



MARKET SYSTEMS DEVELOPMENT FOR EMPLOYMENT (MSD4E)

Mercy Corps' Innovative Approach to Youth Employment Programming

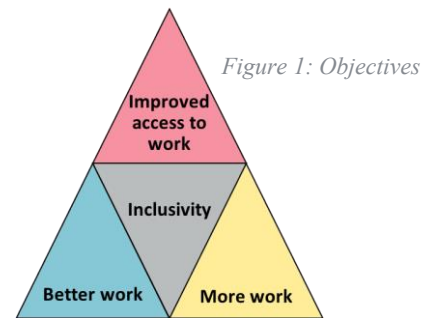
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As the scale of the employment gap continues to grow globally, there is an urgent need for more impactful youth employment programming. Countless reviews have shown that to achieve both depth and scale of impact, programming needs to be more demand-oriented, more responsive to contextual barriers, and more sustainable. To address this, Mercy Corps has adopted the Market Systems Development for Employment (MSD4E) approach, which applies tried and tested systems change principles to our employment work.

Programs that use this new youth employment approach aim to catalyze system changes that lead to:

- **More work:** creating new jobs or increasing demand for self-employment.
- **Improved access to work:** improving people's access to jobs or self-employment opportunities.
- **Better work:** improving the paid work people already have, whether waged or self-employment.

Inclusivity is at the heart of each of these objectives. We consistently monitor who the winners and losers in systems change are and adapt our interventions to push for changes that are meaningful and accessible to marginalized groups, such as youth, women, migrants, and refugees.¹



Youth Employment Systems

Mercy Corps' MSD4E programs are primarily interested in getting the labor market system to work better and more inclusively. To achieve this, we work to change systems on three levels – the economic sectors which drive demand for labor, the labor market system itself, and the systems that 'support' the labor market, such as skills, job-matching, information, and childcare.

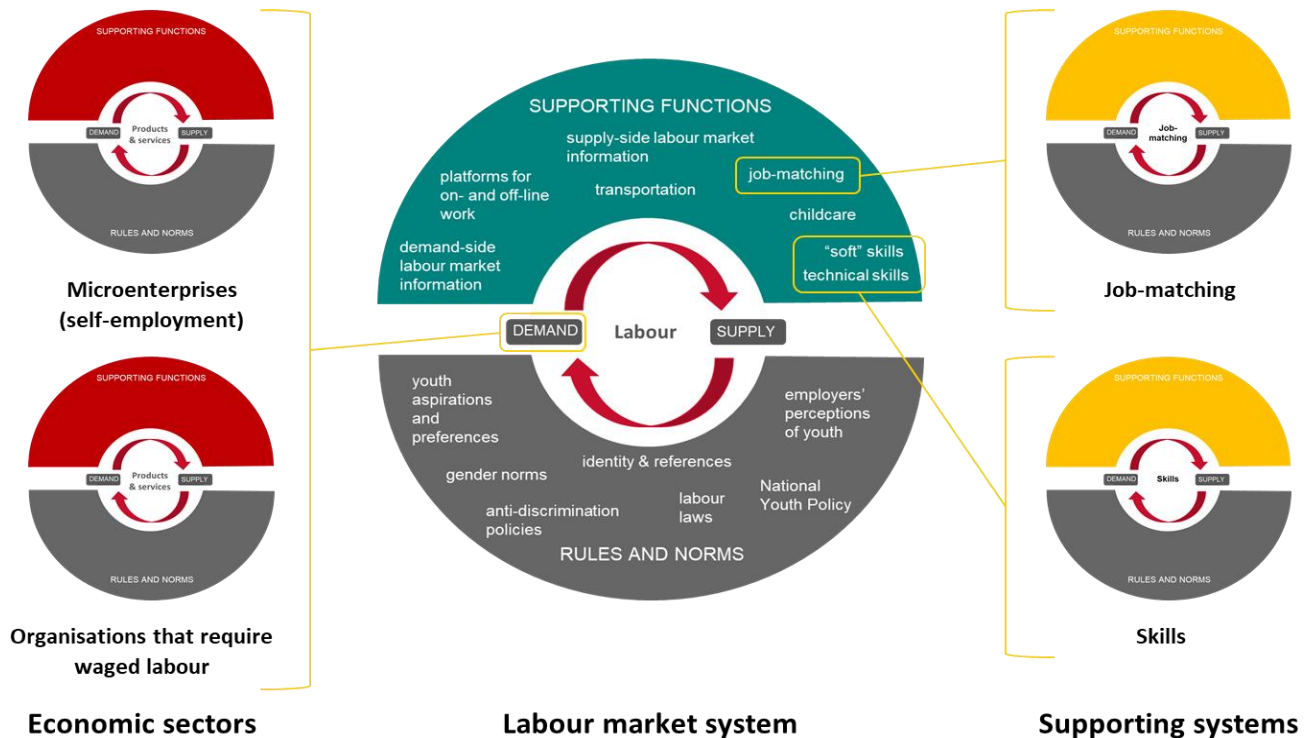


Figure 2: Youth Employment Systems²

While the principal system – the one that has the potential to directly benefit jobseekers and workers – is the labor market system, the particular system we work in is determined by the needs of jobseekers or workers in a given context, and by demand-side dynamics and opportunities.

¹ Figure 1 is a Mercy Corps adaptation of a figure used by The World Bank here: <https://documents1.worldbank.org/curated/en/535171533831283854/pdf/129350-WP-Jobs-in-value-chains-survey-toolkit-PUBLIC.pdf>. With thanks to the ILO who adapted and shared this diagram.

² This image is Mercy Corps' adaptation of a figure developed by Justin van Rhyn for the newly published *Rough Guide to Youth Employment and MSD in Sub-Saharan Africa*: <https://beamexchange.org/resources/1752/>

More work:

If there isn't enough suitable work for jobseekers and/or entrepreneurs, we may work in the economic sectors from which demand for labor is derived, seeking to unlock growth that will lead to job creation or opportunities for self-employment. This must be based on a realistic assessment of competitiveness in the sector from which labor demand will be derived, and on the feasibility of catalyzing changes that will lead to job creation with the program's resources. It is not about attempting to 'create' demand for labor, but rather about identifying where nascent demand exists, and leveraging those opportunities. For example, there may be unrealized demand for in-home services, which microenterprises could capitalize on through better marketing. Capturing this demand would lead to 'more work' for owner-operators. Another example comes from [MDF's](#) work in Fiji – demand for business outsourcing services was growing in the region and internationally, and Fiji has competitive features that positioned it well against competitors. MDF's work has enabled Fijian players to capitalize on this opportunity, creating hundreds of jobs, with potential for the industry to add another 100,000 jobs in Fiji over the next decade.³

Improved access to work:

If there are suitable work opportunities (i.e. there is demand for labor), but some people are not able to access those opportunities, we need to work to change the systems that are blocking access. For example, if refugees are unable to legally register as self-employed, we may work to change regulations. If youth do not have the skills to access waged employment in a growing sector, we may focus our efforts on changing the way the skills system works. Or, if women cannot access work opportunities due to a lack of childcare, we may work to change the childcare system. An example comes from Mercy Corp's work in Ethiopia, where the [LIWAY](#) program is supporting both public and private sector actors to pilot a series of digital job matching solutions, including digitizing the Ministry of Labor and Skills' job-matching service, and working with advertising firms to roll out a digital job-matching platform specifically geared towards targeting workers with less specialized skills.

Better work:

'Better work' covers a range of potential outcomes, including improved income (in waged or self-employment), better working conditions, improved job security, or greater flexibility. Better work can come from growth in economic sectors (for example, growth in demand for microenterprises' goods and services can lead to increased incomes for their owners), or from changes in the supporting systems (for example, better enforcement of health and safety regulations can lead to improved conditions for factory workers).

Neither demand for labor, nor demand for skills, can simply be assumed. Economic sectors determine demand for labor, and the labor market determines demand for skills, job-matching, childcare, etc. A foundational principle of MSD4E is that in order to achieve impact, programs must identify opportunities where there is a shortage of labor, or where demand for goods and services can readily be translated into demand for labor (whether through self-employment or waged employment).

³ MDF, 2022, see for example: <https://www.facebook.com/watch/?v=702434037797703>. Thanks to Rob Hitchins who commented on an earlier version of this Approach and shared the example. MDF is a multi-country program that is implemented by Palladium and Swisscontact, and funded by AusAid.

The MSD4E Program Process

A hallmark of MSD4E is that it is adaptive and iterative, so our programming does not follow a linear process. However, programming does try to address each of the following, albeit not in a stepwise manner.

Inception phase

Understanding workers and/or jobseekers:

MSD4E programming is driven, first and foremost, by the needs of jobseekers and/or workers; and no group of jobseekers or workers, however tightly defined, is homogenous. To respond to this diversity, our programs conduct research and develop “segments” which group jobseekers and workers with similar ambitions, needs, and capacities in the world of work. This creates clarity around who is being included (or not) when it comes to interventions to stimulate system changes.

Labor market scan:

The purpose of an initial high-level labor market scan is to understand key macroeconomic trends, and to develop a longlist of the sectors that hold employment potential for the jobseekers/workers in question. This step helps prevent the common mistake of focusing on issues in supporting systems – e.g., skills, job matching – without first understanding where demand for labor lies.

Sector selection:

MSD4E programs select sectors based on the relevance of the sector to different segments of jobseekers and workers, the opportunity for improved work (paying particular attention to labor demand), and the feasibility of achieving change within the life of the program. Many sectors do not have sufficient demand for labor to enable impact at scale. Consequently, MSD4E programs often group sectors together into what we call ‘sector groups,’ or address constraints that are common to multiple sectors, by working on cross-cutting supporting systems.

Develop preliminary theories of change:

In MSD4E, theories of change vary between waged- and self-employment, and between the different objectives of more work, better work, and better access to work. While sector theories of change will be refined following intervention design, this stage provides an opportunity to ‘sense check’ emerging theories of change against existing understandings and evidence.

Market mapping and opportunity analysis:

The next stage is to conduct in-depth market system assessments on each of the selected sectors, in order to identify opportunities for sustainable system changes that will lead to more work, better work, or better access to work. This opportunity analysis (sometimes called ‘root cause analysis’) enables the program team to dig deep into why opportunities have not yet been capitalized on within the existing system and lays the groundwork for intervention design.

Vision and intervention design:

Based on the understanding generated from market system assessments, the program develops a vision for who could do what to enable the system to sustainably function better, and more inclusively. Building on the in-depth analysis to date, the program designs and validates a preliminary opening portfolio of interventions to pilot.

Implementation phase

Form partnership agreements:

The program assesses potential partners' ability to pilot an intervention. Having selected potential partners, program staff co-design a detailed intervention plan with partners. The purpose of interventions is to sustainably change the way private and public sector actors play their roles in the market system. To avoid distortion, MSD4E tactics are minimalist and limited to temporary support.

Pilot, monitor, and adapt:

MSD4E programs cannot control the results of pilots and expect many to fail. Pilots are closely monitored, with regular 'pause and reflect' points for the team to reassess whether to adapt a pilot, close it, continue it, or scale-it up.

Scale-up:

Successful pilots move into the scale-up phase. During this phase, the program's goal is for the pilot partner's changes to the system to 'stick' and to 'spread' across the system, thereby benefiting as many jobseekers and workers as possible.

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About Mercy Corps

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within.

Now, and for the future.



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