

Terms of Reference for Morocco's Workforce Development Assessment

Purpose

To conduct a workforce assessment that will critically analyze issues affecting Morocco's labor market and the market for skills development. The assessment will focus on identifying the workforce-related needs and priorities of key industries that have the greatest potential for employment growth as a result of the upcoming US-Morocco Free Trade Agreement (FTA). The assessment will examine issues related to the supply of and demand for labor and skill development. The results of this assessment will feed into the development of the Mission's strategy for 2004-2008.

The assessment will identify:

- GOM policies that impact the current and future supply and demand for labor, including consideration of macroeconomic policies, demographics, transportation and housing constraints;
- GOM policies and other factors that impact the current and future supply and demand for skill development;
- Stakeholder interests, priorities, potential sources of leadership, willingness and capacity to address the job creation and skill development opportunities and challenges posed by the FTA;
- Relevant skill development activities currently provided by the public and private sectors and customer satisfaction with these services;
- Activities of other donors involving labor market and skills market.
- Policy and other changes the GOM and private sector could make for addressing priority workforce skill development needs;
- Options for USAID supported assistance in addressing crosscutting and cluster-specific priority needs;

Potential roles of basic education in expanding access to and promoting equity in the workforce development sector;

Background

Free Trade and the Moroccan Economy

The Moroccan industrial economy is facing increased competition from the European Union. Under the terms of the EU-Morocco Association Agreement implemented in 2000, tariffs on industrial goods trade are being reduced over a ten-year period. A free trade agreement (FTA) with the United States would likely be broader, and include liberalization of agriculture and services sectors as well. The Moroccan government anticipates that the sectors with the highest potential for export and employment growth are labor-intensive manufacturers such as apparel, electronics and automotive components, service sectors such as tourism and information technology, and agribusiness and fisheries.¹

With forty percent of Morocco's workforce presently engaged in a highly protected agricultural sector, increased integration with external markets will mean that resources will shift within agriculture or out of agriculture. Workers will need new skills either to move from low-value, low-productivity production into higher value and higher productivity agriculture, or outside of agriculture into agro-processing,

¹ Nathan Associates, *Assessment of Morocco's Technical Assistance Needs in Negotiating and Implementing a Free Trade Agreement with the United States* (Final Draft Report), prepared for the Moroccan Ministry of Foreign Affairs and Cooperation with support from USAID (Arlington, VA, 2003).

industry (automobile parts, electronics and textiles), and service sectors, including financial services. Morocco's rural population is marginalized by a lack of education and training that would either allow them to benefit from technical research and innovation in order to modernize their approach to agricultural production and improve their competitiveness, or move out of agriculture and pursue employment in other sectors. In 1999, the illiteracy rate among rural women was 83%. Expansion of basic education, especially to rural girls, and improvements in the quality of education are necessary building blocks for a successful workforce development strategy.

In addition, the Nathan Associates report indicates that manufacturing and service sectors are in need of qualified professionals. The services sector, which contributes 40% to GDP, has made significant gains in the more open economic environment. Rural and eco-tourism are rapidly being promoted in Morocco, raising the demand for qualified service sector and artisanal craft workers. Morocco's growing economy suffers from a limited supply of qualified technicians. Firms increasingly call for skills related to product conception and design, international standards and quality, and laboratory-based research and development. There is also a growing demand for more sophisticated technical and business management skills, such as maintenance, strategic management, production management, planning, and logistics.

Poverty and Unemployment

Despite Morocco's significant improvements in the last two decades, poverty and unemployed increased in the 1990's. Today about 20% of the population lives in poverty and the unemployment rate was about 13.6% in 2000. One in four people living in rural areas are poor while 1 in 10 urban residents are poor. The unemployment rate, in urban areas where 55% of the population lives was considerably higher (21.5% in 2000). Urban unemployment was higher among women (26.7%) and youth (37.6% for those 15-24). It was also very high (29.2%) among those holding university degrees. Job losses were particularly large in the textile industry.

Statement of Work

Focus on Industry Clusters

The project team will focus the workforce assessment on three to five industry clusters that have a high potential for creating new employment opportunities as a result expanded trade anticipated under the US-Morocco FTA.

Industry clusters, in contrast to industry sectors, include not only supply and market chains, but also firms producing related and complementary products. Clusters include the sources of information and skills that support an industry; i.e., the training and educational institutions, research facilities, and industry associations that relate specifically to the industry. In addition, they include the sources of regulation, capital and technology. This broader definition is useful in assessing the competitiveness of an industry and therefore its likely growth prospects and workforce and skill development needs.

Selection of Industry Clusters

The team will, in collaboration with the Mission, select the industry clusters to be included in the assessment from among those industries identified by the GOM as having the highest potential for growth. The starting point for selecting these industry clusters will be those shown to have the most

promise for expansion in a post-FTA environment,² namely labor-intensive manufacturing sectors such as apparel, electronics, and automotive components; service sectors such as tourism and information technology; and primary sectors such as agribusiness and fisheries. The team will also consider the extent to which non-formal economic activities are important links in the supply chains of these clusters.

The decision on which industry clusters to include will be based on the contractor's and Mission's assessment of which industry clusters could benefit the most from participation in this kind of assessment to:

- increase their competitiveness, increase employment opportunities, and improve the quality of employment;
- provide employment opportunities for workers – especially female – dislocated as a result of FTA-driven economic restructuring; and
- Contribute to economic development and employment growth in Morocco's rural areas and secondary cities.

A Moroccan member of the workforce assessment team will prepare a background paper before the field mission, based on a review of existing studies, in order to propose a short list of possible sectors on which to focus and to identify key stakeholders in each. In making its recommendations, the contractor will review previously completed trade and competitiveness studies (e.g., World Bank, DRI/Mc-Graw Hill) and interview people involved in other donors' labor market and competitiveness-related activities. In addition, the team will conduct initial interviews with leaders in each industry cluster to determine interest and willingness to participate in the assessment and potentially to undertake strategies that may be recommended as a result of the assessment. Stakeholder ownership of the assessment is especially important since the stakeholders will have to pay for implementation of most, if not all, of the strategies that emerge with a combination of public and private resources.

Identification of Key Stakeholders in Education and Training

A diversity of workforce development and training service providers are active in Morocco, including both public and private service providers. A Moroccan member of the workforce assessment team will prepare a background paper before the field mission, to lay out the structure of key actors in the field and identify key workforce development-related issues on which each is presently focused.

Fieldwork

The project team will carry out the workforce assessment through structured interviews and focus groups with a sample of the key stakeholders in government, the education and training community, selected industry clusters, and among other development donor agencies involved in workforce development programs. Key government leaders include representatives from the Ministries of Labor, National Education, Finance, Industry, and Agriculture. Key education and training community leaders will include the Office of Professional Training and Employment Promotion.

The project team and USAID will jointly determine the number of interviews and focus groups required to get a good representation of different interests and perspectives in each industry cluster in light of time and geographic constraints. These perspectives include different kinds of companies (i.e., Moroccan-owned, multinational firms, SMEs, micro-enterprises); different kinds of education and training providers

² AIRD, *Opportunities for Enhancement of U.S.-Morocco Trade and Investment*, prepared for the Moroccan Ministry of Industry and Commerce, with support from U.S. Trade and Development Agency (Cambridge, MA, 2002).

(i.e., secondary and postsecondary educational institutions, OFPPT institutions, private Moroccan and foreign training providers, NGO's and e-learning providers); intermediary organizations (i.e., industry associations, employment offices and temporary placement firms); trade unions; workers at different skill and income levels; and students.

Although the interviews and focus groups will be organized around industry clusters, their intent is to gain an understanding of the overall workforce policy environment in Morocco and workforce related issues and circumstances common across industries.

The interviews and focus groups will address a range of issues regarding the markets for labor and skills development in order to answer the following questions:

On the demand for labor:

- What are the potential employment effects of the FTA on selected industry clusters, e.g.
 - the number and kinds of jobs that are likely to be gained and lost, including a timeframe for when this will happen;
 - how wages, benefits and working conditions will be affected;
 - how different segments of the population (e.g., women, youth, well-educated, poorly educated) and geographic areas will be affected; and
 - how different size and type of firms, especially Moroccan-owned SMEs and micro- enterprises, will be affected.
- How do macroeconomic policy and legal and regulatory factors influence employers' decisions to hire new workers, and how do these decisions differ by size and type of firm? How can current barriers be overcome?
- What is the cost of labor relative to other factors of production among different kinds of firms in different industry clusters?
- Although this assessment will not focus heavily on the non-formal sector and child labor, to what extent are these issues in each of the clusters selected by the team?
- How can the formal and non-formal sectors be linked to enhance opportunities for workers in the non-formal sector?

On the supply of labor:

- How do educational and cultural issues influence the supply of labor?
- How do geographic mismatches between where people live and where the jobs are influence job access?

On the demand for skill development:

- To what extent are firms focusing on the implications of the US-Morocco FTA for their products and services markets? What new products, production patterns, quality control requirements, and labeling requirements will the FTA imply? What are the consequences of these implications for changes in worker skills demanded by employers?
- Do employers in selected clusters understand the needs of their markets, end customers, and the supply chains to which they belong? Have they identified categories of skill needs to help them compete in selected markets? What information sources do they use to identify skill needs?
- How do employers communicate skill needs, and to whom?
- How do Morocco's labor laws and other policies and practices influence the demand for skill development and employers' willingness to invest in employee skills development?
- In what kinds of education and training are workers and students enrolling? Are they getting jobs as a result of the training?
- How do entry qualifications for training influence participation?

On the supply of skill development:

- How aware are education and training service providers of the US-Morocco FTA and the changes it will imply for the changes in production and, ultimately, changes in skills demanded by employers?
- How do government and private sector investments in skill development differ by type of firm and type of education and training (i.e., by occupation, education and skill level, work readiness, technical vocational training, on-the-job training, technology-enabled learning)
- What mechanisms exist for skill development in the non-formal sector?
- What is the capacity of the current public and private sector skill development system to address the demand for skill development in urban and rural areas?
- What are the current and potential roles of basic education in addressing the demand for increased skills?
- What do employers and individuals- the customers of the training system- think about its relevance and quality?
- How do tax and other policies influence employer investment in skill development?
- How do financing systems and legislative and regulatory policies affect education and training providers' responsiveness to customer demands?
- How can identified regulatory, financial and other barriers to institutional responsiveness be removed?

On the markets for jobs and skills development:

- What is the current and anticipated gap between the supply of and demand for skills at different levels?
- What mechanisms exist for matching labor supply with demand? How can these be strengthened?
- Are there new job market mechanisms which hold promise?
- How well do markets function for linking potential suppliers and consumers of skills development services?
- Are there ways to improve communication between suppliers and consumers? What roles are currently played by professional associations, chambers of commerce, unions, etc. in facilitating these lines of communication, and what new roles might be foreseen?
- How do individuals learn about opportunities for skill development and for labor market needs? Where do they go for sources of career information?

Debriefing

Upon completion of the fieldwork, the team will provide a summary of key findings and recommendations in a debriefing with the Mission.

Workplan

Work will commence on or about March 10, 2003. The team leader will prepare terms of reference for the Moroccan economist and the Moroccan education/workforce specialist for preparing 5-10 page background papers on the topics mentioned above. These papers will be submitted to the team leader and USAID before the team arrives in country. A local administrative assistant will be recruited to begin work on March 10, 2003 to set up interview appointments for the team before they arrive. S/he will work with the team throughout their stay in-country.

The team leader and workforce specialist will arrive in Morocco on March 16, 2003. An initial briefing will be held at USAID on March 17. Meetings will be held with Rabat-based stakeholders, attended by all four members of the team. The team will split into two groups (one workforce specialist + one economist

in each team; one American + one Moroccan in each team) to conduct interviews with as broad a stakeholder selection as possible (in Casablanca, Tangiers, and possibly Meknes³). At the end of the two-week field mission, the team will hold a debriefing meeting for USAID (and the U.S. Embassy FTA Working Group, if so desired). The team will return to home bases in order to write up the report. The final report will be sent electronically to the USAID/Morocco mission and AID/W. CTO no later than the 15th working day following the team's departure from Morocco.

Deliverables

The deliverables from this activity will be:

- *Local consultants reports on industry clusters/sectors and skills development providers;*
- *Work plan:* The Contractor will present a list of industry clusters and individuals to be interviewed by the expatriate consultants for USAID approval;
- *Workforce assessment report:* The contractor team will prepare a draft report in English of no more than 40 pages, including a short executive summary (not to exceed 5 pages). Appendixes are additional. The report will contain analysis of institutions, stakeholders, and policies and the communications among them at the national level and for each industry cluster, generalized from the interviews and focus groups conducted with key stakeholder in selected industry clusters. The report will provide recommendations for GOM and private sector action to address workforce priorities. The report will also detail options for USAID assistance to support implementation of these recommendations. Only the executive summary of the report will be translated into French.
- *Workforce assessment briefing materials:* In addition to the report, the team will prepare a PowerPoint presentation (in English and French) for the Mission's use. The team may also be asked to prepare a more general briefing paper, of no more than 4 pages, for broader dissemination (also in English and French).
- *Client debriefing:* A debriefing on the team's key findings and future program options will be held by the workforce assessment team with USAID officials (and the US FTA Working Group, if so desired), at the end of the fieldwork period.

Staffing and Level of Effort

The team will be comprised of a Competitiveness Analyst and a Workforce Policy Analyst. Two Moroccan counterparts, one a trade economist and the other an education and training specialist, will supplement the team. All should be fluent in French and have prior experience in Morocco or other North African countries. At least one of the expatriates should be familiar with the US-Morocco Free Trade Agreement negotiations. At least one of the expatriates should have prior experience conducting workforce needs assessments in developing countries.

It is estimated that the field mission will last two weeks. Estimated levels of effort for individual team members are as follows:

- Team Leader/Competitiveness Analyst: 28 days
- Workforce Policy Analyst: 25 days
- Moroccan Economist: 20 days

³ Located in Morocco's grain basket, Meknes is a smaller inland city whose economy could be disrupted as a result of FTA-induced changes in domestic agricultural markets. USAID's newly launched rural tourism project is exploring tourism development opportunities in the Meknes area.

- Moroccan Education & Training Specialist 20 days
- Local administrative assistant: 15 days

February 25, 2003