

Education, skills development and the informal sector

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Association

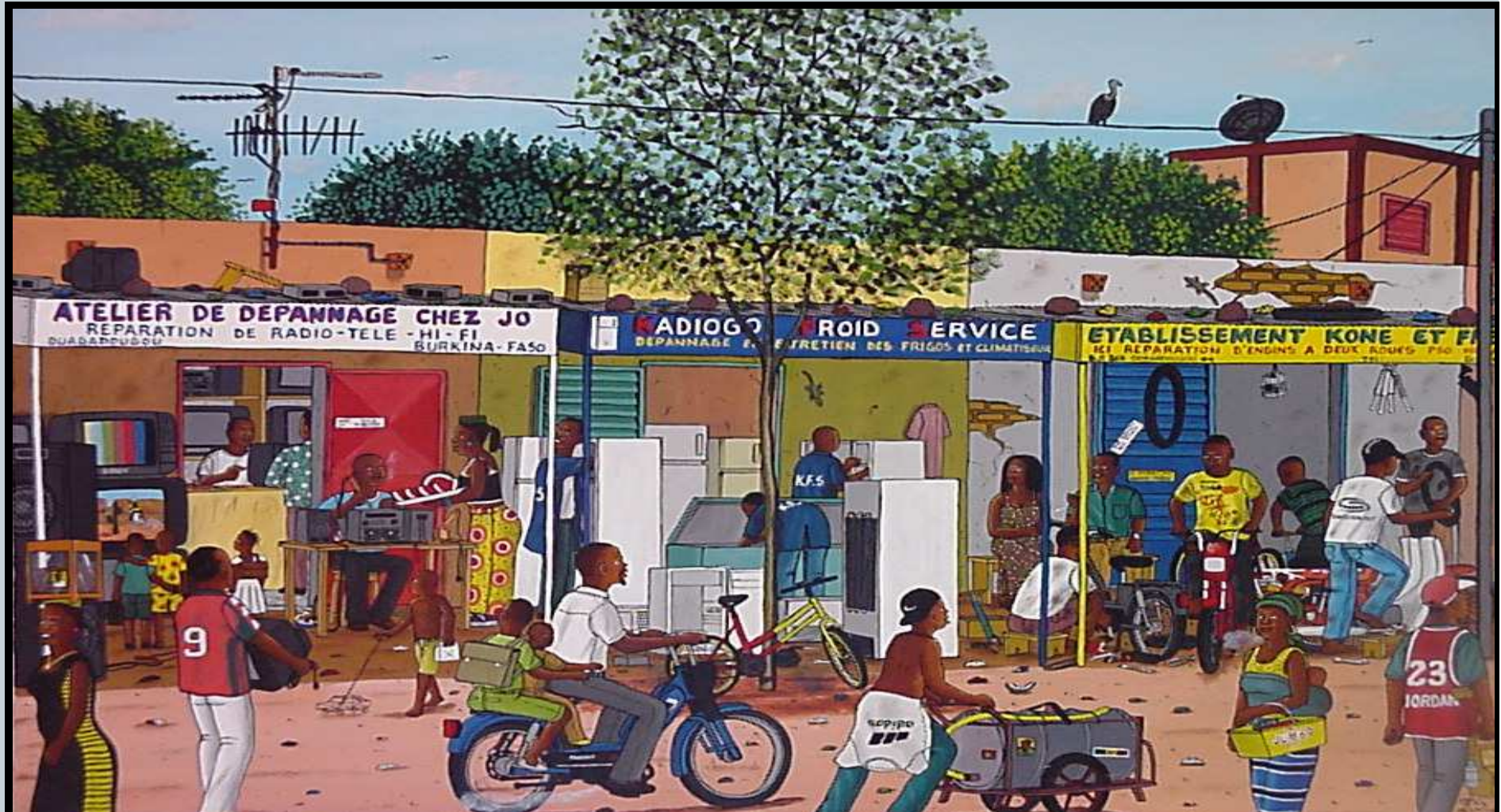
for the Development of Education in Africa
(ADEA)

Education, skills development and the informal sector

Summary

- The current context of the informal economy (IE)
- The need to invest in the capacity building (CB) of the IE
- The effectiveness of education and training
- The measures and schemes to be promoted
- Conclusions

The current context: IE is a daily life reality in developing countries



The current context: the IE concerns informal settings and jobs

- The term "informal sector" (IS) was used for the first time in the ILO report on employment in Kenya (1972) as a major category for the analysis of the labor markets in developing countries
- The conference of the statisticians of 1993 operated a major conceptual change
 - it divided the IS into agricultural and urban sector
 - it defined the units of production and service as individual enterprises **not separated from the activities of the household and not keeping full sets of accounts** allowing them to be distinguished from the households that own them

The current context: the IE concerns informal settings and jobs

- In 1993 the informal sector became as such a subset within the household sector in national accounts and national surveys on employment
- The conference of the statisticians of 2003 has extended the concept to include **informal jobs** in formal companies in middle- and even high-income countries
- **This extended concept of IE means that education and SD must be both analyzed at the level of their impact on the informal settings and of their impact on the informal jobs**

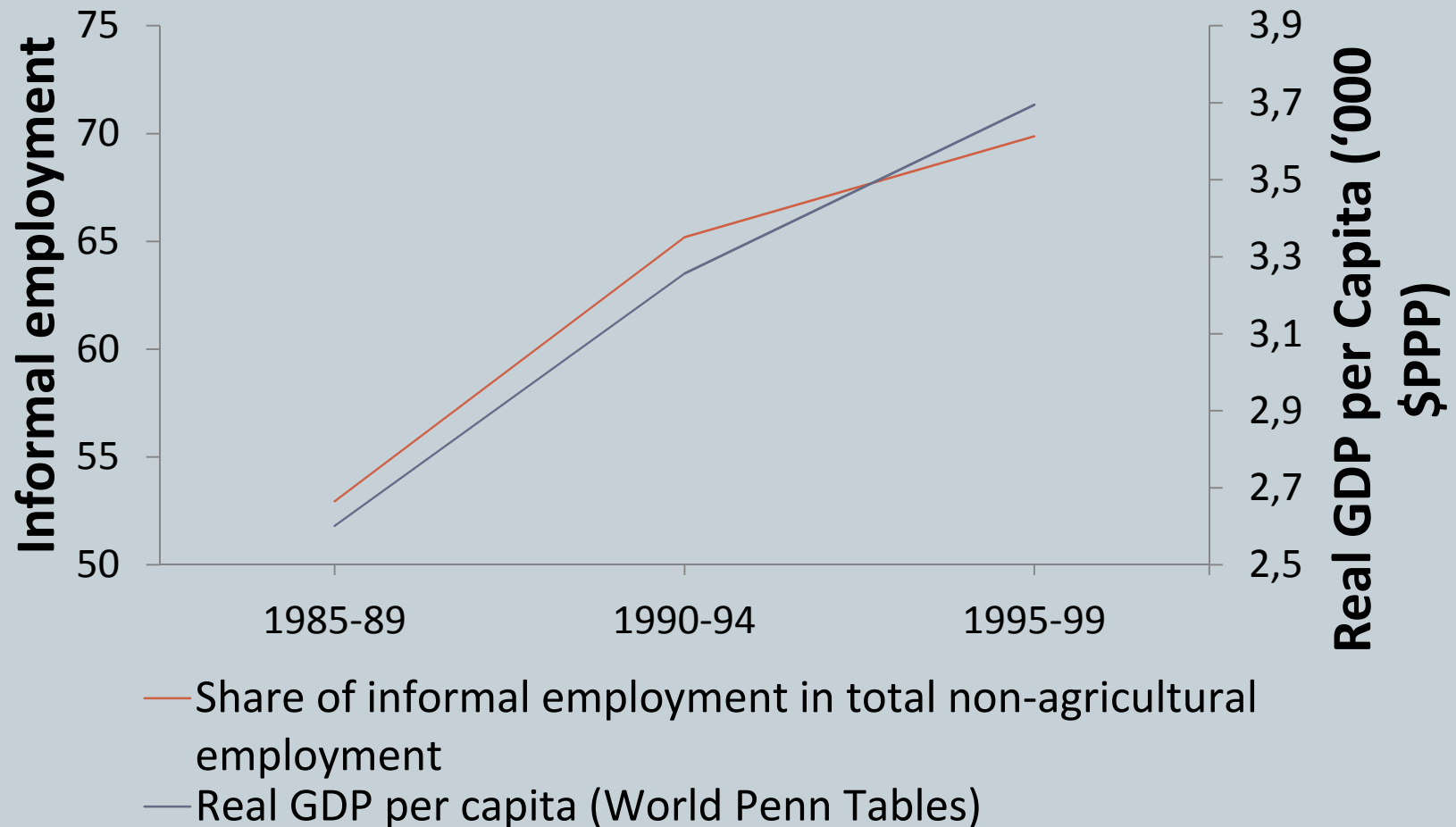
The current context: the IE concerns informal settings and jobs

- The informal work takes on two forms:
 - an informal job in micro-enterprises and in other not-registered enterprises
 - an informal job in a company of the formal sector which has neither work contract, nor social protection when having more than five employees (examples of South Africa where the wage employment represented 79 % of the informal employment in 2000)
- There are close links between these two forms of informality
 - many employees work at the same time in the formal and the non formal sectors
 - formal companies subcontract their work to the informal sector (the case of the building and civil engineering works in Morocco)

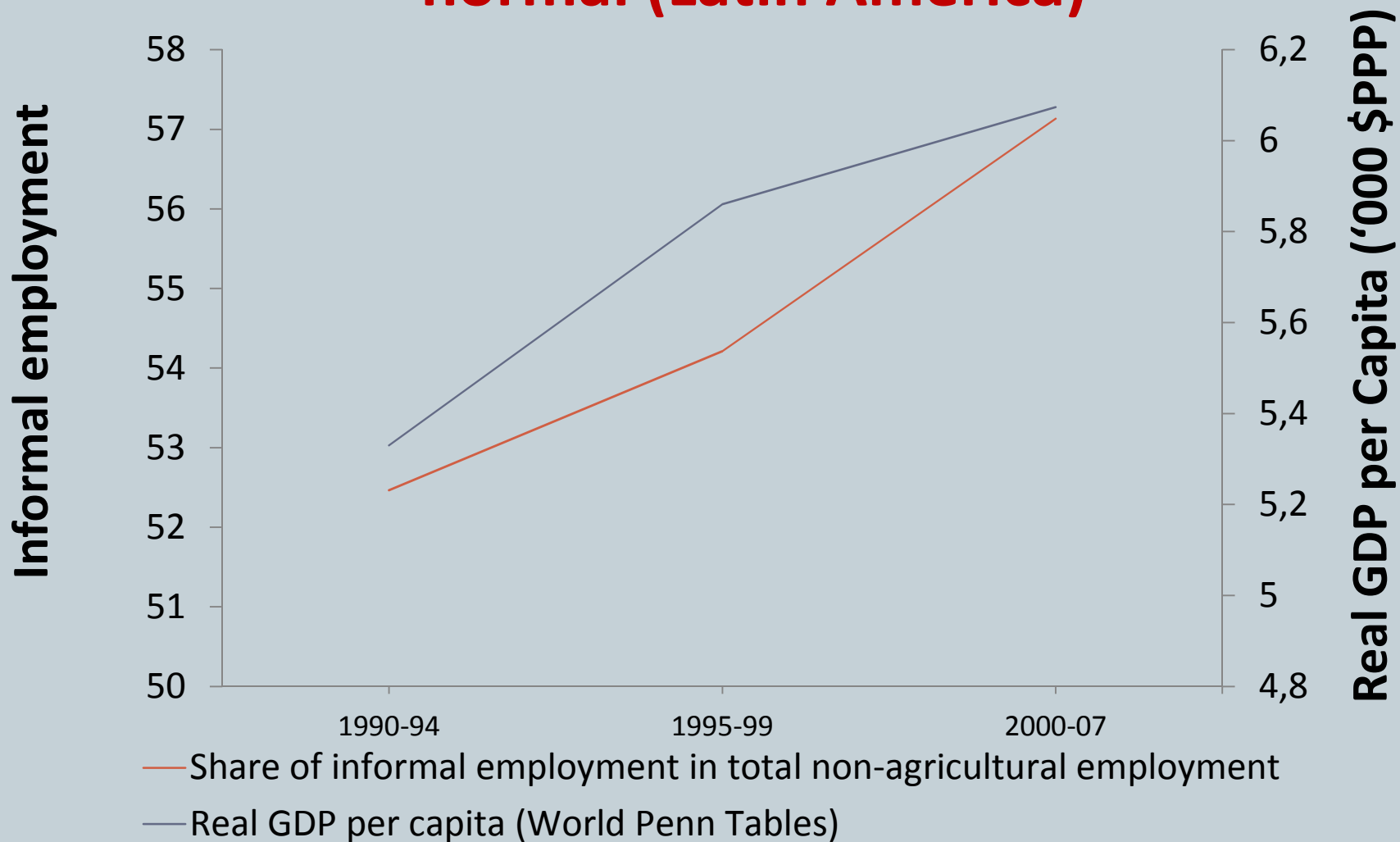
The current context: the IE is a global reality (OECD, AFD)

Region	Percentage of informal employment in total employment
West Asia and North Africa	About 47% in non-agricultural employment
Sub-Saharan Africa	Between 70% and 90%
Latin America	Above 50%
South Asia and South-East Asia	About 70%

The informal economy is more and more normal (Southeast Asia)

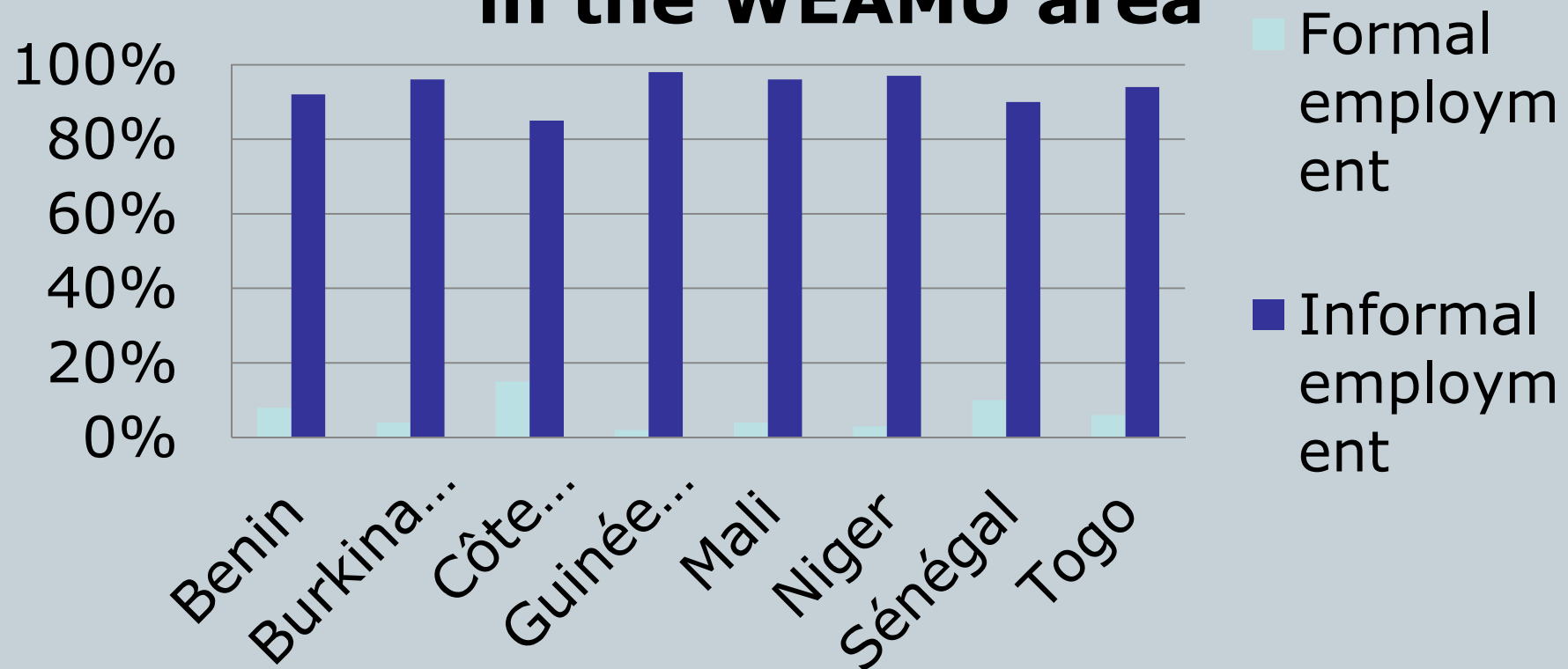


The informal economy is more and more normal (Latin America)



The informal economy is more and more normal (Southeast Asia)

Formal and informal employment in the WEAMU area

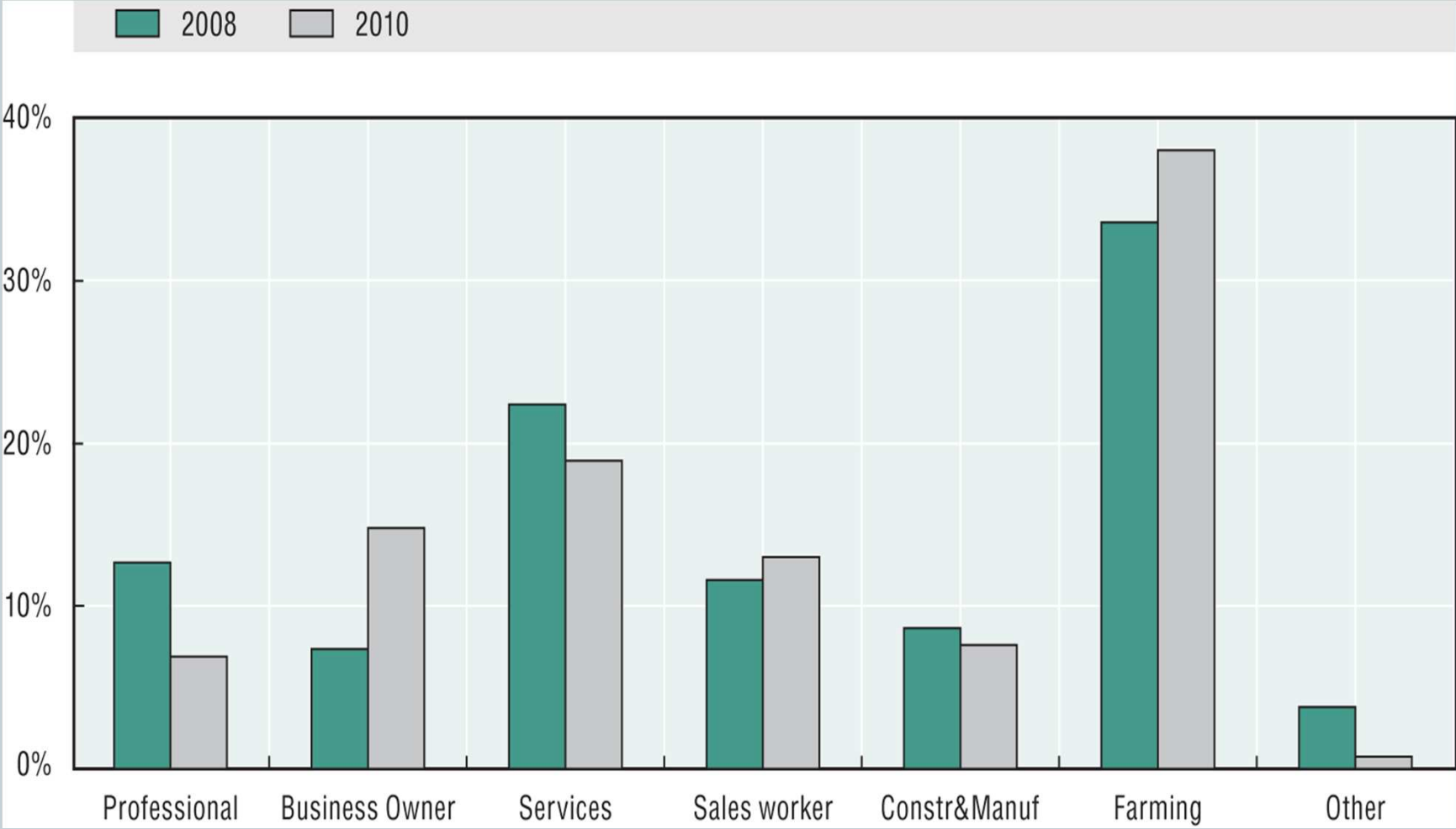


The current context: IE is linked to poverty but also to job creation

- The majority of the 1.7 billion poor in the world depend exclusively on the informal economy for survival
- More or less 3 to 4 jobs have been created by the informal micro and small enterprises between 2000 and 2007 (ILO)
- The urban and rural informal sector has served as a buffer against the crisis between 2008 and 2010 and helped informal workers to earn their living (OECD and AfDB study)

The current context: informal rural and urban activities have absorbed the impact of the crisis

(Gallup World Poll 2010)

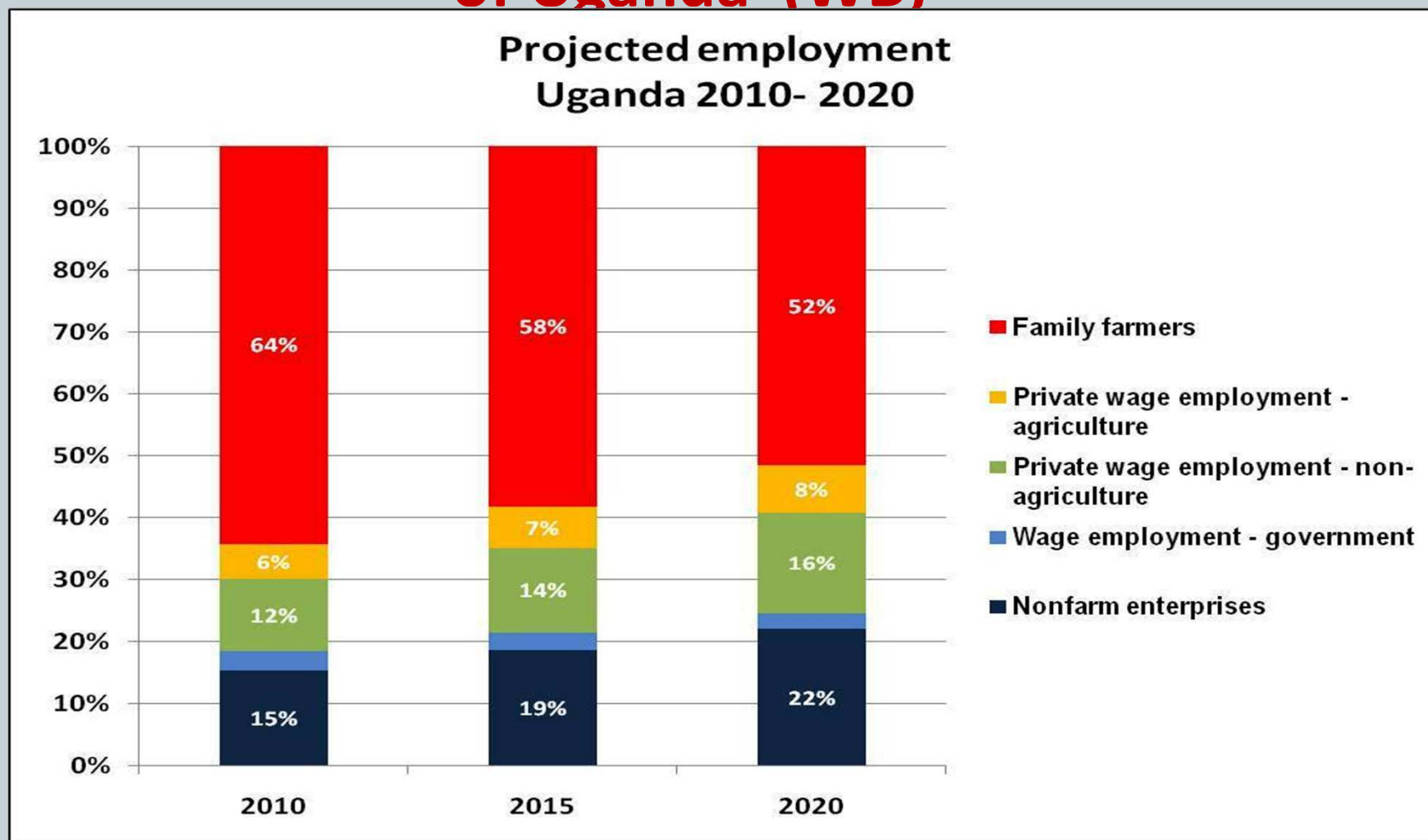


The current context: the IE will continue to play a major role as source of employment

Most of the young people in developing or low-income countries (between 70 and 80% in African Countries) will continue to massively occupy during the coming years vulnerable jobs or activities in the rural and urban areas

- **“The general perspective is that of an upward-oriented trend of informal employment, especially in poorer countries of sub-Saharan Africa, with an increase in informal employment in the formal sector of the economy” (OECD)**

The current context: the IE will continue to play a major role as source of employment: the example of Uganda (WB)



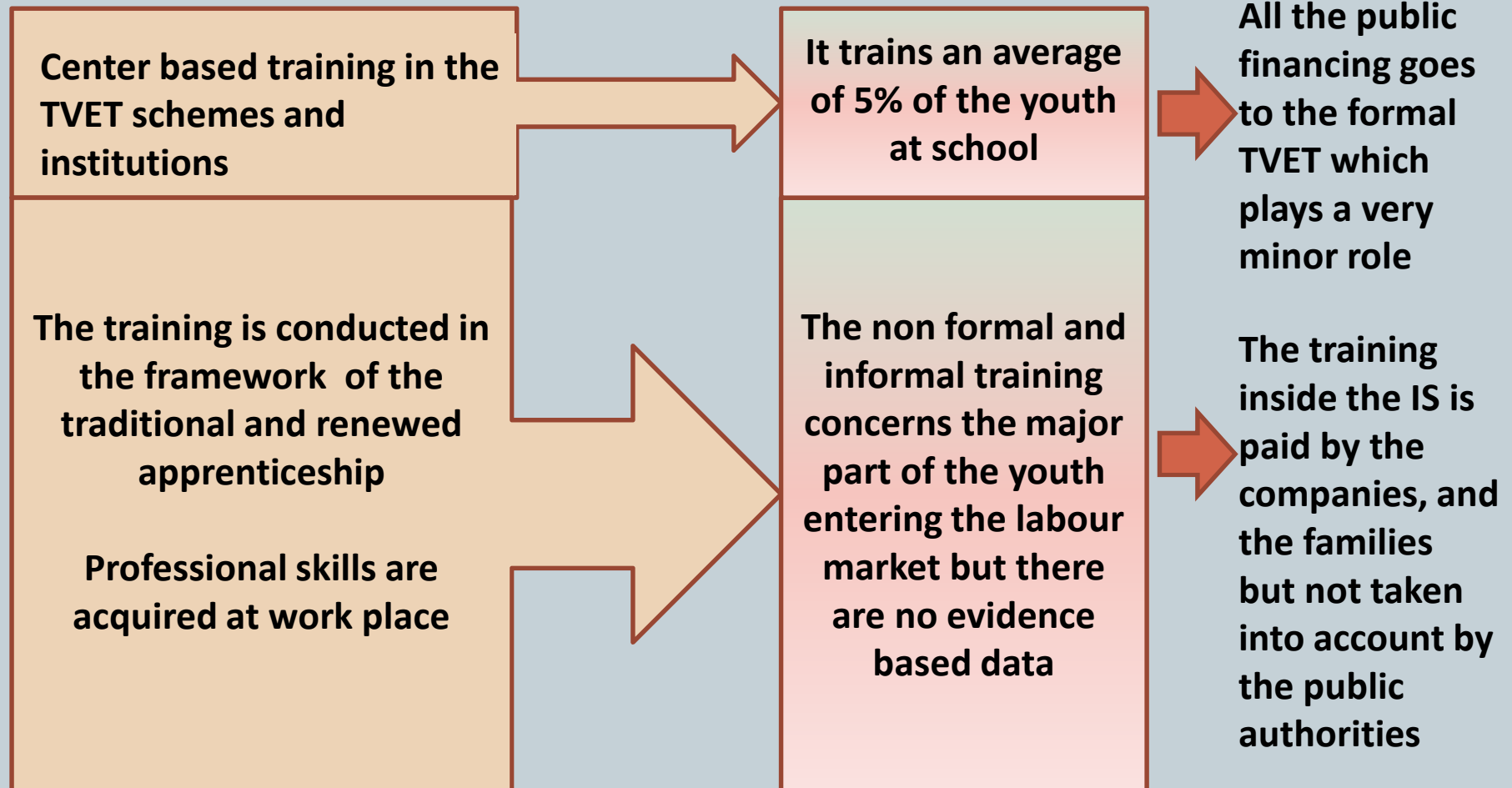
The current context: the IE will continue to play a major role as source of earnings: the case of Sub-Saharan AFRICA

“With a rapidly growing and youthful work force and continued urbanization, **household enterprises will continue to play a significant role for job creation and livelihoods in the future.** Thus strategies for poverty reduction in the region have to squarely address the constraints that hamper productivity in this sector—**including the skills of the workforce**”
(Van Adams et al., 2013)

The current context: SD policies are not tuned to the IE

- Studies on existing formal training systems in developing countries clearly demonstrate that **training policy and provision is mostly failing to meet the needs of young people in informal employment**
- This is the case in Africa (Walther, 2007 and Adams et al., 2013), in Latin America and Asia (Jütting et al., 2009 and European Commission, 2012)
- Most of the employees in the IE are trained in the family, on-the-job or through traditional apprenticeship (STATECO, 2005, and National Surveys on the Informal Sector in Ethiopia, Cameroon...)

The need to invest in CB of the IE as the main skills provider: the case of Africa



The need to invest in CB of IE as the the main skills provider: the case of Africa

- **Morocco:** 80,3 % of the employees of the IE have acquired their skills through on-the-job training, only 4,5 % of them through formal training (AFD, Survey 2000)
- **Ethiopia:** 0,9 % of the employees of the IE had formal training whereas 68 % acquired their skills by doing, 27 % in family and 4 % through traditional apprenticeship (AFD, Survey 2005)
- Almost all the employees in the capitals of West Africa have acquired their skills at work (AFRISTAT)

The need to invest in CB of the IE as the main skills provider: the case of Asia

- In **Pakistan** 79% of the youth working outside agriculture are in the informal sector, and traditional apprenticeship is the most prevalent mode of skills acquisition (GMR, 2012)
- In **India** where 90% of the employees are working in the informal sector, traditional apprenticeship is a large system, whereas formal apprenticeship has difficulties to expand inside the different trades (Smith et al., 2012)
- In **Bangladesh** close to 90% of youth are acquiring skills in informal jobs because of limited access to TVET and 68% of them never attended school (Save the Children, 2012)

The need to invest in the capacity building of the IE

An evidence based first conclusion:

If the education and training policies and practices are not increasing the capacities of those (master craftsmen, entrepreneurs, responsables of professionnal organizations at trade and local level...) who are skilling the high number of youth and adults in informal jobs, SD will fail to have a real social and economic impact

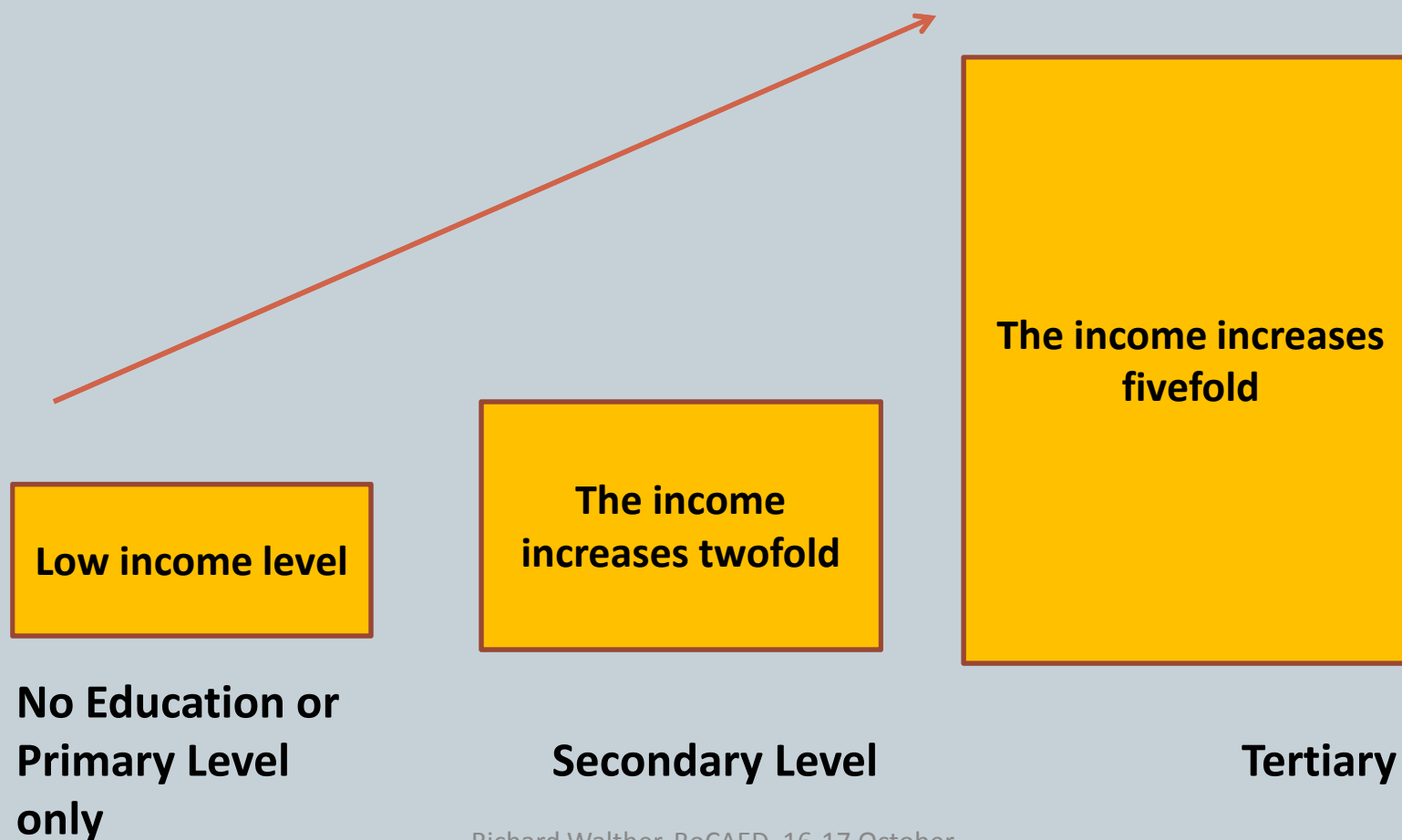
The need to invest in the capacity building of the IE

Education and SD are only one part of the investments needed:

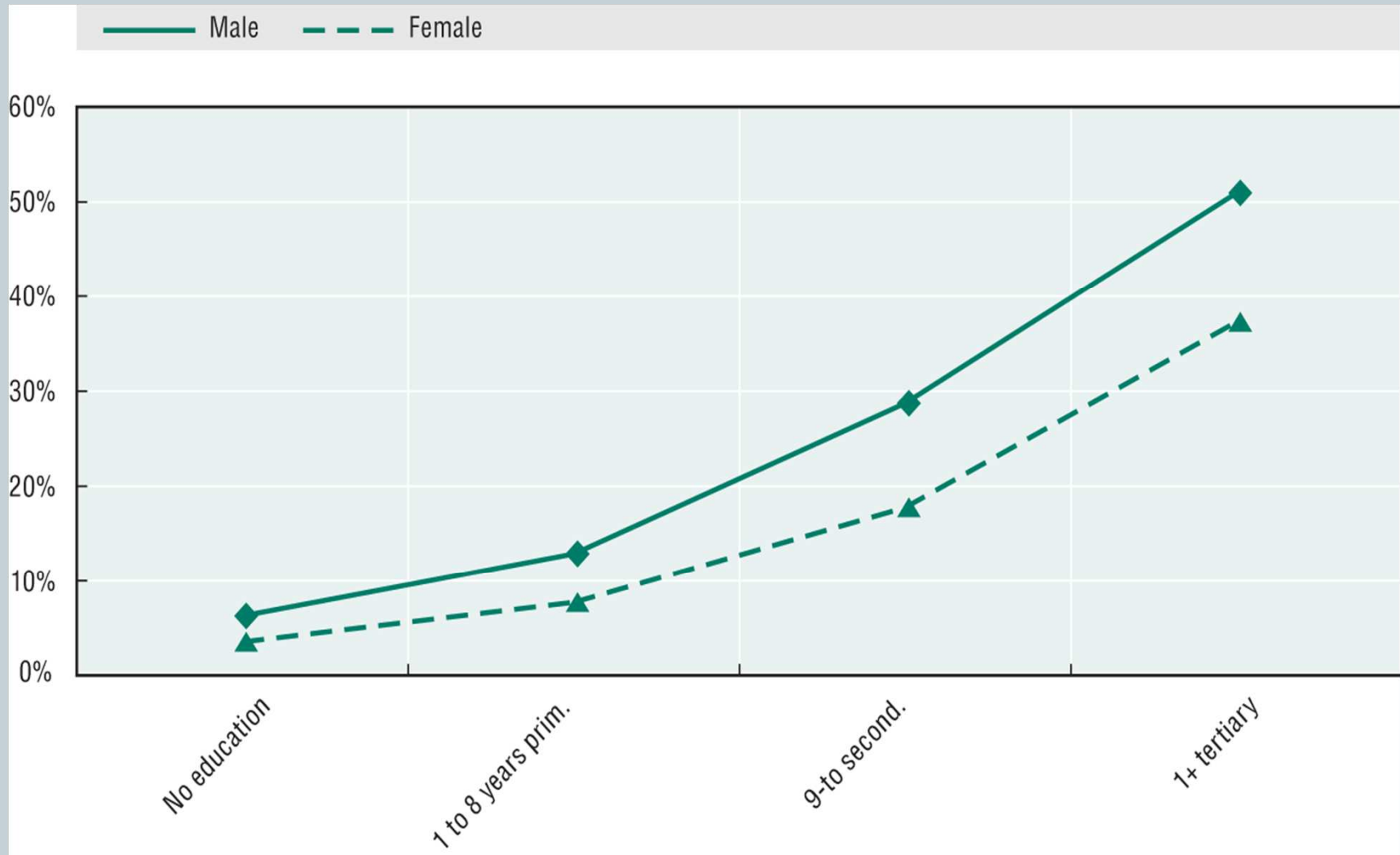
- on the demand side: investment in infrastructures (water, electricity), improvement in the business environment (corruption, specific regulations...)
- on the supply side:
 - better access to financial resources and public markets
 - reinforcement of the capacities of the informal stakeholders (education, training, entrepreneurship...)

But in all cases raising the level of knowledge and skills has notable effects on income and growth and is the driver of change

Education and training as a means to raise the income levels (AFRISTAT)



Education and training as a means to reduce vulnerable employment (Gallup World Poll 2010)



Skills development as a means to boost productivity and earnings (sample of 500 entrepreneurs)

- Between 70% and 97% of the entrepreneurs do their accounting

- Up to 70% of the enterprises increase their turnover

Book-keeping training

Marketing training

Legal training

Business plans coaching

- Up to 90% of the entrepreneurs pay somehow their taxes

The most educated entrepreneurs enter a process of innovation and development

Factors ensuring the effectiveness of SD in the informal economy

- **First factor:** skills development project has to meet clearly-identified knowledge and skills needs
- **Second factor:** identify, strengthen and if necessary improve education and training organised by informal actors themselves before designing and developing new ways of SD
- **Third factor:** enhance the knowledge and skills of people working in the sector or in informal jobs in close collaboration with the beneficiaries and professional organisations

Factors ensuring the effectiveness of SD in the informal economy

- **Fourth Factor:** skills development for young people and adults in informal situations should not be a separate aspect of countries' education and training policies
- **Fifth and final factor:** informal economy actors will more and more enter in the process of decent jobs and social protection if their knowledge and skills are subject to professional recognition and nationally-awarded certification.

Factors ensuring the effectiveness of SD in the informal economy

An evidence based second conclusion:

The SD of the IE is only effective and therefore able to increase productivity and earnings if there is a co-partnership between informal and formal skills providers based on an clearly identified social and economic demand

Thus, SD has to take into account the fact that informal employees need to be « multiskilled »

Conditions ensuring the effectiveness of SD in the informal economy: taking into account a two-tier sector

The non
educated
subsistence tier

- those who do subsistence activities and jobs and basically live from day to day
- Those who are often already illiterate or have reverted to being so

The educated
entrepreneurial
tier

- Those who develop the skills of the very many young people entering the world of work
- Those who need also to be trained in order to increase their capacity to consolidate and sustain their business.

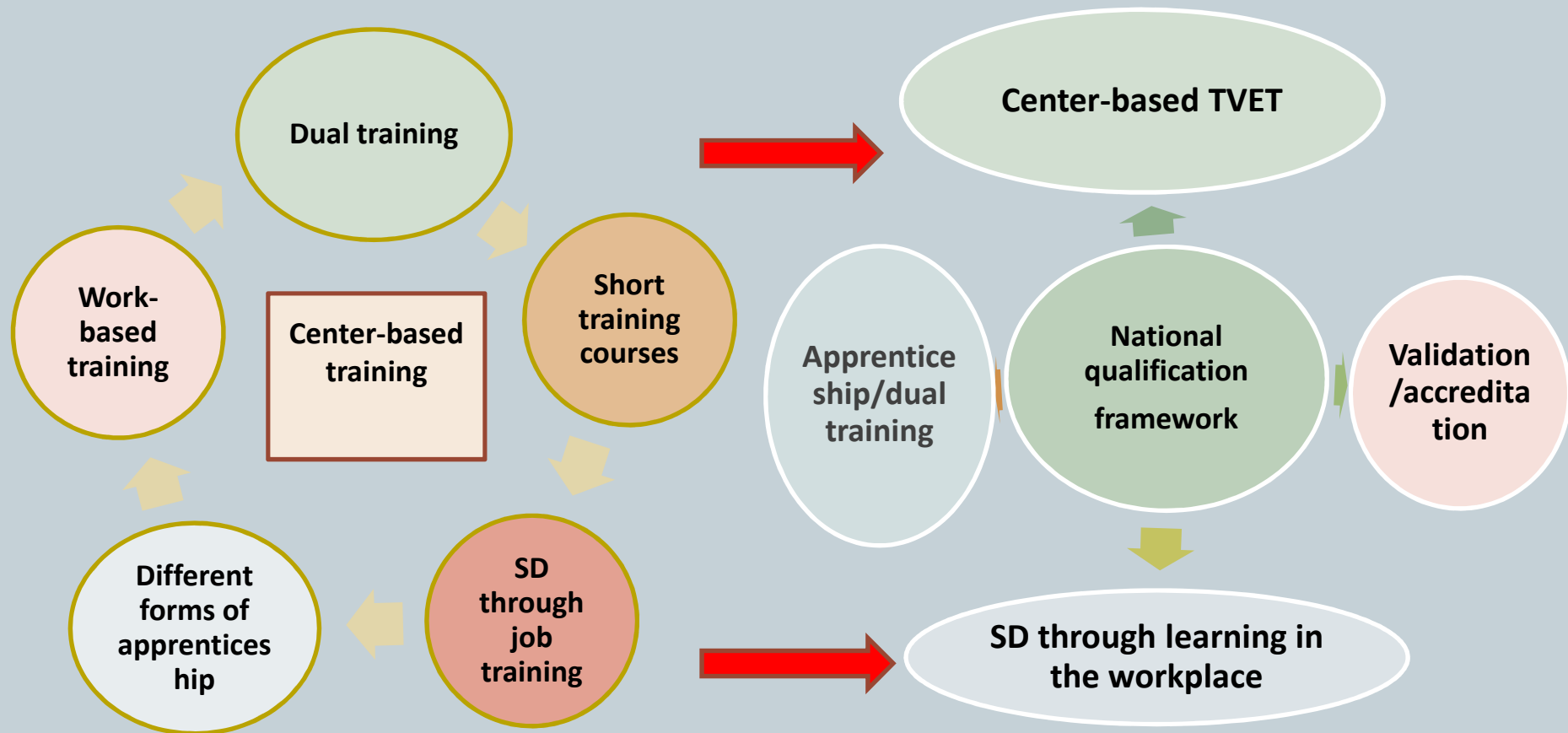
Proposed SD measures for the “subsistence activities” tier

1. Provide education to illiterate people because “read, write and count” is a fundamental pre-requisite for access to training and SD
2. Improve the level of education for undereducated youth and adults and give them access to a minimum set of core knowledge and skills (OECD, ADEA)
3. Train people to do their jobs better and increase at the same time their capacity to earn a living
4. Organise management training to foster their capacities to improve and consolidate their activities

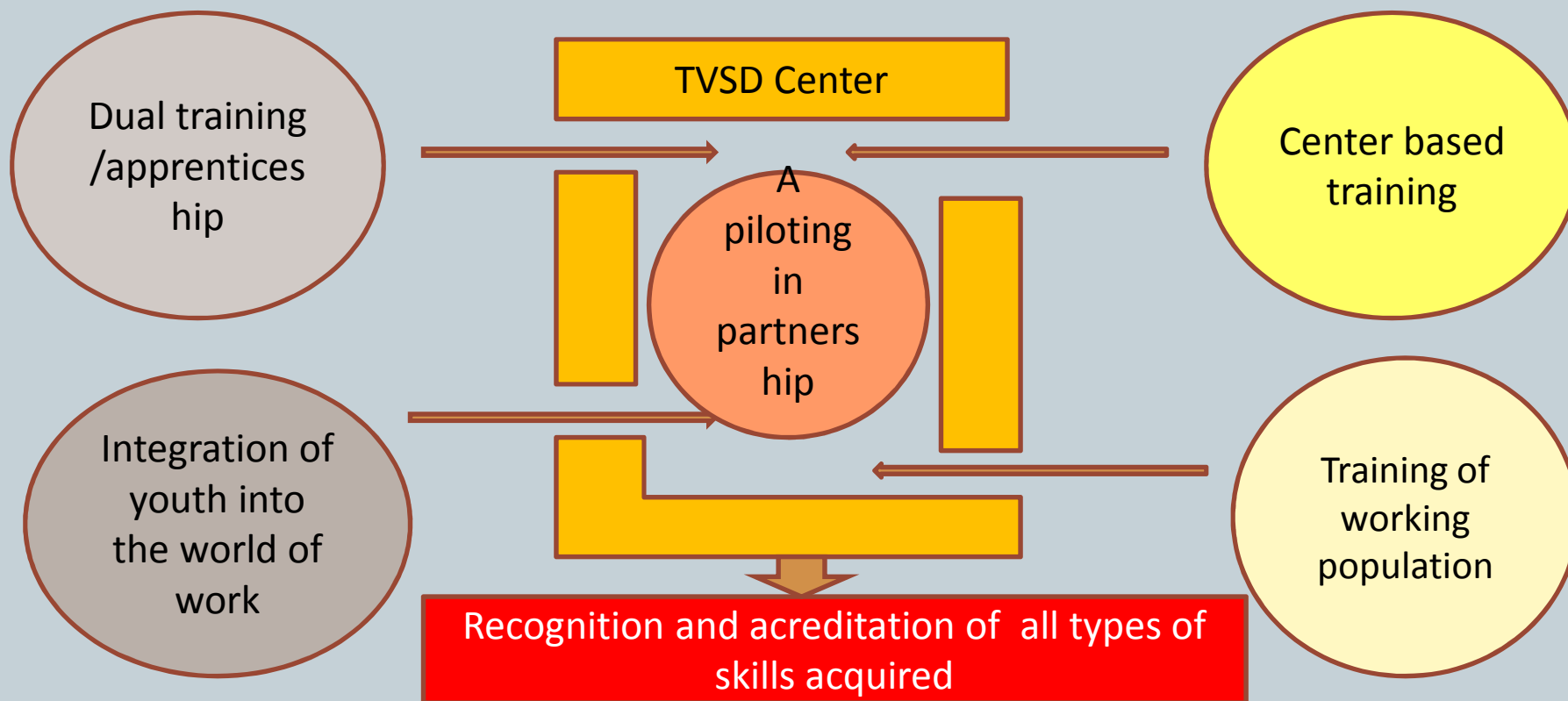
Proposed SD measures for the “educated entrepreneurial tier”

- 1&2:** the same measures as for the first tier (measures 3 and 4)
- 3.** Provide training to improve the training/skills development practices for apprentices and employees
- 4.** Provide access to tools and opportunities for increasing better access to the market
- 5.** Organise support and advice on activities to help people develop business plans
- 6.** Set up a permanent system for upgrading and developing innovation

All these measures require a paradigm shift of the existing training systems (from TVET to TVSD)



All these measures require a paradigm shift of the existing training institutions (from TVET to TVSD)



Conclusions: evidence based final conclusions

The informal economy will continue to grow

- Without an **urgent investment in schemes to raise the educational level** of young people entering the labour market
- Without appropriate actions to give to all **access to a minimum set of core knowledge and skills**
- **Without a significant investment in raising the skills** of the master craftsmen, employers, employees and youth working in the urban, agriculture and rural areas

Conclusions: evidence based final conclusions

Only national and inter-country Education and SD policies focused on informal jobs and settings will help youth and adults working in the IE to move out of a subsistence economy, and the countries to progress on the road of sustainable development

Thank you for your attention