SKILLS IN MARKET SYSTEMS DEVELOPMENT: NOT JUST ANOTHER SUPPORTING FUNCTION

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Intro

Picture the classic Market Systems Development (MSD) donut. Supply and demand in the middle, with the juicy bits buried around the edges in the elusive supporting functions, rules and norms. Hidden away in the sprinkled list of functions is often the word 'skills'. Or perhaps 'training', 'information' or 'human resources'. This reflects the mainstream view of the need for improved skills in market systems: skills are potentially important, but they are one of many leverage points. Our argument, in this blog post, is that skills are much more than just a supporting function. Skills Development systems have their own complex dynamics, with different actors, values and norms at play. To elaborate, we highlight one key lesson from a deep dive analysis of more than 15 Skills Development projects.

Background

Swisscontact has been involved in designing and implementing numerous classic MSD projects over the years: from KATALYST to PRISMA, M4C to Trademark East Africa's Export Capability Programme. Possibly less known to the MSD community, is that the organization has an equally large portfolio of Skills Development projects that apply our systemic approach, from school-based vocational education and training, to upskilling and reskilling within firms, to labour market insertion processes (e.g., career guidance and job matching services). Over the past two years, a small team within Swisscontact has supported learning exchange between these two different groups of projects, and the practitioners that lead them. The major insight is that there are two distinct 'types' of Skills Development projects, that differ in their scope and aims, and their intuitive alignment with a market systems approach.
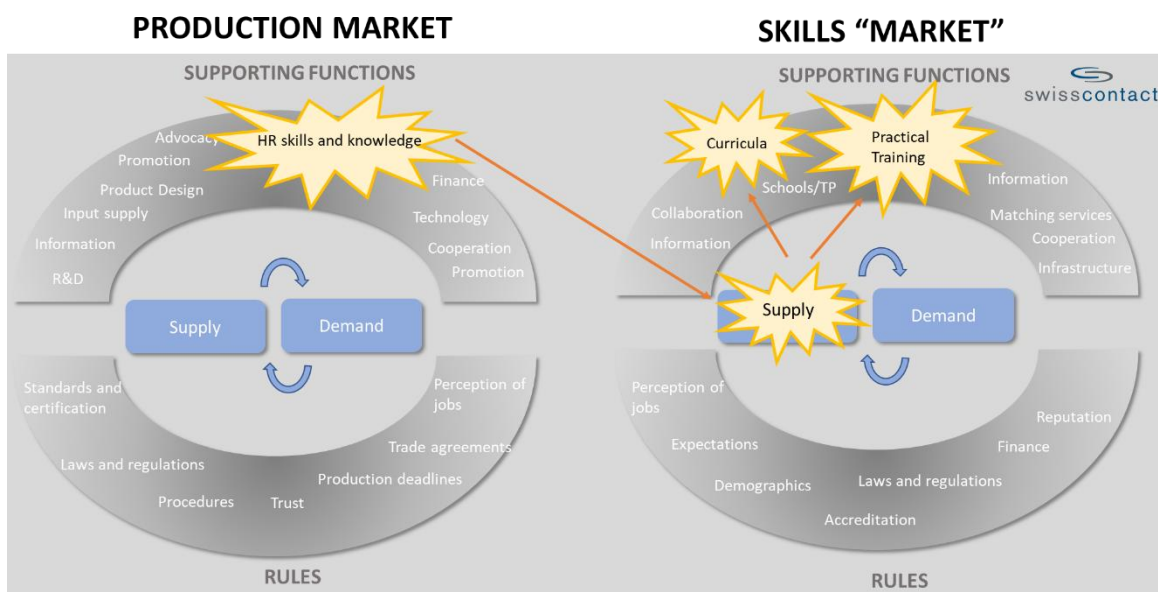

Fig 1: Skills in the production market

1. SKILLS AS A SUPPORTING FUNCTION

First, there are sector-focused projects (e.g., tourism/hospitality, healthcare, ICT and agriculture) focused on inclusive market development, where **a key constraint to growth happens to be skills of workers** in that industry. Here, skills are a **supporting function to a core market system**, and the skills system can then be further analyzed to understand root causes and to develop interventions. This is a familiar analytical move for MSD practitioners – many agriculture projects for example will focus on inputs or transportation as a vital supporting function that is not performing well. However**, it's less common to focus on skills themselves** – perhaps because skills are embedded in people, and therefore less tangible, or perhaps because the skills (and education) system itself is complex, unfamiliar and dominated by public sector players.

The key point is that in these types of projects, adequate skills are a means to an end – productivity/innovation/etc. in a different market. While there might be some interest in the deeper structures of skills systems (i.e., curriculum and standards, quality assurance, entry requirements), **they are only a priority if they solve the pain point in the core market.**

Swisscontact approaches SD in two ways, with different intervention logics, when it designs and implements projects: Skills Development as a support function within a market system development logic or as standalone Skills Development projects which contribute to the overhaul of the VET system:

An example is Swisscontact's Construya project in Colombia1, which aims to improve the **resilience of informal urban housing towards earthquakes.** The project goal is a more dynamic construction market in informal housing, and the skills of construction workers are a key constraint. The project has leveraged larger businesses that supply building materials to help encourage and organize trainings of informal workers, drawing on an influential network of small retail shops, and the credibility and scale of a national public sector training provider. In this context, improved skills in construction-related occupations are the means to an end (better housing, less risk to homeowners), but the project is not trying to transform the entire vocational training system. Rather it targets a few key actors and focuses on buy-in and ownership from the private sector to drive adoption of targeted trainings.

Construya highlights some of the key considerations for intervening in **Skills Development as a supporting function:**
- **Who does, and who pays:** what are the **incentives** for workers vs. employers vs. supply chain actors to invest in skills? How will trainings be certified or recognized, and how do they transfer within the existing system?
- **In-house vs. Outsourced:** do firms have the **capacity and reputation** to deliver internal training? When is it advantageous to engage an outside training organization? How might that grow the 'market', and what are the trade-offs in terms of tailoring the training?
- **Word of mouth, influence and economies of scale:** Particularly for low skilled or informal workers, it can be challenging for companies to find the **time and space** to bring together a big enough group to be worth the effort. Understanding the social networks, and the relative influence of local retail shops (supplied by the bigger firms) was key to accessing large enough number of workers to even organize trainings in the first place.

2. SKILLS SYSTEM AS THE CORE 'MARKET'

SDP highlights some crucial considerations for taking a systemic approach to standalone skills systems projects:

- Analyzing all the functions of a TVET system, including interconnected systems (i.e., specific sectors and labour markets).
- Facilitating change at multiple levels: from individual TVET providers to relationships between TVET, businesses and government, to multi-stakeholder platforms for governance of the system as a whole.
- Understanding the political and social incentives for change in public sector and in educational organizations.
- Leveraging strong policy networks to drive scale not only through replication but also through policy change and implementation.

These two examples illustrate two ends of a spectrum and lead to a key takeaway: Applying a systems approach to both kinds of projects is equally legitimate. Our review of 15 projects found that every project has a slightly different design. Many are hybrid, where some components focus on a particular sector (e.g., tourism and hospitality) and others on strengthening the TVET system as a whole across numerous sectors. The main points are that by **defining clearly what the core system is that you're trying to change, and how skills fit into that, you can adapt your language, tools and approach more effectively.**
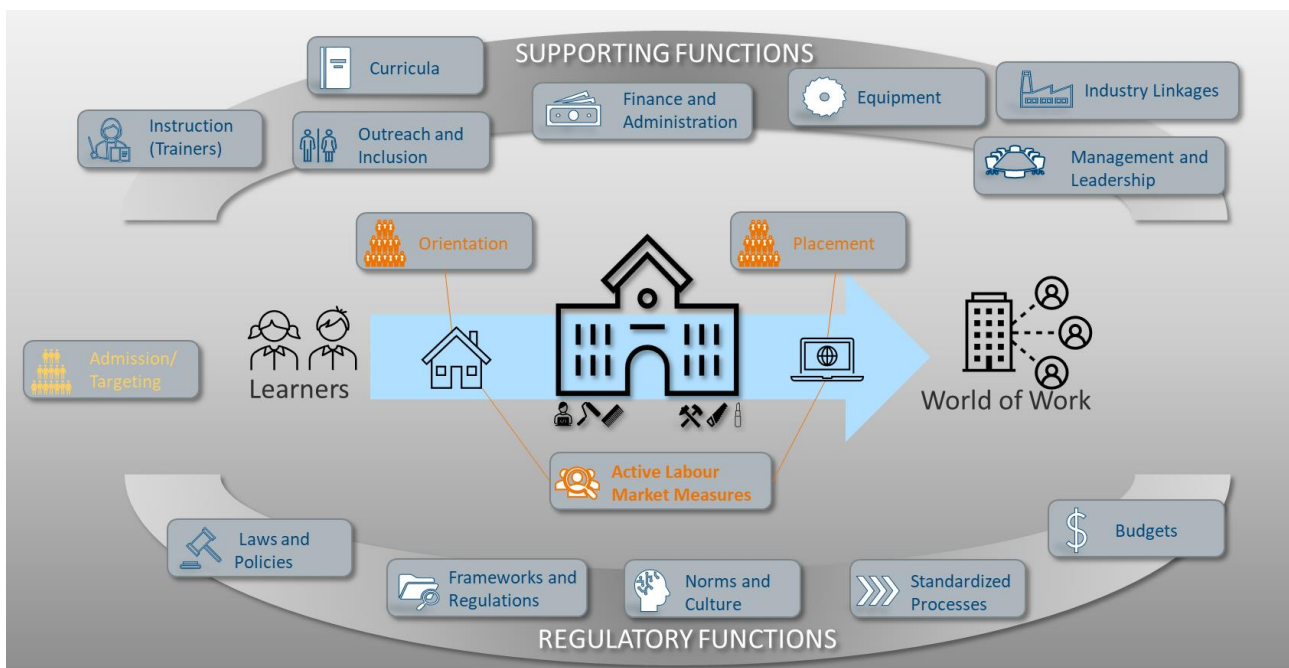
Example of a standalone skills development system