



International  
Labour  
Office  
Geneva

**Employment Sector  
Employment Working Paper No. 5**

**2008**

**Skills and productivity in the informal  
economy**

Robert Palmer

Skills and  
Employability  
Department

Copyright © International Labour Organization 2008  
First published 2008

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: [pubdroit@ilo.org](mailto:pubdroit@ilo.org). The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with reproduction rights organizations may make copies in accordance with the licences issued to them for this purpose. Visit <http://www.ifro.org> to find the reproduction rights organization in your country.

---

Palmer, Robert

Skills and productivity in the informal economy / Robert Palmer ; International Labour Office, Skills and Employability Department. - Geneva: ILO, 2008

79 p. (Employment Sector working paper ; no.5)

ISBN: 978-92-2-121273-7; 978-92-2-121274-4 (web pdf)

ISSN 1999-2939 (print); 1999-2947 (online)

International Labour Office; Skills and Employability Dept

vocational training / apprenticeship / skill / training employment relationship / productivity / informal economy / developing countries

06.01

*ILO Cataloguing in Publication Data*

---

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and electronic products can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: [pubvente@ilo.org](mailto:pubvente@ilo.org)

Visit our website: <http://www.ilo.org/publns>

---

Printed in Switzerland

## Preface

The primary goal of the ILO is to achieve full and productive employment and decent work for all, including women and young people, a goal which has now been widely adopted by the international community. Working towards this goal is the fundamental aim of the ILO.

In order to support member States and the social partners to reach the goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations of this integrated approach and related challenges are contained in a number of key documents: in those explaining and elaborating the concept of decent work,<sup>1</sup> in the Employment Policy Convention, 1964 (No. 122),<sup>2</sup> and in the Global Employment Agenda.

The Global Employment Agenda was developed by the ILO through tripartite consensus of its Governing Body's Economic and Social Policy Committee. Since its adoption in 2003 it has been further articulated and made more operational and today it constitutes the basic framework through which the ILO pursues the objective of placing employment at the centre of economic and social policies.<sup>3</sup>

The Employment Sector is fully engaged in the implementation of the Global Employment Agenda, and is doing so through a large range of technical support and capacity building activities, advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.<sup>4</sup>

The *Employment Working Papers* series is designed to disseminate the main findings of research initiatives undertaken by the various departments and programmes of the Sector. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are those of the author(s) and do not necessarily represent those of the ILO.

José Manuel Salazar-Xirinachs  
Executive Director  
Employment Sector

<sup>1</sup> See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

<sup>2</sup> In 1964, ILO Members adopted Convention No. 122 on employment policy which states that "With a view to stimulating economic growth and development, raising levels of living, meeting manpower requirements and overcoming unemployment and underemployment, each Member shall declare and pursue, as a major goal, an active policy designed to promote full, productive and freely chosen employment". To date, 97 member States have ratified this Convention.

<sup>3</sup> See <http://www.ilo.org/gea>. And in particular: *Implementing the Global Employment Agenda: Employment strategies in support of decent work*, "Vision" Document, ILO, 2006.

<sup>4</sup> See <http://www.ilo.org/employment>.



## Foreword

The agenda for the 97th session of the International Labour Conference (ILC), Geneva, June 2008, includes a General Discussion on *Skills for improved productivity, employment growth, and development*. The present report is one of a series of papers on the same topic that have been commissioned as background papers for the preparation of the Report to the Conference.

Given the phenomenal growth of the informal economy in the past three decades it was considered necessary to examine the linkages between skills and productivity in the context of the informal economy so as to inform the relevant chapters of the ILC Report, in particular those relating to developing countries. Indeed, the informal economy represents the primary destination for both out-of-school and school graduates in most developing countries. It often provides both skills training opportunities and a possibility of finding, or creating livelihoods. Skills development is one of the key determinants of how, and for whom, productivity growth translates into employment growth, into better work in the informal economy and to movement from the informal to formal economies. The ILO Recommendation 195 recognizes the important role education and training can have in transforming activities in the informal economy, stating that:

Members should identify human resources development, education, training and lifelong learning policies which... address the challenge of transforming activities in the informal economy into decent work fully integrated into mainstream economic life; policies and programmes should be developed with the aim of creating decent jobs and opportunities for education and training, as well as validating prior learning and skills gained to assist workers and employers to move into the formal economy (ILO, 2005b, pp.4-5).

The present paper analyzes linkages between skills and productivity for improving existing work in the informal economy and for enabling the transition of informal activities to the formal economy. It examines issues and challenges related to skills and productivity in the context of the informal economy, presents a wide range of experiences that have been undertaken as responses to the identified issues and challenges, and draws a number of lessons that can be learned from such experiences.

This paper was prepared by Robert Palmer, consultant, and secretariat member of the Network for Policy Research, Review and Advice on Education and Training (NORRAG). Dr. Palmer lists as his main research interests: education, skills development, micro and small enterprise development and poverty reduction in developing countries (Rob.Palmer@norrag.org).

The paper was prepared under the guidance and supervision of Josiane Capt, Senior Specialist on the Informal Economy in the Department of Skills and Employability. Jane Auvré was responsible for preparing the manuscript.

Christine Evans-Klock  
Director  
Skills and Employability Department



# Contents

	<i>page</i>
Preface .....	iii
Foreword .....	v
Abbreviations .....	xi
Executive summary .....	xiii
1. Introduction .....	1
2. Productivity and decent work deficits in the informal economy .....	3
<i>Introduction</i> .....	3
2.1 <i>The informal economy and (the lack of) decent work</i> .....	4
2.2 <i>Cycles of low skills, low productivity employment and poverty for the working poor</i> .....	7
2.3 <i>Some caveats related to the use of the concept of productivity in the informal economy</i> .....	10
2.4 <i>Raising productivity in the informal economy</i> .....	11
2.5 <i>Concluding comments</i> .....	16
3. Skills and productivity in the context of the informal economy: Issues, challenges and lessons learned.....	16
<i>Introduction</i> .....	16
3.1 <i>Policy, coordination, targeting and data challenges</i> .....	17
3.2 <i>Extending access to relevant and quality training and improving the portability of skills</i> .....	22
3.3 <i>The impact of skill acquisition on productivity and improved livelihoods</i> .....	41
3.4 <i>Concluding comments</i> .....	48
4. Conclusion and policy implications .....	49
4.1 <i>Setting policy for skills for increased productivity in the informal economy</i> .....	49
4.2 <i>Basic education: an essential prerequisite</i> .....	49
4.3 <i>Coordinating skills for increased productivity</i> .....	50
4.4 <i>Targeting skills for increased productivity</i> .....	50
4.5 <i>Accessing relevant and good quality skills for increased productivity</i> .....	51
4.6 <i>Translating skill acquisition into productivity increases and improved livelihoods</i> .....	52
4.7 <i>Skills development and the poor</i> .....	53
4.8 <i>Gender issues need to be integrated into policy and training</i> .....	54
Bibliography.....	55

Appendices .....	63
<i>Appendix I: What is labour productivity?</i> .....	63
<i>Appendix II: ILO tools and International Labour Standards</i> .....	64
<i>Appendix III: Case studies of skills development programmes/projects aimed at upgrading productivity in the informal economy: interventions targeted at enterprise owners and apprentices</i> .....	67
<i>Appendix IV: Gender issues in skills development and employability: Lessons learned</i> .....	74

## List of figures, tables and boxes

Figure 1. Cycles of low skills, low productivity employment and poverty for the working poor in the informal economy .....	9
Table 1. Contribution of informal enterprises to GDP in selected developing countries.....	5
Table 2. Main approaches to raising the productivity in the informal economy.....	12
Box 1. The challenge of raising productivity: EMP/SEED's experiences with job quality .....	13
Box 2. Addressing the informal economy: Policy initiatives from Ghana.....	15
Box 3. NACVET and COTVET in Ghana: A new era of coordination or new wine in old wineskins?.....	19
Box 4. The Training for Rural Economic Empowerment (TREE) methodology.....	26
Box 5. Alleviating Poverty through Peer Training (APPT) in Cambodia.....	27
Box 6. Ghana's Rural Enterprise Project (REP) .....	27
Box 7. National Vocational Training System Project in India .....	31
Box 8. The Centre for Research and Industrial Staff Performance in India.....	32
Box 9. ISTARN – Traditional Apprenticeship Programme (TAP), Zimbabwe (in the 1990s).....	38
Box 10. ISAs and trade testing in Cameroon .....	40
Box 11. Four years of education and agricultural productivity .....	44
Box 12. Skills development for better work in the informal economy: South India.....	46
Box 13. Skills development approaches that integrate market linkage or job matching.....	47



## **Acknowledgements**

Special thanks are due to Josiane Capt (formerly at EMP/SKILLS) for her coordination and guidance in undertaking this review, and to Mouniratou Tangara, Sandra Yu and Gopal Joshi, who also provided comments on earlier drafts. Thanks also to Julia Frölicher and Anita Sharma of GTZ who brought to my attention the CRISP and NVTS cases from India.

Robert Palmer



## Abbreviations

APME	Micro-enterprise Support and Promotion Programme (Cameroon)
APPT	Alleviating Poverty through Peer Training (Cambodia)
ASEAN	Association of South East Asian Nations
BAA	Bureau d'Appui aux Artisans (Senegal)
BDS	Business Development Services
CBT	Community-Based Training
CINTERFOR	Inter-American Research and Documentation Centre on Vocational Training
CRISP	Centre for Research and Industrial Staff Performance, Bhopal, India
DFID	Department for International Development (United Kingdom)
DHAN	Development of Humane Action (India)
DWCP	The ILO's Decent Work Country Programme
EMP/SEED	ILO Small Enterprise Development Programme
EMP/SKILLS	ILO Skills and Employability Department
GDP	Gross Domestic Product
GIPA	Intersectoral Craftworkers Association
GTZ	<i>Gesellschaft fur Technische Zusammenarbeit</i>
ICT	Information and Communication Technology
ILC	International Labour Conference
ILO	International Labour Organization
IPEC	International Programme for the Elimination of Child Labour
ISA	Informal Sector Association
ISTARN	Informal Sector Training and Resources Network
MAYA	Movement for Alternatives and Youth Awareness (India)
MC	Master-craftsperson
MDG	Millennium Development Goals
MSE	Micro and Small Enterprise
NDE	National Directorate of Employment
NGO	Non-Governmental Organization
NOAS	National Open Apprenticeship System (Nigeria)
NQF	National Qualifications Framework
NTA	National Training Authority
NVTI	National Vocational Training Institute
NVTS	National Vocational Training System (India)
REP	Rural Enterprise Project (Ghana)
SCR	Success case replication
SITE	Improving Traditional Apprenticeship Training Project (Kenya)
SME	Small and medium-sized enterprises
SPGE	District Assembly for Production and Gainful Employment
SSA	Sub-Saharan Africa
STEP	Skills Training and Entrepreneurship Programme
TAP	Traditional Apprenticeship Programme (Zimbabwe)
TREE	Training for Rural Economic Empowerment
TVE	Technical and Vocational Education

TVET	Technical and Vocational Education and Training
VSP	Vocational Skills and Informal Sector Support Project (Ghana)
VTI	Vocational Training Institution

## **Executive summary**

### **Productivity and better work in the informal economy**

#### *The informal economy and (the lack of) decent work*

The phenomenal growth of the informal economy during the past three decades poses a major challenge for the ILO's decent work agenda, considering that the principles of decent work are as critical in the informal as in the formal economy, though much harder to achieve. While important in terms of employment and income-generation, work in the informal economy is hard, insecure, unrepresented, and for many yielding only meagre incomes. The vast majority of informal enterprises suffer from low productivity and product quality. In many developing countries in Africa, Asia and Latin America the informal economy is where the majority of new employment opportunities are created and where the bulk of the population, including most of the poor, mainly women, works. Decent work deficits are present in virtually all the ILO strategic areas. The informal economy is heterogeneous and the term refers to an expanding and increasingly diverse group of workers and enterprises in both rural and urban areas operating informally. It includes persons working in informal enterprises (including employers, own account operators, street vendors, informal wage workers, apprentices, unpaid family workers, etc.), unregistered or undeclared workers in formal enterprises, and those working outside informal enterprises (including domestic workers, casual or day labourers, industrial outworkers, homeworkers, etc.). The informal economy can be conceptualized as a continuum between more survivalist lower productivity activities at one end (the working poor) and more dynamic higher productivity activities at the other. For intervention purposes, it is important to understand the heterogeneity of the informal economy and to design specific programmes for the different target groups.

#### *Cycles of low skills, low productivity employment and poverty for the working poor in the informal economy*

The majority of workers in the informal economies of Africa, Asia and Latin America can be characterized as the working poor and suffer from multiple vicious cycles of poverty and vulnerability which perpetuate their low skills, low productivity employment, and low income working lives. The impact skills development can have on productivity of the working poor is related to what other changes are happening in the wider environment, and the degree to which these vicious cycles can be broken.

#### *Raising productivity in micro and small enterprises (MSEs) in the informal economy*

When applied to the informal economy, the concept of productivity should be used with consideration for a number of caveats. Of particular concern is that women's contribution to productivity in the informal economy is being overlooked, largely due to the nature and the near invisibility of their work.

For the vast majority of the working poor, more work unless it is more productive work will not lead out of poverty (ILO, 2005a); hence the need to raise productivity levels. Eight main (interrelated) approaches are usually taken to increase productivity in the informal economy, namely improvements in: work practices; market access; human capital; social capital; infrastructure; firms fixed capital; farm/non-farm dynamics; and the enabling policy and institutional environment. Improvements in human capital (through skills development) is one of the key determinants of how, and for whom, productivity growth translates into employment growth and, possibly, into better work in the informal economy and to movement from the informal to the formal economies.

A cross-cutting approach to raising the productivity of the informal economy is to develop an enabling environment that would make the transition from informality to formality easier for both workers and enterprises.

In many cases policy-makers in developing countries tend to be more focussed on formalization issues pertaining to taxation and registration, rather than on facilitating access of the majority to mainstream economic and social resources.

Unless policy-makers make formalization an attractive proposition, they will be facing an uphill struggle. The key to moving informal ventures into the economic and social mainstream is first to remove all disincentives and to create incentives for those operating informally to see the value of becoming formal; in other words, to create an environment in which the benefits of formalizing outweigh those of remaining informal. Formalization need to be made more affordable and appealing to informal economic units and workers so that informal ventures are more likely to voluntarily opt to formalize, and governments will have to expend less resources in enforcing formalization.

This paper analyzes the linkages between skills and productivity for better work in the informal economy and examines issues and challenges related to skills and productivity in the context of the informal economy.

## **Skills and productivity in the context of the informal economy: Issues, challenges and lessons learned**

### *Policy, coordination, targeting and data challenges*

*Policy challenges:* to set the objective of skills development in line with the objective of creation of decent employment and poverty reduction strategies, as well as economic development. This includes addressing the issue of the sheer number of those working in the informal economy compounded by the heterogeneity of both informal enterprises and informal employment.

*Coordination challenges:* skills for the informal economy are delivered by very different entities - multiple ministries, non-governmental organizations (NGOs) and the private sector - often without adequate strategic coordination. Ensuring that skills provision for the informal economy is coordinated and in line with a national skills development strategy is important for skills delivered to impact on productivity. Coordinating councils or national training authorities (NTAs) must be vested with real authority and employers must be strongly represented in such bodies. Unions and, especially, informal sector associations (ISAs), can play a crucial role in contributing to skills programmes for increased productivity in the informal economy; hence it is of prime importance that

ministries, departments and agencies both collaborate with, and strengthen the capacity of, ISAs.

*Targeting challenges:* to assist in programme and project design, three broad target groups can be identified within the informal economy:

- Entrepreneurs and workers in informal MSEs. This target group is itself very heterogeneous. Hence it is important to identify sub-groups including, for example, entrepreneurs, informal wage workers, apprentices and non-paid family workers. Skills development programmes for raising the productivity of subsistence-oriented informal enterprises also differ from those targeted at more growth-oriented informal enterprises.
- Those working outside informal enterprises (including casual workers, home workers, domestic workers, casual or day labourers, temporary or part-time workers, industrial outworkers).
- Workers employed informally in formal enterprises.

*Data challenges:* there is a general lack of data on the topic of technical and vocational education and training (TVET). The problem is compounded when trying to quantify the skills, productivity and informal economy nexus.

### *Extending access to relevant and quality training and improving the portability of skills*

#### *Access and equity*

*Challenges:* Many groups in the informal economy have special needs or face substantial barriers accessing skills in order to increase their potential productivity. Women often find themselves particularly disadvantaged when it comes to accessing education and training.

*Lessons learned:* Equitable access to basic education should continue to be promoted, but care should be given to ensure that a rapid expansion does not lead to a dilution of schooling quality. For those who did not get previous access to basic education, literacy should be promoted through non-formal means, and/or as part of skills development programmes. Attention has to be paid to both financial and non-financial (especially those related to gender) access barriers to skills training. Skills development strategies need to identify and incorporate disadvantaged and marginalized groups for whom the attainment of education, skills development and, ultimately, decent work is often a considerable challenge. Women need to be able to have more choice with regard to which trades to enter, including those dominated by men. To help avoid a replication of poverty from one generation to the next, the poor need to have more opportunities in trades not associated with low productivity. The poor and vulnerable should be supported to access informal apprenticeship training.

Field experience shows that informal economy workers can ill afford time to invest in training. Most of those working in the informal economy, even the more growth-oriented entrepreneurs, are unlikely to be able to spend long blocks of time away from their work, but attending short-duration courses might be a more feasible option. Growth-oriented entrepreneurs have more access to information about training courses, greater mobility to get there and, quite often, greater financial flexibility to attend courses compared to the working poor.

### ***Relevance, quality and portability of skills***

*Challenges:* formal skills systems typically do not reach the informal economy, there are quality deficits in both public and private training providers and skills portability is limited in the informal economy as recognition of informally acquired skills is usually inadequate, thus limiting mobility (including from the informal to formal economy).

*Lessons learned:* Many pre-employment training schemes are more focused on training the youth for certification and jobs in the formal economy but, in the absence of sufficient jobs of this nature, most graduates of formal pre-employment training schemes end up working in the informal economy. Training offered through public and private formal training institutions does not reflect the realities of the labour market in Africa, Asia or Latin America; especially with regard to meeting the training needs of the large workforce in the informal economies in these regions. There have been a number of attempts to reorientate formal pre-employment training to better meet the needs of the informal economy but, in most cases, such reorientation has proved difficult. Private training providers have demonstrated greater flexibility (compared to public providers) in adapting the content and duration of training to the market. The gap created by the failure of formal training systems to reach out to, and to meet the needs of, informal economy workers has been partially filled by small-scale projects and programmes, including community-based programmes.

A number of general lessons with regard to providing relevant, quality skills development for the informal economy have been learned from formal or semi-formal skills development programmes that have the specific objective of training people already working in the informal economy (through skills upgrading) and those who are likely to end up in the informal economy (through pre-employment training schemes):

- Training must be demand-driven;
- Training must be targeted and needs-led;
- Skills training for the informal economy needs to go beyond technical skills training;
- Training has to be short, modest, and competency based;
- Training should recognize complex livelihoods;
- Training should be monitored and evaluated on an ongoing basis;
- Ensure trainers are themselves adequately trained and are capable of delivering quality training;
- Both public and private training providers have important roles to play;
- The level of skill adaptation impacts on the extent to which new technologies can increase productivity in the informal economy.

Given that public skills training is slow at responding to changing skills needs of the market, and that successful small-scale interventions have proved difficult to scale-up, more promising results may come from improving private sector informal skills training, in particular, informal apprenticeships. Improving the quality and relevance of informal apprenticeship training can be achieved by:

- Upgrading the skills of master-craftspeople;
- Providing supplementary training for apprentices;
- Monitoring workplace quality;
- Meeting the specific needs of poor and vulnerable apprentices.



Skills recognition and the transferability of skills are important in the context of the informal economy.

It is recognized that there are many benefits to skills recognition, validation and accreditation in the informal economy. In order for skills to be recognized they need to be evaluated and certified. Such certification should be based on demonstrable competency. Examples exist, for example in Ghana and Cameroon, of approaches that have been used to evaluate and certify skills acquired informally.

It is questionable whether National Qualification Frameworks (NQFs) are either able to meet the needs, or serve the best interests, of the majority of those in the informal economies of developing countries.

Given that self-employed persons have only limited use of certificates, transferability of skills (the ability to transfer skills between different occupations and different jobs) is more important than skills recognition per se.

The issue of pluri-activity in the informal economy points to the need to have skills training opportunities that are both flexible (with regard to delivery and transferability of skills) and highly responsive to labour market demand. The transferability of skills would be improved if skills acquired informally are able to meet the different skills needs of operating in the formal economy.

### ***The impact of skill acquisition on productivity and improved livelihoods***

The challenge is how to promote linkages between skills development, increases in productivity and improved livelihoods in poorer economies. The challenge of linking skills development to improved livelihoods can be particularly difficult for women.

*General lessons learned:* Training requires an enabling environment for its outcomes to materialize into improved productivity and livelihoods. While this is a well known and longstanding message, in practice too much is often expected of skills development (as a developmental approach) by politicians and policy-makers in developing countries.

Among the most critical factors in such an enabling environment will clearly be the opportunities to access employment – preferably formal employment. With regard to skills programmes having an impact on productivity in, and transformation of, the informal economy, there should be early attention paid to complementary services needed to succeed in self-employment (for example, credit, marketing, business counseling, access to equipment and other post-training support).

*Lessons learned from the impact of skills development programmes for the working poor:* There are quite a number of examples from Asia and sub-Saharan Africa (SSA) of (small-scale) skills development projects that have increased productivity and improved livelihoods of the working poor in the informal economy. Such programmes need to be demand-driven, needs-led and part of an integrated approach. However, if the poor are not to be marginalised further, there is also a need to increase their participation in mainstream skills development.

*Lessons learned from the impact of skills development programmes for upgrading informal apprenticeship training:* One effective approach to providing skills to the informal economy appears to be to work with existing enterprises, in particular to support

informal apprenticeships. Projects that have done so have stressed the need to follow an integrated approach and network with other organizations active in MSE development.

### *Conclusion and policy implications*

The conclusion summarizes eight policy implications related to:

- Setting policy for skills for increased productivity;
- Basic education, an essential prerequisite;
- Coordinating skills delivery for increased productivity across providers and with national development;
- Targeting skills for increased productivity to meet the specific needs of different groups within the informal economy;
- Accessing relevant and good quality skills for increased productivity;
- Translating skill acquisition into productivity increases and improved livelihoods;
- Skills development to improve the lives of the working poor;
- Gender issues.

## 1. Introduction

The phenomenal growth of the informal economy during the past three decades in many African, Asian and Latin American countries poses a major challenge for the ILO's decent work agenda, considering that the principles of decent work are as critical in the informal as in the formal economy, though much harder to achieve. While the informal economy has an important role in employment growth (UNCTAD, 2006), work is hard, insecure and, for many, yielding only meagre incomes; it is not decent work. Most informal enterprises suffer from low productivity and product quality.<sup>5</sup> Working conditions in informal employment are often unsatisfactory and there are incidences of exploitation of cheap labour, including child labour.

At the same time, however, the formal economy is unable to provide sufficient job opportunities for the majority and 'a realistic option is to focus on improving the productivity of [the informal economy;] this large pool of human potential' (ILO, 2007f, p.13). 'Poverty reduction through growth and employment requires a specific focus on the informal economy' (ibid.).

Working might be the clearest pathway out of poverty (ILO, 2003), but the type of work that people have is critical (Fluitman, 2005). For the vast majority of the working poor, more work unless it is more productive work will not lead out of poverty; hence the need to raise productivity levels in the informal economy and to support improved working conditions. This includes both improving employment in the informal economy at the same time as promoting movement from the informal to formal economy.<sup>6</sup> At the 2007 Asian Employment Forum on 'Growth, Employment and Decent Work', the ILO noted productivity improvements in the informal economy would reduce poverty and inequality:

Increasing the productivity of informal economy workers and improving working conditions will go a long way towards reducing working poverty. Furthermore, accelerating the productivity growth of low-productivity workers at the bottom end of the wage/income spectrum is one of the best ways to accelerate average economy-wide productivity growth, while at the same time counteracting increasing inequality (ILO, 2007f, p.13).

Skills development is one of the key determinants of how, and for whom, productivity growth translates into employment growth, and possibly, into better work in the informal economy or to movement between the informal and formal economies. The ILO

<sup>5</sup> 'Enterprise' in this background paper is used to refer to all types of income-generating ventures, from one person home- or street-based ventures, to larger ventures comprising several workers. Informal 'micro-enterprises' in developing countries usually refers to ventures of less than ten workers (including apprentices, family or other non-paid workers); the vast majority of enterprises in the informal economies of developing countries fall within this range. In fact, most informal micro-enterprises are one-person ventures.

<sup>6</sup> Increasing productivity in the informal economy can help to stimulate effective domestic demand as informal economies mainly serve domestic markets. In turn this increased domestic demand can lead to further productivity increases.

Recommendation 195 recognizes the important role education and training can have in transforming activities in the informal economy, stating that:

Members should identify human resources development, education, training and lifelong learning policies which... address the challenge of transforming activities in the informal economy into decent work fully integrated into mainstream economic life; policies and programmes should be developed with the aim of creating decent jobs and opportunities for education and training, as well as validating prior learning and skills gained to assist workers and employers to move into the formal economy (ILO, 2005b, pp.4-5).

The purpose of this paper is to analyze the linkages between skills and productivity for better work in the informal economy and for enabling the transition of informal activities to the mainstream economy. It examines issues and challenges related to skills and productivity in the context of the informal economy.

While the case has already been made and largely accepted that skills boosts productivity, including in the informal economy (ADB, 2004; ILO, 2007a, p.11; 2007b; 2005b, p.iii; 2000; Johanson and Adams, 2004, p.128; Liimatainen, 2002),<sup>7</sup> this is usually only true where skills are acquired in an economic and social climate that is supportive of skill utilization (King et al., 2005; Palmer et al., 2007).

The underlying objective of the international skills development agenda, that the provision of skills solves un/under-employment and leads to economic growth, increases in productivity and a reduction in poverty levels, will be difficult to realize unless access, relevance and quality issues of skills programmes are improved and effective and innovative strategies are developed in order for skills development to result in livelihood outcomes that are both decent and productive.

The current state of, and recent trends in, skills development opportunities in the informal economies of Africa, Asia and Latin America fail to adequately address the multiple education, training and occupational pathways of the youth, and the poor in general, as they attempt to become fully and productively engaged in decent work.

The informal economy represents the primary destination for both out-of-school and school graduates in most developing countries. It often provides both skills training opportunities and a possibility of finding, or creating livelihoods. One of the most critical outcomes of education and skills training systems in developing countries is the impact that this system has on employment outcomes, and to what extent these outcomes are 'decent'.

Entrepreneurs in the informal economies of Africa, Asia and Latin America have reached their current positions along different education and training pathways, including periods at school, in (formal or non-formal) training centres, in short-term modular training, as apprentices, or most often as (self-taught) learners on-the-job. Each different training pathway depends on a number of distinct training 'providers', each with their own

<sup>7</sup> Skills not only boost the productivity of the individuals who directly acquire the skills, but there is also a knock-on effect whereby these individuals usually make those they work with more productive too (Ashton and Green, 1996; Booth and Snower, 1996).

strengths and limitations.<sup>8</sup> Skills development strategies in developing countries need to recognize the multiplicity of these education and training pathways in order to adequately improve the education and training situation and employability of their youth.

In most developing countries, formal skills development system follows a top-down strategy, with programmes having little labour market relevance, and post-training support that is either absent or weak. Support for skills development in the informal economy, which is by far the largest destination for school leavers, remains inadequate.

The first section of this paper examines the main issues related to productivity and better work in the informal economy.

The second section provides an overview of the issues, challenges and lessons learned in designing and implementing policies, programmes and projects to improve the access, quality and relevance of skills in order to improve productivity and employability of those working in the informal economy.

The third section summarizes the main messages regarding skills for more productive and better work in the informal economy.

Supplementary information is provided in the appendices.

## **2. Productivity and decent work deficits in the informal economy**

### **Introduction**

This section examines productivity and decent work in the informal economy.<sup>9</sup> First it provides a brief overview of some main characteristics of informal economies in developing countries, noting the decent work deficits. Second, it examines the cycles of low skills, low productivity employment and poverty that the working poor in the informal economy experience. Third, it explores the caveats that should be considered when applying the concept of productivity to the informal economy context. Fourth, it summarizes the main approaches used to raise productivity in MSEs in the informal economy. Lastly, it explores the issue of formalizing the informal economy.

<sup>8</sup> In many cases, the training ‘provider’ is the individual themselves; e.g. in self-taught skill acquisition.

<sup>9</sup> The features of decent work include productive and safe work (meaning that which guarantees safety and hygiene), respect for labour rights, equity, adequate income, social protection, social dialogue, trade union freedom, collective bargaining and participation. Decent work is captured in four strategic objectives: fundamental principles and rights at work and international labour standards; employment and income opportunities; social protection and social security; and social dialogue and tripartism. These objectives hold for all workers, women and men, in both formal and informal economies; in wage employment or working on their own account; in the fields, factories and offices; in their home or in the community (ILO, 1999).

## 2.1 The informal economy and (the lack of) decent work

In most developing countries in Africa, Asia and Latin America the informal economy is where the majority of new employment opportunities are created and where most of the population, including most of the poor, mainly women, works.

In SSA approximately 68 per cent (ILO, 2007c) of workers operate in the informal economy. Many countries in East and South-East Asia have large – and growing – informal economies (informal employment accounts for some 65 per cent of non-agricultural employment in Asia) and in parts of this region, especially in low-income Asian countries, agriculture remains the main source of income for large sections of the population (ILO, 2006a). In the ‘new’ ASEAN countries (Cambodia, Laos PDR, Myanmar and Viet Nam), most of the poor and those marginalized from the growth process are to be found in the informal economy (WGICSD, 2007). South Asia also has huge informal economies; in India, for example, 92 per cent of the workforce (and 96 per cent of all women workers) work in the informal economy (Chouksey, 2007; Mitra, 2007). In Latin America it is estimated that 75 per cent of workers are in the informal economy. In this region, over the last 15 years the informal economy has accounted for 70 per cent of the total number of jobs created (ILO, 2006b).<sup>10</sup>

While there is some disagreement about the concept of the informal economy, most agree that commonalities among workers of the informal economy include lack of recognition and protection and a high level of vulnerability (CINTERFOR/ILO, 2006, p.28). The ILO tripartite constituents amply discussed and clarified the concept of informal economy during the general discussion that took place at the 2002 ILC.<sup>11</sup> Furthermore, the 15th (1993) and 17th (2003) International Conferences of Labour Statisticians provide definitions for informal sector employment and informal employment.<sup>12</sup> More recently, in November 2007, the ILO organized a tripartite interregional symposium on “The informal economy: enabling transition to formalization” (see Section 2.4.1).

The informal economy is heterogeneous. The term refers to an expanding number of workers and enterprises in both rural and urban areas operating informally (ILO, 2002b, p.2). It includes persons working in informal enterprises (employers, own account operators, street vendors, informal wage workers, apprentices, unpaid family workers, etc.), unregistered or undeclared workers in formal enterprises, and those working outside informal enterprises (including domestic workers, casual or day labourers, industrial outworkers, homeworkers, etc.). The informal economy can be conceptualized as a continuum between more survivalist lower productivity activities at one end (the working poor)<sup>13</sup> and more dynamic, higher productivity activities at the other (cf. ILO 2002b). The bulk of informal enterprises in developing countries are made up of largely subsistence-oriented, income-generating activities.

<sup>10</sup> See also ILO (2002a).

<sup>11</sup> Resolution and conclusions concerning decent work and the informal economy, adopted on 19th June 2002, ILC, 90th Session, Geneva, 2002, available at <http://www.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/pr-25.pdf> (pp. 52-3).

<sup>12</sup> See Ralf Hussmanns (2001), in Charmes (2005, pp.219-220).

<sup>13</sup> Not all the working poor are in the informal economy. There are also some in the formal economy.

Estimates of the contribution of the informal economy as a whole to gross domestic product (GDP) are unavailable (ILO, 2002a). However estimates suggest that the contribution of informal enterprises to non-agricultural GDP is significant (Table 1).

**Table 1. Contribution of informal enterprises to GDP in selected developing countries**

Country	Year	Contribution of informal sector to non-agricultural GDP (%)
<b>Sub-Saharan Africa</b>		<b>41</b>
Benin	1993	43
Burkina Faso	1992	36
Burundi	1996	44
Cameroon	1995/96	42
Chad	1993	45
Cote d'Ivoire	1995	30
Ghana	1988	58
Guinea Bissau	1995	30
Kenya	1999	25
Mali	1989	42
Mozambique	1994	39
Niger	1995	54
Senegal	1991	41
United Rep. of Tanzania	1991	43
Togo	1995	55
Zambia	1998	24
<b>North Africa</b>		<b>27</b>
Algeria	1997	26
Morocco	1986	31
Tunisia	1995	23
<b>Asia</b>		<b>31</b>
India	1990/91	45
Indonesia	1998	31
Philippines	1995	32
Republic of Korea	1995	17
<b>Latin America</b>		<b>29</b>
Colombia	1992	25
Mexico	1998	13
Peru	1979	49

Source: ILO, 2002a, p.24.

Informal economy production is usually labour, as opposed to capital, intensive (the greatest asset of most informal economy workers being their labour) (ILO, 2003), and is largely made up of low-productivity ventures, requiring low levels of start-up capital and providing low income returns. Labour productivity (or output per person employed) within the MSEs of the informal economy is usually lower compared to (larger) enterprises in the formal economy (Haan, unpublished; ILO, 2007b, 2005a; Johanson and Adams, 2004; UNCTAD, 2006, p.183; Vandenberg, 2005). With regard to the productivity-employment trade-offs in the informal economy, the 'informal economy is typically biased towards employment growth at the expense of productivity growth' (ILO, 2005a, p.107), hence there is a great deal of underemployment.

The vast majority of those in informal employment have a low level of education and have received little or no formal training. Levels of formal education are gradually rising, however, in part due to the education-for-all drive following the Jomtien (1990), Dakar (2000) and Millennium Development Goal (MDG) (2000) agreements. Most of those in informal employment have acquired their skills through self-learning or on-the-job training - most likely through apprenticeship training in a small, informal workshop, or at home. In some countries, those that are entering informal apprenticeship appear to be doing so with more formal education behind them; in Ghana, for example, most youths are entering an apprenticeship after completing a basic education (nine years of schooling) (Palmer, 2007b). Education and skills levels of women informal workers are most often lower than men's.

The informal economy is sometimes said to have a 'woman's face'; in most countries women make up between 60 and 80 per cent of total informal employment (ILO, 2005a). Most women work in low productivity, lower-skill jobs (e.g. food processing, garment sewing and domestic services) and/or receive less money for doing the same work - or work of equal value - as men. While all workers and producers in the informal economy - men and women - face constraints with regard to access to assets, markets and services, as well as those caused by inappropriate regulatory frameworks, 'women face additional gender-specific barriers, which include restrictions to entering into contracts, insecure land and property rights and the constraints of household and childcare responsibilities' (ILO, 2005a, p.107).

Most informal economies in Africa, Asia and Latin America suffer decent work deficits in terms of 'poor-quality, unproductive and non-remunerative jobs that are not recognized or protected by law, the absence of rights at work, inadequate social protection, and the lack of representation and voice' (ILO, 2002b, p.4). Decent work deficits are most pronounced at the bottom end of the informal economy, especially among women and young workers (ibid.). The informal economy has therefore a close relationship to poverty. However, due to its heterogeneous nature, not all those in the informal economy are poor. Most of the poor, however, are in the informal economy and this is where poverty is most acute and the skills gaps are the largest. Also women constitute a higher share of the working poor in the informal economy.

For policy and intervention purposes it is useful to identify specific target groups within the informal economy continuum, distinguishing their various skills and other needs.



There is an MDG related to promoting decent work (MDG 8, target 16),<sup>14</sup> but the current indicator to track this target (unemployment rate of young people aged 15-24 years, each sex and total) is inadequate.<sup>15</sup> In 2007 five new indicators started to be developed, including: employment-to-population ratios; vulnerable employment; working poor shares; and labour productivity.

The next section examines the cycles of low skills, low productivity employment and poverty that are experienced by the working poor in the informal economy.

## **2.2 Cycles of low skills, low productivity employment and poverty for the working poor**

The heterogeneous nature of the informal economy was noted above (section 2.1.). In fact, the majority of workers in the informal economy, especially those in the Least Developed Countries (UNCTAD, 2006, p.183), can be characterized as working poor, engaged in micro- enterprise activities (mostly one-person ventures).

Because of their poor family background these working poor find themselves with low levels of human, financial and social capital. They end up working for low incomes in low productivity informal enterprises unable to support a decent standard of living. They experience multiple vicious cycles of poverty and vulnerability which perpetuate their low skills, low productivity, low income working lives (Figure 1).

For example, these individuals - and/or their parents - lack the income to be able to afford adequate schooling, skills training and healthcare, which reduces their (potential) productive capacity.<sup>16</sup> The work process may be organized inefficiently due to lack of skills, contributing to low productivity. Their lower income from their lack of productive work means that they lack the capital to engage in more productive, higher-return, ventures or to improve the quality of their employment (which in turn contributes to stagnating productivity). Low incomes are perpetuated in the informal economy, making the market income-constrained (due to general low purchasing power of the population); informal economy markets can also be saturated (due to large numbers engaged in similar low-return ventures) or dispersed (especially in rural areas). Hence productivity can be low not necessarily 'because work is organized inefficiently, but because there are no incentives and no resources to keep everyone working productively' (ILO, 2005a, p.242). In other words, 'human and capital resources are underutilized; for micro-enterprise owners this means underemployment' (Vandenberg, 2005, p.23). The market demand that does exist is often for affordable or cheap products which are usually of low quality. On-the-job learners, therefore, usually only acquire skills to produce cheap, low quality items (on an intermittent basis) and find themselves trapped in a low skills, low productivity vicious cycle.<sup>17</sup> Many of the working poor also 'lack control over their lives and lack security

<sup>14</sup> "In cooperation with developing countries, develop and implement strategies for decent and productive work for youth".

<sup>15</sup> This is mostly because 'unemployment' as a concept is rather meaningless in developing countries with very large informal economies. For a discussion on this, see Palmer (2007a).

<sup>16</sup> For a discussion on productive capacity, see King and Palmer (2006a).

<sup>17</sup> The skills acquired by on-the-job learners, such as informal apprentices, largely depend on what is produced, which in turn is driven by market demand.

about their future [which]... can also have an impact on the productivity of enterprises both in the motivation and retention of workers and in the way that work is organized' (ILO, 2005a, p.239). Owners and workers may not be able to escape from this 'productivity-poverty trap' (ILO, 2005a, p.254; cf. ILO, 2005a, p.238; Vandenberg, 2005, p.7).

This brief illustration highlights an important issue, namely that the impact skills development can have on productivity of the working poor is related to what other changes are happening in the wider environment; e.g. in health, in infrastructure, in stimulating market demand, in improving post-training support, in creating more (and better quality) employment opportunities (see also Section 3.3).

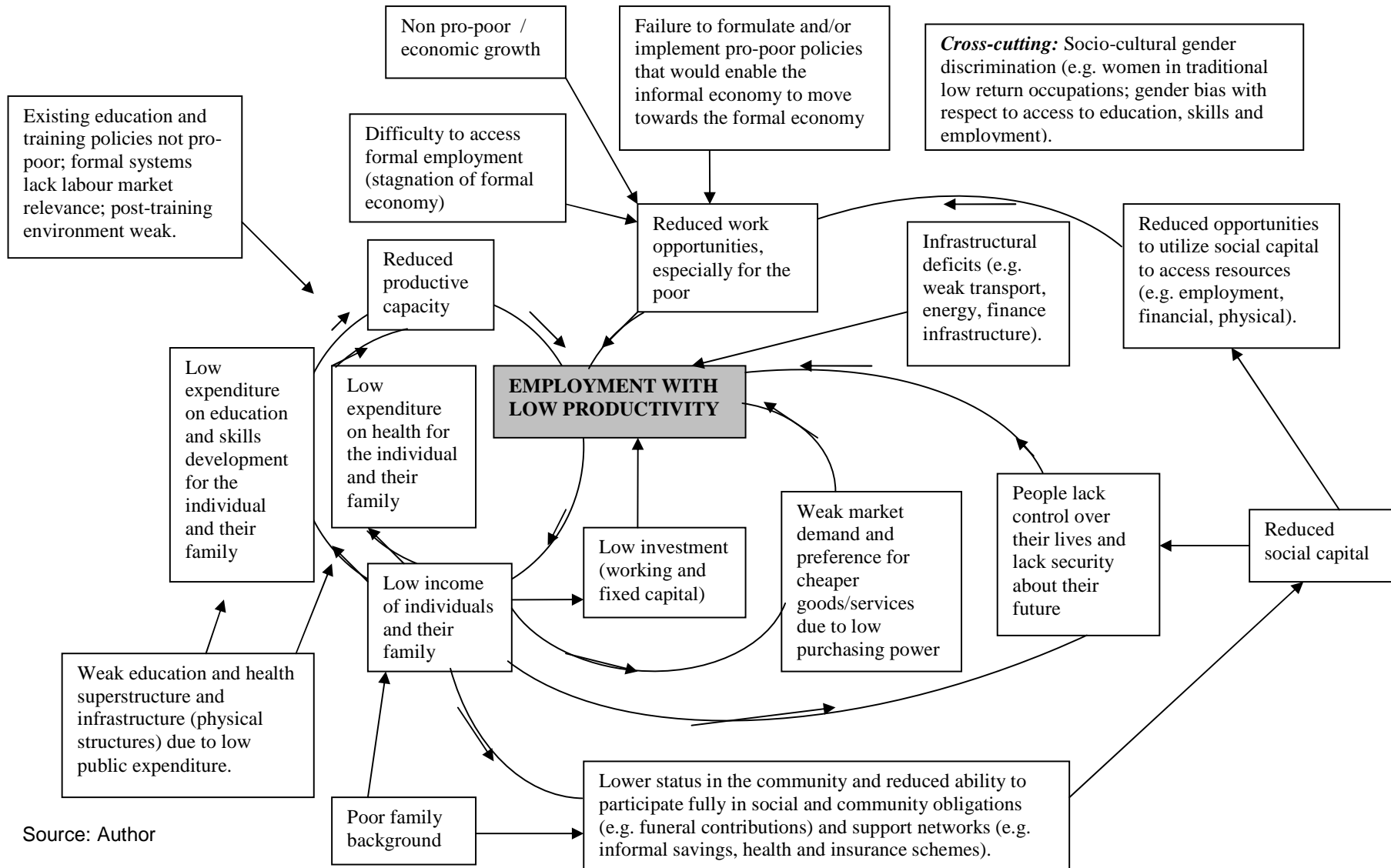
It should be noted, however, that while the bulk of informal economies are made up of the working poor, there are smaller numbers of more dynamic, growth-oriented informal enterprises that do not suffer (to the same extent) from such multiple vicious cycles of low skills, low productivity employment, poverty and vulnerability. In other words, they operate within a more advantaged context relative to the working poor. Nonetheless, for this group, one of the pressing problems is that while they have "outgrown" many of the services available to them in the informal economy (e.g. informal lending bodies; capacity of informal social networks to assist with supply of resources, including finance; training and skills upgrading), they are often not yet able to access financial and business development services (BDS) (including small business management training) in the formal economy. For example, for these growth-focused informal enterprises, informal lending bodies become less able to satisfy their financial demands: larger loans over longer periods. This group of potential borrowers either become too big for informal finance and yet too small for formal lenders, or are constrained by the many rules that surround formal lending and cannot get access to loans of useful size (Palmer, 2007a). One dilemma for policy-makers is this: since these growth-focused informal enterprises do not operate within such disadvantaged context (Figure 1) compared to more subsistence-oriented informal enterprises, they are more able to access skills development, BDS and financial interventions and, most likely, better placed to reap the potential productivity gains that are associated with such interventions.<sup>18</sup> They are also much more likely, compared to the more subsistence-oriented ventures, to make the transition into the formal economy. However, from a poverty reduction perspective, these growth-focused informal enterprises may be less in need of support than more subsistence-oriented ventures.

As noted later (Section 3.3.1), in most developing countries, public and private agencies that have been set up to support MSEs, ostensibly in the informal economy, are captured by formal MSEs or, less frequently, by this relatively small group of growth-focused informal enterprises. The bulk of the working poor do not see the benefit from the majority of schemes set up in their name.

The next section examines the usefulness of the concept of productivity for the informal economy.

<sup>18</sup> i.e. their potential for skill utilization is much greater than for the more subsistence-oriented informal enterprises.

Figure 1. Cycles of low skills, low productivity employment and poverty for the working poor in the informal economy



Source: Author

### 2.3 Some caveats related to the use of the concept of productivity in the informal economy

Productivity in general measures how efficiently resources are used. The basic definition of labour productivity is output, or value added, divided by the amount of labour used to generate the output (ILO, 2005a, p.28; see also Appendix 1 for a fuller definition of productivity).

What does the concept of productivity actually mean in the context of the informal economy? The concept can often be problematic for a number of reasons, as summarized below:

- Compared to larger enterprises, smaller enterprises are more labour-intensive and have less access to capital for equipment purchases. Hence labour productivity ‘can be a distorted measure of productivity... the output-to-labour ratio – the definition of labour productivity – is likely to be lower’ (Vandenberg, 2005, p.iii).
- Much empirical work concerning productivity has focussed on manufacturing enterprises, which are ‘much more affected by economies of scale than service activities’ (ibid.). However, the bulk of enterprises in developing countries’ informal economies are engaged in services (e.g. trade, repair work, personal services).
- The concept is complicated when pluri-activity (occupational pluralism, livelihood diversification) is considered; e.g. individuals might be involved in more than one enterprise or income-generating activity (Palmer, 2007a). Calculating the productivity for one activity may not necessarily provide a full picture of that individual’s overall productivity.<sup>19</sup> Vandenberg (2005) adds that where entrepreneurs are not working on a full-time basis on one single enterprise activity – as is the case where individuals work on a diversity of ventures - ‘measuring productivity on a per-worker basis (instead of per hour) will be highly inaccurate’ (p.10). A related issue is that for household enterprises it might be difficult to estimate the number of hours worked, since multiple family/non-family individuals might be involved at different times or at the same time (paid or non-paid). Often, women’s participation in family-based enterprises is overlooked even though they assume the greater share of the burden of such enterprises. Their inputs seem to be invisible.
- Human capital (including skill and education) is an input to calculating productivity. There are (at least) two issues to highlight here:
  - ‘Whose skills matters?’ and ‘whose education matters?’: with self-employment activities in households many individuals are often involved in the decision making process, or at least are present to offer advice to the individual(s) practicing the enterprise activity; ‘they may provide hints, tips and tricks that raise enterprise productivity’ (Vijverberg, 1995, p.1215). This crossover effect means it becomes important to ask ‘whose skills matters?’ (and ‘whose education matters?’ Jolliffe, 2002) when determining the effects of education/skills on productivity outcomes.
  - The use of formal schooling variable: The most common indicator of human capital measures the amount of formal schooling (usually years of schooling, or completed levels of schooling). This omits any on-the-job training from the estimation, which ‘may be at least as important [as formal schooling] in

<sup>19</sup> For example, many studies examining the impact of schooling on incomes of the self-employed simply examine the effect on either farm or nonfarm activities and do not account for individuals’ multiple farm or multiple non-farm enterprise behaviour. One exception to this is Jolliffe (2004).

determining productivity' (Acemoglu and Pischke, 1999, F112), and says nothing about the complementarities and interaction between formal education and informal/formal skill acquisition. Furthermore, years of schooling, or completed levels of schooling, says nothing about the kind of school (e.g. academic, vocationalized) that these 'years of schooling' have been in, nor anything about the quality of the schooling received. Lastly, 'years of schooling' is correlated to family wealth; hence it is quite possible that it is this wealth, rather than the schooling, which contributes to future success, including productivity increases (Palmer, 2007c).

- Lack of record keeping in most enterprises in the informal economy will make it hard to calculate inputs (e.g. materials used) and outputs (e.g. number of products sold or income obtained from those products).<sup>20</sup> In the case of small businesses in developing countries written records are not often kept and where they are, 'those who request such information are often suspect' (Moock et al., 1990, p.31).

The next section summarizes the main approaches that have been taken to raise the productivity levels in the informal economy.

## 2.4 Raising productivity in the informal economy

It has been noted above that the majority of those working in the informal economy comprise the working poor; and that they suffer from multiple vicious cycles of low skills, low productivity employment, poverty and vulnerability. It has also been acknowledged that productivity in the informal economy needs to be increased. The challenge is how to accomplish this and how this translates into improved livelihoods, especially for the working poor in poorer economies.

Table 2 enumerates the main (interrelated) approaches that are usually used to raising productivity in the informal economy.<sup>21</sup> This paper focuses on improvements in human capital (education and skills), an issue covered in Section 3, but notes that improvements in other areas are required in order for improvements in education and skills to pay off (see Section 3.3).

<sup>20</sup> The difficulty of calculating income from self-employment activities is well known (see Moock et al., 1990; Vijverberg, 1991).

<sup>21</sup> Note that this table does not seek to prescribe what such approaches should be.

**Table 2. Main approaches to raising the productivity in the informal economy**

Approach	Comments
<b>Focus on:</b>	
<b>1. improvements in work practices</b>	What is referred to as ‘job quality’ (ILO, 2007d; Vandenberg, 2005). Improvements include occupational safety and health (Kawakami, 2007) and improving access to technology upgrading. This actually involves a lot of skills development (see approach 3).
<b>2. improving market access</b>	Improving market access to tackle the underemployment challenge of the informal economy (e.g. see Middleton et al., 1993, p.17).
<b>3. improvements in human capital</b>	Either by providing workers already in the informal economy with skill upgrading, or by providing young women and men with greater opportunities to access more relevant, and better quality, pre-employment education and skills training. This approach will be the focus of Section 3 of this paper.
<b>4. improvements in social capital</b>	Entrepreneurs with networks generally do better than those operating individually. Networks can be familial, community-based or work-based (such as ISAs). For example, MSEs can try to address their productivity disadvantage relative to large firms through clustering. Clustering can help develop a more conducive environment for MSEs to grow through productivity gains (ILO, 2005a). Moreover, where enterprises cluster together it can be easier to provide training interventions since potential clients are not as geographically dispersed as they might normally be (as in the case of Suame Magazine enterprise cluster in Kumasi, Ghana). Clustering also sets the scene for network formation among enterprises; and it is recognized that entrepreneurs with networks do better, in general, compared to those operating alone (Singh, 2007; 2000). Clustering usually also results in horizontal joint action (McCormick, 1999), including lending/borrowing tools, membership in associations, informal knowledge and skills transfer between neighbouring enterprises. In short, clustering is often good for productivity. But clustering is not the panacea: it can be positive only inasmuch as there are many enterprises of the same sector in the same location. In many instances, especially in rural areas and smaller towns, this is not the case. In fact, much technical assistance targeting micro-entrepreneurs promote some kind of clustering, solidarity, self-help groups or various types of cooperatives, even though they are not called clusters.
<b>5. improvements in the superstructure, and infrastructure</b>	Superstructure includes the education system, the health system. Infrastructure includes transport, education and health (physical structures), energy, infrastructure to enhance innovation and technological adoption, financial infrastructure (especially better access to credit).
<b>6. improvements in a firm’s fixed capital</b>	Investing in fixed capital items such as machinery can lead to productivity improvements (ILO, 2007f).
<b>7. strengthening farm/non-farm dynamics</b>	Improvements in agricultural enterprise productivity can result in improvements in non-agricultural enterprise productivity, and vice-versa.
<b>8. improving an enabling policy and institutional environment</b>	Such a framework might include some, or all, of the above approaches. Putting employment creation at the centre of economic and social policies is a crucial part of an enabling environment so that there are more employment opportunities in the formal economy and people do not continue to overcrowd the informal economy. The ILO supports the development of an enabling environment that would enable workers in the informal economy to improve their productivity, access decent work and would enable informal enterprises to transition to formalization.

Source: Author

Approaches 1 and 2 are the main methods adopted by the ILO Small Enterprise Development Programme (EMP/SEED), though in practice EMP/SEED also works in other areas; for example, EMP/SEED works with government to create more enabling policy environments for employable and productive workers through education and skills development (Box 1). In this respect the ILO Skills and Employability Department (EMP/SKILLS) also works on the issue of an enabling environment through providing advice on skills development policies.

### **Box 1. The challenge of raising productivity: EMP/SEED's experiences with job quality**

EMP/SEED confronts the productivity challenge by focusing on improvements in work practices – what is referred to as 'job quality'. It also emphasizes market access in an effort to increase the demand for goods and services produced or provided by MSEs so as to reduce underemployment or raise the value of output.

The overall aim is to create a virtuous cycle in which job quality, along with market access, can raise productivity which can, in turn, result in better wages and income for workers and entrepreneurs. By focusing on the work organization aspect of productivity, EMP/SEED supports the global productivity movement – a broad approach to increasing productivity which emphasizes the conditions and organization of an enterprise's valuable human resources. It is based on respecting workers' rights, applying international labour standards (including health and safety) and supporting skill training. These changes can reduce work-time loss caused by accidents and injury and can increase the wellbeing of employees who are better motivated to contribute to enterprise performance. EMP/SEED's contribution to this movement has been to develop curricula for management training and to initiate public awareness campaigns so that the principles of raising productivity through job quality can be transmitted to small enterprises in the developing world.

The ILO has carried out productivity-enhancing programmes in different sectors in a number of countries (e.g. Ghana, India, Trinidad and Tobago, Uganda, Viet Nam). These examples provide evidence of how the application of job quality can enhance the productivity of small enterprises. These activities are part of a wider effort to reinforce the idea that job quality is a key factor for productivity improvement, along with skills, physical capital and technological change.

Source: ILO, 2005a, pp.246-7; Vandenberg, 2005, pp.14-23.

The ILO has developed a number of tools designed to upgrade and increase productivity in the informal economy (Appendix 2, Box A). For example, the ILO's Informal Economy project in Cambodia, Mongolia and Thailand (2004-06) (ILO, 2006c) found that existing ILO tools such as Start your business (SYB), Improve your business (IYB), GET Ahead, Work Improvement in Neighbourhood Development (WIND), Small Business Association manual, Trade Union Manual, HIV-AIDS toolkit have been very well received in the countries despite the diversity of the situations. The ILO also promotes improved international labour standards concerning employment creation and employability (Appendix 2, Box B); these standards apply both to the formal and informal economies and so serve as a further mechanism to upgrade the informal economy.

#### **2.4.1 Promoting formalization of informal activities: need for an enabling policy and institutional environment**

Table 2 (above) noted that a cross-cutting approach to raising the productivity of the informal economy is to develop an enabling environment that would enable informal enterprises to transition to formalization. But what is meant by 'enabling transition to formality'? In November 2007 the ILO organized a tripartite interregional symposium on 'The Informal Economy: Enabling Transition to Formalization' in Geneva. The

background note for this symposium outlined what such a transition to formality might include:

Legal identity and recognition of worker and/or entrepreneur status are often necessary first steps. Transition to formality can also be couched in terms of facilitating access of the majority to mainstream economic resources including investment, capital, finance, property and markets. It is certainly about providing effective legal and social protection and bringing it in the ambit of formal arrangements. It is increasingly being considered in terms of providing a minimum floor to all, irrespective of their working situation. Finally, there is consensus that strengthening the organization and representational rights of workers and entrepreneurs in the informal economy is the essential element of a strategy towards formalization (ILO, 2007g, pp.8-9).

However for many policy-makers promoting formalization of the informal economy simply refers to informal ventures paying taxes and getting licenses (and paying the associated fees); a desirable outcome for the public purse perhaps, but hardly an incentive for micro-entrepreneurs to raise their hand for registration.

The key to moving informal enterprises into the economic and social mainstream is twofold: creating incentives and removing obstacles.

First, those operating informally must have some incentive and see the value of becoming formal; in other words, an environment needs to be created in which the benefits of formalizing outweigh those of remaining informal. Necessary incentives and other mechanisms making formalization more feasible, affordable and appealing to informal economic units and workers need to be created (de Medina, 2006). In doing this, informal ventures are more likely to voluntarily opt to formalize (Nelson and de Bruijn, 2005), and governments will have to expend less resources in enforcing formalization. Such incentives for informal enterprises formalizing might include improvements in labour standards and legislation, social protection (de Medina, 2006) and worker benefits, secure contracts, stronger and more representative ISAs that can add the voice of informal workers to the policy process, and secure property rights, (especially for entrepreneurs). Policies and legal frameworks facilitating appropriate formalization need to be developed and, more crucially, implemented, and opportunities for productivity and market enhancement need to be generated (de Medina, 2006).

Second, obstacles to formalization need to be removed. The cost of formalizing – in both time and money – should be kept to an absolute minimum and procedures should be greatly streamlined and simplified.

There needs to be action at the macro, meso and micro levels to address these issues.

Macro-policies vis-à-vis labour standards and legislation, social protection and worker benefits, property rights and social dialogue need to be made more pro-poor and pro-MSE in general. At the meso and micro levels, public and private education and skills development, and financial and BDS need to approach the delivery of their interventions in more innovative ways.

In Ghana there has been increased attention given to upgrading and promoting the formalization of the informal economy; the stated aim of the President himself (Palmer, 2007a). The ILO's Decent Work Country Programme (DWCP) in Ghana has contributed to this wider national objective and has developed a policy instrument which focuses very much on formalization of informal enterprises within a local economic development approach (Box 2). While there are indeed hopeful signs in this regard, the creation of a



nationwide decent and productive environment that will enable skills acquired to be utilized effectively in the informal economy is still a way off (Palmer, 2007c).

### **Box 2. Addressing the informal economy: Policy initiatives from Ghana**

Ghana's revised Poverty Reduction Strategy Paper (PRSP) – the GPRS II 2006–09 – stresses the importance of employment creation for poverty reduction and specifically addresses the informal economy. This reflects the growing recognition that private sector development needs to encompass the MSEs in the informal economy which represent some 95 per cent of private enterprises in Ghana. The President's first sessional address in his second term in January 2005 emphasized the need to 'turn around the informal sector in order to turn around the economy'. The active engagement of ILO constituents and social dialogue has played a major part in bringing about these policy initiatives.

Measures include the promotion of entrepreneurship and of good business practices like bookkeeping and banking, strengthening technological proficiency and improved access to credit.

The ILO's DWCP, a policy instrument for pro-poor growth focusing on upgrading the informal economy through the concept of decent work, has been designed and tested in two pilot districts in Ghana. Both districts have established local institutions for social dialogue bringing together local government, elected assembly officials and representatives of small enterprises and civil society. Statutory subcommittees of the District Assembly for Productive and Gainful Employment (SPGE) identified promising economic sectors in the two districts and have drawn up and are implementing local economic development plans that are helping hundreds of small enterprises to upgrade and extend their businesses. Women account for over two-thirds of the beneficiaries and persons with disabilities are well represented.

The ILO DWCP focuses very much on formalization of informal enterprises within a local economic development approach. According to the national director of the ILO DWCP, binding constraints to growth and formalization included: lack of skills training to produce quality items; marketing problems; and problems accessing formal finance/micro-credit (personal communication, 15 Oct. 2007). The partnership between the private and the public sector enables them to mitigate or remove such binding constraints to growth and improvement that neither local government, nor the enterprises alone, could have overcome.

The incentives to formalization are:

a) Encouraging small and medium-sized enterprises (SMEs) to affiliate to associations. The SPGEs have created full inventories of all SMEs and encouraged those not yet affiliated to associations to organize. Voice, organization and local social dialogue have also generated improvements in governance, conflict resolution and local government budgets. Local government funds are increasingly allocated under plans agreed by subcommittees. Local taxes for SMEs are set and collected in cooperation with small business associations, significantly increasing revenue without threatening the enterprises.

b) Improved access to social protection. The SPGEs are also instrumental in extending social protection to the informal economy by linking SMEs to the new national health insurance scheme and/or the pension fund.

c) Improved access to savings and credit schemes. Both SPGEs have initiated "decent work savings and credit unions" that count some 3,000 members bolstering economic stability as well as mobilizing capital for investment.

d) Access to technical and business training. The SPGEs have also contracted EMPRETEC to deliver technical and business training to over 300 beneficiaries. The national component of the Ghana DWCP included the provision of assistance to the Ministry of Manpower, Youth and Employment, with particular emphasis on improving and extending the coverage of its Skills Training and Entrepreneurship Programme (STEP) (2002-05) to meet the needs of the informal economy and to seize opportunities for local development.

Source: ILO (2007a; 2006d).

## **2.5 Concluding comments**

This section has examined the main issues related to productivity and better work in the informal economy. While it has highlighted the different approaches that are used to increase productivity in the informal economy, one of which has been skills development, it is essential to re-emphasize the importance of complementarity between these approaches. The impact one approach - like skills development - can have on productivity is, in part, related to what other changes are happening in the wider environment, and what other approaches are being simultaneously adopted. The following section examines skills development as an approach to raise productivity in the informal economy.

## **3. Skills and productivity in the context of the informal economy: Issues, challenges and lessons learned**

### **Introduction**

This section provides an overview of the issues, challenges and lessons learned in designing and implementing policies, programmes and projects to improve the access, quality and relevance of skills in order to improve productivity and employability of those working in the informal economy.

The first sub-section (3.1) examines cross-cutting issues and challenges related to policy, coordination, targeting and data.

The second sub-section (3.2) focuses on how to overcome constraints of extending access to relevant training for different categories of informal economy workers, and identifies policy and programme responses and lessons that can be learned from their implementation. What is working, in different socio-economic contexts, to improve access to skills development and thereby to raise productivity, incomes and better work for persons in often marginalized situations? How have training systems been made more relevant to the needs of those working in the informal economy? What has been done to improve lifelong learning options for different categories of workers in the informal economy?

The third sub-section (3.3) focuses on how to overcome the challenges related to translating skills development into increased productivity and better work in the informal economy. It too identifies policy and programme responses and lessons that can be learned from their implementation.

Before examining the issues, challenges and lessons learned, the main types of skills development approaches related to the informal economy are noted. It can be useful to make a two-fold categorisation of these skills development approaches:

- i) Formal or semi-formal skills development programmes that have the specific objective of training people already working in the informal economy (through skills upgrading) and those who are likely to end up in the informal economy (through pre-employment training schemes) so as to prepare them to graduate into the formal economy.
- ii) 'On-the-job', enterprise-based training, including informal apprenticeships. In this case, training is done by and for those working in the informal economy.

While the outreach of the former category is considerably smaller than that of the latter category, it has received a disproportionate amount of attention (especially pre-employment training) from policy-makers and politicians in developing countries (Section 3.2.5).

However, in all developing countries skills are mainly provided within the informal economy itself. This might include skills acquired in informal settings on the farm (e.g. farming skills), in the market (e.g. trading skills) or in micro manufacturing enterprises. In many manufacturing and service/repair micro-enterprises, informal, or traditional, apprenticeship training, remains widespread; skills acquired on-the-job in this manner include not only vocational skills, but core work skills, entrepreneurial and small enterprise management skills, and skills related to occupational safety and health.<sup>22</sup> In SSA, especially in West and Central Africa, informal apprenticeship training is responsible for the vast majority of skills development (Johanson and Adams, 2004; McGrath et al., 1995). In some Asian countries, like India and Bangladesh, the training which is most commonly accessed is the traditional, on-the-job training, including in the master-apprentice relationship (Chandra, 2007; King, 2007; Titumir, 2005; World Bank, 2006). Furthermore, in many countries in Latin America informal apprenticeship is an important mechanism by which individuals acquire occupational competence (Overwien, 2005).

Turning now to the design and implementation of skills policies, programmes and projects, the following sub-sections examine the challenges and lessons learned in relation to: setting policy, coordination; targeting; data; access and equity; relevance, quality and good skills portability; and linking skills development to skills utilization and increases in productivity.

### **3.1 Policy, coordination, targeting and data challenges**

#### *3.1.1 Policy challenges*

The first challenge is a policy challenge: to set the objective of skills development in line with the objective of the creation of decent employment and poverty reduction strategies, as well as economic development in general. This includes addressing the issue of the sheer number of those working in the informal economy and the issue of access to quality basic education (this latter point is returned to in Section 3.2.1). The heterogeneity of the informal economy, and the different groups within it (Section 2.1) mean that ‘the search for policy prescriptions [is] a complicated one’ (ILO, 2005a, p.248).

However, although skills acquired informally (in the family, on-the-job, through observation and imitation, and by means of informal apprenticeship) can account for the training of up to 90 per cent of a country’s workforce, most government budgets are spent on formal pre-employment training programmes oriented towards the formal economy (Johanson and Adams, 2004, p.129; Walther, 2007, p.195). As Walther (2007) notes:

- This goes against the principle of equity that should prevail in education and training systems;
- This ignores the importance of MSEs as a potential factor for growth in developing countries.

<sup>22</sup> Of course, many of the skills acquired through informal apprenticeship such as occupational safety and health related skills are likely to be of low standard.

There are a number of lessons learned from different countries regarding how governments can best engage with upgrading informally acquired skills, especially by means of informal apprenticeship (Sections 3.2.3, 3.2.6 and 3.3.4).

### 3.1.2 Coordination challenges

The second challenge relates to coordinating policies, programmes and projects. Many developing countries do not have a coordinated overall strategy for the informal economy, nor is there usually one body, agency or ministry that assumes overall responsibility for developing policies, including skills development policies, for the informal economy.

Skills for the informal economy are delivered by very different entities - multiple ministries (for example, education, labour/manpower, agriculture, trade/industry/private sector, tourism, women affairs, among others),<sup>23</sup> NGOs and in the private sector. It might be argued that coordinating skills development delivered through public ministries is easy when compared to attempting to coordinate private skills development taking place in the informal economy itself, in informal apprenticeships for example.

What role can coordination agencies, unions and ISAs have in meeting some of these coordination challenges and in influencing public policy priorities and implementation? What are the lessons and directions that can be highlighted as regards the role of tripartite partners in skills development for productivity and employment growth?

A 2007 study by the Agence Française de Développement (Walther, 2007) on *Vocational training in the informal sector, conclusions of a field survey in seven African countries* noted that 'Training cannot achieve maximum efficiency unless all the stakeholders are directly involved' (p.157).<sup>24</sup> Coordination is required. Skills for the informal economy are delivered by very different entities - multiple ministries, NGOs and in the private sector - often without adequate strategic coordination. Ensuring that skills provision for the informal economy is coordinated and in line with a national skills development strategy is important for skills delivered to impact on productivity. Without coordination, the challenge to link skill with productivity increases is often addressed by a series of ad hoc training schemes, delivered across multiple ministries and through the private sector (including both for-profit and non-profit providers). Coordination of skills training modalities is required first and foremost to avoid wasting scarce resources through the duplication of training offered. Coordination can also help to remedy any gaps in the supply of training (sector-wise and geographically), to establish national skills standards, and for assessment and nationally recognized certification to take place. National coordinating bodies are more common in Anglophone rather than Francophone Africa (where ministry based governance remains in place).<sup>25</sup> Setting up coordination agencies is not without difficulties, however as the case of Ghana illustrates (Box 3). In the Ghanaian

<sup>23</sup> It is not uncommon to have six, seven or more ministries delivering some type of skills development programmes purportedly for the informal economy.

<sup>24</sup> The seven countries were South Africa, Angola, Benin, Cameroon, Ethiopia, Morocco and Senegal.

<sup>25</sup> Examples from Africa include the Vocational Education and Training Authority (VETA) in Tanzania, the Industrial Vocational Training Board (IVTB) in Mauritius, the Council for Technical and Vocational Education and Training (COTVET) in Ghana, the National Skills Authority (NSA) in South Africa, and the Technical Education and Vocational Education and Training Authority (TEVETA) in Zambia and Malawi.

case, as is similar in other countries, it has proved difficult to harmonize the relationship between the two key ministries responsible for skills delivery: education and labour.

### **Box 3. NACVET and COTVET in Ghana: A new era of coordination or new wine in old wineskins?**

In 1990 an attempt was made to resolve the interdepartmental rivalries and bureaucratic constraints that affected the management of training; the National Coordinating Committee on Technical and Vocational Education and Training (NACVET) was set up to coordinate a national skills development system (in particular between providers of skills from the ministries of education and employment). However, NACVET failed to develop a national skills development policy, suffered from capacity problems and on-going tensions between the two parent ministries, and remained inhibited by a lack of any legislative backing.

It is hoped that NACVET's successor, the Council for Technical and Vocational Education and Training (COTVET), that does have legal backing, will be more effective. Parliament passed on 27 July 2006 a Bill to establish a Council (COTVET), which has been almost ten years in the making. Its remit is to formulate national policies for skills development across the broad spectrum of formal, informal and non-formal education. With the Council (COTVET) in place, the expectation is that a comprehensive demand-driven system can be established and financed. However, there remain some serious challenges to the successful functioning and implementation of COTVET; not least those related to co-operation between, and the multiple (often conflicting) agendas, interests and politics within each Ministry. For example, even though COTVET was designed to be inter-ministerial, it was proposed to Parliament by the Ministry of Education (MoESS) and there is now a general feeling that this Ministry might control its operations. Most skills training for the informal economy takes place through the Ministry of Manpower, Youth and Employment (MoMYE), not the MoESS. Skills development strategies coordinated by the MoESS could have a more formal education feel to them. As a result the skills needs of informal economy workers (and the economy at large) might not be met. By March 2008 there was further disagreement between the MoESS and MoMYE regarding the placement of the National Apprenticeship Training Board, which will fall under COTVET and be responsible for coordinating Ghana's modernized informal apprenticeship system. Whether COTVET will usher in a new era of coordination or simply be "new wine in an old wineskin" remains to be seen.

Source: Palmer, 2007a, c.

Johanson and Adams (2004, p.77) highlight two lessons that can be derived in terms of authority and representation:

- i) Coordinating councils or NTAs must be vested with real authority. Too often these bodies lack teeth and are essentially consultative to the relevant minister. Such organizations, despite their value, do not radically improve matters unless they can make decisions and control the allocation of resources.
- ii) Balanced representation is critical to the success of Coordinating councils or NTAs, especially the weight of employers in governing bodies. Unless employers are given sufficient power in the decision making process, training may not be adjusted to serve the skills needs of the business community.

Unions and, especially, ISAs,<sup>26</sup> can play a crucial role in contributing to skills programmes for increased productivity in the informal economy; hence it is of prime importance that ministries, departments and agencies both collaborate with, and strengthen the capacity of, ISAs. ISAs can be an important means not only to link operators of similar enterprises together so that they might support each other informally, but also to act as a

<sup>26</sup> ISAs are used here to refer both to informal employers' associations and informal employees' associations.

single voice to get the views of their members felt in policy dialogue. Indeed, the Commission for Africa Report (2005) noted that, in order to develop a strategy for the informal economy, small enterprises have to be given a voice in the policy process.

ISAs can help to identify those areas where workers' skills are weakest. Dialogue with employers' and workers' representatives regarding training can reduce information asymmetries (ILO, 2005a). In some cases (e.g. in Ghana and Cameroon), ISAs already undertake trade testing and certification of informal apprentices (for example the Intersectoral Craftworkers Association-GIPA in Cameroon, see Box 10).<sup>27</sup>

Furthermore the ILO has found that when workers' representatives 'participate in the development of a training programme, workers are more likely to accept the programme, potentially improving its effectiveness' (ILO, 2005a, pp.195-6).

ISAs can play a major role in selecting participants, assisting in the development of training content and curricula, monitoring of apprenticeship training (e.g. quality of training environment, conditions, progress), and arranging follow-up support (see for example the Ghana Rural Enterprise Project-REP and the Kenya SITE project). ISAs can also assist in the recruitment of masters and apprentices for skills upgrading, but must do it in a transparent manner.

The experience of ISAs in Ghana's Vocational Skills and Informal Sector Support Project (VSP) (Appendix 3, Case 3) is also instructive. Many ISAs involved in the project were not helpful with distributing "intake vouchers" to members (to recruit trainees) as incentives were missing; some failed to verify the eligibility of applicants and the executives of others tried for personal gain by selling the available training places. The fact that the programme had to offer tools at a discount to masters participating in the scheme is also evidence of the lack of interest on the part of the associations.

### 3.1.3 Targeting challenges

The third challenge relates to targeting. The different groups within the informal economy, each with their specific needs, means that any intervention has to be designed around its target group, taking into account that group's specificities and socio-economic context.

To assist in programme and project design, three broad target groups can be identified within the informal economy:

- i) Entrepreneurs and workers in informal MSEs. This target group is itself very heterogeneous. Hence it is important to identify sub-groups including, for example, entrepreneurs, informal wage workers, apprentices and non-paid family workers. Skills development programmes for raising the productivity of subsistence-oriented informal enterprises also differ from those targeted at more growth-oriented informal enterprises.
- ii) Those working outside informal enterprises (including casual workers, home workers, domestic workers, casual or day labourers, temporary or part-time workers, industrial outworkers).
- iii) Workers employed informally in formal enterprises.

<sup>27</sup> For a discussion of the case of Ghana see Palmer (2007b).

These target groups are not necessarily mutually exclusive. For example, it depends on how an 'enterprise' is defined; while some consider all self-employed persons to be operating an enterprise, no matter how small their venture is (for instance, a boy walking about selling matches from a small tray could be considered an enterprise), others see an 'enterprise' as a distinct entity with a fixed location. Home workers and home-based enterprises can also confuse a neat categorization, as can whether or not farming is seen as an enterprise (which it should be in the opinion of the author). Lastly, it should be recalled that many workers in the informal economy might engage in multiple employment, inside and outside informal 'enterprises', including working in both the formal and informal economies.

Each of these target groups operates in different cultural, social and economic contexts that may influence their ability to use the skills they acquire (Section 3.3) (Mitra, 2007). Understanding these differences will contribute to the design of skills development programmes that enable skills acquired to be utilized by the target groups.

These targeting challenges should be borne in mind with regard to access and equity challenges (Section 3.2.1), and relevance, quality and skills-portability challenges (Section 3.2.4).

### *3.1.4 Data challenges*

The fourth challenge relates to data; that there is a general lack of data on the topic of TVET and consequently it is hard to quantify the skills, productivity and informal economy nexus. While data on public formal school-based technical and vocational education is collected and reported on in UNESCO's Global Monitoring Reports<sup>28</sup> as well as a recent UNESCO-UIS/UNEVOC report (UNESCO-UIS/UNEVOC, 2006), there remains a dearth of information on other TVET modalities (e.g. private provision, TVET under ministries of labour and enterprise-based TVET), both in terms of scope and quality. There is a particular lack of data on skills delivered in the informal economy.

Meanwhile, the ILO is neither producing statistics on proportions of young people who access skills through different TVET modalities nor is it monitoring skill training in vocational institute or in the informal economy. At the project level, the ILO is monitoring the outcome of interventions by applying indicators. Obviously, the indicators used depend on the project and the objectives of the project.

There is a serious lack of data on skills and vocational training at the country level in many developing countries; this lack of data on skills makes it difficult to present data on the TVET, productivity and informal economy nexus. For example, the lack of data on skills is the reason why the Human Development Index (UNDP) only uses years of schooling as an indicator for knowledge and skills. In the report for the ILC 2008 prepared by the Skills and Employability department of the ILO skills and productivity are discussed; but when it comes to data, however, years of schooling and literacy rates are used as proxies for skills. It would be a major investment to develop internationally comparable statistics on vocational training and skills at the country level, no matter who actually took the initiative (ILO, UNESCO, UNEVOC).

UNESCO-UIS/UNEVOC (2006) has shown there to be a positive correlation between a country's GDP per capita and its secondary percentage of technical/vocational enrolment, but the causal relationship between these variables is not conclusive.

<sup>28</sup> See [www.efareport.unesco.org](http://www.efareport.unesco.org)

## **3.2 Extending access to relevant and quality training and improving the portability of skills**

### *3.2.1 Access and equity challenges*

The fifth challenge relates to ensuring equitable access to skills development. This is acknowledged by the ILO, whose Recommendation 195 states that members should ‘promote access to education, training and lifelong learning... for workers in SMEs, in the informal economy, in the rural sector and in self-employment’ (ILO, 2005b, p.6).

Simply expanding skills development systems without addressing the issue of access and equity will not go far towards meeting the needs of many of those working in the informal economy.

Beyond basic education the outreach of the formal training system is relatively tiny in most developing countries; even if large proportions of vocational institute/college graduates enter the informal economy, the absolute numbers leaving these formal training courses are low. Very small percentages (usually no more than 1-3 per cent) of the working poor or apprentices will have received training in a formal vocational training institution (VTI) or college. In India only 2 per cent of the working population have received formal vocational training (Chouksey, 2007).<sup>29</sup> Women are particularly disadvantaged with regard to accessing both formal and informal training.

Within the informal economy, many persons have special needs or face substantial barriers accessing skills that would increase their potential productivity; for example persons in rural communities (WGICSD, 2005); youth (Brewer, 2005); persons with disabilities (Perry, 2003); women (Murray, 2008) and the poor (Bennell, 1999; Palmer, 2007d). One of the largest challenges concerns how to develop the skills and competencies of early school leavers and those who did not get the opportunity to go to school (many of them girls). In many developing countries this youth group dominates the informal labour market and faces the toughest challenges with regard to escaping their situation (Chouksey, 2007).

Women often find themselves particularly disadvantaged when it comes to accessing education and training, which partly stems from the low social value attached to girls’ education. In many cultures boys are valued more than girls, who are socialized to accept a lower status. From an early age parents may invest more in their sons’ education than their daughters initiating an education gap. Girls are often pulled out of school at an earlier age than boys. Skills training courses may not take into account women’s domestic and family caring obligations, travel limitations and other cultural constraints. Most training courses do not provide child-care facilities, and because of the responsibilities women have with respect to household chores and child rearing they have less time to devote to training and economic activities (Capt, 2007, Murray, 2008).

Informal apprenticeships, the most widespread means of vocational skills acquisition in many countries, are usually divided along gender lines, benefiting young men more than young women (ILO, 2005c). Moreover, there is still screening out of applicants from poorer families if up-front payment is required.

<sup>29</sup> Five per cent of youth (aged 20-24) in India have received formal vocational training (Chouksey, 2007; Mitra, 2007).



The low level or poor quality of basic education (especially in rural areas) before entering the workforce often impedes acquiring skills or upgrading existing ones. Access and equity issues vis-à-vis skills development are tied up with access and equity issues concerned with basic education. In many instances, a complete basic education is often a prerequisite for entry into mainstream (formal) skills programmes; hence access and equity for women need to be promoted both in skills development interventions and in mainstream schools (Godfrey, 1997; Palmer, 2007d). Singh (2007) highlights the importance of basic education, as both an essential prerequisite to access further learning, and as a means to unlock other rights:

Basic education should be regarded as an essential prerequisite and foundation for access to further training and education and as a basic right for unlocking other rights, such as the right to decent work, employment, cultural and political participation, economic wellbeing and security. (p.30)

In parallel with promoting equitable access to basic education for boys and girls, men and women, there is a need to develop training contents that include elements of basic education – for instance, functional literacy – as well as remedial training, so as to facilitate access to training by those who did not get previous access to basic education.

The impact that improved access to quality basic education will have on productivity in the informal economy is widely seen as positive, as the following comments suggest:

- Over time, the effect of better schooled apprentices will have an impact on the informal sector with respect to output and productivity (Charmes, 1999, p.78).
- There is a direct relationship between the quality and quantity of basic education received and the extent and intensiveness of training required in order to enter productive activities (Labarca, 1998, p.419).
- Improving the availability and quality of basic education. This is arguably the single most important human resource development contribution to rural and urban informal sector productivity (Middleton et al., 1993, p.245).

### ***3.2.2 Improving the access to formal or semi-formal skills development programmes: Lessons learned***

#### ***Promote equitable access to basic education, but be aware of the consequences of expanding formal schooling too rapidly***

Improving the availability and quality of basic education is important to improving productivity in the informal economy. Many countries have introduced ‘free’ schooling up to the primary and/or lower secondary level (e.g. Ghana, Kenya etc), which has resulted in large numbers of new school enrolments. Two concerns arise from this expansion: it may lead to a dilution of quality, and it is likely that pressure for post-basic/primary education and skills training will increase considerably. Moreover, the very poor will still find it hard to overcome opportunity costs of attending “free” schooling.

#### ***Promote literacy among those who did not get previous access to basic education***

In parallel with promoting equitable access to basic education for boys and girls, men and women, there is a need to develop training contents that include elements of basic education – for instance, functional literacy – as well as remedial training, so as to facilitate access to training by those who did not get previous access to basic education.

Literacy components in skills training projects appear to have been successfully complemented the training in a number of cases, including: Society for the Development of Textile Fibers (Senegal), Training for Rural Economic Empowerment (Pakistan), Tangail Infrastructure Development Project (Bangladesh), Somaliland Education Initiative for Girls and Young Men (Somalia) (for a discussion of these projects see Palmer, 2007d).

Low levels of basic education handicap training, both of MCs and of apprentices. Literacy training is an important complement to technical and vocational training and is an important precondition for effective business development.

### ***Address financial and non-financial access barriers to skills training***

Governments must normally take primary responsibility for funding skills development for the poor while enterprises and individuals who are able to pay for training should be required to do so. Financing mechanisms should take redress into account so that the poor are not forced to pay extra because of their own marginalisation, but rather get support for addressing the consequences of their marginalisation. This includes both specific funding for poverty-targeted interventions and merit-based bursaries for the poor to facilitate access to mainstream (formal) skills development modalities. Providing training in situ (at the workplace of the poor) may contribute to overcome venue and transport constraints and costs.

For the working poor attention has to be paid to both financial and non-financial access barriers, and especially gender-based barriers (Murray, 2008). Skills development strategies need to identify and incorporate disadvantaged and marginalized groups for whom the attainment of education, skills development and, ultimately, decent work is often a considerable challenge.

Financial access barriers, other than direct training fees, including the prospect of having to (largely) remove themselves from work for a two to three year course at a vocational institution/college cannot be easily overcome; the opportunity cost of training and losing their means of acquiring an income, however small, for the duration is too great. Even short-duration training can be problematic for the same reasons.

Non-financial access barriers include the fact that technical and VTIs usually require that entrants have school qualifications and, since many of the working poor have been unable to access or complete a formal (basic) education, access to formal VTIs is usually problematic (ibid.). The working poor can benefit from programmes that address their lack of formal educational background – before skills training occurs. Gender-based barriers (see also Section 3.2.1) include the socio-cultural pressure women experience to only train in and enter traditionally female trade areas (usually lower productivity ventures compared to those men enter) (ibid.). Furthermore, since women are frequently disadvantaged relative to men in terms of getting equitable access to basic education, they are further disadvantaged as their access to most formal training opportunities requires a complete basic education.

Most of those working in the informal economy, even the more growth-oriented entrepreneurs, are also unlikely to be able to spend long blocks of time away from work in order to attend a two to three year training, but attending short-duration courses can be quite a feasible option. However, growth-oriented entrepreneurs have more access to

information about training courses, greater mobility to get there and, quite often, greater financial flexibility to attend courses.<sup>30</sup>

### *Offer women a realistic choice to enter male dominated trades*

In most developing countries women tend to train and end up working in traditionally female dominated trade areas. While there is nothing wrong with traditionally female trade areas per se, the problem relates more to the fact that most of these traditional trade areas are not as profitable as traditionally male dominated occupations. From an equity perspective, therefore, women need to see entry into traditionally male dominated trades as a realistic choice for them. There have been a number of successful projects that have given women this choice and enabled them to access traditionally male dominated occupations. In most cases, long and sustained efforts in advocacy and awareness raising at the community and institutional levels are often required to help build public support for new economic roles for women (Murray, 2008).

The Community-Based Training (CBT) project in Bangladesh is one successful example of where new opportunities and technical options have been opened to poor rural women in market oriented non-conventional trades – breaking stereotypes and barriers in women’s employment and changing social perceptions. In this case the project took great care to obtain the support from the communities and local leaders (Palmer, 2007d, Appendix). The CBT project in Bangladesh has all the dimensions of the ILO’s Training for Economic Empowerment (TREE) methodology (Box 4).<sup>31</sup> The “Decent Employment for Women in India” (DEW) project aimed at improving employability of women in the informal economy and their social status in the labour market in two metropolitan areas, New Delhi and Bangalore. It encouraged women to shift from conventional to contemporary vocations, widening the scope of work available to them (Palmer, 2007d, Appendix).

<sup>30</sup> Most growth-oriented informal enterprises are not one-person ventures (as in the case of most of the working poor); in some cases, where there are more senior apprentices or other informal wage employees it might be possible for the entrepreneur to leave someone else in charge while he/she is training, thus the enterprise does not lose income in the absence of the entrepreneur.

<sup>31</sup> The Bangladesh CBT project was formulated in 2000 before the TREE acronym was adopted by the ILO.

#### **Box 4. The Training for Rural Economic Empowerment (TREE) methodology**

TREE is a system approach for employment and income-generation aiming at poverty reduction and the promotion of decent work. TREE emphasizes the crucial role of training as part of an integrated package of interventions designed to create new economic and employment opportunities for the poor, the underemployed, the unemployed and the otherwise disadvantaged. It is based on the principles of community participation and the creation of local partnerships to identify development opportunities and constraints, and help drive forward programme implementation. Critical processes of TREE include:

- i) Community assessment;
- ii) Identification of economic opportunities, and related training needs assessment;
- iii) Planning, designing and delivery of training;
- iv) Installing post-training support mechanisms;
- v) Ensuring the institutionalization of the programme within local institutions.

Local development approaches and gender are strongly mainstreamed in the TREE programme. TREE differs from conventional vocational training programmes in three main ways: by identifying potential income-generating activities and related training needs before designing the content and modalities of specific training programmes; by involving the local community and social partners directly in each phase of the identification, design and delivery process; and by facilitating the necessary post-training support, including guidance in the use of production technologies, facilitation of access to credit and other financial services, assistance in group formation, etc. to ensure that women and men can initiate and sustain income-generating activities, and also raise productivity in trade areas for which training was provided.

Source: ILO Skills and Employability Department, 2007.

#### ***Create opportunities for the poor in trades not associated with the poor***

Just as it is important to provide women with realistic choices about entering male-dominated trades, it is also important to avoid a ‘ghettoisation’ of the poor (and especially poor women) in traditional trade areas to ensure they are not marginalized further. The poor need to be encouraged to enter into training and profitable businesses connected with new technological developments (e.g. mobile phone repairs).

#### ***Specifically address disadvantaged groups in skills development strategies***

Such disadvantaged groups include rural groups, women, youth, persons with disabilities and those in the informal economy more generally. For example, the Alleviating Poverty through Peer Training (APPT) in Cambodia targeted people with disabilities, enabling them to access skills training (Box 5; see also Palmer, 2007d).

### **Box 5. Alleviating Poverty through Peer Training (APPT) in Cambodia**

Based on informal and village-based apprenticeships, APPT uses a methodology called Success Case Replication (SCR) or more simply, peer training. According to SCR, successful local entrepreneurs train others to replicate their businesses by imparting practical skills in both the technical and business aspects of setting up a microenterprise. Village leaders, provincial government workers and NGOs help field workers find prospective trainees who are then matched to appropriate trainers. Field workers also need to assess for any special trainees' needs related to disability, gender and poverty. Training allowances are available and paid to trainers or trainees to cover costs (e.g. transportation, training materials, accommodation, the training fee, etc.). After training, APPT provides small grants, loans and BDS to project beneficiaries to facilitate utilization of the acquired skills.

Source: Perry, 2003.

In order to enable disadvantaged groups to access skills training, programmes need to respond to the different and difficult personal conditions of each group (for example, regarding timing, location, methodology).

#### **3.2.3 Improving access to informal apprenticeship training: Lessons learned**

Ghana's VSP (Appendix 3, Case 3) demonstrated that training fees are acceptable for participants when training is felt to be relevant.

However, there is a strong case to be made for some degree of financial support to enable the poor and vulnerable to access informal apprenticeship training; while this form of training is usually assumed to be accessible to everyone, this is not the case.

Ghana's REP helps poor youth to get access to informal apprenticeship training through an 'Apprentice Fund' which finances three-fourths of the costs to enter apprenticeship. However, there is a risk such a fund will not be sustainable outside a project setting (Box 6).

### **Box 6. Ghana's Rural Enterprise Project (REP)**

The REP has been active in Ghana since 1995. Initially covering two districts, the REP was expanded to nine districts in 1998 and in 2003 started its second phase.

Skills development had been a major entry point for REP to promote rural informal micro-enterprise activities. REP's skills development interventions have been complemented by a variety of other services: facilitating access to new technology and business advice; promoting easier access to financial services; improving the efficiency of existing small rural enterprises; supporting the creation of new enterprises; and removing communication constraints through feeder road rehabilitation. This integrated approach is seen as one of the reasons behind the success of the REP so far.

An important aspect of the REP is the 'Apprentice Fund' which was set up to provide financial support to poor youth to enter into informal apprenticeship training and finances three-fourths of the costs to enter apprenticeship.

Source: Haan, 2006; Johanson and Adams, 2004.

An ILO-IPEC project on skills training strategies to combat the worst forms of child labour in the urban informal sector in sub-Saharan Anglophone Africa facilitated the access of former child labourers into informal apprenticeship training (Bashagi, 2007;

ILO-IPEC, 2004; Pealore, 2007).<sup>32</sup> The project demonstrated an approach to improve informal apprenticeships along gender lines. Gender was well mainstreamed in the project design and implementation. All participating stakeholders were trained on gender to change the cultural behaviour towards the stereotyped gender based trades and attitude of employers, community members and the girls themselves towards girls entering the traditional male dominated trades. Awareness raising and training workshops conducted in all participating districts and cultural behavioral change advocacy materials were developed and well disseminated (Bashagi, 2007). This stimulated a change in attitude towards girls entering the traditional male dominated trades thus increasing girls' employment opportunities and reducing discrimination of girls at work in certain trades (Pealore, 2007). In this pilot project a total of 34 females were trained in male dominated trade areas and six males trained in female dominated trade areas. Although girls started entering male dominated trades, thus widening the girls decent work opportunities, the number of girls in those trades is still very small and the drop out rates from the training are worse for girls in male dominated areas (Bashagi, 2007).

Great care should be taken not to disrupt MCs' traditional selection mechanisms regarding how prospective apprentices access training. In the case of the Nigerian Open Apprenticeship Scheme (Appendix 3, Case 4), the master-craftspeople were never involved in selection procedures; instead the government's National Directorate of Employment (NDE) selected the trainees. The result was that the master-craftspeople no longer felt fully responsible for the training outcome.

#### 3.2.4 *Relevance, quality and skills portability challenges*

The sixth challenge relates to providing relevant, quality training and easily portable skills. This challenge is particularly difficult for the poor.

*Relevance:* In most developing countries, training offered through public and private formal training institutions does not reflect the realities of the labour market. In particular policy-makers have to deal with the challenges of designing training policies in the face of a growing informal economy as well as a rapidly changing technological, environmental, and market context. The challenge is how skills development can help improve productivity and employability in the face of such changes. What options do policy-makers have, and how have they tried to make the training systems more relevant?

Some governments try to better prepare school-leavers for employment by integrating vocational, technical and entrepreneurial skills content in schools. Others adopt the strategy of upgrading the skills and competencies of those already working in the informal economy. What does experience suggest to be the most effective means of improving training relevance to increase productivity in the informal economy?

*Quality:* One of the largest challenges concerning the provision of quality skills training for the informal economy relates to informal apprenticeship training. Informal apprenticeships are practically orientated, self-regulated, self-financing, usually have no official formal educational entry requirements, serve important target groups (rural populations and urban poor), and are generally cost-effective. However, informal apprenticeships usually perpetuate traditional technologies, do not expose trainees to theoretical aspects or to technological advances, and there is a great variety in the quality

<sup>32</sup> This ILO-IPEC programme of technical cooperation (2004-2007), funded through the government of Canada, operates in Ghana, Kenya and Tanzania.

of both training and working conditions, with some close to exploitative. Moreover, another of the shortcomings of informal apprenticeship is the absence of end-of-training assessment of the skills acquired. There are, increasingly, calls from governments and international agencies (like the ILO) to upgrade the informal apprenticeship system.<sup>33</sup> The challenge is how to upgrade the quality of skills taught and acquired without undermining the strengths of this informal system.

*Portability of skills:* It is important for the skills possessed by individuals to be recognized if their employability is to be enhanced (ILO, 2002b). Many skills acquired informally through self-learning or apprenticeships largely go unrecognized and un-certified. Recognition of prior learning is important to facilitate an individual's move from the informal to formal economy, and from less to more productive employment. Assessment, recognition and certification of skills acquired outside of the formal institutional context are therefore important. The challenge is how to do this.

### 3.2.5 *Improving the relevance and quality of formal or semi-formal skills development programmes: Lessons learned*

While policy-makers scramble to expand formal skills development systems under the fallacious assumption that TVET can have a positive impact on productivity, employment, economic growth and poverty reduction - even when training is of low quality or acquired in contexts that are not enabling for skill utilization (for example few employment opportunities following training) - most new employment opportunities are being created in the informal economy for which quite different skills are required (Palmer, 2007a, c; Adams, 2006, p.8). Many pre-employment training schemes are focused on training the youth for certification and jobs in the formal economy but, in the absence of sufficient jobs of this nature, they have become, de facto, suppliers of youth to the informal economy labour market; in many cases most graduates of formal pre-employment training schemes end up working in the informal economy.

Training offered through public and private formal training institutions does not reflect the realities of the labour market in SSA (Johanson and Adams, 2004), Asia (Singh, 2005; Titumir, 2005; World Bank, 2006) or Latin America (Gallart, 2008); this is particularly the case with regard to meeting the training needs of the large workforce in the informal economies in these regions. 'TVE was introduced in developing countries to promote skills for industrialization and where this has not happened it has been slow to respond to the different skill needs of the informal economy that has grown in its place' (Adams, 2006, p.8). As a consequence, formal VTIs usually have limited knowledge with regard to skill requirements in the informal economy and therefore 'do not address the skills needs of those already in the informal economy and those likely to enter it' (ILO, 2007b, p.42; cf. ILO, 2007a, p.11).

The next logical step has been to reform the formal system to make it more relevant towards informal employment. In fact, there have been a number of attempts to reorientate formal pre-employment training to better meet the needs of the informal economy but such reorientation has proved difficult (Grierson and Mackenzie, 1996; Johanson and Adams, 2004, p.138; Palmer, 2007a). Johanson and Adams (2004, p.144) argue that in order to reorientate formal VTIs towards training for self-employment in the informal economy

<sup>33</sup> See Johanson and Adams (2004) for a summary of the strengths and limitations of informal apprenticeship training.

major changes for most training providers would be required. This said, there have been some attempts from India which appear to be more successful.

The National Vocational Training System (NVTS) project in India (Box 7) supports training providers in developing new and more effective skills development programmes for the informal economy. The courses of the NVTS project are modular; of short duration - each leading to identified employment; competency oriented, practical, with not much theoretical content; and directly influenced by market opportunities.



### Box 7. National Vocational Training System Project in India

The Indian Government wishes to open up the vocational education and training system to the needs of the informal economy. The provision of both technical skills and entrepreneurial capacities needs to be geared towards enhancing employment and/or self-employment. The NVTs project (2004-07) makes a major contribution to this reform process. Under the NVTs project, Gesellschaft für Technische Zusammenarbeit (GTZ) in cooperation with the Directorate General of Employment and Training (DGE&T) under the Ministry of Labour and Employment (MoL&E), supports training providers in developing new and more effective skills development programmes for the informal economy. The project aims to strengthen the NVTs and to increase the technical and entrepreneurial skills of people working in the informal economy (e.g. school leavers and dropouts, unemployed men and women, young non-literates, workers needing skill upgradation, persons from socially and economically backward sections of the society). GTZ cooperates with four different partners - Don Bosco (Delhi), Sobha Developers (Bangalore), FVTRS (Bangalore), and Cane and Bamboo Technology Centre (Assam). The courses, which are designed to meet the needs of different target groups, are: modular; of short duration - each leading to identified employment; competency oriented, with not much theoretical content; directly influenced by market opportunities, with a lot of emphasis on linking the training with the employment market as well as with 'skills market'. Intended impacts include:

-School dropouts and underprivileged have access to enhanced opportunities for employment and self-employment in the informal economy.

-The NVTs is expanded to include employment relevant initiatives geared towards the needs of the informal economy.

Project outcomes include:

- Forty-three innovative skills development programmes have been developed with the four different partners (noted above);

- More than 3,000 trainees have been trained so far in different courses with implementing partners. Amongst boys the wage employment rate is almost 90 per cent; while among girls, it is only 40 per cent, the remaining are in other self-employment and income-generating activities or working from home, both of which are usually part-time (but are often in areas related to the course they took).

The training programmes enhance measurably the employability of the participants, but there are not yet any comprehensive studies which measure the impact on productivity. However, the training does seem to have resulted in a marked improvement in the confidence levels of both trainers and trainees. The trainers, who were a little hesitant to teach trainees about theory, are now happy concentrating on practicing jobs with the trainees. At the Don Bosco centre (Delhi) the trainers and trainees have taken on a contract to do house installation (wiring) jobs for the new houses for lower socio-economic classes being built in that area. The contractor is happy that he is getting a competitive bid; the trainers and trainees are happy they get a lot of experience on the job - this forms a part of their training process now; the institution is also happy - as their cost investments in raw material is reduced. As a result trainees now have the confidence that they can perform in the real job environment. After such course a trainee is easily employed or even has the confidence to go for self employment.

Girls remain more in traditional training (including tailoring, beautician, office assistantship). In tailoring, as the institute does not provide raw materials, girls bring material from their neighbours or friends or family for stitching; some are smart and are able to charge some money for this stitching - so they earn while they learn. Those undertaking beautician training are also often able to earn money using their skills as they learn themselves.

Source: GTZ, 2007a; Julia Frölicher and Anita Sharma (GTZ) personal communication (10 Aug. 2007, 29 Sep. 2007).

The Centre for Research and Industrial Staff Performance (CRISP), also in India (Box 8), has also successfully re-oriented its training activities towards meeting the needs of those in the informal economy. It has adopted measures in the design and delivery of training, taken gender aspects into consideration and provided post-training support.

### Box 8. The Centre for Research and Industrial Staff Performance in India

The CRISP in Bhopal (Madhya Pradesh) is an example of a training provider who has positioned itself successfully in the niche of high-tech further training and related industrial services. The former polytechnic is sponsored jointly by the state and the private sector. The CRISP addresses employed as well as unemployed persons, and gives special attention to underprivileged groups of society in the unorganized sectors (poor, so-called scheduled castes and tribes, and dis-empowered women). Some examples are: Training of jobseekers belonging to tribal and backward category, computer literacy training programme, data entry operator, multi-skilling programme for rural youth ("barefoot engineer"), vocational training for employment generation, and modern office management for tribal youth. These programmes are financed by government schemes or donor agencies. The programmes are replicated throughout the state under the CRISP's guidance in more than 50 institutions, improving the prospects of around 15,000 of young people in the state of Madhya Pradesh every year. No comprehensive studies regarding productivity improvements have been conducted - the success of these programmes is measured by getting the trainees into wage or self-employment. The most recent tracer study of 665 trainees revealed that employment of graduates averaged 62 per cent (49 per cent for men, 66 per cent for women). Good practices adopted included:

i) **Designing of training programmes:** Training was demand-led; skills taught as determined by existing or recognizable potential opportunities in the market. Employment opportunities were identified prior to conducting training. Skills to be imparted were pre-focused at wage employment, self-employment, micro-enterprise development, depending on the training programme objectives. A low cost approach was adopted to ensure sustainability of skills training interventions. For those already working, training was focused on skill enhancement (i.e.) upgradation of existing skills, so that they could increase their income by scores.

ii) **Organization and delivery of training:** Training programmes gave attention to the characteristics of the target group and the conditions under which training was implemented. Accessibility of training programmes was significantly increased by taking into account the time and work constraints of the trainees. Focus was on the most effective method of imparting training - the practical hands-on approach. Other methods adopted were demonstrations, repetition and trial and error, and on-the-job training. Basic skills training was conducted foremost through short courses (1-3 months) based on a modular approach. Training curricula was practical, ideally in local languages and, to the extent possible, suitable for illiterate trainees. The training content covered just 10 to 25 per cent of the time to theory. To enhance the relevance of skills training programmes for self-employment, trainees were provided with training in entrepreneurship and business management, credit, latest technology and marketing as well as with other relevant support services.

iii) **Gender aspects:** There was a conscious effort to include girls and young women in training programmes. Training programmes for girls include personal development and life-skills training modules. To encourage participation of women in the training support facilities were offered, including hostel, transport facilities, and toolkits. The pool of women trainers is being increased. Public and private employers are being encouraged to employ increased number of female apprentices.

iv) **Post-training assistance:** Training programmes that aimed for wage employment included career counselling and assistance for job placement. Training programmes that seek to promote self-employment and micro-enterprises were closely linked to credit schemes of banks and financial institutions that make available adequate amount of investment and working capital at relevant conditions. A monitoring system was developed to track the progress of a trainee who had opted for self-employment.

The CRISP is part of the 'Promotion of Industrial Services and Employment' (PISE) project.

Source: GTZ, 2007b; Julia Frölicher (GTZ) personal communication (10 Aug. 2007).

Private training institutions have demonstrated greater flexibility (compared to public providers) in adapting the content and duration of training to the market, picking up innovative training approaches much more quickly.

The gap created by the failure of formal training systems to reach out to, and to meet the needs of, informal economy workers has been partially filled by small-scale projects and programmes, including community-based programmes such as the ILO-supported CBT/TREE projects in Bangladesh, Madagascar, Pakistan and the Philippines, or the ILO's Decent Employment for Women in India project (see Palmer, 2007d, Appendix for a summary of these).

A number of general lessons with regard to providing relevant, quality skills development for the informal economy have been learned from formal or semi-formal skills development programmes that have the specific objective of training people already working in the informal economy (through skills upgrading) and those who are likely to end up in the informal economy (through pre-employment training schemes). These are noted below (see also Grunwald et al., 2005, pp.34-35; Palmer, 2007d).

### ***Training must be demand-driven***

Training must be demand-driven, and closely integrated with local development. It has become a widely accepted best practice that training offerings need to be demand-driven both with regard to: (i) demand for (semi-) skilled workers by employers of both formal and informal enterprises; as well as (ii) opportunities for the profitable production by self-employed producers, i.e. the effective demand for such goods/services in the local/regional markets (Haan, unpublished, p.50).

Hence new trades selected for training need to be based on an analysis of the local labour market and will probably be different for each geographic area. ISAs and community-based organizations can be used to identify training that is needed for member master-craftspersons and apprentices and enterprises for which demand is not satisfied. Local needs assessment surveys can also be useful but would be more costly. It is also important that there is a constant dialogue between training organizers and the labour market, rather than a labour market assessment being a one-off exercise.

### ***Training must be targeted and needs-led***

Training must be targeted and needs-led, both with respect to particular groups of the poor and their particular skills development needs. As a general rule, training should be provided only where the required skills are a "key missing ingredient" for improving productivity and incomes. Training methodology, contents and delivery needs to be tailored to the needs of specific target groups. An appropriate methodology builds on prior learning, enhances self-esteem, transfers control from the trainer to the learner, and links closely to the site of work. Learning-by-doing or learning-with-production may be appropriate both in terms of engaging and holding interest and in terms of generating income to offset training costs. The focus is on outreach training (that is, taking training programmes out to the target audiences) instead of on fixed, center-based training. (Johanson and Adams, 2004). Training materials, equipment and techniques need to be geared to what is possible in the informal economy (e.g. where there is no electricity in the workplace, training should be done on hand tools; poorly educated trainees should be able to understand the materials).

### ***Skills training for the informal economy needs to go beyond technical skills training***

Skills development initiatives for the informal economy need to go beyond technical skills and include empowerment skills (confidence building to acquire skills, negotiation, organizational skills, etc.) – especially for women, entrepreneurial skills directed at self-employed activities and basic skills (literacy, numeracy, learning skills, problem-solving skills) (Haan, unpublished). Training for examinations and official certificates should be

de-emphasized. To avoid market saturation technical training will need to be broadened beyond the standard trades for which it is now offered (for example, tailoring, carpentry) (Johanson and Adams, 2004).

### ***Training has to be short, modest, and competency based***

Training has to be short, modest, and competency based (Johanson and Adams, 2004). Short training duration leads to cost effectiveness for the programme and the individual (as short as possible but as long as necessary is a good rule of thumb).

There are instances where a short training duration is not necessarily beneficial. For example, several projects have tried unsuccessfully to fast-track informal apprenticeship training into a one-year period rather than the usual two to three years of training.<sup>34</sup>

The apprenticeship component of Ghana's STEP, 2003-05, found that a short training duration (of up to one year) was not suitable for all trade areas (e.g. like welding and carpentry) and leads to the creation of 'half-baked' apprentices, especially where new apprentices do not have prior trade knowledge (Preddey, 2005).

The ILO-IPEC project on skills training strategies to combat the worst forms of child labour in the urban informal sectors of Kenya, Tanzania and Ghana enrolled former child labourers in informal apprenticeship training – but only for up to one year (Pealore, 2007). The draft synthesis evaluation report noted that the:

Effectiveness of the project has not been fully achieved because of the one-year duration which is too short for mastery of skills acquisition. Effective competency requires 2 to 4 years of apprenticeship (Pealore, 2007, p.26-27).

Most successful projects that have tried to upgrade informal apprenticeship training have worked with those youth already in informal apprenticeships, offering them supplementary training. In other words, these projects allow the trainees to undertake the normal length of informal apprenticeship training (recognizing that this duration varies by trade) (see for example the Informal Sector Training and Resource Network-ISTARN project in Zimbabwe or the BAA project in Senegal). This said some projects tailor the duration of informal apprenticeship training according to educational entry level of the apprentice (e.g. PROMECABILE in Senegal).

### ***Training should recognize complex livelihoods***

Skills training should recognize that many of those in the informal economy work in multiple (paid and non-paid) activities either serially over their life-cycle or simultaneously (these activities might include, for example, multiple informal/formal self-employment, combining informal/formal wage and self-employment, and domestic work). Therefore, skills training needs to be wide enough to avoid pigeon-holing a participant in too narrow an area of employability. It points to the need to have skills training opportunities that are both flexible (with regard to delivery and mobility of skills) and highly responsive to labour market demand.

### ***Training should be monitored and evaluated on an ongoing basis***

Training cannot be effective unless its impact is monitored and assessed (Gallart, 2008, Walther, 2007). Testing the hypotheses on which an intervention is based and being

<sup>34</sup> For more on improving the quality of informal apprenticeship training, see Section 3.2.6.

prepared to adapt the intervention if it is not working is important for the success, sustainability and eventual up-scaling of strategies. It is this process which will help to build confidence in the overall skills development approach.

While many training interventions for the informal economy might evaluate their project in terms of numbers trained or numbers entering wage or self-employment, rarely do projects undertake cost-benefit analysis or evaluate the impact of training on income (and productivity).

***Ensure trainers are themselves adequately trained and are capable of delivering quality training***

Training should be delivered by a strongly motivated cadre of high level personnel who have the special skills needed for self-employment and MSE promotion, as well as a good understanding of the needs and constraints of those in the informal economy, especially women and the poor.

***Both public and private training providers have important roles to play***

Formal private training providers have an important role to play in expanding skills development systems and often offer better quality training than public providers (though the quality of private provision does vary greatly). However, formal-for-profit private providers often impart a limited range of vocational skills (often focus on secretarial or IT training). Left to the market, skills systems usually favour the non-poor. Hence, public provision of skills remains important, especially for the poor and in trade areas where the private sector is less likely to be interested. The quality of public provision needs attention however.

***The level of skill adaptation impacts on the extent to which new technologies can increase productivity in the informal economy***

The extent that new technologies, particularly information and communication technologies (ICTs), biotechnologies and micro-electronics, become integrated into, and contribute to the increased productivity of, the informal economy depends on the level of skill adaptation (Singh, 2007). Workers in the informal economy need to learn 'new skills' that are increasingly common in the formal economy, such as technological and computer literacy and international languages, in order to avoid being further socially excluded (ibid.).

**3.2.6 *Improving the quality and relevance of informal apprenticeship training: Lessons learned***

One effective approach to providing skills to the informal economy is to work with those in existing enterprises, rather than those preparing to start enterprises (ADB, 2004), or those still in school or vocational institutes. In particular, support for informal apprenticeships appears particularly important; to improve the productivity of the MC and the enterprise, and the skills of apprentices working under the supervision of the MC (ADB, 2004; Fluitman, 1989). Improving existing apprenticeship training systems is vital essentially because of the great numbers of apprentices involved, because young women and men have probably better aptitudes to learn than older ones, because they will be the pillars of tomorrow's societies, and because of the potential to raise productivity and incomes in self-employment (Johanson and Adams, 2004). Informal apprenticeship training remains the largest provider of skills in many countries, but suffers from quality deficits. Moreover, informal skills training is proving too narrowly focused to cope with the increasing challenges of technical change, skills enhancement, and wider markets

(Ziderman, 2003). Any improvements that might be made in informal skills training have to be carefully applied so as not to undermine the strengths of the existing informal systems.

Many lessons have been learned from more and less successful initiatives that have tried to improve the quality of informal apprenticeship training (see Appendix 3 for some case studies), including: the Programme d'Appui au Milieu Artisanal de Maroua in Cameroon (APME - Micro-enterprise Support and Promotion Programme); the SITE Project - Improving Traditional Apprenticeship Training in Kenya; the Vocational Skills and Informal Sector Support Project (VSP) in Ghana; the Rural Enterprise Project (REP) in Ghana; the National Open Apprenticeship System (NOAS) in Nigeria; the Alleviating Poverty through Peer Training (APPT) project in Cambodia; PROMECABILE in Senegal; Bureau d'Appui aux Artisans (BAA) in Senegal; and the Informal Sector Training and Resources Network (ISTARN) Project in Zimbabwe (for details see Haan, unpublished, 2006, 2001; Haan and Serrière, 2002; Johanson and Adams, 2004; Mitra, 2002; Palmer, 2007d, g; Singh, 2005; Walther, 2007).<sup>35</sup> Some of the lessons learned from these projects are the following:

### ***Upgrade the skills of master-craftspeople***

'The most appropriate training intervention may be to upgrade the skills of MCs, assuming better skills will make them more productive and have a trickle-down effect on apprenticeships' (Johanson and Adams, 2004, p.146). This skills upgrading should focus first on pedagogy (see, for example, the VSP in Ghana and the BAA project in Senegal). Master-craftspeople should be trained before apprentices are trained, and both groups should never be trained together.

### ***Provide supplementary training for apprentices***

Literacy training is an important complement to technical and vocational training and is an important precondition for effective business development (see, for example, Cameroon's APME project). By making formal basic education more accessible and of better quality the overall education levels of apprentices in the informal economy will increase. Indeed, there is evidence that this is already happening (Palmer, 2007b) and some regard this as 'the most positive government influence' (DFID, 2007, p.8) on the informal economy and informal apprenticeships.

Besides better literacy and numeracy, apprentices need: i) theoretical training; and ii) expanded technical training, for example, on equipment unavailable in their particular workshops. Such training should be more market-driven (Cambodia APPT, Cameroon APME, Ghana REP, Ghana VSP) and provide training at convenient times. Establishing sustainable linkages with formal VTIs to deliver supplementary training has proven to be difficult. As noted above, in order for formal VTIs to deliver training to those in the informal economy major institutional re-orientation is required. Training delivered by formal VTIs is often not suited to providing supplementary training to apprentices. The ISTARN project in Zimbabwe (Box 9) was instructive in this regard as it showed that the delivery of supplementary training by instructors of technical training colleges accustomed to teaching trainees with much higher levels of previous education proved less effective when the trainees were informal apprentices.

<sup>35</sup> See also the final report of the ILO workshop, 'Apprenticeship in the informal economy in Africa' (Geneva, 3-4 May 2007), ILO, 2008. This report contains a number of examples of 'best practice' interventions into informal apprenticeship. See <http://www.ilo.org/public/english/employment/skills/events/apprentice.htm> [8 Aug. 2007].

Instead of working with formal VTIs it might be better for apprentices to receive supplementary training from independent trainers; this approach proved successful in Kenya's SITE project (Appendix 3, Case 3). There appears to be a limited role for formal VTIs therefore, unless their trainers are adequately trained to deliver training to other target groups than those they are used to (see Section 3.2.5 above).

The NOAS in Nigeria is a dramatic attempt to use the informal apprenticeship system as part of a national training programme. It is implemented nationwide, but with a ceiling training capacity of 1,000 apprentices per state. A major innovation of NOAS was the attempt to enhance the theoretical knowledge of the trainees. NOAS trainees are supposed to spend 80 per cent of their time in a workshop to acquire practical skills and 20 per cent in Saturday theory classes held in schools or VTIs and provided by hourly-paid part-time trainers (see Appendix 3, case 4).

In the ISTARN project in Zimbabwe, youth were provided with a couple of weeks of theory training before taking up their informal apprenticeship. The MCs noted that this increased their students' immediate productive usefulness, reduced the risks of damaging tools, and shortened the apprenticeship period (Johanson and Adams, 2004, p.217) (Box 9).

### **Box 9. ISTARN – Traditional Apprenticeship Programme (TAP), Zimbabwe (in the 1990s)**

The ISTARN project aimed at poverty alleviation in the informal economy through flexible, innovative interventions, including training interventions. The objective was to improve the effectiveness of informal apprenticeship in transferring practical skills, but without excessive interference. The portion added to the existing informal apprenticeship training system was through organizing for apprentices to have initial short-term (couple of weeks) technical training, a series of short-term follow-up training sessions, and access to post-training support services.

#### *Results/impact*

- high proportion of apprentices (88 per cent) found employment, mainly self-employment and jobs in the informal economy;
- large majority of MCs (91 per cent) enthusiastic over ISTARN;
- MCs (70 per cent) prefer pre-trained apprentices;
- MCs (70 per cent) indicate business growth;
- MCs (89 per cent) increased productivity and profitability;
- major achievement: resulting jobs in the informal economy are created at only 10 per cent of costs of jobs created as a result of formal training.

#### *Main lessons learned*

- need for careful selection of trades in which to pre-train apprentices, otherwise early saturation of market;
- difficult to adhere to “90/10-rule” for participants to contribute at least 10 per cent of costs of support activities;
- projects such as the TAP require a supportive framework including a “package” of supportive business services;
- projects such as the TAP require intervention at the macro and meso levels even if they focus on the micro level.

Source: Grunwald et al., 2005, p.35; Haan, unpublished.

The use of training vouchers<sup>36</sup> to upgrade apprentices’ skills can provide trainees with more choice of training provider (to access supplementary training). They can foster competition among the providers which results in either lower cost or higher quality (see, for example, the SITE in Kenya, Appendix 3, Case 2).

However, the VSP project in Ghana shows that a concentration of VTIs is needed for a voucher system to provide real trainee choices and stimulate competition among providers (Appendix 3, case 3).

Johanson and Adams (2004) note that training vouchers have proven complex to implement and control financially and may not fit in African countries where low administrative capacity is an issue.

<sup>36</sup> An indirect method for financing TVET which places funding directly in the hands of beneficiaries, in the form of vouchers, to buy training services in an open training market.



### ***Monitor workplace quality***

Much work in the informal economy takes place in unsafe, unhealthy, unsanitary and, sometimes, hazardous conditions, and informal apprenticeship training is often delivered in such an environment. Subtle intervention may be necessary to ensure that enterprise owners meet the requirements of a good workplace environment, including monitoring whether occupational health and safety issues are adequately addressed. Such monitoring might be done by ISAs, parents of apprentices or communities, emphasizing potential benefits in terms of increased productivity.

### ***Meeting the specific needs of poor and vulnerable apprentices is difficult, but possible***

Individualized training, which better meets the needs of poor clients in particular, is very time-consuming and difficult to plan; the trainers often revert to standard training programmes. In the Cameroon APME project trainers were not responsive to the needs of the trainees and designed training programmes without involving the beneficiary groups.

However, an ILO-IPEC project in Kenya, Tanzania and Ghana that enrolled former child labourers in informal apprenticeship training (Pealore, 2007) was more receptive to the specific needs of trainees. Part of the intervention was concerned with finding out about the specific needs of the vulnerable children. This was achieved through monitoring the progress of individuals throughout the training and addressing specific issues as they arose. In the Ghana component of the project, one of the implementing partners established a counseling center to support trainees' specific psycho-social, literacy, business and reproductive health needs.

Experience from ILO-IPEC pilot projects in Cambodia and Kenya demonstrate that apprenticeship schemes can be usefully accompanied by the provision of additional life skills education to the children concerned (for example, occupational health and safety, children's rights, reproductive health, HIV/AIDS education, and so on) (ILO, 2006e).

Furthermore, ILO-IPEC projects in Cambodia, Kenya and Niger show that delivering social support services is crucial for programmes targeting street children and those in hazardous street work; small business owners cannot be expected to arrange for such support for their apprentices alongside training.

- In Cambodia, the project itself took care of aspects such as providing meals, subsidies, counselling, vocational guidance, transportation and job placement support.
- In Kenya, the programme also provided the children with health care services, guidance, counselling and recreational activities.
- In Niger, medical care was provided to all children by a private clinic contracted by the programme (ILO, 2006e).

### ***3.2.7 The portability of skills: Lessons learned***

The portability of skills (skills recognition and the transferability of skills) is important in the context of the informal economy.

#### ***Skills recognition***

It is recognized that there are many benefits to skills recognition, validation and accreditation in the informal economy; such recognition can 'offer further learning and career opportunities for people working and living in the informal sector' (Singh, 2007, p.31).

In order for skills to be recognized they need to be evaluated and certified. Such certification should be based on demonstrable competency. Certification can be particularly useful for specific sectors; for example in construction, where the absence of certification forces workers to accept low skilled work while they have sufficient experience to perform skilled work. Therefore, they are underutilized and less productive as a result. Two instructive examples of providing certification for those in the informal economy come from Ghana and Cameroon.

In Ghana the National Vocational Training Institute (NVTI) has introduced competency-based (proficiency) skills tests that allow illiterate or semi-literate trainees, in both formal VTIs and in informal apprenticeships, to submit their skills to practical, non-written evaluation. While this proficiency exam is popular in many formal VTIs in Ghana, the numbers of informal apprentices getting this certification remains low; one study in 2006 of those that had completed an informal apprenticeship in the past found that only 8 per cent of the sample had obtained an NVTI certificate, one quarter had a trade association certificate, but two-thirds of apprentices had no certification.<sup>37</sup>

In Cameroon the GIPA organizes supplementary training and has introduced a common examination for informal apprentices among the membership. In addition, it awards certificates and is in the process of establishing standards for content and length of apprenticeship training (Box 10).

#### **Box 10. ISAs and trade testing in Cameroon**

The *Groupement interprofessionnel des Artisans* (GIPA) is an association grouping over one hundred informal sector enterprises in 11 different economic sectors (including carpentry, clothes-making, hairdressing and electrical engineering) in Yaoundé, Cameroon. It has taken some interesting first steps to regulate the training of apprentices conducted in the workshops of its members through a public, joint examination. The apprentices have to produce an item to show their skills which is then assessed by an Examination Committee. When they pass they receive a joint GIPA/Ministry of Employment and Vocational Training (MINEFOP) certificate. Other approaches used by GIPA to structure apprenticeship include:

- development of a method for monitoring apprentices, which would entail continuous assessment of their progress;
- addition of management training on top of technical training, to be provided by MCs themselves;
- introduction of methods for positioning young people according to their level of entry;
- variation of the length of training depending not just on entry levels, but also regular assessment of their professional skills.

GIPA's experience in apprenticeship training is one of the foremost initiatives for developing informal apprenticeship. This is due to both the active involvement of MC as trainers/mentors, and the use of training methodologies that are adapted to the educational levels and learning cycles of the young people being trained.

Source: Walther, 2006, p.25.

The evaluation and certification of skills for those in the informal economy can be promoted by making training duration shorter and modularized, breaking up a training programme into a series of self-contained learning modules. This would also promote

<sup>37</sup> The research work was carried out by a team from Oxford University for the Research Consortium on Educational Outcomes and Poverty (RECOUP), see <http://www.educ.cam.ac.uk/research/centres/recoup/>

lifelong learning and provide multiple exit and re-entry points from and into skills development (Palmer, 2007d).

Of late, discussion of skills recognition appears to lead immediately to a discussion on National Qualification Frameworks (NQFs). However, while it has been suggested by the ILO (2002b) that NQFs are ‘something to aim for’ (p.105), there is creeping doubt about the appropriateness of the NQF for the informal economy or developing and middle-income countries more generally (Grunwald et al., 2004; DFID, 2007; McGrath et al., 2005; Young, 2005). A key issue is whether, in such contexts, an investment in building a costly NQF system is likely to be more efficient and effective than other interventions, in particular, improving the education and training systems.<sup>38</sup> In spite of this, a number of developing countries are pushing ahead with plans to create such a qualifications framework and to integrate informal apprenticeship training into it (as in the case of Ghana, see Palmer, 2007a, b). Indeed, there are other ways to ensure quality and skill recognition than an NQF, for instance, traditional approaches for skills recognition (Nübler, 2007).<sup>39</sup>

### ***Transferability of skills***

Given that self-employed persons have only limited use of certificates, transferability of skills (the ability to transfer skills between different occupations and different jobs) is more important than skills recognition per se, given the multiplicity of economic activities by informal workers, both wage and self-employed.

Firstly, skills development strategies need to recognize the multiple nature of, and multiple pathways to informal livelihood activities, especially in rural areas. The issue of pluri-activity (occupational pluralism, multiple employment), a widespread phenomenon in many informal economies, has implications for skills training interventions. It points to the need to have skills training opportunities that are both flexible (with regard to delivery and transferability of skills) and highly responsive to labour market demand.

Secondly, in the context of the upgradation of informal enterprises to the formal economy, it is important that skills acquired informally are able to meet the different skills needs of operating in the formal economy.

## **3.3 The impact of skill acquisition on productivity and improved livelihoods**

### ***3.3.1 The challenge of promoting the linkages between skills development, increases in productivity, and improved livelihoods in poorer economies***

The seventh, and perhaps most crucial challenge, concerns how to translate:

<sup>38</sup> Other intervention might include active labour market policies; institutional development; curriculum development; staff development; industry partnerships (DFID, 2007).

<sup>39</sup> Two such approaches can be identified: i) Government regulation in the vocational education and training systems; ii) Governments might work with employers’ associations to set standards and build capacity to assess and certify the training currently provided by informal apprenticeships so as to arrive at self-regulation or co-regulation in apprenticeship systems (e.g. by chambers of commerce, ISAs, trade unions, public authorities).

- i) Skills development into increases in productivity. Skills provision needs to be complemented by other enabling factors to ensure that training really does lead to increases in productivity (Table 2);
- ii) Increases in productivity into improved livelihoods in the informal economy<sup>40</sup> and the formalization of informal enterprises. Are there situations in which productivity increases in the informal economy will actually have adverse impacts? What if outcomes in terms of productivity improvements or formalization result in less employment and loss of livelihoods? How can these challenges be addressed?

Regarding other enabling factors, most public and private BDS agencies and credit providers in developing countries that have been set up to promote MSE development, including those in the informal economy, are not in fact accessible to the majority of those they claim to help (the working poor): they are de facto supporters of the higher-end, growth-oriented enterprises in the informal economy (as well as formal MSEs). The outreach of most of these programmes remains extremely small compared to the large size of the informal economy. The challenge is to make such agencies more effective at meeting the needs of the wider informal economy.

The challenge of linking skills development to improved livelihoods can be particularly difficult for women. Not only are they disadvantaged with regard to accessing education and skills training, but they are further disadvantaged with regard to accessing the labour market (Capt, 2007; Murray, 2008). Women are often denied access to many occupations. Accessible occupations are often those requiring skills related to household work; activities with low productivity, yielding low incomes. Due to social and cultural discrimination women, especially in rural areas, usually have very restricted knowledge about job opportunities and employment prospects. The result is poorly informed choices – for example about the types of skills that are realistically acquirable or most marketable. Women experience limited access to and control over resources, including financial resources required for starting income-generating activities, and patterns of employment relations and contractual arrangements often favour male workers.

### 3.3.2 *Promoting the linkages between skills development, increases in productivity, and improved livelihoods in poorer economies: Lessons learned*

While the case has already been made and largely accepted that skills boosts productivity, including in the informal economy, this is usually only true where skills are acquired in an economic and social climate that is supportive of skill utilization (Palmer et al., 2007).

Training requires an enabling environment for its outcomes to materialize into improved productivity and livelihoods. This is a well known and longstanding message (e.g. DFID, 2007; Haan, unpublished, 2006; IDB, 2000; ILO, 1998; Johanson, 2005; Johanson and Adams, 2004; King and Palmer, 2006a, b, c; Middleton et al., 1993; Palmer, 2007a, c; Palmer et al., 2007; World Bank, 1991). However, in practice too much is often expected of skills development (as a developmental approach) by policy-makers in developing countries (Section 3.2.5). But skills training, alone, does not create employment (CINTERFOR/ILO, 2006; IDB, 2000; Johanson and Adams, 2004; Middleton

<sup>40</sup> A further methodological challenge related to this concerns *measuring* the impact of skill acquisition on productivity and employment outcomes. See Palmer (2007c) for a full discussion on these challenges.

et al., 1993), nor does it, alone, raise incomes and productivity in the informal economy (ADB, 2004, p.50).

The bulk of those in the informal economy, the working poor, live and work within multiple vicious cycles of low skills, low productivity employment and poverty. The impact skills development can have on productivity of the working poor is related to what other changes are happening in the wider environment, and the degree to which these vicious cycles can be broken. The potential benefits of increased productivity and income are dependent on a range of additional inputs, such as credit, market access, security of tenure and business counselling. These tend to be as scarce as good quality, relevant and equitable skills development programmes. And they depend on several economic and social actors, public, semi-public and private, whose actions are quite difficult to coordinate in the absence of a comprehensive and enabling policy framework.

For skills to translate into productive employment outcomes there needs to be the development of other factors, external to the education and training system (Johanson and Adams, 2004; Middleton et al., 1993; World Bank, 1991). In this regard it is crucial to have a strong macroeconomic environment in place that promotes a rapidly growing economy - and growth that creates more, and better quality, employment. Strong political commitment and good governance are also crucial. The labour market environment needs to address decent work deficits in the informal as well as in the formal economy. An enabling environment may be promoted through, for example: including an employment focus in poverty reduction strategies; assuring higher and more secure incomes for workers; encouraging representation and voice by workers and operators in the informal economy; improving working conditions (including the elimination of child labour, avoiding corruption and harassment, improving occupational safety and health, avoiding gender, race, ethnic, HIV/AIDS discrimination) (de Medina, 2006). Moreover, as a complement to labour market policies, strategies for decent work need to emphasize active empowerment policies, building up the social and negotiation skills of workers in the informal economy as well as building up their self-image – especially in the case of women workers. Other areas in the socio-economic environment need to be improved, for example, market access, social capital, communication and transport infrastructure, financial services for MSEs, farm/non-farm dynamics, and the overall strategic policy to promote the formalization of informal economic units without jeopardizing the existence of jobs.

Of relevance to the critical importance of the enabling context is one longstanding piece of, often misrepresented, research concerning the relationship between education and agricultural productivity. The widely used claim in policy documents about how education increases agricultural productivity very seldom notes the central caveat to the original research this claim is based on – that the impact of skills acquired through education on agricultural productivity is dependent on the state of the enabling environment for farming (Box 11).

### Box 11. Four years of education and agricultural productivity

Lockheed et al. (1980) showed that four years of education for farmers makes a difference to agricultural productivity of about 10 per cent in a modernising environment. This modernising environment referred to a context where there were 'new crop varieties, innovative planting methods, erosion control, and the availability of capital inputs such as insecticides, fertilisers, and tractors or machines. Some other indicators of [a modern] environment were market-orientated production and exposure to extension services' (ibid., p.129). Education makes virtually no difference, the research argued, if the environment is non-modern.

For an extended analysis of this, see King and Palmer (2006c) and King et al. (2005).

Indeed, in the field of agriculture, skills development is recognized as 'a vital part of the package needed to advance farm productivity, raise incomes, reduce poverty and make the transition to a more productive non-farm sector' (Johanson, 2005, p.17). However, as with our discussion above, 'support for the educational needs of rural populations... is unlikely to foster the improvements in rural incomes and living standards... without the support of other reinforcing initiatives' such as those mentioned above (Saint, 2005, p.1).

Among the most critical factors in such an enabling environment will clearly be the opportunities to access employment – preferably, formal employment. With regard to skills programmes having an impact on productivity in the informal economy, there should be early attention paid to complementary services needed to succeed in self-employment (for example, credit, marketing, business counseling, access to equipment and other post-training support). One of the conclusions of a 2007 study by the *Agence Française de Développement* (Walther, 2007) on vocational training in the informal sector in seven African countries was that:

Training cannot be effective without direct support for enterprise creation...  
The most essential ingredient for success is the provision of financial and material support at the end of training, without which it is difficult, if not impossible, to ensure that people obtain work and, above all, keep it (p.147).

Some training programmes are supported with contributions in kind; for example toolboxes are either given to trainees or made available to them at subsidized rates. However, this is not always sufficient in and of itself. While it is possible for graduates of some trades to start off in a small way with tools and very little funding,<sup>41</sup> most graduates still require funding in order to set up an enterprise. Hence there is frequently the need for in kind post-training contributions to be accompanied by a financial grant.

Some training schemes are supported and/or followed by micro-credit. In most cases provision of micro-credit has to tackle the difficulty that most trainees face in accessing funds. Trainees might be required to form a cooperative to apply for funds (where all members are jointly responsible for the entire amount loaned), or they might be required to

<sup>41</sup> For example, once dressmaking graduates have a sewing machine they can start to do small jobs such as repairing clothes. In many cases, it is sometimes possible to get around lack of funds by getting the customer to supply the raw materials or provide an advance payment (supplier credit in cash or kind).

form small groups whose members access individual loans but guarantee each others repayment.<sup>42</sup>

### 3.3.3 *Lessons learned from the impact of skills development programmes for the working poor*

There are quite a number of examples from Asia and Africa of (small-scale) skills development projects that have increased productivity and improved livelihoods of the working poor in the informal economy.<sup>43</sup> Together, these projects offer lessons with regard to: enabling the working poor to *access* (see Section 3.2.2) training opportunities; ensuring the programmes are *relevant* to the working poor and of *good quality* (see Section 3.2.5); and, improving skills portability (see Section 3.2.7) for the working poor. They also all make it very clear that providing training, alone, to the working poor is unlikely to lead to improved livelihoods; especially where the working poor are concerned, training only leads to improved livelihoods where training is one component of an integrated approach to increasing productivity and promoting decent work. For example, as the experiences of the **Development of Humane Action (DHAN)** and the **Movement for Alternatives and Youth Awareness (MAYA)** show, ‘skills to enhance productivity cannot be a one-time intervention’ (Mitra, 2002, p.26); the ILO CBT/TREE approach is based on the same premises (see further). In other words skills development is one part of a more comprehensive approach (see Box 12). A supportive framework, including a “package” of supportive business services, is usually required. If skills training initiatives occur in an environment where graduates also have access to start-up capital and, if necessary, business advisory services, they are likely to be more effective (Grunwald et al., 2005). The need for skills development to be part of an integrated approach is particularly the case for the female working poor (or women in the informal economy more generally); for women skills development needs to be integrated with a ‘package of activities stretching from influencing the macro-economic conditions, lobbying, making the market women-friendly, linking human rights to their economic rights to own assets, manage business, and enter into contracts, etc’ (Singh, 2000, p.612). It is clear, therefore, that even where projects might focus on the micro level, they usually require intervention at the macro and meso levels (Grunwald et al., 2005).

<sup>42</sup> Such group solidarity lending relies on members providing mutual guarantees of all the loans in that group. Group pressure helps to ensure repayment. In addition the group is often eligible to access larger loans if the group repays in full and on time; this acts as a further incentive to repay.

<sup>43</sup> For a recent overview, see Palmer (2007c).

### **Box 12. Skills development for better work in the informal economy: South India**

**MAYA** is a Bangalore based development and training organisation initiated in 1989, working to address children's rights with a specific focus on the eradication of child labour. Adopting a holistic approach to the issue of child labour eradication, of which vocational training forms an integral part, the organisation has initiated several community-based initiatives in the 52 slums that it works in. MAYA's efforts at building vocational skills along with education is geared to developing the overall personality of the child, in addition to empowering the community to take its own informed decisions and make its own choices. The pedagogical approach is characterized by a constant monitoring of the trainees, which takes the form of formal instruction, master trainers, learning by doing, learning from peers and apprenticeship. The word "training" takes on a new meaning in this context, and is not restricted to technical vocational skills only. The attempt is to impart an all-round education, including technical skills, so that the youth are prepared for life. Gender equity is a major concern. For the women, the skills imparted include negotiation skills as well. The intervention seeks to promote the women's rights in order to enable the community to make its own decisions, thereby building up its skills to improve the quality of life and standard of living. Dependencies are not generated. Training becomes an enabling activity. MAYA is more concerned with the processes, but not so much with the scale of its operations. The follow-up and employability is very strong.

**DHAN** Foundation, with its headquarters in Madurai, is a non-profit organization registered as a public trust in 1997 to cater to the needs of the Southern States. It has multi-faceted developmental activities, and endeavours to empower the poor, especially women, by forming community organisations and upgrading their skills through development professionals. DHAN operates in an enabling and facilitating mode to promote improved access to better economic opportunities. The intervention is certainly not in a welfare mode, but seeks to enable the lowest segment of the informal sector workers to attain their rights. Here again training takes on the meaning of building life-long skills as a continuous process in which women build up their self-image and confidence, develop their social skills, often learning from each other rather than from persons outside the community. DHAN employees create the necessary enabling environment and gradually withdraw. The community owns the process totally.

Source: Mitra, 2002, p.16, 18.

Evidence from the more successful micro-level skills development interventions highlight the need to integrate market linkage or job matching with skills provision. Examples include: Decent Employment for Women in India (DEW), Society for the Development of Textile Fibers (SODEFITEX, Senegal), Community-Based Training / Training for Rural Economic Empowerment (CBT/TREE), Skills Training for Upgrading of Value Chains (Aconsur, Peru), Area Networking for Women's Economic and Political Empowerment (ANANDI, India), Skills Training for Employment Promotion Programme (STEP IN, Zambia) and Khuphuka Skills Training and Employment (South Africa); these programmes indicate that, during and/or post-training, immediate connections and access to (self-)employment and/or financial/non-financial support should complement skills development for poverty reduction (see Box 13 and also Palmer, 2007d).



### **Box 13. Skills development approaches that integrate market linkage or job matching**

The CBT/TREE projects in Bangladesh, Pakistan and the Philippines provide post-training support which includes: i) Linkages with employers, job placement; ii) Support to small business start up; iii) Support for accessing credit; iv) BDS, including linkages with markets; health and safety advice; quality testing; technology transfer; business advisory consultancy; transportation; bulk purchasing; design services; fashion forecasting; ICT; tax and other regulatory compliance support services; etc.; v) Support to the formalization of micro-enterprises; vi) Follow up visits to TREE graduates; vii) Support to the formation of groups.

The Decent Employment for Women in India (DEW) project stresses the importance of improving access to employment and offers placement, counselling and follow-up services to ensure that the training is put to use. For example, an essential post-training project component concerns the building of linkages/networks with employers / industries / service users (e.g. through employment melas), markets, banks and micro-finance institutions, formal training institutions, NGOs, and the national employment service.

Aconsur, an NGO promoting the development of MSEs for the textile sector in Peru, provides training as part of a broader approach to information provision and capacity building which includes: technical assistance tailored for groups and individuals based on specific products; links with the Labour Information and Job Placement Centre of the Peruvian Ministry of Labour; information about credit services; information exchange and mutual learning between entrepreneurs through participation in social integration activities (e.g. picnics, exchange visits); workshops to increase awareness of women's rights and raise awareness of women's skills.

The STEP IN programme in Zambia supported the evolution of traditional meeting places for informal sector business people into Centres for Informal Sector and Employment Promotions (CISEP). The CISEPs were meeting places for end users (those working in enterprises in the informal economy) and service providers where they could meet and decide on the kind, quality and price of the services needed (be it credit, training or access to markets). The Centres did not engage directly in delivery of services, but facilitated a market process which would be demand-driven by the needs of the entrepreneurs.

Source: Palmer, 2007d.

#### **3.3.4 *Lessons learned from the impact of skills development programmes for upgrading informal apprenticeship training***

The impact of apprenticeship training is greatly reduced by the inability of graduates to access start-up capital or business advice on day-to-day problems. (Johanson and Adams, 2004, p.141)

As noted above, there have been numerous projects that have attempted to upgrade and increase productivity in informal apprenticeship training. All of these projects have stressed the need to follow an integrated approach and network with other organizations active in MSE development (e.g. Cameroon's APME project and Kenya's SITE project).

While these cases stress the need for integrated support, this does not necessarily imply that this support should all come from the training provider. Indeed, except in some cases (for example providing integrated post-training support to persons with disabilities, as in the case of the APPT project in Cambodia), the lessons from projects of this sort suggest that it is better for training providers to build strategic links (and partnerships) with providers of post-training support (including credit and BDS).

Three programmes in Ghana that have tried to upgrade informal apprenticeship training provide some instructive lessons vis-à-vis accessing micro-credit and other support and providing tools to apprentices (Palmer, 2008).

In the STEP there were huge delays in graduates accessing micro-finance; by October 2006 only 10 per cent had received loans. The failure of the micro-finance component had a lot to do with the unrealistic expectations of the government with regard to private sector micro-finance institutions (MFIs). The MFIs the government tried to work with considered that providing micro-finance to STEP graduates was a social programme and not commercially viable. STEP borrowers were seen by the MFIs as a higher risk than other borrowers, being new 'customers' with low educational attainment. Due to the failure of loan delivery as part of the STEP, many of those who participated in this training programme have become disillusioned. More worryingly, as the director of one of the main agencies under the Ministry of Manpower Youth and Employment noted, 'whatever they [the trainees] learned in STEP has now become useless' (personal communication, 19 Oct. 2007).

Similarly, many informal apprentice graduates under the REP experienced problems post-training with regard to obtaining start-up capital, even though the REP has several rural banks participating in the REP's Rural Enterprise Development Fund. This was because most informal apprentice graduates could still not raise the 20 per cent contribution needed to secure a bank loan and banks were unwilling to lend to youth with no track record.

Under the VSP post-training support was disjointed; the project did not optimize the potential synergies between key government and non-government institutions concerned with vocational training and employment start-up. As a result VSP graduates lacked access to start-up capital, land on which to set up their workshops and other post-training support and advice. As the project evaluation report noted, 'this undermine[d] the value of the training received' (Korboe, 2001, p.5). The VSP also demonstrated the complexity of procuring and distributing toolkits for individuals under a project. It showed that selection of toolkits should not be limited to ISA executives only.

### **3.3.5 *Lessons learned from skills development programmes that reach growth-oriented enterprises in the informal economy***

Some argue that reaching the more growth-orientated enterprises in the informal economy with training, complemented by post-training support (including BDS), might yield higher productivity returns compared to the more subsistence-oriented enterprises that receive training. From a purely economic growth perspective this could appear to make sense, but from an equity or pro-poor growth perspective this is extremely doubtful. More research is needed in this area.

It was noted earlier (Section 3.3.1) that most public and private BDS agencies and credit providers in developing countries are de facto supporters of the higher-end, growth-oriented enterprises in the informal economy (as well as formal MSEs). To be more effective at meeting the needs of the (wider) informal economy, public and private BDS agencies (whether delivering small enterprise management training or non-training interventions, including financial interventions) need to approach the delivery of their interventions in more innovative ways.

## **3.4 Concluding comments**

This section has examined the main challenges and lessons learned with regard to delivering skills to increase the productivity of the informal economy. While there are clearly some difficult challenges to overcome, there exists a wealth of experience - both

positive and negative - that policy-makers can draw upon in designing skills development policies for the informal economy. The experiences highlighted here worked well, or not, in the context of the country (or region) in which they were delivered. There are no blueprints on offer here. Policy-makers need to ensure that policies are designed according to country- or region-specific needs assessment and that interventions are piloted. In the case of upgrading informal apprenticeship training, great care should be taken to avoid destroying what works well. The final section of this report notes the conclusions and policy implications arising from this review.

## **4. Conclusion and policy implications**

Skills development is of crucial and growing importance for the promotion of decent work and incomes in the informal economy. This final section summarizes the main messages regarding skills for more productive and better work in the informal economy and for the transformation from the informal to formal economy.

### **4.1 Setting policy for skills for increased productivity in the informal economy**

Policy-makers, in their effort to boost employment-oriented growth, need to address the issue of the sheer number of those working in the informal economy. However, the heterogeneity of the informal economy and the different groups within it means that the search for policy prescriptions remains complicated. Identifying specific target groups can be helpful (see below).

---

#### *Policy implications*

*Governments, the social partners and development agencies need to set the objective of skills development in line with the objective of creation of decent employment and poverty reduction strategies, as well as economic development.*

*Governments need to acknowledge the informal economy as a source of skills development in its own right and address the economic and social injustice of budgetary allocations biased towards formal training for the formal economy (Walther, 2007).*

---

### **4.2 Basic education: an essential prerequisite**

Basic education needs to be regarded as an 'essential prerequisite and foundation for access to education and further training and as a basic right for unlocking other rights, such as the right to decent work, employment, cultural and political participation, economic wellbeing and security' (Singh, 2007, p.30). Extending access to quality and relevant training needs to start with extending access to quality basic education. In parallel with promoting equitable access to basic education for boys and girls, men and women, there is a need to develop training contents that include elements of basic education – for instance, functional literacy – as well as remedial training, so as to facilitate access to training by those who did not get previous access to basic education.

---

***Policy implications***

*Equitable access to basic education should continue to be promoted, but care should be given to ensure that a rapid expansion does not lead to a dilution of schooling quality. Skills development for productivity policies should recognize that a complete basic education is often a prerequisite for entry into formal training – and decent work. For those who did not get previous access to basic education, literacy should be promoted through non-formal means, and/or as part of skills development programmes.*

---

### **4.3 Coordinating skills for increased productivity**

Skills for the informal economy are delivered by very different entities - multiple ministries, NGOs and the private sector - often without adequate strategic coordination. Ensuring that skills provision for the informal economy is coordinated and in line with a national skills development strategy is important for skills delivered to impact on productivity. Unions and, especially, ISAs, can play a crucial role in contributing to skills programmes for increased productivity in the informal economy so as to promote the progressive insertion of informal economic units into the mainstream economy; hence it is of prime importance that ministries, departments and agencies both collaborate with, and strengthen the capacity of, ISAs.

---

***Policy implications***

*Developing countries need to have a national skills development strategy that pays due attention to the informal economy, and is operationalized through strong coordination between government ministries, departments and agencies, public and private providers and ISAs (and unions).*

*Coordinating councils or NTAs must be vested with real authority and employers must be strongly represented in such bodies.*

*ISAs should be strengthened.*

---

### **4.4 Targeting skills for increased productivity**

The existence of different groups within the informal economy, each with their specific needs, means that any intervention has to be designed around its target group, taking into account that group's specificities and socio-economic context. Target groups include those working in informal enterprises (including self-employed micro-entrepreneurs, street vendors, informal wage workers, apprentices, unpaid family workers), those working outside informal enterprises (including casual workers, home workers), and unregistered and undeclared workers in formal enterprises. Each of these groups operates in different cultural, social and economic contexts that influence their ability to use the skills they acquire (Mitra, 2007). Understanding these differences will contribute to the design of skills development programmes that enable skills acquired to be utilized by the target groups.

---

***Policy implications***

*To improve programme and project design, it is important to distinguish different target groups within the informal economy, taking into account their specificities and socio-economic context, and to propose approaches to skills development that are relevant for these target groups, for instance:*

*i) Formal or semi-formal skills development programmes that have the specific objective of training people already working in the informal economy (through skills upgrading) and those who are likely to end up in the informal economy (through pre-employment training schemes). Skills development programmes for raising the productivity of subsistence-oriented informal enterprises differ from those targeted at more growth-oriented informal enterprises.*

*ii) ‘On-the-job’, enterprise-based training, especially informal apprenticeship.*

*Each country needs to develop a framework for needs assessment that takes into account the dynamics of the different cultural, social and economic contexts for each of the different target groups.*

---

## **4.5 Accessing relevant and good quality skills for increased productivity**

Many groups in the informal economy (e.g. rural communities, youth, persons with disabilities, women, and the poor) have special needs or face substantial barriers accessing skills in order to increase their potential productivity. Formal skills systems are not relevant for the informal economy, there are quality deficits in the provision of both public and private training, and recognition of informally acquired skills is usually inadequate, thus limiting workers’ movements from the informal to the formal economy.

---

***Policy implications***

*Access: Skills development strategies need to identify and incorporate disadvantaged and marginalized groups for whom the attainment of education, skills development and, ultimately, decent work is often a considerable challenge. Attention has to be paid to both financial and non-financial (especially those related to gender) access barriers to training. Women need to be able to have more choice with regard to which trades to enter, including those dominated by men. To help avoid a replication of poverty from one generation to the next, the poor need to have more opportunities in trades not associated with low productivity. The poor and vulnerable should be supported to access informal apprenticeship training. Field experience shows that informal economy workers can ill afford time to invest in training. Specific targeting of disadvantaged and marginalized groups should be expanded. However, if the poor are not to be marginalized further, there is a need to increase their participation in mainstream skills development; hence there is a need to challenge skills development systems for not being sufficiently inclusive. The more growth-oriented entrepreneurs are likely to be easier to reach than the working poor, will have greater mobility and, quite often, greater financial flexibility to attend courses.*

*Relevance and quality: The gap created by the failure of formal training systems to reach out to, and to meet the needs of, informal economy workers has been only partially filled by small-scale projects and programmes, including community-based programmes. Some of these small-scale projects have been particularly successful in reaching the poor and most vulnerable and in raising their productivity. Such programmes need to be demand-*

---

---

*driven, needs-led and part of an integrated approach. Further support should be given to these projects. Recognition should be given to informal apprenticeship training which is by far the dominant source of technical and other skills for the informal economy in many developing countries and can be instrumental in upgrading informal MSEs. Improving the quality and relevance of informal apprenticeship training can be achieved by: upgrading the skills of master-craftspeople; providing supplementary training for apprentices; monitoring workplace quality; meeting the specific needs of poor and vulnerable apprentices.*

*The portability of skills: Skills training opportunities need to be both flexible (with regard to delivery and transferability of skills) and highly responsive to labour market demand. The transferability of skills would be improved if skills acquired informally are able to meet the different skills needs of operating in the formal economy. Developing countries should not push ahead too quickly in rolling out complex NQFs.*

---

#### **4.6 Translating skill acquisition into productivity increases and improved livelihoods**

While the case has already been made and largely accepted that skills boosts productivity, including in the informal economy, this is usually only true where skills are acquired in an economic and social climate that is supportive of skill utilization. Skills training, alone, does not create employment, nor does it, alone, raise incomes. For skills to translate into productive employment outcomes there needs to be the development of other factors, external to the education and training system. The essential first step remains putting in place a macroeconomic environment that promotes a rapidly growing economy - and growth that creates more, and better, employment. Upgrading MSEs and eliminating decent work deficits in the informal economy (de Medina, 2006) are essential steps towards creating better employment opportunities in the informal economy, as well as towards 'providing realistic pathways' for workers to move to the formal economy (ILO, 2007f, p.13).

Among the most critical factors in such an enabling environment will clearly be the opportunities to access employment, preferably formal, decent employment.

---

##### ***Policy implications***

*For skills development to result in more productive and decent work, the economic and labour market environments have to be reformed so that they are supportive of skills utilization. The economic environment has to promote a rapidly growing economy - and growth that creates more, and better, employment; and include employment in poverty reduction strategies. The labour market environment needs to address decent work deficits in the informal economy, for example: assuring higher and more secure incomes for workers; representation and voice of workers and operators in the informal economy; improved working conditions (including the elimination of child labour, avoiding corruption and harassment, improving occupational safety and health, avoiding gender, race, ethnic, HIV/AIDS discrimination). Moreover, as a complement to labour market policies, strategies for decent work need to emphasize active empowerment policies, building up the social and negotiation skills of workers in the informal economy, as well as building up their self-image – especially in the case of women workers. Other areas in the socio-economic environment need to be improved, for example market access, social capital, communication and transport infrastructure, financial services for MSEs, farm/non-farm dynamics, and the overall strategic policy to promote the formalization of informal economic units without jeopardizing the existence of jobs.*

---

---

*The bulk of those in the informal economy, the working poor, live and work within multiple vicious cycles of low productivity employment, low skills and poverty. The impact skills development can have on productivity of the working poor is related to what other changes are happening in the wider environment, and the degree to which these multiple vicious cycles can be broken.*

*With regard to skills programmes having an impact on productivity in the informal economy, there should be early attention paid to complementary services needed to succeed in self-employment (for example, credit, marketing, business counselling, access to equipment and other post-training support).*

---

## **4.7 Skills development and the poor**

Drawing together the lessons learned from various types of projects targeted at the poor, it is possible to offer a number of policy implications with regard to improving the lives of the working poor through skills training (Palmer, 2007d).

---

### ***Policy implications***

***Skills development needs to be better integrated with poverty reduction approaches, including poverty reduction strategies.*** Many developing country governments mainly address skills development from the view point of the demand from the formal labour market, and not in terms of employability of the poor.

***From a skills development for poverty reduction perspective the wider enabling (social, economic and policy) environment needs to be made more pro-poor.*** This implies that more attention should be paid to promoting equitable access, quality training and an environment in which skills can be productively utilized (by the poor). Expanding skills systems will not automatically result in increased access by the poor, nor will it, alone, lead to poverty reduction, growth or job creation. Providing quality and relevant skills is important, but ensuring the poor get equitable access to these skills is equally so. Not only do the skills acquired need to be of good quality, but they need to be produced in a positive (pro-poor) climate for their adoption. In other words, skills development policies for poverty reduction need to integrate skills development, skills allocation and skills utilization. More broadly, it suggests that there needs to be a re-orientation of government thinking and policies towards more pro-poor policies in general (e.g. pro-poor reform of employment policies, public services, regulations, and private sector development strategies etc).

***Support equitable access to quality basic education.*** Without this the poor will be further marginalized from mainstream skills development programmes since most VTIs require some degree of formal education from entrants.

***Reaching the very poor requires broadening the scope of training.*** Large numbers of poor and very poor are excluded altogether from training opportunities since the range of subsistence self-employment in the informal economy and in the household, such as trading, hawking, food preparation are usually not covered by training interventions.

***There is a strong case to be made for funding specific skills development interventions for the (very) poor*** since they may not benefit from mainstream training programmes, they have very specific needs and require – as much as other workers - good-quality and relevant training. Such programmes need to be demand-driven, needs-led and part of an integrated approach. However, if the poor are not to be marginalized further, there is a

---

---

*need to increase their participation in mainstream skills development. Providing merit-based bursaries for the poor would improve their access to mainstream post-basic skills development options.*

---

#### **4.8 Gender issues need to be integrated into policy and training**

Women find themselves particularly disadvantaged relative to men vis-à-vis accessing skills training that can increase their productivity, and in accessing post-training support and employment opportunities. The productivity of women is often constrained due to gender discriminatory policies and practices, both institutionalized and informal.

---

##### ***Policy implications***

*Skills development for women in the informal economy needs to be complemented with a range of interventions, including influencing the macro-economic conditions, lobbying, making the market women-friendly, linking human rights to their economic rights to own assets, manage business, and enter into contracts (Mayoux, 2001; Singh, 2000). Moreover, since a complete basic education is often a prerequisite for entry into mainstream (formal) skills programmes, access and equity for women needs to be promoted both in skills development interventions and in mainstream schools (Godfrey, 1997; Palmer, 2007c).*

---



## Bibliography

- Acemoglu, D.; Pischke, J. 1999. "Beyond Becker: Training in imperfect labour markets", in *The Economic Journal*, Vol. 109, pp. F112-142.
- Adams, A. 2006. *The role of skills development in the transition to work: A global review* (draft of 25 July 2006), background for the World Development Report 2007 (Washington, DC, World Bank).
- Asian Development Bank (ADB). 2004. *Improving technical education and vocational training strategies for Asia* (Asian Development Bank).
- Ashton, D.; Green, F. 1996. *Education, training and the global economy* (Cheltenham, Edward Elgar).
- Bashagi, W. 2007. *A report on final evaluation of regional project for skills training strategies to combat WFCL in the urban informal sector in Sub-Saharan Anglophone Africa. Tanzania country evaluation* (draft, Nov. 2007) (Geneva, ILO/IPEC).
- Bennell, P. 1999. *Learning to change: Skills development among the economically vulnerable and socially excluded in developing countries*, Employment and Training Papers 43 (Geneva, ILO).
- Booth, A.; Snower, D. (eds.). 1996. *Acquiring skills: Market failures, their symptoms and policy responses* (Cambridge, Cambridge University Press).
- Brewer, L. 2005. *Youth at risk: The role of skills development in facilitating the transition to work*, Skills Working Paper No. 19, InFocus Programme on Skills, Knowledge and Employability (Geneva, ILO).
- Capt, J. 2007. *Skills development and gender*, powerpoint presentation, Skills and Employability Department (Geneva, ILO).
- Chandra, A. 2007. "Training for the informal economy in India", in Chandra, A.; Khanijo, M. (eds.): *Training for informal economy* (New Delhi, Excel Books).
- Charmes, J. 2005. "Rethinking Africa's ordinary economies: the informal/formal and the farm/non-farm divides", in Beveridge, M.; King, K.; Palmer, R.; Wedgwood, R. (eds.): *Reintegrating education, skills and work in Africa* (Edinburgh, University of Edinburgh).
- . 1999 "Micro-enterprises in West Africa", in King, K.; McGrath, S. (eds.): *Enterprise in Africa* (London, Intermediate Technology).
- Chouksey, R. 2007. *Skill development for informal sector in India: Challenges and strategies*, paper presented at a conference on 'Approaching inclusive growth through skills development', 12-13 Feb. 2007 (UNESCO/GTZ/Government of India), see [www.skilldevelopmentindia.com](http://www.skilldevelopmentindia.com) [5 Aug. 2008].
- CINTERFOR/ILO 2006. *The new ILO recommendation 195. Human resource development: Education, training and lifelong learning* (Montevideo, CINTERFOR/ILO).

- Commission for Africa Report. 2005. *Our common interest: Report of the commission for Africa* (London, DFID).
- De Medina, R. 2006. *Towards a more comprehensive model of change for the informal economy: an ILO perspective*, DFID labour standards and poverty reduction forum (Geneva, ILO).
- Department for International Development (DFID). 2007. *Briefing paper on technical and vocational skills development*, a DFID practice paper authored by King, K.; Palmer, R. (London, DFID). <http://www.dfid.gov.uk/pubs/files/technical-vocational.pdf> [5 Aug. 2008]
- Fluitman, F. 2005. "Poverty reduction, decent work, and the skills it takes or: towards correcting a partial view of training needs in African development", in Beveridge, M.; King, K.; Palmer, R.; Wedgwood, R. (eds.): *Reintegrating education, skills and work in Africa* (Edinburgh, University of Edinburgh).
- . 1989. *Training for work in the informal sector* (Geneva, ILO).
- Gallart, M. 2008. *Competencias, productividad y crecimiento del empleo: el caso de América Latina [Skills, productivity and employment growth: The case of Latin America]*. (Montevideo, Uruguay, ILO/CINTERFOR).
- Godfrey, M. 1997. "Vocational education and training: pressures for reform", in *Vocational training and lifelong learning of women*, International Training Centre of the ILO (Turin, ITC/ILO).
- Grierson, J.; Mackenzie, I. (eds.). 1996. *Training for self-employment through vocational training institutions* (Turin, ILO).
- Grunwald, E.; Nell, M.; Shapiro, J. 2005. *Projects / programmes aimed at economic improvement and poverty alleviation through non-formal training in sub-Saharan Africa* (Eschborn, GTZ). Available at <http://www2.gtz.de/wbf/doc/SSACaseStudies-2006-with-cover.pdf> [27 April 2008].
- . 2004. *Making the case for skills development in the context of pro-poor development – Looking for sustainable approaches* (Eschborn, GTZ). Available at <http://www2.gtz.de/wbf/doc/Arbeitspapier-PPD-2004-12.pdf> [27 Apr. 2008].
- GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit). 2007a. *National Vocational Training System (NVTS)* (Apr. 2007) (GTZ).
- . 2007b. *Meaningful training for the weaker sections CRISP's experience. Employable skills to all*, Centre for Research and Industrial Staff Performance, Bhopal.
- Haan, H. Unpublished. *Training for work and the informal economy*, Skills and Employability Department (Geneva, ILO).
- . 2006. *Training for work in the informal micro-enterprise sector: Fresh evidence from sub-Saharan Africa* (Dordrecht, Springer).
- . 2001. *Training for work in the informal sector: Fresh evidence from eastern and southern Africa* (Turin, ITC/ILO).

- Haan, H.; Serrière, N. 2002. *Training for work in the informal sector: Fresh evidence from western and central Africa* (Turin, ITC/ILO).
- Inter-American Bank (IDB). 2000. *Vocational and technical training: An IDB strategy* (Washington, Inter-American Bank).
- International Labour Organization (ILO). 2008. *Apprenticeship in the informal economy in Africa: Workshop report, Geneva, 3-4 May 2007*, Skills and Employability Department (Geneva).
- 2007a. *The informal economy*. Fourth item on the agenda, for debate and guidance. Committee on Employment and Social Policy, Governing Body 298th Session (Mar. 2007) (Geneva, ILO).
  - 2007b. *The decent work agenda in Africa, 2007-15* (Geneva, ILO).
  - 2007c. *African employment trends, Apr. 2007* (Geneva, ILO).
  - 2007d. *The promotion of sustainable enterprises*, International Labour Conference, 96th Session, 2007, Report VI (Geneva, ILO).
  - 2007e. *Tools, instruments and resources that are commonly used in ILO supported initiatives on Local Economic Development*, Draft document, 21 May 2007) (Geneva, ILO).
  - 2007f. *Sustaining productivity and competitiveness on a foundation of decent work*, Asian Employment Forum: Growth, Employment and Decent Work, Beijing, People's Republic of China (13-15 Aug. 2007).
  - 2007g. *The informal economy: enabling transition to formalization*. Background document for the Tripartite Interregional Symposium on the Informal Economy: Enabling Transition to Formalization, Geneva, 27-29 November 2007 (Geneva, ILO).
  - 2006. *Implementing the Global Employment Agenda: Employment strategies in support of decent work, "Vision" Document* (Geneva). Also available at: <http://www.ilo.org/gea> [24 Apr. 2008].
  - 2006a. *Realizing decent work in Asia*, Fourteenth Asian Regional Meeting Busan, Republic of Korea, Aug.-Sep. 2006, Report of the Director-General (Geneva, ILO).
  - 2006b. *Decent work in the Americas: An agenda for the Hemisphere, 2006-15* (Geneva, ILO).
  - 2006c. *Evaluation: The informal economy, poverty and employment: An integrated approach*, ILO Evaluation Summaries (Geneva, ILO).
  - 2006d. *Decent work pilot programme country brief: Ghana* (Geneva, ILO).
  - 2006e. *Education as an intervention strategy to eliminate and prevent child labour. Consolidated good practices of the International Programme on the Elimination of Child Labour (IPEC)* (Geneva, ILO).
  - 2005a. *World employment report 2004-05: Employment, productivity and poverty reduction* (Geneva, ILO).

- 2005b. *Recommendation No. 195. Recommendation concerning human resources development: Education, training and lifelong learning* (Geneva, ILO).
  - 2005c. *Youth: Pathways to decent work*, Report VI, International Labour Conference, 93rd Session, 2005 (Geneva, ILO).
  - 2003. *Working out of poverty*, Report of the Director-General, International Labour Conference, 91st Session, Geneva, 2003 (Geneva). Also available at: <http://www.oit.org/public/english/standards/reim/ilc/ilc91/pdf/rep-i-a.pdf> [24 Apr. 2008].
  - 2002a. *Women and men in the informal economy: A statistical picture* (Geneva, ILO).
  - 2002b. *Decent work and the informal economy*, International Labour Conference 90th Session (Geneva, ILO).
  - 2001. *Reducing the decent work deficit: A global challenge*, Report of the Director General, International Labour Conference, 89th Session, Geneva, 2001 (Geneva). Also available at: <http://www.ilo.org/public/english/standards/reim/ilc/ilc89/rep-i-a.htm> pdf [24 Apr. 2008].
  - 2000. *Training for employment: Social inclusion, productivity and youth employment*, Human resources training and development: Vocational guidance and vocational training. International Labour Conference (88th Session), Report V (Geneva, ILO).
  - 1999. *Decent work, report of the Director-General*, International Labour Conference, 87th Session 1999 (Geneva, ILO). Also available at: <http://www.ilo.org/public/english/standards/reim/ilc/ilc87/rep-i.htm> [24 Apr. 2008].
  - 1998. *World Employment Report, 1998-99: Employability in the global economy, how training matters* (Geneva, ILO).
- ILO-IPEC. 2004. *Skills training strategies to combat worst forms of child labour (WFCL) in the urban informal sector in sub-Saharan Anglophone Africa*, Multi-bilateral Programme of Technical Cooperation (RAF/04/P50/CAN) (Geneva, ILO).
- Johanson, R. 2005. *Knowledge and skills for agricultural productivity in sub-Saharan Africa*, World Bank, AFTHD, Draft 3.1 (Washington, World Bank).
- ; Adams, A. 2004. *Skills development in sub-Saharan Africa* (Washington, World Bank).
- Jolliffe, D. 2004. “The impact of education in rural Ghana: Examining household labor allocation and returns on and off the farm”, in *Journal of Development Economics*, Vol. 73, pp.287-314.
- 2002. “Whose education matters in the determination of household income? Evidence from a developing country”, in *Economic Development and Cultural Change*, Vol. 50, pp. 287-312.
- Kawakami, T. 2007. *Participatory approaches to improving safety, health and working conditions in informal economy workplaces. Experiences of Cambodia, Thailand and Viet Nam*, presentation at the Tripartite Interregional Symposium on the Informal Economy: Enabling Transition to Formalization, Geneva, 27-29 Nov. 2007 (Geneva, ILO).

- King, K. 2007. *Training in the informal sector of India – An Asian driver?* paper delivered at the National Conference on Approaching Inclusive Growth through Skills Development, 12-13 Feb. 2007 (New Delhi, MHRD/Ministry of Labour and Employment, GTZ, and UNESCO).
- King, K.; Palmer, R. 2006a. *Skills, capacities and knowledge in the Least Developed Countries: new challenges for development cooperation*, background paper for the 2006 UNCTAD Least Developed Countries Report (Edinburgh, CAS).
- 2006b. *Skills development and poverty reduction: the state of the art*, Post-Basic Education and Training Working Paper No. 7 (Edinburgh, CAS). See <http://www.cas.ed.ac.uk/research/projects.html> [5 Aug. 2008].
- 2006c. *Education, training and their enabling environments: a review of research and policy*, Post-Basic Education and Training Working Paper No. 8 (Edinburgh, CAS). See <http://www.cas.ed.ac.uk/research/projects.html> [5 Aug. 2008].
- King, K.; Palmer, R.; Hayman, R. 2005. “Bridging research and policy on education, training and their enabling environments”, in *Journal of International Development*, Vol. 17, No. 6, pp. 803-817.
- Korboe, D. 2001. *Government of Ghana: Vocational skills and informal sector support project (VSP)*, Project Evaluation Report (draft, 30 June 2001).
- Labarca, G. 1998. “Education in basic skills and training for productive work”, in *International Review of Education*, Vol. 44, No. 5/6, pp. 413-439.
- Liimatainen, M. 2002. *Training and skills acquisition in the informal sector: A literature review* (Geneva, ILO).
- Lockheed, M.; Jamison, D.; Lau, L. 1980. “Farmer education and farm efficiency: A survey”, in *Economic Development and Cultural Change*, Vol. 29, No. 1, pp. 37-76.
- Mayoux, L. 2001. *Jobs, gender and small enterprises: Getting the policy environment right*. InFocus Programme on Boosting Employment through Small Enterprise Development (SEED) Working Paper No. 15 (Geneva, ILO).
- McCormick, D. 1999. “Enterprise clusters in Africa: Linkages for growth and development”, in King, K.; McGrath, S. (eds.): *Enterprise in Africa, between poverty and growth* (London, Intermediate Technology).
- McGrath, S.; Martins, J.; Smith, J.; Cachalia, F.; Kane, K. 2005. “Skills development in South Africa’s very small and micro enterprise sector”, in *Journal of Vocational Education and Training*, Vol. 57, No. 4, pp. 499-517.
- McGrath, S.; King, K.; Leach, F.; Carr-Hill, R. 1995. *Education and training for the informal sector*, DFID Education Research, No.11. (London, DFID).
- Middleton, J.; Ziderman, A.; Adams, A. 1993. *Skills for productivity. Vocational education and training in developing countries* (New York, Oxford University Press/World Bank).
- Mitra, A. 2007. *Skill development for the informal sector – trends and requirements*, paper presented at a conference on ‘Approaching inclusive growth through skills

development', 12-13 Feb. 2007 (UNESCO/GTZ/Government of India), see [www.skilldevelopmentindia.com](http://www.skilldevelopmentindia.com) [5 Aug. 2008].

- 2002. *Training and skill formation for decent work in the informal sector: Case studies from South India*, InFocus Programme on Skills, Knowledge and Employability Informal Economy, Working Paper No. 8 (Geneva, ILO).
- Mooock, P.; Musgrove, P.; Stelcner, M. 1990. *Education and earnings in Peru's informal nonfarm family enterprises*, LSMS Working Paper No.64 (Washington, World Bank).
- Murray, U. 2008. *Gender and skills development: Practical experiences and ways forward*, paper prepared for the ILO Skills and Employability Department (SKILLS) (Geneva, ILO).
- Nelson, E.; de Bruijn, E. 2005. "The voluntary formalisation of enterprises in a developing economy – The Case of Tanzania", in *Journal of International Development*, Vol. 17, No. 4, pp. 575-593.
- Nübler, I. 2007. "Portability of skills and recognition at the regional and global level", in *Working Group for International Cooperation in Skills Development (WGICSD), 2007*.
- Overwien, B. 2005. *Informal learning and the role of social movements*, in Singh (ed.). 2005.
- Palmer, R. 2008. *Formalising the informal: Ghana's new apprenticeship system*, draft unpublished paper (Edinburgh, University of Edinburgh).
- 2007a. *Skills development, the enabling environment and informal micro-enterprise in Ghana*, Doctoral thesis (mimeo) (Edinburgh, University of Edinburgh).
- 2007b. *Policies and strategies to improve the institutional framework for informal apprenticeship training: The case of Ghana*, prepared for the ILO workshop, 'Apprenticeship in the informal economy in Africa', Geneva, 3-4 May 2007 (mimeo).
- 2007c. *Technical and vocational skills development and impressive economic growth in Ghana: Policy and research challenges*, paper for the 9th UKFIET International Conference on Education and Development, "Going for Growth? School, Community, Economy, Nation", Oxford, 11-13 Sep. 2007.
- 2007d. *The role of skills development in creating a new cycle of opportunity for the poor: Impact and lessons from developing countries*, draft paper (Geneva, ILO).
- 2007e. *Upgrading apprenticeship systems in Africa: Experience and lessons from Ghana*, prepared for the ILO workshop, "Apprenticeship in the Informal Economy: the West Africa Region", Geneva, 3-4 May, 2007 (mimeo).
- 2007f. *Policies and strategies to improve the institutional framework for informal apprenticeship training: The Nigerian national open apprenticeship scheme*, prepared for the ILO workshop, "Apprenticeship in the Informal Economy: the West Africa Region", Geneva, 3-4 May, 2007 (mimeo).
- Palmer, R.; Wedgwood, R.; Hayman, R.; King, K.; Thin, N. 2007. *Educating out of poverty? A Synthesis report on Ghana, India, Kenya, Rwanda, Tanzania and South Africa*. Researching the Issues Series, No.70 (London, DFID).

- Pealore, D. 2007. *Report of the final evaluation of the regional project for skills training strategies to combat WFCL in urban informal sector in Sub-Saharan Anglophone Africa*, Synthesis Report (Draft, Nov. 2007) Ghana, Kenya and Tanzania (Geneva, ILO/IPEC).
- Perry, D. (ed.). 2003. *Moving forward: Toward decent work for people with disabilities. Examples of good practices in vocational training and employment from Asia and the Pacific* (Bangkok, ILO Regional Office for Asia and the Pacific (ROAP)).
- Preddey, G. 2005. *Skills training and employment placement (STEP): the programme document and performance appraisal, and proposals for enhancement* (Geneva, ILO).
- Saint, W. 2005. *Who understands African agriculture? Too few!* Working Group for International Cooperation for Skills Development meeting 10-11 Nov. 2005, Rome.
- Singh, M. 2007. *New knowledge, skills and competence requirements for the informal economy in the context of globalization*, paper presented at a conference on 'Approaching inclusive growth through skills development', 12-13 Feb. 2007 (UNESCO/GTZ/Government of India), see [www.skilldevelopmentindia.com](http://www.skilldevelopmentindia.com) [5 Aug. 2008].
- (ed.). 2005. *Meeting the basic learning needs in the informal sector. Integrating education and training for decent work, empowerment and citizenship* (Dordrecht, Springer).
- 2000. "Combining work and learning in the informal economy: Implications for education, training and skills development", in *International Review of Education*, Vol. 46, No. 6, pp. 599-620.
- Titumir, R. 2005. *Skills formation for the informal sector in Bangladesh: A strategic framework*, in Singh (ed.). 2005.
- United Nations Conference on Trade and Development (UNCTAD). 2006. *The least developed countries report 2006. Developing productive capacities* (Geneva, UNCTAD).
- UNESCO-UIS/UNEVOC 2006. *Participation in formal TVET worldwide. An initial statistical study* (Bonn, UNESCO-UIS/UNEVOC).
- Vandenberg, P. 2005. *Productivity, decent employment and poverty: Conceptual and practical issues related to small enterprises*, InFocus Programme on Boosting Employment through Small Enterprise Development (SEED) Working Paper No. 67 (Geneva, ILO).
- Vijverberg, W. 1995. "Returns to schooling in non-farm self-employment: An econometric case study of Ghana", in *World Development*, Vol. 23, No. 7, pp. 1215-1227.
- 1991. "Profits from self-employment: The case of Cote d'Ivoire", in *World Development*, Vol. 19, No. 6: 683-696.
- Walther, R. 2007. *Vocational training in the informal sector; or How to stimulate the economies of developing countries? Conclusions of a field survey in seven African countries* (Paris, Agence Française de Développement).

- 2006. *Vocational training in the informal sector report on the Cameroon field survey*, Working Paper (Paris, Agence Française de Développement).

Working Group for International Cooperation in Skills Development (WGICSD). 2007. *Skills Development Policies and International Cooperation in East and South-East Asia*, Debates in Skills Development, Paper 11 (Geneva, ILO/NORRAG/SDC). Available at [www.norrag.org/wg](http://www.norrag.org/wg) [27 Apr. 2008].

- 2005. *Skills development for rural people: A renewed challenge*, Debates in Skills Development, Paper 10 (Geneva, ILO/NORRAG/SDC). Available at [www.norrag.org/wg](http://www.norrag.org/wg) [27 Apr. 2008].

World Bank 2006. *Skills development in India: The vocational education and training system*, Human Development Unit, South Asia Region (Washington, DC).

- 1991. *Vocational and technical education and training: a World Bank policy paper* (Washington, DC).

Young, M. 2005. *National Qualifications Frameworks: Their feasibility for effective implementation in developing countries*, Skills Working Paper No. 22, InFocus Programme on Skills, Knowledge and Employability (Geneva, ILO).

Ziderman, A. 2003. *Financing vocational training in sub-Saharan Africa*. Africa Region Human Development Series (Washington, World Bank).



## Appendices

### Appendix I: What is labour productivity?

Productivity in general measures how efficiently resources are used. The basic definition of labour productivity is output, or value added, divided by the amount of labour used to generate the output.

While labour productivity is sometimes defined as output per hour worked, the *World Employment Report 2004/2005* uses annual output per person employed; not only are better data available for the latter indicator, but also there is a stronger linkage to the human component of productivity.

Labour productivity differs from total factor productivity, which accounts for sources of productivity beyond the basic measures of labour such as management quality, technological progress, impacts of disease, crime levels, and systems of government, among others.

Despite its name, labour productivity increases when value added rises through the better use, coordination, etc. of all factors of production. Value added may increase when labour is working smarter, harder, faster or with better skills, but it also increases with the use of more or better machinery, the reduction in the waste of input materials or the introduction of technical innovations. Indeed, any non-labour factor that raises value added will raise labour productivity. Take, for example, an improvement in product quality that allows a good to be sold for a higher price, even if there is no change in the number of goods produced. The term labour productivity is therefore correct in that any non-labour change that increases value added makes workers more productive, but it is slightly misleading in that it denotes productivity in general and not that which specifically involves workers. For example, a farmer's access to training can improve his or her productivity. But a farmer's access to a newly built road that facilitates travel to the market (or a buyer's travel to the farm) can do the same.

There is wide variation in labour productivity among different countries in the world owing to a host of factors, most of which are directly and positively related to the level of economic development of the countries concerned. It is important to underscore the fact that differences in labour productivity levels have essentially nothing to do with differences in how hard workers work – on the contrary they often indicate differences in working conditions. A poor worker in a developing economy can work long hours, strenuously, under bad physical conditions, but yet have low labour productivity and therefore receive a low income because he or she lacks access to technology, education, or other factors needed to raise productivity. Similarly a worker in a highly developed economy may have high labour productivity despite working relatively fewer hours.

Source: ILO, 2005a, p. 28.

## Appendix II: ILO tools and International Labour Standards

Box A. Selected ILO tools to increase productivity in the informal economy		
Purpose	Tool	Description
Assessment of business environment	Assessing the influence of the business environment on small enterprise employment: An assessment guide	This manual guides national consultants involved in assessments of the policy environment on employment in MSEs.
Support the establishment of businesses and cooperatives	Generate Your Business Ideas (GYB)	Training tool to encourage aspiring entrepreneurs to think more deeply about their business ideas, in particular the feasibility of turning a business idea into a profitable venture.
	Start Your Business (SYB)	Course designed for new entrepreneurs, introducing the basic elements of starting and managing a new business.
	Gender and Entrepreneurship Together (GET Ahead)	GET Ahead (for women in enterprise) training programme combines entrepreneurship with a gender perspective, targeting poor women intending to start in business.
	Level-One: A guideline for micro-entrepreneurship training	The Level One is a Micro-Business Development programme to help people with different levels of formal education (up to illiterate levels) in identifying, starting, improving and growing their micro-businesses. Based on experiences with packages such as SIYB and GET Ahead.
Support the expansion of existing businesses and cooperatives	Improve Your Business (IYB)	Training package focused on ways to improve the performance and productivity of businesses.
	Improve Your Exhibition Skills (IYES)	The IYES guide is for facilitators to use in trade fair training workshops for women-operated micro-enterprises.
	Leadership training manual for women leaders of cooperatives	A modular training course to improve the participation of women in the management of cooperatives.
	Rapid market appraisal: Manual for Entrepreneurs & Manual for Trainers	This manual is for people who own and operate micro and small businesses to conduct their own market research (to collect market information to identify and develop new products or market products to new customers)

Supporting economic and social empowerment	CBT/TREE	<p>The Training for Rural Economic Empowerment (TREE) is a programme aimed at promoting income-generation for the poor, in particular, informal economy workers, and local development. It is based on the principles of community participation and puts a strong emphasis on the creation of local partnerships to identify development opportunities and constraints, and help drive forward programme implementation. Critical aspects of the programme include:</p> <p>i) to identify potential income-generating activities and related training needs before designing the content and modalities of specific training programmes; and</p> <p>ii) to facilitate the necessary post-training support, including guidance in the use of production technologies, facilitation of access to credit, assistance in group formation, etc. to ensure that women and men can initiate and sustain income-generating activities, and also raise productivity in trade areas for which training was provided.</p>
Promote youth entrepreneurship and employability	School-to Work Transition Survey (SWTS) & Manual how to run a SWTS	SWTS is a statistical tool to assist countries in improving the design of youth employment policies and programmes.
	Know About Business (KAB)	Programme specifically designed for youth in vocational training institutes, informing them about the world of business and opportunities to create their own businesses in the future. Providing young people with insights into entrepreneurship and enterprise, it aims to help them realistically consider the options of starting a small business or of self-employment.
	Youth employment toolkit: Promoting self-employment among youth	This promotional tool is geared to assisting training facilitators in the design and delivery of workshops on youth self-employment.
Improve working conditions	Tackling youth employment problems: A training package	The objective of this training package is to strengthen the capacities of those involved in making such policies at the local and national level.
	Work Improvement in Small Enterprise Programme (WISE)	Programme aimed at improving working conditions by owners and managers of SMEs.
	The Improve Your Working Environment and Business (I-WEB)	I-WEB is a business training package (drawing on WIDE) to promote action to improve the operations of micro and small entrepreneurs, applying basic concepts from ILO's WISE and IYB. The training package "Improving business through better working conditions" for micro and small entrepreneurs provides trainers with guidelines and practical techniques and tools to implement simple and low-cost improvements in the workplace.

Source: ILO (2007e; 2005c).

---

## Box B. International labour standards, employment creation and employability

### International labour standards and employment

**The Employment Policy Convention, 1964 (No. 122)**, is at the centre of the ILO's overarching goal of making employment creation one of the chief priorities underpinning government decisions across a broad range of macroeconomic policies. It requires that member States declare and pursue, as a major goal, an active policy aimed at ensuring that there is work for all who are available for and seeking work.

**Employment Policy (Supplementary Provisions) Recommendation, 1984 (No. 169)**. In relation to young people, the Recommendation emphasizes the importance of effective vocational guidance and training services adapted to improving their employment prospects. Examples of active labour market programmes given in this Recommendation include school-to-work transition programmes, post-compulsory education, skills training, subsidized temporary employment, training and work experience schemes, and business creation schemes.

### International labour standards and employability

**The Human Resources Development Convention, 1975 (No. 142)**, is the basic ILO instrument on vocational training and guidance policies and systems. Convention No. 142 requires member States to establish and develop open, flexible and complementary systems of general, technical and vocational education, educational and vocational guidance and vocational training, closely linked with employment, in particular through public employment services whether these activities take place within the system of formal education or outside it.

**The Human Resources Development Recommendation, 2004 (No. 195)**, emphasizes the need to promote access to education, training and lifelong learning along with vocational guidance and training systems closely linked with employment.

### International labour standards and entrepreneurship

**The Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189)**, contains provisions in regard to the fundamental role that SMEs should play in the promotion of full, productive and freely chosen employment, greater access to income-earning opportunities and increased economic participation of disadvantaged and marginalized groups, such as young people.

**The Promotion of Cooperatives Recommendation, 2002 (No. 193)**, suggests that measures should be adopted to promote the potential of cooperatives to create and develop income-generating activities and sustainable decent employment. The principles and values of cooperatives are particularly appealing to young people.

Source: ILO (2005c).

---

### **Appendix III: Case studies of skills development programmes/projects aimed at upgrading productivity in the informal economy: interventions targeted at enterprise owners and apprentices**

#### **Case 1. Cameroon: APME—Micro-enterprise support and promotion programme (Programme d'appui au milieu artisanal de Maroua)<sup>44</sup>**

##### *Project concept*

The project seeks to increase the incomes of MSEs (in leatherworking, metalworking, woodworking and auto mechanics) through increased product diversification and quality. Its training interventions are directed at both the MCs and the apprentices. The actual activities can be grouped into training and marketing interventions:

- *Skills training*: literacy training, management training, and technical skills upgrading and introduction of new technological knowledge (for example, design skills);
- *Business advice*: advice based on a workshop diagnosis, for instance on improving the layout of the workshop and the organization of the work;
- *Financial support*: in the form of a loan scheme and a credit and savings union, together with training and follow-up assistance;
- *Marketing assistance*: in the form of market studies, development of prototypes, informal sector promotion, and improved access to information;
- *Opportunities for meetings*: exchange visits between artisans, research for collective problems and solutions, and meetings for representatives of the sector;
- *Information*: through a documentation centre with information on administrative and legal aspects; production techniques, equipment, and suppliers; and product designs.

Technical skills training is the main entry point of the project. It refers to short-term, modular, and personalized training, mostly conducted in the workshops and tested after each module. The trainers move on motorcycles. The training is demand-led and tailor made for the participating artisans—which requires flexibility by the trainers. To improve the marketing prospects, the technical training focuses on: i) improving the quality of the products; and ii) lowering the costs (for example, of materials). At the end of the training the graduates receive technical materials. Other training concerns management training (orders and cash books) and marketing skills. After the training, there are several follow-up activities for the benefit of the graduates. APME's training interventions are as much as possible linked to its support interventions in marketing. Promotion activities, for instance, are related to the introduction of new products through the development of prototypes.

During the first phase (1997–99) some 150 informal sector artisans were supported by the project, distributed across four trades. In 2000 APME ran 58 short courses. In December 2001, APME was providing training and follow up visits to 83 workshops and a total of 260 artisans: 121 MCs, 51 workers, and 88 apprentices (gender breakdown not available, but since the four trade areas that this project focussed on are male-dominated, female involvement is unlikely to have been high).

<sup>44</sup> based on Haan and Serrière, 2002, pp. 121–24; Johanson and Adams, 2004, pp.200-3.

### *Lessons*

- The project has adopted a well-conceived integrated approach in which training is used as an entry point to improve the market position and opportunities for independent enterprises: it was found that it takes some 110 hours of training (nine hours of weekly sessions for 12 months) for an artisan to significantly enhance the quality of his or her products.
- Individualized training, while very much appreciated by the clients, is very time-consuming and difficult to plan; the trainers still adhere to standard training programs, defeating the purpose of the individualized training approach.
- The project has engaged in important networking with a good selection of other organizations active in MSE development.
- Literacy training addresses a real local demand and is an important precondition for effective business development: the training lasts two and a half years and takes place in evening sessions held six days per week.
- Few of the artisans are genuinely interested in bookkeeping and if they indeed start the books suggested, they tend to merely go through the motions while maintaining their own informal system; bookkeeping only becomes interesting once the firms reach a certain level of sales.
- The market-driven approach in which opportunities for local products are identified or created (through promotion activities) as the basis of the interventions is found to be very effective.

### **Case 2. Kenya: SITE Project - Improving tradition apprenticeship training<sup>45</sup>**

With USD 320,000 in assistance from Appropriate Technology and the United Kingdom, the Kenyan NGO SITE (Strengthening Informal Training and Enterprise) ran a project from 1996 to 1998 to improve traditional apprenticeship training. The objectives were to upgrade the technical and managerial skills of MCs to enable them to diversify their production; strengthen the capacity of MCs to provide quality training to their apprentices; and strengthen the capacity of selected vocational training institutes to provide ongoing training to MCs.

#### ***Implementation***

The project started with a market trends survey from which metalworking, woodworking, and textiles were selected as its priority sub-sectors, based on their potential for growth and job creation. The survey also identified entrepreneurs' skill gaps. Some 20 trainers from vocational training institutes were taught to transfer skills to the participating entrepreneurs. The project suffered an initial setback when the MCs ("host trainers") displayed little interest in upgrading their technical skills. This prompted an important change in the project approach. The training was refocused on direct business improvement for the entrepreneurs, training content and delivery were made flexible, and overall management of training was added for the MCs. The MCs were recruited through Jua Kali (informal trade) associations, a quicker and less costly route than individual recruitment. Other changes in the project design were to build up the basic training of host trainers first, then broaden it to skills and theory; to use apprentices as sales representatives for their enterprises, thus exposing them to the wider aspects of running a business; to

<sup>45</sup> based on Haan, 2001, pp.61–65; Johanson and Adams, 2004, pp.208-9.

reduce the involvement of vocational training institutes, as their reorientation was beyond the project's mandate and capability; and to de-emphasize the credit component in view of the limited capacity to follow up and recover loans through the project. During the project, 43 courses were designed and conducted for host trainers, including three on teaching methods, eight on business skills, and 20 on technical skills. In all, 420 MCs and 280 apprentices were trained directly, and 1,400 apprentices received improved training from the project's host trainers. In addition, training materials and videos were produced. Over the project period, the costs of running the training courses were cut by between 60 and 90 per cent. Cost recovery was increased from less than 10 per cent at the start of the project to 77 per cent toward the end (excluding development costs).

### ***Results and impact***

Host trainers improved their training of apprentices by eliminating gaps in enrolment, reducing the time and costs of training, improving content and quality, and concentrating training on productive activities. The MCs involved increased their number of apprentices by between 15 and 20 per cent, and employment of the participating SMEs increased by 22 per cent. In addition, 88 per cent of the MCs applied their new skills; 73 per cent made new or improved products; and 58 per cent penetrated new markets. They achieved a 57 per cent increase in turnover and a 25 per cent increase in profits and improved their workshop layouts and organization of production.

### ***Lessons***

- MCs are not immediately interested in receiving skills training and need to be "hooked." This training has to be put in the broader context of business improvement and the transfer of marketable skills into tangible gains. Training has to be delivered in a flexible manner, taking into account the opportunity cost of the labour and the time of the participating MCs.
- MCs seek training not mainly to increase fees for traditional apprenticeships but to increase income from productive aspects of the business.
- Training interventions proved a useful entry point for upgrading the technology of SMEs.
- Linkages with vocational training institutes proved disappointing - they did not become sustainable providers of training to Jua Kali.
- Independent trainers could be promoted as providers of training services to the informal sector. This is probably a more sustainable approach than working through VTIs, which, as now structured, appear to have little potential for providing skills to the informal sector.
- Collaboration with ISAs is of prime importance.
- Upgrading informal sector enterprises is possible and practical through carefully targeted skills development. Application of new skills appears to result in increased growth, innovation, and productivity.

### Case 3. Ghana: Vocational skills and informal sector support project<sup>46</sup>

The World Bank Vocational Skills and Informal Sector Support Project (VSP) (1995-2000) focussed on skills upgrading for master-craftsmen and traditional apprentices as a means to improve productivity and reduce poverty among participants. The VSP sought primarily to raise productivity in five occupational areas (dressmaking and tailoring, electrical installation, refrigeration and air-conditioning, carpentry and joinery, blockwork and concreting) of the informal sector and to encourage a shift in formal vocational training towards shorter, competency-based packages.

The project focused on skills upgrading of MCs and informal apprentices through the following components:

- *Apprenticeship training*: centrepiece of the project consisting of short practical courses (12 weeks with demonstrations by the instructors followed by practical exercises by the informal apprentices), provided through public and private training institutions;
- *Training of MCs*: skills upgrading courses for the MCs who were found to be interested in both technical skills (four weeks) as well as in entrepreneurial, accounting and costing skills (two weeks); and
- *ISAs*: involving local ISAs in designing the training courses, selecting the participants and choosing the tools for the equipment kits for the graduates.

VSP courses were of short duration and provided through public and private training institutions. Apprentices received 12 weeks of skills training, while MCs got four weeks practical training and two weeks management training.

Informal apprentices could select their own - nearby - centre offering the desired training course. The condition for informal apprentices to participate was to have been subject of apprenticeship training for at least 18 months. The VSP trained 14,565 apprentices in five trades in 39 selected public and private institutes. Training places were to be allocated to apprentices and those in employment by means of “intake vouchers” distributed through trade associations. ISAs received every year ‘intake vouchers’ from the government National Coordinating Committee for TVET, which they distributed among their members MCs who in turn passed them on to deserving informal apprentices and workers. VSP provided incentives for apprentices to be trained: a small training allowance; the opportunity to purchase tools at subsidised rates; and a ‘World Bank’ certificate on completion. Apprentices who were trained under the VSP indicated that they experienced improvements in the following areas: reading of formal technical designs; turning out better finished products and providing safer services; skills to make more interesting products; improved status as they were envied by the non-enrolled peers for superior skills and better respected by their MCs; improved prospects as they are sought after by some employers; and enhanced self-esteem.

Under the VSP, 9,304 MCs received technical training and 7,666 MCs benefited from entrepreneurship training. The MCs trained under the VSP experienced improvements in their technical efficiency and productivity, for example in: reading of blue prints and production of own designs; undertaking of minor repairs of own tools; safer and more reliable production methods; technical information, specifics on materials and standards; appreciation of aesthetics; improved creativity; product pricing and time management; enhanced workshop economics (e.g. reducing wasteful use of materials and improved ability to set profitable prices for products).

<sup>46</sup> based on multiple sources, cited in Palmer, 2007e.



However, a number of problems associated with the VSP led the World Bank to rate the project as ‘unsatisfactory’ in terms of achieving its objectives. Some lessons learned included:

- *Weak institutional linkages:* The relationship between key government and non-government institutions concerned with vocational training and employment start-up was disjointed. This led to a disjointed approach to informal sector support, and resulted in trained VSP graduates lacking access to an integrated package of services (credit, extension services, post-training support, vulnerability and social protection).
- *Lack of interest on the part of ISAs:* ISAs were not helpful with distributing “intake vouchers” to members. Incentives were missing. While collaboration with some associations was very useful, others were not very helpful in recruiting training participants: some failed to verify the eligibility of applicants and the executives of others tried for personal gain by selling the available training places. The fact that the programme had to offer tools at a discount to MCs participating in the scheme is also evidence of the lack of interest on the part of the associations.
- *The voucher scheme was flawed:* In Ghana the use of vouchers failed. Vouchers for training were supposed to be allocated through trade associations to train apprentices, but the idea was abandoned as unworkable during implementation. The failure can be traced to the following factors: lack of meaningful choice by voucher holders among training institutions (in fact, little if any choice was available); undue complexity of the scheme for administration of the vouchers; and lack of marketing incentives — the trade associations received no compensation for marketing and processing the vouchers. In the end, the training institutions took over the selection of trainees and the allocation of training places. The voucher would work better in a situation where there is a concentration of training providers in a particular area and trainees have a choice. This was not the case in the VSP as the training providers were scattered geographically.
- *Inferior tools:* Shortfalls in tools delivery and inferior nature of some toolkits chosen by trade association members. The fact that association executives approved samples of what were later found to be inferior tools prior to their massive importation, also indicates a lack of commitment, and makes it clear that such consultations should not be restricted to leadership. The complexity of procuring and distributing toolkits for individuals under a project implies that consideration should be given to other ways of providing incentives, without promoting a culture of people being assisted.
- *Limited coverage:* Since the numbers trained were relatively small, the benefits felt by those who participated in the VSP did not lead to any significant impact on the wider informal sector. Out of the five skill areas targeted by the VSP, girls only enrolled in dressmaking/tailoring. The government did not have the finance to scale up or continue the project once the donor funding ended. The evidence of the efficacy of short, competency-based training has not stimulated the desired shift among public training institutions away from a long, theory-based culture towards significantly shorter, competency-based training. Private training institutions appeared to be more likely to adopt such changes.

#### **Case 4. Nigeria: National Open Apprenticeship System (NOAS)<sup>47</sup>**

The NOAS in Nigeria is a dramatic attempt to use the informal apprenticeship system as part of a national training programme. Set up in 1987, the NOAS represents one of three schemes of the National Youth Employment and Vocational Skills Development Programme (the other two being the Waste to Wealth Scheme and School-on-Wheels Scheme) which is itself under the NDE. The NOAS programme is implemented nationwide but the scheme has a ceiling training capacity of 1,000 apprentices per state.

##### ***The NOAS approach***

- Training of youth as apprentices in micro-enterprises in the informal economy, alongside regular informal apprentices;
- Allowances for trainees and payment to MCs;
- Saturday theory classes (STC): A major innovation of NOAS was the attempt to enhance the theoretical knowledge of the trainees. NOAS trainees are supposed to spend 80 per cent of their time in a workshop to acquire practical skills and 20 per cent in STC. Theoretical component held in schools, VTIs etc and provided by hourly-paid part-time trainers. Programme was supervised by a monitoring officer.

##### ***Implementation challenges and lessons learned***

- Theory classes are on the busiest day of the week and have stopped in many instances: according to NDE figures, in 2000 only 44 per cent of trainees participated in STC with 64 per cent of states providing STC.
- Poor monitoring of training and poor quality training environment.
- The money offered to MCs to train NOAS apprentices was no real incentive, as the sum was smaller than that received from the normal apprentices. What MCs hoped for, though in vain, was some support for their own businesses such as contracts, machinery, or soft loans.
- The monthly allowance offered to NOAS apprentices was considered to be too small and covered approximately one week of transport costs for the average NOAS apprentice. This was the main reason that 42 per cent of those who originally registered dropped-out.
- The MCs' traditional selection mechanism interrupted: MCs were never involved in selection procedures. Instead the NDE selected apprentices, favouring those with higher levels of education. NOAS trainees do not sign the informal apprenticeship agreements like their conventional counterparts. MCs were not allowed to treat their NOAS trainees in the same way that they would have treated their regular apprentices since the NDE insisted on union rules for the trainees (meaning regular working hours, no household work etc.). All these rules were made to prevent the trainees being exploited and to accelerate the training process, but there was no understanding of the existing behavioural patterns and their functions. The insistence on union rules and the presence of NOAS apprentices alongside regular apprentices sometimes resulted in negative impacts:
  - Trainees didn't gain enough practical experience and didn't become familiar with the hardships and problems of self-employment;
  - Trainees often acted like civil servants just because they had been sent by the NDE;
  - Trainees were often arrogant towards the regular apprentices and stubborn towards the MC.

<sup>47</sup> based on multiple sources, cited in Palmer, 2007f.

## Conclusion

Apprentices graduating annually from the NOAS scheme make up a relatively small amount; in 2000 only 5,075 youth graduated from NOAS. NOAS has suffered due to two main reasons:

- ignorance or a lack of appreciation for the importance of the social interactions between MCs and apprentices; and
- a chaotic implementation that did not even follow the programme's guidelines and caused a lot of suspicion concerning the proper allocation of the NDE funds.

The overall idea of introducing a combined system of on-the-job training and theoretical learning could have been a step forward to improve the quality and performance of informal enterprise activities. For fuller achievement of these goals, instead of imposing too many formal regulations, a deeper understanding of the existing and longstanding rules related to informal apprenticeship training, and a more sensitive approach with an emphasis on support and promotion of the sector's economically based processes of self-regulation would be necessary.

## **Appendix IV: Gender issues in skills development and employability: Lessons learned**

While some of the main gender issues with respect to skills development and employability have been noted above, the main points that have emerged as lessons learned and good practice are summarized below.

---

### **Lessons learned and good practice with respect to gender issues in skills development and employability**

1. Ensure that training programmes have a focus on gender mainstreaming (or gender specific actions) at the macro, meso and micro levels.
2. Link with a wider range of policies, not only education and training policies, but also policies that are concerned with equality of opportunities and rights, local development, etc.
3. Identify empowerment-oriented approaches. Overall lean towards approaches that could enable the empowerment of beneficiaries, remembering that empowerment cannot be given, it has to be taken. Skill training initiatives must go beyond core work skills and include sessions aimed at improving self-esteem, and even supplementary support in basic literacy and numeracy skills.
4. Needs assessed are a first step to needs met. Meeting the skills development training needs of low-income women and men is a process that requires a well-developed strategy.
5. Non-traditional skills for women are not a sole solution. Regardless of the type of skill initiative for women, first and foremost ensure that there is a market or opportunity for employment following skills development.
6. Iron out language confusion. Sharpen up the use of 'gender-related' terms in programme documentation.
7. Ensure that it is stated very clearly what should be achieved in terms of gender related goals, expected outputs and results.
8. Identify who does what. Recognize that not all partners involved in a development programme require the same competences in terms of gender mainstreaming.
9. Assess partners' gender mainstreaming ability.
10. Establish induction workshops. The preparation phase of a skills training initiative is the most suitable time to ensure that gender equality issues are taken into account from the start.
11. Understand culture and gender.
12. Consider women's and men's constraints. In particular, always consider the practical constraints women in developing countries face in terms of their multiple roles.
13. Tailor-made courses to address needs. Neither women (nor men) can be classified into groups based purely on their sex. Do not categorize women (or men) as a homogenous group in terms of trying to answer their skills development needs.
14. Often organizing women in groups can help women to gain confidence and become more informed about other areas of importance in their lives, other than the skills area of focus.
15. Have time and patience. Gender and skills development programmes that are successful require considerable time, particularly those in the informal economy where both women and men may lack confidence, basic education, networks, business know-how ... and time to attend training.
16. Include questions on unpaid work in surveys.

---

17. Analyze the data. Continue to ensure that sex-disaggregated data is systematically collected on all aspects of skills development and training and, especially, on the outcomes of support programmes.

18. Report on what has been achieved. Ensure that reporting allows for matter-of-fact details on how gender mainstreaming was approached in all aspects of the programme (how it was mainstreamed), rather than 'gender-related' issues being kept in one section. Move beyond reporting only on the numbers of males/females in training.

19. Share experiences.

20. Enlist the help of the media.

Source: Murray (2008, pp.66-69).

---



## Employment Working Papers

### 2008

- 1 Challenging the myths about learning and training in small and medium-sized enterprises: Implications for public policy  
*David Ashton, Johnny Sung, Arwen Raddon and Trevor Riordan*
- 2 Integrating mass media in small enterprise development. Current knowledge and good practices  
*Gavin Anderson. Edited by Karl-Oskar Olming and Nicolas MacFarquhar*
- 3 Recognizing ability: The skills and productivity of persons with disabilities: A literature review  
*Tony Powers*
- 4 Offshoring and employment in the developing world: The case of Costa Rica  
*Christoph Ernst and Diego Sanchez-Ancochea*
- 5 Skills and productivity in the informal economy  
*Robert Palmer*

### Forthcoming

- 6 Challenges and approaches to connect skills development to productivity and employment growth: India  
*C.S. Venkata Ratnam and Arvind Chaturvedi*
- 7 Improving skills and productivity of disadvantaged youth  
*David H. Freedman*
- 8 Skills development for industrial clusters: Preliminary review  
*Marco Marchese and Akiko Sakamoto*
- 9 The impact of globalization and macroeconomic change on employment in Mauritius. What next in the post-MFA era?  
*Naoko Otake*

**A complete list of previous working papers can be found on:**  
**<http://www.ilo.org/employment>**





## **Employment Sector**

**For more information visit our site:  
<http://www.ilo.org/employment>**

International Labour Office  
Employment Sector  
4, route des Morillons  
CH-1211 Geneva 22

Email: [edempdoc@ilo.org](mailto:edempdoc@ilo.org)