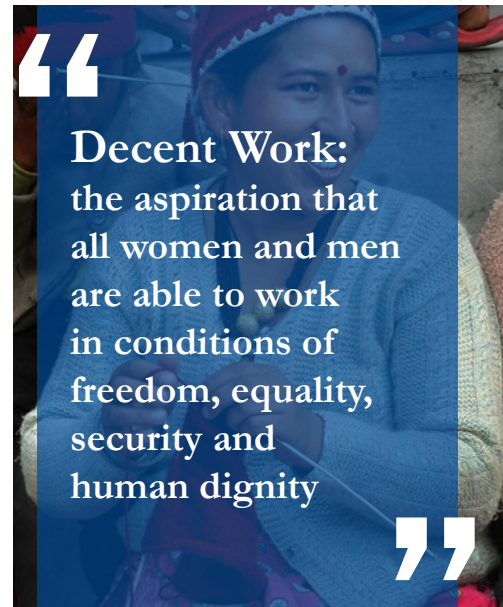
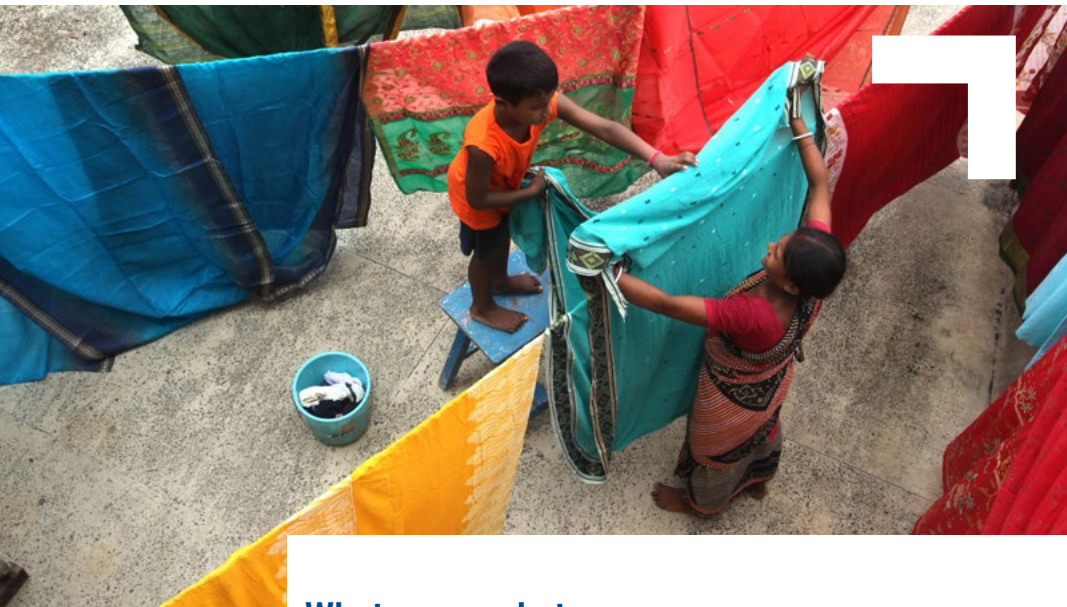


A MARKET SYSTEMS APPROACH TO DECENT WORK

By Matt Ripley, December 2016



International
Labour
Organization



“
Decent Work:
the aspiration that
all women and men
are able to work
in conditions of
freedom, equality,
security and
human dignity
”

What are market systems and why do they matter?

Decent work can sometimes seem like an overwhelming challenge. A third of the global labour force are not earning enough to lift themselves and their families above the poverty line. Millions of these ‘working poor’ have unsafe jobs or suffer from discrimination – and lack the necessary voice or power to improve their situation.

So where to begin? Many projects set out to develop a tool or help introduce new policies. But the underlying reasons for indecent work cannot be solved by training or new government regulation alone, but emerge out of the complex interplay of enterprise practices, market demand, business to business relationships, social norms and existing rules.

A market system is made up of the many ‘supporting functions’ and ‘rules’ shaping how well a

market works for poor women and men. A market systems approach, in turn, seeks to identify, address and remove system-level constraints inhibiting the growth of more inclusive markets.

The goal is impact that is both:

- **Sustained.** Projects achieve lasting behaviour change in public and private actors by playing on both their incentive and capacity to adopt new ways of working, so impact continues long after interventions end; and
- **Scaled.** Since constraints to industry growth are removed, change is replicated and mainstreamed across the sector – rather than being confined to just the actors that the project directly works with.

This note provides an overview of what it means to take a market systems (or ‘systemic’) approach to decent work.

HEADLINE FACTS AND FIGURES

200 million people unemployed

800 million are working poor

2.3 million people a year die from occupational accidents

73% of workers with partial or no access to social security



Identifying decent work deficits

A market systems approach is contextual. It starts by asking a series of questions to narrow the project focus:

- Which markets are **relevant** to large numbers of the working poor, both as producers and as employees?
- In what ways are these markets not benefitting the poor: Which decent work deficits (see Box 1) are most **important**?
- Which of these markets have a **growth potential**?
- Which of the markets are **feasible** to work in given the available time, budget and scope?

Whether low-wage labourers, marginalised workers, or rural producers – some sectors will inevitably be more essential to the welfare and livelihoods of the poor than others. And some decent work deficits will be felt harder than others. Tough strategic choices need to be made. Projects will have to **prioritise** which markets, deficits and constraints to address.

While it is often the case that incomes are a vital coping strategy, sustained pathways out of poverty require quality jobs – covering other non-monetary aspects of employment. It is likely that workers will face a great many prob-

lems – but it will not be possible to address all at the same time. An employee on a dangerous construction site, for example, will likely have an immediate need for better occupational safety before any other aspects of decent work (which requires a worker to be alive!).

It is therefore essential to integrate a **decent work lens** during the sector selection process – as set out in Box 2.

BOX 1

The 10 decent work deficits

1. Lack of employment opportunities
2. Inadequate earnings and unproductive work
3. Indecent hours
4. Inability to combine work, family and personal life
5. Engaged in work that should be abolished
6. Lack of stability and security of work
7. Unequal opportunity and treatment in employment
8. Unsafe work environment
9. Lack of social safety nets
10. Lack of voice through workers' representation

Source: Decent Work and Quality in Work Statistical Indicators: Prospects for conversion? ILO

MYTH BUSTER!

Better incomes and wages are part of decent work

Low earnings – whether take-home wages for workers or income for smallholder producers – are a core part of decent work. Projects sometimes feel they are not creating more 'decent' work if they address incomes but not other aspects of job quality. Yet incomes are often one of the most important deficits facing the poor, particularly where productive returns to labour and land are low. On the other hand, projects focused on income (or productive employment) impact alone cannot automatically be said to be addressing 'decent work' unless they have done the diagnostic work to check whether that is really the most pressing deficit. Incomes may be most important, but unless we take a decent work lens to sector selection and analysis – we will never know.



Putting a market systems approach into practice

Once sectors are selected, projects begin an iterative cycle of ‘analyse, act and adjust’ to narrow in on the underlying reasons for market failure.

Analysis involves asking how is the system not working for the poor, and then finding out the reasons why.

A good market systems analysis helps interventions get beyond firm-based issues to instead tackle those problems that are widespread and systemic. The idea is to address root causes, not just their symptoms. Put another way – it’s about getting beyond the immediately visible tip of the iceberg

to understand what lies beneath: the larger, more complex issues creating the problem in the first place, as in the figure to the right!

The reasons for a lack of decent work may therefore not be immediately obvious. The key is to repeatedly ask ‘why’ before rushing in with a pre-packaged ‘solution’.

Analysis, of course, is not a one-off task but part of an ongoing process to better understand market system dynamics. Using an action research approach, as in Peru’s wooden furniture sector (Box 4), can help generate faster insights based on real-world experience, rather than just theory.



Selecting sectors for decent job creation

Projects usually choose one or more sectors to intervene in. To do this, they make a comparison between sectors using selection criteria.

Integrating decent work criteria means considering each deficit to see which ones are relevant to the poor, which ones are feasible to address and where there is growth opportunity. Even for projects not explicitly focused on decent work outcomes, there is an important decision to be made. Do they select a sector because job quality is low, with the intention of addressing it, or avoid sectors precisely because job quality is low? This is a double-edged sword: if job quality interventions have little or no effect but other interventions do, the impact may be more low quality jobs; but if work can be made more decent, this may contribute to growth in employment and incomes.

Read more: For guidance see Chapter 1 of [Value Chain Development for Decent Work](#); for a sector selection tool see the International Labour Organization (ILO) and GiZ publication, [Value chain selection: Integrating economic, environmental, social and institutional criteria](#); and for country examples read assessments from [Afghanistan](#) and [Peru](#).

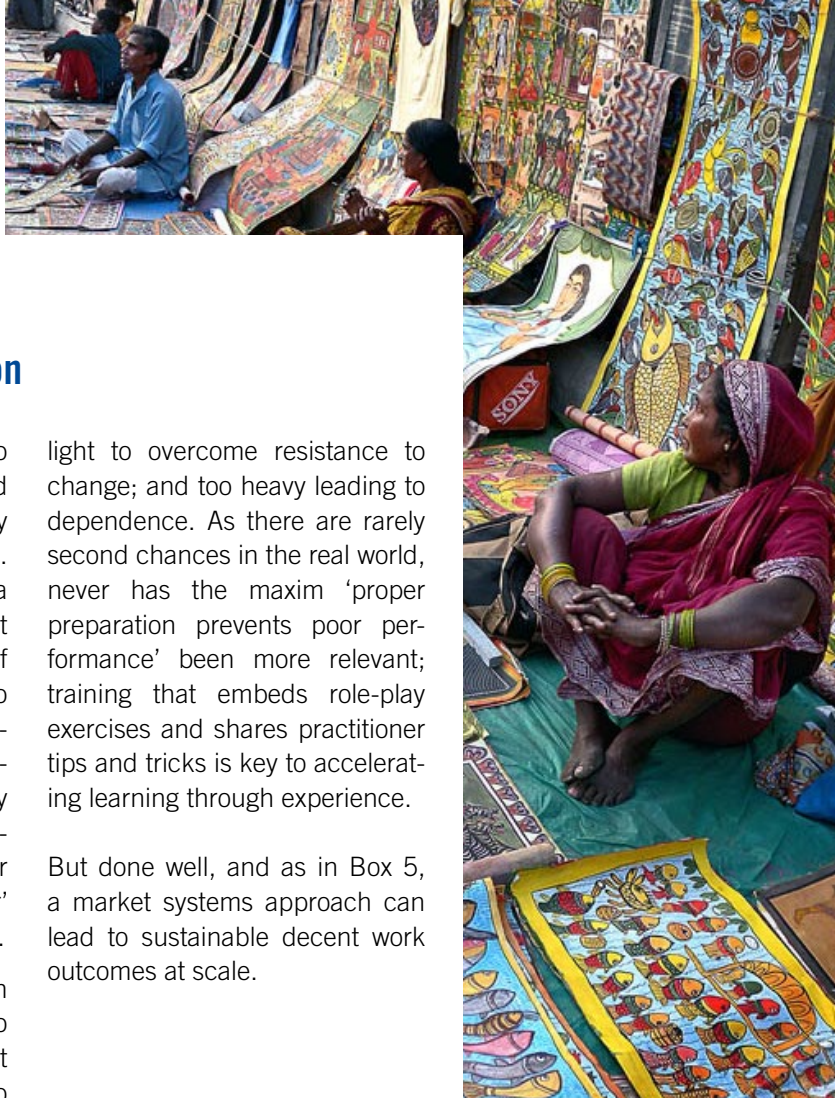
BOX 2

Managing the terminology minefield

There are many terms used to describe the qualitative aspects of employment. ‘Quality of working life’ refers to workers’ perception of their jobs; ‘working conditions’ are the conditions in which an individual works – such as their physical environment; while ‘job quality’ encapsulates all aspects of the work environment and job content (such as skill variety, task significance and autonomy). ‘Decent work’ covers all of the preceding terms and more – extending the definition to include aggregated labour market relations and institutions.

In a market systems approach, the ultimate goal is to impact poor workers or producers – hence we often talk about improving their working conditions. However, to achieve this, interventions need to intervene in ‘systems’ around the poor, so the diagnostic process often leads to understanding and addressing issues in the labour market ‘system’, such as skills, social dialogue or employment policy.

Adapted from “The quality of employment and decent work: definitions, methodologies, and ongoing debates” by Brendan Burchell, Kirsten Sehnbruch, Agnieszka Piasna and Nurjk Agloni.



A programme is then ready to take action

A systemic approach works to transform the behaviour and practice of market actors, be they public agencies or private firms. Projects usually partner with a small number of actors to test out new ways of working and, if successful, then look to others to copy the innovation. The activities that projects undertake to encourage partners to change may be varied – from using ‘soft’ facilitation tactics such as advice or brokering relationships to ‘harder’ tactics like financial cost-sharing.

Market systems facilitation is an art - not a science. It needs to strike a balance between support to actors that ends up being too

light to overcome resistance to change; and too heavy leading to dependence. As there are rarely second chances in the real world, never has the maxim ‘proper preparation prevents poor performance’ been more relevant; training that embeds role-play exercises and shares practitioner tips and tricks is key to accelerating learning through experience.

But done well, and as in Box 5, a market systems approach can lead to sustainable decent work outcomes at scale.

BOX 3

Building the business case for better working conditions in Zambia’s construction sector

An ILO project was working in Zambia’s booming construction sector, well-known for its high levels of informality and unsafe working conditions.

The project was initially designed to deliver training to construction firms. But what about the enterprise incentives to put this knowledge into practice? It turned out that businesses were facing severe working capital and contracting constraints that were eroding their interest and ability to invest in workers. An ILO market systems analysis identified a number of reasons for this, one of which was that the government, as the main buyer of services, had procurement processes that relied too heavily on price criteria – shaping a “race to the bottom” in a market where ever-squeezed enterprises had to cut all costs just to be competitive. Personal protective equipment, worker training and safer machinery were often the first budget lines to be culled.

By focusing on underlying causes (in the public procurement system) rather than symptoms (manifested in the enterprises themselves), the project had much greater potential to catalyse sustainable and scalable job quality improvements for the working poor.

Read the research report: [*Good Working Conditions, Good Business?*](#)

BOX 4

Bridging analysis and action in Peru’s wood furniture sector

An ILO project in Peru ran a rapid market systems scoping of the wood furniture sector. This raised a suspicion that there were many ‘unknown unknowns’ shaping poor working conditions. Rather than rolling-out just another ‘copy and paste’ quick-fix intervention from elsewhere – or spending months conducting academic research and planning - the project decided to proceed with an action research approach. This involved developing a set of hypotheses about reasons why key functions and rules were under-performing, and then conducting a series of ‘micro-pilots’ to iteratively test them.

Read the [*wood furniture scoping report*](#) (in Spanish)

What gets measured gets managed

Facilitating systemic change in markets is clearly much more than rolling out ‘blueprint’ interventions. Interventions therefore need to pro-actively measure the impact they are having, and be open to the possibility that interventions may need to be adjusted. The practice of results measurement is therefore central to market systems projects, as the example from Timor-Leste in Box 6 shows.



BOX 5

Examples of sustainable decent work outcomes through a market systems approach

- In Uganda, an ILO project improved labour market functioning through media development, resulting in 25,000 poor tobacco farmers increasing incomes from \$180 to \$530 per year, with women labourers increasing their incomes by 40-60%.
- In Sri Lanka, an ILO market systems project reached over 15,000 enterprises: in one district alone, 3,000 dairy farmers tripled the productivity of their cattle and increased employment on their farms by an estimated 11%.
- In Timor-Leste, an impact assessment showed an ILO project increased horticulture farmers’ incomes by \$274 per year. Over half (56%) of benefiting farmers lived below the national poverty line.

BOX 6

Measuring to learn, learning to measure in Timor-Leste

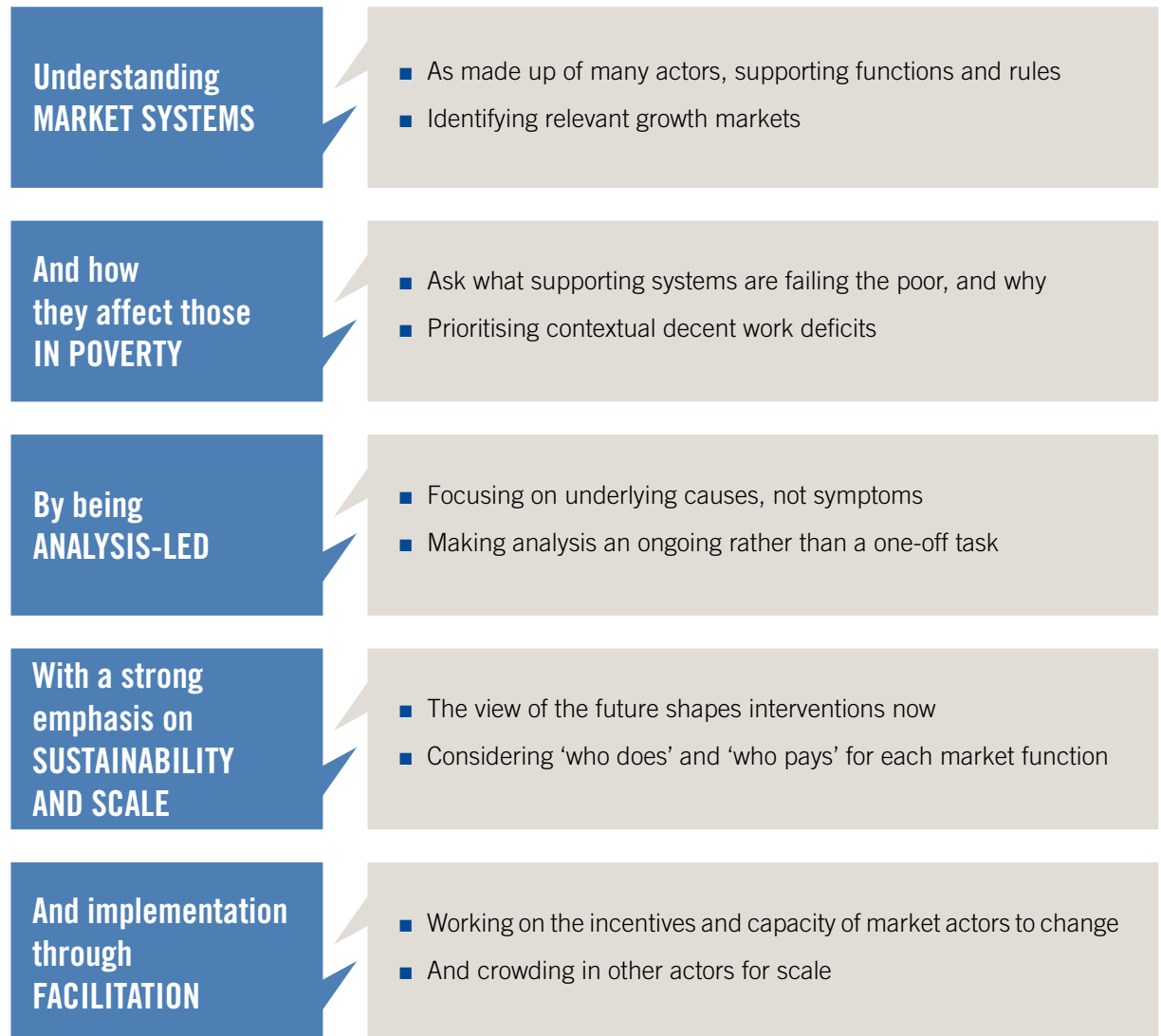
In Timor-Leste, the ILO Business Opportunities and Support Services (BOSS) project built a results measurement system inspired by the *DCED Standard*, which is a structured approach to data collection and analysis based on results chains.

This proved particularly useful when changes did not happen as expected. When sales volumes and produce quality dropped in a contract farming intervention model being testing with a horticulture off taker, BOSS went back to probe the assumptions underpinning their results chain. By interviewing smallholder farmers, BOSS was able to identify a problem in the information flow between farmers and firm. Such rapid, real-time analysis helped shape a project response. BOSS advised the private partner to improve communications with farmers about price movements and to clarify contractual agreements. Just as interventions change over time based on learning, a flexible impact measurement system that supplies actionable information to projects allows for mid-stream adjustments to be made.

Read: *Thin Markets, Thick Impact? The BOSS project in Timor-Leste*



Take home message: A market systems approach to decent work means:



This note is based on material from the Springfield Centre’s Operational Guide to the Making Markets Work for the Poor Approach (2015) and the ILO’s Value Chain Development for Decent Work (2015).

Written by the ILO Lab (www.ilo.org/thelab), a Swiss SECO project innovating ways to use a market systems approach to unlock decent work outcomes.