KEY APPROACHES TO LABOR MARKET ASSESSMENT

EXECUTIVE SUMMARY

Overview

The Workforce Connections Project was designed to promote evidence-based learning and peer-to-peer knowledge exchange, with the goal of improving the capacity of the U.S. Agency for International Development (USAID) and its industry partners to deliver quality workforce development programming. To achieve these goals we convened actors from across the workforce development community to share knowledge and experiences; reduce fragmentation of approaches; build consensus around contextually appropriate and effective interventions; and provide guidance on measurement and evaluation of workforce development initiatives. The establishment of an agreed-upon approach to labor market assessments (LMA) was a key priority of the project, as the findings of the LMA are at the heart of any well-designed and implemented program. From the beginning of the project, we gathered and reviewed existing LMA approaches and related tools—learning, adapting, and innovating from them—to develop a core suite of LMA tools.

With the publication of "Key Approaches to Labor Market Assessment," we aim to share a distillation of our knowledge and experience back to the workforce development community of practice, in an accessible, practical and actionable format. The approaches described in this document balance quantitative and qualitative research; focus on the supply, demand, and matching of labor; and can be adapted to local contexts. The approaches are largely participatory in nature, and will continue to evolve as they are put to use. As each tool and approach in the suite builds on and supports the others, the methodological framework shared here represents a systemic approach to understanding a labor market.

Labor market assessment is a non-linear process, which takes into account many areas of inquiry before progressing into analysis and recommendations. The approaches outlined here can be customized to different areas of focus and degrees of depth depending on client needs, context, and the challenges to be addressed. For each module, there is an overarching question and a set of associated tools that can help arrive at the answer. Tools are drawn from a range of fields including economics, education, training, psychology, and business; they include frameworks, approaches, and data sources as diverse as value chains, social network analysis, product space,

PROJECT SNAPSHOT

Main Technical Area
Youth Workforce Development

Period of Performance
September 2013–2018

PROGRAM COMPONENTS

✓ Generate, synthesize & disseminate evidence

✓ Provide technical leadership & field support

✓ Build capacity for a range of workforce development stakeholders

and the global trade share matrix. In addition, there are focus group guides and questions for use in structured interviews with the full range of actors in a labor market system. The conclusions derived from many of these analytical tools are then depicted using infographics.

Fundamentally, ours is a demand-driven approach to understanding a labor market. We aim to assess the existing and most likely potential economic opportunities in a labor market, and the associated positions and roles— and most importantly the skills—that employers demand now and will demand in the future. This is especially important when, as is often the case, employers and education and training providers don't seem to have a common language to talk about skills.

Of course, we also want to understand the supply of workers and skills in the labor market, and learn who is providing what types of training and education. Ultimately, we want to learn how well demand and supply are matching up with each other, so that we can diagnose and address any misalignments. We often find a mismatch between what employers demand and what education/training institutions provide, and these tools help us to uncover issues related to access to training, flows of information, cultural norms and perceptions, intermediation or lack thereof, different time horizons (i.e. employers need workers in the short term, while changes in educational systems take place in the medium to long term) and policies that lead to this misalignment.

Who Can Benefit from Learning about Labor Market Assessment Tools?

These tools provide users with powerful instruments to carry out actionable analysis that gets at the unique nature of labor demand and supply in a given economy, and identifies levers and interventions to improve labor market functioning. In practice, this is generally done by development funders and implementers to understand opportunities for youth across an economy. However, these approaches are customizable to various populations of interest or economic sectors by any actors with an interest in promoting improved labor markets, job creation, increased employment, etc.

The Future of Work—and Labor Market Assessment

It should be noted that workforce development stakeholders find ourselves in an era when the world of work is undergoing rapid changes, including an overall trend towards automation in both developed and developing nations. The coming decade will bring about major transformations in what we know, how we learn, and how we work, and how products and services are produced and distributed. Many of the tools and approaches presented here attempt to take this into account, but without a doubt, our methods must evolve with these changes, along with the ensuing demands for labor and skills. As new information and evidence continues to be generated, we will continue to learn how to analyze it and incorporate it into our thinking.

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Methodological Framework

Our user-friendly modular framework allows us to look at all aspects of a labor market system. For the first five modules, the document presents tools and approaches developed and/or refined under Workforce Connections, and includes references to additional tools. The sixth module illustrates how analytical findings from the previous five might be synthesized and put to use. This document is not a detailed, step-by-step guide, but rather, provides a customizable methodological framework for conducting an LMA, presenting overall guidance and some specific tools and approaches, and pointing the user towards additional relevant resources. The modules, key questions, and tools and approaches are listed below

- **Economic Context:** Which sectors currently absorb labor and which are likely to see increases in employment in the future? (approaches presented: Dashboard, Sector Selection, Product Space)

- **Demand for Skills:** What are the skill sets required by function in the value chain, currently and in the future, by type of firm, by region? (Value Chain Map with Workforce Overlay)

- **Supply of Skills:** What occupations, education levels, and skills levels are possessed by the workforce, and what types of training are offered by which institutions? (Education Stocks and Flows)

- **Systems and Stakeholders:** What are the institutional relationships, barriers, and opportunities for supporting change? (Causal Loop Modeling, Social Network Analysis)

- **Policy:** What policies impact the labor market and what are the implications for reform? (Enabling Environment for Spurring Employment)

- **Alignment:** How can alignment between supply and demand be improved? What recommendations emerge from the analysis? Whose collaboration is crucial to transforming the system?