Ministry of Agriculture and Fishing to 2019, was based on two main pillars: (1) fostering development of high-value-added and high-productivity

agricultural production, and (2) boosting social development and poverty reduction.

In Morocco, the broad agricultural sector represents 19 percent of national GDP, divided between agriculture (15 percent) and agro-industry (4 percent). This sector employs over 4 million people, including about 100,000 in agro-industry.

Thanks to the PMV, between 2008 and 2018, the agricultural sector attracted total investment of

continued

Box 3.5, continued

104 million Moroccan dirhams, 40 percent from public and 60 percent from private investment. The Agency for Agricultural Development was created to oversee implementation of the PMV.

Recent government figures show that the PMV allowed Morocco to double agricultural GDP, increase exports of red fruits 18-fold, tomatoes by 3-fold, and argan by 5-fold. The PMV also created more than 50 million agricultural workdays, an increase of 30 percent, corresponding to about 250,000 agricultural jobs. Furthermore, the sustainability of PMV

projects saved 2 billion cubic meters of water due to micro-irrigation systems implementation, and increased planted area by about 450,000 hectares.

Although achieving good results, it is important to consolidate PMV progress and benefits, and tackle remaining challenges—such as modernizing marketing channels, strengthening agro-food product competitiveness, and increasing water-use efficiency. The new strategy, called Génération Green, presented at the beginning of 2020, aims to help small producers while addressing these challenges.

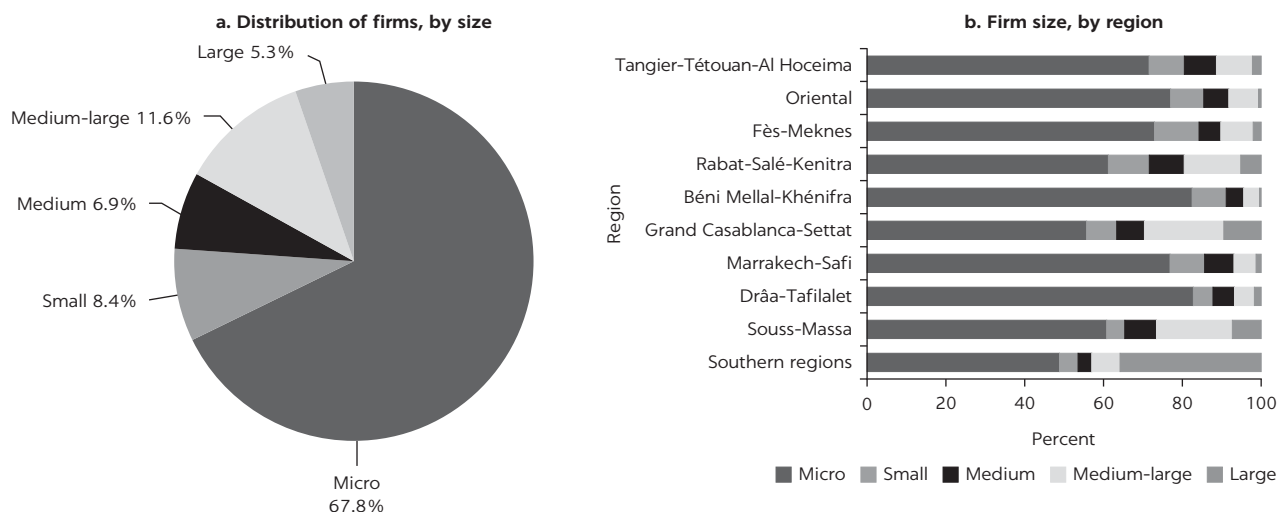
WHERE MOROCCANS WORK: FIRMS AND THEIR CHARACTERISTICS

Another important aspect of where Moroccans work is clearly the firms employing them. Currently, there is only limited firm-level information, but we were able to construct profiles of firms using the 2017 Labor Force Survey round, which asks employees the size of the firm they work for.⁵ This question enables us to extrapolate workers' sector of activity, geographical location, and type of labor force (skilled or not). It clearly is not enough to produce a detailed firm profile. However, this section can be considered an introduction to the next chapter, which provides a more detailed demand-side description of the Moroccan labor market, using a dataset of formal firms. Here, we consider only firm size reported by waged workers, although we are not able to say whether they are formal or informal.⁶

Most firms employ fewer than 10 workers, whereas only 12 percent are medium-large enterprises (figure 3.16, panel a).⁷ Microenterprises constitute the backbone of the Moroccan economy, and over the past decade their share of the total has not varied substantially. Among this group, which can be either informal or formal, one can find a wide range of firm typologies, from the very modern ICT start-ups to more traditional household enterprises. Like many other low-income countries, Morocco is affected by the “missing middle” problem: a concentration of small and micro firms and some large firms with not many medium-size companies in the middle. The regional distribution also shows that, in addition to the massive presence of micro firms, medium-large companies are located in Grand Casablanca-Setta and Souss-Massa, whereas large enterprises are in the southern regions (figure 3.16, panel b).

Small enterprises mainly operate in the agriculture sector, whereas the industry sector is characterized by larger firms. Over the past decade, although the average size of agricultural enterprises increased, the share of micro and small firms in agriculture remained about 25 percent in 2017. At the other side of the spectrum, enterprises above 200 employees were mostly in industry, even if between 2010 and 2017 their share was sharply reduced (figure 3.17). Industry is

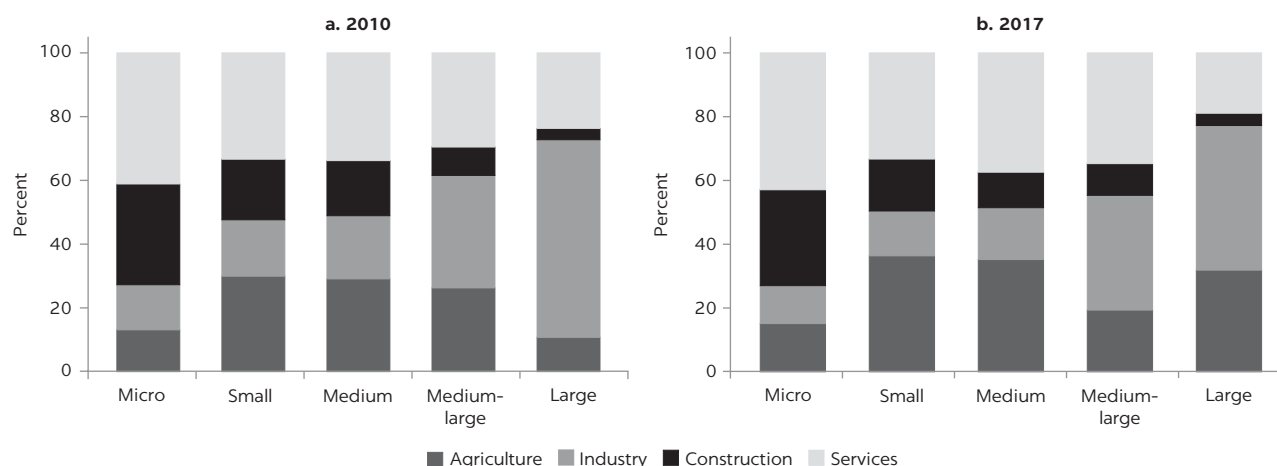
FIGURE 3.16

Micro and small firms dominate the Moroccan economy

Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

Note: Micro firms are those with up to 4 employees, small firms have between 5 and 9 employees, medium firms have between 10 and 19 employees, medium-large firms employ between 20 and 199 workers, and large enterprises have more than 200 workers.

FIGURE 3.17

Agriculture typified by small firms, industry by larger firms

Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

Note: Micro firms are those with up to 4 employees, small firms have between 5 and 9 employees, medium firms have between 10 and 19 employees, medium-large firms employ between 20 and 199 workers, and large enterprises have more than 200 workers.

typically capital intensive, and to be competitive, industrial firms need to exploit scale economies; their average size must be higher than firms in other sectors.

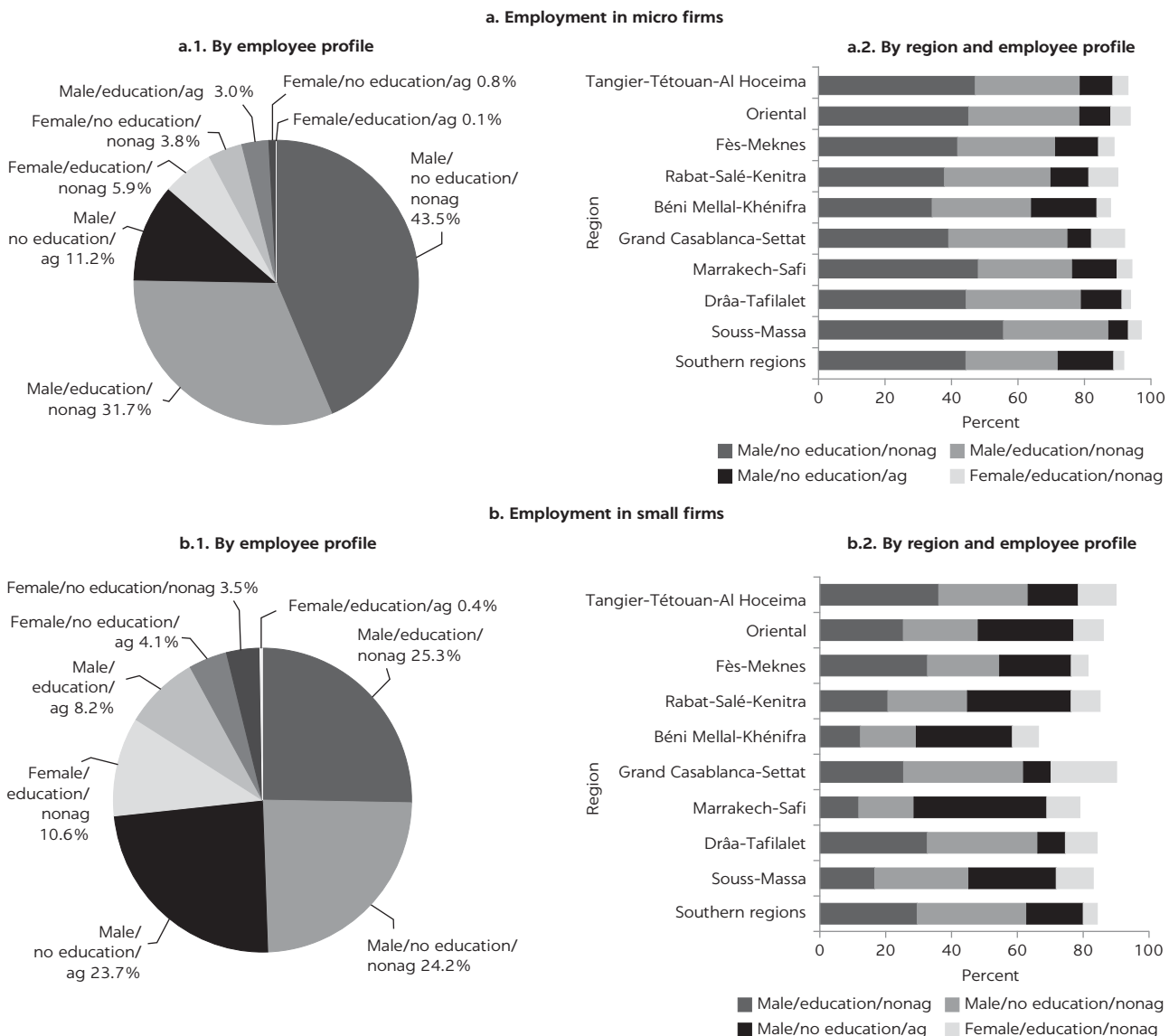
We now compare firm size in 2017 to a set of characteristics to identify specific profiles of wageworkers in micro, small, medium, medium-large, and large establishments. For simplicity, we use binary variables such as male and female, low (up to primary including illiterates) and high (secondary and above) levels of education, and sector of employment (agriculture and nonagriculture).⁸

Micro firms operating in the nonagricultural sector mainly employ male wageworkers with low levels of education. There are 2.5 million Moroccans employed as wageworkers in micro and small firms, as of 2017. Of those employed

in micro firms, 44 percent are men with low levels of education working in non-agricultural sectors (figure 3.18, panel a). This share decreases as the size of establishment increases, reaching 24 percent in the case of small enterprises (figure 3.18, panel b). In micro firms, the second-most prevalent profile is educated male wageworkers employed in nonagricultural sectors. These two profiles of male workers together accounted for about 75 percent of total wageworkers in micro firms and 50 percent in small ones. At the regional level, between 30 and 55 percent of wageworkers in micro firms fit the first profile, and Souss-Massa shows the highest percentage. The second profile ranges between 20 and 30 percent, with Grand Casablanca-Settat and Drâa-Tafilalet regions showing the highest percentages. On the other hand, nonagricultural small firms employing educated male workers are mainly located in Tangier-Tétouan-Al Hoceima, whereas those employing men with low levels of education are placed in Casablanca-Settat and Drâa-Tafilalet.

FIGURE 3.18

Nonagricultural micro and small firms favor males with low educations



Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

Note: Micro firms are those with up to 4 employees, and small firms have between 5 and 9 employees. Ag = agriculture; nonag = nonagriculture.

In medium firms, male wageworkers with low levels of education also dominate. They tend to be the majority working in medium-size firms: the sum of those working in agriculture (22 percent) and in the nonagriculture sector (19 percent) together account for almost half of the total (figure 3.19, panel a). On the other hand, while highly educated male employees working in the nonagricultural sector accounted for 27 percent of total private wageworkers, medium-size establishments also employed 15 percent of women with the same profile. The vast majority of these last two profiles of male and female wage-workers are employed in the area of Casablanca-Settat, whereas men with low education mainly work in medium-size agricultural firms located in Marrakech-Safi, while those working in nonagricultural establishments are located in Tangier-Tétouan-Al Hoceima (figure 3.19, panel a).

FIGURE 3.19

Larger nonagricultural firms have mostly more-educated male workers

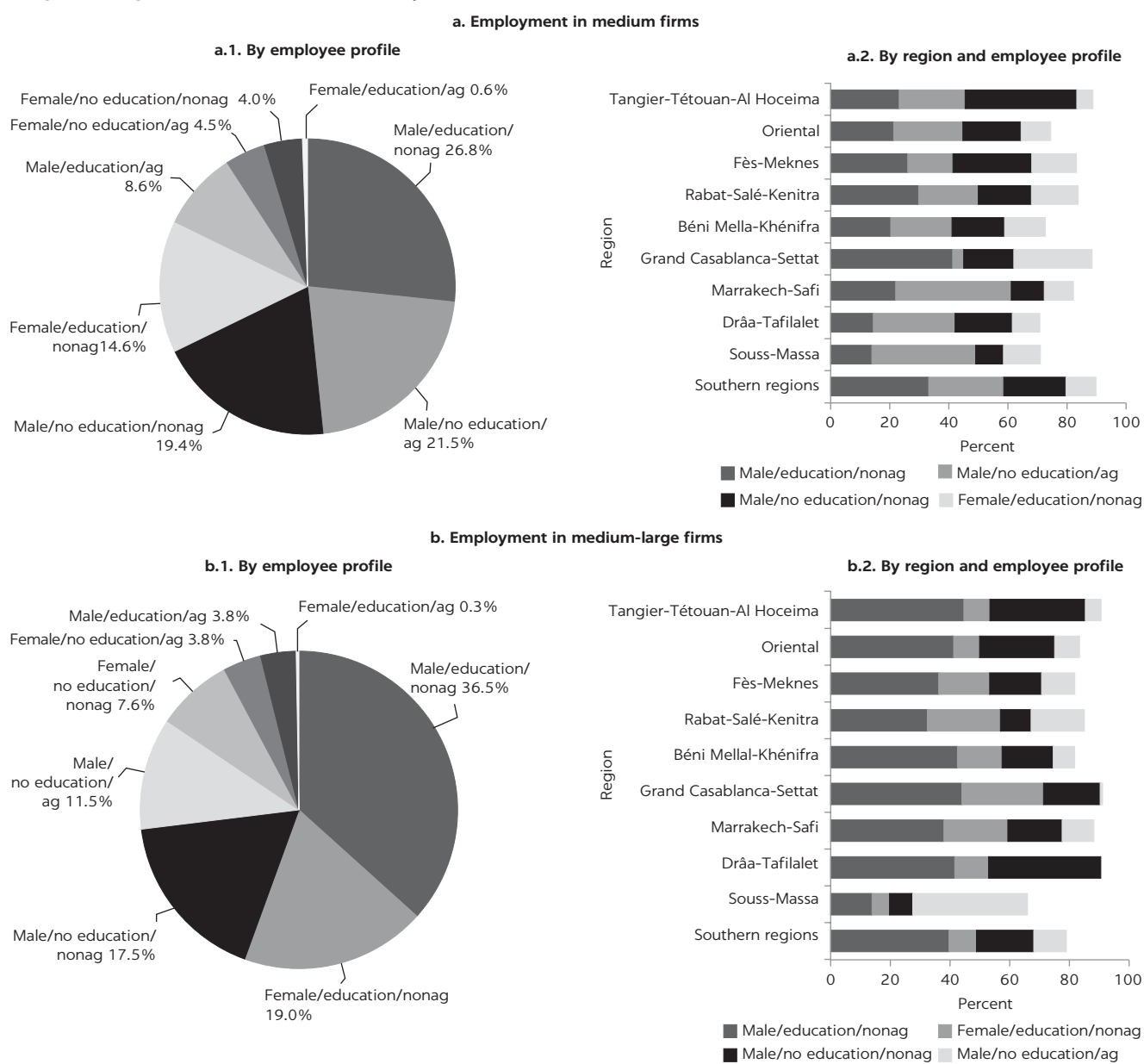
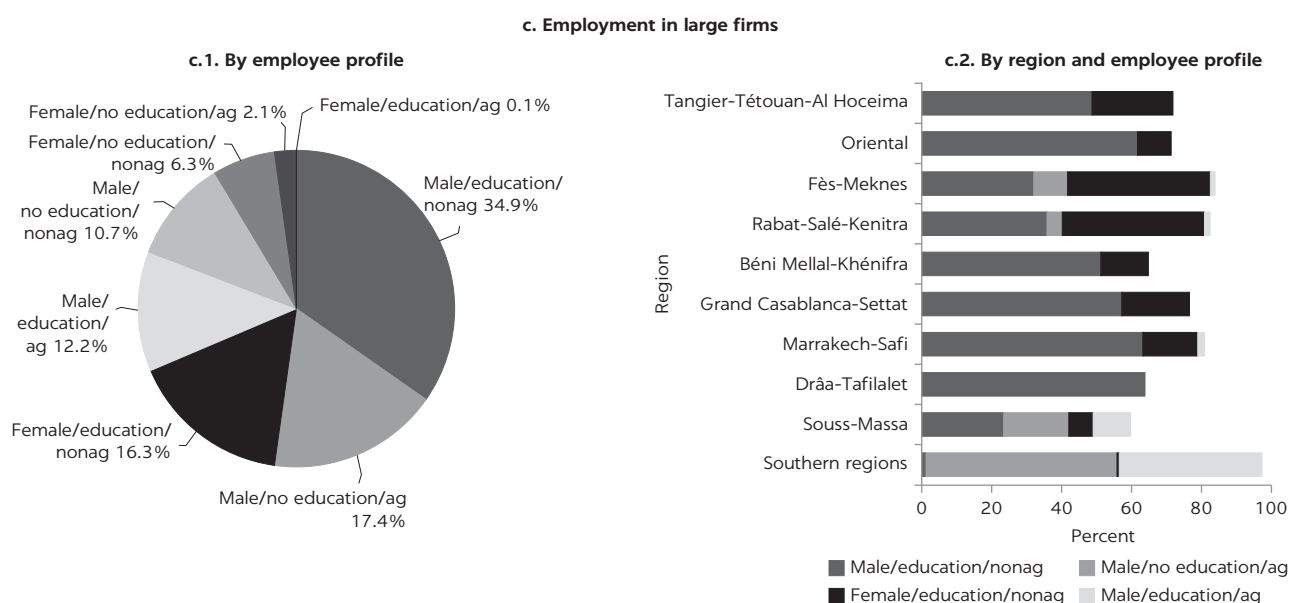


FIGURE 3.19 *continued*

Source: Estimates based on the Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

Note: Medium firms have between 10 and 19 employees, medium-large firms employ have between 20 and 199 workers, and large enterprises have more than 200 workers. Ag = agriculture; nonag = nonagriculture.

Medium-large and large firms operating in the nonagricultural sector employ more-educated male workers (figure 3.19, panels b and c). These individuals make up 37 percent of the total waged workers in medium-large firms and 35 percent in large firms. In the case of medium-large firms, the second-most prevalent profile is educated female waged workers employed in nonagricultural sectors (19 percent), while for large firms it is low-educated males in agriculture (17 percent). These two profiles of male workers together account for about 72 percent of total waged workers. Almost all regions employ between 30 and 45 percent of educated males in nonagricultural jobs in medium - large firms, except for Sous-Massa, where most of them are low educated working in agricultural jobs. In the case of large firms, between 25 and 65 percent of workers are also educated males in nonagricultural sectors, except for the southern regions, where jobs are almost evenly distributed between noneducated and educated workers in agriculture.

NOTES

1. According to the World Development Indicators, other MENA countries in the same period faced much higher unemployment rates: Tunisia about 15–16 percent, the Arab Republic of Egypt about 9–12 percent, and Jordan about 14–15 percent.
2. The analysis of the ENE panel component through transition matrices using two adjacent years between 2010 and 2018 confirmed that family workers do not change much in terms of status over time. Every 2 years, about 60 percent of the working-age population confirms the status of family workers. When the status changes from 1 year to the other, family workers mainly become inactive (28 percent), self-employed (8 percent), or informal wage-workers (4 percent).
3. The asset index has been developed following Filmer and Pritchett (2001) through the Principal Components Analysis. The first principal component—the linear combination

capturing the greatest variation among the set of variables—can be converted into factor scores, which serve as weights. The rationale for using this index is that it captures the household's permanent welfare dimension better than simple consumption data and can provide more reliable rankings among households. To compare over time, the index variables need to be defined exactly in the same way. This is the reason for using the 2010 round instead of 2000. Durables and dwelling characteristics are consistent between 2010 and 2019.

4. <https://www.moroccoworldnews.com/2018/12/261882/2-4-million-tourists-marrakech-2018;> <https://oxfordbusinessgroup.com/overview/morocco-has-ambitious-goals-increase-tourist-arrivals>.
5. This section only takes wagedworkers employed by firms into account.
6. An important point worth mentioning is related to informality: It is quite common in Morocco for informal workers to work for formal enterprises (but not vice versa). Therefore, from workers' status one cannot infer the company status regarding formality.
7. Firm size is measured as the number of wagedworkers regardless of the type of contract. Micro firms are those with up to four employees, small have between 5 and 9 employees, medium firms have between 10 and 19 employees, medium-large firms employ between 20 and 199 workers, and large enterprises have more than 200 workers.
8. As was previously done to develop profiles for the inactive, employed, and unemployed populations, through a link between labor market outcomes and individual characteristics, here we identify the profile of wagedworkers employed in firms of different dimensions in the same way.

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4 Labor Market Challenges

“Morocco needs a new development model based on a participative and inclusive approach aimed to reduce both social and spatial inequality.”¹ This desire of King Mohammed VI goes in the right direction since, as discussed in the previous chapters, Morocco’s growth has been accompanied by low job creation. Stemming mainly from incomplete structural transformation and a difficult business environment, Morocco’s labor market has been characterized by low participation, persistent unemployment, low job quality, and exclusion of certain groups. Moreover, the COVID-19 outbreak is making this situation even more challenging given accelerated job losses in key sectors—such as tourism, hospitality, and labor-intensive and exporting industries (such as textiles, automotive, aeronautics, and transportation).

This chapter focuses on three key labor market challenges that Morocco faces. The first is the need to accelerate structural transformation, given that the country has not generated enough jobs to keep up with the growing labor force—falling short by about 300,000 jobs on average each year.² The second is to bring more youth into the labor market, since about 29 percent of Moroccans aged 15–24 are classified as “not in education, employment, or training” (NEET).³ The third is to address low female labor force participation (FLFP), since three out of four women remain out of the labor force (OLF).

GENERATING MORE JOBS BY ACCELERATING STRUCTURAL TRANSFORMATION

Morocco’s economic growth has been “job-poor,” even though some sectors are generating jobs. Chapter 2 describes how fairly strong economic growth in the country has not translated into enough jobs. However, this relationship varies across sectors: in construction, for each additional percentage point of growth between 2000 and 2018, the number of workers grew a substantial 0.91 percentage points, while in agriculture, each additional percentage point of growth actually *reduced* the number of employed by 0.04 percentage points. The elasticities of job creation in industry and services have registered in between these two points, at 0.08 and 0.53 percentage points, respectively.

Although sectoral gross domestic product (GDP) shares have remained nearly unchanged, the agricultural sector's share of employment has modestly decreased, while services' share has increased and industry's share has remained the same.⁴ Moreover, these sectoral shifts—which involve a reallocation of inputs—have moved slowly over time, implying that Morocco's structural transformation has not been fast enough to boost productivity growth (from its current low level) and create enough jobs for the fast-growing working-age population.

Overall trends seem to be at odds with success in some sectors. Morocco's overall poor job creation and slow structural change are taking place alongside successful development experiences, such as growth in the aeronautics and automotive industries in Casablanca and Tangier, respectively. While positive developments have not yet had a visible effect at the country level, very different patterns emerge when looking more closely at the evolution of employment and GDP shares across regions.

Morocco is experiencing a relative transformation of the manufacturing industry. The decline in sectors in difficulty such as textiles has been countered by the rapid development of others—such as automotive, aeronautics, and chemicals—which are mainly driven by foreign direct investment. However, these sectors remain limited to a small number of mainly foreign players, while Moroccan capital remains positioned in traditional sectors, according to the most recent manufacturing report (World Bank 2020b).

The extent of growth and sectoral structural transformation varies widely by region. The top five regions account for more than 70 percent of GDP, while two of them account for 40 percent of it. Primary (agriculture), secondary (industry), and tertiary (services) sectors are also distributed and concentrated in specific regions, with the agricultural sector the biggest employer in some of them. Such spatial variation (and concentration) underscores the need to target policy interventions by sectors and regions, with a strategic focus on subsectors.

In addition, some regions are reverting toward low-value-added sectors. Whereas about 75 percent of value added in Rabat-Salé-Kenitra comes from the tertiary sector, in Béni Mellal-Khénifra it accounts for 50 percent of value added (figure 4.1). The secondary sector accounts for 25 percent of value added nationwide, but in Tangier-Tétouan-Al Hoceima, it accounts for 30 percent and in Casablanca almost 50 percent.

At the subnational level, agriculture is still a more significant employer than services, even in economically important regions such as Tangier, Marrakech, and Fès-Meknes. Although the gap between agricultural and services employment is closing, the slow pace represents a bottleneck for structural change. This signals that efforts to promote high-value-added sectors in Morocco—for instance, encouraging creation or diversification of services and industries around value-added “hotspots”—have not been able to generate rapid and deep transformation of labor markets in all regions.

While succeeding in promoting high-value-added industries in hotspots, Morocco has not always succeeded in linking these successes to value chains in other sectors to diffuse productivity and encourage job creation. In the aeronautics industry, Morocco manufactures components designed abroad, but they require a wide range of inputs (steel, glass, and aluminum), some of which are imported. Morocco provides labor input at competitive wages before the more technology-intensive assembly takes place in Europe and North America. This business model is profitable for foreign investors and beneficial for about

15,500 Moroccan workers,⁵ but it does not result in significant beneficial spillovers or diffusion of productivity.

Tourism services in Marrakech represent a case of beneficial spillovers. The services sector has gained importance in the Marrakech region as the share of value added has grown since 2012, reaching nearly 70 percent (figure 4.1)—and the number of employed has increased by 100,000 since 2010 (figure 4.2). Tourism is especially important as an engine of job creation, accounting for 12 percent of employment in 2018.

Big sectoral and regional variations exist for connections between productivity and employment. Drilling down further into these vital labor market links, we begin to see growth clusters, as are evident in figure 4.3, which plots variations between 2000 and 2018 in value added per worker against change in employment by region—with the size of the circles around regional names indicating the size of employment in each sector in 2018. The results by sector are as follows.

- *Agriculture.* A decline in agricultural employment correlates with a large increase in productivity—and per capita productivity in agriculture at least doubling in all regions except Tangier-Tétouan and Grand Casablanca.
- *Industry.* Productivity slightly increased while employment growth varied across regions. Importantly, the substantial increase in employment of over 65 percent since 2000 in Tangier was associated with a relatively modest increase in productivity, while Casablanca, which hosts the largest number of industrial workers at 400,000, experienced only a marginal increase in industrial employment but an increase in sector productivity of about 40 percent.
- *Construction.* Employment increased significantly, but productivity in most regions stagnated or even declined. Due to increasing demand for accommodation services (hotels, resorts, malls, housing for tourists, and workers), employment in Marrakech boomed by over 160 percent in the past two decades, yet productivity growth remained slightly negative. Overall, construction in Morocco appears to be highly labor-intensive, with employment rising but productivity showing only limited increases.
- *Services.* Both employment and productivity increased in the past decade, with Marrakech growing fastest in terms of service sector employment, and Rabat-Salé-Kenitra experiencing the fastest productivity growth. Next, we drill down another layer to further disaggregate economic sectors using growth decomposition (chapter 2), by restricting the analysis to 2010–18 (chapter 2). Here, we highlight the results for Grand Casablanca-Settat (table 4.1), Tangier (table 4.2), and Rabat-Salé-Kenitra (table 4.3):
 - In Casablanca, manufacturing became capital intensive while services mostly expanded in labor-intensive but low-value-added activities. Just after the 2008 financial crisis, manufacturing lost about 50,000 jobs, which was associated with higher labor productivity. Indeed, after subtracting the reduction in employment and intersectoral shifts, change in output per worker accounts for 83 percent of total value-added growth.
 - In Tangier, productivity indicates a more balanced contribution by each sector. Growth was more sustained than in Casablanca, at 14 percent for Tangier versus 6 percent for Casablanca, with both manufacturing and services contributing about 30 percent. Also, manufacturing rose in terms of both output per worker and size. Starting from a much lower level than

Casablanca, Tangier's growth has been driven mostly by manufacturing sector growth and by higher employment in the service sector, accompanied by a modest increase in productivity.

- In Rabat, the economy revolves around high-value-added services and public administration. Almost all of the impressive growth registered by this region in the past decade is explained by the performance of these two sectors. The public sector accounts for 42 percent of total regional growth, which must have been obtained through an increase in output per worker since public sector employment declined.

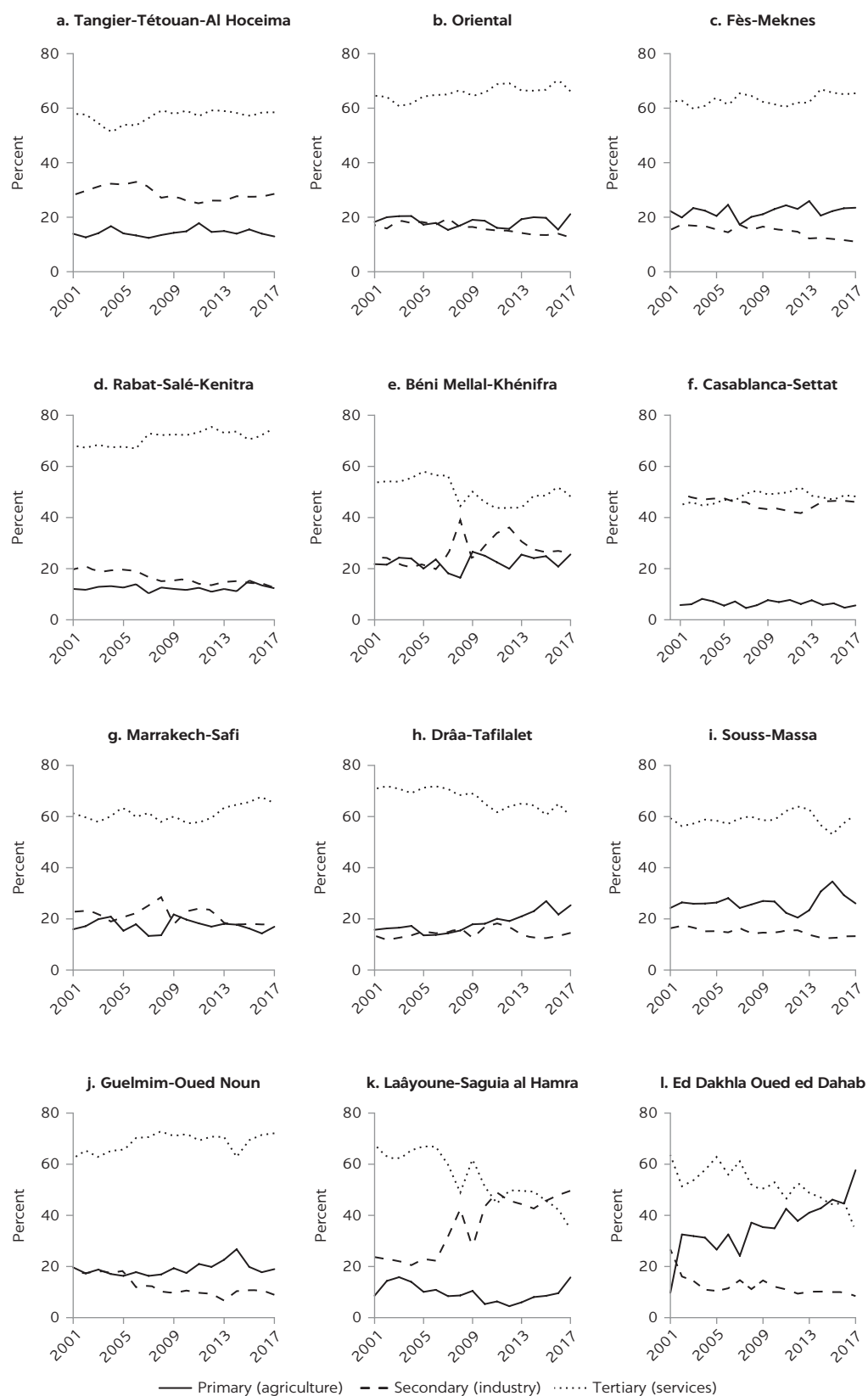
Private sector firms play a key role in structural transformation, but they face constraints that hamper job creation. To show how different factors could explain employment growth among existing firms, as opposed to new entrants, figure 4.4 displays coefficients from an ordinary least squares regression using panel data from the Enterprise Surveys.⁶ Firm employment growth—that is, the change in employment for every firm between 2013 and 2019—represents the dependent variable, compared to explanatory variables (namely, size, age of the firms, sectors where the firms operate, region, and year). The two rounds of Enterprise Surveys indicate that employment growth strongly correlates with sales growth. While the standard error is often quite high, the analysis in figure 4.4 confirms some previous statements: (1) wide variations across sectors exist even after controlling for sales growth, (2) the food sector created more jobs, (3) location seems to matter, and (4) employment elasticity seems to have decreased between the two survey rounds.

Data on self-reporting of constraints perceived by firms complement the understanding of meager job creation. In 2018, firms said that the top three barriers to growth were: corruption (13.0 percent of firms), tax rates (12.8 percent), and tax administration (12.0 percent). But the top three constraints reported differ substantially across firm size, age, industry, and region. For instance, one-fourth of young firms cited “tax administration” as their main impediment to growth, while “transport” appears in the top three constraints for old firms (above 35 years in operation). Constraints appear to be sector-specific: “transport” comes up in the top three only for the garment and other manufacturing sector, while “competition with the informal sector” appears only in the retail sector.

Location also affects firms' performance. Labor market functioning is more problematic in the Casablanca-Settat region, where more firms perceive labor regulations and a mismatch between skills they need and those of job seekers as a major or very severe issue. This finding is puzzling since the region created over 200,000 jobs between 2000 and 2019, of which more than half were formal. The Tangier-Tétouan-Al Hoceima region seems to perform quite well in many aspects, despite perceived high corruption.⁷ Limited access to finance and low competition characterize the Rabat-Salé-Kenitra region.

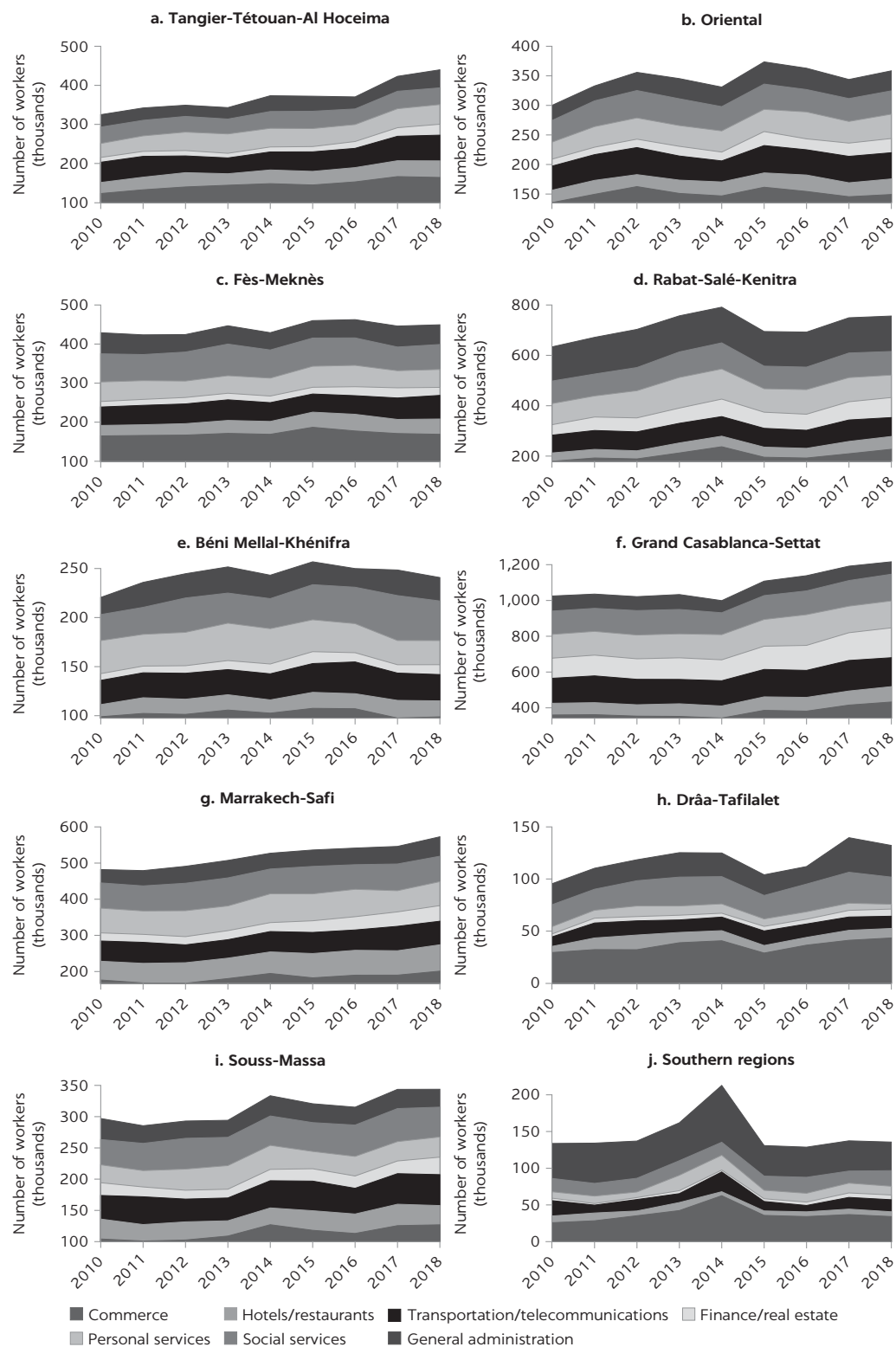
Despite challenges, there is reason for optimism related to job creation in Morocco. While “hotspots” have not induced large-scale structural change, and while constraints limit firm growth and, in turn, job creation, the country still has an opportunity to take full advantage of its successes to spur job creation. For instance, encouraging intersectoral mobility of inputs between the automotive and aeronautics industry could help the skilled labor force find productive jobs in similar industries. Also, building capacity around tourism would support creating jobs in construction and high-value-added services. Perhaps, reforms to promote continued improvements in the business environment are needed to attract young innovative firms.

FIGURE 4.1

Big variations in how regions generate value added*Share of value added in each economic sector, by region*

Source: Ministry of Finance, Morocco.

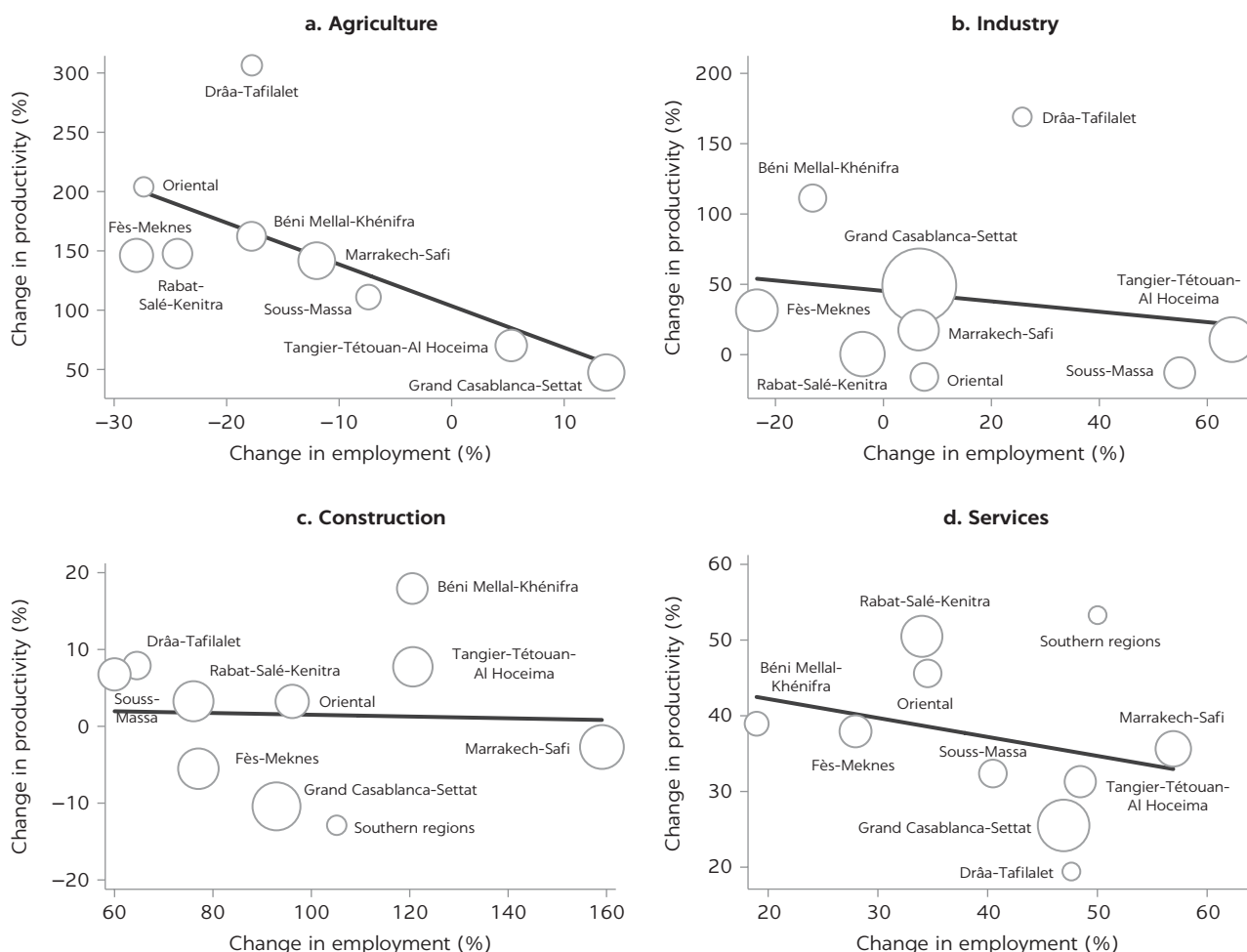
FIGURE 4.2

Big variations in regions as to which service sectors generate jobs*Employment in each service subsector, by region*

Source: Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

FIGURE 4.3

Big sectoral variations among regions for relationships between productivity and employment



Source: Enquête Nationale sur l'Emploi (Haut-Commissariat au Plan) and GDP decomposition data (Direction des Études et des Prévisions Financières).

Note: The panels plot variations between 2000 and 2018. The size of the circle accompanying each regional label indicates the size of employment in the sector in 2018.

TABLE 4.1 Casablanca's growth driven by increasingly capital-intensive manufacturing

Growth decomposition: Percent contribution to total growth in GDP (value added) per capita, Grand Casablanca-Settat, 2010–17

	CONTRIBUTION OF WITHIN-SECTOR CHANGES IN OUTPUT PER WORKER (%)	CONTRIBUTION OF CHANGES IN EMPLOYMENT (%)	CONTRIBUTION OF INTERSECTORAL SHIFTS (%)	TOTAL (%)
<i>Sectoral contributions</i>				
Agriculture	−4.64	−58.15	26.08	−36.70
Mining	1.45	−4.24	3.06	0.27
Other industries	174.10	−55.64	−35.22	83.24
Electricity and water	11.33	−0.85	−0.59	9.89
Construction	−11.55	12.43	−8.32	−7.44
Hotels and restaurants	1.65	4.64	−4.47	1.82
Other services	8.09	23.20	5.10	36.38
General administration	9.03	−13.89	−1.07	−5.93
Subtotals	189.46	−92.49	−15.43	81.54
Demographic component	n.a.	n.a.	n.a.	18.46
Total				100.00
Total % change in value added per capita, 2010–17				5.94

Source: Enquête Nationale sur l'Emploi (Haut-Commissariat au Plan) and GDP decomposition data (Direction des Études et des Prévisions Financières).

Note: n.a. = not applicable.

TABLE 4.2 Tangier's growth driven more equally by various sectors

Growth decomposition: Percent contribution to total growth in GDP (value added) per capita, Tangier-Tétouan-Al Hoceima, 2010–17

	CONTRIBUTION OF WITHIN-SECTOR CHANGES IN OUTPUT PER WORKER (%)	CONTRIBUTION OF CHANGES IN EMPLOYMENT (%)	CONTRIBUTION OF INTERSECTORAL SHIFTS (%)	TOTAL (%)
<i>Sectoral contributions</i>				
Agriculture	–9.94	23.13	0.62	13.81
Mining	0.00	0.30	–0.19	0.11
Other industries	26.83	7.65	–0.15	34.34
Electricity and water	–8.85	1.72	7.64	0.51
Construction	–1.85	–0.39	1.85	–0.39
Hotels and restaurants	0.13	5.52	–1.09	4.56
Other services	–0.24	26.11	6.54	32.41
General administration	9.48	–2.75	–10.78	–4.05
<i>Subtotals</i>	<i>15.57</i>	<i>61.28</i>	<i>4.45</i>	<i>81.30</i>
Demographic component	n.a.	n.a.	n.a.	18.70
<i>Total</i>				100.00
Total % change in value added per capita, 2010–17				14.80

Source: Enquête Nationale sur l'Emploi (Haut-Commissariat au Plan) and GDP decomposition data (Direction des Études et des Prévisions Financières).

Note: n.a. = not applicable.

TABLE 4.3 Rabat's growth driven by high-value-added services and public administration

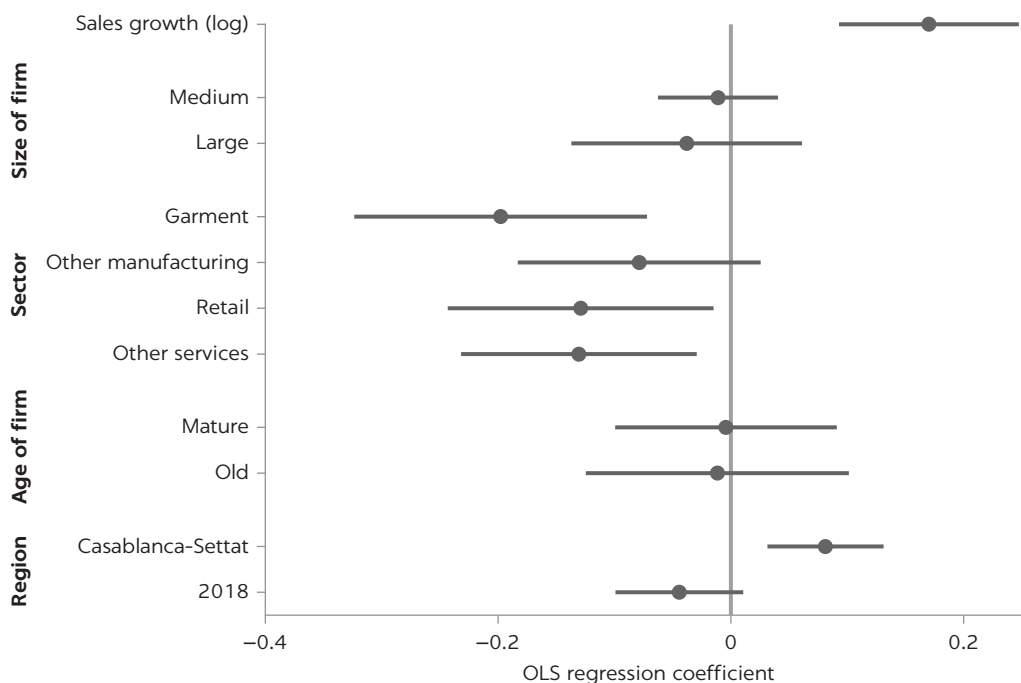
Growth decomposition: Percent contribution to total growth in GDP (value added) per capita, Rabat-Salé-Kenitra, 2010–17

	CONTRIBUTION OF WITHIN-SECTOR CHANGES IN OUTPUT PER WORKER (%)	CONTRIBUTION OF CHANGES IN EMPLOYMENT (%)	CONTRIBUTION OF INTERSECTORAL SHIFTS (%)	TOTAL (%)
<i>Sectoral contributions</i>				
Agriculture	30.54	–40.33	18.69	8.89
Mining	0.44	–0.86	0.29	–0.13
Other industries	–2.94	–5.75	0.93	–7.75
Electricity and water	1.25	0.06	1.02	2.34
Construction	1.42	0.34	–1.51	0.25
Hotels and restaurants	–0.64	2.76	–2.57	–0.46
Other services	22.47	15.38	13.59	51.44
General administration	42.30	–2.10	2.23	42.43
<i>Subtotals</i>	<i>94.84</i>	<i>–30.51</i>	<i>32.68</i>	<i>97.01</i>
Demographic component	n.a.	n.a.	n.a.	2.99
<i>Total</i>				100.00
Total % change in value added per capita, 2010–17				26.58

Source: Enquête Nationale sur l'Emploi (Haut-Commissariat au Plan) and GDP decomposition data (Direction des Études et des Prévisions Financières).

Note: n.a. = not applicable.

FIGURE 4.4

Explaining employment growth

Source: World Bank Enterprise Surveys, 2013 and 2019, <https://www.enterprisesurveys.org/>.

Note: The figure shows point estimates and their confidence intervals using employment growth (log) as the dependent variable. Omitted variables are small firms (for size), food sector (for industry), and all other regions (for region). Size is the initial size of the firms two years back using the recall question. OLS = ordinary least squares.

BRINGING YOUTH INTO THE LABOR MARKET

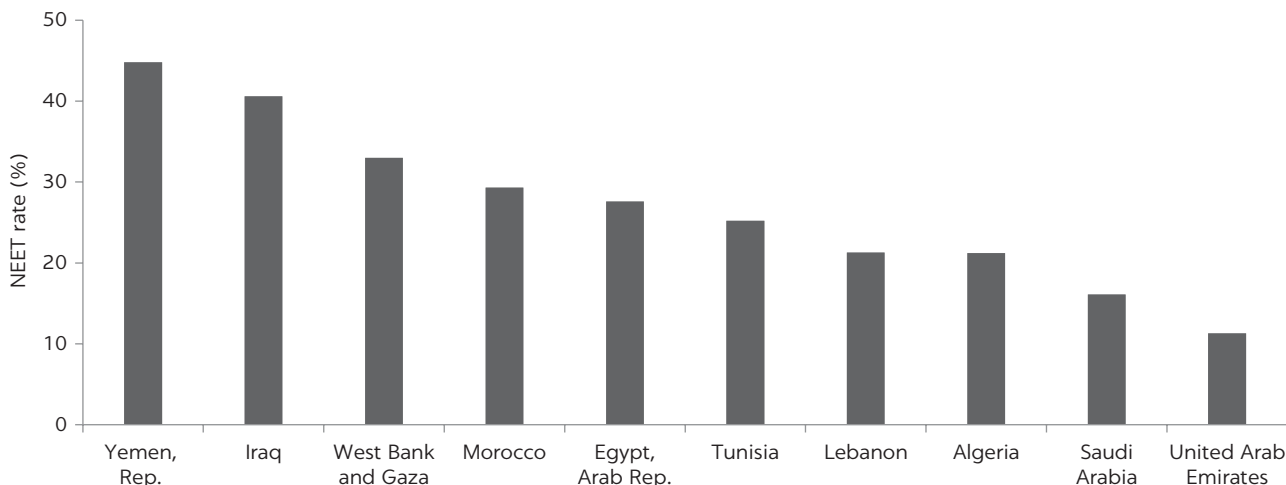
The large number of young NEETs in Morocco is of great concern because prolonged inactivity leads to long-term unemployment. Over the past decade, the total share of NEETs has not changed substantially, hovering at 30 percent of the population aged 15–24. Those who were NEET in 2010 tended to remain outside both the labor market and education even after 10 years, with very little chance of moving. Improving this situation will not be easy, and hence necessitates an urgent and comprehensive approach.

Morocco has a worse NEET problem than other Middle East and North Africa (MENA) countries. The MENA region seems to perform worse than many other developed and developing regions (figure 4.5). Although its peers are not doing particularly well, Morocco has even higher NEET rates than most—higher than both the Arab Republic of Egypt (28 percent) and Tunisia (25 percent).

The current demographic pyramid represents an opportunity for Morocco, but also poses a major challenge (HCP and World Bank 2017). The Moroccan labor market has not been able to absorb all new entrants. Calculations based on subsequent rounds of the Labor Force Survey indicate that of about 390,000 new entrants in the national workforce every year, barely one-third manage to find a job. The gender gap among NEETs represents another problem: More females are NEET than males, although between 2007 and 2019 the situation improved for women due to higher school enrollment rates.

Education, gender, family background, and area of residence play an important role in the NEET problem. Married women tend to comprise a large share of

FIGURE 4.5

Morocco's NEET problem is even more troubling than in other MENA economies

Source: ILOSTAT, <https://ilostat.ilo.org/>.

Note: MENA = Middle East and North Africa; NEET = not in education, employment, or training.

NEET females in Morocco and in MENA due to social norms that cause gender disparities. In fact, a large share of the NEET in Morocco comprises young married women with low education (irrespective of children). Those in medium-size towns are more likely to be NEET, while those in urban areas have greater access to education and training, and those in rural areas are likely to contribute to family-based agriculture. Wealthier households can better afford education, and hence are less likely to contribute to NEET rates. Moreover, households where heads have higher levels of education are less likely to have NEET members, as are households with heads engaged in agriculture.

When dividing the sample by gender, education and family background matter more for women than men in determining the risk of becoming NEET. Social norms and traditions tend to play a key role in shaping women's roles, especially in rural areas. Whereas men are mainly seen as household providers, women (daughters, wives, or mothers) are considered to be responsible for housework and taking care of children. Married women, most likely to be financially dependent on husbands and families, find it even more difficult to enter the labor market. Other than marital status, factors such as family background and education matter more for women in reducing their likelihood of falling into the NEET category, given their social disadvantages and dependence.

NEETs require priority attention as it can cause long-term unemployment. The NEET condition is quite persistent. Tracking individuals aged 15–24 in 2010 and aged 23–32 in 2018 confirmed not only general labor market immobility but also the crucial importance of initial conditions: to avoid being NEET in 2018, the best option would have been starting 2010 with a job or schooling (Alfani et al. 2020).

Interventions to reinsert NEETs in the labor market are costly, but this does not lessen the urgency. The Moroccan labor market suffers from immobility, which requires both preventive and mitigation measures to improve conditions for long-term NEETs. Preventive measures are particularly relevant to help

women, who are more likely to be NEET and face greater mobility constraints. Given improved education attainment for women, this persistently disadvantaged position—on top of mobility constraints—represents wasted educational investment and resource underutilization. Policies need to prioritize interventions to address deeply entrenched social norms.

BRINGING WOMEN INTO THE LABOR MARKET

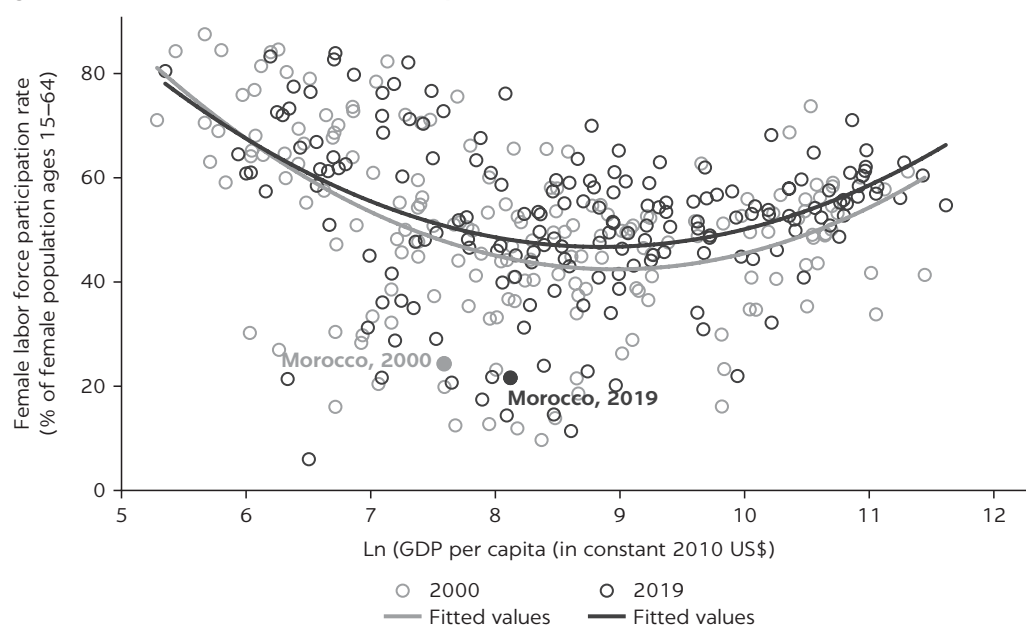
The FLFP rate in Morocco was about 22 percent in 2019, lagging even countries at similar economic development levels. While Moroccan GDP per capita almost doubled in the last two decades, FLFP declined somewhat, though consistent with a U-shaped trend (figure 4.6). Moreover, the difference between Morocco's FLFP rate and the world average (represented by the U-shape fitted line) shows that Morocco struggles to close the gap with world average rates.

Moroccan FLFP, though above that in most MENA countries, has declined in recent decades. Morocco has one of the highest FLFP rates in the region but MENA countries have some of the world's lowest rates. Further, and more alarmingly, Morocco is one of very few countries where FLFP declined since 2005, as average FLFP rates increased worldwide from 2000 to 2019.

Low FLFP in Morocco is due to the low percentage of women living in urban areas who work, while FLFP decline is a function of fewer women working in rural areas (figure 4.7).⁸ Rural areas, where most employed women work

FIGURE 4.6

Morocco's female labor force participation is stagnant despite gross domestic product growth and in contrast to the world pattern

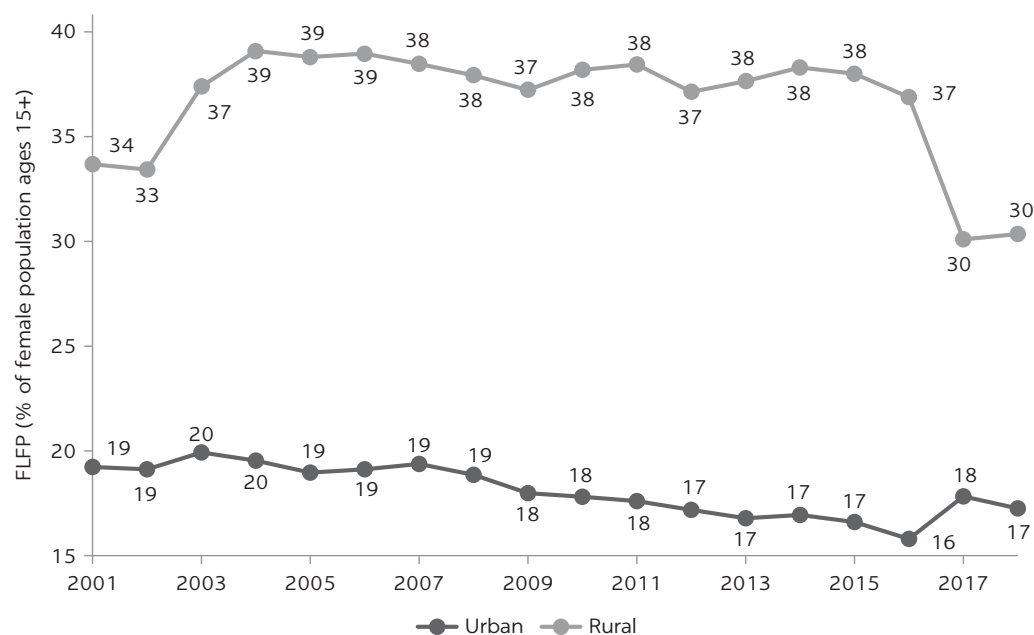


Source: World Bank World Development Indicators, <https://datacatalog.worldbank.org/dataset/world-development-indicators>. Each dot represents a different country.

Note: GDP = gross domestic product.

FIGURE 4.7

More women working in rural than urban areas, but female labor force participation a problem for both areas



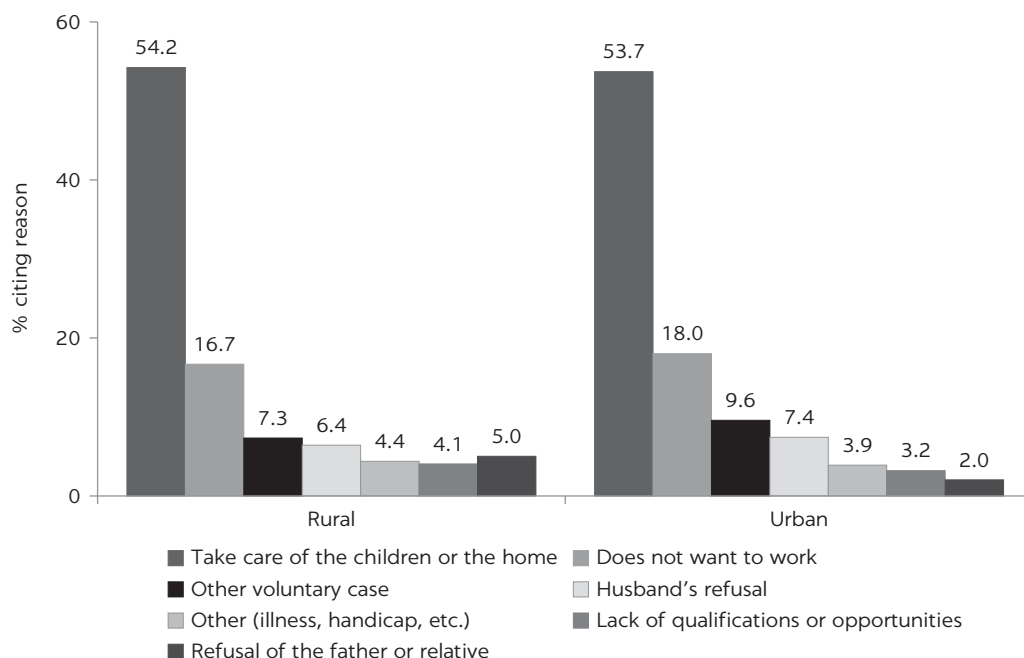
Sources: Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

Note: FLFP = female labor force participation.

in agriculture, have FLFP rates more than 20 percentage points higher than urban areas. However, women in rural areas have been withdrawing from the labor force, causing a decline in female participation from 34 percent in 2001 to 30 percent in 2018, after peaking at 39 percent between 2004 and 2006. In urban areas, educated women are more likely to work, although participation has fallen over time, despite increases in educational attainment. In rural areas, a better education does not improve women's employability. It is important to stress that women in urban areas with secondary education have among the lowest FLFP rates in Morocco, as these education levels do not match the needs of growing economic sectors (Verme, Barry, and Guennouni 2016).

Compared to almost two decades ago, inactive women (both in rural and urban areas) have better education, are older, have fewer children, and are more often married. Although, in 2018, inactive women in rural areas had broadly the same civil status as those in urban areas, they were less educated, younger, and had more children. In rural areas, women with less education tend to have higher participation rates than those with higher education, as agriculture in rural areas enables women to work in family farms and businesses. Moreover, women with superior education—a minority in rural areas—have similar employment rates as those in middle-education groups, but a much higher share is unemployed. Finally, not only is female inactivity high in urban areas but so is unemployment, which hints that inactivity might be due to a “discouraged worker” phenomenon. Figure 4.8 shows that childcare and domestic duties are the main reason for 54 percent of women for not working both in rural and urban areas. Voluntary reasons also matter for female inactivity, especially for more educated women.

FIGURE 4.8

Childcare and domestic duties are the main reason for women's inactivity

Source: Enquête Nationale sur l'Emploi (ENE; Labor Force Survey).

The probability of remaining OLF is largely determined by a woman's education in urban areas, but in rural areas the key is the education level of the household head. Indeed, in rural areas, middle-skilled women are more likely to stay OLF; that is, being either poorly or highly educated correlates with higher FLFP. In urban areas, more education invariably correlates positively with FLFP. Marriage is also an important determinant; single women in rural areas are 7 percent less likely to remain inactive than married women in 2018 (14 percent in 2001). In urban areas, civil status seems even more important; single women are about 20 percent less likely to be OLF.

For employed women, a huge rural-urban divide emerges in terms of formality, employment categories, and sector. In Morocco, 29 percent of the female working-age population is employed in rural areas and only 14 percent in urban areas. Employed women in rural areas are mostly: informal (97 percent), family workers (70 percent), and working in agriculture (91 percent). On the other hand, of the small number of women employed in urban areas, 45 percent work formally, but most are salaried (82 percent) and working in services (68 percent). Employed women in urban areas are relatively younger and less likely to be married than women in rural areas. Moreover, the employed female population in rural areas largely consists of women with low levels of education, while in urban areas half have secondary or tertiary education. These findings support the idea that higher FLFP in rural areas is due to the existence of a large number of precarious jobs. Only a small share of women in rural areas have alternatives to work in agricultural jobs on family farms or businesses.

The Moroccan economy has not created enough jobs for women over the last two decades to absorb the growing female working-age population or to increase the FLFP. Female employment has declined due to the slowdown in the pace of

job creation in urban areas and the decrease in female jobs in rural areas, showing that slow structural transformation has affected female workers in the same way as it has happened with the entire labor market. The female urban employment rate decreased from 15 percent to 13.7 percent, while the female rural employment rate declined from 33 percent to 29 percent between 2001 and 2018. At the same time, the female working-age population grew 46 percent in urban areas and 12 percent in rural areas, which reinforces the need for more female job creation to increase the FLFP.

Female employment, combining rural and urban areas, has decreased by 205,000 since 2009. Rural areas were more dynamic in creating female jobs until 2009, but while urban areas have since led, jobs for women in cities have not grown fast enough to offset job losses in rural areas. The number of women employed in rural areas suffered a decrease of 20 percent between 2009 and 2018, which translated into 338,000 fewer women employed. Over the same period, 134,000 women found new jobs in urban areas.

New jobs for women were created in services in urban areas, while women lost jobs from agriculture in rural areas. Job destruction in rural areas is entirely explained by the decrease in female employment in the agricultural sector. Creation of female jobs in urban areas consisted mainly of salaried work, comprising both formal and informal arrangements. Educated women benefited mainly from the increase in formal jobs, while uneducated women mostly found informal jobs. Uneducated women working on family farms were the most affected by the reduction in rural female employment. The urban services sector led female job creation, fully offsetting decline in the textile industry, once a key women's employer.

Investment in education, while improving women's educational attainment, has not significantly improved FLFP. Returns from educational investment for women are not visible in the labor market, which calls for closer examination of opposing forces: social norms on one hand, and education attainment on the other.

Societal values—beliefs and motivations that shape individual behavior—affect female labor supply. A key manifestation of these values is individual attitudes toward work.

To sum up, Morocco is facing the challenge of growth with low capacity to generate employment, along with the pattern of past growth that has excluded important groups from the workforce. The old model based on public capital accumulation and domestic demand is no longer working to create jobs in order to absorb a growing working population. The labor market is further crippled by a lack of successful structural transformation. Premature deindustrialization released workers from agriculture but without the industrial capacity to absorb them, which, in turn, resulted in a failure to enable an upgrade of skills and boost labor productivity. Furthermore, the difficult business environment has hampered the role of the private sector to generate more and better jobs. Faced with these challenges, youth and women continue to struggle to achieve inclusion into the labor market. However, Morocco's low dependency ratio—paired with a demographic “window of opportunity”—holds the potential to support jobs-led growth for the next two decades. But for that to happen, there will need to be supportive economic policies to address these challenges.

NOTES

1. Royal speech by King Mohammed VI, August 20, 2019.
2. The average difference from 2011 to 2018 between additional working-age individuals and employed ones was 307,716 (see chapter 2).
3. It should be noted that educational and training institutions also play a role in this problem.
4. See chapter 2.
5. The aerospace industry in Morocco, Moroccan Investment and Export Development Agency 2017.
6. The Enterprise Surveys (ES) are an ongoing World Bank project to collect both objective data based on firms' experiences and perceptions of the environment in which they operate. The ES currently covers over 190,000 firms in 152 countries, of which 144 have been surveyed following the standard methodology. This allows for better comparisons across countries and over time. Data are used to create statistically significant business environment indicators comparable across countries. The ES are also used to build a panel of enterprise data to track changes in the business environment over time and allow, for example, reform impact assessments. Our analysis uses waves 2013 and 2019, but the sampling strategy on regions of Morocco changed between the 2 survey years, so the variable looking at region cannot be disaggregated with most recent administrative data. For both surveys, the sample was drawn from the universe of formal establishments with at least 5 employees. For the 2019 ES, the listing of firms consisted of 2 sources: the Morocco 2013 Enterprise Survey (to construct a panel dataset) and a list of firms from the Morocco Census (2017). The sampling is done using 3 strata: economic sectors (excludes agriculture), size of the establishment, and regions. In total, the 2013 ES contains 407 establishments, while the 2019 ES contains 1,096 observations.
7. Forty-six percent of firms (as opposed to 41 percent in MENA and 32 percent in the world) identify corruption as a major constraint.
8. Sharp changes in data between 2016 and 2017 are due to an update in the Labor Force Survey sampling frame based on the 2014 population census. While it is not accurate to interpret this 1-year change as an actual phenomenon, medium-term trends are valid.

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5 Conclusions and the Way Forward

The conclusion of our research is that Morocco needs to tackle a set of challenges if the labor market is to drive development and economic growth, while generating opportunities for everyone. This chapter explores these challenges to help us set the agenda for the next phase of this programmatic jobs program. In the next phase, we propose to carry out targeted research that will provide policy makers with the necessary data to address these challenges. It is important to highlight that our analysis will be informed not only by these data but also by the experiences in countries that have faced similar challenges to those identified in this report for Morocco.

The following four challenges emerge as priorities:

1. The creation of more, better, and inclusive jobs has been hampered by a slow structural transformation. Successful development experiences that result in strong job creation have been driven by a process of structural change, where resources shift over time from less productive to more productive sectors and activities. Morocco has experienced some structural transformation, but the process has been slow relative to that of comparator countries. Workers have shifted out of agriculture but without industrial jobs to absorb them. Meanwhile, increases in the share of services have also been slow compared to comparator countries, and a large share of workers remain engaged in informal services.
2. Formalization has increased, but there is significant scope for further improvement, especially in some sectors. Despite gains in formalization, most of the working population is in the informal sector. For the most part, these are not good jobs—meaning that they do not provide workers with regular contracts, pension schemes, or access to good and reliable health insurance. The persistent informality in some parts of the economy is likely a reflection of low productivity. But its existence makes it more difficult to improve productivity and stem a significant loss of government tax revenues.
3. The labor market has excluded large segments of the female population. Most women are not even in the labor force—and the female labor force participation (FLFP) is far below 30 percent, which is low compared to other

developing countries. The long-standing problem of low FLFP has worsened despite better access for women to education. Moreover, many women who do work are in low-quality jobs. The exclusion of women from full participation in the labor market signals the need to address a variety of factors, including persistent social norms, that may limit their work options.

4. The labor market has excluded large segments of the youth population. Though literacy levels have been improving, about 29 percent of youth are not in education, employment, or training (NEET). The NEET phenomenon has left a large number of discouraged young workers, which can hamper their long-term ability to acquire skills and contribute to the economy. At the same time, unemployment is very high for well-educated youth, which has concerning consequences for the economy and social inclusion in the future.

All of these challenges involve a structural component in that they have existed for a long time and need to be addressed if Morocco is to create a substantial number of good jobs that drive the country's development and offer opportunities for all its citizens. However, devising a strategy to deal with them is now complicated by the COVID-19 pandemic and the economic slowdown that has accompanied it. In this context, job creation is very limited, and vulnerable segments of the population are most affected.

SUPPORTING THE CREATION OF MORE AND BETTER JOBS IN HIGHER-PRODUCTIVITY SECTORS

Accelerating structural change is key to creating good jobs, but the nature of structural change is shifting. Unlike past successful development experiences, industry—while still important—no longer plays the central role in structural change. This “premature deindustrialization” implies that employment opportunities will inevitably be much more oriented to services for workers exiting from agriculture and new entrants to the labor force. The policy implications of this are: (1) countries should try to develop industries strategically, even though they may not become major employers; (2) this strategy could stimulate employment in smaller-scale manufacturing down the value chain, or more important quantitatively, in services both within the value chain and because of the multiplier effect; and (3) an economic and jobs strategy also needs to encourage the development of high-value-added services both to support the domestic economy and to export.

Morocco could continue to develop competitive industries while increasing the value added of its service sector. For services, the country could take advantage of its convenient geographical location to become a start-up hub, attracting funding from Europe and providing e-commerce, financial, and other services to African countries. In industry, strong international competition from countries with low labor costs (for example, Southeast Asia) will likely prevent Morocco from ever becoming a large manufacturing country. But Morocco can instead encourage strategic industrial subsectors. An example of a possible industrialization path would be to build value chains around the Tangier automotive industry. As the successful Port of Tangier-Med initiative illustrates, high-value-added services can grow in tandem with manufacturing so both strategies are not mutually exclusive.¹ The government has introduced initiatives to encourage

higher-value-added sectors and the diversification of the export base. However, the broad strategy has been to attract foreign direct investment more than encourage development of local firms (IFC 2019).

The extent of structural transformation, and the labor market dynamism that follows, varies significantly in different parts of the country. There are considerable differences in the structure of the economy and the labor market within Morocco. We have noted the concentration of job creation in the major cities and the differences in what is driving “hotspots” in these centers. It remains an open question whether policies should promote the spread of economic activity throughout the country or expect that the hotspots will eventually spill over to the rest of the country. Analyzing which types of policies could reduce spatial inequality while diffusing know-how to generate jobs will require analyzing productivity and analyzing specific sectors. This could be done by taking the approach carried out in Lopez-Acevedo, Medvedev, and Palmade (2017).

Reforms to improve the business environment would benefit all sizes of firms. Although Morocco has taken some positive steps, as evidenced by the improved standing in the Doing Business rankings, enterprise surveys show that firms face many constraints, including high tax rates and burdensome tax procedures, corruption, access to credit, and certain aspects of regulation. The business environment can be particularly unfriendly for small and young firms, which should be a dynamic source of job creation. Business environment impediments to firms differ across regions, so some aspects of this problem may be tackled best at the regional level. Some regions specialize in economic sectors for which some restrictions are more relevant than others (for example, in retail, competition from the informal sector).

Workforce skills development will be key for building industrial strength and high-value-added services. If Morocco aims to cash in on educational investments undertaken over the years, efforts to upgrade the education system should be focused on quality, given the country’s unsatisfactory performance in Programme for International Student Assessment (PISA) measurements. The training system also deserves close attention, since a significant and growing share of firms identify “an inadequately educated workforce” as a major constraint for their operations (World Bank 2019).

Questions remain on how to steer structural transformation in Morocco toward creating more and better jobs. First, intersectoral mobility of inputs is a key element in structural transformation, but what are the complementarities and substitutability of inputs between and within sectors? For instance, automotive and aeronautics labor skills are similar, so an educational system that prepares technical workers could take advantage of economies of scale in preparing workers for those sectors. Second, how can productivity gains be translated into more jobs? Theoretically, increased productivity should increase jobs over the long run, as has happened in the Dráa-Tafilalet region in the industry sector. However, data do not support this in practice: as shown in chapter 4, Moroccan regions where productivity has grown fastest have not been the regions where employment has grown the most. This puzzling result leaves unanswered the question of how to take full advantage of productivity improvements. The proposed sectoral cases could allow us to analyze in more detail the dynamics of jobs and productivity, drawing on the approach in Lopez-Acevedo, Medvedev, and Palmade (2017). But this will require having access to establishment and Labor Force Surveys.

ENCOURAGING FORMALIZATION

The high level of informality in the Moroccan labor market has unfortunate consequences that have been magnified during the COVID-19 pandemic. The key ones include: reducing the tax base; contributing to poverty and inequality; leaving a high portion of the population uninsured against health, social, and economic risks; and further reducing productivity, which, in turn, suppresses growth. The economic and health-related consequences of informality for workers in the sector become more apparent during a crisis, such as the COVID-19 pandemic. Informal workers who lose their livelihoods have no retrenchment benefits or avenues to claim income support,² meaning that they cannot afford to stop working even when they are exposed to health hazards. Moreover, the potential health risks are magnified since informal workers have more limited health coverage than those in the formal sector.

Economic growth alone will not result in significantly greater opportunities for formal work. Informality is often a reflection of the structure of an economy and low productivity in some sectors. There are various possible reasons for the persistence of informality, including: low skills of workers; taxes and regulations that make formal hiring costly; other business environment factors that reduce incentives for formal economic activity; and enforcement failures. Policies to encourage formalization depend on the importance of each of these potential causes. Thus, policy-relevant research calls for a better understanding of the dynamics underlying informality and irregular work, starting with analyzing micro and small firm data, the gig economy, and data from phone surveys. Keep in mind that these dynamics may differ in different parts of the informal sector—a broad category that covers informal wagedworkers, self-employed and entrepreneurs, micro and family enterprises, and small farms.

International experiences with formalization can be a useful starting point for informing policies to reduce informality. There is a vast international experience with different types of measures to reduce informality (e.g., Kanbur 2015). These include measures to increase incentives to formalize, such as regulatory reform in labor markets and product markets, reducing red tape, improved delivery of public services to business, and reforms to tax codes and tax administration. In some circumstances, these have increased the benefits and reduced the costs of operating in the formal sector for some businesses. However, there is also a longer-run agenda that focuses on enhancing the productivity of microenterprises and the skills of workers in the informal sector (Haanwinckel and Soares 2017).

INCREASING FEMALE LABOR FORCE PARTICIPATION AND CONNECTING WOMEN TO BETTER JOBS

Increasing Morocco's low FLFP would have various benefits. From a macroeconomic point of view, increasing FLFP would add considerable human capital to the country's workforce and productive potential. This untapped resource has a high opportunity cost, given rising educational investments in girls and women. From a microeconomic point of view, having more women in work has positive spillovers to society: evidence shows that households with women working invest more in education and health (Duflo 2012).

Also, when women integrate into labor markets, they gain autonomy and “voice” in society, thus promoting gender equality.

Chapter 4 highlights relevant factors—especially education, urban versus rural residence, and societal norms—that are important for explaining Morocco’s low FLFP. These provide a first indication of potentially relevant areas for policy to foster more participation, revolving around women’s education, residency area, and societal norms. In addition, they are important for understanding not only the very low FLFP but also the relatively poor employment situation for women who are working. As indicated in earlier chapters, few women are in the formal wage sector and a large share of working women are in rural areas, largely in informal work, often in farming or other family businesses.

International evidence and experience suggest that various types of policies could stimulate FLFP and access to better jobs. Some possibilities include:

- *Childcare services.* The provision of free or subsidized childcare has promoted women’s employability in many countries (Mateo Díaz and Rodriguez-Chamussy 2016). Sometimes governments finance these services from general taxes, or firms are required to provide day care or are given incentives to do so. In Morocco, childcare is a more relevant issue in urban areas, where fewer women participate in the labor market than in rural areas, and a larger share of inactive women cite “domestic and childcare chores” as an obstacle to work.
- *Training and employment programs.* Access to the labor market and to good jobs can be restricted by a lack of skills. Although the educational attainment of women has been improving, training programs may better equip some women for the jobs that are available in the labor market. This could be especially relevant for emerging labor demands—such as in the digital economy—which may create opportunities for women to work from home, especially against the backdrop of COVID-19. Employment programs that encourage jobs for women in both the public and private sectors could also be considered.
- *Attitudes toward women’s work.* Since existing gender norms deeply affect the female labor supply, designing interventions that aim at changing attitudes toward women’s work become key. Global evidence in this area is still limited but is growing. As norms relative to women’s work may change over women’s life cycle, interventions targeting young women are a promising path to be explored.

Understanding the role of demand and supply factors in constraining women’s participation in the labor market is key to determining which policies will be most effective. For instance, the provision of childcare services assumes a supply-side problem, at least for urban women. Another example of a supply-side constraint involves parental or spousal social norms that keep women from working or seeking education. On the labor demand side, employer prejudices against women shut them out of work opportunities or jobs that offer good wages and working conditions. To adopt policies with the highest payoff, further research is needed to get a deeper understanding of the barriers at play in women’s decision to participate in the labor market and in employers’ decision to hire them.

The next phase of the programmatic work will focus on the underlying factors explaining women’s decision to participate in the labor force and their

employment patterns. This is necessary for designing policies that can enhance women's engagement in the labor market. Qualitative work will be designed to study the dynamics between a set of underlying factors that cannot be understood in depth with the available data on women's work. These elements include: gender norms, women's self-efficacy, affordable childcare, safe transport, access to information about job opportunities, the legal framework, sociocultural norms, and demographic characteristics (Morikawa 2015). Another area where research will bear fruit is studying the barriers that companies face in hiring women and ensuring gender-equal career development paths. Depending on the findings of this work, it could be supplemented by a representative quantitative survey—either at the national level, or for certain identified key groups that would be of particular interest—which will make it possible to complete the quantitative analysis on the determinants of women's participation in the labor market and their employment, and thus help inform policy recommendations.

SUPPORTING YOUTH IN THEIR TRANSITION FROM EDUCATION TO THE LABOR MARKET

The problems young people face in moving into the labor market are a major concern. The NEET phenomenon is particularly worrisome because not only are large numbers of young people not working but they are also not investing in their human capital for the future. At the same time, well-educated young people are experiencing very high levels of unemployment. In short, the employment situation of youth has long-term consequences for their future well-being and for the long-run potential of the economy. This situation also can lead to frustration and fracturing of social cohesion.³

Further research is needed to better understand the youth employment challenges so that policy makers can better determine which supports would help. The NEET phenomenon and the unemployment problem for well-educated youth have some overlapping features and underlying causes. However, there are specific aspects to each that deserve further attention. This analysis will be important for determining what policy areas would ease the transition of young people from school to work, including from postsecondary institutions into skilled jobs.

There are various factors to consider in addressing Morocco's youth employment challenge in order to determine policy priorities. These include:

- *Cultural barriers for young women.* The incidence of NEET status is highest for young women with low levels of education and thus interventions to overcome these barriers could be considered.
- *Education and training shortcomings.* Although Morocco's education sector has improved considerably, quality and educational attainment for some young people are key concerns. The technical and vocational education and training system also does not appear to provide a high-quality option for preparing young people for the labor market.
- *Skills mismatch.* This is often raised as a potential issue for youth who have completed postsecondary education but may not have the skills actually required by employers—such as mismatches between field of study and occupational demand, and inadequate “soft skills.”
- *Transition between school and work.* Young people can face difficulties in making this transition when they do not have access to information about

employment opportunities and skills required. Employment agencies can facilitate this transition, but the evidence suggests that they do not play a significant role in Morocco, especially for less-educated youth.

- *Labor regulations.* Do labor regulations regarding job protection make it difficult for young people to get a job in the formal sector? Where they are overly restrictive, job security rules can discourage employers from hiring new employees, with a disproportionate effect on youth. Also, minimum wages can have a similar effect, depending on where they are set.
- *Demand-side constraints.* The size of Morocco's youth cohort poses a formidable challenge for labor demand. Although aggregate growth has been fairly consistent, the level and the employment intensity of the growth have not been adequate to absorb new entrants into the labor force. Problems for educated youth, in particular, are magnified when employment growth rates are low in sectors with high-skilled labor demand. Unfavorable business climates and noncompetitive markets can create barriers to entry—such as smaller and younger firms, which could be a source of employment for young people, especially those with low levels of education.

The next phase of the programmatic work will assess the importance of the different possible barriers for young people in the labor market. This will inform policy makers in determining priorities and programs that can reduce the number of NEETs and the number of well-educated young Moroccans on the unemployment rolls.

To sum up, our analysis shows that the priorities for Morocco are to: (1) accelerate structural transformation, including the rate of private sector formal job creation; (2) increase the quality of jobs and encourage formalization; (3) help connect women to the labor market, particularly in higher-productivity jobs; and (4) support youth in their transition from education to the labor market.

Phase two of this programmatic work will involve analyses to inform policies to address these challenges. As we have emphasized, policy-relevant research in these areas will require the further analysis of Labor Force Survey data, which we have relied on in this report. However, it will also require: (1) analysis of additional data (such as firm-level data) to study productivity in depth; (2) data on the informal sector; (3) qualitative data to better understand the barriers facing women and youth; and (4) earnings data to analyze the allocation of labor, decisions related to labor supply, and various human capital issues (such as returns to education).

NOTES

1. More generally, modern companies tend to externalize services and operate as part of long value chains. Morocco's challenge is to pursue an approach such that jobs generated in certain sectors (say manufacturing) encourage job creation along a different part of the value chain (say services). Moreover, some of these services need to also be "tradeable" to exploit opportunities that the West African and other MENA markets present, where Morocco can compete.
2. The pandemic has also uncovered the importance of labor regulation enforcement in the formal sector after cases of employers not regularizing workers—or falsely making believe they were regular—prevented them from being eligible for government support.
3. Some authors argue that the dissatisfaction with the political system during the Arab Spring might be linked to NEET rates being higher in MENA than everywhere else. Although it is difficult to establish a causal relationship, there is no doubt that this can be one factor behind the frustration among youth.

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APPENDIX A

Impact of the COVID-19 Pandemic on Households

INTRODUCTION

The panel survey on the impact of the COVID-19 (coronavirus) pandemic on the economic, social, and psychological situations of households, carried out by the Haut Commissariat au Plan (High Commission for Planning, HCP) in two visits to households—the first April 14–23, 2020, and the second June 15–24, 2020—is the only source of data that can provide information on the economic situation of households in the context of this pandemic.

The objective of this panel is to gather relevant information on many aspects of household situations during periods of confinement and postconfinement about various themes, particularly,

- The experiences of the confinement, barrier gestures, household knowledge of the COVID-19 pandemic, and the psychological repercussions induced;
- The changes in preventive and social behavior (barrier gestures, food consumption, health) and intentions regarding infectious risks and perceptions regarding lifestyle in the postconfinement period;
- The economic and social effects of distance learning at all school levels induced by the confinement;
- The work layoffs, job losses, sources of income, and profits from public and private transfers;
- The repercussions of the pandemic on the different population categories targeted by the survey (men versus women, urban versus rural) in terms of employment, access to education, and health care.

The HCP survey covered the whole national territory and focused on the households surveyed as part of the household living standards survey conducted between December 2019 and March 2020. The survey had two-phases: The first was the 2019 household living standards survey carried out on a sample of about 3,300 households; the second measured the socioeconomic impacts of the COVID-19 pandemic on Moroccan households.

The survey sample was made up of nearly 2,350 households at the national level drawn from the baseline survey of 3,300 households reached during the first phase of the 2019/2020 national household living standards survey.

The objective of this appendix is to present the analysis of the survey results related to the economic effects of the COVID-19 pandemic on households.

Given the required social-distancing rules, the two phases of the HCP survey were carried out by the computer-assisted telephone interviewing (CATI) method.

TEMPORARY WORK LAYOFFS AND TARGETING OF PUBLIC AID

Two-thirds of employed workers had to temporarily stop their activity following confinement

66.2 percent of employed workers had to temporarily stop their activity: 68.2 percent lived in urban areas and 63.1 percent in rural areas (table A.1); 88 percent were artisans and skilled workers and 79 percent were nonagricultural workers.

The categories most affected according to professional status were the self-employed and employers (74 percent) and employees (65 percent), which varied by sector—those working in the construction industry (84 percent) and manufacturing (75 percent)—and by social class—72 percent of the employed belonged to the poorest 40 percent of the population against 47 percent of those in the wealthiest 20 percent.

More than half the households (58 percent) had at least one member who had to temporarily stop working following confinement: 56 percent lived in urban areas and 62 percent in rural areas.

One-third of employed workers on temporary layoff have returned to their jobs

Among the employed workers who had to stop working following confinement, as of June 24, 2020, more than half (53 percent) were still on layoff, 36 percent had resumed their activity, and 11 percent were either looking for a new job or inactive.

TABLE A.1 Employment status at the time of the survey of workers temporarily on layoff during confinement

CLASSIFICATION CRITERIA	EMPLOYED WORKERS ON TEMPORARY LAYOFF DURING CONFINEMENT (%)	SITUATION AT THE TIME OF THE SURVEY		
		ACTIVE (%)	ON TEMPORARY LAYOFF (%)	UNEMPLOYED OR INACTIVE (%)
Place of residence				
Rural	63.1	31.2	51.4	17.4
Urban	68.2	39.2	54.0	6.8
Both	66.2	36.2	53.0	10.8
Sex				
Men	67.1	37.9	54.8	7.3
Women	63.7	31.0	47.5	21.5
Sector				
Agriculture	58.3	32.2	46.8	21.0
Construction	84.3	32.5	52.4	15.1
Manufacturing	74.5	43.6	52.6	3.8
Services	60.4	34.5	57.5	8.0
Trade	71.0	41.0	53.0	6.0

Source: HCP-2020, second COVID-19 panel.

The recovery in activity was higher among urban workers than among rural workers, at 39 percent and 31 percent, respectively. Rural workers leaned toward unemployment or inactivity more than urban workers, at 17 percent and 7 percent, respectively.

About 31 percent of women on layoff returned to work and 22 percent became unemployed or inactive. Among men on layoff, it was 38 percent and 7 percent, respectively.

By social class, 31 percent of people of the two poorest quintiles who temporarily stopped their activity have resumed their jobs. This proportion reaches 44 percent of the wealthiest 20 percent of the population (figure A.1).

The share of people who returned to their jobs after a temporary layoff following confinement was 33 percent in the construction sector, 32 percent in agriculture, 34 percent in services, 41 percent in trade, and 44 percent in manufacturing (table A.1).

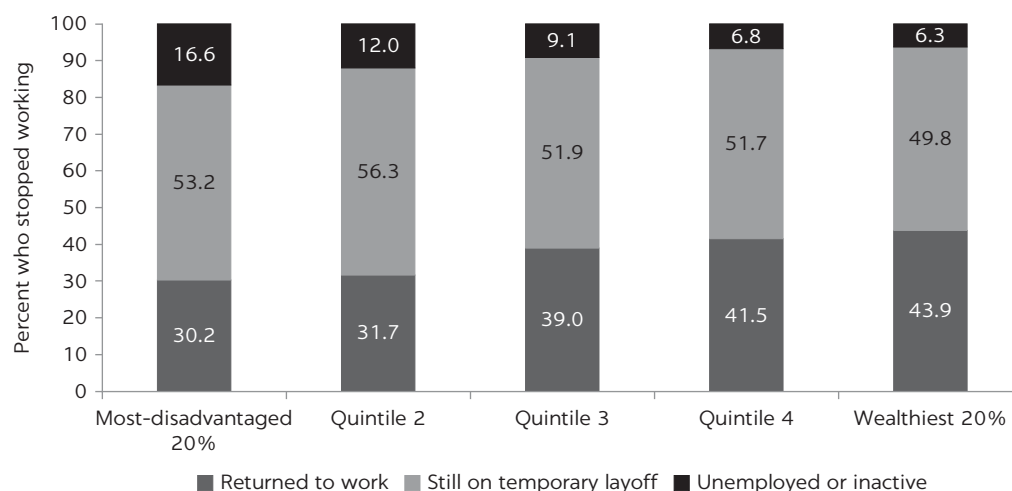
The suspension of business activity or the reduction of their workforce caused temporary layoffs

Nearly half of employed workers (48 percent) who stopped working during confinement mentioned the closure of companies or the reduction of the workforce as main reasons, a proportion that reached 70 percent among employees.

They mentioned, in second position, the cessation of a self-employed activity for 40 percent of cases (81 percent of employers or self-employed). The third position, fear of contamination, for 7 percent of the employed population, was cited by 14 percent of people with chronic diseases, 13 percent of women, and 11 percent of the elderly.

FIGURE A.1

Employment status at the time of the survey of employed workers who stopped working during confinement, by social class



Source: HCP-2020, first and second COVID-19 panels.

Remote working is mainly the prerogative of senior executives

Among all those employed, 16 percent adopted remote work during confinement: 24 percent for women against 13 percent for men, and 22 percent for urban against 5 percent for rural people (figure A.2).

Senior executives were more likely to work remotely, with a share of 61 percent; 46 percent worked remotely full-time and 15 percent alternated with on-site work. Remote work was adopted by nearly 31 percent of employed workers in the service sector; by 21 percent of employees, and by 10 percent of employers or self-employed workers. More than 38 percent of employed workers belonged to the wealthiest 20 percent.

Two-thirds of the working population had a drop in earned income

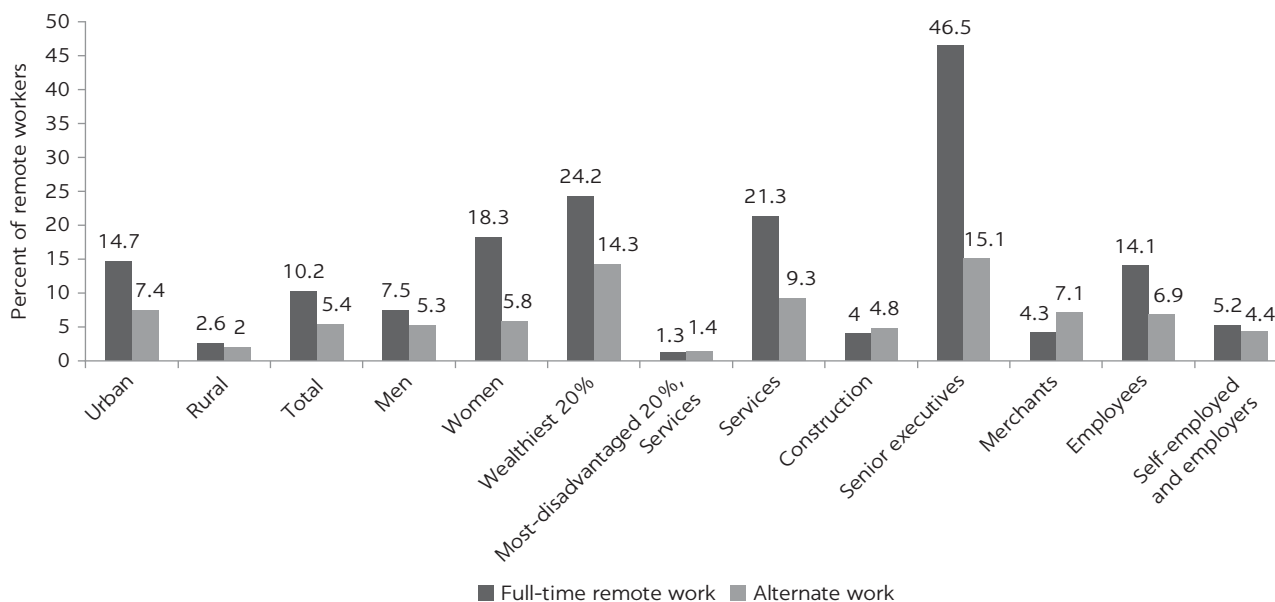
About two out of three employed workers (62 percent) experienced decreased income during confinement, 35 percent remained the same, and 3 percent experienced an increase in income.

The drop in income affected 70 percent of rural workers against 59 percent of urban workers, and 65 percent of men against 51 percent of women. By occupation, it affected 86 percent of artisans and skilled workers, 84 percent of trade workers, 77 percent of farmers, and 26 percent of senior executives. By professional status, it affected 88 percent self-employed or employers and 51 percent of employees.

By standard of living, the drop in income affected three out of four (74 percent) of employed workers belonging to the poorest 20 percent against 44 percent among those of the wealthiest 20 percent.

FIGURE A.2

Employed workers, by full-time and alternating telework



Source: HCP-2020, second COVID-19 panel.

Average monthly income dropped by half during confinement

Compared to preconfinement, the average monthly income of employed workers decreased by half. It dropped 62 percent among rural workers against 46 percent among urban workers, and 52 percent among men against 42 percent among women (figure A.3).

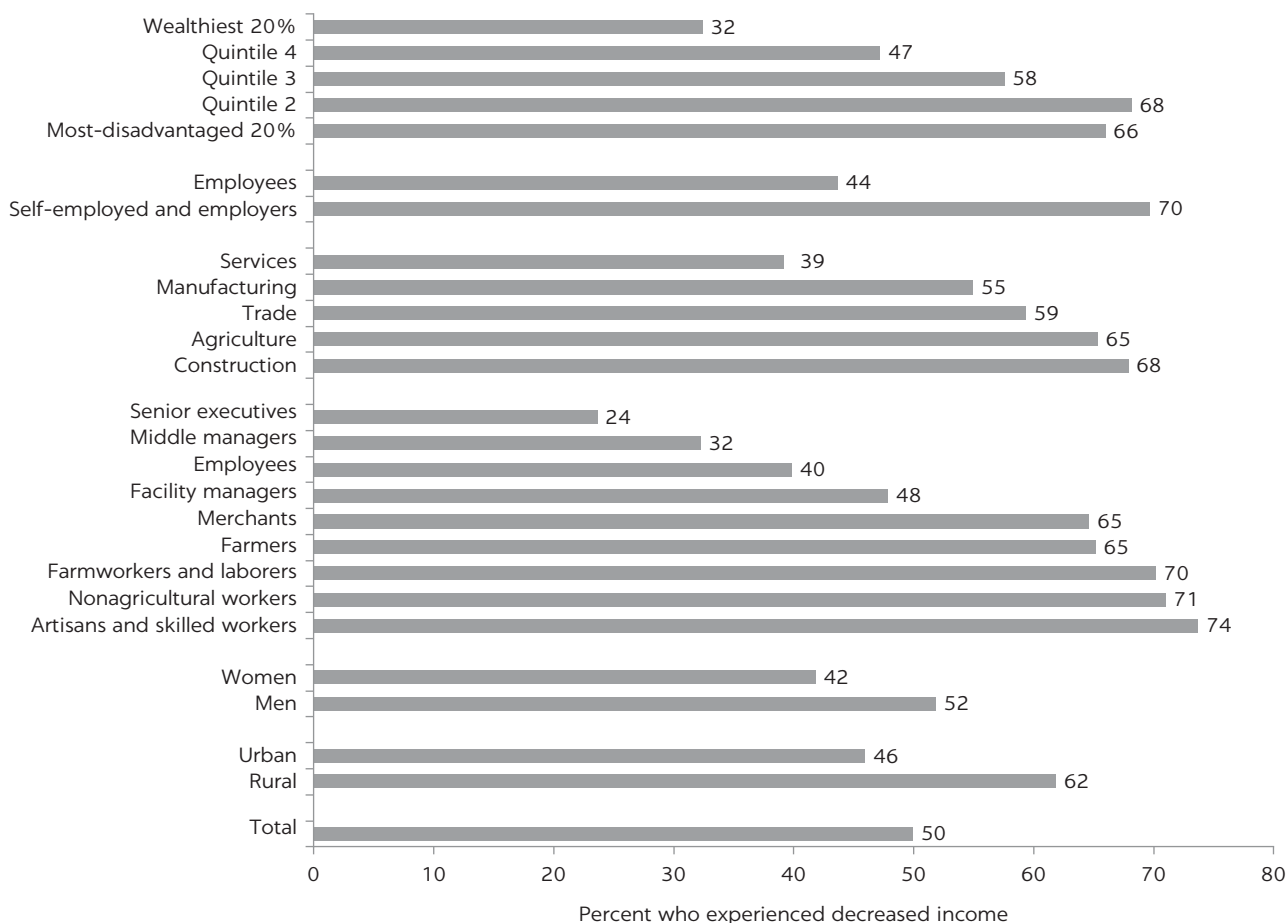
By socioprofessional category, the decrease in average monthly income affected 74 percent of artisans and skilled workers, 71 percent of nonagricultural workers, 65 percent of farmers, 40 percent of employees, 32 percent of middle managers, and 24 percent of senior executives. 70 percent were self-employed or employers and 44 percent were employees.

By sector, this drop was 68 percent among construction workers, 55 percent in manufacturing, and 39 percent in services.

By social class, the average monthly income of employed workers fell by two-thirds (67 percent) among employed workers in the poorest 40 percent against 32 percent among those in the wealthiest 20 percent.

FIGURE A.3

Decrease in average monthly income during confinement



Source: HCP-2020, second COVID-19 panel.

About one in four working-age people benefited from public assistance

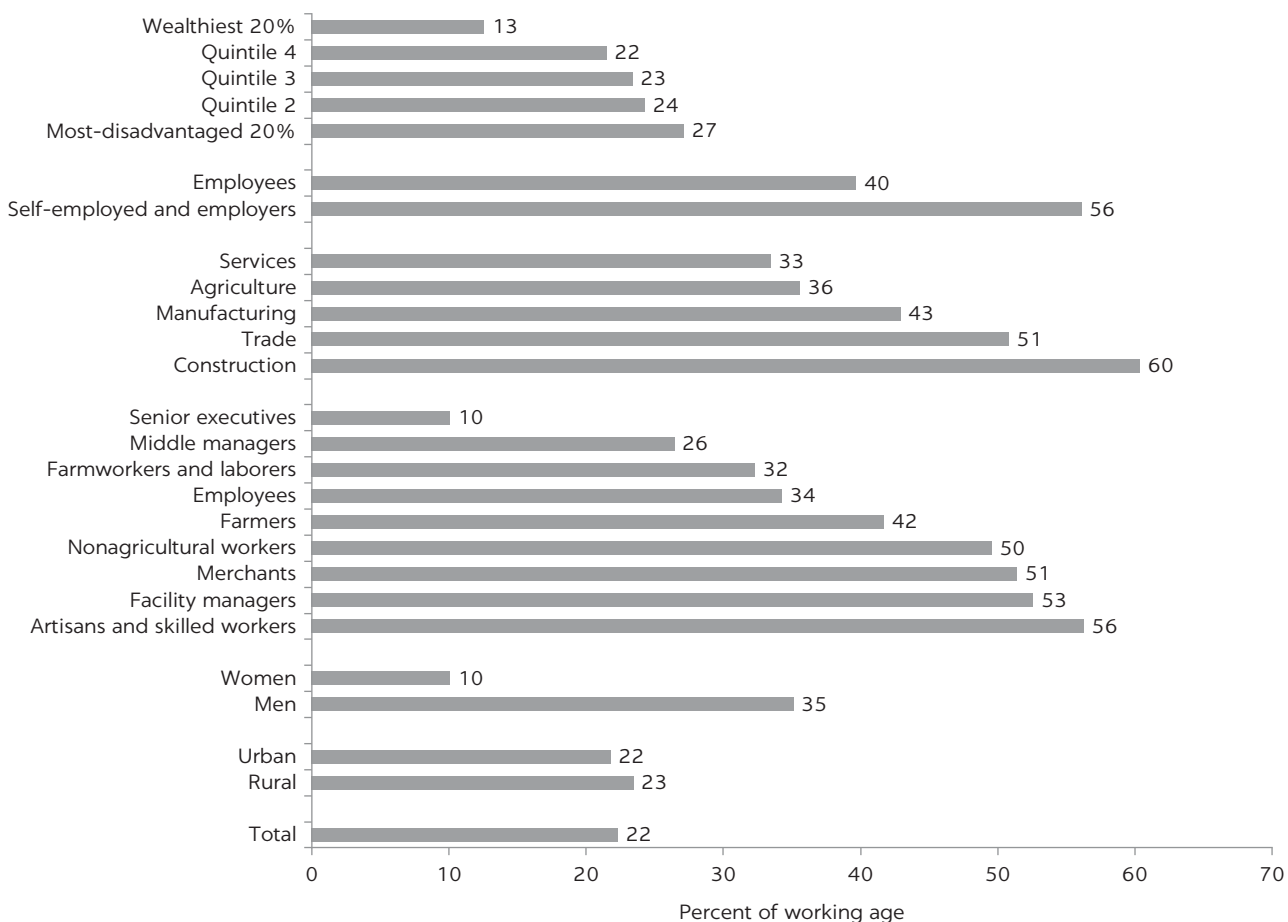
To compensate for the loss of employment and the decrease in income, 30 percent of working-age people requested assistance from the state or the employer within the framework of support programs for people who have lost their job in the formal or informal private sector. Three-quarters of those who requested state assistance (73 percent) include 22.4 percent of the working-age population—6 million people—who benefited from this support (figure A.4).

About 9 out of 10 (87 percent or 5.2 million) people have benefited under the RAMED and TADAMOUN COVID programs aimed for workers who lost their jobs in the informal sector, 12 percent (740,000 people) benefited under the support to employees affiliated to the Caisse Nationale de Sécurité Sociale (CNSS), and 1 percent benefited in the form of aid provided by employers.

The proportion of working-age people who have benefited from state or employer aid is 22 percent (3.8 million) among urban workers against 23 percent (2.2 million) among rural workers. This proportion reached 35 percent among men (4.6 million) against 10 percent among women (1.4 million). The percentage varied by sector, from 60 percent in construction to 51 percent in trade and 43 percent in manufacturing.

FIGURE A.4

Working-age population that benefited from public assistance during confinement



Source: HCP-2020, second COVID-19 panel.

It also varied by professional status, from 56 percent among the self-employed to 40 percent among employees, and 11 percent within the framework of the support program for employees affiliated to the CNSS and 29 percent within the framework of the support program for workers who lost their jobs in the informal sector.

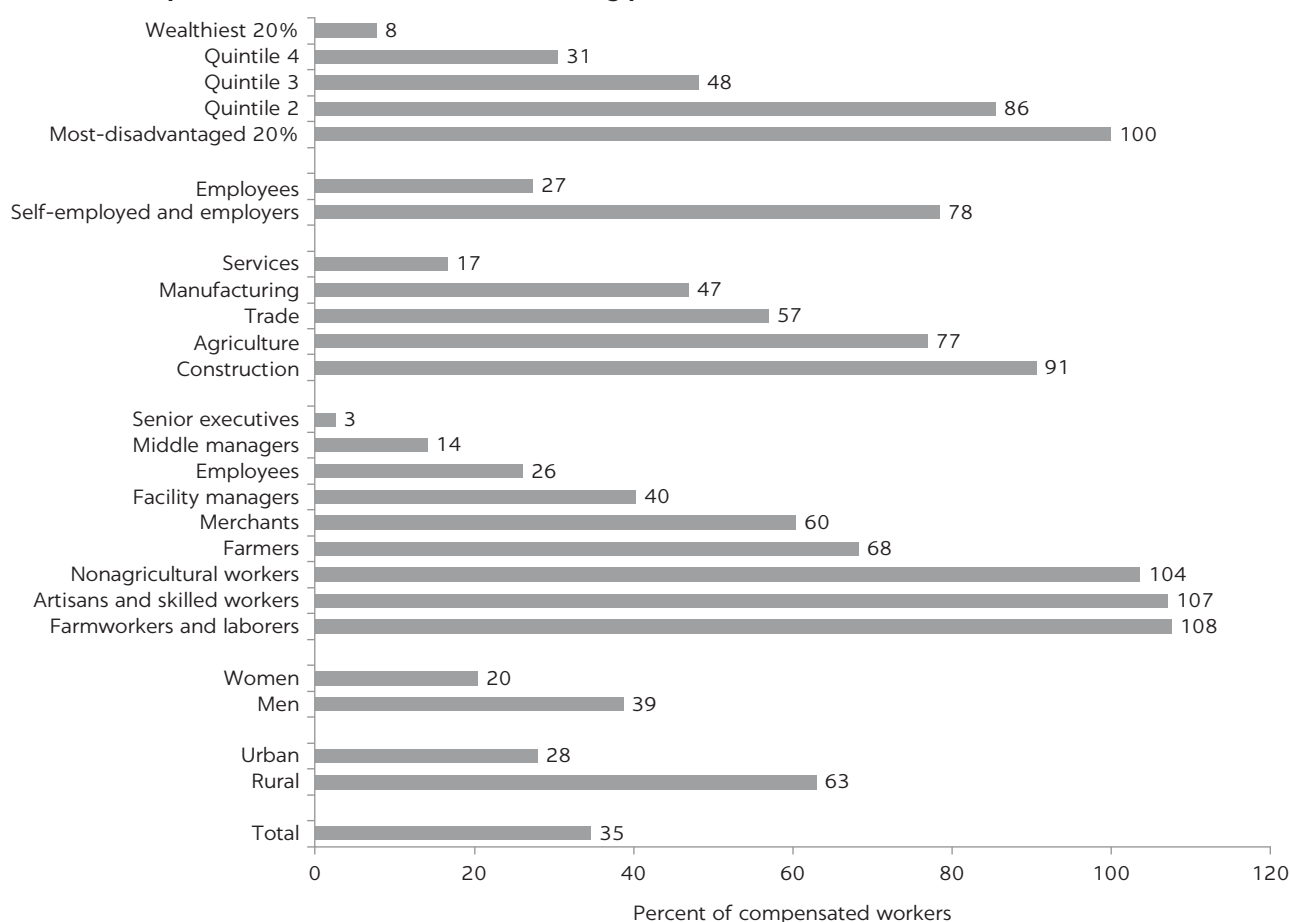
By standard of living, the share of recipients of public assistance was 27 percent among the poorest 20 percent against 13 percent for the wealthiest 20 percent.

Public aid compensated for 35 percent of lost work income

The public aid granted within the framework of support programs for people who lost their jobs in the private, formal, or informal sectors made it possible to compensate, on average, 35 percent of the loss of income from activities, much more in cities than in the countryside with 63 percent and 28 percent respectively, and more for men than for women with 39 percent and 20 percent respectively (figure A.5).

FIGURE A.5

Share of compensation for loss of income following public aid



Source: HCP-2020, second COVID-19 panel.

The share of compensation for lost income was, by sector, 17 percent in services, 47 percent in manufacturing, 57 percent in trade, 77 percent in agriculture, and 91 percent in construction. It varied by professional status, from 27 percent among employees to 78 percent among the self-employed or employers.

For certain categories, public aid made it possible to compensate all the lost income, particularly for skilled workers and artisans, agricultural workers and laborers, nonagricultural workers, and people in the poorest 20 percent.

Among all the beneficiaries, 37 percent were employed at the time of the survey: 36 percent lived in urban areas and 38 percent in rural areas. About 36 percent were still on layoff: 39 percent lived in urban areas and 31 percent in rural areas. About 27 percent were unemployed or inactive: 25 percent in urban areas and 31 percent in rural areas (figure A.6).

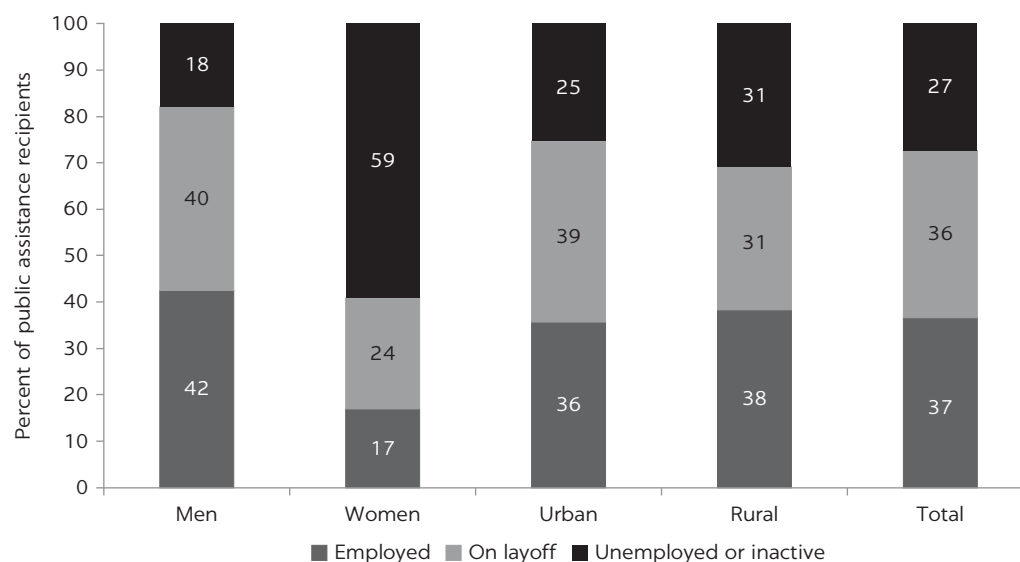
By gender, 42 percent of men and 17 percent of women were employed at the time of the survey, 40 percent of men and 24 percent of women were still on layoff, and 18 percent of men and 59 percent of women were unemployed or inactive.

One-fourth of the self-employed or employers foresaw an increase in production between July and October 2020

Between July and October 2020, 24 percent of self-employed and employers expected strong production of goods and services, 18.5 percent expected stagnation, and 21.4 percent expected decrease. Those working in construction were the most optimistic (39 percent), followed by services (30.6 percent) and manufacturing (27.4 percent).

FIGURE A.6

Recipients of public assistance at the time of the survey, by type of activity, gender, and place of residence



Source: HCP-2020, second COVID-19 panel.

In addition, 17.5 percent of the self-employed or employers expected a strong demand for goods and services, 29.2 percent expected a normal demand, and 19.2 percent expected a weak demand. This proportion was 37.5 percent in the construction sector, 27.8 percent in manufacturing, 21.2 percent in services, 13.3 percent in agriculture, and 11.7 percent in trade.

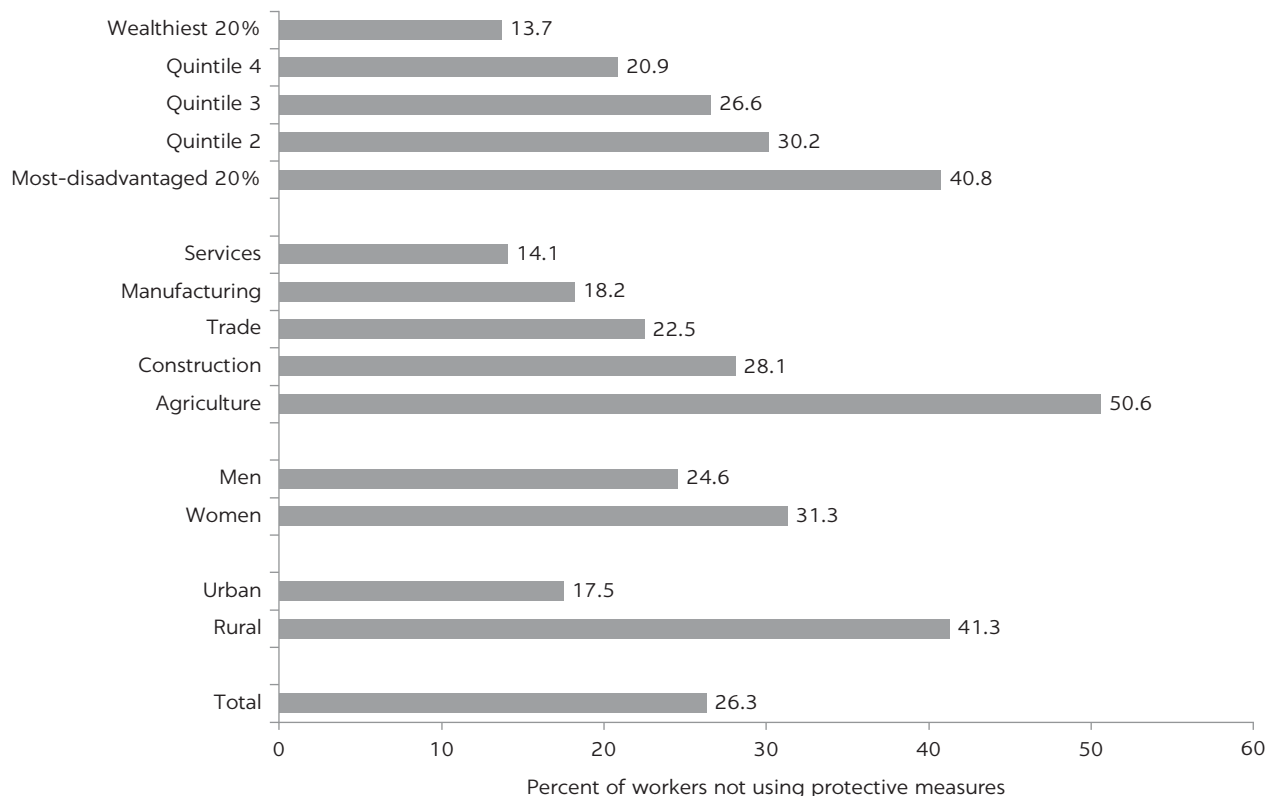
For one in four active workers, no protective measures against the virus was taken in the workplace

More than one in four (26.3 percent) of the employed workers stated that no protective measures against COVID-19 were taken in the workplace (figure A.7): 41.3 percent among rural people compared to 17.5 percent among city dwellers, and 31.3 percent among women against 24.6 percent among men. This proportion was 50.6 percent in the agriculture sector, 28.1 percent in construction, 18.2 percent in manufacturing, and 14.1 percent in services.

The protective measures adopted included wearing masks (declared by 61 percent of employed workers), using disinfectant gel and soap (52 percent), disinfecting workplaces regularly (31 percent), and measuring workers' temperature (15 percent). Respondents reported other preventive measures included recourse to alternating work (8 percent) and full-time teleworking (9 percent).

FIGURE A.7

Share of employed workers not using any preventive measures in the workplace



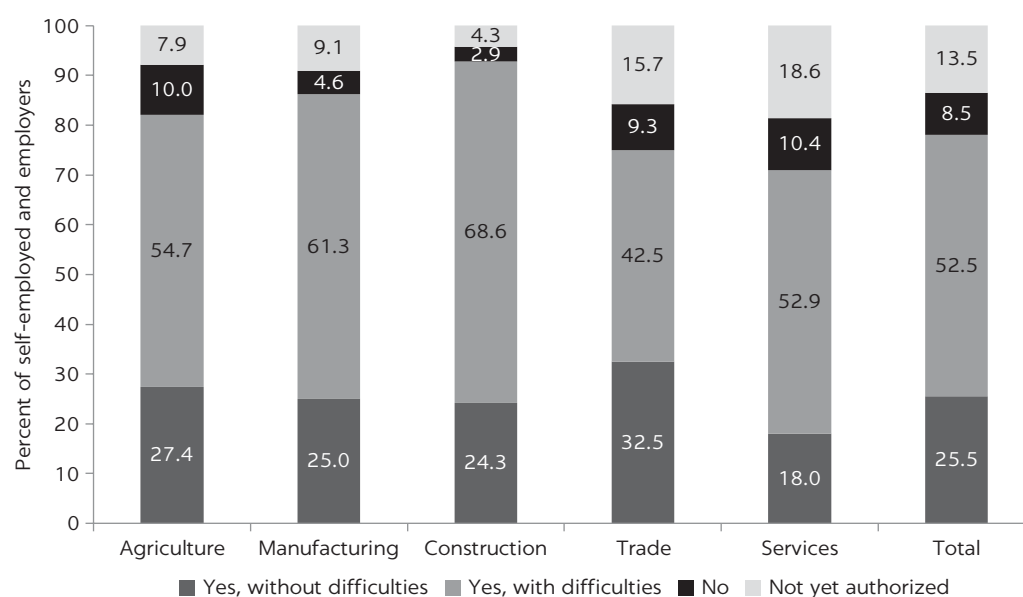
Source: HCP-2020, second COVID-19 panel.

More than three-quarters of the self-employed and employers on sick leave planned to resume their activity

Almost 8 out of 10 self-employed and employers on layoff (78 percent) intended to resume their activity: 25.5 percent without difficulty and 52.5 percent with difficulty (figure A.8). The resumption of activity would be easier in trade (32 percent) than in services (18 percent) and construction (24 percent). In the construction sector, more than two-thirds (68.6 percent) of the self-employed and employers said it would be difficult to resume their activities.

The order of magnitude of these constraints differed by sector (table A.2). The lack of customers remained the main constraint for employers and

FIGURE A.8
Intentions of the self-employed and employers to resume their activities, by sector



Source: HCP-2020, second COVID-19 panel.

TABLE A.2 Constraints to resuming the activity of the self-employed and employers

CLASSIFICATION CRITERIA	LACK OF WORKING CAPITAL (%)	LOW OR NEGATIVE PROFIT MARGIN (%)	LACK OF CUSTOMERS (%)	LACK OF RAW MATERIAL AND CONSUMABLES (%)	ABSENCE OF LABOR (%)	LACK OF MEANS TO PAY FIXED COSTS (%)	OTHER (%)
<i>Place of Residence</i>							
Rural	29.1	2.2	45.4	7.9	0.0	1.1	14.3
Urban	29.5	4.7	53.9	1.3	2.0	2.8	5.9
Both	29.4	3.8	51.0	3.5	1.3	2.2	8.7
<i>Sector</i>							
Agriculture	38.1	2.4	37.1	2.8	4.4	2.3	12.9
Construction	26.2	4.1	69.7	0.0	0.0	0.0	0.0
Manufacturing	25.1	0.0	51.7	8.7	0.0	0.0	14.4
Services	11.9	4.5	71.0	1.6	0.0	1.4	9.7
Trade	51.0	6.2	27.0	4.8	2.3	5.4	3.5

Source: HCP-2020, second COVID-19 panel.

self-employed in services (71 percent), construction (70 percent), and manufacturing (52 percent), while lack of financial means was the main constraint for those in trade (51 percent) and agriculture (38 percent).

About 50 percent of the self-employed and employers on cessation of activity believed that, in the event of a resumption, they would have difficulty bearing the costs related to the implementation of preventive measures against COVID-19. This proportion ranged from 31 percent in the construction sector to 58 percent in the trade sector. To resume their activities, 35 percent of the self-employed and employers would like to benefit from financial assistance to pay fixed charges (rent, electricity, etc.): 22 percent from the Damane-Oxygène program and 11 percent from the exemption from taxes and duties.

ECO-AUDIT

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This report sheds light on major labor market issues and challenges that Morocco faces. It is the first phase of the programmatic jobs program jointly undertaken with the government of Morocco. The report is a jobs diagnostic that analyzes microdata mainly from Labor Force Surveys and employs new analytical methods to identify the main trends in the labor market. The key challenges that emerge will provide the basis for a deeper analysis and policy formulation in the next phase of this program.

Morocco's Jobs Landscape identifies four priorities: accelerate structural transformation to create more and better jobs in higher-productivity sectors, encourage formalization and improve the quality of jobs, increase female labor force participation, and address youth inactivity and its long-term consequences.

Morocco has made significant economic progress over the past 20 years, which has raised the living standards of its people. However, Morocco's economic growth has not been labor-intensive enough to absorb its growing working-age population. It has had a low capacity to generate jobs, and the rate of job creation slowed after the 2008 financial crisis. Morocco is trying to overcome the "middle-income trap," which has been preventing its convergence with more affluent middle-income countries.

The government of Morocco has called for a new inclusive development model. The new model must address regional development imbalances, facilitate inclusion for youth and women, and continue to foster labor force skills upgrading. The COVID-19 pandemic and resultant safety measures have halted or slowed economic activity, which is worsening the labor market situation. The pandemic undoubtedly complicates prospects for jobs-led growth, and it will make the challenges highlighted in this report even more urgent and deserving of policy makers' attention.