

## Draft TC ABSTRACT

### I. Basic project data

▪ Country/Region:	Mexico / CID.
▪ TC Name:	Technical Support to strengthen Mexico's skills development system.
▪ TC Number:	ME-T1279.
▪ Team Leader/Members:	David Kaplan, Team Leader (LMK/CME); Tzitzí Morán (LMK/CME); Manuel Urquidí (LMK/CBO); Consuelo Ricart (SCL/LMK); Ethel Muhlstein (SCL/LMK); Edna Miranda (CID/CME); Gloria Coronel (FMP/CME); Víctor Escala (FMP/CME); and Juan Carlos Pérez-Segnini (LEG/SGO).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Client Support (CS).
▪ Reference to Request: (IDB docs #)	In progress.
▪ Date of TC Abstract:	July 25 <sup>th</sup> , 2015.
▪ Beneficiary:	Government of Mexico.
▪ Executing Agency and contact name	Social Sector, Labor Markets and Social Security Unit (SCL/LMK), IDB. David Kaplan, dkaplan@iadb.org.
▪ IDB Funding Requested:	US\$700.000.
▪ Donor:	Special program for Employment, Poverty Reduction and Social Development in Support of the Millennium Development Goals - Social Fund (ORC/SOF).
▪ Local counterpart funding, if any:	N/A.
▪ Execution period:	32 months.
▪ Disbursement period:	36 months.
▪ Required start date:	November 1, 2015.
▪ Types of consultants:	Individual consultants and firms.
▪ Prepared by Unit:	Labor Markets and Social Security Unit (SCL/LMK).
▪ Unit of Disbursement Responsibility:	Country Office in Mexico (LMK/CME).
▪ Included in Country Strategy (y/n);	Yes. <a href="#">Country Strategy</a>
▪ TC included in CPD (y/n):	Yes. <a href="#">CPD</a> , Annex III
▪ GCI-9 Sector Priority:	Social Policy for Equity and Productivity.

### II. Objective and Justification

- 2.1 The access to skilled human resources is, and will continue to be for some time, the major barrier to international competitiveness.<sup>1</sup> Recent evidence suggesting the existence of a mismatch between the skills in the workforce and those demanded by the labor market has raised concerns in many countries, including Mexico.<sup>2</sup> Skill imbalances impose large costs at all levels: economies are unable to efficiently use their human capital; firms encounter difficulties to become more productive; and many individuals are unable to access good quality jobs. Mexico's public investment in education and training as a percentage of GDP is in line with the OECD average, but there are differences in terms of how resources are allocated and the quality achieved with these investments. Recent studies show the need to find new ways to link the country's skills policies to its growth agenda to enhance the employability, productivity and competitiveness of its workforce.<sup>3</sup> Past efforts to design a skills strategy have fallen short because institutional and technical weaknesses were not adequately addressed in early stages. Key challenges include the limited utilization of the information generated by existing instruments as intelligence for

<sup>1</sup> Canadian Chamber of Commerce, 2013; Davies et al, 2012.

<sup>2</sup> Bassi et al 2012; Mourshed et al 2011; ILO 2014; Manpower Group 2015. The 2015 Manpower Talent Shortage Survey indicates that more than half of Mexican employers report difficulty in filling vacancies because of the lack of candidates with the right skills for the job.

<sup>3</sup> OECD, 2015 ; Bolio et al, 2014; Ricart et al, 2014; ILO, 2011.

- policy-planning; and the need to redesign public financing schemes to overcome budget constraints and create incentives to revert the weak collaboration amongst stakeholders.
- 2.2 The need to make the “leap” into a skills development system that truly supports productivity growth is imperative for Mexico. In recent decades, the economy has been dragged down by a slowdown of GDP and productivity: only a small percentage of Mexico’s GDP is concentrated in very high-productivity enterprises, while most workers have very low levels of productivity (average annual growth was only 0.55% between 2005 and 2012<sup>4</sup>), which undermines any attempt to improve the country’s competitiveness. Mexico is ranked 61<sup>st</sup> out of 144 countries by the World Economic Forum’s Competitiveness Index 2014-2015.
- 2.3 Aware of these constraints to future performance, the Mexican government has made productivity the centerpiece of its development strategy. Since 2013, Mexico has enacted an economic reform that aims to increase growth and has the potential to produce a systemic transformation. Eight sectors have been defined as strategic<sup>5</sup> and the recently created National Productivity Committee has embraced the skills agenda as one of its priorities. A challenge ahead is how to propel forward the institutional and policy changes needed to achieve the skills development aspirations such that public policies on skills development are effective and public funds are allocated efficiently; and how to leverage public investments in education, training, and active labor-market strategies to support state, regional, and national economic and workforce development goals towards sustainable productivity growth.
- 2.4 Following a series of workshops and knowledge exchanges organized by the Bank<sup>6</sup>, the Mexican government has expressed its interest in laying the ground for shaping a new skills development framework that can facilitate: (i) increasing alignment between economic growth priorities and workforce development policies; (ii) adopting a long-term strategic approach for skills development; and (iii) developing a labor supply and demand forecasting system to provide the labor intelligence required for effective policy planning according to the market trends and requirements. This technical cooperation (TC) aims to generate a pool of knowledge and lessons learned from national and international best practices to strengthen the institutional arrangements, procedures and mechanisms for skills development, in order to achieve better design, implementation and evaluations in this area. The current TC aligns with GCI-9 lending programs for poverty reduction and equity enhancement (sector); and regional development goals of social policy for equity and productivity.

### **III. Description of activities and outputs**

- 3.1 **Component 1. Supporting the creation of a national skills development strategy.** The component will finance the development of: (i) a framework analysis that consolidates the existing diagnostics about the Mexican skills development system; (ii) an analysis on national and international best practices for skills development; (iii) a series of consultation dialogues with key stakeholders to debate a national skills development strategy; and (iv) the drafting of the strategy based on (i), (ii) and (iii).

---

<sup>4</sup> CIDAC, 2011.

<sup>5</sup> Including: Aerospace, Automotive, IT, Electric-electronic, Tourism, Oil and gas, Food processing, and Trade.

<sup>6</sup> Including: *Effectively Linking Upper-Secondary Policies to Employment: Perspectives for Mexico from International Experience*; *Transformation: Skills for Productivity*; and *IV Regional Dialogue on Labor Market Policies*.

- 3.2 **Component 2. Promoting labor market intelligence knowledge transfer.** This component will finance: (i) an analysis of existing successful skill forecasting systems around the world (qualitative and quantitative instruments); (ii) study tours for Mexican government representatives; and (iii) consultation dialogues/workshops with national and international experts within the public and productive sectors.
- 3.3 **Component 3. Strengthening labor market intelligence instruments for skills planning.** This component will finance: (i) a diagnostic of institutional and management deficiencies of the Mexican Labor Market Observatory and Employment Portal to guide the development of a technical proposal to strengthen these tools; (ii) a cost-benefit analysis of employers' surveys in at least 2 strategic sectors within the current context and needs; and (iii) a technical proposal of the right mix of instruments for the development of a Mexican skills needs anticipation system. Products (ii) and (iii) will include an estimate cost for the implementation and financial sustainability of these instruments.

#### IV. Budget

**Indicative Budget (US\$)**

Activity/Component	Description	IDB/Fund Funding (ORC/SOF)	Total Funding
Component 1. Supporting the creation of a national skills development strategy	Studies Consultation dialogues Technical assistance	200.000	200.000
Component 2. Promoting labor market intelligence knowledge transfer	Studies Study tours Consultation dialogues	175.000	175.000
Component 3. Strengthening labor market intelligence instruments for skills planning	Proposals of recommendations Cost-benefit analysis	200.000	200.000
Communication and dissemination strategies		75.000	75.000
Contingencies		50.000	50.000
TOTAL		700.000	700.000

#### V. Executing agency and execution structure

- 5.1 The Labor Markets and Social Security Unit (SCL/LMK) will be responsible for the execution of this TC (request in progress). Considering LMK's experience in the above described topics, this Unit will be responsible for the procurement and supervision of the products foreseen in this TC.

#### VI. Project Risks and issues

- 6.1 As this TC supports a system transformation that involves several actors inside and outside the Government, multiagency collaboration might entail delays in project execution. To mitigate this risk, the Bank will maintain a close dialogue with the stakeholders and will act as a broker amongst the different agencies involved.

#### VII. Environmental and Social Classification

- 7.1 Due to the nature of this TC, there are no expected significant negative environmental or social impacts. Based on the Environmental and Social Safeguard Filter, the proposed operation has been classified as category C. See Safeguards.