November 2024

Executive Summary

Skills for Trade and Economic Diversification (STED) in the value chain of the knitwear sector in Morocco

Initiated by the ILO, the current STED study (Skills for Trade and Economic Diversification) highlights the mechanisms established by the State and the ecosystem to ensure the availability and quality of human resources. The study aims to make the knitwear sector in Morocco more attractive, enhance business productivity, improve competitiveness, and promote exports.

Conducted under the “Mainstreaming Employment into Trade and Investment” (METI) programme, funded by the European Union and executed by the International Labour Organization (ILO), this study examines the challenges faced by key stakeholders in the knitwear sector and identifies opportunities to enhance the sector's competitiveness. Its primary aim is to foster sustainable and inclusive employment, particularly for women and youth, with a focus on micro, small, and medium enterprises (MSMEs). This objective is grounded in a comprehensive value chain analysis, covering stages from production to export. The study employs a mixed quantitative and qualitative methodology, combining a field survey with insights gathered during a STED workshop.

The knitwear sector, despite its challenges, is a significant source of employment and income in Morocco, accounting for 27% of industrial jobs and approximately 10.3% of the country's total exports. According to the study, the sector is predominantly composed of small and medium-sized enterprises (SMEs), which make up 92% of the industrial fabric in this field. The workforce is largely female, with women holding nearly 70% of jobs in the knitwear segment, highlighting the sector's critical role in fostering social and economic inclusion. Moreover, 35% to 40% of employees are youth, showcasing the sector's potential as a key driver of integration for this demographic. Geographically, the Casablanca-Settat region (38%) and Tangier-Tétouan-Al Hoceima region (27%) host the majority of knitwear enterprises due to their proximity to port infrastructure and access to skilled labor. Consequently, the sector is vital to the local economies of these regions, significantly contributing to unemployment reduction and the promotion of social stability.

However, the study highlights several significant challenges. First, there is a heavy reliance on imported inputs, which constitute 80% to 90% of the raw materials used in the knitwear sector. This dependency exposes enterprises to international price fluctuations, making it difficult for them to remain competitive in foreign markets. Second, the sector faces a shortage of technical skills that are essential for productivity, particularly in knitting operations and equipment maintenance. This lack of specialized technicians hampers modernization and innovation, especially for SMEs that struggle to attract and train talent. The technical and political prospection workshop reinforced these findings by identifying the sector's key functions, including: Management and human resources, Design and styling, Circular knitting machine technician, Sales and marketing, and Information systems engineering.

The study also revealed significant difficulties in accessing funding, which hinders the investments necessary to adopt Industry 4.0 technologies, such as automation and digitalization. These technologies are crucial for maintaining high productivity and meeting international quality standards.

In response to these findings, the study proposes detailed recommendations aimed at revitalizing the sector and aligning it with market expectations. One of the main pillars focuses on improving vocational training. The sector must address an estimated skills gap of 10,400 positions annually between 2024 and 2028 to meet market demands. Collaboration with training institutions such as the Office of Vocational Training and Employment Promotion (OFPPT) and the Higher School of Textile and Clothing Industries (ESITH) is essential to develop curricula tailored to knitwear-related jobs, including training in industrial maintenance, knitting, and process digitalization. In addition to basic training, the study recommends implementing continuous training programs to help employees acquire new skills and stay competitive in an ever-evolving sector. Increased investment in the sector would not only enhance productivity but also improve the employability of youth and women in high-demand professions.

Furthermore, to support innovation and upscaling, the study emphasizes the need to modernize equipment and adopt advanced technologies. Targeted tax incentives and subsidies for SMEs are proposed to facilitate the integration of robotization, computer-aided design (CAD), and predictive maintenance, which are currently key factors for competitiveness in the textile sector.

Leveraging new technologies will also allow for reducing production costs and improving product quality, which are essential elements to meet international market requirements and increase the share of Moroccan knitwear exports, 96% of which are now directed to the European Union, with a strong focus on the Spanish market.

The study also recommends market diversification to reduce the sector's reliance on European exports and explore new opportunities, particularly in Africa and the Middle East. Investments in technical textiles, such as medical and protective apparel, present a promising avenue for positioning Morocco in high value-added markets that are less exposed to competition from Asian countries. Additionally, with the introduction of stricter sustainability regulations, the knitwear sector must integrate eco-friendly practices into its production processes. This includes the use of recycled fibers and efforts to limit its carbon footprint. These initiatives will enable Moroccan enterprises to remain competitive and meet the expectations of European consumers, who are increasingly concerned about the environmental impact of their purchases.

Finally, the study proposes measures to address competition from the informal sector, which poses a significant obstacle to the development of formal businesses. Informal sector products, often sold at lower prices, evade tax and social regulations, creating unfair competition that disadvantages legal enterprises. Establishing a strengthened legal framework, coupled with initiatives to encourage the formalization of informal enterprises, would help stabilize the market and support the growth of formal stakeholders. Moreover, efforts are required to ensure compliance with international standards on transparency and traceability. This is particularly critical in light of new European carbon tax regulations, which could significantly impact Moroccan exports if companies fail to adhere to these standards.

In conclusion, the study presents the Moroccan knitwear sector as a key sector with strong potential but requiring a profound transformation to overcome its structural weaknesses and address the challenges of globalization. With targeted investments in training, technological innovation, market diversification, and sustainability, Morocco could not only strengthen its position in the global textile economy but also create quality jobs for youth and women, thus consolidating the social and economic impact of the knitwear sector on the country.

Contact details	**International Labour Organization** Route des Morillons 4 CH-1211 Geneva 22 Switzerland	DOI : https://doi.org/10.54394/MGTZ6080 E: meti@ilo.org W: www.ilo.org/meti

ilo.org

International Labour Organization
Route des Morillons 4
CH-1211 Geneva 22
Switzerland