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## Building Skills in the Informal Sector

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# Building Skills in the Informal Sector

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## Introduction

The issue of skills development in the informal sector needs to be tackled at two levels. It is firstly necessary to find activities or jobs for the many uneducated, undereducated and even qualified young people who find it extremely hard to enter the world of work. It will then be necessary to develop technical and vocational skills for this group of young people, as well as for the economic and professional stakeholders in this sector, that can help them further develop their own activity and, more generally, progress from the subsistence economy to one of wealth and added value.<sup>1</sup>

## The major economic and professional characteristics of the informal sector

Skills development in the informal sector is an issue of huge importance. It concerns almost all of the economy of sub-Saharan African countries and, in many of them, employs 90% of the economically-active population. The subject is thus central to the debates on the socio-economic development of Africa and, more generally, of developing countries.

## The informal sector is mainly made up of micro- and small enterprises

There are several ways of approaching or defining the informal sector. The most evident and appropriate is that used by statisticians. This describes the informal sector as a proportion of household enterprises which are distinguished from corporations and quasi-corporations in that they neither keep full sets of accounts nor constitute legal entities distinct from the households upon which they depend. This definition, which dates back to the ILO's Fifteenth International Conference of Labour Statisticians in January 1993, is the one most used by surveys on the informal sector. It was adopted by AFRISTAT for its 1-2-3 surveys between 2001 and 2003 on the informal sector in the economic capitals of West Africa.<sup>2</sup> In these surveys, the sector is defined as being "all production units without an administrative registration number and/or which do not keep formal written sets of accounts." The same concept was adopted by Ethiopia's Central Statistical Authority,<sup>3</sup> Cameroon's National Institute of Statistics<sup>4</sup> and the Directorate of Planning of the Kingdom of Morocco.<sup>5</sup>

This concept, which mainly defines the urban informal sector, is useful because it takes into account the structure of the economy of the countries concerned and makes it possible to calculate the number and identify the type of household enterprises or informal enterprises composed of people

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<sup>1</sup> Walther, R., with input from Filipiak, E., *Vocational Training in the informal sector*. Notes and Document n° 33, AFD.

<sup>2</sup> STATECO (2005), *Méthodes statistiques et économiques pour le développement et la transition*, N°99, Paris.

<sup>3</sup> Central Statistical Authority (2003), *Report on urban informal sector, sample survey, January 2003*.

<sup>4</sup> Institut National de la Statistique (2006), *Enquête sur l'Emploi et le Secteur Informel au Cameroun en 2005, Phase 2, Enquête sur le secteur informel, Rapport principal*, Yaoundé.

<sup>5</sup> Direction de la Statistique (2005), *Synthèse des principaux résultats de l'enquête nationale sur le secteur informel non agricole*, (1999/2000).

working for themselves, as well as the number and the types of activities of small enterprises employing one or several employees.

In sum, this concept reflects the economic reality of the informal sector. It is a real economy, made up of micro-and small activities, which generates employment (up to 95% of the world of work) and wealth (up to 60 of GDP in some countries). This puts into perspective other approaches that emphasise the lack of taxation (which is not confirmed in fieldwork) or the failure to meet requirements for decent working conditions. These aspects are covered by other studies on the informal sector, such as those conducted in South Africa. In response to this view, it could be said that taxation and decent work, which are indicative of an initial stage of formalisation of the sector, are the consequence of micro- and small enterprises' exit from the subsistence economy, and not the condition for it. Building skills among actors in the informal sector is thus one of the best ways of helping people to move away from subsistence and gradually progress towards growth and added value, without which there can be no real inclusion in the formal economy.

### **The informal sector is the main producer of skills in the economically-active population**

Data made available in surveys on the informal sector clearly show that a very high proportion of people working in the sector are trained by the sector itself. For example, a survey on Morocco's informal sector, which accounts for 40% of jobs in urban areas, revealed that that 80.4% of employers or employees in production or service units did not have any forms of skills other than those acquired on the job.<sup>6</sup> A survey conducted in Ethiopia, where the informal sector accounts for 90% of all labour market activities and jobs, is even clearer in this regard. 67.86% of employees from the sector acquired their skills through self-training, 26.88% within the family and 3.54% through apprenticeship or on-the-job training. Only not find 0.09%, in other words a tiny number of people working sector, had done any sort of formal training.<sup>7</sup>

However, skills development in the informal sector is not just restricted to the professional development of people working within it. For example, a qualitative survey carried out by the AFD on a group of 110 youth association leaders from Central Africa showed that 60% of these young people, having done a Bachelor's or Master's level higher education degree course, enter the labour market by acquiring on-the-job experience or doing an apprenticeship in the informal sector. They thus become skilled in an activity or trade with help from employers or master craftsmen from informal production or service units.<sup>8</sup> For many higher education graduates, for whom it can often take three years to enter the world of work, the informal sector thus constitutes the only way of finding a job.<sup>9</sup> At the same time, modern enterprises often have difficulty finding the skills they need in. The reason is that, "in the majority of African countries, training provided by universities and schools is broadly unsuitable". This remark, which was made by the chairman of Togo's association of large enterprises in 2010,<sup>10</sup> shows that the lack of skills development opportunities in formal education means that the informal sector paradoxically has to step in and provide young people with skills and job training.

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<sup>6</sup> Ait Soudane, J., (2005), *Secteur informel et marché du travail au Maroc*, Université de Montpellier

<sup>7</sup> Central Statistical Authority (2003), *op.cit.*

<sup>8</sup> Walther.R., Tamoifo, M., « *L'itinéraire professionnel du jeune africain* », *Les résultats d'une enquête auprès de jeunes leaders africains sur les dispositifs de formation professionnelle post-primaire* », AFD, DT, N°78

<sup>9</sup> This is the case for Cameroon. Institut National de la Statistique (2006), *op.cit.*

<sup>10</sup> This remark was made publicly during a programme broadcast on RFI.

### **The informal sector needs improved vocational and technical skills**

The image too frequently conveyed by people outside the informal sector suggests that it is a world of inflexible traditions, repetitive actions and technologies that are generally out of date. One gets the impression that it is totally out of touch with changes in the modern economy. This does not correspond to the real situation in the sector, which has also entered the digital era of mobile telephones and the internet.<sup>11</sup> For example, there are garage owners in Benin who, in order to identify the reasons why cars with high-technology components have broken down, download control software from the internet for the most recent types of cars.

More generally, the many informal sector stakeholders met during the field surveys were very keen to improve their skills. Those who had received the least education want literacy training so they can read, they say, the technical instructions of the machines they are asked to install and thus be able to repair them. The most educated also want regular access to continuing training, which barely features in all the national training and skills strategies and action plans. Thus many craft workers and employers in the informal sector, who also organise traditional apprenticeships, get the impression that they are training young jobseekers and thus feel ill at ease with regard to their master apprentice function.

Several professional crafts organisations have become aware of this problem, particularly in West Africa, and they have committed their national and local associations to a debate on the training and skill needs of their members. This is the case for the National Federation of Malian Craftsmen (FNAM), the Benin National Confederation of Craftworkers (CBAB) and the Cameroon Interprofessional Association of Craftsmen (GIPA). The latter has initiated a wide-ranging debate on the way the best way of improving traditional apprenticeship by raising the training level and improving the instructional skills of its master craftsmen. It has developed a methodology for directing the educational progress of apprentices and gradually evaluating the skills acquired.

This data demonstrates that the issue of technical and vocational skills development is a central concern of people who run production and service units in the informal sector. However, national technical and vocational education and training policies (TVET) are still too frequently almost exclusively focused on formal TVET courses. From this point of view, the 2008 ADEA Biennale in Maputo marked a turning point when it asserted, in front of all African education ministers, that it was now necessary to develop training and qualification systems as an overall framework incorporating both formal and non-formal and informal skills development options. Skills development in the informal sector is thus becoming an issue outside the sector itself and is an integral part of the development of an overall education and training strategy.

### **Current and future ways and means of building skills in the informal sector**

The ways and means proposed below are based on the observations and conclusions of research in this area. They further develop existing areas of discussion and attempt to ensure that the initiatives launched by the actors themselves reach their logical conclusion.

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<sup>11</sup> Sévérino, Jean-Michel, Ray, Olivier (2010), *Le temps de l'Afrique*, Paris.

## Building skills in the informal sector by focusing on the most educated and qualified actors

The above-mentioned detailed analysis of the AFRISTAT 1-2-3 surveys shows that the educational level of a person working in the informal sector has an impact on the calculation of progress made in the labour market. Accordingly, if the pay levels of people working in this sector are analysed in terms of the level of education, we see that the marginal return on education increases with the number of years of studied. The survey's cross-analysis of education and income levels shows that while uneducated people earn on average 52,000 CFA francs a month compared with 48,000 a month for people that have been educated up to primary school level, the level of pay is twice as much for a worker who has been to secondary school and five times as much for a worker who has been through higher education.

The relationship between the educational level and income level raises several points.

- Firstly, it shows that the high number of young people of secondary and higher education levels who are obliged to take an informal job in order to enter the world of work have real potential to earn a decent living even though they have had to change their career path.
- Secondly, they suggest that the informal sector's absorption of the most qualified young people coming out of the educational system "may be a successful strategy in the medium-term with regard to the expansion of the African economy".<sup>12</sup> One field survey showed that some young people with a university degree in chemistry had been able to set up a natural fruit juice production unit. It rapidly found customers and a market, so was obliged to change from being a non-structured unit into a formal enterprise.
- Lastly, in plain language, they raise the issue of the positive effects that a pro-active policy of massive investment by a country in efforts to raise the knowledge and skills levels of informal sector workers can have on the economic growth and production of wealth and added value. This issue is particularly legitimate because the formal TVET sector trains a very small proportion of young people (one in ten youngsters seeking training in Ivory Coast)<sup>13</sup> and significant funds are invested for a relatively very small return when it comes to helping people find work and meeting enterprises' skill needs.

Schemes developed by NGOs in several countries (Cameroon, Angola) as well as universities (South Africa), local and regional authorities (Ethiopian, Ivory Coast) and professional organisations (Mali, Burkina Faso) to provide entrepreneurship training for people who run the informal production and service units that are most likely to proceed to generate growth and added value, offer an interesting potential area for action. Planned investment in skills development for economic actors in the informal sector, focusing in particular on the contact and mediation role of the most educated and skilled among them, is more likely to boost the informal sector and help it progress from the subsistence economy to economic growth and added value than the compulsory formalisation plans being developed by certain countries.

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<sup>12</sup> Dialogue N° 25 (2006), *La lettre d'information de DIAL*.

<sup>13</sup> Ministère de l'Enseignement et de la Formation professionnelle (2009), *Note de politique éducative, Sous-secteur de l'enseignement technique et de la formation professionnelle*, METFP, Abidjan.

## Giving priority to investment in the reform of traditional apprenticeship

All these points and observations clearly raise the issue of a paradigm change in the countries' training and skills policies. If one takes it as a proven fact that 80% to 90% of young people, particularly in sub-Saharan African countries, enter the world of work through an activity or job in the informal sector, it becomes clear that public technical and vocational skills development policies for young people cannot just focus on the very marginal role played by TVET in the majority of countries. They must invest in improving the skills of the rest of the population. It is thus hard to conceive that Burkina Faso continues to invest the most resources in technical and vocational education, even though there are 2 million traditional apprentices in the whole country.<sup>14</sup> The same applies to Senegal, which has 10,000 young people in TVET, while the motor repair sector alone has 440,000 traditional apprentices.<sup>15</sup>

These experiences of current changes in apprenticeship in various West African countries suggest that there are three possible areas for reform.

### First area: changing traditional apprenticeship into dual/reformed apprenticeship

Since 1989, there have been a number of attempts to transform traditional apprenticeship into a dual system, in which apprenticeship carried out in the workshops of traditional master craftsmen is topped up with theory training done at a public or private training centre. This sort of dual training scheme was developed in Benin and Togo by the Hans Seidel Foundation, a German development organisation. It has led to the creation of a fully-reformed training system for young people through apprenticeship.

The main characteristics of this sort of scheme may be described as follows.

- The scheme is based upon a partnership agreement signed by both the public authorities and professional organisations, covering cooperation between the professional stakeholders and the state authorities on the introduction of dual apprenticeship in TVET establishments.
- Based on partnership and close public/private cooperation, the scheme becomes an integral part of the national training and skills system via a legislative and regulatory framework established as a result of the partnership agreements. This framework defines the model dual apprenticeship contract, the organisation of apprenticeship in the crafts sector, the arrangements for obtaining a recognised diploma from the national authorities (the CQP in Benin) and the inclusion of this diploma within the national qualifications system. Aside from enhancing the status of dual apprenticeship as a formal technical and vocational skills development option, the framework importantly establishes the scheme as a long-term option within the national TVET system;
- The scheme alternates periods of training in a craft workshop (for example five days per week) with time in a training centre (for example 1 day per week) during an apprenticeship that will last on average three years. The practical training is organised under the responsibility of a master apprentice who has previously been trained in the educational methods required to impart skills in a working environment. In Benin, the master apprentices

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<sup>14</sup> Walther, R., Savadogo, B., (2010), *Les coûts de formation et d'insertion professionnelles, Les conclusions d'une étude terrain au Burkina Faso*, DT n° 98, AFD.

<sup>15</sup> METFP (2007), *Projet PAO/sfp, Intégration de l'apprentissage traditionnel dans les métiers de l'automobile au sein du dispositif global de la formation professionnelle technique*, Rapport final de l'étude d'opportunité, Dakar.

are assisted by a local trainer who acts as a link between the workshop and the training centre and facilitates the change between national and official languages. Theory training enables young people to acquire general education as well as technical and vocational skills.

Mali, Ivory Coast, Senegal and Tanzania are also developing a reformed traditional apprenticeship scheme. The ILO has set the development of this apprenticeship as one of its priorities for action in these countries. However, a broad analysis of the situation in these countries shows that the schemes continue to underperform, despite achieving some very positive results.<sup>16</sup> The limited deployment of the schemes is due both to lack of funds and problems encountered in incorporating these apprenticeships within the existing TVET system. There thus exists at this level a greatly under-exploited potential source for the development of skills in the informal sector.

Public policies should become aware of the leverage effect that significant investment on their part in such a system would have in boosting skills development in their countries. The main advantage of such schemes is that they meet the economy's skills requirements while boosting people's chances of finding work or a professional activity. The second advantage is that they constitute an effective and long-term training option: for example, the study on the costs of training and job schemes in Burkina Faso showed that reformed apprenticeship has better external efficiency even though it costs approximately three times less than formal training courses.<sup>17</sup>

### *Second area: Improving the structure of traditional apprenticeship and enhancing its contribution*

The disappointing spread of reformed or dual apprenticeship schemes suggests the need for a campaign to reach as many stakeholders as possible involved in the development of skills and qualifications. This view is broadly shared by the World Bank, which, in its 2008/2009 report, argued for a substantial increase in intervention capacity in the field of skills development.<sup>18</sup> The Bank's proposals are broadly in line with the conclusions of current or planned pilot schemes in certain countries. These may be summarised as follows.

- Regulations should be introduced for traditional apprenticeship in order to set limits to the period of training. These should cover the maximum number of years of training for each type of occupation, and they should also take into account daily and weekly working hours. For example, the above-mentioned feasibility study on motor repair occupations in Senegal highlighted working hours that can begin at eight o'clock in the morning and end at nine o'clock in the evening, without taking into account of travel time to and from work. It is clear that the introduction of minimum standards in these fields would guarantee better conditions with regard to traditional apprentices' vocational skills development.
- The existing apprenticeship process can be structured by introducing training design and development techniques that reach beyond the traditional phases of introduction, initiation, participation and imitation and repetition practices. For example, the Cameroon Interprofessional Association of Craftsmen (GIPA) has at its own initiative developed phases of progress for the acquisition and evaluation of skills, which are specific to each occupation

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<sup>16</sup> An evaluation by the Swiss development agency in 2004 shows that the implementation of improved apprenticeship by a master craftsman has positive effects on the quality, organisation and performance of work in the workshop. See Ndiaye A. and D. Thiéba (2004), *Etude d'impact de la formation professionnelle de type dual du PAA*, Bamako.

<sup>17</sup> Walther, R., Savadogo, B., (2010), *op.cit.*

<sup>18</sup> WorldBank (2008), *Youth and Employment in Africa: The potential, the Problem, the Promise*. Washington.



and ensure that apprentices possess, at the end of their training, the critical skills they need in order to pursue their occupation properly.

It would thus be desirable to support existing professional organisations to help them develop, for their specific target groups, types of training that raise the final qualification level of their apprentices, while also increasing the professional and instructional skills of the master craftsmen. Such support could take several forms: organisation of technical and vocational adaptation and updating courses for master apprentices, functional literacy courses and/or general training for those who are illiterate or have a low educational level, professional guidance for people whose occupations are undergoing rapid change, etc.

- Putting these measures into practice will make it necessary for master craftsmen and traditional apprentices to have a right to some type of recognition of their level of professional skill. They need to be able to obtain some sort of professional certificate attesting to their ability and legitimacy to exercise the occupation they have been trained to do via traditional apprenticeship. In Benin, for example, the CQP vocational certificate has been introduced and the CQM occupational skills certificate is being established. There have been delays in developing such recognition in other countries. Such measures would have a very positive effect on skills development in the informal sector. They would acknowledge the direct role it plays in vocational training and, more widely, the skills development of young people. The sector has always played this vital role, and it could continue to do so with even more efficiency and quality.
- It is clear that such capacity building in traditional apprenticeship cannot take place without a paradigm shift in existing TVET systems. A system of recognition and certification of acquired skills and work experience will have to be placed at the centre of the future skills development system. This alone can take into account and improve the contributions of traditional apprenticeship.

### **Investing in both the urban informal sector and the agricultural and rural sector**

Surveys on the informal sector do not always reflect the realities of the agricultural and rural sector. However, analysis of the structure of employment in the sector reveals the same characteristics as that in urban employment: the great majority of rural people are self-employed, agricultural producers do not have a cashbook, and training most often takes place through the transmission of family or community traditions. The survey of Cameroon in 2005 underlined this view, for example showing that out of the 90.4% informal jobs identified in the country, 35.2% were in the urban informal sector and 55.2% were in the rural informal sector.

Given the importance of the sector in employment terms (91.2% of activities and jobs in Ethiopia for example), it is impossible to talk about skills development in the informal sector without considering areas for debate and specific action in the agricultural and rural sector. This is particularly important, because the majority of sub-Saharan African countries have no formal training systems for agricultural producers and food security, which they could provide by making significant improvements in farming techniques, is not guaranteed in most of these countries.

In many countries there are some examples of good practice which would be good to support and even roll out on a wider basis.



- The creation of local training committees. This approach, which has been developed by the Ministry of Agriculture in Ivory Coast<sup>19</sup> and by an NGO in Cameroon and other countries in the sub-region,<sup>20</sup> is useful because it is developing training schemes and courses for young people or workers in accordance with the needs of the local economy and the ability of future trainees' to find work. It also includes chiefdoms in the decision-making process, which in most cases have control of land ownership and thus determine the availability of necessary farmland to create jobs. Lastly, it focuses skills acquisition on subsistence agriculture techniques, thus enabling local producers to feed their family better and continue to live where they are.
- The development of an apprenticeship scheme adapted to the specific context of the agricultural and rural sector. In this field, Morocco has some schemes which are seeking to tackle the same problems as exist in most rural areas of sub-Saharan Africa: the need to find successors for an ageing agricultural population, to reverse the extensive rural exodus and help young people in rural areas, who are educationally less advantaged than their urban counterparts, find work. It has thus developed a network of organisations and farms, defined occupational profiles and training curricula, analysed what needs to be done in order to help the future trainees into work, and developed learning options in occupations considered to be highly important for the country's agricultural development (animal farming, vegetable production, irrigation and forestry).
- The development of training for occupations related to the agricultural and rural sector. Schemes to boost the craft sector and rural sector need to be aligned and integrated in a concerted manner into the territorial development plans aimed at establishing skills development measures and options for all workers in the territory. Current decentralisation trends in most of the countries call for that the development of local training and job scheme plans, like those being implemented in the countries of West Africa through the creation of service platforms for all workers in a given territory.

Without a doubt, skills development in the important non-structured agricultural and rural sector is an absolute priority for developing countries, particularly African ones. This is certainly the field where efforts to alleviate poverty are the most urgent and potentially the most effective. It is also the area for the future development of the African continent, which has 60% of the world's non-cultivated arable land and thus an agri-food development potential which is currently only at the embryonic stage.

## Conclusion

All of the proposed areas for building skills in the informal sector will require a paradigm shift, with regard to the design of future technical and vocational skills development systems and the arrangements for financing and certification.

Tackling the issue of skills development in the informal sector means focusing on the needs of the real economy of micro- and small enterprises. This constitutes the production and service sector,

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<sup>19</sup> Walther, R., Savadogo B., *Les coûts de formation et d'insertion professionnelles, Les conclusions d'une enquête terrain en Côte d'Ivoire*. DT n° 88. AFD

<sup>20</sup> Walther, R., with inputs from Filipiak, E., *Vocational Training in the Informal Sector – Report on the Cameroon Field Survey*. Working Paper n° 17, AFD.

which gives work to the great majority of young people and workers from the African continent and provides most national and continental wealth. Investment in capacity building in this sector is a sign of realism and hope. Because the great majority of stakeholders within it seek better training and improved skills, to give a bigger boost to their own activity and thus improve their professional and social position. Without their success it will not be possible to ensure the sustainable development of the whole of the continent.

Richard Walther