

► Research Brief¹

Date: 2020

► Lifelong Learning in the Informal Economy

Summary – The two billion people working in the informal economy face numerous barriers to access and participate in skills and lifelong learning. For real progress towards transitions to formality, lifelong learning strategies and investments in skills for informal economy workers need to be strengthened through a whole-of-government approach.

The situations and learning pathways of workers in the informal economy remain highly diverse. However, due to lower levels of foundational skills, formal entry requirements, costs of training and foregone income, lack of information, urban and gender-bias of existing offers, disadvantages persist and accumulate over a workers' lifetime. In particular, own-account workers and micro and small businesses require non-financial and financial incentives to overcome existing access barriers. Available funding for skills and lifelong learning often does not reach informal economy workers and much more needs to be done to leverage training funds, offering vouchers, grants, stipends, or scholarships, and shifting financing to results-based funding favouring disadvantaged learners. Apprenticeships in the informal economy continue to be a major source of skills, and interventions show promising results to preserve and upgrade this informal training system as part of lifelong learning strategies. Other solutions include more diverse and flexible training offers, tailored to the diverse needs; second chance programmes; recognition of prior learning; pathways to qualifications and formal employment opportunities, including through training-related active labour market programmes focusing on multiple skills, setting and services; and programmes targeting informal rural economies such as community-based training initiatives. While digital



training solutions have the potential to increase outreach, connectivity, available IT technology, and digital literacy continue to pose serious challenges to access.

In times of crisis, such as the current COVID-19 pandemic, the huge loss of formal jobs, and the likely informalisation of some formal wage work will push millions more workers into the informal economy. Therefore, the key findings and recommendations of this research are even more relevant during the crisis and to inform recovery strategies.

¹ This research brief was prepared by Robert Palmer and is based on an ILO literature review on lifelong learning in the informal economy. Palmer, R. 2020. Lifelong learning in the informal economy. A literature review (Geneva, ILO, 2020a).

Introduction

Two billion people, representing over 60% of the world's employed population, work in the informal economy (ILO, 2018: 13)² in a huge range of diverse economic activities. Most of these people are in low- and middle-income countries, where the informal economy will remain the main source of work for decades to come (Arias et al., 2019). While we cannot precisely predict the future of work, we know that in the next decade an estimated one billion young people will enter the global labour market, with about nine in ten new work opportunities in developing countries occurring in the informal economy (S4YE, 2015). Most people entering the global labour market will not be putting to use the skills they learn in school, in skills interventions and at home in formal sector jobs; meanwhile, most of the world's skills systems are oriented towards just this assumption. The ILO's Global Commission on the Future of Work has proposed "a universal entitlement to lifelong learning that enables people to acquire skills and to reskill and upskill" (ILO, 2019b: 11).³ This universal entitlement is intended to be truly "universal", and to include those working in the informal economy.

This Research Brief summarizes the current state of knowledge on lifelong learning in the informal economy, drawing on a recent literature review (Palmer, 2020a). It also reflects on the COVID-19 pandemic and the particular vulnerability of informal economy workers requiring specific attention. It highlights evidence gaps and suggests new products and approaches regarding the ILO work on transition to formality.

Key Findings

Where, when and how are skills acquired by workers in the informal economy?

Workers in the informal economy can acquire basic and foundation skills, professional and personal skills, core work skills and technical and vocational skills both before they start working in the informal economy, and once they start working in this environment.

Many of those working in the informal economy will have experienced periods of formal education and training (of varying quality), in school, and in technical/vocational institutions (or in some cases in tertiary education) and will bring these

formally acquired skills to their informal workplace. However, workers in the informal economy are more than three times more likely to have no education or only primary education as the highest level of education compared to workers in the formal economy. Similarly, informal enterprise owners are about twice as likely not to be educated or have only a primary level education compared to those operating formally (ILO, 2018, p. 56). **It can be expected that children whose parents work in the informal economy have a higher likelihood to drop out of school when temporary interruptions of education and training due to the COVID-19 pandemic come to an end.**

Others will have had much less exposure to formal education and training, with some never attending school, others leaving early or starting late, and others completing school without actually learning much while there. Some workers will also bring into the informal economy skills they have acquired in formal sector jobs. Once in the informal economy, the opportunities for learning and upgrading skills are usually significantly less when compared to the formal economy (Palmer, 2017). A large proportion of informal economy workers get their skills from the informal economy itself (OECD and ILO, 2019; Walther, 2013), acquiring 'knowledge and skills from informal sources, including: through family or community, at the workplace, through informal apprenticeships or "learning by doing"' (Bonnet et al., 2019, p. 18; ILO, 2018 and 2008), or else through self-teaching. **Informal family-based learning is likely to increase during the COVID-19 pandemic.**

Basic and foundation skills, as well as professional/personal skills and core work skills are acquired from early childhood onwards through several main pathways. These include: families (especially parents), communities and friends, self-acquisition, on-the-job (through work), the formal education system, from pre-school through to tertiary education, non-formal and second-chance education and training programmes. Examples of non-traditional pathways are radio, TV, educational apps on tablets/smart phones, educational computer games, playing sports, participating in creative arts, music education, volunteering, participation in community clubs, associations and societies, and computer

² The term "informal economy" 'refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements, and does not cover illicit activities' (Geneva, ILO, 2015a), p. 23.

³ According to the ILO, "lifelong learning encompasses formal and informal learning from early childhood and basic education through to adult learning, combining foundational skills, social and cognitive skills (such as learning to learn) and the skills needed for specific jobs, occupations or sectors" (Geneva, ILO, 2019b), p. 30. Lifelong learning has been recognized as a key policy principle in ILO normative and policy instruments such as in Human Resources Development Convention, 1975 (No. 142) and the Human Resources Development Recommendation, 2004 (No.195) (ILO, 2019a), p.4-5.

gaming (Brewer, 2013; S4YE, 2015; Palmer, 2017). **Many of these non-traditional pathways are (or could be) used for COVID-19 awareness raising and measures to prevent the spread of the virus. Meanwhile, many parents of school-age children will find themselves struggling to provide their children with much in the way of home learning support for foundational skills, beyond simple encouragement.**

Technical and vocational skills are generally acquired beyond lower secondary education (table 1). Such skills can be delivered by multiple entities – schools, colleges and institutes linked to various public ministries (for example, education, labour/manpower, agriculture, trade/industry/private sector, tourism, women’s affairs, among others).⁴ Other sources of skills are non-governmental organizations (NGOs), faith-based organizations (FBOs), and private technical schools and colleges, private vocational institutes and private enterprise-based training, in both the formal and informal sectors (King and Palmer, 2010). **In many countries, most of these formal training offers are currently temporarily suspended as a result of COVID-19. Furthermore, in countries that have full or partial lockdowns the delivery of work-based learning and apprenticeships will be affected where formal and informal firms are forced to close.**

There are numerous challenges, both financial and non-financial, faced by workers in the informal economy as they look to access skills training. These include:

- ▶ **Early disadvantage in acquiring foundation skills** (literacy and numeracy) and core work skills (the ability to learn to learn) leads to further disadvantage when it comes to the acquisition of further skills and competencies later in life (ILO, 2011a; OECD, 2015).
- ▶ **Formal educational entry requirements** are often in place for entry into upper secondary education, and also for entry to formal technical and vocational education and training (TVET) providers, public and private. Such entry requirements can often not be met by workers in the informal economy. Additionally, most formal providers are not geared towards recognizing non-formal or informal learning.
- ▶ The **direct costs of formal education and training** may not be affordable to many workers in the informal economy. Furthermore, since most formal upper-secondary education and training courses are of long duration (two to four years), a barrier for many informal economy workers is the opportunity cost associated with not working.
- ▶ **Own-account workers face particularly high opportunity costs** when participating in training, since they forego all earning potential when occupied in training activities. **In light of the COVID-19 pandemic, lockdowns are hitting own-account workers particularly hard, depriving them of income opportunities.**
- ▶ The **mainly urban location of formal education and training providers** makes for

▶ **TABLE 1. Where are Technical and Vocational Skills Acquired?**

TYPE OF TRAINING	DESCRIPTION
Formal skills training (pre-employment)	<ul style="list-style-type: none"> ▶ Public institution-based skills training (schools and/or vocational training centres), (operated by ministries of education, labour and other ministries). ▶ Private-for-profit and private-non-profit school-/vocational training centre-based skills training. ▶ Tertiary level training (public and private).
Non-formal skills training (pre-employment or while in-work)	<ul style="list-style-type: none"> ▶ Youth/adult non-formal skills training (often short duration and offering skills training only or combined interventions that include skills training as one of a number of interventions – e.g. employment services/ placement). Skills training programmes often combine delivery of foundational, transferable and technical-vocational skills, and typically delivered by NGOs and FBOs. ▶ Online distance learning
Enterprise based training	<ul style="list-style-type: none"> ▶ Training before employment, including both formal and informal apprenticeships.⁵ ▶ Training during employment, including training of employees in formal firms and informal learning by doing (on-the-job).

⁴ It is not uncommon to have six or more ministries delivering some type TVET skills programme.
⁵ Some apprenticeships, including the dual system, involves both enterprise-based and institution-based training.



difficult access by inhabitants of rural communities. These issues are often compounded in the absence of available and affordable transport and/or transportation infrastructure, as well as by inflexible course times which make it difficult to combine work and training (Arias et al., 2019).

- ▶ There are **gender-specific factors which impede girls' access and learning** in lower secondary level education programmes, and therefore their abilities to acquire foundation and core work skills, and to transition to post-secondary levels of training. General barriers inhibiting female access include discrimination, cultural/traditional bias towards males, as well as other gender-related access issues. Workers in the informal economy with disabilities also have particular challenges in accessing skills.
- ▶ Accessing skills delivered by **digital technologies** can be limited by cost and connectivity

considerations. About half of the world's population still do not have access to fixed broadband internet (UN, 2019), and mobile internet remains out of reach for many. In sub-Saharan Africa, less than a quarter of the population use mobile internet on a regular basis (GSMA, 2019). **Hence the benefits of distance and e-learning during the COVID-19 crisis do not accrue to many informal economy workers and learners.**

- ▶ Accessing **opportunities to acquire personal/professional and core work skills via non-traditional approaches** varies. For example, opportunities to take part in sports, creative arts, music education, clubs, community associations and volunteering opportunities will be easier for some groups of workers in the informal economy than others. **Regulations introduced in many countries as a response to COVID-19 have prohibited social gatherings, which may limit some non-traditional means of skills acquisition.**

In the informal economy, obstacles exist on the employers' side when it comes to upskilling their employees. Securing the support (financial or otherwise) of employers in the informal economy is a major challenge (Dunbar, 2019) – and more so in times of economic downturn. Most informal firms are micro- or small in size and tend not to provide structured training opportunities for their employees for various reasons, for example:

- ▶ the opportunity and direct costs associated with training employees;
- ▶ formal training that does exist may not be so relevant or may be too specialized;
- ▶ the risk of employees being poached or leaving the enterprise once they have been trained is higher in the absence of secure and enforceable employment contracts, which serves as a disincentive for the employer to invest;
- ▶ there may be a lack of capacity to identify training needs and design training programmes; and there could be a lack of knowledge about the benefits of training.

In many cases, informal enterprises are one-person ventures which further raises opportunity costs. In other cases, employees holding informal jobs in or for formal enterprises, or workers in unrecognized or unregulated employment relationships are usually not given the same opportunities as formally employed colleagues. Hence the financial contribution of the employer to lifelong learning in the informal economy is highly constrained, and many will not cost-share investment into training or even free their employees to be trained (Adams et al., 2013; OECD, 2017; Palmer, 2017).

Workers in the informal economy face challenges in the acquisition of skills. As highlighted above, the acquisition of skills not only complement and reinforce each other, but can also affect the ease of acquisition of further skills, workers in the informal economy starting from a low skill base will find it harder to upskill compared to those who already possess more skills. Formal delivery approaches are usually unsuited to those in the informal economy due to a range of reasons, including the curricula, pedagogy, course flexibility, language of instruction and other issues affecting skills acquisition.

Promising practices related to accessing and acquiring skills in the informal economy – and their relevance during and following the COVID-pandemic

Formal vocational training providers extending their services to the informal economy

In order for formal TVET provision to be more relevant to workers in the informal economy, the following types of reform need to be considered. Many of these solutions could also be offered through distance and e-learning, if appropriate technologies are utilized and connectivity issues are addressed.

- ▶ **Offering different types of training** – Small enterprise workers need the know-how and skills to perform a range of different tasks; not only technical skills, but also core business skills for the self-employed⁶ as well as life skills, negotiation skills, employability and entrepreneurship skills, basic digital skills (Adams et al., 2013; Arias et al., 2019; Brown and Slater, 2018; GIZ, 2019; ILO, 2013).
- ▶ **Making training delivery more flexible** – Shorter/modular courses are needed that could combine theory and practice, and that allow workers in the informal economy to train while working, or else reduce the time needed away from work (Adams et al., 2013; GIZ, 2019; ILO, 2013).
- ▶ **Offering second-chance education** – For those with low levels of functional literacy and numeracy, offering second-chance education is important (Adams et al., 2013; GIZ, 2019; ILO, 2013).
- ▶ **Recognizing prior skills acquired outside of the formal education and training systems** – Recognizing prior learning could help expand training offers and make these more accessible to workers in the informal economy (ILO, 2013).
- ▶ **Raising awareness on and promoting government training incentives** – This could facilitate access and increase participation in training of informal economy workers – provided incentives exist.
- ▶ **Offering formally recognized certification and pathways to qualifications to trained informal economy workers** – This will help such workers access further education and training,

⁶ As noted by Arias et al., skills needed by the self-employed are “costing, pricing, preparing financial statements, keeping business records, project management, marketing, sales, and preparing business plans, among others” (Washington, DC, World Bank, 2019), p. 11.

but also facilitate access to formal employment opportunities (GIZ, 2019).

- ▶ **Providing post-training support** – Formal education and training providers are in a good position to link graduates to formal employers, business advisory or employment services, and labour market information systems (ILO, 2013).
- ▶ **Shifting financing to results-based funding** – This has the potential of making training providers more accountable for training outcomes, especially those servicing people in the informal economy (Adams et al., 2013).

In countries with large informal economies, especially in West Africa and South Asia, informal apprenticeship can represent the most widespread type of technical-vocational training provision for youth in the manufacturing and construction sectors, as well as among some occupations in the services sector (e.g. hairdressing/barbering, dress-making/tailoring, mobile repairs etc). Improving the overall learning experience in informal apprenticeships can be a critical approach and ‘can help young people not only acquire skills but ease their way into the formal economy’ (ILO, 2011a, p. 31). Promising practices, some of which are difficult to implement when movement is restricted and social distancing rules are applied, include measures to:

- ▶ improve the quality of training, such as the use of dual training principles (that is, classroom and on-the-job training);
- ▶ upgrade the skills of master craftspersons through pedagogical and technical training;
- ▶ provide apprentices with supplementary literary and numeracy training and upgrading of technology;
- ▶ improve working conditions and inclusion in informal sector training (promotion of gender equality, occupational health and safety, strengthening the apprenticeship contract); and
- ▶ establish mechanisms for certification of informally trained artisans;
- ▶ improve the recognition of existing (traditional) certification systems; and

- ▶ institutionalize or improve quality assurance with the involvement of local business associations (Arias et al., 2019; Hofmann et al., 2020; ILO, 2012).

Various recent attempts to upgrade informal apprenticeships have been made, most of which are externally funded by development assistance support. See also box 1 on examples from Ghana.

- ▶ In **Benin**, efforts have focused around developing nationally recognized certificates to recognize skills gained in informal apprenticeships (Hofmann, 2013).
- ▶ In **Côte d'Ivoire, Mali, Niger and Togo**, dual-type apprenticeships combining work experience with classroom training are trying to transform informal apprenticeships (Ganou, 2019).
- ▶ In **Kenya**, master craftspersons receive additional training as an incentive for them to take on more apprentices.

While most experience in upgrading informal apprenticeships appears to be in sub-Saharan Africa, a number of examples exist from other parts of the world, again as part of externally funded reform projects:

- ▶ In **Afghanistan**, dual apprenticeships are being piloted as a means to upgrade informal apprenticeship training. Under a three-year programme, traditional apprentices who have completed grade nine in formal schooling, take classroom training for three mornings per week at a local vocational school. This route is recognized as part of the secondary school system, thus allowing apprentices to continue their education (Swisscontact, 2019).
- ▶ In **Bangladesh**, a six-month dual apprenticeship training was piloted as an approach to upgrade the standard informal apprenticeship. This consisted of two components: i) on-the-job training (four days a week) delivered by a master craftsperson and based on a structured format and training content using a competency skills log book; and ii) off-the-job classroom training (one day a week) on theoretical skills related to their trade areas, in addition to life skills, financial literacy and basic English. After completion of the training, participants received certificates.

Box 1. Attempts to upgrade informal apprenticeship in Ghana

In 2007–08 ambitious plans for a National Apprenticeship Programme (NAP) were initiated by the Government with the aim to move towards a more regulated, or formalized, informal apprenticeship system (Palmer, 2009). Initially the Government planned to cover the costs of a one-year apprenticeship, including fees to master craftspersons, training materials, toolkits and stipends to apprentices, as well as a limited amount of supplementary training for apprentices and master craftspersons. The scope of the NAP was substantially scaled down it underwent a rigorous evaluation in 2011–12. The NAP evaluated was essentially functioning as a subsidized version of an informal apprenticeship (Hardy et al., 2019).

Another initiative, the Ghana Skills Development Initiative (2012–2019) sought to support informal apprenticeship through strengthening the role of informal sector trade associations, as well as improving the quality of apprentices by providing courses for apprentices, master craftspersons and artisans based on competency-based training (CBT) standards (GSDI, 2019).

Source: Darvas and Palmer, 2014

- ▶ In **Jordan**, a pilot to upgrade informal apprenticeships consisted of complementary off-the-job training, on-the-job skills checklists and recognition of skills through trade tests upon completion (ILO and IYF, 2015).

Non-formal training-related active labour market programmes comprise programmes outside the formal education system, typically of short duration. **Looking forward towards the period of recovery from the COVID-19 crisis, it is expected that this type of skills training will be part of the short term recovery actions in national COVID-19 recovery strategies. During the pandemic, for these types of programmes to be offered through e-learning, it is likely that considerable investments in IT infrastructure and capacity development of trainers are required.** These include, for example:

- ▶ **Second chance, basic and foundation skills training** (literacy and numeracy) aims to support those who have inadequate formal education. Key features of successful second chance initiatives include practical curricula; flexibility (management, relationships, curriculum, timing); less formal instruction methods; programme duration based on need rather than time; and reduced or no financial cost. For example, in **Malawi**, the Complementary

Basic Education Programme utilizes community facilities and contract teachers to offer second chance education leading to credentials accepted as equivalent to those offered by formal education. In **Niger**, the Alphabétisation de Base par Cellulaire project is an adult literacy programme that draws on people's interest to be able to read and write SMS text messages.

- ▶ **Non-formal technical, vocational and core work skills programmes** – The more successful training-related active labour market programmes in low- and middle-income countries – which typically have large informal economies – tend to be **multi-skill** (offering basic, foundational, technical, vocational and core work skills), **multi-setting** (classroom and on-the-job) and **multi-service** (offering support beyond skills training) interventions.

Some skills interventions are specifically targeted at the rural informal economy, including comprehensive livelihood programmes and agricultural extension services. The ILO's Training for Rural Economic Empowerment (TREE) programme has been implemented in more than 20 countries (ILO, 2017) and the experiences gained from these different TREE projects highlight several advantages of its method, including: i) the relevance of skills training to local needs;

ii) the benefits that are drawn from local ownership; iii) the post-training supports provided; and iv) the sustainability and replicability of its approach. Programmes to improve agricultural productivity in rural areas usually consist of “a mix of extension, livelihood, and cash support” (Arias et al., 2019, pp. 338–339). **In the current COVID-19 pandemic, these approaches bear the risk of spreading the virus to remote and vulnerable areas.**

Recognition of prior learning (RPL) is particularly important in contexts of high levels of informality – and remains relevant during the COVID-19 pandemic. RPL recognizes that many people in such contexts acquire skills informally – at the workplace, in the community, at home, through informal apprenticeships or “learning by doing” and that these skills can remain “invisible”. RPL can broaden the options of informal economy workers for finding formal employment (ILO, 2011a, 2013 and 2015a; Kupets, 2017; WEF, 2014) and can also serve as an incentive for workers to invest in training (OECD, 2017; World Bank, 2014). It can act as a signal of quality; for example, the assessment and certification of informal apprenticeships, “can help the market sort among good and bad training for apprenticeships” (Adams et al., 2013, p. 13), and it enables “skills reengagement with further education and training” (World Bank, 2017a: 156a). RPL has been particularly prominent in skills development in **South Africa**; for example, RPL approaches suitable for workers in the informal economy are implemented within the National Qualifications Framework, and South Africa is also trying approaches using technology to better recognise the skills of the illiterate and semi-literate. **India** uses a practical trade test method for RPL for informal economy workers. In the construction sector, which is largely informal, there is a special RPL programme funded by the State Construction Welfare Boards which pays the assessment fees (and cover the costs of any subsequent skills gap training) (Indian Directorate General of Training, as cited in Aggarwal, 2015). **Bangladesh** offers RPL certifications in TVET only, but covers recognition of formal and informal learning and competencies. Quite a number of examples exist from sub-Saharan Africa of how RPL can function in relation to informal apprenticeship. For example, in Benin, Ghana, Kenya, Malawi and Tanzania, informal apprentices are able to

acquire proficiency certificates that signal their competency (Field and Guez, 2018; Hofmann, 2019; Palmer, 2007; World Bank, 2017a).

New learning opportunities through digitalization are still not accessible to the majority in the informal economy, especially those in sub-Saharan Africa. Until the cost of both internet-enabled devices and data packages sufficiently reduces to enable more people to get online, the new learning opportunities requiring the internet will largely benefit higher-tier enterprises in the informal economy, and those better-off workers in the informal economy who have been able to acquire an internet-enabled device. While digital platforms may open new markets for some, it also bears the risk of informalizing formal employment (OECD and ILO, 2019). Nonetheless, there are some interesting illustrations of how new technologies are already providing new learning opportunities to some early adopters in the informal economy. For example, in informal agriculture, ‘apps to allow workers to boost their numeracy skills and learn how to apply better farming practices and sell their products more effectively through markets, can help to upskill workers with low literacy and numeracy skills and provide productivity-boosting information to low-income informal farmers and retail street-sellers’ (Choi et al., 2019, p. 32–33). Another example, are apps that teach soft skills and job search skills, such as the app available via the Tunisian Public Employment Service.⁷ While internet-enabled devices are still out of reach for millions of those working in the informal economy, non-smart mobile phones remain a more accessible form of technology that continues to provide learning opportunities for those in informal economy, e.g. through text messaging.

The financing of lifelong learning in the informal economy – and how to increase investments in light of the COVID-19 pandemic

For lifelong learning in the informal economy to become a reality for the 2 billion people working in it, major financing reforms are required. These are required so that lifelong learning approaches are not only affordable and sustainable, but also that financing mechanisms can be deployed to incentivize and influence the behaviour of individuals and enterprises (as well as intermediary organizations) in relation

⁷ See the Tunisian Public Employment Service website, available at <http://maharati.emploi.nat.tn/external/>.



to the access, acquisition and utilization of skills of workers in the informal economy. **During the COVID-19 pandemic, short- and medium-term measures could combine several instruments to increase investments in upskilling and re-skilling people in the informal economy.**

Lifelong learning in the informal economy is currently financed in various ways. In low- and middle-income countries, short duration skills programmes targeting informal economy workers are typically financed by governments or as part of donor programmes. This training is privately financed from within the informal economy, either in the form of fees (for apprenticeships) or reduced wages (for those learning on the job). A relatively small number of more high-end informal enterprises may be investing in the training of their own employees. In a number of countries, donor-supported training funds typically include a funding window related to informal sector training (with funding often disbursed through intermediaries).

Public funding for skills remains oriented to (often small) formal economies, and according to the ILO, is “neglecting the large sections of the population working in situations of informality” (ILO, 2013, p. 4). Evidence from the literature

suggests that public funds are disproportionately allocated to formal training versus non-formal or informal training, given the relative size of each. The challenge of monitoring public funds used to support non-formal or informal training is one reason for relatively little public money being used in this manner (OECD, 2017). For example, **Burkina Faso** invests most of its public resources in a small formal TVET system, while there are some 2 million informal apprentices (Walther, 2013). The use of formal intermediaries to reach informal economy workers with skills offerings should allow for public funds to be more effectively monitored.

Vouchers, grants, stipends, and scholarships are used in some countries to support lifelong learning for informal economy workers.

Direct grants can be used to fully or partially overcome financial barriers (Filmer and Fox, 2014), and cover direct costs (e.g. training fees) and sometimes indirect training costs (e.g. transportation costs, accommodation expenses, costs of study materials, and forgone earnings). Such incentives can be made to individuals or to enterprises (to incentivize training), and are sometimes only made contingent on behaviour, as in the case of conditional cash transfers. For

Box 2. Review of levy-financed training funds in SADC countries

In Southern African Development Community (SADC) countries, a recent review found only two mechanisms to support workers in the informal economy; the South Africa National Skills Fund and the Zambia Skills Development Fund (Palmer, 2020b). Equity training funds have better outreach to those working in the informal economy, but require a revenue stream either from government, from donors, or from a dedicated proportion of a training levy collected from formal firms. One recommendation from the ILO/UNESCO *Lifelong Learning Entitlement Report*, proposes that governments consider reserving money within a training fund which is dedicated specifically to lifelong learning for workers in the informal sector (Dunbar, 2019). Indeed, this is the approach adopted in **South Africa**, where 20 per cent of a national skills development levy on formal firms is allocated to a National Skills Fund, which in turn funds skills development for non-levy payers, including those in the informal economy.

example, in **Liberia** the Economic Empowerment of Adolescent Girls programme provided financial stipend incentives to ensure higher participation. Vouchers were distributed to individuals (or to enterprises) according to target criteria. The individual or enterprise holding the voucher can then select the training they would like, usually from a list of authorized or accredited providers. Vouchers can be given out for free or bought at a discounted price to introduce an element of cost-sharing. Vouchers can be an effective way to stimulate the purchasing power of marginalized individuals. Where there is choice of provider, vouchers can help stimulate competition among providers (which can lead to improvements in quality). Vouchers/grants can be universal or targeted at specific groups (e.g. the unemployed, persons at risk, women, informal enterprises). However, unless targeted well, there is the possibility that beneficiaries would have paid for the training anyway, in the absence of vouchers. **Ghana** (Palmer, 2008) and **Kenya** (Hicks et al., 2011) provide interesting examples of how such voucher programmes have been operationalized in practice and the lessons learned.

The ILO's Global Commission on the Future of Work foresees a greater future role for training funds⁸ in countries where most workers work informally (ILO, 2019b). Levy-grant training funds around the world have shown themselves, in their current forms, to be unsuitable for reaching the

marginalized, most of whom would not be employed in contributing formal firms (see box 2).

In **Benin**, an Apprenticeship Tax (a payroll-based tax on formal companies) is used to finance the Continuing Professional Education and Apprenticeship Fund which, among other things, supports a dual apprenticeship programme (Ganou, 2019; World Bank, 2014). In **Côte d'Ivoire**, the Vocational Training and Development Fund is also levy-financed, and has a mechanism to fund training schemes for micro-enterprises in the informal sector (ADEA and AFD, 2014). In most other cases, training funds that support workers in the informal economy are externally (donor) funded. **Kenya's** Jua Kali Training Fund, which is supported by the World Bank, provides training vouchers to entrepreneurs and artisans in the informal economy. **Nepal's** Employment Fund, funded by DFID, the Swiss Agency for Development and Cooperation and the World Bank, finances skills training for youth in the informal economy (Chakravarty et al., 2016). Another option to explore could be incentivizing training approaches that utilize clusters of firms that combine formal and informal enterprises.

Performance-based financing approaches could be a mechanism to better reach workers in the informal economy. Public skills providers can be made more relevant to the informal economy if they are incentivized to do so by a shift

⁸ Training funds are dedicated funds, outside of normal government budgetary channels, typically financed by enterprise levies, but can also be open to other contributions including from government and donors.



away from supply-driven financing (focused on inputs, such as the number of programme offered, instructors hired etc) 'to results-based financing that holds providers accountable for training outcomes, especially those of the informal sector' (Adams et al., 2013, p. 12). Performance-based financing helps align incentives with desired effects; for example: increased targeting of under-served and marginalized groups; higher rates of course completion; and higher rates of employment/self-employment three or six months after completion of training. Examples of such approaches for the informal economy all tend to be from externally (donor) financed projects. For example, in **Afghanistan**, the World Bank financed a non-formal training project targeting unemployed, underemployed, and illiterate youth. It provided incentives to non-formal training providers if the employment rate of their graduates met a stipulated benchmark. In **Bangladesh**, a DFID-funded skills programme targets the poor, women and the disadvantaged and links payments to providers to results (number trained; number placed in jobs; number found to be working six months after completion of training). In **Nepal**, the Employment

Fund (funded by the UK, Switzerland and World Bank) uses a combination of a results-based bonus (to reward employment outcomes of trainees) with a progressive incentive scheme (to incentivize engagement with hard to reach groups).

Governance and policies related to lifelong learning in the informal economy

The governance of, and policies concerned with, lifelong learning in the informal economy face a double and intertwined challenge. Governance arrangements and policies of skills systems in most countries are fragmented, especially at the post-secondary age level.⁹ This includes the involvement of social partners in system governance through social dialogue. This in turn means that many other aspects of learning ecosystems are fragmented: for example, the supply of skills; the understanding of the demand for skills; the funding of skills; skills information/data; skills legislation; and skill reforms. The informal economy itself is operating beyond formal governance arrangements, posing a double and intertwined challenge.

⁹ Arguably, there is also fragmentation of skills governance at the pre-primary level, where ministries of education, labour, higher education, social development – and others – all operate in early years oversight, provision and/or training.

Current skills governance arrangements don't easily extend to the informal economy.

A common, but very real, governance challenge with regard to the informal economy is how to get appropriate representation of informal economy workers and employers as part of formal governance arrangements (for example, TVET councils, workers' and employers' organizations). Most such institutions have been built for the formal economy and "do not reach the majority of the world's workers, many of whom work in the rural and informal economy. This has led to their exclusion from social dialogue." (ILO, 2019: 24). Over the last two decades, there has been a significant growth in autonomous membership-based organizations of informal economy actors. They have sought fundamental changes in economic and social policy. According to their objectives and needs some have opted to register as trade unions, some as cooperatives, while others remain as associations or loose networks (ILO, 2013). In some countries, workers' and employers' organizations have been more able to include those in the informal economy; for example, the Trade Union Confederation in Ghana and the employers' organization in Malawi (ILO, forthcoming). The engagement between formal governance entities and intermediary organizations (e.g. informal sector associations), who are better able to connect with and represent informal economy workers, could be another one way to connect with the informal economy. **The representation of informal economy workers in dialogues discussing responses to the COVID-19 pandemic is of equal importance.**

Lifelong learning for informal economy workers requires a whole-of-government policy approach, with skills policies aligned horizontally and vertically.

As skills are developed over a lifetime, having a national skills policy that takes a lifelong learning perspective is the most strategic. In the absence of one national skills policy, skills policies need to align horizontally and vertically across skills-delivering ministries. Early development of foundation and core work skills can lead to a virtuous cycle of skills formation, and lay the foundation for acquiring more advanced technical and vocational skills later in life. Therefore, any strategy aimed at supporting skills for workers in the informal economy should first ensure that foundation and core work skills

are built effectively through adequate investment in early childhood development interventions and a quality primary and lower secondary education. Skills policies also need horizontal alignment with policies that influence the supply and demand for skills (e.g. agriculture, trade, industry, and employment) (ILO, 2013a). Extending social protection to informal economy workers might reduce opportunity costs and therefore facilitate participation in skills training. Social protection can also facilitate access to formal and non-formal training through well-designed delivery services (ILO, 2019c).

Government strategies and policies for lifelong learning of informal economy workers need to be strengthened.

While skills policies tend to focus on the needs of the formal economy (OECD and ILO, 2019, p. 94), skills development policies in many low- and middle- income countries do pay some attention to the informal economy (Aggarwal and Gasskov, 2013). However, few countries fully address the international standards embodied in ILO's Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204). National skills policies often refer to upgrading or supporting informal apprenticeships (e.g. **Benin, Gambia, Ghana, Tanzania, Uganda**), the recognition of prior learning (e.g. **Bangladesh, Pakistan**), the role of modular courses, mobile training, and distance learning (Aggarwal and Gasskov, 2013; ILO, 2011b). Lifelong learning in the informal economy goes well beyond these issues and skills development policies need to be broadened if lifelong learning ecosystems are to be developed to serve the informal economy.

*Promoting the transition to formality:
What role for skills?*

Current international discussion emphasizes the need for innovative policy approaches for transition to formality, and that given the heterogeneous nature of informality, that "there is not a 'single bullet' solution for the transition to formality and an integrated approach (multiple and coordinated interventions) is needed" (Chacaltana and Leung, 2019, p. 1). **Massive lay-offs - as well as a potential increase in informalisation of formal wage employment - due to the impacts of the COVID-19 pandemic risk to further increase the pool of people working in the informal economy.**

Improvements in the skills of informal economy workers are necessary, but an insufficient prerequisite for formalization. Skills development is a core component to facilitate transition to formality as it impacts the level of productivity and income, as well as being an enabling factor for structural transformation. Even while governments push towards formalization, it is clear that the informal economy will be with us for decades to come, especially in low- and middle-income countries that already have large informal economies. The persistence of high levels of informality over the last couple of decades, despite developments in technology and labour markets, are an indication that large informal economies are not going to formalize rapidly. While the goal is the transition of firms and workers from the informal to the formal economy, and the expansion of social protection to all, the ILO urges member States to invest, during the transition to formality, in the expansion of “skills and innovative capacities of workers and economic units in the informal economy” (ILO, 2015a, p. 24).

Policy efforts to formalize economies should also be linked with structural transformation processes, including fundamental infrastructure and institutions. Beyond looking at productivity, efforts to strengthen informal institutions – rather than imposing formal rules on them top-down which tends not to work – represents a key pathway to formality. Efforts are needed to support physical capital, technology, skills and innovation. Widespread underemployment and informality are structural characteristics of developing countries’ economies and are not a peripheral problem that can be addressed in isolation from mainstream development strategies. Sustained job-generating growth is a necessary condition for the process of employment formalization to take place. The overall goal is to invest in decent and sustainable work as a core element of a transition to formality integrated strategy.

Social protection awareness – and prevention of COVID-19 disease – should be mainstreamed throughout all skills programmes. The lack of social protection makes informal economy workers highly vulnerable to all types of risks. Hence, they are less prepared to invest in skills building. Informal economy workers often do not know what social protection is and how it works. Increased awareness and understanding

of the benefits of social protection through skills programmes may increase the likelihood that informal economy workers join contributory schemes and expand the coverage of social protection (ILO 2019c).

The provision and expansion of skills can play a key role in improving the productivity of informal workers and enterprises, but only when these individuals are able to put these skills to use (OECD and ILO, 2019; OECD, 2019). This is a simple point, but one which policy-makers and politicians in many countries bypass by assuming that skills = work. Skills provision needs to be combined with complementary interventions. These could include, for example, counselling and mentorship services, job preparation advice, job placement, services supporting self-employment (access to credit, and business advice, etc.) (Honorati and McArdle, 2013; Sanchez Puerta et al., 2015; S4YE, 2015). In low- and middle-income contexts, which typically have much larger informal economies, combining skills with entrepreneurship promotion is particularly important (Kluve et al., 2017). For example, in **Peru** the *Calificación de Jóvenes Creadores de Microempresas* programme, which targets young people who own informal businesses, offers business training followed by business advisory support, internship and access to finance (Kluve et al., 2017). Guidance and counselling services, for wage employment or self-employment, can easily be offered by phone and should be expanded during the crisis, with a focus on informal economy workers.

Unfortunately, providing skills with complementary interventions still may not be enough to improve productivity in the informal economy, when wider economic, social, geographical and built environments are not enabling. As Pina et al. (2012, p. 17) note, “merely investing in workforce programmes doesn’t necessarily result in greater productivity. The effect skills development can have on the productivity ... cannot be separated from other changes in their economic environments. A host of other factors, including capital market failures, infrastructure constraints, and outdated technology can also limit productivity.” **In the context of COVID-19, integrating hygiene awareness and training into vocational skills training interventions will not be effective when workers in the informal economy lack reliable access to water and**



soap, or when the practice of social distancing at work simply isn't an option in, for example, densely populated market places or small confined workplaces. The very size of the informal economy – 2 billion people – and its heterogeneous nature, mean that it exists in very diverse contexts across different countries and regions. The extent to which such contexts are enabling of skills access, acquisition and utilization vary considerably and need to be considered when looking at supporting specific regions or sectors.

Conclusion: Implications for research and programming

This research brief concludes with the following implications for research and programming:

1 The COVID-19 pandemic is calling for urgent investments in skills and lifelong learning for informal economy workers – Stimulus packages combining different financial and non-financial measures to provide incentives to workers and enterprises in the informal

economy to invest in upskilling and reskilling should be designed.

Possible research questions:

- ▶ What can we learn from countries that adopted emergency measures for informal economy workers – including to safeguard learning and earning - during the current COVID-19 pandemic?
- ▶ How can measures best be targeted to ensure that the most vulnerable receive assistance, including women who are usually the ones shouldering additional care responsibilities for children and the elderly during the COVID-19 pandemic?
- ▶ What can be learned from the experience of national Ebola recovery strategies in West Africa in relation to learning and skills building for workers in the informal economy?

2 The fourth industrial revolution, skills and the informal economy – With the rise of the

fourth industrial revolution, there is a need for greater understanding of what this means for skills in the informal economy (see issues raised in GIZ, 2019). In light of the COVID-19 pandemic, countries need to expand e-learning infrastructure, including non-smart mobile phone based solutions, and make training offers more available and accessible.

Possible research questions:

- ▶ What impact will digitalization in the informal economy have on the skill needs of workers?
- ▶ As mobile internet availability increases, what is needed to ensure that digitalization improves access to new learning opportunities, instead of reinforcing inequalities through the digital divide?
- ▶ Would reducing the technological gap between informal and formal economies imply more demand for training in the informal economy?

3 Relevant national policies and programmes that address the lifelong learning needs of workers in the informal economy – A review of such policies is needed and might include, for example, education, TVET, youth, labour/employment, agriculture, technology, trade and industry, gender – and overarching national skills development policies, where they exist.

Possible research questions:

- ▶ To what extent does policy and programming adequately address lifelong learning in the informal economy?
- ▶ To what extent are national policies aligned with each other, so that workers in the informal economy are supported in a coordinated and coherent way, both to access skills and to put them to use?
- ▶ To what extent do national skills policies address the issue of resilience so that skills systems, including those aspects targeted at workers in the informal economy, are better

able to deal with future crises (natural disasters, pandemics, climate-related risks, conflict etc).

4 More robust evidence of what works, where, and why – Relatively few skills programmes targeted at the informal economy have been rigorously evaluated to determine impacts on employability, earnings, and other outcomes.

Possible research questions:

- ▶ What are key design features for projects and programmes targeting skilling and upskilling in the informal economy?
- ▶ How can informal institutions that govern skills development and recognition in the informal economy be strengthened to support a dynamic productive transformation process?
- ▶ How does the incentive and compliance framework need to be structured to create an enabling environment for skills development in the informal economy?

5 Informal economy training funds, performance and results-based financing – There have been quite a number of attempts to reach the informal economy via training funds, most of which have been through externally funded donor interventions (rather than based on levy-financed training funds). What is needed is an aggregated review dedicated to understanding the lessons learned from these experiences around the world.

Possible research questions:

- ▶ What policies, operating principles and programme features have enabled training funds to successfully engage with the informal economy, including through cluster approaches bringing together employers from the informal and the formal economies?
- ▶ How can results-based financing be used to ensure that training funds are allocated to informal economy workers and support transitions to formality?

- ▶ What feasible governance and financing models for lifelong learning in the informal economy are available to operationalize a universal entitlement to lifelong learning for informal economy workers?

6 Skills mismatches in the informal economy

– The knowledge base on skills mismatches in the informal economy needs strengthening. Without reliable and quality information (and the capacity to analyse it) on the composition of the informal economy, the type of skills mismatch may be hard to define.

Possible research questions:

- ▶ To what extent has skills mismatch in the informal economy evolved differently than skills mismatch in the formal economy?
- ▶ To what extent is skills mismatch a significant issue in the informal economy?

7 Professional/personal skills and core work skills in the informal economy

– More needs to be known about the good practices in providing professional/personal skills and core work skills training to workers in the informal economy.

Possible research questions:

- ▶ Can foundation and core work skills be effectively provided through digital learning?
- ▶ How can the acquisition of core skills through informal apprenticeship be strengthened?
- ▶ Given that many young people acquire skills through unpaid family work, how can small family businesses be better engaged in skills development activities?

8 Upgrading informal apprenticeship, including outside of sub-Saharan Africa

– More research on informal apprenticeships in the Arab States, Latin America, Central Asia and South and East Asia would be particularly

useful. There is arguably also the need for improved global coordination of experiences on upgrading informal apprenticeships, in particular in light of the upcoming standard setting discussion on quality apprenticeship at the International Labour Conference in 2021 and 2022.

Possible research questions:

- ▶ What mechanisms have been successful in linking informal apprenticeship to formal and non-formal training providers to support local learning ecosystems?
- ▶ What mechanisms have been successful in improving training quality and certification of skills for apprentices and master craftspersons in informal apprenticeship?
- ▶ What support might be given to master craftspersons to improve the quality of on-the-job training?

9 Recognizing prior learning (RPL) – Skills acquired in the informal economy remain recognized by informal economy actors only. Opening pathways to further learning opportunities and to formal sector jobs requires the engagement of actors in the formal economy and mechanisms to validate and recognize skills acquired.

Possible research questions:

- ▶ Under what conditions do RPL systems provide added benefits for workers and enterprises in the informal economy and promote transitions to formality?
- ▶ What kind of digital tools could support RPL so that it does not strain capacities and financial resources of skills systems?
- ▶ How can formal economy actors ensure RPL contributes to transitions to formality?

10 Engaging informal economy employers in skills development – Effective mechanisms



are needed to engage employers with the informal economy, including the universal entitlement to lifelong learning. This also links to recommendations by the Global Commission on the Future of Work which has pronounced the need for new human-centred business and economic models, such as cooperatives or the social and solidarity economy.

Possible research questions:

- ▶ What are the most effective mechanisms to engage employers in the informal economy in skills development?
- ▶ How do financial and non-financial incentives need to be combined to trigger investment by micro- and small enterprises in skills development?

11 Strengthening information systems and analytical capacity related to skills in the informal economy – Much more investment is required to strengthen information systems and analytical capacity related to skills in the informal economy to provide policy-makers with adequate data and evidence-based input (Palmer, 2017, Adams et al., 2013; Betherman and Khan, 2015; Říhová and Strietska-Ilina, 2015).

Possible research questions:

- ▶ How can household and enterprise surveys most effectively be extended to firms in the informal economy?
- ▶ What kind of qualitative methods can supplement such surveys to capture data on skills supply and demand in the informal economy?

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