

# **Apprenticeships in the Informal Economy – Potential Role for Microfinance**

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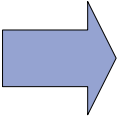
## **OUTLINE**

- Rational for SFP engagement in Apprenticeships – the microfinance link
- Research Study on Apprenticeship Financing
- Potential Entry Points for Microfinance
- Points for Discussion

## MICROFINANCE LINK

Microfinance for Youth Employment

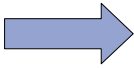
3 potential entry points for microfinance

- Wage Employment – financial incentives to employ young jobseekers
  - Youth Entrepreneurship
  - Education / Training
- 
- Apprenticeships

## RESEARCH

Background Apprenticeship Financing:

- Self Financing: Cost sharing between master and apprentices
- Fees, allowances, in kind (training, labour, others)
- Mechanism efficient? Exploitative? Inclusive?  
Relationship to financing of enterprise?



SFP Research: Financial Arrangements in  
Traditional Apprenticeships: Determinants and effects

## RESEARCH AIM

Research aim:

- Financial Arrangements in traditional apprenticeships?
- Relationship to enterprise financing?
- Financing of apprenticeship by apprentices?
- Evidence of inefficiencies?
- Potential influence of microfinance?

## RESEARCH – Main Results

- Payment of fees for apprenticeship training common practice
  - 97.5% charge fees; amount: 22 - 600 \$US, Mean: 153 \$US
- No obvious relation between financing of enterprise and apprenticeship confirmed
  - Micro enterprises predominantly use internal sources to finance enterprise activities (3.5% had taken a bank loan)
- 83% of apprentices receive financial and in kind support from masters
  - Allowance > Fees in 66.5% of cases
  - No exploitation via fees

## RESEARCH – Main Results

### Evidence of Inefficiencies

- Accessibility for vulnerable youth:
  - Apprentices largely rely on parents/guardians to pay for fees and living expenses >70%
  - Educational level of apprentices above average
- Transition from apprenticeship to (self) employment
  - Lacking access to start up funds

## Potential Role for Microfinance

- Demand for training: Facilitate access to apprenticeship
  - educational loans, saving products, grants for apprentices
- Supply of training:
  - Quantity
  - Quality
  - improved access to credit for entrepreneurs
- Transition from apprenticeship to self employment
  - access to enterprise start up loans

## Points for discussion / questions for further research

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- Positive vs. negative effects of microfinance? Danger of distorting self regulating system?
- Feasibility of conditional loans? Under which condition?
- Design of educational loans for apprentices?

## THANK YOU

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