

GUIDANCE NOTE 10

Implementing VET in the informal economy

Topic overview

For many people living in developing countries, the informal economy is the only prospect they have of **access to productive employment and a living wage** (see Figure GN10.1). Therefore, the European Commission's (EC's) concept note on development cooperation calls for vocational education and training (VET) reform focusing on 'the requirements of the informal sector' (EC, 2014).

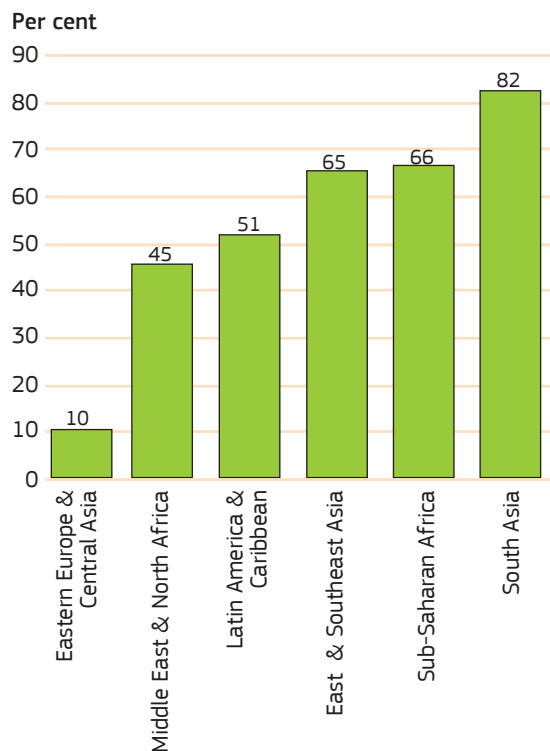
In three out of six world regions plus urban China, **informal employment is a greater source of non-agricultural employment for women than for men**: South Asia, Sub-Saharan Africa, and Latin America and the Caribbean. In East and Southeast Asia (excluding China), the percentage is roughly the same. Only in the Middle East and North Africa is informal employment a greater source of employment for men than for women. However, because there are more men in employment than women, men generally comprise a greater share of informal non-agricultural employment than do women. Figures reported by the International Labour Office (ILO) are of the same magnitude (ILO, 2002). A recent study of the World Bank (Adams et al., 2013) on improving skills development in the informal sector confirms the strong link between education and different labour market opportunities.

Informal apprenticeship schemes are commonly understood as a route to employment in the informal economy. The primary effect appears to be opening access to off-farm employment and allowing some to find employment in the formal sector (see Adams et al., 2013). Informal apprenticeships clearly play a dynamic role in efforts to alleviate poverty and

SUMMARY OF KEY ASPECTS

- The informal economy is the only prospect for many people in developing countries to access productive employment and a living wage.
- Informal apprenticeship schemes are a major route towards work in the informal economy. They appear to provide access to off-farm employment and enable some to find employment in the formal sector.
- Informal apprenticeships clearly play a dynamic role in efforts to alleviate poverty and promote economic growth in countries with the lowest incomes.
- The wide-ranging problems and differing conditions in individual countries make it virtually impossible to develop and formulate standardised conceptual frameworks for informal apprenticeships.
- Scale-up for country-wide implementation should be a major criterion in developing an innovative approach supporting implementation of informal apprenticeships.
- Informal trade associations as well as local, regional and national governance structures should be included in implementation wherever possible.
- The situation of the target group should be taken into account in determining how the provision of informal apprenticeships is financed.

FIGURE GN10.1 Informal employment as a percentage of total non-agricultural employment, 2004–2010



Source: Women in Informal Employment: Globalizing and Organizing (WIEGO), <http://www.wiego.org/>.

promote economic growth in countries with the lowest incomes.

A comprehensive strategy to improve productivity and incomes in the small and household enterprises of the informal economy needs to weigh a number of factors. The wide-ranging problems and differing conditions in individual countries make it virtually impossible to **develop and formulate standardised conceptual frameworks for informal apprenticeships**. This common working/learning approach refers to a system by which a young learner (the apprentice) acquires the skills for a trade or craft in a micro, small or medium-sized enterprise (MSME), learning and working side by side with an experienced master craftsman (see Box GN10.1). Apprentice and master craftsman conclude an apprenticeship agreement that is embedded in local norms and traditions of a given society. Costs of training are normally shared between apprentice and master craftsman (see ILO, 2012).

BOX GN10.1 Informal apprenticeships in Tanzania

A survey conducted in southern Tanzania analysed the practices, institutions and labour market outcomes of informal apprenticeships in automotive mechanics, electricity services, tailoring, carpentry, plumbing, local arts and food processing. The study found the informal apprenticeship system to be widespread and well established in the various craft sectors. Training is based mostly on unwritten contracts between master craftsmen and apprentices, and typically lasts one to two years. Unlike the situation in many West African countries, the average age of apprentices was quite high at 23.5 years, especially considering that most apprentices have only completed primary education. Master craftsmen had more education on average, although most learned the skills of their trade in informal apprenticeships as well.

Skills recognition is mostly informal, through social networks and based on the reputation of the master craftsman in the community. The skills acquired through apprenticeships are mostly technical; acquisition of theoretical or business skills is less frequent. Apprenticeships lead to employability, with most apprentices starting their own enterprises.

Very few apprentices took the skills tests offered by the Tanzanian Vocational Education and Training Authority (VETA). Among the reasons for not seeking formal recognition were the high cost of preparatory courses, language barriers (higher-level tests require knowledge of English), and VETA's low reputation among craftspeople.

Source: Nübler, Hofmann, and Greiner, 2009.

The capacity of formal VET systems — for instance, in Africa — is limited due to inadequate training infrastructure and the relatively high costs of full-time, school- or centre-based training. Improving the technical and pedagogical skills of master craftsmen and opening pathways to recognise the occupational qualifications of master craftsmen strengthens informal apprenticeship schemes and enhances the effectiveness of this delivery mode for MSMEs operating in the informal economy. The quality and effectiveness of informal apprenticeships can be enhanced

by providing modernised training modules for apprenticeships, work tools and certification or recognition of prior learning systems.

Informal trade associations represent another way to confront training constraints in MSMEs of the informal economy. These associations are able to provide **specialised knowledge of training needs to member enterprises**, advocate for the benefits of training, set training standards, create a market for VET providers through competitive procurement of services, and organise training for members to take advantage of economies of scale. Strengthening the capacity of small informal trade associations to play a larger role in informal apprenticeships for their members can open the door to better, more affordable training services for enterprises in the informal economy (see Box GN10.2).

Private VET providers are viewed as being more responsive to the skills needs of the informal economy than public VET providers. Thus, **encouraging private VET providers to work with the informal economy** is essential. Experience in Kenya with the Technical and Vocational Vouchers Programme (TVVP) illustrates how demand-side financing with market information can improve choice of training services and help build a private supply response to meet the needs of the people (World Bank, 2011). The Kenyan programme has examined whether information on the earnings associated with different trades makes a difference in training choices.

Providing market information is a tool for quality assurance and market development that could help MSMEs and learners operating in the informal economy distinguish among public and private VET providers. Market information is especially important to voucher and other demand-driven VET programmes where enterprises and learners as consumers need information to make distinctions by quality, cost and outcomes among the choices of VET providers available. Requiring public and private VET providers to conduct and publish tracer studies that account for the placement record and starting salaries of people completing their informal apprenticeship schemes can furnish useful information.

Generally speaking, the market for information about VET providers in developing countries is

BOX GN10.2 Strengthening business associations in Niger

One of the objectives of the Continuous Vocational Training and Apprenticeship Support Programme implemented by the International Labour Organization (ILO) in Niger was to strengthen the membership base of the National Crafts Association (Federation National des Artisans du Niger, FNAN). In order to reinforce organisational capacity, FNAN assigned roles within the association more clearly, organised its structure by occupation, developed regional and local branches, and spread information about the benefits of organising by word of mouth. From 1999 to 2009, FNAN's membership base more than quadrupled, growing from 18 000 to 70 000 members. This includes a rise in member organisations from 99 to 527 of a total of 820 crafts associations at the national level — or 64 % of the organised crafts sector.

Today, FNAN is recognised as an important voice of the crafts sector in Niger and participates in national tripartite political structures. This process has enabled the close involvement of business associations in debates about upgrading informal apprenticeships. FNAN plays a major role in monitoring and quality assurance of a pilot project of structured dual apprenticeship.

Source: ILO, 2012.

underdeveloped. **Information on costs, quality and outcomes associated with training schemes** is rarely available for non-formal VET programmes and missing altogether for informal apprenticeships. The simple inclusion of informal apprenticeship trades in current assessment and certification systems would provide a tool for comparing knowledge, skills and occupational competences among different VET providers and improve the portability of these competences.

National VET training funds can be effective in responding to the needs of informal MSMEs by providing the specialised skills needed to conduct training needs assessments and design or deliver informal apprenticeships on a scale suitable to the needs of these enterprises in the informal economy. National

VET training funds are used widely throughout Sub-Saharan Africa and other regions and typically are financed by payroll levies and external funding agencies.

In many developing countries, private VET providers show a willingness to innovate in a manner that addresses financing constraints and costs for training in MSMEs in the informal economy. **Demand-side financing instruments** such as vouchers or grants by VET funds to small enterprises for training can help promote this private market by creating new purchasing power for enterprises and stimulating a supply response to the need for training by MSMEs. Opening capital markets and improving financial services to enterprises in the informal economy also has the potential to encourage private investment in VET programmes.

Many of the trades and occupations that have developed informal apprenticeship systems over generations are male-dominated. **Breaking existing gender barriers** is crucial in increasing the participation of young women in informal apprenticeships and improving the access of both young men and women to trades and occupations (see Box GN10.3). This can be achieved by encouraging youth to apply for apprenticeships commonly associated with the other sex, and by raising awareness among master craftspersons to change attitudes and break stereotyped gender roles.

Procedure

When informal apprenticeships as an innovative approach to capacitating target groups surviving in the informal economy is implemented through a development cooperation project, and proves to be successful, the question automatically arises of how this best practice or experience can be utilised on a broader basis and **elevated to an overall systemic level**. When developing an innovative approach to support the implementation of informal apprenticeships, scaling-up therefore has to be considered as a criterion — especially with respect to selecting partners for scaling-up and in obtaining the financial and human resources to sustain the innovation.

BOX GN10.3 Strengthening informal women entrepreneurs

The emergence and growth of women entrepreneurs is a global trend, with many developing countries working to stimulate women's entrepreneurship development in the informal economy as a means to enhance gender equality. The ILO has built expertise in women-specific enterprise activities over the past 10 years through its technical cooperation portfolio on Women's Entrepreneurship Development and Gender Equality (WEDGE) projects. These projects support the creation of an environment conducive to women's entrepreneurship development by identifying and removing obstacles, building institutional capacity and developing tools and support services for women entrepreneurs. The initiative ensures that all entrepreneurship education tools used in training programmes are gender sensitive. Its success lies in providing practical guidance for women starting, formalising and developing their enterprises.

Source: ILO, 2009.

There are some lessons to be learned from EU-funded Investing in People (IiP) projects. The most significant examples are (i) Technical and Vocational Education and Training for Young People in the Informal Economy and (ii) Skills for Unemployed and Underemployed Labour (SkillFUL): Promoting Sustainable Training in the Informal Economy for Poverty Reduction in Bangladesh. These projects adopted training schemes to address a total of 10 000 unemployed youths or the underemployed in the informal economy, involving public and private training providers, specialised non-governmental organisations (NGOs), formal and informal business associations and individual employers.

STEP 1: Identification of target groups

The informal economy is a persistent feature of the economic landscape in many developing countries. The principle of target group orientation requires that target groups be identified and their **learning needs and living conditions** in the informal economy be understood. Target groups may include, among others:

- members of marginalised groups such as refugees and ethnic minorities;
- family members working in informal small businesses;
- domestic workers;
- people with disabilities.

Some target groups live in rural and peri-urban areas. For this reason, it is important to find **suitable information channels** for making people aware particularly of provision of informal apprenticeships. Information can be provided through cooperation arrangements with local NGOs, interest groups, professional organisations such as informal trade associations within the informal economy, and other multipliers.

STEP 2: Fixing the starting points

Next, reflect on and consider which are the **relevant components when planning the implementing phase** of the informal apprenticeship project. The following questions can be helpful in this context.

- Which is the major key issue for successful implementation of informal apprenticeships?
- What risks are inherent in the implementation of informal apprenticeships?
- What alternative steps would be conceivable should certain risks materialise?

Experience shows that it is often helpful to link with and build on existing practice and structures in informal apprenticeships. The ILO's resource guide for upgrading informal apprenticeships in Africa (ILO, 2012) might be helpful in this respect.

STEP 3: Setting up cooperation structures

Partners must be selected on the basis of their core competences for communication, knowledge

management, advocacy, policy advice in the field of informal apprenticeships and so on. The informal apprenticeship project needs an **internal and external stakeholder analysis** that extends well beyond the internal project structure. Informal trade associations as well as local and regional governance structures should be included in the implementation process wherever possible.

STEP 4: Operational planning

As part of a multi-level approach, it is recommended that an appropriate **policy for informal apprenticeships** be formulated at the macro level. In order to place delivery of informal apprenticeships on a sustainable footing, it is helpful to embed an informal apprenticeship project at the meso level in the work of social movements and to create institutional structures. At the micro level, it is often necessary to link informal apprenticeships with other measures such as mentoring, tools, capital, job placement and advisory services for business start-ups to ensure long-term effectiveness. The following questions can be helpful in this context.

- **How should delivery of informal apprenticeships be organised?** Because of their precarious income situation, those working in the informal economy are generally unable to spend long periods of time away from work. Under these circumstances, the time and duration of training measures should be tailored to the time available to the target group.
- **How should learning objectives and content be set?** Learning provision should relate to the work and learning situations of the target group so participants can put their newly acquired skills into practice as quickly as possible.
- **Which learning methods are appropriate for the informal economy?** The learning habits of the target groups, such as learning by doing, should be taken into account when selecting training methods. Developing key skills and personal traits usually requires active learning focused on the learner rather than on the curriculum or instructor.

- **How should qualifications be recognised and certified?** Certification and formal recognition of skills acquired in informal and non-formal contexts appeals to many of the target groups. These processes open up prospects for further learning in the formal education system and for obtaining better employment — including in the formal economy — and require an appropriate legislative and institutional framework.
- **How should informal apprenticeships be financed?** The situation of the target group should be taken into account in determining how the provision of informal apprenticeships is financed. Some apprentices can be expected to contribute financially to their apprenticeship; this may even increase their motivation.

References and further reading

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ACTIONS TAKEN	The training modules are in line with national competency-based training standards and are certified accordingly. They comprise occupational and general education modules (mathematics and science; English; information, communication and technology; entrepreneurship; and interpersonal skills). With cooperative training, both learning sites — informal MSMEs and vocational schools — comply with the (appropriately differentiated) national occupational standards. The project advises informal trade associations in the informal economy on how to strengthen their role as mediators between VET providers and MSMEs, as well as in terms of quality control for informal apprenticeships, and how to improve their training offerings for members. Informal trade associations are already contributing to developing occupational standards that are valid for training in both the formal and informal economies. At the same time, this improves the know-how of selected VET providers with regard to school management and teacher training so as to provide the target group from the informal economy with modernised informal apprenticeships. To this end, the national VET agency — the Council for Technical and Vocational Education Training (COTVET) — is to implement reforms to improve links between enterprises in the informal economy and the formal VET system. A new cooperative training model in the informal apprenticeship system and needs-based short-term VET programmes have been introduced on a pilot basis beginning in 2014 in 3 of Ghana's 10 regions. A monitoring process will be established to check whether the approach can also be scaled up and rolled out nationwide.
LESSONS LEARNED	• Representatives of informal trade associations at a wide variety of levels have declared their interest in modernised informal apprenticeships and further training for master craftspersons, artisans and apprentices; they are demonstrating this through solid commitment to the project in all its aspects. • As with most VET reform initiatives, stakeholders have a decisive role to play. For this reason, it is particularly important to promote ownership on the part of the partners, in addition to ongoing capacity development for key figures in the institutions involved. • Informal trade associations and VET providers must be capable of lobbying for the modernisation of the informal apprentice system at the political level. • Reform initiatives should be fed into the relevant national strategy papers (national VET policy, VET implementation strategy, gender strategy, VET national qualifications framework, etc.). This is a necessary condition to develop and establish sustainable appropriate mechanisms to promote this form of skills development and, in particular, to ensure its compatibility with the formal VET system.

Source: COTVET of Ghana and KfW, 2011.