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Webinar

# A market systems approach to skills development

A joint think piece by the ILO SKILLS Branch and SME Unit



Gun Eriksson  
Skoog, Sida



Matthew  
Ripley, ILO



Naomy Lintini,  
ILO Pretoria



Gunjan Bahadur  
Dallakoti, ILO  
Dhaka

## A market systems approach to skills development

by Gun Eriksson Skoog, with Matt Ripley

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June 2022

### Executive Summary

In today's world of work, skills development is increasingly important for governments, employers and workers – and the donor programmes aiming to support them.

Enterprises can drive business success and support inclusive economic growth by making investments in educating, training and reskilling of workers. Workers themselves face an imperative to proactively upgrade their skills or acquire new ones through training, education and lifelong learning to remain employable, especially in the face of rapid transformation brought about by advances in automation and digitalisation.

A market systems approach to skills development has the potential to lead to more sustainable employment outcomes at scale, by taking a holistic approach to addressing both supply- and demand-side factors, as well as tackling the cost of skills development programmes and strengthening the link between market needs and the important role of regulation and standards.

This paper first sets the stage by summarising 'what' skills development is, and 'who' it is for, underlining how the role of governments, rights of individuals, and market realities need to come together to increase the employability of the labour force. The paper then explores how skills development leads to employment outcomes, and the practical challenges often facing projects in matching the supply of skills to meet demand. The relevance of a market systems development (MSD) approach to skills development is highlighted, drawing out key definition features of MSD such as 'facilitation' – working to allow local stakeholders to drive forward change processes and thereby address the root causes of key development problems, based on unlocking their own incentives and capacity.

The second section reviews selected development cooperation initiatives where a market system approach has been applied to skills development. Three initiatives are profiled to explore what can be learned from their experiences. The first follows the diagnostic process undertaken by the Katalyst project in Bangladesh to understand and address the barriers for Bangladeshis from poor and lower-middle income backgrounds seeking work in the healthcare sector. The next profiles the redesign of Generation Kenya to take on more of a facilitative, systems-shaping role in order to address pervasive youth employment challenges. The final example showcases the work of the South Serbia Private Sector Development (S-PSD) initiative the wood and furniture sector, which has led to a successful public-private collaboration in the design and application of vocational education programmes and curricula.

The third section concludes with 12 lessons learned on how a systems approach can foster sustainable impact through systemic change that is owned, maintained and further evolved by local stakeholders. These cover the analysis and understanding of skills systems; intervention design; and the implementation of skills development programmes.

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### Part I: Setting the Stage

#### 1.1 What is skills development – and what for?

Skills development and lifelong learning are 'the backbone of human development', but, paradoxically, many people – employers and workers – do not see the value of investing in skills development. This is often because they do not see the link between skills development and economic growth. Skills development is not just about training people for the jobs of the future, but also about ensuring that people have the skills to meet the needs of the present. Skills development is a continuous process that is essential for economic growth and social development. It is a process that is essential for economic growth and social development. It is a process that is essential for economic growth and social development.

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12. The importance of skills development for economic growth and social development.



6 October



12:00 CEST

► Before we begin, to make the most of our virtual experience, can you please...



**Share your questions and comments in the chat.**  
They will be addressed during the discussion session.



In case of **technical difficulties**, reach out immediately to the team:  
Aishwarya Pothula [pothula@iloquest.org](mailto:pothula@iloquest.org)  
Alessandra Scomazzon [scomazzon@iloquest.org](mailto:scomazzon@iloquest.org)



**This webinar is being recorded.**  
The recording will be made available.

# Agenda

## ► Introduction

*Merten Sievers (ILO SME Unit) and Patrick Daru (ILO Skills Branch)*

## ► A Market Systems Approach to Skills Development: Exploring its potential usefulness

*Gun Eriksson Skoog (Sida)*

## ► Reflections from the field: How can the new approach to skills development be useful and applied in practice?

*Naomy Lintini (ILO Pretoria) and Gunjan Bahadur Dallakoti (ILO Dhaka)*

## ► Forward-looking discussion

## ► Concluding remarks

*Dragan Radic (ILO SME Unit) and Srinivas B. Reddy (ILO Skills Branch)*

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# Introduction

Merten Sievers (ILO SME Unit) and Patrick Daru (ILO Skills Branch)

# A Market Systems Approach to Skills Development

## – Exploring its Potential Usefulness

Gun Eriksson Skoog, Senior advisor market development and employment, Africa Department, Sida



# ► A Market Systems Approach to Skills Development – Exploring its Potential Usefulness

## (1) Introduction

- Some Key Challenges in Skills Development Practice
- The Market Systems Development (MSD) Approach

## (2) Experiences from 3 Cases at 3 Stages of the Project Cycle

- Analysis: Understanding Skills Market Systems – the Katalyst Case
- Design: Deciding What to Address – the Generation Kenya Case
- Implementation: How to Support Sustainable Skills Development – the South Serbia PSD Case

## (3) Conclusions: What can MSD offer skills development practice?

# ➤ (1) Introduction



## Some Key Challenges in Skills Development Practice





## ► The Market Systems Development (MSD) Approach

### Starting Point

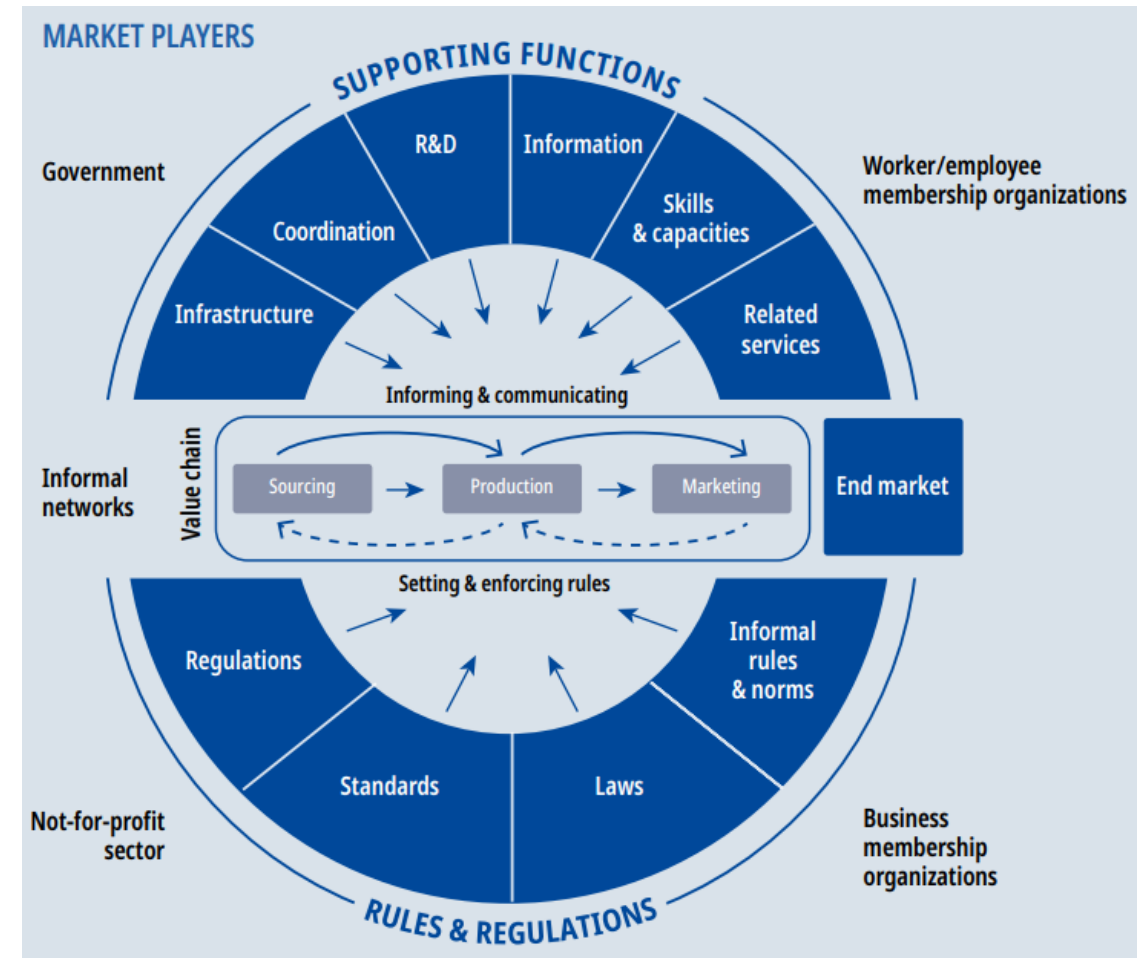
- Not say “markets are the solution”
- But working poor depend on markets for livelihoods
- Seeks to make markets work better for the poor
- Role for both public & private sector

### The Market System

- Core market, Supporting functions, Rules ->

### MSD Approach

- Aims at inclusive, sustainable dev. of scale
- Through systemic change – system holding problem in place
- Identifies and addresses root causes
- Uses facilitation and adaptive management



## ► **(2) Experiences from 3 Cases at 3 Stages of the Project Cycle**

## ► Analysis: Understanding Skills Market Systems – the Katalyst Case

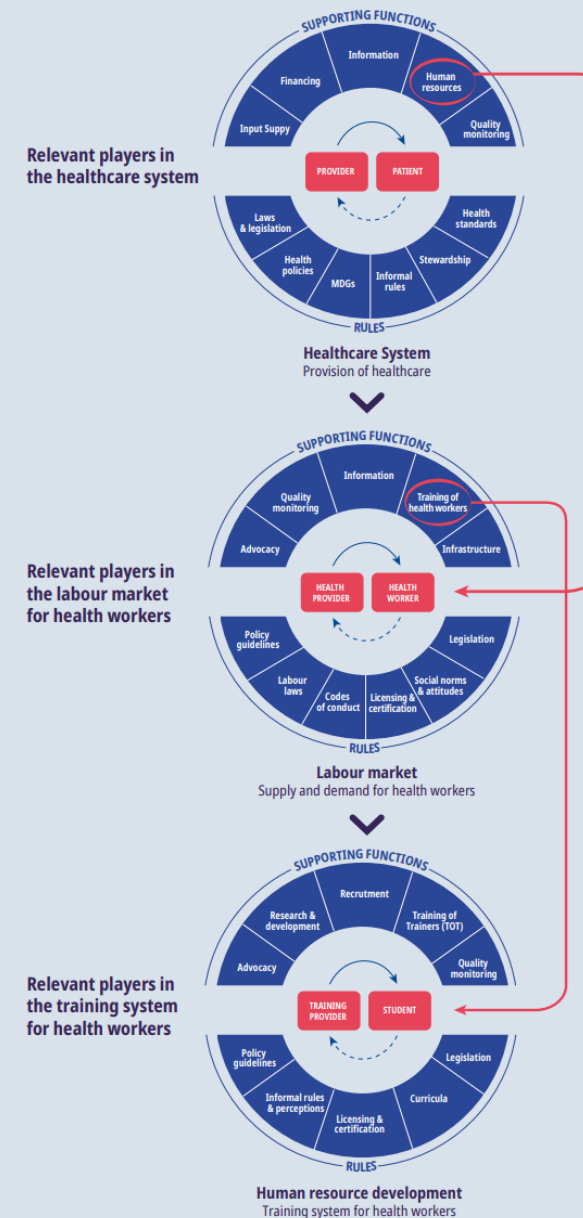


## ► Analysis: Understanding Skills Market Systems – the Katalyst Case (a)

**MSA – identify root causes of poor healthcare services**  
**Sequential analysis of interconnected (market) systems – digging deeper to unpack the underlying reasons**

- Market system for healthcare services -> Key constraint = lack of sufficient qualified health workers
- Labour market (system) for health workers -> Key cause of failure = problems in training of health workers
- Market system for health-skills training -> root causes of underperformance = combination of factors

Figure 2: The Katalyst Diagnostic Process in Search for Root Causes



## ► Analysis: Understanding Skills Market Systems – the Katalyst Case (b)

### Key Root Causes

- Government guidance & stewardship undermined by
- Fragmentation, overlapping functions, staff rotation, limited coordination, donor-driven interventions
- Inappropriate government regulation & outdated tools
- Focus on public provision – disregard of private sector
- Private providers lacked staff & capacities to administer & market training
- Weak links with government & undermined by lack of collective voice
- Potential trainees unaware of health-care career & income opportunities & low social status



## ► Analysis: Understanding Skills Market Systems – the Katalyst Case (c)

### Key Lessons

- Markets for health services, workers & skills training = different markets – distinguish & analyse separately
- But closely interconnected – key to understand how
- Stepwise MSA key for identifying a) root causes of problem and b) entry points for intervention
- Unpacking of root causes may lead to shift of project focus – from healthcare services to skills training
- Root causes of poorly functioning skills market many & diverse
- At different levels of system, public & private actors, social norms & donor community





## Design: Deciding What to Address – the Generation Kenya Case



## ► Design: Deciding What to Address – the Generation Kenya Case (a)

### Market Systems Analysis

Root causes traced to weak or misaligned incentives & capacities of stakeholders involved:

- Government actors – lacked resources & incentives to improve curric. dev, training delivery & quality assurance mech.
- Employers – incentives to invest in new recruits undermined by lack of confid. in public training providers, recruitment models & informal norms influencing youth attitudes
- Young job seekers – lacked many capacities needed for job market & disincentivised by nepotism & corruption in recruitment

### Conclusions

- Weak incentives of system players not addressed  
-> Root causes remained unchanged
- Incentives to change behaviour remained weak
- Employers' incentives distorted by approach – expectations of “free” services
- Remaining systemic constraints undermined sustainability & scalability of results
- Donor dependency inevitable

## ► Design: Deciding What to Address – the Generation Kenya Case (b)

### Suggested Redesign

- Complete change of project & approach -> agenda of genuine systemic change
- Own role – from delivery to facilitation
- Build & transfer ownership, expertise & leadership to local stakeholders
- Credible vision of “who will do & who will pay” – realistic assessment of incentives & capacities
- Develop strategy for how to facilitate systemic change, driven by local actors

### Key Lessons

- To identify root causes of problems involves understanding incentives of key actors in skills system – willingness to change
- Addressing symptoms – filling gaps – unlikely achieve sustainable impact of scale, may even prevent change from taking place



## ► Implementation: How to Support Sustainable Skills Development – the South Serbia PSD Case





## ► Implementation: How to Support Sustainable Skills Dev – the South Serbia PSD Case (a)

### Results in Just Over 2 years

- Successful intro of streamlined curricula for wood & furniture sector
- Result of public-private collaboration in design & application of vocational education
- Catalysed & demonstrated sustainable changes in practices among public & private market players
- Stimulated uptake in other sectors & skills profiles
- Transformative intervention -> changed debate on market-relevant vocational training
- Model received national recognition & introduced in new legislation as basis for curricula reform



## ► Implementation: How to Support Sustainable Skills Dev – the South Serbia PSD Case (a)

### Key Lessons

- Adaptive approach valuable – tactics evolved over time as system actors responded & focus shifted
- From individual partnerships to players crucial for wider outreach & sustainability
- From building capacity of P&P actors to institutionalisation of curricula-reform process
- Catalysing genuine ownership key to success
- Focus on brokering partnerships between industry, training providers & government
- Empowered PS to take control of TVET reform -> higher quality, more relevant & practical training
- Empowered government to strengthen role as facilitator & quality assurer – not micro-manager of TVET provision
- Softer tactics key to engender ownership & leadership from PS & technical-school stakeholders – trust-building, lobbying, political diplomacy



## ► **(3) Conclusions: What can MSD offer skills development practice?**

## Analytical framework & methodological approach

- ▶ Designed to promote inclusive, sustainable change with impact of scale
- ▶ Holistic approach to address systemic constraints to SD - at different levels, with different actors, in structured way
- ▶ Links skills supply to skills demand in labour, product & service markets + unpacks & addresses root causes of skills mismatch -> potential for sustainable employment at scale
- ▶ Can complement existing SD approaches & practices

## Potential for intra-organisational collaboration?

- ▶ Can its explicit linking of markets help collaboration between units – across silos – to jointly promote skills, employment & enterprise dev.?

## Challenges

- ▶ No blueprint or ready answers – analysis-based & context-specific
- ▶ Systemic change challenges status quo – vested interests may resist -> requires engagement with political economy of skills system



## ► Reflections from the field

How can the new approach to skills development be useful and applied in practice?

Naomy Lintini (ILO Pretoria) and Gunjan Bahadur Dallakoti (ILO Dhaka)



# Forward looking discussion



# Concluding remarks

Dragan Radic (ILO SME Unit) and Srinivas B Reddy (ILO Skills Branch)



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*Thank you for your participation!*

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