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► Lifelong Learning in the Informal Economy: A Literature Review

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Lifelong Learning in the Informal Economy

A Literature Review

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List of Acronyms

ABC	<i>Alphabétisation de Base par Cellulaire</i> programme (Niger)
ADEA	Association for the Development of Education in Africa
AFD	Agence Française de Développement
AfDB	African Development Bank
AGEFOP	<i>Agence de la Formation Professionnelle</i>
ALMPs	active labour market programmes
BRAC	Bangladesh Rural Advancement Committee
CBT	competency-based training
CQM	<i>Certificat de Qualification aux Métiers</i> (Benin)
CQP	<i>Certificat de Qualification Professionnelle</i> (Benin)
COTVET	Council for TVET (Ghana)
Danida	Danish International Development Agency
DFID	Department of International Development, United Kingdom
ECD	early child development
FBO	faith-based organization
FODEFCA	<i>Fonds de Développement de la Formation Professionnelle Continue et de l'Apprentissage</i> (Benin)
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i>
GSDI	Ghana Skills Development Initiative
GSMA	Groupe Sociale Mobile Association
ICT	information and communications technology
ILO	International Labour Organization
IPEC	International Programme on the Elimination of Child Labour
IYF	International Youth Foundation
LLL	lifelong learning
LMICs	low- and middle-income countries
merSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority (South Africa)
MSEs	micro- and small enterprises
NAP	National Apprenticeship Programme
NGO	non-governmental organization
NSA	National Skills Authority of South Africa
OECD	Organisation for Economic Cooperation and Development
OJT	on-the-job training
PSDF	Punjab Skills Development Fund
RPL	recognition of prior learning
S4YE	Solutions for Youth Employment
SDG	Sustainable Development Goal
SETA	Sector Education and Training Authority (South Africa)
SME	small and medium-sized enterprise
SMS	short message service (text message)
STAR	Skills Training for Advancing Resources Programme (Bangladesh)
TREE	Training for Rural Economic Empowerment
TVET	technical and vocational education and training
UNESCO	United Nations Educational, Scientific and Cultural Organization
VSP	Vocational Skills and Informal Sector Support Project (Ghana)
VTDF	Vocational Training and Development Fund (Côte d'Ivoire)

Foreword

Currently, over 60 percent of the global workforce is engaged in informal employment. A person's educational level clearly affects the likelihood of working in the informal economy. Less educated workers are much more prone to find themselves in informal employment, in particular in developing and emerging economies. People in the informal economy face numerous barriers to access skills and lifelong learning opportunities, build their careers and contribute productively to local economic and sustainable development.

The ILO's Centenary Declaration on the Future of work, adopted at the International Labour Conference in June 2019, and the independent report of the Commission on the Future of Work launched in January 2019, have given prominence to skills and lifelong learning and the need to increase investment in people's capacities in order to achieve a future of work with decent work opportunities for all. The ILO's Recommendation concerning the Transition from the Informal to the Formal Economy (R204) adopted in 2015 provides guidance to support workers and enterprises in the informal economy to transition to the formal economy. It recognizes the innovative potential and existing skills of informal economy workers and highlights the importance of accessing skills development and recognition to help facilitate transitions of informal economy workers to the formal economy.

The ILO's Skills and Employability Branch assists governments and the social partners in reviewing and reforming their vocational education and training systems, policies and institutions. The Branch's work to improving skills development in the informal economy currently applies three different and complementary approaches: Upgrading informal apprenticeship, recognition of prior learning, and stepping up community-based training for rural economic empowerment. This literature review aims to provide an update to current debates on how to bridge the gap for informal economy workers to access and participate in relevant and quality skills development and recognition throughout their lives, identifies research gaps and provides recommendations for future programming.

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1. Introduction

Most of the world's employed population work in the informal economy doing a huge range of diverse economic activities. The majority of these people are in low- and middle-income countries (LMICs) where the informal economy will remain the main source of employment for decades to come (Arias, Evans and Santos, 2019). While it is difficult to 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 of the new work opportunities in developing countries being restricted to the informal economy (S4YE, 2015). Most people entering the global labour market will not be putting the skills they learn in school, in skills interventions, at home, or in formal sector jobs to use – though most of the world's skills systems are oriented towards just that 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, 2019a, p. 11). Applying this entitlement to workers in the formal economy is challenging enough; applying this to workers in the informal economy requires a step change in the way the informal economy is addressed.

The ILO's Transition from the Informal to the Formal Economy Recommendation, 2015, No. 204) includes guidelines for governments, workers' and employers' organizations to support workers and enterprises in the informal economy to transition to the formal economy (ILO, 2015). Recommendation 204 recognizes the innovative potential and existing skills of informal economy workers and highlights the importance of their access to education and training. It further acknowledges that skills development and recognition can help facilitate transitions by providing incentives for formalization.

This literature review on lifelong learning in the informal economy will cover issues of skills acquisition with a sectoral approach, and will identify approaches, systems and practices aimed to promote lifelong learning for informal economy workers. The conclusion summarizes research gaps and highlights options for the ILO to consider in relation to new products and approaches for successful transition to formality.

- Section 1 Provides a brief overview of the informal economy and the concept of lifelong learning
- Section 2 Addresses the question of where, when and how skills are acquired by informal economy workers
- Section 3 Looks at promising practices for accessing and acquiring skills in the informal economy – role of formal vocational training providers; upgrading apprenticeships; active labour market programmes; rural areas; recognition of prior learning; and digitalization
- Section 4 Explores the financing of lifelong learning in the informal economy
- Section 5 Covers governance and policies related to lifelong learning in the informal economy
- Section 6 Looks at the role of skills in promoting the transition to formality
- Section 7 Summarizes implications for research and programming and future action

1.1 Overview of the informal economy

Two billion people, representing over 60 per cent of the world's employed population, work in the informal economy (ILO, 2018a, p. 13). 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” (ILO, 2015, p. 23). The term incorporates employment in the informal sector and informal employment (box 1).

The drivers of informality are varied and depend on country contexts. For example, they range from there being an insufficient supply of formal jobs, to weak systems of enforcement (e.g. of registration and taxation), to low productivity and weak regulatory frameworks (ILO, 2018b).

Box 1. Informal sector and informal employment

International statistical standards distinguish between employment in the informal sector and informal employment. Employment in the **informal sector** is an enterprise-based concept and is defined by the characteristics of the enterprise in which workers are engaged. By contrast, **informal employment** is an employment-based concept and is defined in terms of the employment relationship and protections associated with the worker's job.

Informal sector – Most informal enterprises are single-person operations or family firms/farms; very few are owned or operated by employers with hired workers. Typically, they operate at a low level of organization, on a small scale and with little or no division between labour and capital as factors of production. Households with persons working on a farm or in a private business in which the destination of production is wholly for own final use are excluded from the scope of the informal sector, but included as part of the household sector.

Informal employment – Informal employment may take place in the informal sector, in the formal sector and in households. Employment in the informal sector (i.e., informal enterprises) is comprised of employers, employees, own-account workers and contributing family workers. Informal employment in the formal sector includes employees and contributing family workers in formal enterprises who do not receive social protection contributions from their employer or, in the absence of information on social protection, do not receive paid annual and paid sick leave. Informal employment in households consists of domestic workers employed by households who do not receive social protection contributions from their employers or, alternatively, do not receive paid annual and paid sick leave. In some countries, this also includes producers of goods wholly for own final consumption.

Sources: Bonnet, Vanek and Chen, 2019; ILO, 2018a.

1.2 What are the main characteristics of the informal economy?

High prevalence in many low- and middle-income countries²

The informal economy is found in countries at all levels of socio-economic development (ILO, 2018a, p. 13), though it is more prevalent in low- and middle-income countries (LMICs) than in high income countries (Bonnet et al., 2019). According to the latest globally comparable

² For further information on the characteristics of the informal economy, please see ILO, 2018a.

statistical data, informal employment,³ excluding agriculture, as a proportion of total employment in developing and emerging economies, is 72 per cent in Africa, 63 per cent in Asia and the Pacific, 64 per cent in the Arab States, 50 per cent in Latin America, and 30 per cent in Europe and Central Asia (ILO, 2018a). Including agriculture, informal employment, as a proportion of total employment in developing and emerging economies, is 86 per cent in Africa, 71 per cent in Asia and the Pacific, 69 per cent in the Arab States, 54 per cent in Latin America, and 37 per cent in Europe and Central Asia (ibid.).

Informality persists in low- and middle-income countries

Over the last two decades, levels of informality in LMICs have persisted at high rates. Over the period 2000–16, levels of informality in sub-Saharan Africa have remained at about 75 per cent, while in South Asia, levels of informality have actually increased from 50 per cent in the 2000s to 60 per cent during 2010–16. Meanwhile in Latin America, the level of informality in Peru has been about 75 per cent for the last three decades (World Bank, 2019a, pp. 7–8; Fox and Kaul, 2017). The literature notes that “it is hard to escape the conclusion that the informal will be normal in Africa for the foreseeable future” (Fox and Kaul, 2017, p. 9). This also appears to be the case in South Asia and parts of Latin America.

Heterogeneity

The informal economy is heterogeneous and is made up of an expanding and increasingly diverse group of workers and enterprises in both rural and urban areas operating with no work-based social protection (Bonnet, Vanek and Chen, 2019; GIZ, 2019; Palmer, 2008; Stuart, Samman and Hunt, 2018). It includes persons working in micro- and small enterprises, including employers, own-account operators, street vendors, informal wage workers, apprentices, unpaid family workers, etc. It also includes unregistered or undeclared workers in formal enterprises, domestic workers, casual or day labourers, industrial outworkers, homeworkers, and short-term contract workers (Bonnet, Vanek and Chen, 2019; Palmer, 2008). It is important to note that many informal economy workers engage in multiple informal activities, usually multiple part-time activities, that might vary according to the time of year or season (Fox and Kaul, 2017; Ignatowski, 2017; Palmer, 2008).

The informal economy can be conceptualized as a continuum between more survivalist, lower productivity activities at one end (the working poor) and more dynamic, higher productivity activities at the other (Palmer, 2008, p. xiii). A fair conceptual comparison is a pyramid, with the lower pyramid base being the survivalist/lowest productivity economic activities, and the top of the pyramid representing very dynamic informal firms that are avoiding formal regulation, with a multiplicity of activity in between.

Evidence shows that most informal workers do not work informally by choice but in the absence of other means of livelihood. Informal workers face multiple problems and are usually poorer and more vulnerable than workers in formal employment. Generally, the existing legal and regulatory frameworks tend to be irrelevant for, or punitive towards, the informally employed and their livelihood activities (Bonnet, Vanek and Chen, 2019, p. 1).

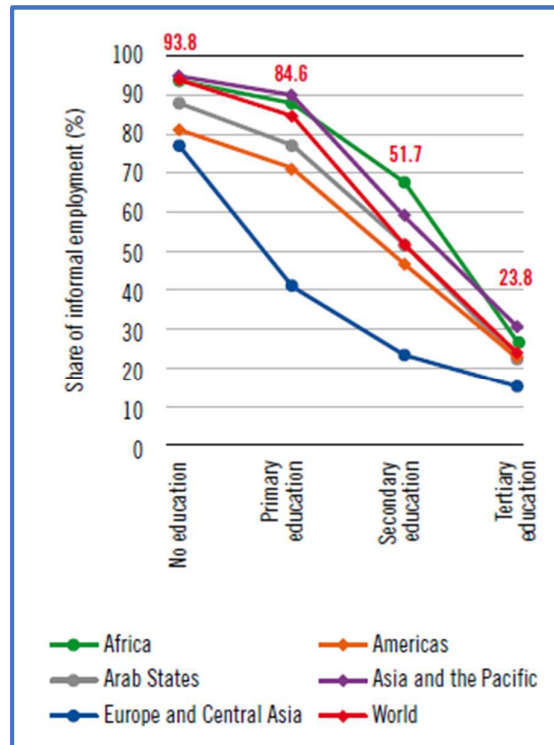
³ The 17th International Conference of Labour Statisticians in 2003 defined informal employment as composed of the total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households.

Formal education and informal employment

Workers in the informal economy are three times more likely to have only primary education (as the highest level of education) or no education as compared to workers in the formal economy. Similarly, informal enterprise owners are about twice as likely not to be educated or have only primary level education compared to those operating formally (ILO, 2018a, p. 56). Globally, and across all regions, there is “a clear link between an increase in level of education of workers and a decrease in the share of informal employment” (Bonnet, Vanek and Chen, 2019, p. 18), see figure 1.

The majority of workers with no education (94 per cent) are in informal employment. The share of informal employment decreases to 85 per cent among workers with primary education, to 52 per cent for those with secondary education and 24 per cent for tertiary education. This pattern is largely influenced by developing and emerging countries where the largest share of workers in informal employment is concentrated (ILO, 2018a, p. 52)

Figure 1. Share of informal employment (percentage of total employment) by level of education (percentages, latest available year)



Source: ILO, 2018a.

Gender

Globally, informal employment is a greater source of employment for men than for women, averaging 63 per cent and 58 per cent, respectively. This is true for both the averages for emerging and developing countries and developed countries, and for agricultural and non-agricultural informal employment (ILO, 2018a, p. 20). The global averages hide important disparities, however, and are skewed by large countries like China and the Russian Federation (ibid). In LMICs, informal employment is actually a greater source of employment for women as compared to men. For example, in sub-Saharan Africa, about 90 per cent of female employment is in the informal economy, compared to 83 per cent of men (ibid.). Moreover,

women working in the informal economy are usually in more vulnerable situations with lower-income work (e.g. domestic work, home-based work) as compared to men.

The informal economy and technological change and innovation

Technological progress does not appear to result in a reduction in informality; “informality persists on a vast scale in emerging economies ... notwithstanding technological progress” (World Bank, 2019a, p. 26). India’s case is a good illustration. The informal sector is slow to change and since 1999, India has seen its information technology sector boom. It has become a nuclear power; it has broken the world record for the number of satellites launched into outer space using a single rocket; and it has achieved an annual growth rate of 5.6 per cent. Yet the size of its informal sector has remained at about 90 per cent (Kanbur, 2017, as cited in World Bank, 2019a). There is a lot of discussion about the potential role that the Internet, and mobile internet technology in particular, might have on the informal economy. Some examples of expected developments are listed below:

- **e-formality policies will facilitate the transition to formality** – Technologies are being applied to simplify and facilitate the transition from the informal to the formal economy. These are the electronic registration of workers, electronic registration or payment mechanisms for enterprises, electronic financial transactions (payments and bills), and electronic payment of social security contributions (Chacaltana, Leung and Lee, 2017).
- **Digital labour platforms will link informal workers to customers** – Mobile internet technology is now capable of linking informal, low-skilled workers to gig work. Many of these platforms also offer built-in skills training and certification, signalling credibility to employers (Dalberg, 2013; Deloitte Global and Global Business Coalition for Education, 2018). These platforms will supposedly “increase opportunities to find ‘gigs’ (short-term jobs), which has been the way of life for many in the informal sector” (Brown and Slater, 2018, p. 17). For example, an online platform in Kenya, Lynk, connects thousands of Kenyan customers to informal sector workers. Workers range from self-employed artisans and carpenters to chefs and hairdressers. Users can connect to Lynk via a mobile app and website, as well as via text messaging (SMS). The platform identifies the most suitable workers based on their set of skills, location, cost, language and experience (S4YE, 2018, p. 31).
- **There will be an increased demand for digital skills** – As a result of informal enterprises adopting digital technologies, the demand for digital skills will increase (Choi, Dutz and Usman, 2019; GIZ, 2019).
- **Job quality and incomes in the informal economy will improve** – Digitalization will contribute to improving informal employment by being an enabler for new opportunities (GIZ, 2019), including enabling informal businesses to access wider markets (Islam and Jolevski, 2019).

Will digital technologies actually change the informal economy? With such low use of basic technologies among the 2 billion in the informal economy, the answer seems to be: not yet (Islam and Jolevski, 2019). The World Development Report 2019 notes that “the Internet has been comparatively slow to take hold in many cases, particularly among firms in the informal sector” (World Bank, 2019a, p. 22). According to the World Bank, only about 1 per cent of informal businesses in Lao PDR and Mozambique use computers for their operations. The figures for internet use are not that different, with only one in 200 businesses in Mozambique using the Internet, and a slightly higher number in Zimbabwe with only 2 per cent of businesses using the Internet (Islam and Jolevski, 2019).

In other words, the hope that new technologies will soon change the face of the informal economy appears to be a little premature. To be sure, the size and heterogeneity of the

informal economy around the world means that for some, new technologies are impacting the way informal economy workers learn and have access to learning opportunities; but the outreach of such innovation appears to be relatively small in comparison to the overall size of the informal economy. Billions of people around the world – mostly in LMICs – do not even have access to the Internet due to connectivity costs (box 2). The majority of these people in LMICs are likely to be in the informal economy.

Box 2. Fixed and mobile internet accessibility in low- and middle-income countries

About half of the world's population – or an estimated 3.8 billion people – still do not have access to fixed broadband internet. In the least developed countries, 80 per cent of the population does not have access (United Nations, 2019a). The greatest barrier remains affordability; across Africa, the average cost for just 1 gigabyte (GB) of data is over 7 per cent of the average monthly salary (A4AI, 2019).

Mobile-cellular signals and mobile-broadband internet have expanded rapidly, now reaching almost the entire global population. “In 2018, 96 per cent of the world's population lived within reach of a mobile-cellular signal, and 90 per cent of people could access the Internet through a third generation (3G) or higher-quality network” (United Nations, 2019b). However, the data cost of accessing mobile-cellular networks and mobile-broadband internet, as well as internet-enabled handsets, remains too high for many. According to the *Groupe Sociale Mobile Association* (GSMA), for example, in sub-Saharan Africa less than a quarter of the population uses mobile internet; which is expected to increase to an estimated 40 per cent by 2025 (GSMA, 2019a). In Asia and the Pacific, over half the population had no access to mobile internet in 2018, but this is expected to drop to about 40 per cent by 2025 (GSMA, 2019b). In Latin America, about one-third of the population had no access to mobile internet in 2018, but this is expected to drop to just 10 per cent by 2025 (GSMA, 2019c).

Even as the cost of data is dropping, “the cost of internet-enabled devices has not significantly fallen; it remains a key barrier to mobile ownership and mobile internet adoption in LMICs. In more than half of LMICs, the cost of an entry level internet-enabled device is more than 20 per cent of the average monthly income” (ITU and UNESCO, 2019, p. 9).

With respect to digital platforms, the OECD notes that these should not be regarded as “a panacea for the problem of informality, if anything because the sector is still very small” (OECD, 2019a, p. 57). Also, the heterogeneous nature of the informal economy means that uptake of digital information and communication technology (ICT) will be very uneven (Bhattacharya, 2019), and likely to be taken up by higher-tier informal enterprises first. Indeed, in developing countries, a large proportion of those engaged in micro-task crowdwork is educated to a bachelor's level or higher and are not unemployed (Berg et al., 2018). While digital platforms may indeed open new markets for some, it also bears the risk of informalizing formal employment.

One important caveat to this is mobile (cell) phone use in the informal economy which has become relatively widespread. For example, the GSMA estimates that by 2025, half the population in sub-Saharan Africa will subscribe to mobile services (up from 44 per cent in 2018) (GSMA, 2019a). The mobile phone has opened up new opportunities in the informal economy for money transfer, communicating on market prices, learning and work opportunities.

1.3 The concept of lifelong learning

The Sustainable Development Goals include a commitment to “ensure inclusive and equitable quality education and promote lifelong learning opportunities for all” (Goal 4) and the

Education 2030 Framework for Action has called on countries to provide “lifelong learning opportunities for youth and adults that encompass formal, non-formal and informal learning” (United Nations, 2015).

The following is a definition of lifelong learning from the ILO’s Global Commission on the Future of Work:

Lifelong learning encompasses formal and informal learning from early childhood and basic education through to adult learning, combining foundation skills, social and cognitive skills (such as learning to learn) and the skills needed for specific jobs, occupations or sectors. Lifelong learning involves more than the skills needed to work; it is also about developing the capabilities needed to participate in a democratic society. It offers a pathway to inclusion in labour markets for youth and the unemployed. It also has transformative potential: investment in learning at an early age facilitates learning at later stages in life and is in turn linked to intergenerational social mobility, expanding the choices of future generations (ILO, 2019a, p. 30).

In other words, LLL is about individuals learning continuously over their lives (ILO, 2018c), which means that it is not only lifelong, starting in childhood and extending to adulthood, but also “life-wide”, “occurring not only formally in schools and higher education, but also non-formally and informally in the home, community and workplaces” (OECD, 2019b, p. 4).

A universal entitlement to lifelong learning has been proposed by the ILO’s Global Commission on the Future of Work, so that people can not only acquire skills, but also reskill and upskill over their lives (ILO, 2019a). Such an entitlement would mean that “every citizen has an entitlement to learning opportunities enshrined in law or in their country’s constitution and those opportunities can be accessed at any time in their life” (Dunbar, 2019, p. 4).

The ILO’s Global Commission specifically notes that this universal entitlement needs to truly be “universal”, and to include those working in the informal economy (ILO, 2019a). There are major challenges to operationalizing this universal entitlement to LLL for those working in the informal economy, not least in solving the issues of how informal economy workers will be reached by this entitlement, and also how to get employers of informal economy workers to support such an entitlement (Dunbar, 2019). This report is concerned with addressing the challenges associate with an LLL entitlement applying to the informal economy.

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

While the Sustainable Development Goals (SDGs) make specific reference to lifelong learning, McGrath, Alla-Mensah and Langthaler (2018, p. 8) argue that “education and training in the informal sector, which underpins skills for productive employment and decent work, are ignored in both SDG 4 and 8”.⁴ It is true that the informal economy is not mentioned directly in the UN’s 2030 Agenda for Sustainable Development (United Nations, 2015), but SDG 4 specifically mentions that the Goal applies “for all”, and therefore includes by definition all workers, including in the informal economy. Further, the Incheon Declaration and Framework

⁴ For the full text of SDGs 4 and 8, see <https://sustainabledevelopment.un.org/?menu=1300>.

for Action for the implementation of SDG 4 (United Nations, 2016) specifically refers to providing support to informal labour sectors, addressing “the needs of the informal economy” (ibid, p. 43), and recognizing and promoting informal learning (ibid., p. 41).

2.1 Where do people in the informal economy learn skills?

Where do people in the informal economy learn skills? Workers in the informal economy are a heterogeneous group – some 2 billion people – so, unsurprisingly the answer to this question is equally heterogeneous. 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.

Many of those working in the informal economy will have experienced periods of formal education and training, some type of schooling, perhaps technical or vocational training (or tertiary education) and they will bring these formally acquired technical/vocational, foundation and core work skills to their informal workplace. Others will have had much less exposure to formal education and training, with some never attending school, with others leaving early or starting late, and still others having completed school but not actually having learned much while there (either due to low attendance or poor-quality schooling or both). Even those that have completed a cycle of formal education or training may find that their acquired skills are irrelevant to the actual skill demands of the informal economy. Some people will also bring into the informal economy skills they have acquired in a previous (or concurrent) formal sector job. Once in the informal economy, the opportunities for learning and upgrading skills via informal firms are usually significantly less when compared to employees’ opportunities in formal firms, or for the self-employed working formally (Palmer, 2017a). A large proportion of informal economy workers get their skills from the informal economy itself (OECD and ILO, 2019, p. 61; Walther, 2013, p. 20), acquiring “knowledge and skills from informal sources, including: through family or community, at the workplace, through informal apprenticeships or ‘learning by doing’” (Bonnet, Vanek and Chen, 2019, p. 18; ILO, 2018a; 2008) (see box 3).

Box 3. Informal on-the-job learning

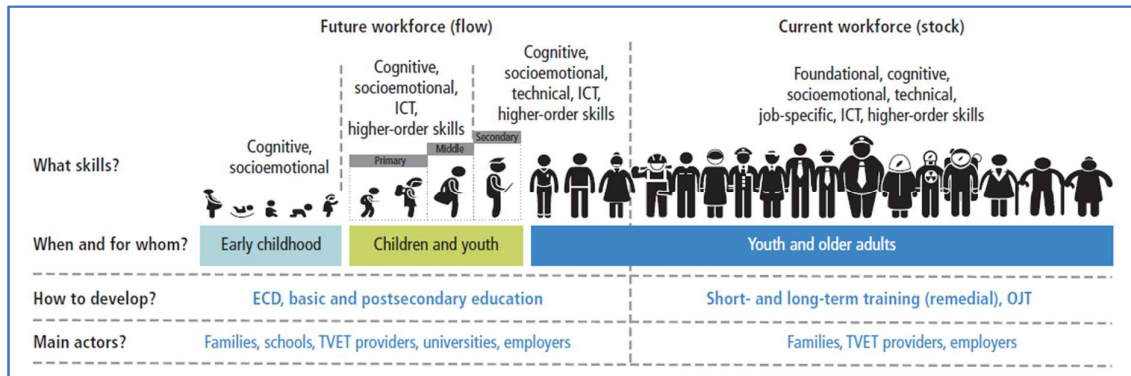
While informal apprenticeship is one type of informal on-the-job learning, and a main source of technical and vocational skills in many LMICs, especially in Africa and South and West Asia, it is perhaps not the largest informal source of skills per se. Informal apprenticeships are typically found in manufacturing, construction and (some) service occupations (hairdressing/barbering, mobile phone repairing), as opposed to retail/trading, agriculture or other types of services (food and drink services).

At the same time, the majority of people that work in the informal economy are either primarily⁵ in agriculture, retail/trading or various types of services (not associated with informal apprenticeships). One then has to ask: where do they acquire their skills? The answer is that informal economy workers most likely acquire skills on the job: through learning by doing (e.g. observation), from friends, community members, relatives or else through self-teaching (including repetition and trial and error). For example, most street food vendors in China, Thailand and India “learn a considerable part of their skills through learning on the job in an informal way” (Gengaiah et al., 2018, p. 8). In India, research has shown that some 80 per cent of the Indian workforce “have acquired skills informally while on the job” (Mehrotra, 2014, cited in Gengaiah et al., 2018).

⁵ A large proportion of those working in the informal economy engage in multiple income-generating activities that cut across neat sectoral divisions. For example, an individual may work in agriculture (both subsistence and cash-crops), also have a job as a part-time mason, and sell drinks at night from a small stall, and therefore, work in agriculture, construction and service sectors at the same time.

Skills are acquired by these individuals via multiple different routes, over different times in their lives, sometimes sequentially, other times concurrently, sometimes formally, other times non-formally or informally, in the home, in school in the community and in the workplace. In short, “people are always learning, everywhere and throughout the course of their lives” (ILO, 2018d, p. 9) (see also figure 2).

Figure 2. Skills development over the life cycle



Note: ECD = early child development; ICT = information and communication technology; OJT = on-the-job training; TVET = technical and vocational education and training.

Source: Arias, Evans and Santos, 2019, p. 78, elaborated from Valerio, Venegas and Arias.

Basic and foundation skills, professional or personal skills, and core work skills

Basic and foundation skills, as well as professional or personal skills⁶ and core work skills⁷ are acquired from early childhood onwards, through several main pathways including:

- Families (especially parents), communities and friends, self-acquisition, and on-the-job experience. **[from early childhood to adulthood]**
- The formal education system, from pre-school through to tertiary education (Filmer and Fox, 2014; S4YE, 2015; UNESCO, 2012). Formal basic education provides a basis for the acquisition of further skills, including the “reskilling and upgrading of workers later in the life cycle” (Adams, Johansson de Silva and Razmara, 2013, p. 7; cf. Hofmann, 2019). **[foundation skills are usually acquired by the end of lower secondary education]**
- Non-formal and second-chance education and training programmes. This is particularly the case for unemployed and disadvantaged youth, and includes on-the-job training, open or distance education, courses or private lessons, seminars or workshops (OECD, 2019b). **[typically, from lower secondary age to adulthood 8]**
- Non-traditional means. This case includes acquiring foundation skills via radio, TV, educational apps on tablets or smart phones, educational computer games. Other non-traditional pathways include acquiring professional and/or personal skills and core work skills through playing sports, participating in creative arts, music education, volunteering, participation in community clubs, associations/societies, and computer gaming (Brewer,

⁶ These are defined by Brewer (2013, p. 6) as “individual attributes relevant to work, such as honesty, integrity, work ethic”.

⁷ Defined by Brewer (ibid.) as “the ability to learn and adapt; read, write and compute competently; listen and communicate effectively; think creatively; solve problems independently; manage oneself at work; interact with co-workers; work in teams or groups; handle basic technology, lead effectively as well as follow supervision.”

⁸ Non-formal skills training can also be used to deliver technical and vocational skills.

2013; S4YE, 2015; Palmer, 2017a). For example, sports teach young people “team-building skills, boost their confidence, and help them hone values such as dedication, leadership, and perseverance” (S4YE, 2015). **[from early childhood to adulthood]**

Technical and vocational skills

Technical and vocational skills are generally acquired beyond lower secondary education (table 1).⁹ 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),¹⁰ non-governmental organizations (NGOs), faith-based organizations (FBOs) and the private sector (including private technical schools and colleges, private vocational institutes and private enterprise-based training, in both the formal and informal sectors) (King and Palmer, 2010, p. 66).

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 others • Private-for-profit and private-non-profit schools, 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 with interventions that include skills training as one of a number of interventions (e.g. employment services/placement). Skills training programmes often combine delivery of foundation, transferable and technical/vocational skills, and are 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 apprenticeships¹¹ • Training during employment, including training of employees in formal firms and informal learning by doing (on-the-job)

Source: Author.

Formal skills training

At the upper secondary school level, education systems can provide multiple pathways for adolescents to acquire further knowledge and skills. This can include vocational/technical training in both general and technical upper secondary education systems.

Non-formal skills training

Non-formal training courses can be provided for adolescents that do not meet the entry criteria for upper secondary level education. Non-formal skills training aimed at youth and/or adults is often of short duration, and may be skills training only or a combined intervention that blends skills

⁹ Technical and vocational skills are defined here to refer to “specialized skills, knowledge or know-how needed to perform specific duties or tasks” (Brewer, op. cit.). This includes trade skills as well as business skills (e.g. bookkeeping, business planning and pricing).

¹⁰ It is not uncommon to have six or more ministries delivering some type of technical and vocational skills programme.

¹¹ Some apprenticeships, including dual system apprenticeships, involve both enterprise-based and institution-based training.

training with other interventions (e.g. entrepreneurship and business development services). Non-formal skills training often combines delivery of one or a combination of foundation, transferable and technical/vocational skills, and are typically delivered by NGOs, FBOs, formal vocational training providers and informal sector associations. Such programmes are typically aimed at unemployed youth, vulnerable and disadvantaged people, especially those in the informal economy. In many cases, non-formal skills training in LMICs is funded by international donors and development partners (Palmer, 2017a).

On-the-job learning, including informal apprenticeship

Informal apprenticeships are the primary source of technical and vocational skills development in manufacturing, construction and (some) service occupations in sub-Saharan Africa, South Asia and even Latin America, and is emerging in importance in countries in Central Asia.¹² This is because the informal or unregistered economy is responsible for between 80 and 90 per cent of employment in much of sub-Saharan Africa and South Asia, and for over 50 per cent of employment in Latin America, and “informal apprenticeships are common wherever there is a significant informal sector” (Swisscontact, 2019, p. 56). These private informal training modalities are substantially varied but typically last from a few months to three or four years, with a written or verbal agreement between master craftsperson and apprentice, and a payment of a fee or payment of reduced earnings to the apprentice while he or she is learning (Adams, Johansson de Silva and Razmara, 2013). There is considerable self-regulation within the informal apprenticeship systems in West Africa, but in many other countries, apprenticeship training in the informal economy is typically less regulated or organized, except through social and cultural norms (Hofmann et al., forthcoming). This sort of training is especially relevant to enterprises that take on a learner and is usually more accessible than formal programmes, but it does suffer from quality concerns. Learning opportunities here are limited by the competency of the master craftsperson and by the quality of the enterprise within which the apprenticeship is being undertaken. There is often a low-quality training environment, the trainer/master craftsperson is usually not trained how to teach, and the technology used is often outdated. This can result in a perpetuation of traditional technologies and approaches and reinforce the replication of low skills.¹³ Further, skills acquired from informal training (such as informal apprenticeships) are not usually recognized in the formal education system or in the formal economy, limiting the mobility of learners and workers (Glick, Huang and Mejia, 2015).

2.2 Accessing skills: Challenges faced by workers in the informal economy

There are numerous challenges, both financial and non-financial, faced by workers in the informal economy as they look to access skills training. Six of these challenges are summarized below.¹⁴

Prior acquisition of foundation and core work skills – through access to formal pre-primary and primary education – affects access to skills at the secondary level and later in life. Although the focus of this review is on how people in the informal economy learn skills, it is important to note that this is affected by an individual’s prior experience in accessing and

¹² This paragraph draws on King and Palmer (2010) and Palmer (2017a).

¹³ For a discussion on informal apprenticeship training, see ILO (2012).

¹⁴ This section updates Palmer (2017b).

acquiring skills. This is because “skills beget skills and learning is cumulative” (World Bank, 2017a), and as skills build on each other, early disadvantage in acquiring foundation skills (e.g. literacy and numeracy) and core work skills (e.g. 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). Access to quality early learning and development experiences – formal and informal – during the first decade of life, from birth, to pre-primary to primary, profoundly impacts on early foundation and core work skills development in children, and can have lifelong consequences, especially in the labour market. In 2018, pre-primary gross enrolment in low- and middle-income countries stood were 24 per cent and 27 per cent, respectively, compared to 83 per cent in high-income countries.¹⁵ Meanwhile, primary enrolment rates have been rising since the turn of the century and in 2018 stood at 81 per cent and 89 per cent,¹⁶ respectively, compared to 96 per cent in high-income countries. It is estimated that 59 million children of primary age remain out of school.¹⁷ However, even for those in school, in many such countries (especially in low-income countries) the low quality of the education systems has resulted in an “abysmal” track record of children acquiring numeracy or literacy skills, or other cognitive skills (e.g. problem solving or critical analysis) (Filmer and Fox, 2014, pp. 76–79).

Formal educational entry requirements to access (secondary and above) formal education and training limits entry for workers in the informal economy. Formal educational entry requirements are often in place for entry into upper secondary education, and also for entry to formal TVET providers, public and private. Such entry requirements can often not be met by workers in the informal economy. Incomplete primary or lower secondary education and/or very low learning outcomes inhibit access to formal upper secondary education and training. At the same time, most formal providers are not geared towards recognizing non-formal or informal learning (and if they were, workers in the informal economy have a difficulty in signalling competency in such skills, as they typically don’t receive any recognized qualification or certificate). Hence, workers in the informal economy who have acquired skills via informal means face challenges in furthering their formal education and training (ILO, 2018d, p. 12). Entry to informal or traditional apprenticeships in sub-Saharan Africa and South Asia, especially for some trade areas, is easier for youth regardless of their schooling background, though some trades do seek apprentices with grounding in basic foundation skills. In Ghana, for example, the majority (75 per cent) of those entering informal apprenticeships have completed formal basic education, and some apprenticeships appear to require higher completion levels of education than others (Darvas and Palmer, 2014).

Cost (direct and indirect) may be a factor in limiting access to skills training. The direct costs of formal education and training (tuition fees, contributions to parent/teacher associations, fees for practical class supplies, uniforms, books, etc.) may not be affordable to many workers in the informal economy, leading to their exclusion. Furthermore, since most formal upper secondary education and training courses are of long duration (two to four years), a barrier for many workers in the informal economy is the opportunity cost associated with not working. These barriers are exacerbated in the absence of measures to reduce or eliminate direct costs (e.g. through scholarships or informal payment approaches) as well as opportunity costs (e.g. via stipends or incentives).

¹⁵ Data drawn from UNESCO UIS, www.data.uis.unesco.org [accessed 30 Nov. 2019].

¹⁶ Primary adjusted net enrolment ratio.

¹⁷ Data drawn from UNESCO UIS, *ibid.*

Location of training facilities and course timings may be unsuitable. Most formal education and training providers tend to be peri-urban or urban-based, with providers in rural areas tending to be more geographically disbursed. The mainly urban location of formal education and training providers makes access more difficult for rural communities. These issues are often compounded in the absence of easy, available and affordable transport or transportation infrastructure, as well as by inflexible course times, making it difficult to combine working and training (Arias, Evans and Santos, 2019). Formal courses tend to be of a longer duration, and are thereby unresponsive to the needs of poor workers in the informal economy who need to continually earn an income.

Gender, disability, and other personal characteristics can affect access to training for workers in the informal economy. There are some 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. Gender inequality in upper secondary TVET programmes is much more pronounced than in general programmes. In most countries, enrolment in upper secondary TVET programmes is in favour of males – on average 58 per cent of global enrolment at this level is male (in 2018), increasing to 76 per cent in South and West Asia. Latin America and the Caribbean (2018 data) is the only region to have the same proportion of females as males enrolled in upper secondary vocational programmes.¹⁸ In all regions, there remain gendered stereotypes or beliefs of which skills are suitable for which sex, resulting in marked gender segmentation in technical and vocational programmes according to the types offered; in most cases, female trainees tend to cluster in traditionally female skills areas, like hairdressing (HEART, 2016; King and Palmer, 2010). Palmer et al., 2012 found that “traditional gender roles limit female participation in the skills systems in Ghana, Pakistan and India” (p. 83). Where employment is traditionally male-dominated, “research has shown that women are reluctant to enrol in [such technical and vocational] courses” (HEART, 2016, p. 36).

Access to skills delivered by digital technologies can be limited by cost and connectivity considerations. Whereas workers in the informal economy don't have (reliable or any) mobile internet connectivity, or else can't afford the data costs, learning through the use of digital platforms that require large data downloads, streaming, or constant connectivity will be limited. “Digital technologies, such as 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, are likely to be facilitated by the Internet that is accessible to and affordable by all” (Choi, Dutz and Usman, 2019, p. 29).

2.3 Upskilling workers in the informal economy: Obstacles from the employer's side

In the informal economy, obstacles exist on the employer's side when it comes to the upskilling of their employees. For countries with a large informal economy and a predominance of micro- and small-sized enterprises, “a major challenge ... will be how to ensure that any [LLL] entitlement [for workers] ... secures the support, financial and otherwise, of employers”

¹⁸ Data is drawn from UNESCO UIS (op. cit.).

(Dunbar, 2019, p. 38). Most informal firms (including household ventures) are micro or small and may not provide structured training opportunities for their employees for various reasons:

- the opportunity cost to train may be too high;
- the firm might not be able to afford to train employees;
- formal training that does exist may not be relevant or may be too specialized;
- there may be lack of capacity to identify training needs or design training programmes; or
- there could be a lack of knowledge about the benefits of training (box 4).

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.

Box 4. Constraints to skills development in the informal sector

High opportunity cost to firms for training – Time spent in training during regular production hours can be more costly in forgone production for small firms.

Low cash flow of firms for paying direct cost of training – Larger firms often have better access to capital markets and cash flow for this investment.

Multiskilling needs of the firm – In a small enterprise, workers need the know-how to perform a number of different tasks. The self-employed owner of a small household enterprise is frequently responsible for purchasing raw materials, producing goods and services, managing inventory, taking care of marketing and sales, doing financial accounting, and managing personnel. Workers with multiple skills are important to the small enterprise, unlike larger enterprises that can employ workers with specialized skills for these various functions.

Lack of skills for training design in an enterprise – Small enterprises, unlike larger counterparts, lack the expertise to carry out training needs assessments and design suitable training programmes.

Information failures on benefits of training – Information failures lead small and household enterprises to discount the value of training and subsequently underinvest in it.

Limited supply catering to informal skill needs – There is a lack of supply and competition among providers serving the specialized training needs of smaller enterprises, particularly in rural areas.

Absence of economies of scale for training drive up costs – The scale of training in smaller enterprises can increase the unit cost of the training above that paid by larger enterprises.

The issues of skill recognition – Some informal employers may be wary of engaging in skills recognition for fear that trained employees will then be poached by non-training firms. Meanwhile, other informal employers may seek formally recognized certification and recognition of skills acquired by employees, but be demotivated to invest in such skills where recognition is difficult.

Demand for (further) skills acquisition may be suppressed in income-constrained firms – When an informal enterprise is operating in an income-constrained environment and market demand is for low-cost items that can be produced quite adequately by low-skilled employees, employers will not see the need for investing in employee skills.

Sources: Adams, Johansson de Silva and Razmara, 2013, pp. 95–97; OECD, 2017; Palmer, 2017a.

2.4 Acquiring skills: Challenges faced by workers in the informal economy

Differential starting points – The acquisition of skills not only complements and reinforces employee potential, but can also affect the ease of acquisition of further skills. As noted above, an individual's ability to acquire new (or higher level) skills is partly determined by the skills he

or she already possesses. As workers in the informal economy possess a heterogeneous skill set, some will find it harder (and some easier) than others to acquire new skills.

Formal delivery approaches are usually unsuited to those in the informal economy – Curricula, pedagogy, course flexibility, and other issues affect skill acquisition. The curricula of formal training providers are often limited to trades like carpentry and mechanics and with very little focus on self-employment. Public TVET systems are also often criticized for being supply driven and unresponsive to labour market demands and the needs of the informal private sector (ILO, 2013, ch. 7, p. 4).

Formal sector training providers are often too rigid in their operations and training curricula, and are ill-equipped to respond to the particular training needs of these categories of learners in terms of flexibility in training delivery, teaching methodology, admission requirements, and language of instruction (Afeti and Adubra, 2012, p. 10).

Teachers and instructors in vocational institutes and formal schools are typically themselves a product of the formal education and training system, and may find it difficult to pedagogically relate to workers in the informal economy. Where courses are inflexible, workers in the informal economy may only be able to attend irregularly, which hinders skills acquisition. Where the language of instruction is different from the language spoken by workers in the informal economy, this will obviously have a serious impact on learning, something which may be quite common in countries where diglossia¹⁹ is an issue. The existence of an official formal language alongside one or many other local/traditional languages (as is the case in the Arab States, China, India, Indonesia and many other countries).

Accessing opportunities to acquire personal or professional and core work skills via non-traditional approaches varies – Opportunities to take part in sports, creative arts, music education, clubs, community associations and volunteering will be easier for some groups of workers in the informal economy than others.

3. Promising practices related to accessing and acquiring skills in the informal economy

3.1 Formal vocational training providers extending their services to the informal economy

In regions where the informal sector is large, as in sub-Saharan Africa, “there is a need to rethink the public sector’s role in technical and vocational education and training” (Arias, Evans and Santos, 2019, p. 10). Equally, there is a need to assess and strengthen the extent to which formal for-profit and non-profit private training organizations are delivering training to workers in the informal economy. Indeed, a common response to addressing technical/vocational skills mismatch in many LMICs is to call for greater collaboration between formal TVET providers and the skills needs of the informal economy. However, almost by definition, formal (public) TVET providers are not generally very effective at outreach to the informal

¹⁹ *Diglossia* is the coexistence of two varieties of the same language throughout a speech community – one form functioning as a “formal” dialect and the other a common dialect spoken by most of the population.

economy (ILO, 2013, ch. 7). They tend to be supply-driven and even where they are more oriented to demand, they tend to be more oriented towards the demands of the formal, not informal, economy (box 5). A 2008 World Bank study of skills development in India argued that “reorienting public training institutions to meet the needs of the informal economy would not seem to be the solution” (World Bank, 2008, p. 50). The study noted that such institutions would find it hard to accommodate both the formal and informal sector, in terms of infrastructure, facilities and equipment, as well as curricula, staff training, and resources.

Box 5. Technical/vocational and transferable skills interventions need to be demand-driven: But whose demand counts?

Policy-makers should not take for granted that training that is supposedly “demand-driven” is actually driven by the labour and economic demand relevant only for the marginalized. In countries which have sizeable informal economies, most of the marginalized will be working in informal economic activities in small- and micro-enterprises (including farming). More often than not, skills interventions that claim to be demand-driven actually turn out to be training linked to the demand of the formal economy targeted at salaried formal sector jobs, and not at all linked to the demands of work in the informal economy. This applies to both TVET and transferable skills development interventions that have the objective of improving work outcomes.

Formal private training provision can sometimes offer effective training to workers in the informal economy, and be more responsive to demand than public providers. For-profit provision has the incentive to deliver training relevant to those informal economy workers that can afford to pay, while the same is true of non-profit provision that is sufficiently incentivized and resourced by other means (e.g. donor, NGO or faith-based funding). For-profit provision may be of less relevance to workers in the informal economy, compared to non-profit provision, because training offerings tend to be more suited to upper-tier urban enterprises.

While formal vocational training providers “have the advantage of experience, human and technical resources and infrastructure to deliver training ... they may require considerable reform to improve their relevance and quality of training to the informal economy” (ILO, 2013, chapter 7, p. 10). The types of reform needed in order for formal provision to be more relevant to workers in the informal economy includes:

- **Offering different types of training** – As noted earlier, in a small enterprise workers need the know-how and skills to perform a range of different tasks. This includes not only technical skills, but also core business skills for the self-employed²⁰ as well as life skills, negotiation skills, employability, entrepreneurship skills, and basic digital skills (Adams, Johansson de Silva and Razmara, 2013; Arias, Evans and Santos, 2019; Brown and Slater, 2018; ILO, 2013, ch. 7, p. 10; GIZ, 2019).
- **Making training delivery more flexible** – This can be possible with shorter and more modular courses that 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, Johansson de Silva and Razmara, 2013; GIZ, 2019; ILO, 2013a).
- **Offering second-chance education** – For those with low levels of formal education (or low levels of functional literacy and numeracy, even if they have “attended” school), offering second-chance education, especially literacy and numeracy, is important (Adams, Johansson de Silva and Razmara, 2013; GIZ, 2019; ILO, 2013a).

²⁰ For example, these skills may encompass costing, pricing, preparing financial statements, keeping business records, project management, marketing, sales, preparing business plans, amongst other responsibilities (Arias, Evans and Santos, 2019, p. 11).

- **RPL for skills acquired outside of formal education and training systems** – This could help expand training offers accessible in the informal economy (ILO, 2013a).
- **Offering formally recognized certification and pathways to qualifications to trained informal economy workers** – This will help such workers access further education and training, but also facilitate access to formal employment opportunities (GIZ, 2019).
- **Providing post-training support** – Formal education and training providers offering training to informal economy workers are in a good position to link these workers to employment services, formal employers, business advisory services and labour market information (ILO, 2013a).
- **Shifting financing of formal public providers to being more results-based** – Research has found that “public skills provision needs to move away from supply-driven financing (focused on inputs) to results-based financing” in order to ensure that providers are held accountable for training outcomes, especially those of the informal sector”. This is related to monitoring trainee placement, data on retention and completion, and benefits to targeted growth sectors” (Adams, Johansson de Silva and Razmara, 2013, p. 12).

There have been some examples where formal TVET providers have been able to better address the needs of the informal economy (see boxes 6 and 7).

Box 6. Formal TVET providers and the informal economy

The Botswana Training Authority established strategies to expand access to vocational training for women in the informal economy, starting with regular data collection on gender in all vocational training institutions, particularly on occupational segregation and the training needs of men and women. It has also addressed stereotyping in curricula and given staff gender training. In China, vocational training institutions are increasingly using distance learning in order to reach informal economy workers in poorly serviced areas. Subjects include English, ICT, business skills. Tanzania is developing new TVET curricula with a focus on skills for self-employment.

In Kenya, TVET institutions are trying to incorporate the views and skills needs of the informal sector more effectively in public TVET by linking existing organizations of informal workers and enterprises. For example, TVET institutions in Kenya are often associated with business centres through which consultancies are provided to small-scale entrepreneurs.

In Ghana, the Integrated Community Centres for Employable Skills (ICCES) is a network of some 60 mainly rural vocational training institutes, set up in the mid-1980s and designed as a formal public provider of pre-employment training for the informal economy. The expectation was – and is – that many ICCES graduates would enter self-employment after completing their course. Over the years, ICCES have gradually moved away from their original goals, adding more theoretical classes and core subjects (math and English) that better enable trainees to transition into further formal training or access formal sector jobs. Although many Centres also teach entrepreneurial skills, they have not performed so well in supporting the transition of graduates to productive self-employment.

In Honduras, *Centros de Educación para el Trabajo* target the poor in rural and urban communities. Local needs assessments and community participation are linked to the national vocational training institution. Core skills are combined with gender and literacy training as well as technical and entrepreneurship training. In India, the National Rural and Livelihood Mission Programme (NRLM), and community polytechnic institutions provide skills training to workers in the informal economy.

Sources: Arias, Evans and Santos, 2019; Darvas and Palmer, 2014; ILO, 2013a.

Box 7. Educate! Bringing entrepreneurship into classrooms

Educate! is an NGO that provides students with skills training in leadership, entrepreneurship, and workforce readiness, along with mentorship to start real businesses while in school. The programme leverages community members to teach entrepreneurship alongside trained teachers in schools, relying on entrepreneurs and employees from local businesses. Educate! began in Uganda in 2009, reaching 24 schools in four districts. In 2012, after close collaboration with Educate!, the Ministry of Education in Uganda incorporated this effective approach into national policy by rolling out a skills-based curriculum for secondary schools on the subject of entrepreneurship. Now the programme reaches 12 per cent of Ugandan secondary schools. In 2015, the programme expanded to Rwanda and by 2024, it expects to affect one million students directly across Africa each year.

Educate! dedicates between 12 and 13 per cent of its budget to monitoring and evaluation and built its own tool to measure leadership, creativity, self-sufficiency, and savings behaviour. Data are collected in real time, allowing Educate! to monitor performance and make any necessary changes across all schools. This rapid programme monitoring helps to maintain quality control. Educate! also has developed teacher associations that provide teachers with practical in-service training to develop core interactive teaching skills and ultimately to be better positioned to adopt national education reforms effectively. Midterm results from randomized controlled trials indicate that participating secondary students have incomes that are doubled after they graduate from secondary school, are 64 per cent more likely to start a business, and are 123 per cent more likely to initiate a community project.

Sources: See the Educate! website, available at: <http://www.experienceeducate.org/>; Robinson, Winthrop, and McGivny, 2016.

3.2 Upgrading informal apprenticeships

Attention should be given to strengthening informal skills development for youth and adults in agricultural and non-agricultural informal employment in parallel to improving the quality of formal education and training provision, and their accessibility and relevance to those working in the informal economy.

In countries with large informal economies, especially in West Africa and South Asia, informal apprenticeships can represent the most widespread type of technical and vocational training for youth in the manufacturing and construction sectors, as well as among some service sector occupations (such as hairdressing, barbering, dressmaking, tailoring, mobile phone repairs, etc). Improving the overall learning experience in informal apprenticeships is critical and “can help young people not only to acquire skills but to ease their way into the formal economy” (ILO, 2011a, p. 31). Some promising practices in this context include (Arias, Evans and Santos, 2019, and box 8):

- improving the quality of training, such as the use of dual training principles (that is, classroom and on-the-job training);
- upgrading the skills of master craftspersons through pedagogical and technical training;
- providing apprentices with supplementary literacy and numeracy training;
- upgrading of technology;
- improving working conditions;
- inclusion in informal sector training (promotion of gender equality, occupational health and safety, and strengthening the apprenticeship contract);
- establishing mechanisms for certification of informally trained artisans;
- improving the recognition of existing (traditional) certification systems; and
- institutionalizing or improving quality assurance with the involvement of local business associations.

Box 8. Upgrading informal apprenticeship

Informal or traditional apprenticeship training is often more accessible to marginalized groups than formal skills programmes. This is due to several factors, including often lower educational entry requirements and the opportunity to train and earn at the same time. Informal apprenticeships often offer apprentices daily food money, or other opportunities to earn a daily stipend, thus reducing opportunity costs of training. This said, informal apprenticeships may still not be accessible to the most marginalized due to a host of factors, such as opportunity costs of training or location. There have been many attempts over the last 20 years to upgrade informal apprenticeship training in various countries, especially in Africa and Asia. Some of the key lessons learned from these attempts are listed below (ILO, 2012 and 2013):

Capitalizing on the existing system – Fostering improvements from within the existing system is generally the preferred option. If business associations exist, it is crucial to collaborate with them in the design and upgrading of activities, as they represent the voice of master craftspersons and small businesses. If cooperation between businesses is loose, approaches will have to consider either addressing individual businesses to improve the flow of knowledge and skills or helping businesses strengthen their capacity to organize. Other institutions, such as training centres or local community organizations, can help strengthen this collaboration. Any outside intervention needs to be based on a sound understanding of local practices and the incentives that motivate master craftspersons and apprentices to participate.

Strengthening the apprenticeship contract – Contracts should contain provisions for working time, contract duration, completion conditions, mutual rights and duties (e.g. type of remuneration and/or fees to be paid), the duration of a trial period, issues of liability (for broken tools etc.), and how conflicts or breaches of contract are resolved.

Bringing new skills into informal apprenticeship – Informal apprentices can only be as good as their teachers. If master craftspersons lack up-to-date skills, this deficiency will be passed on to their apprentices. Through provision of short training courses for master craftspersons in technical, business or teaching skills and/or through supplementary skills training for apprentices on their rights, occupational safety and health, basic technical skills, entrepreneurship skills, etc. Experience suggests that master craftspersons and apprentices should not be trained together, since their learning needs and social status differ.

Enhancing the quality and reputation of informal apprenticeships – Promoting the recognition of certification can serve as a signal of achievement of specified standards.

Improve equal access to informal apprenticeships – Women tend to be disadvantaged by the preponderance of male-dominated trades among those offering informal apprenticeships. Other disadvantaged groups, such as migrants or those with disabilities, also face difficulties to be accepted as apprentices. Efforts to establish fair and equal access to informal apprenticeship require stereotypes of master craftspersons to be addressed so that recruitment practices are based on talent, behaviour and competence and not on gender, social, ethnic or disability status. Improving access to basic education can also improve access to informal apprenticeship.

Including informal apprenticeships in the national training system – This can be achieved by recognizing the importance of informal apprenticeships in policy documents on education and training.

Sources: Elaboration by the author; ILO, 2011b, 2012, and 2013b.

3.2.1 Examples and lessons from sub-Saharan Africa

Benin

In Benin, efforts have focused around developing informal apprenticeship certificates to recognize skills at the national level (box 9) which have been built upon an agreement

between the local municipality and local crafts associations (Hofmann, 2013). The exams are now recognized nationally and award a national qualification after exams are successfully passed (Akojee et al, 2013, as cited in OECD and ILO, 2019, p. 95).

Box 9. Developing nationally-recognized certificates for informal apprenticeship

In recent years, the Government of Benin has made important efforts to organize the informal/traditional technical and vocational training sector, notably with the support of Swiss Cooperation, Danida, Swisscontact, AFD, and the ILO. Particularly, there has been an important movement to develop nationally-recognized certificates to recognize skills gained in apprenticeships, which remains one of the most common and effective mechanisms for vocational training in Benin.

In close collaboration with private sector trade associations, the Government* has adopted a system with two levels of qualifications i) a Professional Qualification Certificate (*Certificat de Qualification Professionnelle (CQP)*) open to youths who have at least completed primary school. It represents the culmination of a three-year “dual-type” apprenticeship combining work experience with classroom training; and ii) an Occupational Qualification Certificate (*Certificat de Qualification aux Métiers (CQM)*) targeting youth who have not finished primary school, but followed a traditional apprenticeship with a master craftsman and were assessed based on a standardized set of skills and competencies. The CQP and CQM are meant to cover eventually all 210 recognized occupational trades in Benin which includes a wide variety of economic activities.

**Note: With the support of the Direction de l'Apprentissage et de la Formation Professionnelle, and the Direction des Examens et Concours, under the Ministère de l'Enseignement Secondaire, de la Formation Technique et Professionnelle, et de la Reconversion et de l'Insertion de Jeunes.*

Source: World Bank, 2014, p. 11.

As noted in box 9 above, Benin uses “dual-type” apprenticeship combining work experience with classroom training. Similar to initiatives taking place in Côte d'Ivoire, Mali, Niger and Togo, these attempts are trying to transform informal apprenticeships (Ganou, 2019) (box 10).

Box 10. Dual apprenticeship: Linking informal apprenticeship with formal training

Several countries (Bangladesh, Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger and Togo) are piloting dual apprenticeship schemes incorporating elements of theory, reflection and modern technology. Apprentices spend part of their training (15 to 40 per cent) in a centre or school, and master craftsmen receive skills upgrading courses. Classroom-based instruction is delivered by training providers within the formal training system, or by private or non-profit non-formal training centres. Financing is provided by national funds paid by large enterprises, or by international donors.

To be most effective, a dual apprenticeship system needs to achieve the right match between the two sites of learning (the workshop and the training centre) in order to strengthen each other to the maximum extent. Field trainers who visit workshops and business sites can help bridge the divide between the two. A common challenge of this system is the frequent lack of capacity, in both formal and non-formal training centres, to provide complementary training for large numbers of informal apprentices. To address this, the Benin Government provided incentives for the creation of new private training centres, many of them owned by individual master craftsmen. Such incentives need to be designed with care so they are seen to be benefiting all apprenticeship providers. Some dual systems introduced to upgrade informal apprenticeships may reach only higher-end segments of the informal economy, for example, if they require a certain level of education on the part of apprentices or financial contributions by businesses.

In Benin, Burkina Faso, Mali, Niger and Togo steps have been taken to certify traditional apprenticeships through the establishment of the Basic Qualification Certificate and the Qualification of Trades Certification, accessible to young people in traditional apprenticeships.

Sources: Ganou, 2019; ILO, 2011b.

Côte d'Ivoire

In Côte d'Ivoire, the Youth Employment and Skills Development Project (*Projet Emploi Jeune et Développement des Compétences*), includes support to upgrading informal apprenticeships via classroom training, a formal certification scheme, and a training wage (or subsidy) for apprentices (box 11).

Box 11. Côte d'Ivoire Projet Emploi Jeune et Développement des Compétences

In Côte d'Ivoire, the *Projet Emploi Jeune et Développement des Compétences* is a subsidized apprenticeship programme offering dual on-the-job and theoretical training. The programme puts in place a formal apprenticeship scheme lasting 12 or 24 months, depending on occupations. The programme initially aimed to cover 3,000 youths, with plans to expand it to approximately 10,000 youths. Low-skilled youths aged between 18–24 years are placed in firms, where they receive on-the-job training under the supervision of a master craftsman, either the enterprise owner or an experienced employee. Youths sign a contract with the implementation agency (*Agence de la Formation Professionnelle (AGEFOP)*) and are paid a monthly subsidy of FCFA30,000 (approximately US\$54, or half the formal minimum wage), which is aimed to cover meals and transport costs. They also receive insurance coverage and work equipment. The apprenticeship is dual, since on-the-job practical training is complemented by theoretical training (approximately 180 hours per year) tailored to the needs of apprentices and delivered by local training institutions. Apprentices are also mentored by AGEFOP apprenticeship counsellors, who regularly visit master craftsmen and apprentices, and have the authority to suspend subsidies in case there are issues with participation or performance. Formal apprenticeships end with an assessment of skills, leading to certification. Firms are not compensated for taking on apprentices, though they do receive a small toolkit of material to facilitate practical learning.

The average programme cost is estimated at FCFA1,35,030 (approximately US\$2,045) per youth for a 24-month apprenticeship. This includes FCFA720,000 (or \$1,297) for youth subsidies, FCFA330,000 (or \$595) of other direct costs (toolkit, theoretical training, equipment, etc.), and FCFA85,030 (approximately \$153) for indirect costs (selection, counselling).

Evaluation results confirm that participating in apprenticeships can lead to large opportunity costs in terms of forgone earnings (loss of self-employment wages). By providing wage subsidies, the programme increases the number of young people who are able to afford these opportunity costs. Results also show that there is an increase in the number of apprentices entering firms and that marginal profits increase. Another interesting finding is that beneficiary apprentices show higher rates of absenteeism than traditional apprentices, which points to the strength of traditional informal rules in the system.

Sources: Crépon and Premand, 2018.

Ghana

Informal apprenticeship in Ghana is widespread and well-known. There are over 440,000 youth taking part in apprenticeship at any one time, which is about four times the number of trainees in all formal public and private training centres combined (Darvas and Palmer, 2014). Ghana has a great deal of experience in approaches for upgrading informal apprenticeship, though lessons from previous approaches aren't always taken up (cf. Palmer, 2009). Since the mid-1990s there have been a number of projects and programmes in Ghana that have attempted in various ways, and to varying degrees of success, to upgrade informal apprenticeship training. These include: the Ghana Skills Development Initiative/GSDI (2012–19) (see box 14); the Vocational Skills and Informal Sector Support Project (1995–2001); the Rural Enterprise Project (1995–2020); the Skills Training and Entrepreneurship Programme (2003–05); and the ILO-IPEC Informal Apprenticeship Training Project (2004–07).

In 2007–08, ambitious plans were put in place by the Government that were intended to move towards a more regulated, or formalized, informal apprenticeship system through a National Apprenticeship Programme (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 (box 12). The National Apprenticeship Programme was eventually scaled down in scope and ambition and subject to a rigorous evaluation of its, 2012–17 activities (box 13).

Box 12. The design of Ghana’s National Apprenticeship Programme (2007–08)

Originally proposed in 2002, it wasn’t until 2007–08 that the NAP design phase started. Under the original proposal the intention was for the NAP to take junior high school (JHS) graduates and place them in one-year apprenticeships in either informal enterprises with master craftspersons (similar to “regular” informal apprentices) or in formal vocational training institutes (institution-based apprenticeship). In other words, the NAP was not originally designed to engage directly with the large numbers of youth already in informal apprenticeships. The Government was meant to cover the training fees for a one-year regulated apprenticeship programme, and provide training materials, toolkits and stipends to apprentices, as well as a limited amount of supplementary training for apprentices (the design envisaged once a week training in English, entrepreneurship skills and mathematics for those JHS graduates placed with master craftspersons). Furthermore, there was meant to be a limited amount of training of trainers dedicated to master craftspersons who were meant to get three days of pedagogical/curriculum training, and vocational training institute managers were meant to get curriculum training. Apprentices were to be assessed at the National Vocational Training Institute proficiency grade 2 level at the end of the one-year training.

The original design received a lot of criticism from Ghana’s Council for TVET (COTVET), senior officials in the Ministry of Education, Science and Sports and development partners. Perhaps one of the largest concerns related to the impact such a scheme might have on the sustainability of the existing informal apprenticeship system. As a result, the original intention for the Government to pay stipends to apprentices was dropped, and the programme scaled down, from an expectation to reach over 60,000 JHS leavers to about 15,000. The NAP, therefore, has become a small-scale programme providing additional classes and services to about 1 per cent of the 440,000 youth in informal apprenticeship. Implementation was then delayed further because of a change in Government, and in political party in early 2009, causing a delay in the launch of the NAP until early 2011.

Sources: Daily Graphic, 2016; Darvas and Palmer, 2014; Palmer, 2009.

Box 13. Ghana’s scaled-down National Apprenticeship Programme evaluation

Junior high school (JHS) graduates were selected at district level to take part in the National Apprenticeship Programme (NAP). During phase I (2011–12), only 5,000 youth started the programme.

Participants were matched with a master craftsperson and worked in the master craftsperson’s firm to obtain skills through learning by doing in an unstructured environment similar to a traditional apprenticeship programme. The NAP training period was supposed to last one year, but in practice trainers generally kept their apprentices for 18 months to almost four years, depending on the district and trade. The length of training was ultimately decided by each trainer and because most trainers considered one year to be too short, they pushed back on COTVET’s suggested duration. Since the programme was decentralized, COTVET could not enforce the one-year training term. The programme was meant to pay trainers GHS150 per apprentice, an amount equivalent to the traditional apprenticeship entrance fee. As a result of the Government’s fiscal crisis, however, COTVET was unable to pay this fee (after phase I). The programme was also supposed to provide participants with a tool kit relevant to their trade (for example, a sewing machine for garment makers). But most tool

kits were never delivered. While the programme provided no subsidy to apprentices, firm owners typically paid apprentices small wages or “chop money” (estimated to be GHS20 a month by a midterm survey of firm owners), which increased with seniority and varied with firm productivity or revenues.

Between 2012–17, a randomized controlled trial was undertaken to rigorously evaluate the effectiveness of the NAP in Ghana. As the Government by this time was unable to pay the GHS150 training fee per apprentice, the research team was able to secure donor funds to pay two-thirds of this (GHS100) to each participating trainer. As a result, the evaluation was of a subsidized version of a traditional apprenticeship with training timelines of around three years and with limited government monitoring or additional support.

Evaluation results:

- Providing ease of access to the programme led to modest increases in the probability of starting an apprenticeship, the probability of completing training, and to increases in the duration of training. Youth offered training under the NAP were 13 percentage points more likely to commence training, and 10 percentage points more likely to complete training, than the control group.

- Trainer expertise and firm profitability can have a causal effect on an apprentice’s labour market outcomes. Apprentices who trained with the higher performing trainers had greater total monthly earnings compared to their peers who trained with less performant trainers. Similar patterns were found when apprentices trained with the most experienced trainers, or trainers with the largest wage bills (a proxy for the size and skill of their wage workforce).

Source: Hardy et al., 2019, p. 8.

The evaluation of the National Apprenticeship Programme had two interesting policy implications:

1. The difference in completion rates between those who received the subsidized NAP training and those who did not implies that apprenticeship fees present a barrier for many youths, and there is therefore some justification for government subsidies (Hardy et al., 2019). This finding confirms qualitative reviews of apprenticeship in Ghana which noted exactly the same issue about apprenticeship fees (see references in Palmer, 2007).
2. Trainer expertise and quality can represent a “constraint to the effectiveness of apprenticeships” (Hardy et al., 2019, p. 22), and therefore more attention needs to be given to improving the training of master craftspersons.

Another initiative in Ghana, the Ghana Skills Development Initiative (2012–19) aimed to support informal apprenticeship through strengthening the role of informal sector trade associations, as well as improving the quality of courses for apprentices, master craftspersons and artisans based on competency-based training (CBT) standards (box 14).

Box 14. The Ghana Skills Development Initiative

The Ghana Skills Development Initiative (GSDI) (2012–19) was a project funded by the German Federal Ministry for Economic Cooperation and Development, the European Union and by Switzerland. It was implemented in cooperation with the Council for Technical and Vocational Education and Training (COTVET) and other public and private sector stakeholders.

Intervention areas included: i) advising COTVET in the field of TVET policy development with regard to the informal sector; ii) strengthening the role of trade associations in skills development, including their responsibility in the management and quality assurance of traditional apprenticeships; and iii) supporting training providers in developing and implementing demand-oriented short courses for apprentices, master craftspersons and artisans in the informal sector

Strengthening training institutions – In the context of GSDI, public and private training providers offer courses for apprentices, master craftspersons and artisans based on CBT standards. GSDI supports selected training institutions in the development and implementation of the new courses. Facilitators are trained in modern training methods and CBT. Furthermore, GSDI fosters the introduction of quality school management procedures at participating schools.

Strengthening trade associations – Many informal sector businesses in Ghana are organized into trade associations. One of their functions is to coordinate and assure the quality of the apprenticeship system in their respective trades. GSDI is strengthening the role of trade associations in the modernized apprenticeship system to foster active participation in the design and implementation of demand-oriented TVET. The associations are supported in the development of their organizational structures and services for members. Furthermore, the Federation of Professional Trade Associations in Ghana is acknowledged as the umbrella organization for the informal sector trade associations.

Source: GSDI, 2019.

Kenya

In Kenya, master craftspersons receive additional training for taking on apprentices (box 15).

Box 15. Improving the training of master craftspersons in Kenya

The Kenya Youth Empowerment Programme, financed by the World Bank, was launched in 2011 and implemented by a public-private partnership of the Kenya Private Sector Alliance and the Government of Kenya. Its goal was to provide youth with training and workplace experience in growth sectors that include micro- and small enterprises. Apprentice training consists of three main phases: i) life skills training aimed at strengthening non-cognitive skills; ii) core business skills training; and iii) sector-specific skills training to promote specific technical skills. After the training, youth were provided with 12 weeks of work experience in the formal and informal sectors. In the informal “*Jua Kali*” sector, work experience consisted of apprenticeship training by master craftspersons.

To encourage the participation of enterprises in training, the programme offered master craftspersons training at the programme’s expense to upgrade their business skills and improve their capacity as trainers. The training was offered after working hours to reduce time away from business.

The pilot was implemented in cycles of six months split into two parts: three months of training followed by three months of workplace experience. During the apprenticeship period, youth received a stipend of KSh6,000, while employers received KSh3,000 as compensation for productivity lost.

According to the project tracer surveys, the project was successful at improving the average overall employment rate of its participants: 75 per cent of participants secured employment within six months of completing the programme.

Source: World Bank, 2016.

3.2.2 Examples and lessons from other parts of the world

While most experience in upgrading informal apprenticeships appears to be in sub-Saharan Africa, the following are three of examples from other parts of the world.

Afghanistan

Under this German funded project, Support to TVET in Afghanistan (2010–20), dual apprenticeships were piloted as a means to upgrade informal apprenticeship training in Afghanistan. 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 (box 16). This pathway is recognized as part of the secondary school system, thus allowing graduates to continue their education (Swisscontact, 2019).

Box 16. Dual apprenticeships in Afghanistan

Apprentices, skilled workers and owners of companies in the informal sector were provided with access to modern technology and contemporary knowledge at four pilot schools. Apprentices who were in mainstream education until year nine, and obtained the relevant school-leaving diploma, are offered a three-year, work-based learning course leading to a qualification equivalent to full-time vocational training.

The agreement for the modernization of traditional apprenticeship training signed in 2014 between the Deputy Ministry and the Federation of Afghanistan's Craftsmen and Traders and will enable more than 500 apprentices to attend vocational school in their second year.

It is the first time that the contribution of the informal economy to TVET has been recognized by Afghan society as a whole and capitalized on for the development of a TVET system.

Source: GIZ, <https://www.giz.de/en/worldwide/14616.html> [accessed 14 Dec. 2019].

Bangladesh

Through the “TVET Reform Project” (2008–15), the ILO, UNICEF, and the Bangladesh Rural Advancement Committee (BRAC) piloted a six-month dual apprenticeship training as an approach to upgrade the standard informal apprenticeship. This consisted of two components:

- **On-the-job training (four days a week)** – This involved practical training delivered by a master craftsperson, and based on a structured format and training content using a competency skills log book. The master craftspersons received training themselves.
- **Off-the-job classroom training (one day a week)** – This training offered theoretical skills related to the participant’s trade areas, in addition to life skills, financial literacy and basic English.

After completion of the training, participants received certificates from the Bureau of Manpower, Education and Training (for the apprenticeship part), which is the agency responsible for registration and certification of the apprentices (box 17).

Box 17. Upgrading informal apprenticeships in Bangladesh: Skills Training for Advancing Resources (STAR) Programme

The objective of the STAR programme was to develop a model that utilizes informal apprenticeships to act as a structured and effective means of creating skilled workers. The STAR model, which evolved from collaboration between BRAC, ILO, and UNICEF, is a “dual system” of training delivery that features a combination of theoretical training from a technical trainer, and practical on-the-job training from a master craftsperson.

Over the six-month duration of the apprenticeship, the theoretical training component comprises one day per week and the remaining working days are spent on the job. Classroom or theoretical training covers basic concepts, introducing tools and equipment, measurement, and works processes. Learners receive life skills training on occupational safety, health issues, child rights, the importance of basic money management, financial literacy and basic English.

On-the-job training is provided in informal enterprises using a structured curricula and standard list of competencies to be gained over the training period, which is recorded through a Competency Skills Log Book. This provides a uniform standard and system of measurement even though the training is conducted at different workplaces.

The initiative also aimed to equip master craftspersons in multiple trades with skills to minimize hazardous work, improve occupational safety and health and link formal and non-formal organizations for large-scale national upskilling and formal qualifications across the country. Apprentice’s competencies and skills were recognized nationally through a system of RPL and national certification to allow occupational mobility and benefit young people in the long term.

This dual system is preferable to open-ended, on-the-job training because it provides structured learning opportunities for young apprentices. Similarly, the time-bound nature of the off-the-job training is ideal for young people at lower income levels that cannot afford prolonged periods without work to sustain themselves. The STAR beneficiaries include disadvantaged and marginalized groups: 50 per cent of the learners were women and about 8 per cent were persons with disabilities.

Source: OECD and ILO, 2017.

Jordan

In Jordan, the ILO and the International Youth Foundation supported a pilot to upgrade informal apprenticeships “through complementary off-the-job training, on-the-job skills checklists and recognition of skills through trade tests upon completion” (ILO/IYF, 2014, cited in OECD-ILO, 2019, p. 95) (Box 18).

Box 18. Upgrading informal apprenticeships in Jordan

The pilot training in Jordan aimed at:

- developing the apprenticeship model and process;
- linking apprentices with employers for on-the-job training;
- improving the occupational health and safety conditions at the workplace;
- improving work organization and workplace management; and
- organizing testing for occupational licenses for the apprentice.

The programme included two main phases: six months of basic training followed by three to five months of on-the-job training. The basic training phase included a combined package of technical and workplace core skills training including life skills, basic business English, and ICT courses. Participants also received occupational safety and health training.

After completing the basic training, each participant was assigned to a garage as an apprentice. During their on-the-job training, apprentices received transportation allowance, insurance against work-related injuries, and a work uniform. They were also invited to take the test for an occupational license at the end of the programme free of charge, and competed with other apprentices for awards.

An evaluation suggested that three-quarters of participants completed both phases of the project, with 92 per cent of apprentices obtaining a job and 90 per cent obtaining more than the minimum wage. Apprentices and employers alike rated the programme highly.

Compared to traditional informal apprenticeships, this pilot programme shortened the transition period from apprentice to employed skilled worker with less than one year of training as opposed to up to five years in the typical apprenticeship. The dropout rate from the programme was also significantly lower than in traditional programmes. The employment rate and the salary scale are comparable with the outcomes of informal apprenticeships.

Sources: ILO and IYF, 2015; OECD and ILO, 2019.

3.3 Non-formal training-related active labour market programmes

Non-Formal training-related active labour market programmes (ALMPs) comprise programmes outside the formal education system, typically of short duration (e.g. usually days, weeks, months – rather than years), and include, for example:

- second chance basic and foundation skills training (literacy and numeracy);²¹
- technical and vocational skills training, i.e. trade- or job-specific skills training programmes; and
- Core work skills training (e.g. training on communication, critical thinking).

For interventions of this type to be relevant for the needs of workers in the informal economy, programmes need to: i) be flexible so that they can offer different schemes that fit the informal economy's heterogeneity; ii) offer nationally recognized certification; and iii) provide immediate pay-offs to the participants (Albaladejo and Weiss, 2017).

3.3.1 Second chance basic and foundation skills training

There is a strong rationale for second-chance programmes for those who have inadequate formal education (Betherman and Khan, 2015, Kluve, et al, 2017; Fox and Kaul, 2017). As noted previously, workers in the informal economy are more than three times more likely to have no education or primary education as the highest level of education compared to workers in the formal economy (ILO, 2018a). Second-chance programmes typically focus on basic and foundation skills (literacy and numeracy) and “may or may not lead to equivalency qualifications” (Betherman and Khan, 2015, p. 20).

A number of interesting second chance basic and foundation skills training models exist around the world.²² Key features of successful second chance initiatives include, for example: practical curricula; flexibility (at all levels, 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 (Box 19).

²¹ Not all countries would classify literacy and numeracy courses as ALMPs, in particular if offered under ministries of education.

²² UNESCO's Institute of Lifelong Learning has compiled a global literacy and numeracy database, LitBase, of case studies on youth and adult literacy programmes representing some of the best practice around the world. See <https://uil.unesco.org/literacy/effective-practices-database-litbase>.

Box 19. Second-chance education programmes open opportunities for further education and earnings in Malawi

To give youth and adults a chance to acquire foundation and transferable skills, the Government, initially with donor backing, set up the Complementary Basic Education programme, which has now been mainstreamed into Government-managed operations. The programme targets youths aged 9 to 17 years who either never enrolled in school or dropped out before completing Standard 5.

Local non-governmental organizations implement the programme, recruiting and training local facilitators under age 35 who have a secondary school qualification. Local recruitment provides jobs and role models for poor local youth. The programme has smaller class sizes than formal primary schools, and learner centres have the benefit of being located centrally within villages and are managed by communities.

The curriculum covers basic literacy and numeracy skills, designed around the primary curriculum, as well as more practical skills, including agriculture and the environment, livelihood and entrepreneurial skills, healthy living, and citizenship. The course is designed so that graduates of the three-year programme can re-enter Standard 6 in a formal primary school if desired.

Source: Adams, Johansson de Silva and Razmara, 2013.

In India, the national Saakshar Bharat initiative, launched in 2009, aims to provide 70 million adults with basic literacy skills (box 20).

Box 20. India's Saakshar Bharat initiative

Saakshar Bharat is the centrally-sponsored nationwide literacy scheme of the Indian Department for School Education and Literacy which a focus on increasing women's literacy. As well as basic literacy and basic education, it covers vocational education and skills development, applied science and sports.

Adult education centres are the operational arm of Saakshar Bharat, responsible for the organization and delivery of classes. These centres are established as Gram Panchayats (local self-government at village level) on the basis of one centre per a population of 5,000.

Source: Hanemann, 2017a.

In Mexico, the *Modelo Educación para la Vida y el Trabajo* (Education Model for Life and Work), offers individuals the chance to get formal qualifications and allowing them to access further education and lifelong learning (box 21).

Box 21. Modelo Educación para la Vida y el Trabajo, Mexico

The National Institute for Adult Education has developed an innovative and flexible model of basic education for youth and adult learners. The programme offers distance education and various other learning opportunities that enable youths and adults who missed out on formal education to catch up on primary and secondary education. The programme integrates basic literacy skills (reading and writing) with business and environmental training. The model allows participants to obtain officially recognized and accredited 6th and 9th grade qualifications, giving out-of-school individuals a second chance to access education and lifelong learning.

Source: Hanemann, 2017b.

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 (box 22).

Box 22. Alphabétisation de Base par Cellulaire (ABC) – Mobiles 4 Literacy, Niger

An important factor in motivating illiterate adults to learn numbers and letters is their desire to learn how to make a call or write an SMS text message, which is an inexpensive and increasingly popular means of communication in Niger. This has become the focus of the ABC project which used the mobile phone as a simple and low-cost pedagogical tool to encourage adults to engage in literacy learning.

The programme integrated phone-based literacy and numeracy modules into a conventional adult literacy course as part of a regular adult education programme which comprised eight months of literacy and numeracy instruction over a two-year period. Students attended classes five times a week, for three hours a day.

In conventional adult literacy courses, learners often find it difficult to put into practice what they have learned, principally because of a lack of recent and relevant information in their local languages. However, the use of mobile phones gives learners the opportunity to practice their literacy and numeracy skills more regularly outside the classroom. SMS text-messaging is a simple and low-cost means of communication, which allows learners not only to communicate news of events but also to have regular conversations with family, friends and commercial contacts.

Sources: Hanemann, 2017c; Aker, Ksoll and Lybbert (2012).

There is a lot of potential in integrating second chance basic and foundation skills training with other interventions. For example, Arias, Evans and Santos (2019) have identified some examples of agricultural extension (Brazil's *Bolsa Familia* programme) and cash transfer programmes (Mexico's *Prospera* cash transfer programme) that integrate second chance training opportunities.

3.3.2 Non-formal technical, vocational and core work skills programmes

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

Theoretical and practical skills training should be combined – One of the key aspects of the youth (*jóvenes*) programmes in Latin America is the combination of classroom instruction with on-the-job training. The impact evaluations of these programmes suggests that it is a promising practice worth emulating (Glick, Huang and Mejia, 2015). A study of 345 training programmes confirmed the benefits of combining classroom training with direct workplace experience (Fares and Puerto, 2009, as cited in Glick, Huang and Mejia, 2015).

Training in multiple skills – Multiple-skill training is a combination of basic, foundation, technical, vocational and/or core work skills, depending on the target group. It leads to positive work outcomes according to multiple evaluations (box 23). Including entrepreneurship and business skills training as part of this skill-mix is common in interventions which target workers in the informal economy (Albaladejo and Weiss, 2017).

Box 23. Examples of interventions that offer multiple-skill training

Empowerment and livelihood for adolescents (Uganda) – Vocational training, financial literacy training and information on sex, reproduction and marriage were provided to adolescent girls over a two-year period in after-school clubs (Bandiera et al., 2015). This led to a 72 per cent increase in a trainee's chance of engaging in income-generating activities (after 2 years).

Life skills and employability training for disadvantaged youth (Dominican Republic) – This training offered 75 hours of basic or life skills training (mainly work habits and self-esteem), 150 hours of technical or vocational training, followed by a three-month internship in a private firm (Ibarrarán et al., 2014 and 2018). This had a positive impact on transition to formal employment for men (increasing about 17 per cent) and also resulted in a 7 per cent increase in monthly earnings among those employed. These gains are expected to last over time.

Training for small-scale entrepreneurs (Togo) – Business skills training was combined with socio-emotional skills aimed at helping entrepreneurs become more proactive and resilient to obstacles (Campos et al. 2017). This led to higher sales and profits.

Skills-related ALMPs for those working in the informal economy should be combined with other supporting interventions such as job placement, business development support or improved access to credit (Albaladejo and Weiss, 2017; Brewer, 2013; Kluve et al., 2017) (boxes 24–26).

Box 24. Argentina's Entra21

Argentina's Entra21 programme is a skills training intervention targeted at disadvantaged unemployed youth with secondary education, providing technical and soft skills training in ICT-related activities through in-class learning and internships. The intervention includes a job placement component and each trainer/implementer is committed to inserting 40 per cent of their graduates into the labour market. The programme also provides trainees with transportation expenses, books, training materials and clothes. Some beneficiaries also receive a monthly stipend. Participants' earnings were 40 per cent higher than non-participants.

Sources: Kluve et al., 2017; Abdul Latif Jameel Poverty Action Lab (J-PAL), 2017, as cited in World Bank, 2019a.

Box 25. Kenya's Ninaweza programme

Kenya's Ninaweza programme is an employability programme for unemployed young women living in informal settlements in Nairobi. It combines skills training in ICT and life skills (eight weeks) with internships (eight weeks) and job-placement (six months). Both monetary and non-monetary benefits are provided. The programme has led to a 14 per cent increase in the likelihood of obtaining a job, higher earnings, and more self-confident participants.

Sources: Alvares de Azevedo et al., 2013, as cited in World Bank, 2019a; Kluve et al., 2017.

Box 26. Liberia's Economic Empowerment of Adolescent Girls (EPAG) Programme

This programme targets out-of-school girls who possess only basic literacy and numeracy skills, and combines classroom-based technical and life skills training with follow-up support to enter wage employment or start a business.

Service providers are responsible for developing training curricula and making arrangements for free childcare services. Performance bonuses are awarded to training providers that successfully place their graduates in jobs or micro-enterprises.

Source: Kluve et al., 2017.

3.4 Skills development in rural areas

While this sub-section briefly explores the issue of skills development in rural areas, it should be noted that other types of skills provision covered in other sub-sections are also found in rural areas, though usually more geographically dispersed: formal vocational training provision (section 3.1); informal apprenticeship training (section 3.2); and training-related ALMPs (section 3.3). The following is a brief listing of the experience of a selection of comprehensive livelihood programmes and agricultural extension services.

3.4.1 Comprehensive rural livelihood programmes

The ILO's Training for Rural Economic Empowerment (TREE) programme involves four different processes:

- institutional organization and planning;
- economic opportunities and training needs assessment;
- training design, organization and delivery; and
- post-training support for micro-enterprise development and wage employment.

TREE has been implemented in more than 20 countries (ILO, 2017) and the experiences gained highlight several advantages of its method (box 27).

Box 27. The Advantages of the TREE Method

Relevance of skills training to local needs – The initial assessment of local economic opportunities guarantees that the training offered matches market demand. Rather than providing standard training courses with predefined curricula, TREE adapts to local needs.

Benefits are drawn from local ownership – The inclusion of local institutions and partners in the various stages of training design, delivery and post-training support enhances their commitment, improves success, and encourages cross-linkages and the development of trust between the different actors.

Post-training support – A key component of the TREE method is the provision of post-training support – including mentoring and personal development training – along with other forms of guidance that helps beneficiaries face the realities of running a business or working in an enterprise for the first time.

Sustainability and replicability of its approach – The sustainability and replicability of TREE is linked not only to the beneficiaries and local community partners, but also to the political will at the national level. TREE requires a conducive policy environment and several countries have incorporated TREE into their national policies. For example, TREE was incorporated as a methodology in Sri Lanka's rural vocational training and, following the success of TREE in Pakistan, the Government used its methodology in its "Skilling Pakistan" National Skills Development Strategy.

Source: ILO, 2017.

3.4.2 Agricultural extension services

Programmes to improve agricultural productivity in rural areas usually consist of "a mix of extension, livelihood, and cash support" (Arias, Evans and Santos, 2019, pp. 338–339). Improving farmers' skills can have significant impacts on productivity (box 28).

Box 28. Agricultural extension programmes

Improving farmers' skills can have significant impacts on productivity, for instance, through the adoption of improved seeds and better farming techniques. Some effective community-based and farmer-to-farmer extension approaches have had large, positive cost-benefit ratios of 7.7 in Ghana, 6.8–11.6 in Malawi, and 14.2 in Uganda (Wellard et al., 2013).

In spite of the potential, however, agricultural extension in Africa has not lived up to expectations. Several challenges have led to low levels and low quality of agricultural skills training. Agricultural extension services are prone to information asymmetries, since farmers may not know the potential gains from upgrading their skills or where to go to get them. In addition, many of the small-scale farmers who need to receive agricultural skills training are often small in number and spatially dispersed – and given poor transportation infrastructure – the costs to reach them are often high. This may result in the poorest farmers with the greatest need of skills upgrading being under-served.

The externalities of farmer skills upgrading, together with the strong evidence of its potential benefits through well-executed agricultural extension, make a strong case for public intervention. Advancements in ICT can potentially make it easier to reach smallholder farmers and help to reduce the costs of training and extension visits, enabling more frequent two-way communication between farmers and agents, as well as improving agents' accountability (Cole and Nilesh Fernando, 2012).

Source: All references above are cited in Arias, Evans and Santos, 2019.

3.5 Recognition of prior learning

Recognition of prior learning (RPL) of skills acquired in the informal economy is important for a number of reasons. In contexts with high levels of informality, many people acquire skills informally – at the workplace, in the community, at home, through informal apprenticeships or “learning by doing”. The following are benefits to establishing RPL policies and strategies.

- RPL can broaden options for formal employment (ILO, 2011a; 2013a; 2015; Kupets, 2017; WEF, 2014). For example, it allows individuals to “signal” their cumulative skills, no matter how or where they were acquired, and therefore serves as an incentive for workers to invest in training (OECD, 2017; World Bank, 2014).
- RPL 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, Johansson de Silva and Razmara, 2013, p. 13) and be part of a strategy to strengthen and formalize informal apprenticeship systems.
- RPL enables “skills re-engagement with further education and training” by facilitating access to education and training (World Bank, 2017a, p. 156).

Investing in recognition and certification processes and skill assessment modalities is important to ensure that skills acquired informally can be validated and easily recognized (ILO, 2013a). Globally, more and more countries are strengthening their RPL systems of skills validation and certification in order to recognize skills acquired informally and non-formally (ILO, 2018d; OECD, 2019b). General approaches which have been adopted include:

- moving to a competency-based approach to formal qualifications;
- encouraging certification for non-formal education and training;
- recognizing non-formal and informal learning in national qualifications systems;
- harnessing technology to certify skills; and
- international harmonization of recognition and certification (OECD, 2019b).

Recognition of prior learning 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 (NQF) (box 29), and South Africa is also trying approaches that use technology to better recognize the skills of the illiterate and semi-literate (box 30).

Box 29. Recognition of prior learning (RPL) in South Africa

The South African Qualifications Authority has developed common procedures and guidelines for the implementation of RPL within the NQF. The comprehensive guidelines encompass assessment, feedback and quality management systems and procedures. Industry “Sector Education and Training Authorities” develop industry-specific plans (for example in tourism and hospitality, sport, health and welfare, construction, insurance, and engineering sectors) to advise on RPL procedures, set skills verifications procedures (including, when necessary, through observation rather than examination) and organize provision of upgrading training. In 2014, a national policy for the implementation of RPL was introduced (and later amended in 2019), noting that RPL can include any type of prior learning (non-formal, informal and formal) across all ten levels of the NQF.

Sources: Various as cited in ILO, 2008; SAQA, 2019.

Box 30. The Amabele e-RPL Initiative within the grain silo industry in South Africa

In order that its workers might meet international food hygiene and food safety regulations, the grain silo industry in South Africa took an initiative to assess and certify their workers’ knowledge and skills (and train them, if necessary) so that they can handle and store grains and oilseeds safely and hygienically. A unique computer-based “e-RPL” model, the Amabele e-RPL competency-based assessment instrument, was used.

Computer-based assessments were combined with on-the-job observation and written comprehension testing. A mobile computer laboratory was used to reach candidates in those remote areas without electricity. The RPL candidates were assessed against qualifications registered on levels 1, 2 and 3 of South Africa’s NQF.

The advantages of this approach included: suitability for the illiterate and semi-literate; scalability and portability; mass application possible countrywide, and at a lower unit cost and within a shorter time frame; suitability for rural and informal economy; and combining assessment and training.

Source: Bayman et al., as cited in Aggarwal, 2015.

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 covers the costs of any subsequent skills gap training (Indian Directorate General of Training, 2014, as cited in Aggarwal, 2015).

Bangladesh offers RPL certifications in TVET only, but covers recognition of formal and informal learning and competencies (box 31).

Box 31. RPL of skills in the informal economy in Bangladesh

In Bangladesh, the recognition of skills attained in a variety of ways, including work in the informal economy, is being promoted through the establishment of the National Technical and Vocational Qualifications Framework (NTVQF), which provides benchmarks for skills attainment, alignment and recognition.

The main institution responsible for RPL is the Bangladesh Technical Education Board, but industry advisory groups and private sector are also involved. The Bangladesh RPL system allows for several options towards certification which are based on a combination of credits obtained through RPL, training and assessment.

The RPL assessment system currently relies on centrally set examinations, although a proposal has been made to abandon these and introduce a competency logbook to document competencies in the informal economy. The decision on whether or not to certify an applicant is made following assessment against existing standards in the NTVQF.

Sources: Hofmann and Kirsch, 2020; ILO, 2018d.

Quite a number of examples exist from sub-Saharan Africa of how RPL can be applied to informal apprenticeships. In Benin, Ghana, Kenya, Malawi and Tanzania (box 32), informal apprentices are able to acquire proficiency certificates that signal their competency (Field and Guez, 2018; Hofmann, 2019; Palmer, 2007; World Bank, 2017a).

Box 32. RPL of informally acquired skills in Tanzania

In Tanzania, the Vocational Education and Training Authority (VETA), with the support of the ILO, implemented a pilot for the establishment of a System of Recognition of Prior Learning (RPL) in 2011 as a means to assess and recognize informally acquired competencies. Between 2011-18, ten competency-based occupational standards were developed, covering occupations with a high incidence of informal apprenticeships, such as: motor mechanics, carpentry and joinery, masonry and brick laying, food production, food and beverage services, tailoring and sewing, plumbing and pipe fitting, auto body repair, welding and metal fabrication, and electrical installations. To apply for RPL, individuals need three to four years of work experience. They can then submit an application (together with a portfolio, if applicable) to a VETA-registered assessor who guides the candidate to overcome any shortcomings and helps prepare them for assessment. The assessor seeks the master craftsperson's endorsement of the candidate prior to assessment, and also conducts the assessment.

Sources: Hofmann and Kirsch, 2020; ILO, forthcoming.

3.6 Opportunities through digitalization

As noted previously, new ICTs (internet-connected computers, smart-phones) are not yet prevalent in large parts of the informal economies around the world. In low-income countries, the radio, (non-smart) mobile phones, and television are likely to remain the most widespread forms of ICT until the cost of both internet-enabled devices and data packages reduces sufficiently to enable more people to get online. Until this happens, the new learning opportunities requiring the Internet will largely benefit only higher-tier enterprises and those better-off workers in the informal economy who have been able to acquire an internet connectivity.

Nonetheless, there are some opportunities available through digitalization, for example, in the Bahamas which is using blockchain technology. Blockcerts, as they are called, are “digital records that are tamper proof and directly owned by issuers and recipients” and are currently being used to issue certification. (Pavón, 2018).

While internet-enabled devices are still out of reach for millions in the informal economy, non-smart mobile phones remain the most accessible form of technology to provide learning opportunities. For example, SMS has been used as a way to reach farmers with agricultural information and learning opportunities (box 33).

Box 33. SMS and mobile learning for small-scale farmers in sub-Saharan Africa

Precision Agriculture for Development (PAD) (Kenya) – PAD uses text messaging to teach farmers in western Kenya how to use agricultural lime (used to control soil acidity), as well as how to fight the fall armyworm, an insect that ruins crops and destroys livelihoods.

iShmaba (Kenya) – This is a farmers' information call centre and SMS service that helps farmers improve their farming skills and achieve better yields through learning from agricultural experts.

CocoaLink (Ghana) – Created by the World Cocoa Foundation, CocoaLink provides free voice and SMS text messages to teach small-scale cocoa farmers about farm safety, child labour, health, improvements in farming practices, crop disease prevention, and crop marketing. CocoaLink enables farmers to ask specific cocoa growing questions and share knowledge with other farmers about critical agricultural and social information. Farmers receive messages in English or their local language.

Sources: Mitchell, 2018. See also: www.ishamba.com and www.worldcocoafoundation.org.

Potential exists for internet-enabled technologies to transform learning in the informal economy.

Digital technologies have the potential to help build skills not just for a privileged few, but for all workers – including those with low education and limited opportunities – and to boost productivity and create better jobs in all enterprises, including informal ones (Choi, Dutz and Usman, 2019, p. 8).

However, as noted previously, the unaffordability of access to the Internet (fixed broadband internet, mobile data packages and internet enabled-devices) means that the majority working in the informal economy in sub-Saharan Africa will not be benefiting from opportunities for perhaps the next decade or more. In Asia and the Pacific, and especially in Latin America, the proportion of the population accessing mobile internet over the next decade could open up more opportunities in the years ahead (section 1, box 2).

Indeed, there are some emerging examples of how new technologies are already providing early adopters with new learning opportunities. 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, Dutz and Usman, 2019, pp. 32–33).²³

Intermediaries' use of digital technologies to reach workers in the informal economy is another example, "digitalization is an enabler for new forms of teaching and learning in TVET, which can help to improve access to formal education for disadvantaged target groups" (GIZ, 2019, p. 2).

²³ Another example, are telephone applications that can teach soft skills and job search skills, such as the app available via the Tunisian Public Employment Service (see <http://maharati.emploi.nat.tn/external/>).

4. The financing of lifelong learning in the informal economy

For lifelong learning to become a reality for the 2 billion people working in the informal economy, major financing reforms are required. Approaches to financing LLL need to ensure affordability and sustainability, and financing mechanisms should incentivize and influence the behaviour of individuals and enterprises (as well as intermediary organizations)²⁴ to improve access, acquisition and utilization of workers' skills.

The ways in which skills development is financed in the informal economy has an impact on what skills are produced, where, among whom, and when. Skills financing is not just about ensuring that there are enough funds to support skills programmes. It also clear that, used correctly, skills financing mechanisms can strongly advance LLL objectives to ensure that policies are equitable, demand-driven, responsive and relevant. Used incorrectly, skills financing mechanisms will perpetuate the focus on investment for the small formal economy and leave 2 billion people without real and tangible opportunities for LLL.

Taking a lifelong learning perspective on financing skills in the informal economy means thinking about investments in skills **before** individuals end up working in the informal economy. It means thinking system-wide about finance related to formal education and training (from early childhood, to primary, secondary, technical-vocational, higher education), to non-formal education and training (short courses, continuing education and training), to informal education and training (e.g. informal apprenticeship financing). Such a system-wide and lifelong learning perspective is important to understand trade-offs and opportunity costs built into the current system, as well as the overall efficiency and effectiveness of spending.

While the focus of this section is on skills financing for those already in the informal economy, policy-makers should consider their portfolio of formal skills investments from early years onwards, giving emphasis to ensuring that all children complete free, equitable and quality basic education leading to relevant and effective learning outcomes. When it comes to secondary level vocational skills programmes, policy-makers need to more effectively coordinate the fragmented financing of skills that is mirrored in the vocational skills sector in many countries.

When it comes to financing LLL for 2 billion informal economy workers, it is quite clear that in the majority of cases, governments will be unable to afford the whole cost:

... thus, contributions will be required of governments, employers and individuals, and the optimal balance will depend on the needs and returns. Implementing the right incentives for employers and workers is crucial, as it is to provide targeted funding for training in skills shortages and for disadvantaged groups" (OECD, 2019b, p. 23).

²⁴ Because individual workers in the informal economy, in addition to informal enterprises, are a difficult entry point for skills development, financing measures targeting intermediaries (e.g. informal trade associations, community-based organizations, formal training providers, NGOs) could be an easier access point (Palmer, 2017a).

4.1 How is lifelong learning in the informal economy currently financed?

Short duration skills programmes – Governments in LMICs periodically provide publicly funded training programmes targeted at “unemployed youth”, which are usually subsidized (and sometimes free) for participants. Such programmes are quite often politicized, tend to be unsustainable and do not last more than a few years. They are also not designed based on international good practice and tend to have limited coverage.

Informal apprenticeship financing – This typically involves an upfront payment of an apprenticeship fee from the apprentice to the master craftsperson at the start of an informal apprenticeship. In return the master craftsperson agrees to train the apprentice, and may also give the apprentice a small daily meal allowance. The payment of apprenticeship fees, while typically lower than formal education and training tuition fees, still represents an entry barrier for the more marginalized and vulnerable groups in the informal economy.

Training funds – In a number of countries, donor-supported training funds typically include a funding window related to informal sector training (often disbursed via intermediaries and/or vouchers). The duration of such donor-funded training is often uncertain and the institutionalization of the financing is also often problematic (for example, through the setting up of a training levy, or obtaining Government public funding). Meanwhile, levy-financed training funds don't tend to be effective mechanisms for reaching the informal economy, though some exceptions exist which other training funds might learn from (see section 4.2).

Enterprise-funded training – A relatively small number of more high-end informal enterprises may invest in the training of the enterprise owner and/or employees. However, for reasons discussed earlier, most informal enterprises are unlikely to invest in this way.

Employees' reduced wages – While new employees are still not regarded as fully competent, they may be offered (and accept) lower wages compared to more experienced employees, reflecting that they are learning on the job.

4.2 The role of public funding for lifelong learning in the informal economy

To ensure that skills development for workers in the informal economy can be financed, policy-makers should assess the extent to which “national resources for skills training are ... oriented to the formal economy, neglecting the large sections of the population working in situations of informality” (ILO, 2013a, p. 4).

Indeed, the focus of financial incentives is on formal education and training because it is said to be much harder to monitor public funds used to support informal training (OECD, 2017). However, the use of formal intermediaries to reach workers in the informal economy with skills offerings should allow for public funds to be more effectively monitored, especially where part or all of the funding is linked to the delivery of results (see section 4.3). Moreover, there is growing international recognition of the importance of informal learning at work (de Grip, 2015).

Walther (2013) provides some insights into the skills investment mismatch between the formal and informal skills systems in Burkina Faso and Senegal. He notes that

It is hard to conceive that Burkina Faso continues to invest the most resources in (formal) technical and vocational education, even though there are 2 million traditional apprentices in the whole country. The same applies to Senegal, which has 10,000 young people in (formal) TVET, while the motor repair sector alone has 440,000 traditional apprentices (Walther, 2013, p. 24–25).

4.3 The role of formal financing mechanisms in supporting lifelong learning

Several financing mechanisms exist which, if implemented in the right way, “can improve equity and access to skills for the informal sector” (Adams, Johansson de Silva and Razmara, 2013, p. 15). Such mechanisms, discussed further below, include: i) vouchers, grants, stipends, scholarships; ii) training funds; and iii) performance and results-based financing. A range of other financing mechanisms and tools exist (e.g. tax incentives, loans, payback clauses etc.), though these are far less relevant for the informal economy and are therefore not referred to here.

4.3.1 Vouchers, grants, stipends, scholarships

Direct grants can be used to fully or partially overcome financial barriers (Filmer and Fox, 2014), 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 example, the Liberian Economic Empowerment of Adolescent Girls programme used incentives to ensure higher participation in an arrangement where participants “received small stipends contingent on attendance, free childcare, mentorships, and contests to engage the youth” (Filmer and Fox, 2014, p. 100). These measures contributed to a retention rate of over 95 per cent and an attendance rate of 90 per cent (ibid.).

Vouchers are more commonly used with individuals rather than with enterprises. Vouchers are 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 also help stimulate competition among providers (which leads to improvements in quality). Grants can be a cash transfer, conditional on a targeted beneficiary attending or completing a specific skills programme. Vouchers and grants can be universal or targeted at specific groups (e.g. unemployed, at risk or vulnerable groups, women, informal enterprises). However, unless targeted well, there is good possibility that beneficiaries would have paid for the training anyway in the absence of vouchers. Vouchers may also be captured by more well off, or more educated beneficiaries in the absence of effective targeting. As such, “targeted voucher programmes have become increasingly popular as a means ... to provide access to education to vulnerable and poor groups” (Albaladejo and Weiss, 2017, p. 23).

Ghana and Kenya provide interesting case studies of how such voucher programmes have been operationalized in practice, and the lessons learned (see boxes 34 and 35).

Box 34. Training voucher programmes in Ghana

The World Bank Vocational Skills and Informal Sector Support Project (VSP) (1995–2000) focused on skills upgrading for master craftspersons and traditional apprentices as a means to improve productivity and reduce poverty among participants. Vouchers for apprenticeship training were meant to be distributed to apprentices through trade associations, but implementation was never completed. However, many informal sector associations involved were not helpful with distributing “intake vouchers” to members (to recruit trainees) as incentives were missing; some failed to verify the eligibility of applicants and the management of some trade associations tried for personal gain by selling the available training places. The fact that the programme had to offer tools at a discount to masters participating in the scheme is also evidence of the lack of interest on the part of the associations. The VSP project shows that a concentration of vocational training institutions are needed for a voucher system to provide real trainee choices and stimulate competition among providers. Lastly, VSP post-training support was disjointed and the project did not optimize the potential synergies between key government and non-government institutions concerned with vocational training and employment start-up. As a result, VSP graduates lacked access to start-up capital, land for their workshops and other post-training support and advice.

The Ghana TVET Voucher Programme, implemented by Ghana's Council for TVET (COTVET) and financed through the German KfW Development Bank, was launched in 2017 and aims to provide competency-based training for COTVET-registered master craftspersons, and their workers and apprentices in the informal sector. The project financed vouchers for approximately 15,000 master craftspersons, their employers and apprentices (out of which at least 30 per cent are women) while providing certain equipment to the selected training providers. Small- and medium-sized enterprises apply for and receive vouchers to enable them to choose and attend competency-based training courses at certified public and private training providers. The trade areas covered by the programme are cosmetology, consumer electronics, automotive repair, building construction (welding), and garment making. The programme is currently ongoing and no evaluation data is currently available.

Sources: German Embassy Accra, 2017; Palmer, 2008.

Box 35. Training voucher programmes in Kenya

The Kenya Micro- and Small Enterprise (MSE) Training and Technology Project, completed in 2002 and financed by the World Bank, offered vouchers to offset the cost of training and access to new technology. The *Jua Kali* Training Fund was central to the project, using an innovative voucher programme to develop the market for MSE training. The vouchers covered 50 to 70 per cent of training costs for master craftspersons and apprentices; other vouchers offered access to technology, and specialized management and marketing services. The programme targeted women and was implemented by a non-governmental agency. More than 32,000 people were trained, of whom 60 per cent were women. After use of the vouchers, employment, assets, and income showed significant increases: 80 per cent were able to grow their business, compared with 13 per cent for the control group; 61 per cent added business assets, compared with 21 per cent in the control group; and 59 per cent of women seeking to enter the programme had started a business.

In 2008, Kenya developed another TVET vouchers programme in the western part of the country, which served as a special initiative to evaluate demand for vocational training and the impact of training on jobseekers. Implementation began in 2008 with the recruitment of approximately 2,160 out-of-school youths (ranging in age from roughly 18–30 years) who were invited to apply for a vocational education tuition voucher. Half were awarded a voucher through a lottery process, the other half served as the control group.

Of the voucher winners, around half had vouchers for participation in public vocational institutions and the other half for attendance in public and private schools. Seventy-four per cent of those receiving vouchers enrolled in some type of training programme. Unrestricted vouchers that could be used for either public or private training programmes were 10 per cent more likely to encourage enrolment than restricted vouchers. However, despite recruiting individuals who claimed to be highly interested in vocational training, and paying for all (or nearly all) of their fees, moderate dropout rates among the participants (35 to 40 per cent) was still observed. Individuals who were awarded restricted (public institution only) vouchers were about 16 per cent more likely to drop out compared to those who were awarded unrestricted vouchers.

Sources: Hicks et al., 2011; World Bank, 2003.

4.3.2 Training funds

Training funds are dedicated funds, outside of normal government budgetary channels, and typically financed by enterprise levies (a dedicated tax on formal enterprises principally used to raise funds for training purposes). Training funds can also be supported by other contributions, including from the government and donors.

The ILO Global Commission on the Future of Work proposed a greater future role for training funds “in countries where most workers work informally” with the establishment of “national or sectoral education and training funds ... managed by tripartite boards” (ILO, 2019a, p. 31).

Levy-grant training funds around the world have shown themselves in their current forms to not be suitable for reaching the marginalized, most of whom would not be employed in contributing formal firms. In the Southern African Development Community region, a recent review of levy-financed training funds in eight countries found that in the majority of cases, there was no mechanism to support workers in the informal economy; with the exceptions to this being the South Africa National Skills Fund and the Zambian Skills Development Fund (Palmer, 2020). While the South Africa National Skills Fund supports workers in the informal economy, the South African sector-run training funds, managed by the Sector Education and Training Authorities (SETAs) does little to support informal sector firms. Indeed, the majority of informal sector firms have not even heard of SETAs. A study conducted by Manufacturing, Engineering and Related Services Sector Education and Training Authorities (merSETA) “in four provinces found that 99 per cent of the respondents operating businesses in the informal sector have never heard of a SETA or merSETA” (NSA, 2019, p. 121).

Equity training funds have better outreach to those working in the informal economy, but require a revenue stream; this could be from the government, from donors, or from a dedicated proportion of a training levy collected from formal firms. In the ILO and UNESCO *Lifelong Learning Entitlement Report*, one recommendation was precisely this: governments should consider reserving money within a training fund specifically to be able to offer lifelong learning to workers in the informal sector (Dunbar, 2019). Indeed, this is the approach adopted in South Africa (see below).

The following are country examples of training funds that have found a way of supporting workers in the informal economy.

Benin

In Benin, the Continuing Professional Education and Apprenticeship Fund (*Fonds de Développement de la Formation Professionnelle Continue et de l'Apprentissage* (FODEFCA)) is used to support 90 per cent of the cost of the classroom portion of a three-year “dual-type” apprenticeship, with the remaining 10 per cent covered by the apprentice. FODEFCA also funds the upskilling of master craftspersons. FODEFCA was created with support from the World Bank’s Labour Force Development Project in 1999 to respond to the increasing demand for new skills in the formal private sector, enhance the employability of jobseekers and strengthen capacities of training centres. FODEFCA was initially financed through a combination of national budget resources and external support, with a preponderance of the former. However, the gradual reduction of donor funding, including the closing of the Bank’s Labour Force Development Project, left the Government as FODEFCA’s main financier, and overall funding levels declined. In 2013, the institution’s budget was only FCFA800 million (US\$1.6 million), compared to FCFA2.3 billion (US\$4.6 million) in 2005. The reduction in external support for FODEFCA was supposed to have been compensated by revenue from

an Apprenticeship Tax (a payroll-based tax on formal companies). However, while the Apprenticeship Tax is collected, the full value of the tax receipts has not been transferred to FODEFCA, depriving the institution of the financing required to fulfil its mandate (Ganou, 2019; World Bank, 2014).

Côte d'Ivoire

Côte d'Ivoire's Vocational Training and Development Fund (VTDF) is funded through a hybrid levy scheme: two compulsory payroll levies are set at 0.4 per cent for apprentice training and 1.2 per cent for continued vocational training; a 0.6 per cent levy exemption is possible for some approved company training plans. Any funds not exempted can be used directly by the VTDF. They can also be used to fund additional training schemes for micro-enterprises, female entrepreneurs, and enterprises in the informal sector (ADEA and AFD, 2014).

Ghana

Initially set up through World Bank and Danida funding in 2011, the Ghana's Skills Development Fund (SDF) is now funded by Danida, with a limited amount of government financing. During the first phase (World Bank and Danida-supported) between 2011–16, the Skills Development Fund Window 2 (informal sector training) reached almost 89,000 beneficiaries via 469 grants to intermediary organizations, mainly informal sector associations (World Bank, 2017b) (box 36). In addition to using intermediaries to reach workers in the informal economy with training, intermediaries were also relied upon "to improve public awareness and overall demand for SDF funding while also supporting potential applicants in developing proposals" (World Bank, 2017b, p. 41).

Danida is currently the only development partner that is supporting the continued operation of the Skills Development Fund, giving an additional DKK95 million over the period 2016–20 (Danida, 2016a). In the Danida Support to Private Sector Development (SPSD) III it was noted that Danida would cease funding the SDF if the Government did not contribute US\$1million in 2017 and a larger amount in 2018–20. The Government paid the counterpart funding of US\$1million in 2018, and Danida subsequently agreed to fund the SDF to the end of 2020. For post-2020, Danida is currently having discussions with other development partners, including the World Bank, who are interested in the SDF programme and model.²⁵ See also, box 36 below.

Kenya

Kenya's *Jua Kali* Training Fund, which was funded by the World Bank's Kenyan Micro and Small Enterprise Training and Technology Project (1994-2002), provided training vouchers for short-term, skill-upgrading courses and enterprise-based training for entrepreneurs and artisans. In 2008, another project also used vouchers. It is not known if voucher use is still active in Kenya (see box 35).

Nepal

Founded in 2008, the Employment Fund is operated by Helvetas, a Swiss NGO, in partnership with the Government of Nepal, and is financed by the United Kingdom's DFID, the Swiss Agency for Development and Cooperation and the World Bank. It is currently one of the largest youth training initiatives in the country, serving almost 15,000 youth annually. Each year, the Employment Fund authorizes training programmes under a competitive bidding system with

²⁵ Author's personal communication with a Danida programme officer, 26 Nov. 2019.

various training providers. Training and Employment Providers first respond to a call for proposals from the Employment Fund. After this, they conduct a rapid market assessment outlining viable and potential employment opportunities. Lastly, the Employment Fund evaluates the submitted proposals according to specific criteria (e.g. the capacity and experience of the Training and Employment Provider, the market demand for the proposed trades being offered, and the proposed costs) (Chakravarty et al., 2016).

Box 36. Ghana Skills Development Fund

WINDOW 2: MSEs in the informal sector

Window 2 supports vocational training development in the informal sector with funding provided to entrepreneurs, master craftspersons and artisans in micro and small enterprises (MSEs) through their associations. Funding under Window 2 is primarily provided to increase the skills in MSEs in the informal sector, although formally registered MSEs are not excluded from support. The key focus areas for funding are agribusiness and renewable energy although other areas with good potential to improve productivity and competitiveness are considered.

Due to the fragmented nature of MSEs in the informal sector, intermediary institutions are engaged to identify and coordinate training. These intermediary institutions include: trade associations of informal sector enterprises; public and private training and business support institutions involved in vocational skills and apprenticeship training; registered co-operatives; private training providers; and NGOs.

In order to increase the cost-efficiency of the support, applications benefiting multiple MSEs are encouraged. Therefore, associations or groupings of MSEs are expected to apply under this window, although individual MSEs may apply as well. The association or organization of MSEs is expected to identify training providers. While the grant agreement usually is with the association or organization requesting the training, funds for the provision of such training are usually paid directly to the training provider upon completion of the agreed training.

Priority is given to short and medium term skills upgrading initiatives that increase the competitiveness of groups of MSEs and master craftspersons, and to projects that include service providers (including public and private TVET institutions) that are likely to continue training after Skills Development Fund II support comes to an end.

Ceilings and co-funding requirements are:

- The upper ceiling for SDF grants under Window 2 is GHC80,000. The matching grant requirement under Window 2 is limited to in-kind support, internships and work opportunities to be provided to the trainees during the training period. The value of this must constitute at least 20 per cent of the total cost of the training.
- For the sake of cost-efficiency, applications by individual MSEs below GHC5,000 are administratively rejected. The applicant is encouraged to identify other MSEs with related skills-upgrading needs and to resubmit the application through an association or as part of a group of MSEs (master craftspersons).

Source: Danida, 2016a and 2016b. See also Ghana Skills Development Fund (GSDF) website at: <https://www.sdfghana.org>.

Pakistan

The DFID-funded Punjab Economic Opportunities Programme (2008–16) created the Punjab Skills Development Fund (PSDF) to deliver the skills component of the project. The project trained an estimated 150,000 poor and vulnerable individuals from ten of the poorest districts of Southern and Central Punjab – many of whom would be regarded as being in the informal economy. The PSDF was set up as a “not-for-profit” company with its own independent

board.²⁶ The funding model used by the PSDF is to invite bids from training service providers to deliver quality training in those skills identified as being in demand in Punjab's labour market, and award contracts based on a competitive and transparent procurement process. The Project Completion Review gave this component of the Punjab Economic Opportunities Programme an overall score of A+ which:

... recognizes that PSDF has developed into a strong, transparent, and professional organization ... It has consistently performed its role of developing demand-led skills schemes; undertaking transparent and competitive bidding processes for delivery of those schemes; and maintaining organizational transparency (DFID, 2016, p. 3).

Sierra Leone

In Sierra Leone, the World Bank financed a Skills Development Project (2018–23) that established a Skills Development Fund. Window 2 of this Fund includes a sub-window for micro-enterprises in the informal sector. Grants from this window can be used to finance eligible expenditures related to: i) short and medium term skills upgrading and development; ii) technology acquisition and adoption; and iii) apprenticeships for existing or potential employees or members of an association in the formal and informal sectors (World Bank, 2018).

South Africa

In South Africa, 20 per cent of a national skills development levy on formal firms is allocated to a National Skills Fund, which is an example of a levy-financed equity fund. The Fund was set up “to fund skills development for those that were unlikely to benefit from grants paid to employers. The focus was non-levy payers, youth, women, people with disabilities and people living in disadvantaged rural areas”. With the adoption of South Africa's latest National Skills Development Strategy, the National Skills Fund was slightly repurposed to also fund “national priorities”. The intention now is that the fund is used to drive key skills strategies, as well as to meet the training needs of the unemployed, non-levy paying cooperatives, NGOs, community structures and vulnerable groups (NSA, 2019, p. 62).

Uganda

In Uganda, the World Bank financed a Skills Development Project (2015–20) which introduced a grant facility to finance training. Window 2 of the grant facility is intended to assist self-employed and workers in the informal (*jua kali*) sector, MSEs, master craftspersons and members of cooperatives to improve their practical, technical, business and foundation skills in order to enhance their competitiveness. Due to the fragmented nature of these activities, it is expected that intermediary institutions such as trade associations of informal sector enterprises, cluster associations, registered co-operatives and NGOs will be in the lead position to define the content and duration of the training on behalf of the member (World Bank, 2015, p. 16).

Zambia

Zambia's levy-financed training fund has a dedicated window to fund SME training and informal sector training. Call for proposals are issued and funds are disbursed via intermediary institutions (e.g. cooperatives, associations, or training providers) who coordinate the application under this window for the benefit of SMEs and those in the informal sector (Zambia,

²⁶ For more information on the Punjab Skills Development Fund, see their website at: <https://www.psdf.org.pk/>.

2017a and 2017b). In 2018, 85 training providers were supported to train SMEs and informal sector groups (TEVETA Zambia, 2019).

4.4 Performance-based financing for quality enhancement and/or work outcomes

Adams, Johansson de Silva and Razmara note that public skills providers can be made more relevant to the informal economy if they are incentivized to do so by a shift away from supply-driven financing (focused on inputs, such as the number of programmes offered, instructors hired, etc.) “to results-based financing that holds providers accountable for training outcomes, especially those of the informal sector” (2013, p. 12).

Most financing for TVET delivery in formal vocational training is supply-driven; funding is often provided based on numbers of enrolled students or on expenditures made in previous years. Such funding approaches do not incentivize improvements in quality or relevance of training provision, nor do they incentivize providers to engage hard-to-reach groups, such as rural workers, women, ethnic minorities, people with disabilities and informal economy workers.

Performance-based financing helps to align incentives with desired outcomes. It is an approach that can help motivate stakeholders involved in training and post-training support towards achieving specific TVET-related objectives, for example: i) increased targeting of under-served and marginalized groups; ii) higher rates of course completion; and iii) higher rates of employment/self-employment three to six months after completion of training. Three examples from South Asia, of how performance-based financing has been used to more effectively reach the vulnerable and marginalized with training offerings are presented below:

Afghanistan

The Non-formal Approach to Training Education and Jobs in Afghanistan Project (2014–18) (World Bank, 2019b) provided incentives to non-formal training providers if the employment rate of their graduates met a stipulated benchmark. The largest component of the project was concerned with improving the quality of non-formal training and labour market outcomes of trainees, focusing on rural areas and inclusion of unemployed, underemployed, and illiterate youth (aged 15–35 years), including marginalized populations (internally displaced persons, refugees and returnees). For every training graduate in employment six months after graduating, the training provider received a US\$100 bonus (in addition to receiving up to US\$300 per trainee for training costs). Trainees from vulnerable groups did not appear to yield additional financial benefits for training providers. Another component of the project was designed to provide training in hard and/or soft skills, as well as functional literacy to members of savings groups.

Bangladesh

The DFID-funded Skills and Employment Programme – Bangladesh (Sudokkho) (2014–21) aims to enhance the provision of private sector skills training in the ready-made garment and construction sectors in Bangladesh, in particular, training that effectively supports the poor, women and disadvantaged population.

The programme uses a results-based financing approach:

... in working with the training providers, payments made from the programme will be based on key results, such as i) number of people trained; ii) placed in semi-skilled or skilled jobs; and iii) found to be working six months after completion of training. Thus, the bundling of employment services with training provided will be a key feature of this programme. Incentives will be on a sliding system with higher payments offered for harder to deliver results, such as training women in construction-related jobs (DFID, 2013, p. 12).

Nepal

The Nepal Employment Fund, set up by the United Kingdom (UKAid), Switzerland (SDC) and the World Bank, authorizes training programmes and employment services to target poor youth with less than ten years of formal education. The Fund was established in 2008 and ran until 2016. It used a combination of a results-based bonus (to reward employment outcomes of trainees) with a progressive incentive scheme (rewarding efforts to engage hard-to-reach groups):

- Results-based bonus – Training providers, who were selected through a competitive bidding process, were offered a bonus payment based on the number of trainees that had obtained “gainful” employment six months after completing the training. “The outcome-based payment system creates strong incentives for the ... providers to provide placement assistance and provides graduates with an opportunity to put their new skills to work immediately after the training” (Chakravarty et al., 2016, p. 5).
- Progressive incentive scheme – A differential pricing mechanism was adopted that awards a higher incentive to service providers who agree to train (and place) more disadvantaged groups (ibid.; Kluge et al., 2017).

5. 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 due to the fragmented nature of a system covering lifelong and life-wide skills issues. This is compounded by the added challenge of trying to engage an informal context through governance and policy tools and approaches which are primarily formal.

5.1 Skills systems in most countries are fragmented

At a national level, responsibility for the development of skills falls between many ministries, including basic and foundation skills, core work skills, and technical and vocational skills.²⁷ Such ministries might be, for example, ministries of education, labour, higher education, youth, agriculture, trade and industry, tourism, social development, among others. Private enterprises also have a responsibility for the development of the skills of their workers, and the market for skills formation also includes private (for and non-profit) education and training offerings. In other words, the learning ecosystem is broad and often not efficiently coordinated. Governance arrangements and policies of such a system are often fragmented, especially at the post-secondary age level. When governance and policies are fragmented, many other aspects of the learning ecosystem remain fragmented: the supply of skills; the understanding of the demand for skills; the funding of skills; skills information/data; skills legislation; and skills

²⁷ Professional or personal skills, such as honesty, integrity, and work ethics, are arguably individual attributes, but ones that can be influenced by family, community, education and work.

reforms are among the many related issues. Such a fragmented system unsurprisingly doesn't function in the best interests of the lifelong learner.

At the post-secondary level, TVET or skills councils are one mechanism to promote cooperation and coordination among the various actors in the learning ecosystem. Such skills governance mechanisms vary in their effectiveness and efficiency. One common challenge of such governance approaches, is the extent to which informal economy workers and employers are involved.

5.2 Current skills governance arrangements do not 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' organizations, employers' organizations). 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 and decisions affecting their lives have been made without their participation" (ILO, 2019a, p. 24). This "weak representation and organization of informal workers and employers is a strong impediment to the advancement of their interests and the resolution of the problems they face" (OECD and ILO, 2019, p. 78).

The challenge is how formal governance arrangements can be made more relevant to the informal economy. It should also be recalled that the informal economy is not a homogeneous block, so care is also needed to represent this heterogeneity.

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, 2013b). 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; OECD and ILO, 2019). The engagement between formal governance entities and intermediary organizations (e.g. informal sector associations), who are better able to connect with and represent workers in the informal economy, could be another way to establish a construction connection. The role of informal networks and clusters has been recognized, including between micro, small and larger producers, and their impact on technology transfer, innovation and mutual learning. These networks and clusters have often led to a self-determined identification of market opportunities and training needs, followed by skills delivery and, after a while, recognition by formal organizations (Monge-González, Salazar-Xirinachs and Espejo-Campos, 2018). In the Basque country of Spain, intra- and inter-industrial cooperation through clusters and cluster associations helps to promote the vertical application of horizontal policies like training. Though this is an example from a high-income country, it is an illustration of how cluster policy can promote sectoral participation instead of generic participation in governance (Gamboa, 2019). In Peru, this idea of promoting clustering of enterprises of different sizes in the same sector was introduced in the form of *Mesas Ejecutivas*, which is a working group that includes private and public actors around a sector with the aim of identifying and addressing constraints affecting productivity (Ghezzi, 2019).

In the area of technical and vocational skills, a common policy at the macro level to orient skills policies to better match market demand is to call for greater private sector representation on TVET governance and coordination entities (e.g. TVET Councils, national training authorities). However, the extent to which employers' or workers' organizations adequately represent the interests of enterprises and workers in the informal economy varies (ILO, 2019a, p. 41). In many cases, private sector participation tends to be of representatives of the formal private sector and demand-driven training often turns out to relate to the (often) small formal sector demand. Skills policies in countries with large informal economies cannot be regarded as being demand-driven if they are oriented mostly towards the demand of the small formal economy (Palmer, 2017a).

5.3 Lifelong learning requires a whole-of-government policy approach

Skills are developed over a lifetime, from birth onwards, and therefore a national skills policy that promotes a lifelong learning perspective is the most strategic approach. In the absence of a singular national skills policy, skills policies need to be aligned 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 groundwork for advancing foundation, core work skills, as well as the acquisition of technical and vocational skills. Therefore, any strategy aimed at the informal economy should first ensure that foundation and core work skills are built effectively through adequate investment in early childhood development interventions and through quality primary and lower secondary education.

Skills policies also need to be aligned horizontally with policies that influence the supply and demand for skills (e.g. agriculture, trade, industry, employment) (ILO, 2013a). However, this ideal is “rarely met, resulting in considerable mismatch between the demand for skills and the supply of skills” (ILO, 2013a, p. 3). Aligning skills policies to supply and demand can complement other policies related to particular groups, for example:

... the implementation of labour market measures to support workers during their job transitions; strengthening relevant support systems (e.g. career guidance and childcare during training to enable parents to invest in their skills); targeting workers in SMEs and low-skilled workers who are traditionally under-represented in training; and ensuring tripartite social dialogue and involvement of social partners in national, sectoral and local governance arrangements to make sure that policies are fair and are implemented” (ILO, 2018b).

5.4 Government strategies and policies for lifelong learning of informal economy workers

ILO research has shown that few countries can be identified as “having clearly defined the features of an overall system of lifelong learning” (ILO, 2019b, p. 8). While national skills development policies “tend to focus exclusively on the needs of the formal economy” (OECD and ILO, 2019, p. 94), skills development policies in many LMICs do pay some attention to the informal economy (Aggarwal and Gasskov, 2013), “although only few of them sufficiently meet the international policy principles” (ibid, p. 37), for example, in relation to 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 (in Bangladesh and Pakistan); and 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 effectively serve the informal economy.

Some countries have not paid much attention to the informal economy; for example, in South Africa “the assumption has always been that the formal economy will expand to absorb the majority of the workers and therefore the attention has to be on growing the formal economy” (Lolwana et al., 2015, p. 25).

In other countries, policies for informal economy workers tend to favour only high-end ventures. In Botswana, for example, the policy environment was found to be relevant only for those operators in “the top echelons of the informal sector” (Global Consult, 2012, p. 14), and the existing national policy instruments and acts

... could not support the promotion of skills development and investment for the illiterate or lowly educated operators in the unregulated informal economy. Existing policies ... could not be utilized to promote relevant practical skills development interventions for the real informal sector populated by poor, uneducated, largely women and the youth, who lacked access to existing funding and training opportunities” (Global Consult, 2012, p. 6).

What has also perhaps become clearer in the last ten years is that the informal economy in many countries is not going away any time soon and, in some countries, it will remain the largest source of work for decades to come. Acknowledging this means that skills policies need to explicitly set out approaches to improve the earnings and livelihoods of those working in the informal economy (Arias, Evans and Santos, 2019).

6. Promoting the transition to formality: What role for skills?

6.1 Skills can facilitate transitions to formality

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).

Improvements in the skills of those working in the informal economy are a necessary, but insufficient prerequisite for formalization. The ILO’s Recommendation 204 highlights the importance of access to education and training for informal economy workers, and that skills development and recognition can help facilitate transitions by providing incentives for formalization. Even while governments push towards formalization, it is clear that the informal economy will persist, especially in LMICs that already have sizeable informal economies (and especially in sub-Saharan Africa). The 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 there have been some successes in the formalization of informal enterprises, two recent reports published by the World Bank focused on sub-Saharan Africa, question this approach:

The future of work in Africa, questions

... whether formalizing the informal sector is not elusive as an explicit policy goal for Africa, given that it has been tried and failed in this region. A more realistic objective (which is also

useful for formalization) may be to focus on boosting the productivity of informal enterprises across activities, given that firms will not formalize unless they grow (Choi, Dutz and Usman, 2019, p. 124).

The skills balancing act in sub-Saharan Africa, argues that

... rather than trying to formalize workers or the training of workers, the focus should be on seeking effective ways to improve the productivity of workers independent of their formality status. In fact, most attempts to put a formal structure on top of informal activity have led to poor results. A more promising generation of programmes is doing the opposite – accepting the informal nature of most jobs and training agreements and focusing on improving the quality of training (Arias, Evans and Santos, 2019, p. 338).

In other words, these World Bank reports argue, the focus should be on improving the productivity of informal firms, “rather than focusing on trying to formalize them” (Choi, Dutz and Usman, 2019, p. 8).

From the ILO’s perspective, while the eventual goal should be the transition of firms and workers from the informal to the formal economy, the ILO specifically urges member States – during the transition to formality – to invest in the expansion of skills and “innovative capacities of workers and economic units in the informal economy” (ILO, 2015, p. 24). The ILO argues that policies related to the informal economy should “mostly [be] seeking to increase the productivity and improve the working conditions of those who work in it so as to facilitate transitions to formality” (ILO, 2014, p. 36).

The literature is indicating that – beyond looking at the productivity of individuals and firms – policy efforts aimed at formalization should be linked to structural transformation processes, including infrastructure and strengthening institutions. Research has shown that imposing formal rules on informal institutions from the top-down does not work. A more workable and successful pathway to formality must include physical capital, technology, skills and innovation.

6.2 Putting skills to work in the informal economy

The provision and expansion of skills plays a key role in improving the productivity of informal workers and enterprises (OECD and ILO, 2019), but only when these individuals are able to “use their skills fully and effectively at work” (OECD, 2019b, p. 4). In other words, access and acquiring skills will not in itself result in productivity improvements in the informal economy, especially in the context where these skills are not being put to use. This is a simple point, but one which policy-makers and politicians in many countries bypass with the general assumption that skills equals work.

Skills provision needs to be combined with complementary interventions. One of the common characteristics of rigorously evaluated ²⁸ skills interventions (cf. Kluve et al., 2017) is that skills training which has work-related outcome goals should be combined with other supporting interventions. This combined approach (skills provision with another intervention, see box 37) is widely regarded as the most effective approach according to the literature (e.g. HEART, 2016; Honorati and McArdle, 2013; Sanchez Puerta et al., 2015; S4YE, 2015). In fact, programmes that focus only on providing skills (and not skills training combined with, for example, self-employment support) tend to have disappointing results (S4YE, 2015).

²⁸ This refers to experimental or quasi-experimental impact evaluations.

Box 37. Examples of interventions that are combined with skills training

- Counselling and mentorship services (e.g. psychosocial support, career counselling)
- Job preparation advice
- Employment or work placements (including subsidized employment)
- Services supporting self-employment (access to credit, business advice etc.)

Sources: Honorati and McArdle, 2013; Sanchez Puerta et al., 2015; S4YE, 2015

In the context of LMICs, which have large informal economies (and thus fewer formal sector jobs, and where formal employment services have more limited outreach) combining skills with entrepreneurship promotion is particularly prevalent (Kluve et al., 2017) (e.g. see box 38).

Box 38. Peru (regional) – Calificación de jóvenes creadores de microempresas

Main intervention: Business training, business advisory and finance programmes with a business plan competition. Publicly financed and implemented.

Two phases: 1) Pre-phase of business advisory (two hours) and business training (24 hours) to develop a business plan; and 2) Post-phase of business advisory training (12 hours), business training (36 hours), internship (170 hours) and access to finance.

Other features: Targeted at low-income young people owning an informal business for less than a year or interested in starting a business. Only winners of the business plan competition are eligible for participation in the second phase.

Source: Kluve et al., 2017.

For workers that have acquired skills from the informal economy (either through an apprenticeship, or from on-the-job learning), a major challenge faced by many with regard to utilizing their skills in the formal economy is that the skills acquired informally are often not recognized by formal employers. This is because either they have received no certification from informally acquired skills, or because any such certification obtained may not be formally recognized. Unfortunately, providing skills with complementary interventions may still not be enough to improve productivity when there is no wider enabling economic, social, geographic and established environment. As Pina et al. have noted:

... merely investing in workforce programmes doesn't necessarily result in greater productivity [of informal sector workers]. The effect skills development can have on the productivity of informal workers 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 (2012, p.17).

The very size of the informal economy – 2 billion people – and its heterogeneous nature, means that it exists in very diverse contexts across different countries and regions. The extent to which such contexts are enabling skills access, acquisition and utilization vary considerably and need to be considered when looking at supporting specific regions or sectors. For example, it goes without saying that in conflict and fragile states, the absence of the rule of law and physical security may limit or stop economic activity altogether. In contexts where markets are dispersed and infrastructure unreliable or absent (e.g. remote rural settlements), market “demand” may be highly limited to the immediate local context, and the supply of skills will adjust to such an income-constrained context. In rural areas, high quality relevant agricultural extension training may have limited or no impact in contexts where farms are very

small, land tenure is uncertain, crop yields are low, infrastructure is poor and there is a low level of mechanization.

The answer to the question of what type of complementary intervention to provide, in combination with skills training, can be determined through a beneficiary needs assessment:

- Do beneficiaries have particular needs that will affect their ability to access, acquire or utilize skills?
- Does the surrounding labour market, socio-cultural, and geographic contexts affect beneficiaries' ability to access, acquire and utilise skills?

Where constraints related to accessing skills, acquiring skills and utilizing skills are mitigated by targeted complementary interventions, skills mismatches can be reduced.

7. Conclusion: Implications for research and programming

7.1 What are the evidence gaps?

A systematic global review of national skills policies and the informal economy

A systematic global review of national skills policies (or, where such integrated national policies are absent, of TVET, skills development, education, youth, employment/private sector/industry and agricultural policies) should assess:

- the extent to which such policies adequately (or at all) address skills issues in the informal economy;
- the extent to which any such policies are joined up at the national level; and
- the extent to which public funds are allocated (and coordinated) to supporting any such policies.

More robust evidence of what works, where, and why

Relatively few skills programmes targeted at the informal economy have been rigorously evaluated in terms of impacts on employability, earnings, and other outcomes. "More attention needs to be given to the rigorous evaluation of training programmes, public and private" (Adams, Johansson de Silva and Razmara, 2013, p. 14). Some evidence gaps to address include:

- Which are the most effective programme components or alternatives? These might include intervention design, targeting mechanisms, duration, pedagogy, governance, management, delivery channel (public, private, partnerships), and delivery setting (classroom, on-the-job) (Kluve et al., 2016).
- What are the best and most cost-effective components to package together? These might include skills interventions combined with employment services, subsidized employment, or business development services. Sections 3 and 6 provide a wide range of possible component combinations.

Training funds and the informal economy

As noted in section 4 of this report on financing lifelong learning, the ILO Global Commission on the Future of Work proposed a greater future role for training funds “in countries where most workers work informally” (ILO, 2019a, p. 31). While there have been quite a number of attempts to reach the informal economy through such training funds, most of these have been conducted through externally funded donor interventions, rather than based on levy-financed training funds. Research on providing an aggregated review should be dedicated to understanding the lessons learned from experiences around the world, for example, on training fund design, outreach, sustainability, governance, and measurements of “success”.

Performance and results-based financing for the informal economy

While the call to move away from supply-driven financing is not new, the evidence on performance and results-based financing for the informal economy remains somewhat scattered. A useful exercise would be to conduct research that draws these lessons together.

Skills mismatches in the informal economy

There is a need to improve the knowledge base on skills mismatches in the informal economy which will require expanded efforts for the generation and collection of data. The extent of skills mismatch is hard to define without reliable and quality information on the composition of the informal economy in a country (and the capacity to analyse it). Improvements in skill anticipation systems are required. Similarly, without an understanding of the full context within which the skills (mis)match exists, it may be hard to diagnose the mitigation measures (e.g. a low skills equilibrium is a skills match, but not a desirable one). Significant investments are needed in domestic information systems and analytical capacity (Palmer, 2017a).

Professional, personal skills and core work skills in the informal economy

More needs to be known about good practice. The focus of available informal economy research is often on technical and vocational skills, or on foundation skills like literacy and numeracy. Noncognitive skills such as discipline, confidence, negotiation, communication, and decision-making are especially important for the large numbers of informal workers who are self-employed and thus, by necessity, more self-reliant than most formal workers (Pina et al., 2012, p. 13). However, there is insufficient evidence on this issue (see also Brewer, 2013).

How ICTs can be effectively integrated into LLL in the informal economy

More information is needed on how ICTs can be effectively integrated into skills development in the informal economy (Betherman and Khan, 2015). The focus should be on how technology can support the most relevant pedagogy for skills provision to the various groups.

Informal apprenticeship outside of sub-Saharan Africa

Most of the literature on informal apprenticeships tends to focus on sub-Saharan Africa. More research on informal apprenticeships in the Arab States, in Central Asia and South and East Asia would be particularly useful.

What are the most effective mechanisms to engage informal economy employers in skills development?

For a universal entitlement to LLL to be a reality for workers in the informal economy, enterprise owners and employers need to be fully supportive of this entitlement. They will only do this if it makes economic sense to their micro-venture. Understanding mechanisms to engage with employers in the informal economy over the issue of a universal entitlement to LLL is important.

The Fourth Industrial Revolution, skills and the informal economy

With the rise of Fourth Industrial Revolution,²⁹ there is a need for greater understanding of what this means for skills in the informal economy.

7.2 Is there a need for new products and approaches for transitions to formality?

The ILO's Skills and Employability Branch assists governments and the social partners in reviewing and reforming their vocational education and training systems, policies and institutions. Its mandate is to enable constituents to improve skills development in order to improve the employability of workers, the productivity of enterprises and the inclusiveness of economic growth. The Branch's work on improving skills development in the informal economy currently applies three different and often complementary approaches:

- upgrading informal apprenticeships;
- recognition of prior learning; and
- community-based training for rural economic empowerment.

These three approaches will continue to be important for decades to come. In this context, it is suggested that the ILO consider the following action in the years ahead.

✓ Invest more in the implementation, experimentation and evaluation of informal apprenticeship arrangements

Understanding more about what works, where and why on a rolling basis could feed into periodic reviews of good practice and lessons learned (for example, every five years) which would be useful input to future interventions. One of the key aspects of upgrading informal apprenticeships, is improving the quality of training offered by master craftspersons. There is also the need to gather and analyse data on global coordination, especially with regard to LMICs.

²⁹ See "The Fourth Industrial Revolution", special edition of the *Columbia Journal of International Affairs*, Vol. 72, No. 1. (2019); and an op-ed article by Director-General of the ILO, Guy Ryder, at: https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_647815/lang-en/index.htm [accessed 10 Feb. 2020].

✓ **Consider different options to recognize non-formal and informal learning**

National qualifications systems need to be more flexible in how they respond to the recognition of prior learning. Research and practice should explore additional approaches to support countries in establishing systems that recognize non-formal and informal learning.

✓ **Strengthen 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 (Palmer, 2017a). Useful approaches related to capturing data on skills supply and demand include household surveys, firm surveys where the sampling “does not rely on official registers only” and various qualitative methods (Říhová and Strietska-Ilina, 2015, p. 47).³⁰

- Household surveys – “Household surveys need to be enriched to better measure skills and training. In particular, different forms of training (vocational formal training, apprenticeships, short-term training, on-the-job training) need to be captured with more detail” (Adams, Johansson de Silva and Razmara, 2013, p. 108).
- Enterprise surveys – Extend enterprise surveys to smaller firms, especially in the informal sector, to better capture data on the informal economy (Betherman and Khan, 2015).

✓ **Strengthening approaches for better monitoring and evaluation**

More investment is needed for monitoring and evaluation of processes and outcomes. Randomized controlled trials are not feasible as a main focus of monitoring and evaluation due to their direct and opportunity costs, the level of expertise needed, and the time required to conduct such evaluations (Adams, Johansson de Silva and Razmara, 2013). The immediate focus going forward should be strengthening the basic aspects of monitoring and evaluation systems so that more reliable information is collected, which can in turn allow for stronger process evaluations and an understanding of outcomes.

✓ **Strengthen foundation skills among workers in the informal economy**

Second chance education programmes need more investment:

... strengthening foundation skills among out-of-school youths and adults has been a blind spot in the [sub-Saharan Africa] region, especially in agriculture and the informal economy. Given the deficiencies in basic literacy, numeracy, and socio-emotional skills of current workers, remedial programmes aimed at addressing these gaps can play an important role in improving people’s livelihoods and productivity (Arias, Evans and Santos, 2019, p. 8).

✓ **Governance and financing models for LLL in the informal economy**

If a universal entitlement to lifelong learning is to be operationalized so that it covers the 2 billion people working in the informal economy, governance and financing models will need to be substantially reformed. There could be a role for the ILO in bringing together reviews of governance and financing approaches, lessons learned from evaluations, as well as technical support to initiate reforms at national level.

³⁰ For more information on measuring skills in the informal economy, see Mane and Corbella, 2017.

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