

TRAINING FOR WORK
IN THE INFORMAL MICRO-ENTERPRISE SECTOR

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Training for Work
in the Informal Micro-Enterprise Sector:
Fresh Evidence from Sub-Sahara Africa

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Editor: Madhu Singh
3. Training for Work in the Informal Micro-Enterprise Sector:
Fresh Evidence from Sub-Saharan Africa
Hans Christiaan Haan

INTRODUCTION BY THE SERIES EDITORS

In the majority of developing countries, the informal sector (and informal micro-enterprises) are the major employer of labour, and can contribute more to the economic prosperity of the countries concerned than does the formal sector, largely because more people are engaged in the informal sector.

The informal micro-enterprise (IME) sector essentially refers to non-agricultural self-employment activities and enterprises which are characterized by: a small scale of operation (less than 5 workers) and relatively small capital investment; the use of labour intensive technologies that require simple, often outdated tools and equipment; traditional forms of organization, such as family enterprises that make use of unpaid family labour; and, a weak position in the marketplace when it comes to purchasing production inputs and selling their products.

Despite this fact, when it comes to countries taking action to strengthen and upgrade skills development for employability, with particular reference to technical and vocational education and training, the emphasis is generally upon those working in, or seeking to join, the formal sector of the economy. More likely than not the skills development needs of those in the informal sector and IMEs, are largely ignored, to the detriment of the individuals concerned, their families, local communities and the economic and social development of the nation as a whole.

This is a vitally important matter that needs to be addressed in innovative ways, if developing countries are to successfully maximize the potential contribution of the informal sector to achieving sustainable development.

This important, ground-breaking book examines the ways in which the owners and workers in 'Informal micro-enterprises' in several African countries in Eastern Africa, Southern Africa and in West and Central Africa acquire the technical and vocational skills necessary in their work, their need for enhanced technical and other skills for employability, and emerging new innovative approaches to successfully transferring knowledge, skills and understandings to those working in informal micro-enterprises. The study reported upon here reviews developments that are taking place with regard to training for work in the Informal Micro-Enterprise (IME) sector, and analyses the changes that have taken place in the past two decades with regard to IME training needs and the response of public and private sector providers.

Hans Christiaan Haan, the author of this book, clearly demonstrates that, ‘the skills development processes in the IME sector are especially relevant in the wake of economic reform policies in these countries and the ensuing trends of trade liberalization and globalization.’ He also argues a convincing case that micro-enterprises will in the future continue to play a crucial role in absorbing very large numbers of job seekers; and that this process crucially requires relevant skills training skills for IME operators, linked to wider IME support services and relevant government policies and investments. He also argues for training in entrepreneurship.

Although this study refers to the situation in nine countries in Africa, it is considered to present a picture that is generally relevant to much of Sub-Sahara Africa.

This publication compliments the book edited by Madhu Singh on *Meeting Basic Learning Needs in the Informal Sector: Integrating Education and Training for Decent Work, Empowerment and Citizenship*, which has been recently published in the UNESCO-UNEVOC Technical and Vocational Education and Training Series.

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EXECUTIVE SUMMARY

This study analyzes the way in which the owners and workers of ‘informal micro-enterprises’ (IMEs) in a number of African countries acquire the vocational and other skills they use in their work, their need for enhanced and different technical and other skills, and emerging new approaches to transfer skills and knowledge to IME operators. The skills development processes in this sector are especially relevant in the wake of economic reform policies in these countries and ensuing trends of trade liberalization and globalization. Without increased attention, and support, for the acquisition for work in the IME sector, it is unlikely of that the IME sector will be able to continue absorbing the large numbers of new labour market entrants as it has done in the past decade.

1 Informal Micro-Enterprises

The study use of the concept of ‘*informal micro-enterprise sector*’, which refers to non-agricultural, self-employment activities and tiny enterprises characterized by:

- (i) *tiny scale of operation* in terms of labour employed (e.g. up to 5 workers) and capital invested,
- (ii) *use of labour-intensive technologies* that require simple, often outdated tools & equipment,
- (iii) *traditional forms of organization*, such as family enterprises using (unpaid) family labour, and
- (iv) *weak position in markets* where they purchase their production inputs and sell their products.

In spite of these common characteristics, the IME sector is not homogeneous. It is useful to distinguish a ‘*high end*’ of the sector, consisting of somewhat larger micro-enterprises that have some potential to grow, and a ‘*low end*’ of IMEs referring to simple (rural) self-employment and income-generating activities that foremost serve survival purposes. In Africa some three-quarters of IME employment is concentrated at the IME ‘low end’. One of the main points

underscored by the study is that the design and implementation of well-focused support interventions needs to carefully take into consideration this IME segmentation.

The IME sector includes a wide variety of economic activities. While the sector is invariably dominated by street vending and ambulant trading, it also includes more productive activities, such as small-scale manufacturing (e.g. food-processing, carpentry, welding, metal working and various handicrafts), maintenance and repair (e.g. cars, home appliances and electronics) and construction. Other common IME activities are transport (e.g. mini buses and taxis) and various personal and social services, such as hairdressing & beauty saloons, restaurants & catering, childcare, guarding of properties, etc. More recent additions are the repair of computers & mobile telephones and operation of Internet cafes.

The IME sector is to a large extent the consequence of a lack of wage-employment in the formal or modern sector, forcing large segments of the workforce to find other ways to earn at least some income. There is a significant correlation between IME sector and poverty: the large majority of the working poor are employed in IMEs, while most (though not all) who work in the informal sector only get a meagre income from their labours. There are however indications suggesting the emergence of a 'new generation' of informal entrepreneurs and workers: youngsters who have come to realize that the 'white-collar' jobs they have been craving for, are definitely no longer available and they have now come to appreciate working in the IME sector (e.g. because of working for one's own account). This would open an interesting window of opportunities as these IME operators are generally better educated, more interested in improving their skills, and generally more concerned to collectively take up the cause of informal micro-enterprises.

2 Role and Constraints of IME Sector

IMEs play in Africa an unprecedented role in terms of employment while also making a significant contribution to GDP. The sector has been expanding explosively all over the continent since the beginning of the 1970s. In all the countries studied the sector is already the most important 'employer', even providing work opportunities to 70–80% of the urban workforce. The sector has also assumed a steadily increasing significance in Africa's countryside. In Ghana, for instance, IMEs are responsible for over 90% of total rural employment. The IME sector is estimated to contribute around 20% to the GDP of the countries studied.

IMEs face several constraints in their daily operations as well as in their efforts to develop and expand. In Africa the most important ones are: (i) low

purchasing power of potential customers and increasing competition from (imported) industrial products, (ii) complex regulatory requirements and active discouragement from local governments, (iii) lack of access to adequate plots of land, electricity, capital and various business support services (e.g. marketing) and (iv) internal constraints, such as limitations of the technology employed, the equipment used and the low skill level of owners and workers. IMEs moreover suffer from a lack of genuine representative organizations, the absence of a coherent policy framework to promote small businesses and the sparse incidence of relevant IME support programmes. Governments, guided and supported by donors, often appear to be only at best interested in assisting small-scale activities ‘with potential for growth’ and especially (formal) small and medium enterprises (SMEs). In as far as available, support services for the ‘low side’ of the IME sector, i.e. self-employment and income-generating activities, are mainly provided by NGOs and special programmes for women and vulnerable groups.

Many of the IME constraints can be traced back to a lack of skills and knowledge of IME operators. Surveys point to the fact that as few as 5–30% of them have followed any kind of formal training. For lack of alternatives, most of them acquire their skills through self-learning and on-the-job training. The resulting level of technical and business skills is low, which, together with the use of outdated tools & equipment, is reflected in the, at best, modest quality and appeal of IME products.

The transfer of relevant technical/vocational and entrepreneurial/management skills will have to play a central role in the promotion of a vibrant IME sector. Without them, the sector will become more and more a cluster of low-barriers-to-entry (and -to-exit) activities that require minimal capital and skills. Interventions should carefully seek to diversify the economic activities in which IMEs engage so as to avoid that its function becomes a mere ‘sharing of poverty’ instead of making a vital contribution to the economy and supporting economic development. Skills are the key to such a process of diversification, increasing productivity, enhancing product quality and stimulating economic diversification.

The upgrading of skills and technologies has assumed a new urgency in the wake of recent trends for economic liberalization and globalization, which hold major threats (as well as some opportunities) for the IME sector. The convergence of consumer tastes and increased flexibility of multinational corporations are in many developing countries crowding out the products traditionally produced by IMEs (e.g. fruit juices, leather sandals, traditional clothing, etc.). Only concerted efforts to upgrade the skills level of informal entrepreneurs and workers, combined with other types of support (e.g. access to credit, tools & technology, markets and business information), will give the IME sector a chance to survive in this rapidly changing environment.

3 TVET Sector and IMEs

In Africa the TVET sector still suffers from a widespread ‘crisis’ in vocational training, which is characterized by institutional fragmentation, underfunding and training inefficiency and ineffectiveness. It is generally recognized that the TVET sector needs to be linked closer to the ‘world of work’. While these problems affect almost all ongoing training and certainly also concern skills training directed at wage employment in the modern/formal sector, the present study makes it clear that they apply *a fortiori* to training for work in the IME sector. The study concludes that in African countries studied (as elsewhere) there hardly exist any skills training programmes specifically directed at the IME sector. In fact, the TVET sector appears to almost ignore the training needs of IME owners and workers.

Public Training Providers

Public training providers continue to be very much ‘supply-led’. Their training is rather theoretical and primarily focussed on industrial wage-employment. As the consequence of low (and often still declining budgets) the facilities are dilapidated, training equipment scant and often defunct, training materials outdated and the instructors de-motivated. The long duration and inconvenient time schedules of their courses, together with low access due to high entry requirements and other factors, make them largely irrelevant for the provision of training for the IME sector. In as far as they have initiated new training programmes for special target groups (e.g. school leavers and others who have difficulty to access formal training programmes), such training is often a watered-down version of their standard courses: only minimal provisions for self-employment and running a micro-enterprise have been added (e.g. limited entrepreneurship development and management training).

In the past decade, many African governments, often with the assistance of donors, have initiated major TVET reforms. As a result, training policies have been reformulated and institutional responsibilities re-defined. Investments were made in training facilities, new training curricula and training-of-trainers to improve the quality and effectiveness of training programmes, particularly in the public sector. However, in spite of such efforts, the situation of skills training for the IME sector has remained the same, since few of the changes were directed at offering training for -prospective- informal entrepreneurs and workers.

The study found few examples of success stories of innovative training programmes for IME operators offered by public training providers. An important conclusion is therefore that public VTIs do not appear to have immediate

comparative advantages in providing skills training for the IME sector. In fact, it would appear that, for lack of a proper understanding of the features of the informal micro-enterprise sector, many of the TVET authorities are not fully aware that work in the IME sector requires skills training that is fundamentally different from conventional training offered as a preparation for wage jobs in the modern/formal sector.

Private For-profit Training Providers

Private for-profit training providers, which emerged in large numbers in the 1980s and 1990s (e.g. so-called ‘backstreet colleges’) are by and large irrelevant for the work in the IME sector. Private *training colleges* focus mainly on ‘soft skills’ such as secretarial & office skills and especially computer training. The exception is formed by *private business training centres*, which often start as a small production workshop by specializing in training. They rather focus on practical technical skills training (e.g. in dressmaking, hairdressing and electronics and other repair services) and are relevant for informal entrepreneurs and workers and especially women who aspire to enter into self-employment and set up a micro-enterprise.

The study furthermore identified some interesting examples of *business-embedded training* (BET), which refers to training offered by the formal private business sector as part of their regular business operations. They make it clear that this type of training can make relevant contributions to skills development for the IME sector, even though it is essentially dependent on supply-considerations.

There exists furthermore a large pool of ‘*private trainers*’, i.e. individuals, many of whom are (or were) linked to formal training institutions, who are qualified and interested to provide training to IME operators in technical and, especially, management and other business skills relevant to the IME sector.

NGO Training Providers

NGO training providers play a limited, but in some ways important, role in training for the IME sector: they target those who do not qualify for public sector training programmes (e.g. school leavers) and cannot afford private training. Being close to their target group, the training better addresses the needs and interests of the trainees and is delivered in a flexible manner and is often linked with pertinent follow up support services (e.g. counselling, credit and marketing assistance. At the same time it is observed that NGO training frequently focuses on simple income-generating activities. The training also tends to be irregular and limited in scale, since it is dependent on external funding.

The study found that these characteristics make NGOs well placed to conduct short trainings for income-generating activities (IGAs), but less suitable for training in 'industrial' trades. They are especially suited to conduct '*para-training*', i.e. new modalities of transferring skills and knowledge, such as demonstrations, guest speakers, exchange and exposure visits.

Possibly the main strength of NGOs lies in a role as 'facilitator' of training for the IME sector, which involves: identifying the need for skills training among their target beneficiaries, bringing them together with a relevant training provider as well as other organizations to provide post-training IME support (e.g. marketing), and, together with the community, monitoring the entire skills development process.

Informal Apprenticeship Training

One of the main findings of the study is that by far the largest number of IME operators has acquired their skills through 'informal apprenticeship training' (IAT), i.e. on-the-job training in small, usually informal, workshops. IAT was found to constitute a stunning 80–90% of all on-going training efforts in West and Central Africa (WCA), while it also plays an important role in countries in East and Southern Africa (ESA) (e.g. Kenya, Tanzania and Zimbabwe).

IAT has important advantages. It provides practical skills training at an appropriate level of technology, familiarizing the apprentices with the actual type of equipment (and its limitations) they will use later on. It does not only cover technical skills but, as a secondary output, also organizational, management and marketing skills, including costing, negotiating with suppliers and dealing with customer relations. The apprenticeship period provides the apprentices with the opportunity to gradually build up social and business networks, important to later set up and run their own enterprise. In all, IAT is close to the 'real world of work'.

At the same time, IAT was found to have a number of limitations. It normally does not pay any attention to the theoretical aspects of the occupation, which hampers the apprentice to fully understand the trade and consequently his/her capacity for adaptation and technological progress. The quality of the training varies widely, depending on the technical knowledge and teaching capabilities of the patron, the size and equipment of the workshop and the jobs carried out in the workshop (materials and equipment are seldom if ever used specifically for training purposes). As a result the apprentices do not necessarily acquire a complete set of skills for their trade. Moreover, IAT generally fails to transfer recent technological knowledge and updated technical practices and does not prepare the apprentices for the use of modern equipment. While one would expect apprenticeship training to be 'competency-based', i.e. the training period

to essentially depend on the progress and thus capabilities of the apprentice, it often appears to have 'fixed-time' aspects, with IAT, depending on the trade, usually taking some 3–5 years (or even -much- more) for trades such as carpentry and car repair. Working hours of the apprentices are long and conditions rather basic. In some cases unscrupulous employers exploit the apprentices as cheap labour without administering any training. IAT is available for many trades, although it is more common for males than for females.

In order to further enhance the efficiency and effectiveness of informal apprenticeship, a number of modifications are required to enhance its quality, broaden its content, facilitate the introduction of technological advances and ensure similar training outcomes for all apprentices. The provision of additional, complementary training for both mastercrafts(wo)men and apprentices was found to be essential in this respect. The study reviews a number of pilot activities in East, Southern and West Africa which are seeking to overcome the IAT weaknesses by: (i) conducting pre-employment and complementary technical training to the apprentices; (ii) providing a theoretical technical background and technologically up-to-date knowledge and practices to the apprentices, (iii) offering literacy/numeracy education and training in life skills to apprentices, (iv) providing opportunities to mastercrafts(wo)men (MCs) for skills upgrading in specific technical areas; (iii) improving the pedagogical skills of the MCs; and (v) collaboration among IMEs to ascertain adequate results of apprenticeship training (e.g. through the organization of trade tests and certification).

4 Conclusions

The study concludes that there is an immediate and crucial need to impart relevant skills to (prospective) informal entrepreneurs and workers. Skills development for informal micro-enterprises is crucial for them to withstand the challenges posed by globalization and trade liberalization and to continue to absorb hundreds of thousands of new job seekers every year. Upgraded skills together with more up-to-date technical knowledge will increase the level of productivity in the IME sector, which in turn will lead to higher profits and thus improved possibilities for re-investment. Additional skills will enable IMEs to diversify their production and move away from (almost) saturated markets. Only with more attractive products at reasonable prices the IME sector can meet the conditions posed by changing consumer tastes and liberalized imports.

Up-grading the skills level of the IME sector requires both a good understanding of the type and skills and knowledge needed in the sector and the

development of training approaches that reflect the segmentation of the sector and build, to the extent possible, upon existing training systems, such as informal apprenticeship training.

Training Needs of IME Sector

It is important to fully understand that the training needs of the *IME sector* are different from those of the *formal/modern sector*. There is no need for the training to follow the most recent production techniques used in the industrial sector, but it can remain at a more basic level, since the level of technology in IMEs is characteristically lower. At the same time, IME training should be multipurpose, i.e. include a far wider range of skills than conventional training. IME operators need technical skills as well as education and training for various non-technical skills. Training for the IME sector should take into consideration the segmentation of the sector itself. Training for the IME ‘low end’, e.g. income-generating activities, has to meet requirements that are different from training for prospective, informal business owners.

All this means that ‘training for work in the IME sector’ should include a wide spectrum of training offerings that differ in content and training approach/delivery mode. With regard to the **training content**, IME training should consist of:

- *integrated packages of technical/vocational and entrepreneurial/business skills* that address IME training needs: (i) relatively simple set of practical and multipurpose skills; (ii) attention for skills specifically geared at ensuring product quality (e.g. product finishing, quality control, packaging and continuous product design upgrading); both integrated with: (iii) entrepreneurial capabilities (e.g. assessment of self-employment opportunities; collection of information on technologies and appropriate equipment; preparation of simple business plans; and accessing credit), and (iv) basic understanding of business practices (e.g. basic financial administration for costing & pricing; physical workshop layout; quality control, licensing, tax and labour law procedures; and, especially, basic market research and formulation of marketing strategies);
- *training offerings for a broad range of IME trades*: future development of the IME sector largely depends on diversification into non-traditional IME trades, so training should be offered for a wide range of economic activities; offerings should be based on an analysis of the demand & opportunities for skills, and no trade should be on forehand excluded; training for traders (e.g. in bookkeeping, stocking, credit management, licensing regulations), street food vending (e.g. hygiene) and various agriculture-related

activities should be taken into consideration; with special attention given to stimulate female trainees to follow training in non-traditional trades;

- *attention for specific educational subjects and a variety of 'life' and empowerment skills*, such as education and training for apprentices as well as lowly-educated mastercrafts(wo)men, in literacy/numeracy and abilities in areas such as: problem solving and decision taking and decision taking; communication & negotiation, linked to customer relations; group awareness, conflict resolution, formation of self-help groups and associations, together with advocacy practices; and simple computer skills (e.g. use of Internet to identify relevant business development services).

The **delivery of training** for informal operators should take into consideration the socio-economic and educational background of the trainees. Consequently IME training should:

- *shift emphasis from pre-employment training to skills upgrading*: opportunities for 'continuous' training—i.e. both expanding and upgrading of skills used in the present trade and also acquiring skills in another trade to facilitate diversification of the business—are of crucial importance for IMEs, since they are too small to organize in-service training for their workforce such as done by large companies;
- move away from long-term centre-based training but rather focus on *short-term and modular training* activities, while the training should also take place at a *time and place convenient for the trainees*;
- *emphasize non-traditional training formats*, such as, for instance, '**para-training**' which refers to innovative training modalities, such as: guest speakers; demonstration sessions (e.g. for the introduction of new technologies and product designs); exchange visits to peers producers, and exposure tours to traders and relevant institutions; counselling; and marketing assistance; 'para-training' is particularly useful for the transfer of skills and knowledge in case of IGAs, e.g. to complement the provision of micro-credit; other examples of non-traditional training are video-based training, distance and e-learning.
- *links to post-training support*, such as access to capital, business advisory services and information, are crucial.

Special attention should be paid to ensure that training programmes benefit girls/women in at least the same extent as boys/men. This is not only a matter of ensuring similar enrolment rates for both groups by equipping training centres to receive female trainees, introducing training schedules that are convenient for women to attend, or eliminating gender bias from training curricula.

It also refers to efforts to guide female trainees into a wider range of activities, including trades that are so far dominated by men. And it may concern developing training offerings especially for girls/women, to serve their needs and interests, in particular to compensate for the many discriminations they are facing.

All this will have major consequences for the **organization of IME training**. Modifications are required in several areas: development of new types of training activities; preparation of new ‘skill-building packages’ for common IME trades; training-of-trainers with particular attention for appropriate teaching methods; and re-organization of testing & certification systems. Instead of a hierarchy of training levels, ages, requirements, governed by a system of official trade tests and diplomas/certificates, training will have to become much more flexible and responsive to developments in the economy and especially in the labour market.

Major Role for Apprenticeship Training

Within the coming decade, it is realistic to expect that the main contribution to IME skills development will continue to come from informal apprenticeship training (IAT), since none of the other training providers are likely to adapt quickly and offer relevant skills training at a large scale for informal entrepreneurs and workers (see Box).

Box. Main Elements of ‘Training for Work in the IME Sector’

- *Pre-vocational training activities and self-employment orientation* to prepare youth and (poor) adults for self- and other types of employment. They essentially refer to a combination of (i) non-formal education, (ii) orientation on work, career and vocational training, (iii) initiation to basic operations of various trades (e.g. first handling of simple tools), (iv) introduction to self-employment, and (v) life skills such as work values, job readiness, understanding the role of the market, how and where to find information, etc.
- *Pre-employment training*, which refers to short-duration training for a wide range of common activities in the informal economy to facilitate the initial entry of the training graduates into a job. Further skills development could then take place on-the-job or through well-focused skills upgrading courses, possibly linked with training in particular business skills.

- *On-the-job and apprenticeship training* for a period long enough to master a complete set of skills required for a particular occupation. Such training should be foremost practical, but measures should be taken to remedy the weaknesses of existing IAT (e.g. links to complementary training for apprentices and MCs).
- *Complementary training for IAT apprentices/ IME workers and mastercrafts(wo)men* in: (i) theoretical insights and good-quality practices in the current trade, (ii) new technological developments in the current trade, (iii) basic management and marketing practices, and, especially for those with low levels of education (iv) literacy, numeracy and life skills, together with (v) training in pedagogies for MCs.
- *Skills upgrading* of a ‘continuous’ nature is of pivotal importance for the informally employed to gradually improve their employment situation. This should be done through short, part-time courses that can be followed by both informal entrepreneurs and workers parallel to their regular work activities. Importantly, such training should include relevant offerings for informal activities for which so far no skills development opportunities exist (e.g. repair of computers and mobile telephones).
- *Training in business skills* proves useful in improving productivity and incomes for those who are planning to set up their own business or those already in business. Simplified training contents should be developed for those involved in small scale trading.

Efforts should therefore focus on upgrading IAT to remedy its weaknesses and improve its quality and efficiency. The review of the experiences so far make it clear that this will crucially depend on the introduction of *complementary training programmes* for both mastercrafts(wo)men and apprentices, to up-grade and up-date technical skills, improve teaching methods of the mastercrafts(wo)men and supplement the practical skills they transfer with some theoretical background and more advanced technical and technological knowledge. Such efforts should form part of an integrated approach to enhance the quality and efficiency of informal apprenticeship training.

Building Up the Training Market

The study suggests that interventions to improve and expand training programmes for work in the IME sector should form part of wider interventions to build up the training market—for IME training as well as for other types of training for which as yet no market exists. This requires strengthening of the

incipient demand for training as well as expanding the latent capacity of training providers to deliver such training—and bringing the two together. This requires, on the demand side, actions to enhance the social standing of manual trades & vocational skills training, and create awareness of the importance of various skills to withstand the risks of globalization and liberalization. On the supply side training providers require encouragement as well as technical assistance to initiate training programmes for the IME sector, such as: instruments to determine the type training required, the development of training programmes, training of trainers, and links to testing and certification systems.

Need for Integrated Support

Skills training is only a means to an end, i.e. increased access to rewarding employment and, gradually, higher incomes. So far, vocational training is too often treated in isolation. This should change: the training sector' should link up with other organizations that have mandates to promote the IME sector. It is of crucial importance to link training programmes with other support services—and in many cases specifically to access to capital. Optimal use of the acquired skills also requires the availability of suitable tools and equipment, as well as improved market access. And finally, sustainable expansion of the IME sector requires an 'enabling' policy and regulatory environment.