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**Skills and economic diversification**

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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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International Labour Organization

# 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



# Economic diversification in STED

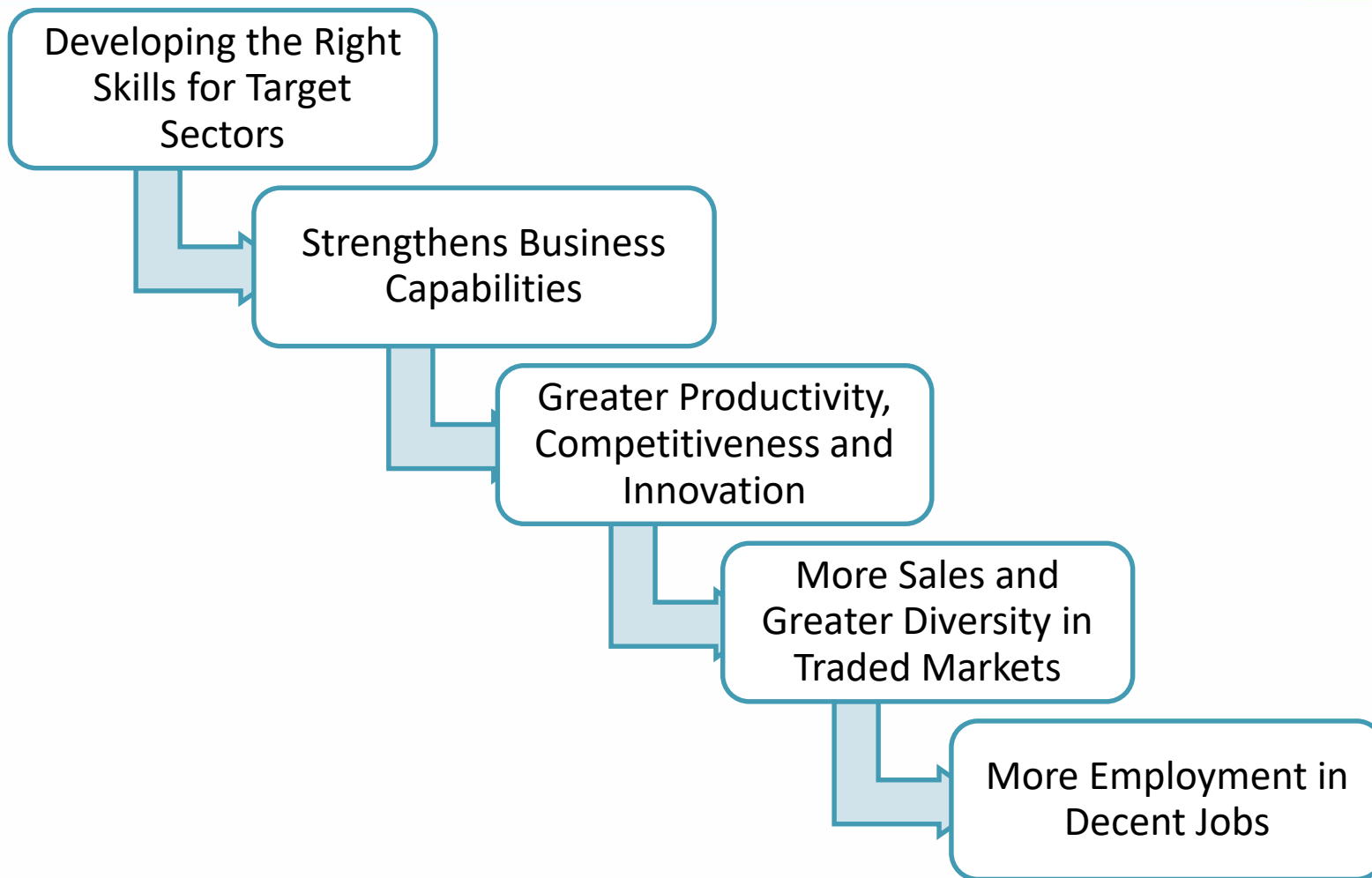


Location	Concentration of exports in ...	STED Sectors
Cambodia	Ready-Made Garments	Light Manufacturing, Food Processing
Myanmar	Ready-Made Garments	Tourism
Malawi	Tobacco, Tea	Oil Seeds, Horticulture
Jordan	Ready-Made Garments (and Remittances, Foreign Aid)	Food Processing, Pharmaceuticals
Bangladesh (pilot)	Ready-Made Garments	Food Processing, Pharmaceuticals

- 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



# Theory of change – The other layers



Collaborate with Partners on Analysis

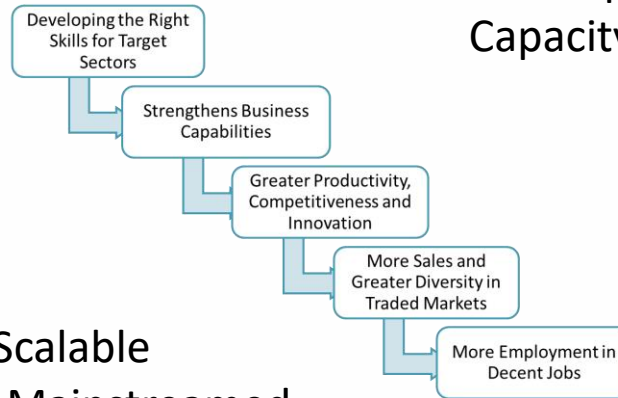
Collaborate with National and Sector Partners on Implementation

Mobilize Implementation by Country Partners and Development Community

Build Policy Coherence on Skills and Trade

Develop Partners' Technical Capacity in Skills Anticipation

Build Inter-ministerial and Social Partner Collaboration on Skills



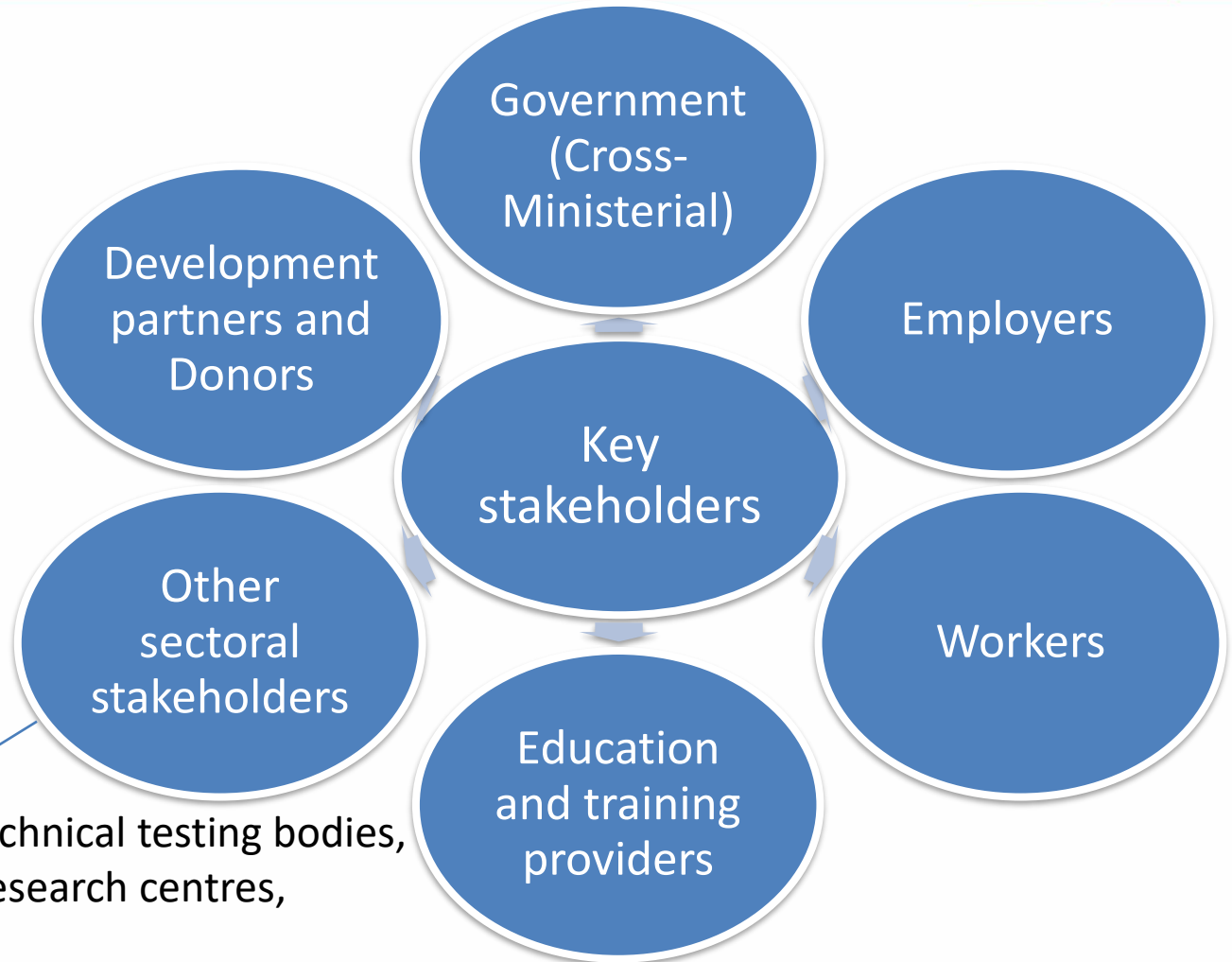
Develop Partners' Institutional Capacity to Anticipate and Respond to Skills Needs

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

Strengthen Skills Governance Systems

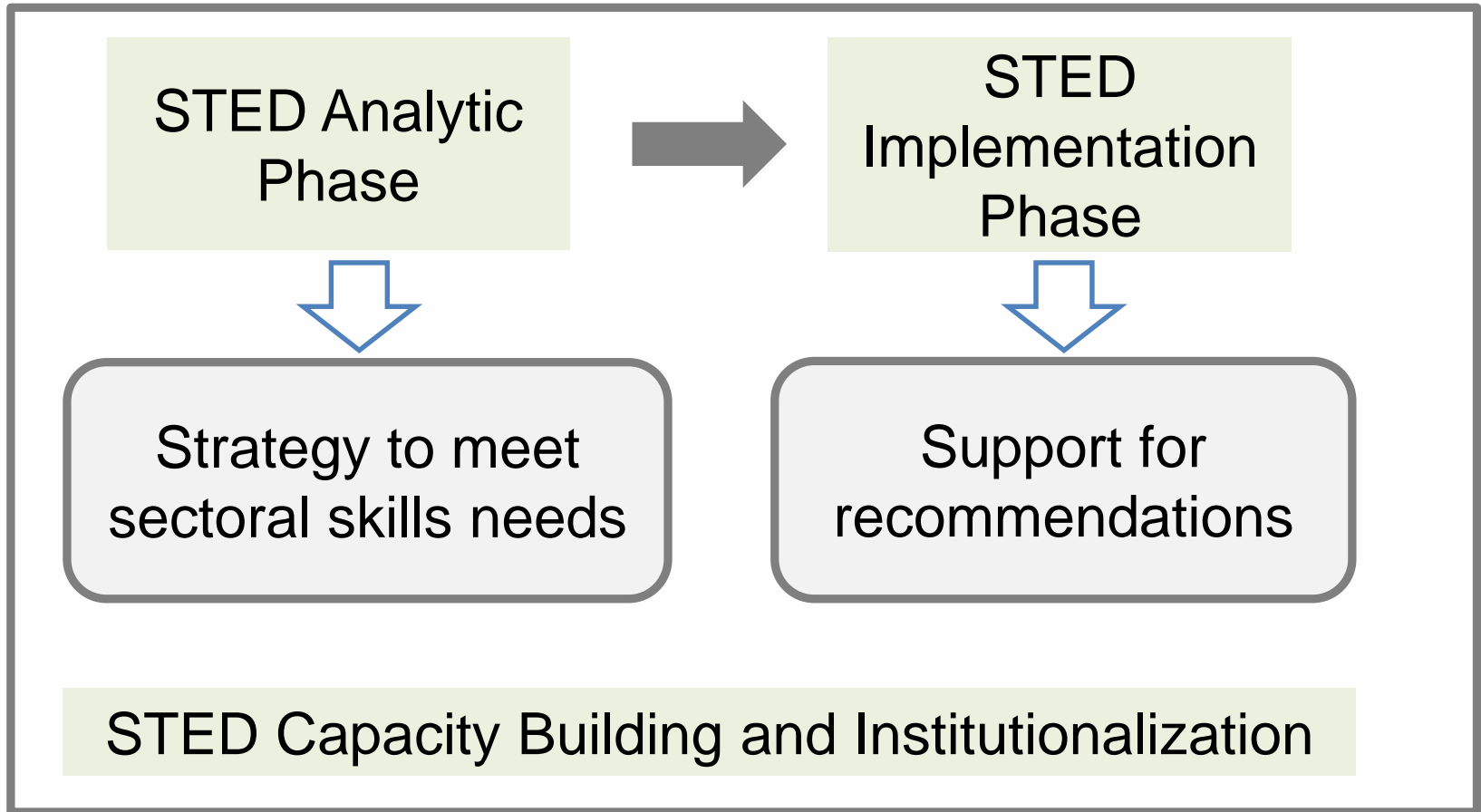
**From identifying and responding to priority needs to building responsive skills development systems**

# STED key partners



In agro-food includes regulators, aggregators, technical testing bodies, farm extension services, research centres, university researchers ...

# STED Approach



# STED in Cambodia



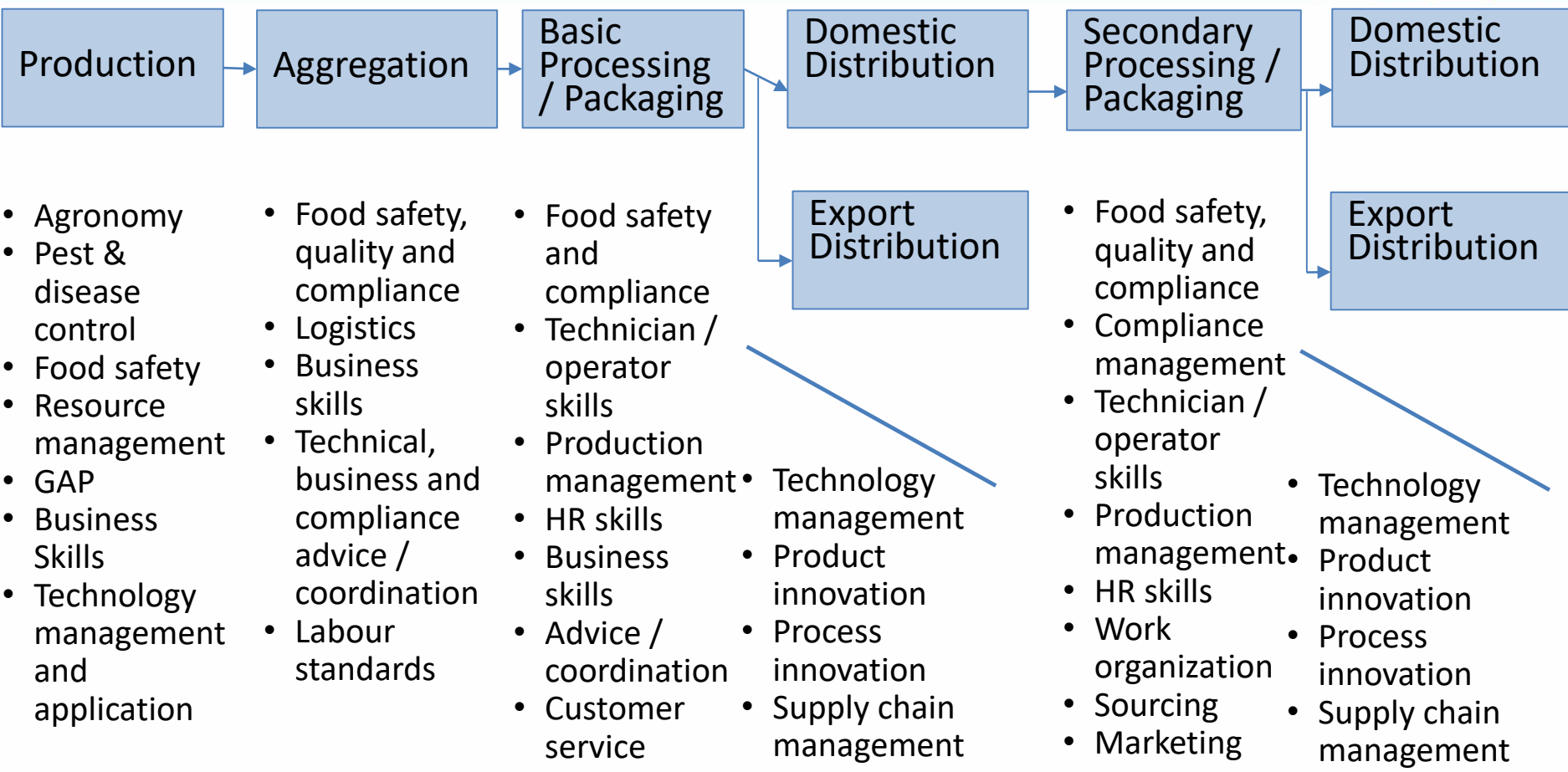
- Central issue – lack of supply of high quality mid-level technical skills graduating from Cambodian TVET institutions
- Key systemic response identified for priority occupations:
  - Competency standards
  - New curricula based on standards
  - Piloting new curricula at leading TVET institutions (including 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



Common business bottlenecks	Example of linked skill areas
Efficiency and effectiveness of operations	<ul style="list-style-type: none"><li>• Technical skills of machine operators, assemblers, crafts, technicians</li></ul>
Compliance with standards and regulations	<ul style="list-style-type: none"><li>• Quality assurance and compliance skills</li></ul>
Marketing, sales and channel management	<ul style="list-style-type: none"><li>• Marketing skills, channel management skills</li></ul>
Innovation, design and product development	<ul style="list-style-type: none"><li>• Product development engineering and science skills</li></ul>
Supply-chain management and logistics	<ul style="list-style-type: none"><li>• Logistics management skills</li></ul>
Value-chain development	<ul style="list-style-type: none"><li>• e.g. for food-processing: agronomy, food safety</li></ul>

# Common Skills Gaps in Agro-Food Value Chains seen in STED



... and entrepreneurship

# Some common systemic constraints



## Underprovision

- Non-inclusive access to education and training
- Work-based learning
- Life-Long Learning
- Training supply

## Weaknesses in education and training systems

- Management
- Quality
- Funding

## Weaknesses in firms

- HRM
- MSMEs
- Uncertainties about benefits

## Information and skewed preferences

- Skills information
- Student preferences not matching demand

## Migration

- 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