

Vocational Training and the Informal Economy*

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- Vocational training should respond to the needs of the informal economy and be inclusive, involving all relevant stakeholders.
- Employment concerns should lead to strengthened links between education and vocational training.
- Vocational training should be part of a strategy to put countries on the paths of sustainable development, adequate mechanisms need to be designed that are sustainable, tailored to each situation and ensure shared responsibility between stakeholders.

This paper reviews six aspects of vocational training, an important policy instrument for enhancing employment. These aspects were discussed in the POVNET task team on Employment and Labour Markets during 2007 and 2008.¹ Boxes give excerpts from case studies discussed. Recommendations for donors appear at the end of the paper.

Before reviewing the six aspects, it is worth recalling that vocational training is but one instrument for employment generation and, as such, should be kept in perspective. Whereas vocational training can develop appropriate skills and thereby improve labour supply and the “employability” of the work force, demand for labour depends on incentives for investment, including prices, the exchange rate and generally, the business climate in the country.

In Africa, macro-economic shocks have drastically undermined employment. The deflationary structural adjustments made before the 1994 devaluation of the CFA franc had severe effects on the wage sector, with today 95% of employment in Benin and 90% in Cameroon and Senegal in the informal economy. In 2008, the world financial and economic crisis is again a major threat for employment in developing countries as well as in the developed world.

The **first** and arguably the most important aspect points to the fact that vocational training should respond to the needs of the informal economy and be inclusive because in developing countries people work and trade predominantly in the informal economy. During the 1990s, informal work in the non-agricultural sector represented:

- 43% of employment in North Africa,
- 57% in Latin America,

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- 63% in Asia and
- 75% in sub-Saharan Africa.

Including traditional agriculture, the percentages were even higher. In sub-Saharan Africa, as already mentioned, percentages stood at 95% in Benin and 90% in Cameroon, Ethiopia and Senegal.

Two thirds of the people of sub-Saharan Africa, which total close to 800 million, are less than 25 years old, compared to 30% in Europe. Field studies show large youth cohorts entering the labour market. In South Africa, every year there are 826 000 school leavers and in Benin 200 000. In Morocco, just outside sub-Saharan Africa, the figure is 400 000. Whereas equivalent figures for annual labour demand are not readily available, the formal economy is clearly unable to provide employment in such massive quantities. Most school leavers, especially early school leavers, make a living in the informal economy. With little access to formal vocational training, the vast majority resorts to make-shift mechanisms in the informal economy (on-the-job training, self-training or traditional apprenticeships).

Many technical vocational education and training systems fail because they focus on the needs of the formal economy. Contrary to a common tendency distinguishing the “formal economy” from the “informal economy” and developing different approaches for each of these “sectors”, an early concern of South Africa after the end of apartheid was to develop an inclusive approach to the labour market (Box 6).

Box 6. Approaches to the labour market in South Africa

In South Africa, an inclusive labour market system and a single regulatory framework incorporating the entire labour market with the extension of protective measures to all workers in both formal and informal employment were established in 1998 under the Skills Development Act. The Act institutes:

- the National Skills Authority (NSA), representing the public authorities and the social partners, and advising the Department of Labour,
- the skills development levy, which raises 1% of the total payroll,
- the Sector Education and Training Authorities (SETAs), made up of employers and employee representatives, and covering 23 sectors: finance, banking, textiles, chemicals, agriculture, etc.

SETAs receive 80% of the skills development levy and develop training in enterprises and programmes to improve critical skills for the labour market. With the remaining 20% of the levy, the National Skills Fund (NSF) serves the unemployed and people in the informal economy.

Gender considerations are part of the concern for inclusiveness (Box 7).

Box 7. Vocational training for women in the Indian sub-continent

In the slums of Delhi and Bangalore, the Decent Employment for Women (DEW) project, funded by the United States Department of Labour (USDOL) and executed by ILO, trained 4 500 women between 2001 and 2004, after carrying out a training needs assessment. The project helped women find employment and markets for their products. An impact study showed that trained women were satisfied by increased household income. Lessons learned include:

- the special attention, time and effort required to change attitudes of trainers from formal training institutions,
- the gradual impact on the social status of women resulting from increased skills.

The Community-based training project (CBT, 2003-2005) in Bangladesh (funded by UNDP, executed by ILO) is a similar project carried out in rural areas. By 2005, over 1 000 women had completed their training which included confidence-building, technical and business skills. The project comprised a careful assessment of economic and market opportunities as well as training needs.

In Mali, the effort to address the needs of the real economy has led to support a “dual” training system (Box 8).

Box 8. Dual training aims at addressing real needs in Mali

Formally introduced in Mali in 1997, dual training (*apprentissage alterné* or dual) is a training system which combines work supervised by a trained artisan (80% of the training time) and formal courses in a training centre (20%). Evaluations confirm that the dual system improves skills significantly and contributes to social inclusion and to improved employment. The private sector is now routinely involved with the Ministry of Employment in the design of programmes and in the quantification of training needs for the dual system.

A similar system is being pursued in Benin (Box 9).

Box 9. Benin strives to make vocational training more relevant to the needs of the youth and of the informal economy

Benin recently reformed its vocational training policy to adjust technical and professional education (*enseignement technique et professionnel*, ETFP) to urban labour demand. The reform develops practical training in the form of dual apprenticeship (*“apprentissage dual”*) which alternates theoretical training with practical apprenticeship. A professional certificate of qualification (*certificat de qualification professionnelle*, CQP) is awarded after 600 hours of training in an education center, delivered every week for one day during a three year apprenticeship including five days of work per week in a business or artisanal workshop.

For the first time in 2006, 292 apprentices were awarded the CQP. In time, the reform will provide 3 000 CQPs per year. Nine options are or will be available : masonry, electricity, plumbing, surface preparation, cycle mechanics, carpentry, refrigeration & air conditioning, sowing & clothing and hair-dressing. The reform will also create a work qualification certificate (*Certificat de qualification de métier*, CQM) to recognize artisanal skills. The demand for this certificate is estimated at 15 000 candidates.

Second, employment concerns should lead to strengthened links between education and vocational training. While the Millennium Development Goals have focused the attention of international donors on education, links to vocational training need to be strengthened to provide youth with effective access to labour markets and include them in the productive economy with decent jobs.

West African countries such as Benin, Togo, Senegal and Mali are restructuring technical vocational education and training (TVET) systems to incorporate traditional apprenticeships, including certification mechanisms (Box 9), while South Africa and Ethiopia are opening their TVET systems to informal economy needs. Morocco is now explicitly addressing needs for the informal economy through its Ministry of Education (Box 10).

Box 10. Morocco: the Ministry of Education takes on informal education

The Moroccan Ministry of Education recently created a Department of Informal Education to address the needs of 2 to 3.5 million school drop-outs aged – to 15. Professional insertion initiatives deal with several dozen thousand young people. The new Department also sponsors adult literacy programmes, half the workers in the informal economy having never been to school.

In the case of agriculture, the link that needs attention is the one between farmers and agricultural research, rather than education. Whether or not traditional agriculture is considered an informal activity,² agriculture generally offers considerable scope for improving output and income through proper training of farmers. Where small scale enterprises prevail, as in traditional agriculture, the challenge is to increase productivity and reduce vulnerability, rather than to create employment.³ Hence, vocational training in agriculture is mainly pursued through extension services, which need to be properly connected to research, market intelligence and professional organisations, and to provide for adequate training of trainers.

Third, vocational training should include all relevant stakeholders. To re-establish the connection between technical education and vocational training on the one hand, and the needs of the labour market on the other, experience in South Africa (Box 6) and experiments in Morocco, Benin and Cameroon (Box 11) underscore the need to associate social partners (employers and employees) in technical vocational education and training (TVET) systems for the identification of jobs and the development of appropriate training strategies and methods.

Box 11. Involving stakeholders in Cameroon

The White Book published by the Chamber of Commerce of Cameroon (Chambre de commerce, de l'industrie, des mines et de l'artisanat, CCIMA) in 2006 ("Projet politique de la CCIMA pour l'artisanat du Cameroun 2005-2010") makes a number of policy proposals to support apprenticeship, including dual training (formations en alternance), which alternates theoretical training with practical apprenticeship. Dual training is currently provided by GIPA, a craftsmen group of about 100 artisans in Yaounde. With German support (DED, Deutscher Entwicklungsdienst), GIPA works on vocational training in the urban sector and on engaging craftsmen in the training effort.

Fourth, mechanisms need to be designed that are sustainable, tailored to each situation and ensure shared responsibility between stakeholders (households, employees, enterprises and the State). Box 1 referred to the funding mechanism in South Africa.

Fifth, vocational training should be part of a strategy to put countries on the paths of sustainable development. In Morocco, for example, vocational training is coordinated with initiatives supporting the transition out of the informal economy. In addition to a number of public initiatives in vocational training, Al Amana, a private association supported by Vita, an NGO, and USAID, manages a portfolio of 260,000 micro-credits, mainly in the informal economy. Furthermore, training policies should target sectors with promising employment prospects, as in South Africa (Box 12).

Box 12. South Africa seeks out employment opportunities

In 2003, a Growth and Development Summit organized by the South African Government and the social partners (employers and employees), agreed to deploy all possible means to create jobs. Accordingly, the partners agreed to:

- invest more in sectors offering good job creation opportunities such as textiles, the food industry, call centres and crafts,
- improve the quality of infrastructure in transport, energy, communications, research and development, and, more generally, the business environment,
- create job opportunities in the informal economy through public works, care programmes (care for the aged and people in poor health, care for young children, school feeding), and labour-intensive environmental protection programmes (at least 130 000 jobs were created in public works in 2005),
- provide appropriate skills and better access to the job market for school leavers.

Sixth, country reviews show that vocational training systems are generally inadequate in size and inadequately relevant to the needs of the labour markets in poor countries. In many poor countries, experiments and Technical and Vocational Education and Training (TVET) reforms are recent and generally remain small-scale (see Box 13). The challenge is to scale-up after the pilot phases.

Box 13. The challenge of scaling up dual training in Mali

The scope of the dual training system in Mali remains small, with about one thousand apprentices graduating every year, as compared to the 300,000 or so entering the labour market. Scaling-up requires:

- the extension of the system to a variety of activities;
- a better control of costs, which currently vary between 60 and 1 000 euros per trainee *per annum*; and
- a proper training certification system.

Recommendations

The POVNET task team on Employment and Labour Markets concluded with the following recommendations for donors.

Recognise the role and place of the informal economy

- Use informal training systems. Such widespread systems should be carefully assessed when reforming education and vocational training.
- Use informal professional organisations to structure training demand.
- Recognize the ability of workers in the informal economy who have experience in training and improving job skills; use them as skilled trainers or experts in vocational training programmes.
- Support schemes to improve notoriously poor statistics and knowledge on the informal economy.

Improve the design of vocational training programmes

- Improve informal apprenticeship practices gradually. Best practices engage all partners concerned.
- Train adults as well as youth. Efforts to improve the quality of youth training can also benefit adult literacy and vocational training in the informal economy.
- Develop pre-employment schemes to reduce social and educational wastage. Pre-employment schemes help early school-leavers build on their education and improve employment options.
- Develop balanced funding mechanisms to make training systems sustainable. Properly designed, such systems involve the range of public and private partners.
- Support the move beyond training towards social inclusion and job creation. Means to provide such support can be intellectual (tutoring, monitoring...), practical (tool kits...) or financial (micro-credit).

Emphasize education

- Continue focusing on basic education. The attention given by donors to secondary education should not affect the need to focus on basic education. Hardly 50% of students currently complete their basic education in sub-Saharan Africa and workers in the informal economy generally have low levels of education. Gaping needs for quality improvements in basic education remain.

Notes

- 1 POVNET is the OECD Development Assistance Committee Network on Poverty Reduction
- 2 Opinions may vary though statistical studies generally consider that informal enterprises are enterprises that cannot be distinguished from households and that don't keep accounts. See references : OECD Development Centre.
- 3 *Promoting Pro-Poor Growth: Agriculture* (OECD, 2006).

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