The Impact of COVID-19 on Moroccan Companies: A Comparative Study of During and Post-Pandemic

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Abstract

The Covid-19 health crisis has threatened the entire national economy, particularly the private sector companies, SMEs and VSBs, which comprise 93% of Morocco's economic structure.

The purpose of this study is to compare the situation of Moroccan companies in the different sectors during Covid and after Covid, and to analyze the impact of the pandemic on companies and employees. We begin by exploring the concept of crisis, then comparing the situation of Moroccan firms during and after the pandemic, and examine the effects of firm closures, unemployment, and decreased productivity. We then explore the various measures taken by the Moroccan government to help businesses and workers through this difficult period, including financial assistance, tax incentives, and other supports.

Our analysis highlights the challenges and opportunities facing Moroccan firms and demonstrates the COVID-19 pandemic's considerable effects on Morocco's labor market, including widespread job losses and decreased productivity across industries. We discovered that government initiatives to aid employees and businesses have been crucial in lessening the effects of the pandemic, but difficulties still exist as the nation continues its recovery.

This study is based on secondary data that was obtained from a number of sources, including reports, academic studies, and official statistics. Researchers can use this article as a basis for more detailed analysis and research on particular topics related to the impact of COVID-19 on Moroccan businesses, including the success of government support measures, the difficulties faced by various economic sectors, and the strategies employed by businesses to adapt to the rapidly evolving business environment.

Keywords: Health crisis; Covid-19; Post Covid; Impact of the crisis; Performance; Activity; Measures taken.

Paper type: Review paper
1. Introduction

It has been three years since the Covid-19 epidemic shook, changed, affected the way we live and work, and it is particularly shocking to see how our view of the crisis has changed and evolved since then. Lately, the situation has improved now that vaccines are widely used, bringing some progress and new challenges. Nevertheless, this epidemic has threatened our economy, health, international relations, and our already endangered nature.

In Morocco, Covid-19 has evolved into a socio-economic and employment crisis. The latter has undoubtedly severely impacted Moroccan companies, which have suddenly found themselves at an unprecedented level of severity while exposing their financial fragilities. However, companies are being tested and forced to show remarkable resilience in the face of the impacts caused by the crisis.

The double shock of supply and demand has led to a deterioration of the production system, which has impacted the various sectors of activity; the most affected sectors are those of tourism, accommodation, and hotel industry which have suffered losses of about 82 billion dirhams. The same applies to the automotive, textile, and industrial sectors due to the closure of borders and the disruption of supply chains.

The Kingdom is considered as one of the countries that took advantage of the Covid-19 to turn it into an opportunity by launching an ambitious and innovative reform plan by implementing various policies to redress old inequalities and overcome limited organizational obstacles that have limited Morocco's economic performance in the past. In this context of crisis, it is necessary to define our development model, based on the notions of innovation and creativity that must be the pillars of any social, economic, and institutional model in a vision of a post-Covid-19 Morocco.

The particular circumstances related to Covid-19 and the construction of the post-pandemic economic and social model require the intervention and the commitment of the Moroccan State to strength public investments in different areas: education, public health, and industrial infrastructure. In addition, it is necessary to reform the public administration and define the ways of action and leadership at the national and international levels so that the recovery plan is inclusive and renewed.

In this paper, we will provide a comparison of the situation of the Moroccan labor market and Moroccan companies during the COVID and post-COVID periods, discussing both the challenges and opportunities that the country's workers and companies are facing.

In the first part of this manuscript, we will present a literature review to explore the concept of crisis, its characteristics, and typologies. Secondly, we will discuss the Covid-19 crisis and its current impact on Moroccan companies. In the third part, we will compare the labor market situation during Covid and Post Covid. Finally, the fourth part will reflect on the different initiatives adopted by the Moroccan government to provide support to businesses and workers during this difficult period, including funding, fiscal incentives and other forms of support.
2. Literature review: The concept of crisis

2.1 Definitions

The concept of crisis comes from the Greek word "Krisis," which means "to decide" or "to make a choice." Throughout history, several meanings have been attributed to the word "crisis." As defined by C.Hermann (1972): "crisis is a situation that endangers the main objectives of the decision-making committees, and reduces the time available to decide, and whose occurrence surprises those in charge.” In addition, U.Rosenthal (1997), on his part, proposes the following definition: "Crisis is a danger, affecting the basic values and structures of a social system, which requires crucial decision making."

Pearson and Chair present a different definition of crisis, considering it to be: 'an unlikely but high-impact event that threatens the viability of the business, and requires rapid decision making' (Frandsen and Johansen, 2017).

Among all these previous definitions, we have gathered the essential elements in a new definition of the crisis: It is a process, through a triggering element, which causes a threat and a risk for the company, and which creates, in the first place, an environment of uncertainty that requires reasonable control of information and time, and in the second place, an opportunity to improve the performance of the company.

2.2 Characteristics of the crisis:

From a general point of view, the following characteristics are associated with the concept of crisis: The existence of great danger to people and activities, vital interests are also threatened so that the outcome will be decisive - The presence of high uncertainty: destructive and destabilizing events, depending on the situation, are often unexpected and unforeseen. Moreover, crisis victims do not have the right tools or ways to manage it. - The crisis is complex: it becomes apparent when we look for its causes and discover a strange combination of multiple risk factors.

Figure 1: Characteristics of the crisis
These initial definitions make it possible to distinguish between situations of tension and actual crises. A stock shortage or a technical problem cannot create a crisis situation unless their duration is unusual. For example, if a company's IT system is unavailable for less than half a day; it cannot be considered as a crisis situation unless the delay exceeds this threshold.

2.3 Crisis typologies:

We distinguish between two types of events: intentional and accidental:

A crisis is "intentional" when actors (individuals, groups of people, organizations) seek to provoke a crisis situation to take advantage of it. For example, international conflicts, terrorism, strikes, boycotts, piracy, and fraud are all part of the intentional event.

The crisis is "accidental" when no one wanted it or wished it to happen; this will not allow the legal, technical, commercial, or moral responsibilities to be evaluated. Examples include fires, breakdowns, pollution, climatic problems, and significant epidemics.

This distinction between these two types of crisis makes it possible to influence the behavior of market players during a crisis. For example, when the crisis is "intentional," the party that feels "victimized" can identify the "aggressor." Then, it will be possible to put in place different relational strategies to face this event. On the other hand, when the crisis is "accidental," the victims must look for the causes that are not well identified and clear, especially at the beginning of the crisis. This can lead to a situation of uncertainty and can aggravate the feeling of risk, danger, and insecurity.

On the other hand, Thierry Libaert (2015) proposes three types of crises:

The economic crisis: covers all the crises related to the following sectors: The industrial sector (the textile crisis in the 1980s) - The financial sector (financial risks: the case of Alcatel: Uncontrolled accounting situation) - The social sector (strikes, demonstrations, social unrest, harassment) - The technical crisis (integrates two points: The crisis linked to the company: the case of a fire, an explosion (Three Mile Island 1979, Bale 1986), an industrial accident (Mont Blanc Tunnel 1999), a transport accident (Air France-Airbus 2009) - The crisis related to the product (criticism of the consequences of its use: chemical products, chlorinated products that cause pollution problems, the poor quality of the product. The perception of a defect in a product can cause a crisis, and the company must therefore train an immediate strategy) - The corporate crisis (is directly linked to the image and reputation of the company, this crisis can be triggered by uncontrollable and completely absurd, and unreasonable rumors).

2.4 The Covid-19 health crisis:

COVID-19, or Coronavirus, is the global crisis of our time and the most significant challenge the world has faced since the Second World War. Covid-19 is an alteration from a new coronavirus that was discovered in Wuhan, China, in January 2020: SARS-CoV-2. Diseases caused by coronaviruses range from the common cold to severe diseases such as SARS. On March 11, 2020, the World Health Organization called the universal outbreak of
COVID-19 a pandemic, which has now spread worldwide. The disease is severe and contagious and can cause pneumonia and death, especially in frail people.

The global health crisis has implemented containment procedures in many countries/regions, affecting over 4.5 billion people, resulting in border closures and a sudden slowdown in trade and commerce. This epidemic is not just a health crisis but also an unprecedented socio-economic crisis, putting all affected countries to the test. It has led to a destructive social, economic, and political effect and has left deep scars that must gradually fade.

This crisis is not a financial or a sectorial crisis: it is global because it has brought the productive apparatus of the world economy to a complete halt, something the world has never experienced before. Indeed, the emergence of this epidemic has revealed the inability of the strongest and most powerful countries in the world to protect their citizens and the inefficiency in managing the defense of their population. This has impacted the existing trust between the governed and the rulers.

3. Post Covid-19: The situation of Moroccan companies

The health crisis of Covid-19 had a substantial impact on the different production, management, and health systems, which revealed the structural insufficiency and organizational weakness of some countries in the face of such a crisis. (Amadeus, 2020)

Morocco has not been spared the ill effects of the crisis, and even if the government has risen to the challenge and been able to show agility in the face of the challenges of the so-called pandemic, we can only note the profound impact of Covid-19 to varying degrees. Generally, the Kingdom of Morocco has experienced its worst crisis in years, marked by disruptions in national and international value chains, job losses and falling demand and incomes. (Amadeus, 2020)

The HCP\(^1\) has conducted a fourth qualitative study among Moroccan companies to monitor the socio-economic impact of the health crisis in Morocco. This survey aims to create a post-Covid-19 crisis inventory for the year 2021 and aims to glimpse business leaders' perspectives on recruitment and investment 2022 (HCP, 2022). The heading of a section should be in Times New Roman 10-point bold (Section Heading Style). Sections should be numbered and in sentence structure.

\(^1\) The High Commission for Planning
### 3.1 Activity level

#### 3.1.1 During Covid

Figure 2: of businesses shutting down and the average number of days shut down in 2021, by industry

![Figure 2: of businesses shutting down and the average number of days shut down in 2021, by industry](image)

Source: HCP

The HCP stated that 28% of companies had announced the cessation of their activity in 2021, nearly 30% for VSBs, 27% for SMEs, and 14% for Big businesses. By sector of activity, the impact of the crisis on start-ups is heterogeneous, some having benefited from a windfall impact, and others have been very negatively affected. Firms that suspended operations were in the arts (49%), accommodation (52%), and construction (37%) sectors. While companies in education, energy, and trade have experienced a stable activity level. (HCP, 2022). On the other hand, and with the obligation to wear masks to ensure the safety of citizens, the textile industry has experienced strong growth with the production of 3.5 million per day.

We should note that in addition to the impact of the health crisis, VSBs and SMEs in Morocco suffer from instability due to multiple factors, such as social charges, late payments and difficulty accessing bank credits.

By category, more than 50% of VSBs suffered a drop in activity during 2021, compared to 31% for SMEs and 13% for Big businesses. While 7% of companies declared that their activity has increased. (HCP, 2022)

To face these economic changes marked by risk and recovery, companies expect to put new perspectives into integrating economic recovery plans, building organizational resilience, and recovering business plans.
3.1.2 Post Covid

Figure 1: Changes in the participation rate since the year 2017 (in %).

![Graph showing changes in participation rate]

Source: HCP

The activity level decreased, between 2021 and 2022 by 0.8 percentage points to 44.3%. This decline is due to an increase in the population of working age (15 years and older) of 1.4% and a decrease in the working population of 1%.

The decline in the activity level was more marked in rural areas (-1.8 percentage points), from 50.9% to 49.1%, than in urban areas (-0.4 percentage points), from 42.3% to 41.9%.

3.2 Employment status

3.2.1 During Covid

The health crisis has produced various shocks that have led to a contraction in employment and deterioration in the Moroccan labor market.

Figure 4: Evolution of employment in 2021 compared to the pre-pandemic period, by category

![Bar chart showing employment status]

Source: HCP
Compared to the pre-crisis period, 39% of companies have decreased their workforce, 5% have announced an increase, and 56% have remained stable in 2021. By sector of activity, accommodation and construction companies continue to suffer from the adverse effects of the epidemic and have decreased their workforce by more than 50.

As for salaries, 24% of companies decreased employee remuneration in 2021, and 64% have maintained it, while 8% have increased it compared to the pre-crisis period. By category, most companies operating in the accommodation sector have decreased employees' salaries (HCP, 2022).

Figure 5: Distribution of employees of companies in 2021 according to the mode of work, by category

Firms selectively treat the distribution of wages among several categories of employees to the disadvantage of less experienced employees, support staff, non-managers, or any more easily replaceable employees (HCP, 2022). The advent of Covid-19 has changed the work mode of Moroccan companies and pushed them to implement new work methods such as teleworking and part-time work to guarantee employees' safety and adapt to the current context. In 2021, with the decrease in contamination cases and after lifting the containment and distancing measures, 83% of the companies worked face-to-face, while just 12% opted for teleworking. On the other hand, 3% were unemployed, especially in the accommodation sector. This unemployment problem triggered social problems that impacted the poverty rate in Morocco (HCP, 2022).

3.2.2 Post-Covid

Figure 6: Net change in employment volume between 2021 and 2022 by economic activity sector and place of residence

Source: HCP
At the national level, the "services" sector added 164,000 jobs in 2022 (137,000 in urban areas and 28,000 in rural regions), representing a 3% growth in employment from 2021. The growth in employment in this industry is mostly attributable to the branches of trade (+36,000 jobs), administrative and support services (+34,000), transport and storage (+25,000), and lodging and catering (+46,000 positions).

28,000 jobs were created in the "Industry includes crafts" sector (16,000 in urban areas and 12,000 in rural areas). Craft-related activities are the main source of these new jobs (26,000 jobs).

For its part, the "agricultural, forestry, and fishing" industry has lost 215,000 jobs nationwide, with 205,000 of those losses occurring in rural areas and 10,000 in urban ones. Lastly, 1,000 jobs have been lost in the construction sector.

**Figure 7: creation of employment between 2020 and 2022**

The Moroccan economy has not managed to create sufficient jobs to keep up with the increase in the working-age population. The working-age population has increased by an average of nearly 400,000 people, while the economy created an average of 121,000 jobs in the three years prior to the Covid health crisis, and lost 432,000 jobs in 2020, and then created 230,000 jobs in 2021 and lost 24,000 jobs in 2022.

**Figure 8: Changes in the unemployment rate since the year 2017 (in %)**

Source: HCP
Given the challenging international economic context, the report by the High Commissioner for Planning is very encouraging, as it shows a significant drop in unemployment. In the period from 2021 to 2022, the unemployment rate decreased by 66,000 people, from 1,508,000 to 1,442,000 unemployed, corresponding to a decrease of 4%. This decline is the result of a decrease of 70,000 unemployed in urban areas and an increase of 4,000 in rural areas. This decrease reinforces, without any doubt, the different measures taken by the Moroccan government to boost economic activity.

3.3 Perspectives:

Figure 9: Major investment projects planned for 2022

According to the HCP, in 2022, 29% of Moroccan companies intend to make new investments through the purchase of equipment and machinery and the modernization of computer equipment, and to do this, they will resort to bank loans. On the other hand, 13% of the companies foresee stability. (HCP, 2022)

Regarding recruitment, 21% of companies intend to recruit new profiles for 2022, with this proportion rising in the textile and leather industries and construction. On the other hand, the accommodation sector is the least motivated to recruit in 2022 as the epidemic's aftermath has heavily impacted it.

Figure 10: Time needed to return to regular activity, by category of enterprise
Morocco was able to control the health crisis thanks to monetary, fiscal, and financial measures, and more particularly its vaccination campaign, which was fast and effective. Moreover, the World health organization congratulated the Kingdom and named it the African country with the most significant number of people vaccinated. This success has allowed the economy to recover and achieve an accelerated recovery, moreover, according to the HCP, 60% of companies expect to return to their normal pace of activity by 2023.

4. A comparison of Moroccan companies situations during and post Covid

Due to the COVID-19 pandemic, Morocco, along with other countries, has seen a significant transformation in its level of activity, its employment statut and its unemployment rate.

**Figure 11: A comparison of the activity level, employment statut and unemployment rate ; Covid vs Post Covid**

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<tr>
<td>Activity level</td>
<td>44.8</td>
<td>45.3</td>
<td>44.3</td>
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<td>Employment statut</td>
<td>39.4</td>
<td>39.7</td>
<td>39.1</td>
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<td>Unemployment rate</td>
<td>11.9</td>
<td>12.3</td>
<td>11.8</td>
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*Source: Authors*

During COVID, the pandemic had a substantial negative influence on Morocco's economy. While some businesses experienced a temporary drop in client demand, many were forced to close down. The unemployment rate increased as a result of this.

Post-COVID: As the vaccination campaign continues on, companies are starting to reopen and the economic activity is starting to increase. The Moroccan economy is expecting a gradual recovery as both businesses and consumers rebuild their confidence.
With the government now deploying a number of measures to help businesses and create more jobs, notably tax and subsidy incentives as well as training programs, the unemployment rate decreased to 11.8% in 2022, compared to 12.3% in 2020. However, despite signs of improvement in the employment rate, there are still challenges, especially for employees with low skills and workers in the informal sector. These challenges are being addressed by extending social protection and promoting entrepreneurship.

The table below presents a brief comparison of the situation in the different labor sectors in Morocco, during Covid and post Covid:

**Figure 12: Sectors situation during Covid and Post Covid**

<table>
<thead>
<tr>
<th>Sectors</th>
<th>During Covid 2020/2021</th>
<th>Post Covid 2022</th>
<th>Post Covid 2023</th>
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<td>Fishing</td>
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<td>Telecommunication</td>
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Source: Authors

**Fishing**: Like many other sectors, Morocco's fishing industry has been hit by the COVID-19 pandemic. Fishing was severely restricted in the period following the pandemic to stop the virus's spread. However, with the easing of restrictions, the sector has resumed operations, even if at reduced levels because of the decline in international market demand. While the government offered financial support to the industry to help lessen the
effects of the epidemic, difficulties still exist, including higher operational expenses brought on by health and safety regulations, supply chain interruptions, and international rivalry. Notwithstanding these difficulties, the industry has seen some signs of toughness, with the resurgence in Moroccan fish exports in 2021. However, in 2023, the volume of landings of the coastal and artisanal fisheries showed a decrease of 36.2%. This decline is due, in particular, to the decrease in catches of pelagic fish by 44%, cephalopods by 37.3% and white fish by 20.6%, slightly mitigated by the increase in catches of seaweed by 41.4% and crustaceans by 14.8%.

**Agriculture:** The Covid-19 pandemic has exposed the weaknesses of the agricultural export sector, with significant contamination among workers in berry packing houses, calling into question their greater profitability compared to production for the local market. The pandemic has brought to the fore the importance of agriculture to ensure food security and the necessity to invest more in the sector. The government has implemented a number of measures to support the development and modernization of Moroccan agriculture, such as the Green Generation 2020-2030 program and the "Green Morocco Plan", which aims to boost agricultural productivity, encourage agribusiness, and promote sustainable practices.

As for the future, Morocco’s agricultural sector is ready to grow further, with more opportunities for innovation and investment. Yet, challenges remain, such as the necessity to examine how climate change is affecting agriculture, upgrade the infrastructure, and encourage greater inclusivity and sustainable development in the industry. Generally, Morocco’s agriculture industry is in a good position to help the nation’s economy rebound after COVID.

**Tourism:** During COVID the tourism industry in Morocco was hit hard by the pandemic. Travel restrictions and blockades caused a substantial decrease in the number of tourists visiting the country. In post Covid, the number of tourists, especially from European nations, has increased in the country as a result of the easing of travel restrictions and the adoption of health and safety procedures. The government has taken many measures to improve tourism in the country, such as domestic tourism which has significantly contributed to the recovery of the sector, and the launch of the "Operation Marhaba" campaign to facilitate travel and encourage domestic tourism.

**Construction:** Construction in Morocco has been severely affected by the COVID-19 pandemic. As confinement measures were put in place and the economy slowed down, numerous construction projects were suspended or delayed, resulting in a drop in demand for building services and job losses in the sector. It is less likely that the residential segment will continue the growth seen in 2021 due to the gloomy and uncertain economic outlook, linked to deteriorating twin deficits, rising debt levels, strong commodity and energy price appreciation, and a difficult agricultural season this year due to low rainfall and inflation in agricultural inputs. This inflationary pressure is expected to persist in the short term, mainly due to the disruption of the supply chain and high energy prices related to the war between Russia and Ukraine. Going forward, the Moroccan construction sector will have to respond to the evolution of the economic landscape, as well as the impact of inflation, to ensure competitiveness and meet client needs.
Energy: Morocco's energy sector has been negatively impacted by the COVID-19 pandemic, but has also demonstrated its resilience in the face of these challenges. The country has taken significant strides over the past few years in expanding its energy resources, aiming to reach 52% renewable energy in its electricity mix by 2030. During the crisis, there was less demand for electricity as a result of the economic downturn, but in response, the government has taken steps to bolster the sector, including financial support for energy companies. Yet, the industry also has to deal with issues such as a fall in oil and gas profits as a result of lowered demand and low global prices, as well as the requirement to update and modernize the country's energy infrastructure.

Transport: The transport sector represents a lever of economic competitiveness, capable of strengthening Morocco's development. Nevertheless, the sector has been impacted by two long years of the pandemic which has slowed down the activity of some branches. The health crisis of Covid-19 was accompanied by a series of restrictive measures that has limited the mobility of individuals and economic goods, thus impacting the road transport sector. To mitigate the effects of the crisis, the government has launched a significant investment program to improve the nation's rail infrastructure, including the building of new high-speed train lines and the renovation of current lines. The government has also given priority to the creation of sustainable transportation services and infrastructure. According to the Ministry of Finance, in the first nine months of 2022, the value-added of the transport and warehousing sector improved, on average, 15% by 7.3% year-on-year and thus recovered 86.1% of its pre-crisis level.

5. Morocco's strategy toward Covid-19

In order to ensure a healthy economy after COVID, the Moroccan government has developed different strategies. It includes expanding infrastructure investment, encouraging entrepreneurship and innovation, and providing support to businesses by offering tax incentives, grants, and credits. In addition, the government has placed a strong focus on enhancing the digital infrastructure of the country, aiming to stimulate e-commerce and online services.

His Majesty King Mohamed VI has called for an economic recovery plan to focus on industrial redevelopment, infrastructure, emerging sectors, the revival of SMEs, tourism, and agriculture. On the other hand, a project to generalize social coverage has been launched to ensure medical coverage for more than 22 million Moroccans, covering the costs of hospitalization, care, and medication. In addition, the plan will expand family allowances for 7 million children and expand the membership base of pension systems. (EFR2, 2022)

Subsequently, one of the major projects of the royal roadmap is to establish a system based on the reserve of essential products, particularly food, energy, and health products. These royal orders result from a geo-economic and geopolitical reading, from the lessons learned from the sanitary crisis, and considering the risks and hazards of an international environment in infinite upheaval.

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2 Economic and Financial Report accompanying the Finance Bill
But, the government experienced many challenges when executing these strategies. This pandemic has placed a heavy strain on the public finances, restricting the ability of the government to make investments in key sectors. The country's high levels of informality and the lack of financial access for small and medium-sized enterprises also hampered the government's attempts to support businesses.

Another major challenge facing Morocco's post-COVID economy has been inflation, which has significantly impacted the labor sector. As prices for goods and services, including essentials (such as food and housing), have risen, it has been harder for lower-income workers to afford their living expenses and has reduced the buying power of wages.

The Moroccan government has implemented a number of initiatives to combat this issue, including lowering tariffs on necessities, increasing subsidies for essentials, and tightening monetary policy. Unfortunately, the inflation rate, which is still high, has not yet been significantly affected by these actions.

Along with the difficulties brought on by inflation, the labor market has also been impacted by the pandemic's disruption of global supply chains, which has resulted in a shortage of raw materials and higher expenses for enterprises. This made it harder for businesses to find and keep employees, which also resulted in poorer production and output.

Notwithstanding these difficulties, the Moroccan government is devoted to preserving a robust economy after COVID. The population of the country is youthful and rising, its economy is diverse, and it is strategically situated at the intersection of Europe, Africa, and the Middle East. Morocco is in a good position to withstand the current crisis and come out stronger in the long run with the proper policies and investments.

6. Conclusion:

In conclusion, the world had a landmark experience during the year 2020/2021 with the advent of the health crisis, which allowed businesses to implement and establish new management practices and procedures to respond to the challenges of Covid-19. This crisis forced us to rethink deeply to develop exit plans to help our nation overcome the ordeal and get the economy back on track. (Abdeslam, 2020)

Morocco is still working on several challenges facing the labor market to foster development and economic growth while creating opportunities and chances for all.

Finally, to improve the situation of the Moroccan labor market, four critical challenges need to be addressed: improving and formalizing the quality of jobs; activating structural transformation to produce a large number of higher quality jobs in productive sectors; increasing the participation of women and facilitate their access to the labor market, and supporting the transition of young people from education to the labor market, and decrease the number of unemployed youth. (MER, 2021)
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