



# Labor Market Assessment Honduras



PROYECTO  
ALCANZA

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## Executive summary

The following study, conducted by the USAID Realizing Equitable Access, Retention and Completion in Higher Education (REACH or ALCANZA) Project, is an update of the Labor Market Assessment (LMA) carried out by the USAID LAC Regional Workforce Development Project (also known as Advance or Avanza) in Honduras in 2016. The objective is to reexamine the current labor market, particularly the market for professional and vocational skills. This study includes a literature review and a statistical analysis of the Gross Domestic Product (GDP) evolution, employment statistics, and the external sector of the Honduran economy. Additionally, the study organized interviews and focus groups with experts to categorize economic sectors based on their current relevance and growth potential at the country and regional levels in the provinces of Cortez, Yoro, Atlantida, Colon, Comayagua, Francisco Morazan, Santa Barbara, and La Paz. These provinces contain the 40 municipalities prioritized for support by USAID Honduras.

Furthermore, this study produced a synthetic index to assess which economic sectors were the most productive based on relevance and growth potential. The index was developed to guide the selection of the REACH project's scholarships, which are intended for higher education academic programs that are in demand by the country's most productive and fast-growing business sectors.

The study identified the following sectors:

**a) Industry:**

- The textile industry went from one of the leading sectors, identified by the 2016 LMA, to the highest-leading sector in Honduras' industrial sector due to its large number of exports, the type of products it exports, and its comparative advantage. The World Bank (2022) and USAID Empleado Futuro (2017) identified this sector, and experts interviewed for this project repeatedly mentioned it.
- The light and midsize industry (cables, parts for machinery and vehicles, among others) sector was identified as a prominent sector because some of its products are among the top identified exports and have a lot of growth potential through products such as electronics, metal, and machinery and tools. The expert interviewees also identified this sector as relevant, especially in the province of Cortez. The light industry was recognized by the World Bank (2022), USAID Empleado Futuro (2017), and the 2016 LMA.
- Within the food production and beverages sector, beverages, mill products, meat processing, and fish were identified as having higher growth rates.

**b) Agroindustry:**

- Within agroindustry, coffee, melons, papayas, plantains, shellfish, and palm oil carry a significant weight within exports and have a high comparative advantage. The expert interviewees expressed coffee as extra relevant, particularly in Santa Barbara and La Paz, and the dairy and palm oil industries were mentioned as having the highest competitive advantage. The World Bank study (2022) identified coffee, fruits, vegetables, and shellfish as internationally competitive sectors, and USAID Empleado Futuro (2017) identified agroindustry, particularly the dairy and palm oil industries, as a sector with growth potential. The 2016 LMA also mentioned coffee, fruits, vegetables, and dairy products as relevant.

**c) Trade:**

- Trade is one of Honduras's most relevant economic sectors due to its weight in the GDP and high labor demand, and the interviewees also mentioned it as relevant. It is pertinent to highlight that one expert in retail said that this sector has a high potential for demanding people with higher education related to management and sales, among other similar specializations.

**d) Financial services:**

- Financial services had the highest growth rate between 2015 and 2019. The interviews identified it as a dynamic sector. The World Bank also pointed this out (2022), although only concerning digital financial services for micro and mid-sized enterprises.

**e) Services and ICT:**

- Services, particularly those related to information and communication technologies (ICT), have also been pointed at because of their relevance in the GDP and their labor demand, growth, and relevance in the country's exports. This sector, explicitly business-process outsourcing (BPO), was also identified by the World Bank (2022), USAID Empleado Futuro (2017), and the 2016 LMA. This sector was repeatedly mentioned in the interviews.

**f) Tourism (hotels and restaurants).**

- Tourism, particularly business tourism, was mentioned as important in Atlantida, Colon, and Francisco Morazan. Tourism is among Honduras's main exports, and USAID Empleado Futuro (2017) and the 2016 LMA also identified it.

**g) Energy:**

- The ranking includes the energy sector because of its relative GDP growth and because its demand for labor has increased rapidly since 2015. The

relevant literature highlights this sector, but the interviewees did not mention it. Thus, this study suggests its inclusion, although there is less evidence for its case than for the other sectors.

**h) Forestry:**

- Although this sector was identified as relevant for the three provinces under the investigation, it was not highlighted. Nonetheless, this study recommends its inclusion mainly because of its positive impacts on the development of the green economy. In this case, the production of wood, environmental and conservation services should be considered.

The professions demanded by the identified economic sectors are the following:

**Textiles:**

- a) Technicians, machinery drivers, and textile engineers

According to the International Labor Organization (ILO) in 2019, the following sectors will increase their demand for new skills in the supply chain in relation with:

- a) New production processes
- b) Design
- c) Financial services
- d) Product design and development
- e) Logistics
- f) Marketing
- g) Sales
- h) Client services
- i) ICT

**Industry:**

According to the interviewees, this sector demands:

- a) Technicians and engineers in industrial and car production
- b) Experts in refrigeration systems
- c) Experts in machine servicing
- d) Engineers and technicians in electrical systems
- e) The people interviewed mentioned that support services to the industrial sector must be strengthened. Certified welders were given as an example of this.

According to the Technology and Manufacturing Association, the main careers demanded in this sector are:

- a) Machinery drivers and tools and die cutter manufacturers\*
- b) Cast design and manufacturing
- c) Computerized Number Control (CNC) programmers, whom usually have a diploma in mechanical engineering
- d) Quality control inspectors\*
- e) Industrial machinery mechanic\*
- f) Manufacturing engineer

\*These positions could require higher technical education, although depending on their profile, they could perform well with vocational training.

### **Agroindustry:**

The study suggests that professional development in this area must support agricultural modernization, which includes the use of drones, better production practices, and export protocols.

The Chamber of Commerce and Industry of Choloma also expressed the need for ISO and environmental certifications and certifications for food chains and cold chains.

According to the ILO (2020), this sector demands:

- a) High-profile managers, commercial development managers, professional directors, and farm owners. People with technical skills in agriculture, data collection, and agribusiness incubators are also needed. In this respect, one could prioritize careers related to agribusinesses, agriculture and livestock management, and agronomy.
- b) Mid-level professionals. This tier refers to veterinarians, plant breeders, extensionists, agricultural technicians, agronomists, agricultural economists, and other supervisory-level occupations. There is also a need for people with skills in ICT.
- c) Technicians, professionals, and certified agricultural technicians. This tier refers to breeding place technicians, security and occupational health experts, machinery operators, cage-construction technicians, breeder technicians, and expert fumigators. The key roles in this category include operative work at the farm level.

### **Trade:**

The interviewees mentioned that for this sector, there is a demand for skills in management and sales, which are horizontal to other industries. These skills include:

- a) Sales coaching
- b) Marketing
- c) Client services
- d) Financial administration, accounting, and business management
- e) Project management certifications

With the growth of digital trade fostered by the COVID-19 pandemic, this sector has a growing demand for the following skills<sup>1</sup>:

- a) Customer experience management that creates positive customer experiences and increases customer loyalty.
- b) Digital marketing that guides potential clients towards the business' products.
- c) Search Engine Optimization (SEO) skills that increase website traffic.
- d) Content creation to produce content aimed at clients.
- e) Data analysis skills to analyze the performance of websites, sales, consumer demand, etc.
- f) Design skills to create websites that offer the best possible consumer experience.
- g) Artificial Intelligence (AI) skills that can automate business processes.

The professions directly related to this sector are the following:

- a) Electric system technicians and engineers
- b) Engineers and technicians in electronics
- c) Civil engineering
- d) Horizontal professions related to management, customer service, ICT, lawyers, and experts in regulations, among others.

According to Forbes, the skills demanded by this sector in the next ten years will be the following<sup>2</sup>:

- a) Data science
- b) Analysis and modeling

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<sup>1</sup> See: <https://www.brightpearl.com/blog/learn-to-hire-employees-to-fill-skill-gaps-and-improve-e-commerce-sales>

<sup>2</sup> See: <https://www.forbes.com/sites/forbestechcouncil/2022/04/08/whats-needed-to-close-the-skills-gap-in-the-power-industry/?sh=275dae6d138e>

- c) Environmental impact and efficiency
- d) Strategic Planning
- e) Use of advanced platforms in energy management
- f) Network analysis
- g) Network modernization

Additionally, the sector needs professionals in renewable energies.

### **Financial services:**

The interviewees mentioned that this sector is growing and that it requires skills in:

- a) Financial and bank management
- b) Business administration.

According to the Financial Services and Skills Commission (2022), two significant forces are influencing the future requirements of skills in this sector: technology and consumer behavior change. Thus, this research has identified the following knowledge and skills needed for the future of this sector:

- a) *Data analysis and knowledge generation*: These abilities maximize the value of data and the value of products and services offered.
  - Data science
  - Data reporting
  - Data literacy
  - Data collection and analysis
  
- b) *Technology design and management*: These are highly demanded skills in which financial service businesses compete against technology firms for the best talent.
  - Software architecture
  - Blockchain
  - Cloud computing
  - Infrastructure management and engineering



- c) *Business process and consumer experience design*: Accessing financial services is vital for the safe and effective use of various digital platforms.
  - Digital literacy
  - Business design
  - Service design
  - Consumer experience design
  - User experience design
  
- d) *Behaviors to manage change*:
  - Coaching
  - Creative thinking

### **ICT:**

The Information and Communications Technology sector is horizontal and supports the other sectors. The interviewees mentioned that the most demanded professions are the following:

- a) Computer science
- b) Data mining and science
- c) Engineering and technicians in systems
- d) Digital disciplines such as graphic design and digital marketing, among others
- e) Cybersecurity

This sector was mentioned as one of the most important in the Honduran economy because personnel can work from anywhere in the country, meaning people are not required to move to find a job. There is also Business-Process Outsourcing (BPO), which is believed to have growth potential. The most common degrees for people working in BPOs are business management and marketing.

According to the ILO (2019), workers with education in the fields of ICT and science, technology, engineering, and math (STEM) will be in exceptionally high demand in all industries in all countries.

### **Tourism:**

This sector requires the following professions:

- a) Technicians in tourism
- b) Technicians in hostelry
- c) Technicians in gastronomy

Additionally, this sector requires personnel with education in client service.

According to the Asian Development Bank (2019), the common professions in tourism are:

- a) Cooks and chefs
- b) Travel agents
- c) Certified hostelry workers
- d) Certified personnel in food and beverage services

Also, the same study indicated that education in tourism also demands knowledge of the following areas:

- a) Adventure tourism
- b) Ecotourism
- c) eTourism
- d) Health tourism
- e) Touristic business management

### **Forestry:**

According to the U.S. Federal Office for the Environment (2011), the most relevant degrees for this sector are the following:

- a) B.Sc. in Agribusiness and Biotechnology
- b) Natural resources and environmental technologies
- c) Natural resources management
- d) Forestal ecosystems management
- e) Forestal engineering
- f) Wildlife technician
- g) Forestry technician
- h) Ecology and natural resources management
- i) Management and forest conservation.

This study also recorded the opinions of Honduran youth. It organized workshops with 16 young people to learn their expectations concerning higher education and the degrees demanded by the identified productive sectors in this study. These workshops provided relevant information, such as the role that violence can play in reducing the number of young people who apply for scholarships. In this regard, the REACH project suggests including social emotional and psychological support for students who require it.

The young interviewees mentioned that the program should include tuition and application fees in their scholarships and allowances for transportation, childcare, and the care of other relevant family members.

Additionally, young people need more information about the options of degrees available after secondary school. They should be informed about the advantages of receiving a higher education, particularly regarding their job opportunities. In order to increase the number of youth choosing to study an in-demand degree, it is necessary to inform students and related parties about the degrees' labor perspectives, acceptance opportunities, lengths, and taught skills, among others.

Moreover, the labor market analysis indicates that STEM degrees are among the most in-demand degrees. However, young people perceive that more than their secondary education is required to be accepted into a STEM program. Addressing this issue requires that higher education institutions provide support services such as courses and tutoring that can better prepare youth to pass admissions tests and help them study more effectively in the higher education system.