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Veröffentlichungsversion / Published Version
Arbeitspapier / working paper

Empfohlene Zitierung / Suggested Citation:
Janjua, S., & Naveed, A. (2009). *Skill acquisition and the significance of informal training system in Pakistan - some policy implications.* (RECOUP Policy Brief, 7). Cambridge: University of Cambridge, Faculty of Education, Research Consortium on Educational Outcomes and Poverty (RECOUP). https://nbn-resolving.org/urn:nbn:de:0168-ssoar-69214

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Leibniz-Institut
für Sozialwissenschaften

Mitglied der
Leibniz-Gemeinschaft

RECOUP Policy Brief no.7

Skill Acquisition and the Significance of Informal Training System in Pakistan – Some Policy Implications

Shehryar Janjua and Arif Naveed[1]

Whilst the informal sector is a major provider of skills for the bulk of Pakistan's labour force, its crucial role has largely been overlooked in policy making. There is a need to undertake effective interventions in the informal training system to enhance the quality of skills and incomes of its participants, and thereby improve the employment prospects of a majority of the country's labour force.

The formal Technical Education and Vocational Training (TVET) system in Pakistan, as it currently exists, is inaccessible to individuals without basic education. Entry criteria demand a minimum of 8, and usually 10, years of schooling for most training programmes. This sharply contrasts with educational attainments of the country's labour force. One-third of the labour force (15 years and above) is illiterate, and 46.2 per cent have even less than a year of education (GOP 2007). Only 35 per cent of the labour force has education of middle school (grade 8) or above, and the percentage of the labour force with education of matric (grade 10) or above is as low as 23.5 per cent (*op.cit)*. Among those who have gained skills from the formal TVET system, 90 per cent have education above middle school, whereas 58 per cent of skilled individuals (in the formal as well as informal systems) with education of matric and above benefit from the government's training facilities (MHHDC/RECOUP, 2007). Furthermore, formal training involves significant expenditures and the average private cost of gaining skills through vocational and technical institutions is Rs. 11,153 (Rs. 19,951 for males) (*op.cit*). As can be inferred from these statistics, the formal TVET system is non-inclusive and marginalizes almost two-thirds of the labour force that cannot fulfill entry requirements. As it presently stands, the TVET system is heavily biased towards the more educated, urban and relatively well-off, and overlooks the skill needs of less educated, rural and poor.

On the other hand, the informal sector in Pakistan serves as the predominant provider of skills as well as employment to the labour force. Out of non-agricultural employment, as much as 78.8 per cent of youth (ages 15-24) and 68.4 per cent of those aged 25 or above are employed in the

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informal sector (GOP, 2008). Moreover, there has been an increase of 4 per cent in youth and 7 per cent in those aged 25 or above employed in the informal sector over the period 1999/2000 to 2006/07 *(ibid.).*

The most prevalent mode of skills acquisition in the informal sector is apprenticeship under the *ustad-shagird* (master-apprentice) system. A household survey suggests that the percentage of those acquiring skills from the informal sector through apprenticeship is twice the proportion of those who acquire skills in the formal TVET system (MHHDC/RECOUP, 2007). The system is well suited to the needs of poor families in the sense that apprentices are provided small grants/wages during training. In addition, informal skill acquisition is important for a large number of individuals informally engaged with formal enterprises.

The informal sector covers a broad set of businesses, ranging from the relatively traditional to modern, and includes thriving enterprises along with subsistence-level activities. However, by and large, the sector is characterized by low-end businesses. It has been contended in the literature that a basic problem of the informal sector is its poor technological and skill bases, which translate into low productivity and concomitantly low wages. Furthermore, there is an almost complete neglect of the sector by public as well as private formal support systems.

Findings from an ongoing qualitative study carried out by MHHDC - RECOUP reveal that entrants to the informal training system are typically poor. They are also likely to have dropped out after some years of schooling. In general, owing to the impact of both the direct and the opportunity costs of education, such children are enrolled in informal businesses as apprentices at an early age. Here, the methods, skills and technologies employed are often out-dated. Upon completing training, participants in the system often continue for a few years as wage employees, and ultimately establish their own businesses. The entire process, from training to wage employment and ultimately self employment is scarcely touched by any form of institutional support. There are no noteworthy financial or business development services (credit, business counseling, technological support, entrepreneurial guidance etc.) that cater to the particular realities and problems of the informal sector. By definition, individuals engaged in the informal sector do not have any certification for their skills, and are thus generally excluded from formal retraining and employment opportunities. There is thus a strong dichotomy among formal and informal training systems, as well as employment, with little possibilities of inter-sectoral mobility.[2]

It emerges from the previous discussion that the formal training system excludes a great proportion of the country's labour force, both because of educational and monetary requirements. At the same time, the formal training system lacks adequate capacity given its small annual inductions in comparison to the number of new entrants into the labour force every year in

[2] While it is obviously possible for individuals from formal training and employment establishements to enter the informal system, movement in this direction is less probable.

Pakistan.[3] It is thus apparent that any effective and well-grounded skills development strategy should take cognizance of the informal sector in Pakistan, and identify areas for appropriate interventions in this sector.

Policy recommendations

On the basis of the discussion above there is a need for the following policy interventions:

1. A phased increase in the formal TVET programmes, to include some of those with less than middle school education, in-line with demonstrable market needs. Given the link between poverty and low educational attainments, it is necessary that such programmes be free for the economically underprivileged.

2. Enhancement, initially on a pilot basis, of skills in the informal sector through rigorous training of master-craftsmen (*ustad)*. Moreover, special training courses (e.g. fast track evening courses), as pilot projects, can be designed to enhance the skills of participants in the informal sector by providing them formal training using the existing TVET infrastructure.

3. At present, there is no recognition of prior learning (RPL) system in existence in Pakistan. Operationalizing such a scheme (by enumerating various skills prevalent in the market, standardizing their curriculum, testing and certifying) would allow individuals to gain accreditation for their skills and access formal retraining opportunities, acquire formal employment, or work overseas in more high-paying economies. The cost of such a scheme can be partially borne by individuals acquiring certification therein.

4. Launching large scale community-based training programmes, using the model of ILO's "Training for Rural Economic Empowerment (TREE)" pilot project. The TREE model, successfully tested in Pakistan, emphasizes the provision of demand-driven, tailor-made training courses as well as post-training services (i.e. microfinance and other business development services).

5. Since the informal sector uses on-the-job training systems, providing business development services (including access to financial capital, technology upgrading and business counseling) to these enterprises can greatly enhance the quality of skills imparted.

6. Building a database of existing types of skills provided in the informal sector and their cataloguing/categorization would allow for effective planning and policy making.

[3] In contrast to investments in formal skills training, the Labour Force Survey 2006-07 also notes that there has been a decrease in the number of men and women entering into labour market with formal TVET qualifications in recent years

7. Skills training should be promoted through distance learning schemes. Currently the Allama Iqbal Open University offers several short term skills programmes (through distance learning, its regional campuses and affiliated institutions). There is a need to strengthen such programmes.

8. There is a need to provide institutional support to the informal training system. For this purpose, it would perhaps be most efficient to expand the mandate, and utilize the facilities, of existing government bodies. Such an arrangement can also help in espousing formal-informal sector linkages. However, there is a need to maintain a specialized focus on the informal sector given that its dynamics are qualitatively different from its formal counterpart.

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