



# 8

## **Skills, employment and trade: The role of skills and employment policies in making trade more inclusive and resilient**

by Takaaki Kizu and Bolormaa Tumurchudur Klok\*

### **Summary**

- The COVID-19 pandemic, climate-related emergencies and the war in Ukraine, among other issues, have caused massive disruption to supply chains and exposed the need to make them more inclusive and resilient.
- These disruptions have also initiated a shift in the skills that are required by enterprises, with a greater demand for skills that help build resilience, such as those needed for green and digital transitions.
- Enhancing the skills base of a country also yields several advantages, including increased productivity, decreased inequality (especially inequality driven by skill-biased technological change), and the expansion of trade diversification.
- Therefore, it is essential to incorporate skills development and policies that promote lifelong learning into comprehensive economic, fiscal, social and labour market policies. This integration aims to maximize the benefits derived from trade and promote inclusive growth and decent work.
- The ILO's country-level interventions under the Skills for Trade and Economic Diversification (STED) programme help countries in identifying business capability gaps within their tradable sectors. These interventions also aim to address the skills needs of firms engaged in international trade aligning with the countries' overall development policies and strategies.

## **Background and introduction**

Over recent decades, global supply chains (GSCs) have experienced multiple mutually reinforcing crises that have revealed their vulnerabilities. The 2007–08 global financial crisis and – more recently – the COVID-19 pandemic and the war in Ukraine have significantly disrupted highly specialized, interconnected and efficient GSCs. In addition, the challenges have been amplified by climate-related emergencies, rising protectionist trends, and shifting consumer demand. One particular transformation that has been accelerated by COVID-19 is the use of digital technologies. Digitalization has facilitated operational agility and resilience for businesses during the pandemic. However, it has also revealed a deficiency in essential skills, posing challenges for many firms and workers.

Despite these challenges, GSCs can contribute to economic recovery and strengthen future economic resilience. Studies show that diversified and well-rationalized supply chains that rely on fewer capable suppliers are significantly more likely to be a source of resilience than vulnerability. However, in order for this to occur, GSCs need to be transformed. Skills policies, as part of an integrated policy approach, can assist in making structural transformation beneficial for all.

## **Research question and methodology**

This chapter focuses on skills development and lifelong learning as a policy area that is relevant to promoting inclusive trade for decent work. More specifically, it considers how improving a country's skills base can contribute to increased productivity, greater equality and resilience of its economy.

A mixed-methods approach is used, which includes literature reviews, analysis of reports, and findings of "rapid assessments" conducted by the ILO across 12 developing countries. These assessments were carried out with the purpose of understanding the changes in skills demands due to the COVID-19 pandemic, and expectations for the future.

The chapter also includes a comparative analysis of different strategies which have been highlighted as potential trends for the future of GSCs. These include resourcing, diversification, regionalization and replication. In addition, it is emphasized that a combination of theoretical and empirical approaches is required to fully understand transformations in GSCs in the post-pandemic world.

## **Findings and policy considerations**

The chapter shows that transformation in GSCs has been accelerated by the COVID-19 pandemic, technological advances and increasing economic nationalism. These

changes have led to a shift in the skills required by businesses, with a growing demand for skills that contribute to building resilience, specifically those related to green and digital transitions.

The firms surveyed in the rapid assessments supported by the ILO in 2020–21 highlight the importance of specific skills – technical, administrative and managerial, digital, and green job skills – for harnessing international trade's potential for inclusive growth in the post-COVID world (see the figure below).

Policies that promote skills development and lifelong learning can benefit firms in trade, by increasing productivity, competitiveness, compliance with standards and innovation capabilities. This can drive economic growth and create new decent jobs, while also ensuring that the benefits of trade are equitably shared among workers. This can be achieved by providing workers with effective skilling, reskilling and upskilling to provide access to new job opportunities.

However, the chapter also acknowledges that, while skills development and lifelong learning are important to build resilience and foster sustainable development, they are only part of the solution. In order to improve the equitable distribution of trade's benefits, skills policy should be an integral part of comprehensive economic, fiscal, social and labour market policies and programmes.

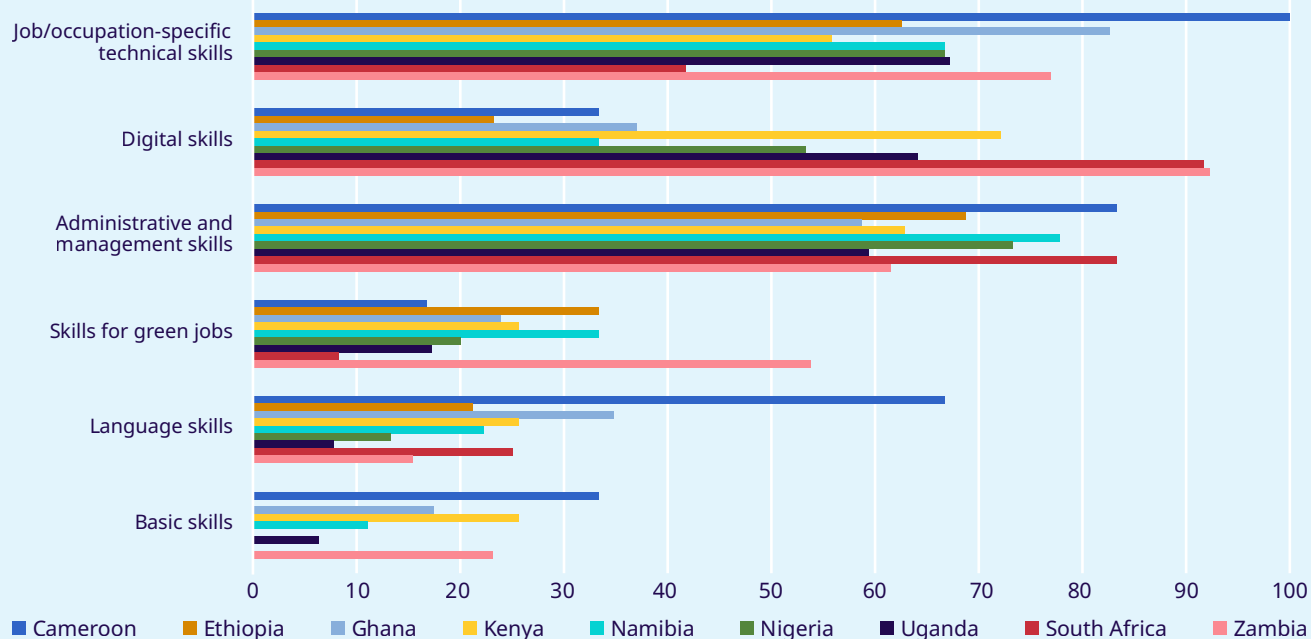
In this regard, the chapter presents the ILO's country-level interventions under the Skills for Trade and Economic Diversification (STED) programme. The STED approach contributes to the alignment of skills-development policies with policies on trade, economic diversification and industrial development, and supports the enhancement of systems to anticipate skills needs.

Specifically, STED provides relevant granular qualitative evidence, based on the observation of patterns in key business capabilities required for firms to effectively engage in tradable sectors, whether as exporting or import-competing firms. These patterns help to identify areas that firms need to enhance or establish in order to succeed in such sectors. The STED programme identifies key skill priorities in over 25 countries and 50 tradable sectors. Addressing business capability gaps can contribute to the development of skills that firms seek in workers. This approach helps policymakers in developing countries to work with the private sector, employers' and workers' organizations, and other key stakeholders in understanding and anticipating future skills needs and in identifying appropriate skills responses in a strategic manner.

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► **Share of establishments reporting specific types of training needed to seize opportunities arising from the COVID-19 crisis (percentage)**



Source: ILO. 2022. Comparative Study of Rapid Assessments of Reskilling and Upskilling Needs due to the COVID-19 Crisis: Africa.



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