Skills Policies for Economic Diversification (STED): an ILO Tool

**Enhancing local skills policies
for the tourism and agro processing sectors
in Macedonia**

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What is STED?

- STED is an analytical tool developed by the ILO
- Its purpose is to provide guidance for the design of **strategic** education and training policies
- **Strategic**
  - Target sectors that are key to trade development, economic diversification and job creation
  - Embedded in a comprehensive strategy to address binding constraints in these sectors
- STED can also inform priorities for follow-up technical assistance

Why STED?

- Lack of adequately trained labour can be a major supply side constraint reducing competitiveness in global markets
- Exporting requires specific skills such as foreign languages, knowledge of international practices and standards, technology
- Availability of skilled workers attracts FDI and increases its backward linkages
- Export “upgrading” into higher value added goods requires new skills and better training of workers
- Globalization and technological change increase the “premium” on skills and require life long learning

How does it work?

Step 1: The Global Market

Identify strategic export sectors

- Export performance
- Contribution to economic diversification
- Potential for employment creation
- Suitability for STED work

Analyze Global Market Challenges and Develop Growth Scenarios

How does it work?

Step 2: Capabilities and Binding Constraints

Identify capabilities required for each growth scenarios

Identify binding constraints to capability development

- skills

- other elements of business enabling environment

Take stock of existing industry strategy to address constraints

How does it work?

Step 3: Embedding Skills into Industry Strategy

Analyze skill demand based on capability targets

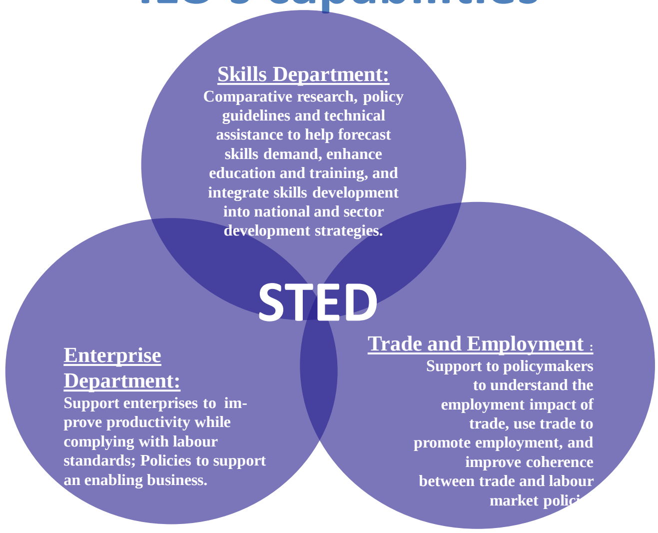
Analyze matching with available skills

Strength and weaknesses of existing educational institutions

Incentives for investing in skills (company / worker / government)

Reform proposals: Policy / institutional / company level

ILO's capabilities



Experience with STED

- Ukraine (Tourism, Metal)
- Kyrgyzstan (Garments)
- Bangladesh (Food Processing and Pharma)
- Macedonia (Tourism and Food Processing)

Skills may not be everything…

… In Macedonia, enterprise surveys reveal that the top five obstacles for doing business are: : access to finance, courts, tax rates, corruption and tax administration

….47% of employers consider skills and education of workers to be a major obstacles for doing business.

… but without them there is nothing

- Skills are a key ingredient to any industrial development strategy
- Development “success stories” have combined coherent policies for investment, R&D, and education / training