Skills and economic diversification

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
Skills and Economic Diversification

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Macro-level relationship between skills and trade

- Trade and technology have together transformed the global economy in recent decades
- Raised incomes and lifted millions out of poverty
- Losers as well as winners
- Need for adjustment to minimize losers and maximize winners
- Skills an important margin of adjustment
- Trade associated with offshoring tends to raise skill levels in both developed and developing countries
  - Migration of jobs and adoption of technologies and business practices
Macro-level relationship between skills and trade in commodity-dependent economies

- Capital-intensive extractive sectors:
  - Relatively high skills in sector and in specialized services
  - Numbers often small
  - Linkages to economy often weak
  - Macro-level impact on level of skills demanded may be small

- Labour-intensive commodities sectors
  - Trade and technology may drive increased labour productivity in a labour-intensive commodity, which may reduce employment in the commodity
  - Macro-level impact on skills depends both:
    - on scope to increase productivity in the commodity through improved practices and technologies; and
    - on the characteristics of available replacement activities for which there is demand that can be supplied competitively

- Raising skills levels, and all that depends on this, may need an extra push in commodity-dependent economies
STED – the ILO approach to Skills for Tradable Sectors

- STED – Skills for Trade and Economic Diversification
- ILO’s Sector-based methodology to provide strategic guidance on integrating skills development into policies to strengthen traded sectors
- Strong social partner and stakeholder involvement and engagement
- Holistic and strategic focus on skills
What we mean by skills

- Skills
  - Technical skills
  - Core work skills and behaviours
  - Foundation skills

- Skills development system
  - Initial general education – pre-school, primary, secondary
  - TVET institutions
  - Universities
  - Workplace
  - Other settings
Locations of STED development cooperation

- **Macedonia**
  - Year: 2011
  - Tourism
  - Food Processing

- **Ukraine**
  - Year: 2010
  - Metal Industry
  - Tourism

- **Kyrgyzstan**
  - Year: 2011
  - Garments

- **Tunisia**
  - Metals
  - Food Processing

- **Egypt**
  - Furniture
  - Food Processing

- **Jordan**
  - Pharmaceuticals
  - Food processing
  - Garments
  - Furniture
  - Chemicals
  - Print & packaging

- **Bangladesh**
  - Year: 2011
  - Agro Processing
  - Pharmaceuticals

- **Malawi**
  - Oilseeds
  - Horticulture
  - Dairy

- **Myanmar**
  - Tourism
  - Vegetable & fruits

- **Viet Nam**
  - Tourism
  - Livestock

- **Cambodia**
  - Food Processing
  - Light Manufacturing
# Economic diversification in STED

<table>
<thead>
<tr>
<th>Location</th>
<th>Concentration of exports in ...</th>
<th>STED Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>Ready-Made Garments</td>
<td>Light Manufacturing, Food Processing</td>
</tr>
<tr>
<td>Myanmar</td>
<td>Ready-Made Garments</td>
<td>Tourism</td>
</tr>
<tr>
<td>Malawi</td>
<td>Tobacco, Tea</td>
<td>Oil Seeds, Horticulture</td>
</tr>
<tr>
<td>Jordan</td>
<td>Ready-Made Garments (and Remittances, Foreign Aid)</td>
<td>Food Processing, Pharmaceuticals</td>
</tr>
<tr>
<td>Bangladesh (pilot)</td>
<td>Ready-Made Garments</td>
<td>Food Processing, Pharmaceuticals</td>
</tr>
</tbody>
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- Work in agro-food value chain in 9 of 11 STED partner countries
Theory of change for ILO Development Cooperation in skills and trade – First layer

- Developing the Right Skills for Target Sectors
  - Strengthens Business Capabilities
    - Greater Productivity, Competitiveness and Innovation
      - More Sales and Greater Diversity in Traded Markets
      - More Employment in Decent Jobs
**Theory of change – The other layers**

- **Collaborate with Partners on Analysis**
  - Build Policy Coherence on Skills and Trade

- **Collaborate with National and Sector Partners on Implementation**
  - Develop Partners’ Technical Capacity in Skills Anticipation
  - Develop Partners’ Institutional Capacity to Anticipate and Respond to Skills Needs
  - Strengthen Skills Governance Systems

- **Mobilize Implementation by Country Partners and Development Community**

- **Build Inter-ministerial and Social Partner Collaboration on Skills**

- **Focus on Curricula and Scalable Innovations that can be Mainstreamed and Institutionalized in the Skills Development System, not on Direct Provision of Training**

**From identifying and responding to priority needs to building responsive skills development systems**
In agro-food includes regulators, aggregators, technical testing bodies, farm extension services, research centres, university researchers ...
STED Approach

STED Analytic Phase

→

STED Implementation Phase

Strategy to meet sectoral skills needs

Support for recommendations

STED Capacity Building and Institutionalization
STED in Cambodia

- Central issue – lack of supply of high quality mid-level technical skills graduating from Cambodian TVET institutions
- Key systemic response identified for priority occupations:
  - Competency standards
  - New curricula based on standards
  - Piloting new curricula at leading TVET institutions (including training of trainers)
  - Roll-out of new curricula to other TVET institutions
- Implemented up to the point of piloting for four occupations (1) Welding, 2) Machining, 3) Baking, and 4) Fruit & vegetable processing), as a partnership between the Ministry of Labour and Vocational Training, the ILO and two leading TVET institutions
- Capacity development with Cambodian institutions
- Sector skills councils
## Common business bottlenecks seen in STED

<table>
<thead>
<tr>
<th>Common business bottlenecks</th>
<th>Example of linked skill areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency and effectiveness of operations</td>
<td>• Technical skills of machine operators, assemblers, crafts, technicians</td>
</tr>
<tr>
<td>Compliance with standards and regulations</td>
<td>• Quality assurance and compliance skills</td>
</tr>
<tr>
<td>Marketing, sales and channel management</td>
<td>• Marketing skills, channel management skills</td>
</tr>
<tr>
<td>Innovation, design and product development</td>
<td>• Product development engineering and science skills</td>
</tr>
<tr>
<td>Supply-chain management and logistics</td>
<td>• Logistics management skills</td>
</tr>
<tr>
<td>Value-chain development</td>
<td>• e.g. for food-processing: agronomy, food safety</td>
</tr>
</tbody>
</table>
Common Skills Gaps in Agro-Food Value Chains seen in STED

- Agronomy
- Pest & disease control
- Food safety
- Resource management
- GAP
- Business Skills
- Technology management and application
- Food safety, quality and compliance
- Logistics
- Business skills
- Technical, business and compliance advice / coordination
- Labour standards
- Food safety and compliance
- Technician / operator skills
- Production management
- HR skills
- Business skills
- Advice / coordination
- Customer service
- Technology management
- Product innovation
- Process innovation
- Supply chain management
- Food safety, quality and compliance
- Compliance management
- Technician / operator skills
- Production management
- HR skills
- Business skills
- Work organization
- Sourcing
- Marketing
- Technology management
- Product innovation
- Process innovation
- Supply chain management
- ... and entrepreneurship
## Some common systemic constraints

<table>
<thead>
<tr>
<th>Underprovision</th>
<th>Weaknesses in education and training systems</th>
<th>Weaknesses in firms</th>
<th>Information and skewed preferences</th>
<th>Migration</th>
</tr>
</thead>
</table>
| • Non-inclusive access to education and training  
  • Work-based learning  
  • Life-Long Learning  
  • Training supply | • Management  
  • Quality  
  • Funding | • HRM  
  • MSMEs  
  • Uncertainties about benefits | • Skills information  
  • Student preferences not matching demand | • Internal  
  • International |

### Implications –

- **Mismatch between supply and demand in technical skills**
- **Weak core work skills**
- **Lack of transferrable skills, especially among lower skilled**
Some high level responses

- Policy coherence (trade, education labour …)
- Social dialogue and multi-partner dialogue
- Broad access to education, skills development and lifelong learning
- Curriculum reform
- Targeted training for displaced workers and/or workers under risk of displacement – especially low skilled workers
- Investing better in training for employed workers, especially in MSMEs (including domestic supply chains)
- Core work skills, especially in initial compulsory education
- Skills needs analysis and anticipation
- Labour Market Information and employment services
- Quality and relevance in skills development
Thank you