

# SECTOR SELECTION FOR DECENT WORK: TIPS, TRICKS AND TOOLS

By Callie Ham, Daniela Martinez & Matt Ripley, July 2017

The theory underpinning sector selection is clear. Projects taking a market systems approach to decent work must ask:

- 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 – and what decent work deficits are they facing, whether it be a lack of jobs, unproductive jobs, or bad working conditions?
- Which of these markets have growth potential?
- Which of the markets are feasible to improve given the available project time, budget and scope?

## DECISIONS, DECISIONS, DECISIONS

But in reality, choosing which sector to intervene in can be a tricky task. How can anyone know, for certain, which sector will generate the most impact given the uncertainties of real-world markets? If sectors are chosen wisely, the target group and wider market system may reap the rewards of transformational change. Chosen badly and the project could be rowing against the current its whole life. In an effort to develop a cost-effective tool to help make better decisions, the Lab piloted the use of rapid market assessments (RMAs)<sup>1</sup> in two very different contexts: the relatively data-rich environment of Peru, an upper middle-income country, and Afghanistan, a fragile and conflict-affected state. The tips, tricks and tools from these experiences are summarised below for the benefit of practitioners.

<sup>1</sup> RMAs are not new, but there is little existing guidance on what an RMA process actually entails. See The Springfield Centre. 2008. "The Operational Guide for the Making Markets Work for the Poor (M4P) Approach", 1<sup>st</sup> edition funded by SDC & DFID.

*This short note summarises learning generated by the Lab ([ilo.org/thelab](http://ilo.org/thelab); @ILOTheLab). The Lab is an ILO global initiative that tests, scales and shares strategies to maximize the impact of market systems development interventions on Decent Work.*

### WHO THIS DOCUMENT IS FOR:

Market systems practitioners looking to select sectors that maximise the potential for Decent Work outcomes.

### PURPOSE OF DOCUMENT:

Share practical lessons and tools from sector selection exercises in Afghanistan (with the Road to Jobs programme) and Peru (with the global SCORE programme), particularly about the use of Rapid Market Assessments (RMA).



## WHAT IS A RAPID MARKET ASSESSMENT?

An RMA provides a quick, flexible, and effective way of collecting, processing, and analysing information about a market system. It helps programmes get a 'first look' at high-potential markets to determine their likely relevance to the target groups, opportunity for positive impact or inclusive growth, and feasibility of intervening for a market systems change.

Note that RMAs do not replace the need for deeper Value Chain or Market System Analyses. These VCAs and MSAs should take place after sector selection. RMAs will be able to identify possible market system constraints, but the root cause reasons in 'supporting markets' that interventions will eventually have to address are beyond the scope of a 'light touch' RMA.

## TWO COUNTRIES, TWO METHODS: EXAMINING PERU AND AFGHANISTAN

For the ILO, sector selection focused on finding opportunities to maximise decent job creation for programmes in Peru and Afghanistan. The main criteria guiding selection was drawn from good practice in market systems development<sup>2</sup> – namely, the opportunity for pro-poor growth; the feasibility to intervene; and the relevance to the poor and the Decent Work deficits they face.

In **Peru**, an RMA was used to gain a deeper understanding of constraints and opportunities in three sectors pre-selected by national stakeholders. Data was collected against sector selection criteria, which allowed for more evidence-based, rather than political, decision-making about in which high-potential sector(s) to intervene. Additionally, a focus on working conditions allowed the assessment to also include an assessment of likely ‘job quality’ impact, in addition to job creation. The Lab conducted sector selection for the SCORE (Sustaining Competitive and Responsible Enterprises) programme, which is a practical training and in-factory counseling program, operating mainly in manufacturing and service sectors<sup>3</sup>.

In **Afghanistan**, the objective of the RMA was to shortlist sectors with a high reliance on wage labour inputs and the potential to create jobs accessible to poor and vulnerable groups. To supplement initial anecdotal evidence collected at the outset of the programme, both substantive and tacit knowledge were collected using the Participatory Appraisals of Competitive

Advantage (PACA) technique<sup>4</sup>. For each sector, information was largely gathered through interactive workshops and dialogues with key stakeholders. Here, the Lab worked in collaboration with the Roads to Jobs programme which aims to facilitate systemic change in sectors relevant to the economic livelihoods of poor and vulnerable rural households and income-earners in the Northern Afghan provinces of Balkh and Samangan.

## SO - WHAT'S NEW?

**SELECTION FOR JOB QUALITY:** There is little guidance available on sector selection for programmes focused on improving job quality. The pilot RMAs<sup>5</sup> attempted to plug that gap to uncover the main issues enterprises face in relation to working conditions while getting a ‘first look’ into the opportunities to address them.

**KNOWING MORE UPFRONT:** In some projects, in-depth analysis often takes place after a cursory sector selection exercise. The purpose of these RMAs was to front-load some market research to the earlier stages of the project, so high-potential sectors were not prematurely dismissed just because the project lacked any actionable intelligence.

**SYSTEMIC LENS:** Sector selection processes often focus too simply on growth forecasts and thus do not capture some of the more systemic market trends. For these case study RMAs, selection criteria considered both growth potential and opportunities for inclusive growth. And, to the extent possible, various actors in the sector—including public and private service providers—were mapped out with their motivations and willingness to change alongside the dynamics that impact on the overall functionality of the market system.

### INVESTIGATING JOB QUALITY

In Peru, where job quality improvement was the primary objective, the RMA shed light on the ‘leverage points’ already existing in the system, such as a new law being passed in the wood and furniture sector that could influence working conditions and offer potential for systemic impact. Through the RMA, the market actors’ readiness and capacity for change could also be assessed. For instance, a local partner was identified that already had funds to invest in job quality improvements throughout the sector, but just lacked information on how to best do so.

2 See The Springfield Centre. 2014. The operational guide for the making markets work for the poor (M4P) approach, 2nd edition funded by SDC & DFID; and also Hakemulder, R. et al. 2015. Value Chain Development for Decent Work: How to create employment and improve working conditions in targeted sectors. Second edition (Geneva, International Labour Organization).

3 SCORE is also funded by SECO.

4 Participatory Appraisal of Competitive Advantage is a method that allows to conduct an action-oriented appraisal of a local economy in just two weeks. For more information, see: <http://www.mesopartner.com/tools/paca/>

5 See annex for guidance used in Peru.

## TIPS AND TRICKS TO CONSIDER FOR YOUR NEXT SECTOR SELECTION EXERCISE

Through these two sector selection exercises, the Lab picked up some tips and tricks that might be helpful for your programme when the time comes for sector selection.

**BE FOCUSED** The wealth of available information during the selection process can be overwhelming, so it is essential to have a clear focus on the research objectives. To keep the research focused, consider the following:

- For job quality, collect data that will help shed light on the core working condition deficits, why they exist in the first place, and the role of market players that influence them.
- Use a template<sup>6</sup> to outline the research questions such that the different researchers who investigate the various sectors can collect consistent and comparable information.

**BE INVESTIGATIVE** While secondary research is vital and provides useful statistics and a good base for assessing market trends, a clear picture of the nature of working conditions, and the attitudes of market actors towards change needs to be developed through primary data collection, such as interviews with market players.

- Talk to people on all sides of the market system, triangulate sources, and gauge interests, attitudes, and incentives in changing the status quo.

**BE SYSTEMIC** When looking at complex issues like job quality, it is important to understand not only the core interactions in the value chain, but also the entire market system. Ask questions to gain an understanding on the various roles that actors play, their needs and capacities, and their attitudes towards change. Some questions to consider might include:

- Who holds power and influence across the market system?
- Who is innovating?
- What is the presence and interest of industry associations?
- What supporting services are available?
- What trends influence behavior (prices, new entrants, production costs, policies, etc.)?

**BE FLEXIBLE** In Afghanistan, the availability of reliable sources of secondary information was a constraint for the sector short-listing process. The RMA proved critical to collect sufficient 'quick and dirty' primary information to be able to shortlist six sectors. The experience generated numerous lessons<sup>7</sup> to apply to cases where information is scarce or unreliable.

- For geographically-bound projects, consider conducting an RMA of the local economy or holding an initial consultative workshop with key stakeholders to help come up with a long-list of sectors.

**MANAGE PARTICIPATION** A sector selection workshop in the form of a consultative meeting with key stakeholders can be a useful way to validate findings, increase ownership of the results and gather further inputs where required. However, using such a workshop to make a final selection can cause some issues as some vocal and powerful market stakeholders, who may have business or political interests at stake, could impose their sectors.

- Do not make final sector selection decisions during stakeholder workshops but rather after a validation workshop – as a dialogue between the project, government and the donor; and
- Consult sector stakeholders in a structured and consistent manner that can elicit (largely) unbiased information.

<sup>7</sup> These lessons helped develop the sector selection tool included in the Value Chain Development for Decent Work Guide, Second Edition.

## FINAL THOUGHTS

A rigorous sector selection exercise yields a strong return on programme investment in the long-term. For these programmes in Peru and Afghanistan, the RMAs provided a better understanding of market systems, the capacities of market players and the potential areas to push for systemic change. Both programmes were better informed to make the difficult decision associated with which sectors to engage in; a process which should hopefully generate better impact during the programme lifespan. Engaging in more comprehensive analysis from the sector selection phase of a project, however, doesn't come without a trade-off. Depending on the number of sectors and the availability of data, an RMA can take time. In the case of Peru, where national constituents supplied a predefined shortlist according to national priorities and accessible public data, RMAs in 3 sectors took 5 weeks. Conversely, in the case of Afghanistan, where the process started with a long list of 8 sectors, the project had no public data to start with, which lengthened the sector selection period to 4 months.

## FOR FURTHER GUIDANCE

Afghanistan and Peru provide practical examples on how to use RMAs for sector selection, however, complementary and more in-depth information on the sector selection process and RMAs is available in the below publications:

Hakemulder, Roel and Value Chain Development Team. "Value chain development for decent work: How to create employment and improve working conditions in targeted sectors." Second Edition. (2015).

Schneemann, Jochem and Trude Vredeveld. "Guidelines for Value Chain Selection: Integrating economic, environmental, social and institutional criteria." (2015).

<sup>6</sup> See annex for template used in Peru.

# RAPID MARKET ASSESSMENT

## GUIDELINES AND TEMPLATE FROM PERU

### WHAT IS IT?

A Rapid Market Assessment (RMA) provides a quick, flexible, and effective way of collecting, processing, and analysing information about a given market system<sup>8</sup>. It helps programmes get a ‘first look’ at a market to determine the likely relevance, opportunity and feasibility of intervening.

### WHAT DOES IT INVOLVE?

An RMA is the beginning of a diagnostic process to begin to understand the complex system a programme hopes to change. It is therefore a first a stepping stone towards an eventual deeper analysis<sup>9</sup>. However, while an RMA is ‘rapid’ it should also be carefully planned so as to capture the right information.

A series of RMAs can be run to provide a basis for choosing market systems and to prioritize which to investigate in more detail to determine where to intervene<sup>10</sup>. This requires comparable selection criteria to make the decision-making transparent, and to aid constructive dialogue.

### SCORE PERU

The objective of these RMAs is to scope and select an appropriate sector/cluster in Peru for SCORE roll-out. The target group for the RMAs are workers in enterprises with sub-standard working conditions<sup>11</sup>.

Three main sets of criteria will be used to consider each market system:

- Relevance to a large number of the target group.

8 A market system is any multi-function, multi-player arrangement based around a core function of exchange (a supply and demand transaction). This core function can be a particular value chain (e.g. maize), service sector (e.g. tourism) a factor market (e.g. land) or a business cluster.

9 Note that RMAs therefore do not replace the need to conduct a more comprehensive value chain or market systems analysis of the eventually ‘selected’ sector(s).

10 This is a so-called ‘sector selection’ process.

11 Working conditions here refers to workplace cooperation, safety and health, working hours, leave, child labour, equality, contract types, social insurance and wages.

- Opportunity to increase job quality and/or quantity among the target group.
- Feasibility to stimulate sustainable change.

Additional specific criteria are included in this RMA, tailored to the objective of finding a SCORE-relevant sector<sup>12</sup>:

- Relevance: the composition and number of small and medium enterprises in the sector (focusing on enterprises in clusters with 30-300 employees).<sup>13</sup>
- Opportunity: to improve working conditions in order to increase enterprise productivity.
- Feasibility: the existing market supply and demand for SCORE training and support.<sup>14</sup>

### THE RMA PROCESS

The SCORE Peru Tripartite Consultative Committee has short-listed aquaculture, tourism, and wood processing as potential sectors for intervention. Each of these will be subject to an RMA in order to determine which sector possesses the greatest potential for producing positive job impacts according to the specified criteria (see below). The RMAs will be co-ordinated by the ILO’s global Lab project<sup>15</sup>, and carried out by ILO staff with the support of relevant sector experts, as required<sup>16</sup>.

12 SCORE (Sustaining Competitive and Responsible Enterprises) is a practical training and in-factory counselling programme, operating mainly in manufacturing and service sectors.

13 Size of firms (micro, small and medium enterprises and the distribution of workers), location of firms (the presence of clusters of firms cutting across different value chains).

14 Based on the recognition that, eventually, changes in business practice prompted by SCORE must be taken up by players across a market not only by the enterprises directed worked with. Noting that demand for SCORE-style training may well outstrip supply in the short-term, will providing training and support to a small number of enterprises risk promoting unfair competition, or other distortionary effects?

15 [www.ilo.org/thelab](http://www.ilo.org/thelab)

16 RMAs are best conducted by those ‘close’ to the market, while retaining their impartiality and being prepared to drop sectors if they turn out to be low-potential. Fully outsourcing diagnostic activities is not encouraged - as organisations will miss out on key insights and risk ‘subcontracting’ their understanding of sectors. External specialists, however, can provide important technical expertise to inform decision-making and assessment.

An RMA is a two-step process:

- Preliminary research, including a literature review of secondary data sources<sup>17</sup>.
- More detailed field research and analysis to collect primary data, mostly through key informant interviews (see data collection, below).

Given this is a rapid assessment, each RMA should take no more than 3 weeks from start to finish<sup>18</sup>.

## DATA COLLECTION

Although there are no fixed research methods for RMAs, the rule of thumb is that data collection has to balance the requirement for rigour (the quality of being extremely thorough and careful) with practicalities (available time, resources and expertise)<sup>19</sup>.

Here are some tips:

- **Triangulate.** Consider information from multiple sources, along with a mix of qualitative and quantitative information, to build up a picture of market dynamics. As far as possible, validate the information using two or more sources.
- **Manage expectations.** In interacting with market players (public agencies and private enterprises), be careful not to create false expectations or give promises of project 'support'<sup>20</sup>.
- **Avoid bias.** Key informant (semi-structured 'conversations' with individuals who have first-hand knowledge) and in-depth (in person detailed discussions around a particular topic) interviews are usually best suited to private commercial players<sup>21</sup>.
- **Participatory.** Avoid just 'assuming' what is important to the target group, what their key challenges are, and what might be of most benefit. Holding focus group discussions or other interview techniques to hear, first hand, what is important to potential target group's economic livelihoods.
- **Unconstrained analysis.** Markets operate, and weaknesses and their solutions exist, beyond the artificial project-related geographic boundaries. Be open-minded in the investigative process!

17 This includes reports from other public or donor funded-initiatives, online searches into relevant private sector activities and available media coverage, as well as obtaining any key national statistics/surveys.

18 Depending on timing and available resources, the RMAs can be run concurrently.

19 There are a broad range of publically available business and market analysis tools (see <http://www.itc-learning.org/course/view.php?id=38>), which can be used in RMAs, along with standard poverty assessment tools.

20 As commented in MaFI: "You can burn a lot of credibility with market actors if you start having in-depth discussions about what the project will do during an analysis, and then there is no follow-up for months".

21 Avoid holding focus group discussions with private market players. For example, it may be (logistically) easier to gather many input suppliers together in a single location for a focus group discussion, but it will rarely result in useful information: commercial players are usually unwilling to share detailed price information, or major business constraints/opportunities in such an open setting among their competitors. A more reliable way is to arrange for a series of separate, one-on-one interviews.

- **Think systemic.** Consider all of the public and private market players that influence the system, not just the players in the 'core' system. How likely will a change in one player's role or behaviour affect that of another? Understanding the nature of these relationships, as well as both the capacity and the incentives that drive the behaviour of players will help give a better understanding of the potential for change.

## TEMPLATE: RAPID MARKET ASSESSMENT<sup>22</sup>

### 1. EXECUTIVE SUMMARY

Please provide a short summary of the sector under investigation and the key findings of the RMA.

### 2. SECTOR RELEVANCE

This section sets out the sector's relative potential to affect large numbers of the target group and the nature of the enterprises involved in the sector. It covers the following criteria:

#### Criteria 1: Number of the target group active in the sector

- How many women and men are estimated to be engaged in the sector? (disaggregate by poverty status, gender).
- What is their geographic location/concentration?

#### Criteria 2: Nature of the poor's participation in the sector

- How do the poor (living on less than \$1/day or under the national poverty line) participate in the sector (as producers, workers and consumers)?
- How do those in poverty derive income from their engagement in the sector – and how important is this income to them vis-à-vis overall livelihood strategies?
- What are the major working condition problems being experienced by those in poverty?

#### Criteria 3: Involvement of disadvantaged groups

- Are people in this sector particularly disadvantaged due to their gender, ethnicity or (remote) location?
- What specific vulnerabilities do they face in the sector?

#### Criteria 4: Composition of enterprises

- What is the make-up of enterprises in the sector (covering the number, distribution, location and nature of micro, small, medium and large firms)?
- What are the levels of formality in the sector?
- In which type of enterprise are the majority of people engaged?

22 The final RMA does not have to follow this exact format, but it must clearly respond to each criteria and answer all questions.

### 3. OPPORTUNITY FOR INCLUSIVE GROWTH

This section sets out the potential to improve job quality/quantity outcomes for target groups in markets that are growing. It covers the following criteria:

#### Criteria 5: Sector growth

- What is the overall size of the market with respect to volume and value of output, demand (real/latent) and supply interactions, and employment share?
- What is the job creation potential based on industry growth, size, employment elasticity, and number of and relative value added by SMEs in the sector?
- What is the previous (past 5 years) and forecasted (next 5 years) growth (or access) trajectory of the sector?
- What are the current levels of innovation, productivity and competitiveness and/or collaboration in the sector?

#### Criteria 6: Prospects for productivity and working conditions improvements

- What are the main issues in relation to working conditions facing enterprises, and are there opportunities to address them?
- To what extent would more cooperative workplace relations produce shared benefits for (poor) workers and enterprise owners?
- Do enterprises face particular barriers to accessing markets – if so, what are they?
- Are enterprises currently maximizing their potential to reduce waste and defects, and therefore to increase productivity?

### 4. FEASIBILITY TO STIMULATE CHANGE

This section sets out the feasibility to stimulate changes in the sector, based on the current levels of incentives and capacities of public and private actors to take on board new ideas, innovations and ways of working. It covers the following criteria:

#### Criteria 7: Availability of market players

- Which organisations (private/public) have a good track record of innovating and investing in this sector?
- What significant investments have recently been made or are planned for the near future?
- Are there any public/private providers already providing training and/or counseling services targeted at working conditions/productivity?

- Are there any firms or relevant service providers that are currently overlooked by existing public or donor support programmes?
- What is the presence and interest (existing and potential) of industry associations?

#### Criteria 8: Conduciveness of political economy

- What is the feasibility of addressing the most significant challenges faced by workers in the target group, given the current economic and political environment?
- What are the relevant government policies and programmes which influence this sector?

#### Criteria 9: Willingness of market players to change

- Are there market players willing to change their business models/adapt new practices?
- Are there any significant political or economic trends affecting the sector (e.g. changes in prices, number of new entrants, production costs, withdrawal protection policies etc.) that can be leveraged – or that would pose a particular risk to intervening?
- Are there available training institutions; government ministries; sectoral, workers' and employers' organisations who have both the 'will' and the 'skill' to own SCORE training?
- How likely are surrounding market players to benefit from/be positively affected by the introduction of SCORE training?

#### Criteria 10: Likelihood of distortion

- Which donor programmes are present, where, and what are they doing/funding?
- Are there any existing sectoral programs or initiatives with similar working conditions/productivity objectives in the sector?
- Would providing 'subsidized' training and counselling on improved workplace relations to some firms, but not others, risk crowding-out or unfairly disadvantaging the non-participating enterprises (or over-burdening the participating ones)?

### 5. CONCLUSION/RECOMMENDATION

This section sums up the findings of the RMA and makes key recommendations with regard to the potential for intervention. It should not be a proposal for specific interventions, but rather a synopsis of the analysis that draws out key conclusions that will aid sector/cluster selection.