



European Commission

# **Skills development for the informal economy: issues and options in vocational education and training in the Southern partner countries of the European Neighbourhood Policy**

**September 2009**



 **HTSPE**  
International Programme Management



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**Project No. 2008/163330**

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**(5008122)**

## SKILLS DEVELOPMENT FOR THE INFORMAL ECONOMY:

Issues and options in vocational education and training in the  
Southern partner countries of the European Neighbourhood Policy

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September 25, 2009

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## EXECUTIVE SUMMARY

In its cooperation with partner countries outside the European Union, the European Commission has long been concerned with the development of human resources. It has in recent years devoted particular attention to promoting employability, decent work, social inclusion and social protection. In addition to supporting 'basic education for all', the importance of technical and vocational education and training (TVET) has been recognised in multiple projects in various developing countries aimed at boosting productivity and incomes while reducing unemployment and poverty.

The Barcelona Process was launched in 1995 as the framework to manage relations between the then 15-member European Union and 14 Mediterranean partner countries. It formed the basis of the Euro-Mediterranean Partnership, meanwhile expanded and evolved into the Union for the Mediterranean. With the introduction of the European Neighbourhood Policy (ENP) in 2004, the Barcelona Process essentially became the multilateral forum for dialogue and cooperation between the EU and its Mediterranean partners. Complementary bilateral relations are mainly managed under the ENP and through Association Agreements signed with each partner country. Support programmes for economic transition and reform are funded under the European Neighbourhood Policy Instrument (ENPI) a successor to earlier financial instruments known as MEDA and TACIS. Since 1995, the European Union has supported much needed reforms in technical education and vocational training (TVET) in most Mediterranean partner countries by funding projects worth more than 470 million Euro, i.e. around five per cent of total MEDA/ENPI funds.

While the ENP countries covered in this report<sup>1</sup> differ in many ways, they also share characteristics. They all made major efforts in broadening access to education and training, but the gains thereof in terms of widespread income improvements are yet to materialize. Most countries have severe problems in balancing labour supply and demand. Their labour force participation rates are lower and their unemployment rates higher than those of most countries outside the region. They all have significant and growing informal economies in which currently between 30 and 60 per cent of the labour force try and make a living without being covered by formal arrangements such as foreseen in regulation and legislation. Those who work in the informal economy tend to be poor; they have limited assets and few options. Most of them would be more than glad to have decent work on the formal side of the fence.

The notion of informal employment has increasingly found its way into the development discourse. Even if informality is not always perceived in the same manner by all, many policy makers in the Middle East and North Africa now acknowledge that decent work deficits set large segments in the labour force apart from others in terms of productivity, income, social protection, and basic rights at work.

The main issue addressed in this report is that in many developing countries, including most ENP countries, not enough useful and needed competence is embodied in the labour force for people to leave poverty and stagnation behind. Not enough people who work in the informal economy have had access to education and training as needed to improve performance at work. Nor do they have sufficient opportunities today to upgrade such competence as they may have, or to learn other skills.

It is against this background that one might ask whether skills development systems could not somehow do better in either preparing young people for the realities of the labour markets they end up in, or in helping them, once at work, to make the best of their precarious situation, if not to graduate from informal to formal employment.

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<sup>1</sup> The reports covers - to the extent that pertinent data were available - nine ENP countries south of the Mediterranean: Morocco, Algeria, Tunisia, Libya, Egypt, Jordan, Syria, Lebanon and the Occupied Palestian Territories. For the purposes of this report, they are referered to as ENP(South) countries.

Governments, it appears, are either unaware of the problem or they underestimate what difference effectively addressing it could make. Alternatively they may be unable for a variety of reasons to address needs and opportunities associated with people who dwell in informality at the bottom of society. In most ENP (South) countries, governments only play a modest role in skills development, favouring to invest instead in general education. Formal TVET institutions tend to enrol small proportions of students and are almost exclusively focused, without always being good at it, at meeting the needs of the modern, 'knowledge economy'.

Non-formal training such as offered by both public and private providers, including a variety of NGOs, may have been helpful, but their reach has remained mostly limited. In fact, by far most people working in the informal economy have acquired their skills on the job. Many it turns out, have been traditional apprentices. Others may have learned by trial and error, by copying colleagues at work, or by spending time with passers-by such as clients or equipment suppliers.

People at work in the informal economy need competence as much as anyone else, and may be more so. While many of them are literate and possess certain skills, many others would no doubt be better off if only they were a bit more competent. Efforts at promoting competence, be it for youth on their way into informal employment, or for others already at work in the informal economy, are therefore critical ingredients in broader economic and social development strategies. These might be efforts at improving or reorienting what is already being attempted by formal institutions, or at extending them in order to reach larger numbers of learners. Also likely to make a difference are efforts at improving in a constructive manner and on a significant scale, traditional pathways of youth entering the world of work, and, as far as people already at work are concerned, at promoting alternative non-formal initiatives involving, as appropriate, NGOs, local communities and groups of employers.

People should no longer have reason to believe that vocational education and training of one type or another are pathways "for losers". On the contrary, good quality efforts at life-long skills development, properly targeted, for plenty of people, with incentives as needed to lure them away from academic tracks that lead nowhere, should go a long way to spread dignity and pride in being competent at work, be it in the formal or informal economy. This would in turn improve the quality of employment and secure more decent incomes. It would contribute to boosting the productivity of the country's workforce and, thereby, to sustaining both economic and social development. It would in fact be a natural way for the informal economy gradually to become formal.

In reviewing examples of what ENP (South) countries do to come to grips with the always difficult transition from school to work, or with informality at work, or with skill deficits in the informal economy, it appears in most instances that, given the enormity of the challenge, governments if they don't leave the task to others, at best succeed in scratching the surface. Either for a lack of interest, or for a lack of ideas, or for a lack of resources, there are no examples of comprehensive strategies designed and implemented to bring substantially more competence to the informal economy. While in several countries TVET reforms are underway, boosting the skills of the working poor, or of the young people lined up to become working poor, appears nowhere included among priority concerns. As major economic and social benefits may be obtained from carefully reorienting, reorganizing and refinancing training systems to this effect, the time may have come to adopt an alternative training agenda.

In order to be effective at all, measures to be taken should be based on a number of prior conditions being met unequivocally, namely a mindset that attaches true value to reducing poverty and promoting social inclusion, as well as a sufficient understanding of current systems and socio-economic circumstances. Strategies aimed at extending competence to people working in the informal economy should vary from place to place depending on the nature and extent of pressing problems and on particular opportunities and constraints. Moreover, they should be an integral part of broader human development strategies.

With fundamentals established, including answers to questions such as why should people be trained in the first place, who in the country needs training, or would benefit from it (and who would not), and why should government be concerned, policies may be foreseen within a single logical framework to address a broad range of issues. As the case may be, these could include promoting trainability during basic education, reviewing the relevance and quality of skills development in secondary schools, enhancing through incentives the role of private training providers including NGOs and commercial training centres, improving traditional apprenticeship without destroying it, supporting skills development efforts at the local level, constructing an appropriate national qualifications framework, securing adequate funding for training, promoting life-long learning arrangements, and so on and so forth.

In sum, the countries focused on in this report share serious problems such as manifest, for example, in high rates of youth unemployment and the fact that large numbers of people work in unsavory conditions, at low levels of productivity and income, in the informal economy. Their education and training systems appear, if not in part responsible, ill prepared to help correct the situation. In spite of some good intentions and reform efforts, much more is needed to make sure that more job seekers will have the sort of competence that will get and keep them employed and out of poverty. Vision, good will and true commitment, combined with sufficient analysis, should lead to new directions in further nurturing these countries' human resources. Implementing a policy agenda such as suggested, elaborated in greater detail and amended as necessary to account for particular circumstances, should go a long way in reorienting education and training systems so that they would more readily benefit people who have no other option now than to make a living in the informal economy.

## 1. INTRODUCTION

In its cooperation with partner countries outside the European Union, the European Commission has long been concerned with the development of human resources. It has in recent years devoted particular attention to promoting employability, decent work, social inclusion and social protection. In addition to supporting 'basic education for all', the importance of technical and vocational education and training (TVET) has been recognised in multiple projects in various developing countries aimed at boosting productivity and incomes while reducing unemployment and poverty.

The Barcelona Process was launched in 1995 as the framework to manage relations between the then 15-member European Union and 14 Mediterranean partner countries. It formed the basis of the Euro-Mediterranean Partnership, meanwhile expanded and evolved into the Union for the Mediterranean. With the introduction of the European Neighbourhood Policy (ENP) in 2004, the Barcelona Process essentially became the multilateral forum for dialogue and cooperation between the EU and its Mediterranean partners. Complementary bilateral relations are mainly managed under the ENP and through Association Agreements signed with each partner country. Support programmes for economic transition and reform are funded under the European Neighbourhood Policy Instrument (ENPI) a successor to earlier financial instruments known as MEDA and TACIS.

Since 1995, the European Union has supported much needed reforms in technical education and vocational training (TVET) in almost all Mediterranean partner countries by funding projects worth more than 470 million Euro, i.e. around five per cent of total MEDA/ENPI funds. The importance of the TVET sector is seen both in terms of adding much needed employability for rapidly growing labour forces and increasing the competitiveness of productive systems and economic growth. In efforts at making TVET systems more demand-driven and more effective, focus has been on strengthening institutions and on catering to the requirements of the formal economy. By the same token, boosting competence at work in the omnipresent informal economy has, so far, not been supported except perhaps indirectly such as through certain projects implemented by NGOs.

In strengthening their education and training systems, many developing countries have, to a larger or lesser extent, focused on meeting increasingly the skill requirements of the emerging modern, formal economy. Unfortunately, however, and for a variety of reasons, they have not always been successful in reaping sufficient benefits from their investment in human resources. Un- and under-employment and poverty have often remained serious as ever, and formal sector employers have hardly been satisfied with outputs of the formal training system. At the same time, large numbers of new entrants to labour markets have found their transition from school to work frustrating in many ways. With few decent jobs on offer, many have had to resort to making ends meet in informal employment, often self-employment in micro-enterprises. Indeed, what is widely known as the informal economy has over the years absorbed more than half the labour force in many developing countries including those of the Middle East and North Africa. Most of those in informal employment are working at low levels of productivity and income: they are poor and vulnerable. Many of them could probably do with a bit more competence at work.

It is against this background that one might ask whether skills development systems could not somehow do better in either preparing young people for the realities of the labour markets they end up in, or in helping them, once at work, to make the best of their precarious situation, if not to graduate from informal to formal employment.

As a number of recent studies have already done so, the present report is not meant in any detail to review the functioning of either the labour markets or the education and training systems of the

countries covered. Nor will it dwell at any length on the related issue of international migration<sup>2</sup>. It will focus instead on informality at work as observed in the countries selected and on the role of skills and skills development in preventing or correcting the downside of such informality.

The prime purpose of this report is to raise awareness. Its objective is primarily to highlight an important issue that the countries concerned should pay more attention to in their economic and social development strategies. By putting the issue on the map, and by suggesting options for action, it may eventually find its way to policy agendas and programmes of assistance as appropriate. More specifically, the study aims at convincing those who invest in human capital that there may be merit in stepping back, momentarily, from discussing how faltering training systems should be reformed to meet the requirements of modern times, and to consider or reconsider *why* one is concerned with the competence of people at work, *who* these people are, and *what* may be done by way of reorienting investment in competence so as to benefit target groups until now neglected.

The countries covered in this study are known as “Neighbourhood Policy Countries” in European parlance. The European Neighbourhood Policy (ENP) was developed in 2004 in order to strengthen the relationship of the enlarged EU with its immediate neighbours, including those south and east of the Mediterranean. The central element of the ENP consists of bilateral action plans agreed between the EU and each partner<sup>3</sup>. The European Neighbourhood Policy countries covered here are nine Arab states situated on or near the southern rim of the Mediterranean: Morocco, Algeria, Tunisia, Libya, Egypt, Jordan, Syria, Lebanon and the Occupied Palestinian Territories (OPT), the latter also known as the West Bank and Gaza Strip. For the purposes of this report, they are referred to as ENP (South) countries because there are other ENP countries on the eastern borders of the EU. They are covered to the extent that information on relatively recent developments was readily available, not necessarily therefore in equal measure. While it may be said of all the countries that their information base could be improved in several ways, Syria, Lebanon and, in particular, Libya, are under-represented due to a lack of data. Turkey and Israel are not covered at all.

The present study has been commissioned by the unit within the European Commission (EC) responsible for providing support to EC headquarters and delegations in partner countries on the issues of employability, social inclusion and social protection.<sup>4</sup> The study mainly relied on a review of pertinent literature. Short missions were also undertaken to the Occupied Palestinian Territories, Jordan and Egypt in order to collect up-to date facts and views. Brief case studies resulting from each of these missions are included in an annex of this report.

Following a brief overview of the economic and social context, that is, the economy, the labour market, and human resources development in the countries covered, the concept of the informal economy is introduced with bits of evidence from most of the study countries. A next chapter discusses the relationship between skills development and work in the informal economy and presents a case for boosting competence at work in the informal economies of North Africa and the Middle East. The concluding chapter presents proposals for an alternative training agenda.

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<sup>2</sup> See e.g.: European Training Foundation and World Bank, *Reforming Technical Vocational Education and Training in the Middle East and North Africa - Experiences and Challenges*, 2005, Turin; Bardak, Ummuhan, Henrik Huitfeldt and Jackline Wahba, *Employment Policy Reforms in the Middle East and North Africa - Selected Issues on the Functioning of the Labour Market*, European Training Foundation, 2006, Turin; World Bank, *The Road Not Traveled - Education Reform in the Middle East and North Africa*, 2008, Washington D.C.; World Bank, *Shaping the Future - A Long-Term Perspective of People and Job Mobility for the Middle East and North Africa*, 2009, Washington D.C..

<sup>3</sup> For details see, for example: Commission of the European Communities, *Communication from the Commission, European Neighbourhood Policy, Strategy Paper*, COM (2004) 373 final, 2004, Brussels

<sup>4</sup> European Commission, DG AIDCO E3/ESIP.

## 1. ECONOMIC AND SOCIAL CONTEXT: AN OVERVIEW

### 1.1 ECONOMY AND DEVELOPMENT

There are both considerable differences and similarities between the countries covered in this study. Most of them are poorly endowed with resources while labour is abundant, namely Egypt, Jordan, Lebanon, Morocco, Tunisia, and the Palestinian Territories. Others are resource rich and have abundant labour or are, as in the case of Libya, resource rich and labour importing. Over the last twenty years, almost all have gone through a gradual transition period of structural adjustment and wide-ranging economic reform affecting, in particular, the role of public institutions, trade and private investment.

With only little variation among countries, the Middle East and North Africa (MENA) region experienced relatively high rates of GDP growth of around 5% in the past few years. Until now the already evident, but possibly limited effects of the current global financial and economic crisis, have not shown up in statistics. World Bank economists estimated at the end of 2008 that as the global environment stabilizes by 2010, MENA countries as a group should be able to maintain the growth momentum at over 5% with per capita gains averaging 3.3% per year.<sup>5</sup> Others are less optimistic about short-term prospects and fear negative consequences, particularly as regards employment and remittances.

Arab economies are intimately linked to the utterly volatile developments in oil markets. While it is obvious that the oil producers benefit directly from high world prices, non-oil Arab countries benefit indirectly through oil-related services, worker remittances, inter-regional investment flows, regional tourism, and development aid. However, when prices are down, the non-oil economies may suffer as much as, if not more than the oil exporters. It is remarkable that, mainly as a consequence of relatively high population growth rates on the one hand, and the ups and downs in oil-linked income on the other hand, per capita income in the Arab countries hardly increased over the last thirty years. World Bank data show that real GDP per capita grew by a mere 6.4 per cent over the entire 24-year period from 1980 to 2004 (i.e. by less than 0.5 per cent annually). Meanwhile economic structures have been altered, as is evident in a significant decline in the GDP share of non-oil productive sectors, namely agriculture and manufacturing, for example in Syria, Algeria, and Egypt.<sup>6</sup> Naturally such trends are, in turn, reflected in labour market developments, as will be elaborated below. In most of the ENP (South) countries covered, the services sector now employs around 50 per cent of those working, or more. The remainder of the employed are divided between agriculture and industry in different proportions. For example, in Morocco, agriculture still employed 43 per cent of all those working in 2006, compared to 31 per cent in Egypt, 20 per cent in Algeria, and less than four per cent in Jordan. In most of the countries, industrial employment represents around 25 per cent of the total.

Egypt is by far the most populous country and the largest economy of the countries covered in this report, followed by Algeria and Morocco. Libya has the highest per capita income, followed by Lebanon, Algeria and Tunisia. Egypt and Tunisia reported the highest rate of real GDP growth in 2007 (table 1).

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<sup>5</sup> See: World Bank, Middle East and North Africa Region, *2008 Economic Development and Prospects*, Washington D.C., 2008.

<sup>6</sup> UNDP, *Arab Human Development Report 2009*, New York, 2009, page 103.

**Table 1 National Income Indicators, selected countries, 2007**

Country	GDP (constant 2000 US\$)	GDP/cap (current US\$)	GDP/cap (constant \$ 2005 PPP)	real GDP growth in 2007 (%)
Algeria	73 013m	3 969	7 310	3.0
Egypt	135 867m	1 729	5 052	7.1
Jordan	12 856m	2 769	4 628	6.3
Lebanon	20 942m	5 944	9 546	1.0
Libya	45 401m	9 475	13 565	5.4
Morocco	52 244m	2 434	3 880	2.3
Syria	26 624m	1 898	4 260	3.9
Tunisia	27 118m	3 425	7 102	6.3

*Source: World Bank, World Development Indicators and estimates*

Poverty remains endemic in almost all countries. In fact, with few exceptions, average poverty rates for recent years are much the same as those of the 1990s. Thus one may find that in 1999/2000 the incidence of extreme poverty was four per cent in Tunisia and 19 per cent (i.e. 5.6 million people) in Morocco; in 2005 it was eight per cent in Lebanon and 20 per cent (i.e. 13.7 million people) in Egypt.<sup>7</sup>

## 1.2 POPULATION

Most ENP (South) countries have seen relatively high rates of population growth in recent decades. Although rates have come down gradually, they are still high in Jordan, the Occupied Palestinian Territories and Syria. As a consequence, the population of these countries consists to a large extent of children and youth. In the countries just mentioned more than one in three persons is below 15 years of age. Naturally, such growth translates rather immediately into pressure first on education systems and then on labour markets (table 2).

In Egypt more than half of the population (57 per cent according to the 2006 census) still live in rural areas, but this may simply be a matter of where the line between urban and rural is drawn. In any event, its non-desert rural areas are densely populated. Most people in most countries live in urban areas, however, many of them in multi-million mega-cities. Some 20 million, or almost one in four of all 80 million Egyptians live in the Greater Cairo urban area and an additional 4 million live in the country's second largest city, Alexandria. Although precise data are lacking, many, that is several millions of city dwellers live and work in unauthorised 'informal' settlements (ashwa'iyyat)<sup>8</sup>. Greater Algiers is reported to have some 6 million inhabitants, Casablanca and Damascus close to 4 million each, and Amman, Beirut, Rabat and Libya's capital Tripoli each around 2 million inhabitants.

<sup>7</sup> UNDP, AHDR 2009, op.cit. page 131

<sup>8</sup> See e.g.: GTZ, *Cairo's Informal Areas - Between Urban Challenges and Hidden Potentials*, Cairo, June 2009.

**Table 2 Population Indicators, selected countries, 2007**

Country	Total Population	Population growth p.a.	Population 0-14 years	Rural population
Algeria	33.8m	1.5%	28.3%	35.4%
Egypt	75.5m	1.7%	32.7%	57.3%
Jordan	5.7m	3.2%	35.9%	21.6%
Lebanon	4.1m	1.0%	27.8%	13.2%
Libya	6.2m	1.9%	30.2%	22.6%
Morocco	30.8m	1.2%	29.2%	44.3%
Syria	19.1m	2.5%	35.6%	46.1%
Tunisia	10.3m	1.0%	24.7%	33.9%
OPTerritories	3.8m	3.4%	45.4%	28.2%

*Sources: UN population database, African Economic Outlook 2007-08, and World Bank estimates*

### 1.3 LABOUR FORCE, EMPLOYMENT AND UNEMPLOYMENT

Employment and unemployment have long been major issues in North African and Middle Eastern countries. Total employment as a proportion of both their total population and labour force, is significantly lower than in the rest of the world. Unemployment rates, particularly for young people, are nonetheless high. They are particularly high among educated women, in spite of the fact that so few women are considered to be part of the labour force.

**Table 3 Labour Force Participation Rates, by sex, 2008, % of corresponding population**

Country	LFPR	Male rate	Female rate
Algeria	57.1	76.7	37.5
Egypt	47.3	70.5	24.3
Jordan	43.3	69.8	15.5
Lebanon	49.9	76.9	24.8
Libya	52.6	77.2	26.1
Morocco	51.1	79.4	24.4
OPTerritories	40.7	66.6	14.3
Syria	49.7	78.1	21.2
Tunisia	47.6	69.9	25.6

*Source: ILO, Key Indicators of the Labour Market (KILM), 6th Edition (Geneva, 2009)*

The main reason for low overall labour force participation rates in ENP (South) countries lies, in fact, in the low rates of participation of women. Among various explanations it is said that in most countries of the region there are still strict views among large segments of the population as to whether women should work at all and, if so, what sort of work should be acceptable. However, measurement problems may also be an explanation for low labour force participation and high unemployment rates. For example, people may not always answer survey questions correctly because they do not want to admit that they or their family members are working, or because they do not think that what they do for a living constitutes real work. Thus, employment of women, or casual and unpaid work, may be underreported. Also, young graduates "queuing" for the sort of position they aspire to, may be judged unemployed even if they are involved in "odd" jobs in the meantime.

Labour force growth in most countries of the region is relatively high, notably in Algeria and Syria, which register rates of close to four per cent per year. While this is due in part to a gradual

increase in female labour force participation rates, a larger proportion is a consequence of high rates of population growth in preceding years. Since the labour force grows faster than the number of new jobs, and with a massive backlog of unemployed jobseekers firmly in place, new entrants to the labour market find it ever more difficult to get rewarding employment (table 4).

**Table 4 Unemployment Rates, selected countries, by sex, 2008 or latest year available, percentages of the corresponding labour force**

Country	year	total	male	female
Algeria	2007	13.8	12.9	18.4
Egypt	2008	8.7	5.9	19.3
Jordan	2008	12.6	10.1	24.3
Morocco	2008	9.6	9.6	9.8
OPTerritories	2008	26.0	26.4	23.8
Syria	2003	10.3	7.8	20.9
Tunisia	2005	14.2	13.1	17.3
<i>Source: ILO, Key Indicators of the Labour Market (KILM), 6th Edition (Geneva, 2009)</i>				

Youth unemployment rates in the Middle East and North Africa are among the highest in the world. According to recent ILO data, they varied between 16.6% in Morocco in 2007 and 34.1% in Egypt in 2005. In most of the countries covered in this study, youth make up about half of all those counted as unemployed. As Kabbani and Kothari elaborate<sup>9</sup>, several factors appear to contribute to high rates of joblessness among young people including strong labour supply pressures, rising female labour force participation rates and labour market rigidities that may be interacting with these two factors. As better-educated young women increasingly decide to look for employment, many of them are facing socio-cultural hurdles and end up unemployed. Public sector wage premiums and bureaucratic obstacles to the development of private sector enterprises may be other important contributing factors. World Bank sources point out that active labour market programmes, including training for unemployed or displaced workers, are uncommon in ENP (South) countries. At the same time, existing pre-employment vocational training systems “appear to be expanding with incomplete information about market needs, no coherent national strategy, and weak linkages with the private sector. In most countries the system is fragmented and lacks coordination”<sup>10</sup>.

While most countries have experienced relatively robust GDP growth, at least over certain periods, the related employment growth has nowhere been commensurate with labour force growth. In addition to supply side explanations, labour market demand side- and contextual factors are also bearing on employment and unemployment. In fact, most of the GDP growth has been in sectors not known for their employment intensity. Moreover, private investors are still facing considerable constraints in terms of regulation and bureaucracy. As is pointed out in a recent World Bank report, notwithstanding the important reform efforts of the last decade, considerable room remains to strengthen the contribution of the private sector to growth and employment creation. Countries in the region still rank substantially below other middle-income countries in terms of the conditions for private sector growth and job creation. For example, it still takes more than two and a half years in the Egypt, on average, to resolve a contractual dispute; in Maghreb countries, tax payments absorb between 6 to 12 working weeks of entrepreneurs’ time annually, and in a majority of MENA countries, more than 10 different procedures are required to start a business<sup>11</sup>.

<sup>9</sup> Kabbani, Nader, and Ekta Kothari, *Youth Employment in the MENA Region: A Situational Assessment*, World Bank, Social Protection Discussion Paper no. 0534, 2005.

<sup>10</sup> Kabbani and Kothari, *op. cit.*, p. 49

<sup>11</sup> World Bank, *Shaping the Future - A Long-Term Perspective of People and Job Mobility for the Middle East and North Africa*, 2009, Washington D.C.

Importantly also, the upheaval associated with the occupation of the Palestinian Territories, periods of civil strife such as seen in Lebanon and Algeria, and the arrival of hundreds of thousands of refugees from Iraq in Jordan, have obviously upset the normal functioning of labour and other markets.

Typically, the unemployed are, on average, better educated than the labour force as a whole. This suggests that the relatively better educated can afford to wait a while, for example to end up in a much sought after government job. Meanwhile, the less educated are less likely to be unemployed, or, more likely to be underemployed and poor, because they cannot afford not to work at all. Given the make up and average duration of unemployment, it appears that it affects in particular young first-time jobseekers who are looking for work in line with their qualifications, and who are both able and willing to wait as long as a year before deciding, or being forced, to come to terms with labour market realities and either find work in the informal economy or migrate<sup>12</sup>.

One is easily tempted to suggest that educated unemployment is due to not providing people with the necessary knowledge and skills; or that the quality of education and training leave much to be desired; or that not enough people go for practical skills training as they prefer academic streams that lead them nowhere. This is no doubt true to a large extent, but the problem appears also and perhaps more so due to a major, structural, overall imbalance between the supply of jobseekers and limited formal sector labour demand. In other words, while there is a lot to be fixed on the supply side, as will be seen below, the demand side must also be dealt with in a many ways if labour markets are to function better.

Perhaps even more worrisome than unemployment affecting first-time job seekers are pervasive under-employment and miserable working conditions such as observed in the informal economy. In many countries more than half of all non-agricultural employment is considered to be informal. Low earnings and poverty appear to be endemic and represent a push factor in significant migration from rural areas to cities and abroad to other Arab countries, notably those of the Gulf region, as well as to OECD countries.

Migration works, or so it appears. Net remittances from migrant workers represent an important share of national income, particularly in Jordan, where according to World Bank data such flows amounted to US\$ 2.8bn in 2007 compared to a GDP of US\$ 15.7bn. Egypt and Morocco earned relatively less than Jordan, but more in absolute terms, with each over US\$ 6bn in remittances in 2007. Almost two thirds of respondents in a 2006 ETF survey of Tunisians aged 18-40 said they were thinking seriously about migrating abroad in order to improve their standard of living; further questioning suggested that from within this group almost one in four was likely sooner or later to follow through<sup>13</sup>.

Although fertility rates have gradually come down in most countries, prospects for early improvements of the employment situation in most of the ENP (South) countries are bleak in view of continued high labour force growth and structural limits to job growth in the formal economy. Hence the number of jobseekers, i.e. the backlog of unemployed plus new entrants to the labour market, is likely also in years ahead to exceed levels of domestic labour demand by significant margins. In the circumstances, larger numbers than ever will turn to the informal economy in order to make ends meet, and migration abroad will remain an attractive proposition for many.

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<sup>12</sup> See, for example, El Zanaty et al., *School -to-work transition: Evidence from Egypt*, Employment Policy Papers 2007/2, ILO, Geneva, 2007, and: Alisa, Sufyan, *The school-to-work transition of young people in Syria*, Employment Policy Papers 2007/3, ILO, Geneva, 2007.

<sup>13</sup> European Training Foundation, *The Contribution of Human Resources Development to Migration Policy in Tunisia*, December 2007, Turin.

## 2. HUMAN RESOURCES DEVELOPMENT

### 2.1 FORMAL EDUCATION AND TRAINING

Labour markets are meant to allocate a country's distinct human resources in an efficient manner to multiple economic activities. Ideally, and in theory, everyone seeking wage- or self-employment should, sooner or later, find a perfect match with her or his aspirations and potentials. Perfect matches are rare, however. As observed, large numbers of young people in ENP (South) countries pass through a phase of unemployment before finding work they'd rather not do and/or don't do very well.

The quantity and quality of labour employed in a country are crucial ingredients in economic and social development. Employment begins with employability, which may be defined as the human capability of finding rewarding employment and, as the case may be, keep it or move on to other work. Employability is to a large extent a function of the knowledge, skills and attitudes that people possess and put to work. And the make-up of these attributes depends to a large extent on the education and training people receive. The quantity and quality of education and training that countries are able to provide, therefore, bear importantly on their economic and social wellbeing.

All countries covered in this study have over recent decades invested heavily in boosting basic education; most of them have also stepped up subsequent education at secondary and tertiary level, including technical and vocational education and training (TVET). Public expenditure on education as a percentage of GDP has regularly been around six per cent or more. In some countries, such as Morocco and Tunisia, it represented as much as a quarter of total government spending in recent years. Access and enrolment rates have gone up accordingly and so have literacy rates and labour force education levels as measured in years of schooling. Moreover, major progress has been made in all countries towards reaching gender parity at all levels of education.

**Table 5 Literacy rates for adults (15 and over) and youth (15-24), by sex, selected countries, 2005-07, percentages of corresponding total population**

Country	Adult (15 and over) literacy rate			Youth (15-24) literacy rate		
	MF	M	F	MF	M	F
Algeria	75	84	66	93	94	91
Egypt	66	75	58	85	88	82
Jordan	91	95	87	99	99	99
Lebanon	90	93	86	99	98	99
Libya	87	95	78	99	99	98
Morocco	56	69	43	75	84	67
OPTerritories	94	97	90	99	99	99
Syria	83	90	77	94	95	92
Tunisia	78	86	69	96	97	94

*Source: UNESCO Institute for Statistics, Global Education Digest 2009*

As far as literacy is concerned, it may be concluded that considerable progress has been achieved in recent years from comparing current adult literacy rates to those of young persons. While in some countries adult rates may still be relatively low, particularly for women, those of young men and young women are now in most countries well over 90 per cent, with Egypt and Morocco lagging behind (table 5).

If school enrolments and attainment levels have gone up, and gender gaps narrowed, the outcomes of formal education and training do not appear to have had an obvious effect on labour markets, on economic growth, or on rates of poverty. This is born out, for example, by high unemployment rates for young, first-time job seekers. Paradoxically, skill mismatches and other

imbalances continue to characterise the supply of labour. School leavers with skills of the right type and quality are hard to find, if employer views on employability are to be believed.

In fact, serious quality issues at all levels of education remain to be resolved in most countries. They result mainly from too exclusive a focus on quantity, and from the fact that limited financial resources had to be stretched, time and again. High repetition and dropout rates are common. The former represent inefficiencies and the latter missed opportunities of further school-based learning as minimum entry requirements even into basic skills training would not be met. In international comparisons of test scores, for example for mathematics, ENP (South) countries tend to come out well below world averages.

Weaknesses, for example, in the Syrian education system are reflected in its low level of effectiveness. The cohort registered in first grade of basic education in 1991 amounted to 482,022 children, of whom 234,985 (49%) reached the ninth grade. The final exam success rate was 62%. This means that only around 30% of the original group was able to proceed to the next stage. Depending on their examination results, about equal proportions would be streamed into general and vocational secondary schools. For general secondary education, 20% of entrants were not expected to complete the three-year cycle; for vocational secondary education the non-completion rate was 43 per cent. Presumably because a significant proportion of the (relatively few) vocational secondary graduates opted for further education, there were only 81,000 people with vocational secondary school diplomas in the labour force (1.7% of the labour force), compared with 290,000 general secondary diploma holders (6% of the labour force).<sup>14</sup>

A recent World Bank report, somewhat provocatively titled 'The Road Not Traveled', also finds that education in the Middle East and North Africa, in spite of considerable gains, has had a less than expected impact on development and it argues that if the current road is pursued, future needs of the region and challenges such as related to globalization will not be met. The road travelled thus far is found to have failed to combine measures to improve the engineering of the education system with measures to improve the incentives facing main actors involved and enhance public accountability. Moreover, part of the gains realised is seen to have been wasted, as human capital accumulated remained unemployed or underutilised in labour markets.

"The road not traveled refers to the rest of the journey the region needs to make. This journey is a continuation in part of past reform efforts, but it is also in part a significant departure from past practices. It has two features: one is a new approach to education reform, and the other emphasizes closing the gap between the supply of educated individuals and labor demand. The proposed approach to education reform has three components: (i) *engineering*, which ensures that the right technical inputs are in place and are used efficiently; (ii) *incentives* to promote better performance and responsiveness from those providing educational services; and (iii) *public accountability* to make certain that education, as a public good, serves the interests of the widest range of citizens".<sup>15</sup> While the report is in particular about formal education in MENA countries, much of the analysis and the proposed road map would readily apply to their training and skills development systems.

## 2.2 TRAINING AND SKILLS DEVELOPMENT IN ENP (SOUTH) COUNTRIES

The development of knowledge, skills and attitudes needed for work, is usually considered best done after completing basic education, either in comprehensive secondary schools with both general and vocational streams, or in dedicated institutions entered after having reached one's end station in "regular", "general" or "academic" education. There are in fact significant differences among countries in terms of their formal TVET architecture and the relative numbers of students enrolled in different streams (table 6). Depending on the country, students may enter distinct secondary level technical and vocational programmes upon completing six or nine years

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<sup>14</sup> European Training Foundation, *Syria - Country Analysis 2005*, ETF Turin, pages 7-9.

<sup>15</sup> World Bank, *The Road Not Traveled - Education Reform in the Middle East and North Africa*, 2008, Washington D.C., p.281.

of basic education, or at a later stage. Having completed two, three or even five years of training, they may leave with or without qualifications and usually enter the labour market. Few, if any of them, succeed in moving on to tertiary level technical colleges that are normally entered upon completing general secondary school.

**Table 6 Number of secondary school students in general and vocational education, % of female students in each, and % of vocational in total students, selected countries, 2005**

Country	students in general secondary	women in general secondary	students in vocational secondary	women in vocational secondary	vocational (m/f) in secondary
Algeria	3 291 971	39%	463 850	52%	12.4%
Jordan	594 733	35%	30 949	50%	4.9%
Lebanon	313 729	41%	48 637	53%	13.4%
Morocco	1 834 766	39%	117 690	45%	6.0%
OPTerritories	651 518	30%	5 279	50%	0.8%
Syria	2 267 027	43%	122 356	48%	5.1%
Tunisia	1 136 657	39%	102 811	52%	8.3%

*Source: World Bank, World Development Indicators*

In the ENP (South) countries included in Table 6, it appears that only a small and sometimes insignificant proportion of secondary students are enrolled in vocational education. Women represented just over one third of students in general secondary schools, compared to around half in vocational schools. In the case of Egypt, most of those who have completed their basic education will, solely depending on their grades, be streamed into either general or technical secondary schools. Currently some 2 million, or 60% of all students in secondary education, attend some 1800 technical secondary schools that provide three or, in some cases, five years of schooling. Almost half of all technical school students follow the industrial track, 40% the commercial track, and 12% the agricultural track. The vast majority of graduates enter the labour market rather than pursuing further education and training.

In addition to initial training as part of the public school system, it should be recognised that people may also get their skills in other circumstances. To begin with, in some countries there are numerous private institutions providing formal education and training much along the lines of their public counterparts at the secondary and/or higher level. In Egypt for example, the Don Bosco secondary technical school enjoys a solid reputation, as do several private colleges and universities that attract large numbers of fee-paying students. Then there are usually a wide range of non-formal programmes offered by either public or private institutions some of which combine school and work-based training. They may include various ministries and the national army, as well as non-governmental organizations and private-for-profit training providers that may be licensed or not. Last but not least, private enterprises may in one way or another arrange for the training of their workers and managers. Both formal and traditional, informal apprenticeship arrangements as well as further skills upgrading and retraining would fall in this category. The point in mentioning these other types of training and other actors is that they should not be lost sight of in reviewing the state of training and education and in making policy, such as when considering incentives to step up skills development.

In ENP (South) countries it is fair to suggest that the role of enterprises in training remains sadly limited. By far most private enterprises are small or very small and not interested or unable to train their workers. Larger enterprises, likewise, may want to poach skilled workers from competitors rather than train them. Indeed, very few and only the largest of enterprises appear to be seriously interested in providing systematic training to their workers. As elsewhere in the world, some ENP (South) countries have attempted to correct the failure of enterprises to train by setting up financial arrangement such as national training funds and levy schemes. However, such arrangements are not necessarily effective as may be seen in the case of a national training fund set up by law in Egypt in 2003 but challenged in court by employers unwilling to pay.

In many countries, and very much so in most ENP (South) countries, a major divide exists between education and training systems, the latter often being seen or treated as “step child” or “parent pauvre”. They are attracting relatively fewer students who are without exception judged to have “failed” in pursuing the academic road traditionally favoured by families. Many vocational students are from the lowest income groups in the population. In Egypt, disappointing examination results in general education are solely decisive in streaming students into vocational tracks. Many parents go out of their way therefore to make sure that their children by having supplementary after hours private tuition, will “make the grade” and move on to university. In Jordan, parents were said to threaten their children in terms of sending them to a vocational school if they didn’t do their homework properly. In some other countries employers who do hire young people supposedly “cream off” the abundant supply of fresh university graduates, irrespective of their specialisation, rather than look for those who have obtained vocational qualifications. The negative status of initial vocational education and training obviously feeds a vicious circle of secondary level political priority, limited public resources, lack of quality in contents and outcome, lack of interest on the part of employers, and it being deservedly seen as an unattractive, last resort option.

Like countries elsewhere, most ENP (South) countries have serious problems with their technical and vocational education and training (TVET) systems, and many of these problems are comparable. They may have to do with (i) relevance in terms of linking in with labour market requirements and opportunities, or more broadly with certain development objectives, (ii) effectiveness in terms of delivering training outcomes as intended, and (iii) efficiency in terms of making good use of scarce resources. Equity in terms of access and sustainability in terms of funding, are also common problem areas. In fact, there are often several more specific problems under each of these headings and in order to restore health to systems that are not well, comprehensive analysis and a broad strategy of action should be a matter of course.

Partial analysis of the state of national training systems carries considerable risks. It is quite common, for example, to overlook what has been referred to as the “hidden training world”. In many developing countries, numerous private training providers, including unlicensed, informal operators play their part in skills development, whether governments appreciate it or not. Moreover, it appears that in many developing countries most of those at work, in any event most of those at work in the informal economy, acquire their skills and experience during a period of traditional apprenticeship. Ignoring such things, or playing them down, may represent a missed opportunity in efforts aimed at healing the system as a whole. Another risk lies in zooming in, at the expense of more important issues, on problems that, however critical, are essentially of secondary order, such as the matter of skill recognition, or the curricula of vocational schools. If one ignores that a system does not respond to labour market needs, or that it targets the wrong clients, ways and means of dealing with qualifications, or what teachers should teach, should probably wait.

### **2.3 TVET REFORMS IN ENP (SOUTH) COUNTRIES**

Many countries, including several ENP (South) countries are less than satisfied with their TVET systems. They have been trying, either modestly or in a major way, and often with support from external partners such as the EC, the GTZ and the AFD, to increase intakes, to improve quality, to reorganise, refocus, or refinance training. Some countries try and do all of these at the same time. According to a 2005 ETF/World Bank review, “the reform agenda for TVET today in MENA can be summarised as follows: how to shift TVET from its current emphasis on lower quality learning opportunities to a contributing role for the development of skills necessary for the knowledge economy”.<sup>16</sup>

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<sup>16</sup> ETF and World Bank, *Reforming Technical Vocational Education and Training in the Middle East and North Africa - Experiences and Challenges*, 2005, Turin, page 7 .

In keeping with global practice, a typical reform agenda does indeed contain several code words such as 'knowledge economy', 'demand-driven', 'governance', 'stakeholders participation', 'decentralisation', 'accountability', 'competency-based', 'skills recognition', 'qualification framework', and others<sup>17</sup>. The ETF/World Bank report cited earlier, groups TVET reforms currently underway in MENA countries into five categories: governance, funding, quality, private sector participation, and - interestingly - access to quality learning, specifically for informal sector workers. Reforms in the area of governance would seek to include key stakeholders in taking strategic decisions and in managing TVET policies and services. They also concern enhancing accountability and pursuing decentralization to ensure efficiency, relevance and quality in the delivery of TVET services. New sources of funds would need to be considered and new allocation mechanisms, if more and better skills are to be delivered in an efficient and equitable manner. Quality improvements would cover issues such as curriculum development, training of trainers, outcome standards, testing and accreditation, and monitoring and evaluation. Private sector participation in TVET could involve the development of public-private partnerships for the delivery of TVET services, and the development of in-service training and lifelong learning opportunities. Finally, in a region where large numbers of new entrants to the labour force end up in informal employment, attention would need to be paid to promoting quality learning opportunities to develop their competencies and skills, possibly by relying on the comparative advantages of NGOs.<sup>18</sup>

Training sector reform in Egypt, long overdue according to many observers, is moving slowly, possibly constrained by the complexity of that country's training system, or rather by its complex of parallel training systems sponsored by distinct interests and inspired by sometimes diverging philosophies. Among several interesting trends are efforts at introducing German-style dual training under the MKI programme of the Ministry of Education, and the Enterprise Training Partnerships set up within the TVET reform project managed by the Ministry of Trade and Industry.<sup>19</sup>

Tunisia has been gradually reforming its TVET system in a comprehensive way since 1993 to make it respond better to labour market demand and to enhance the employability of the country's labour force. Supported by a number of external donors, including the European Commission, the MANFORME programme aspires to involving enterprises directly in pursuing a competency-based approach to training and in establishing a national set of standards and qualifications. Various new directions that concern both initial and life-long learning include favouring training that combines school and workplace practice, giving individual training institutions greater autonomy in their operations, the development of a quality assurance system, and an overhaul of ways and means of funding TVET.

Another comprehensive reform process, supported by the EC and several other donors, has recently taken off in Jordan. Having been assigned a leadership role by the country's 'National Agenda', the Ministry of Labour developed a strategy and an action plan currently being implemented. Measures are focused on improving the links between the training system and the labour market, on system governance, quality assurance, financing, and overall efficiency. To highlight the link with employment, one speaks of the E-TVET sector reform. Jordan's current 'Employment Policy' document suggests that "the Government shall pursue effective integration of employment in E-TVET strategies [...] provision of demand driven, quality training to ensure a competitive, adaptable and qualified labour force and monitor private providers through an accreditation system [...] and] encourage the involvement of employers in training policies and in provision of training."<sup>20</sup>

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<sup>17</sup> See e.g.: Fluitman, Fred, *The Roots and Nature of Reforms in Vocational Education and Training: an Analytical Framework and Some Examples*, in 'Prospects', Vol. XXXIX, no 1, 1999, UNESCO

<sup>18</sup> ETF/ World Bank (2005), page 19.

<sup>19</sup> For more details see Egypt case study in annex.

<sup>20</sup> Hashemite Kingdom of Jordan, *Employment Policy*, October 2008, Amman, page 32.

In reviewing TVET reform processes, whether in ENP (South) countries or in other developing countries, one may find that they have several features in common. For example, it appears that effective reform is often both more needed and more complex than initially envisaged; that it is not always evident where to start with reforms and where to aim at; that results are usually slow in coming; that success depends to a considerable extent on whether new institutional arrangements actually work; that vested interests are likely to put multiple brakes on implementation; that reforms are often under-resourced and hardly ever well-managed; and that countries settle, more often than not, for partial, if not marginal repair of their training systems.

Another important finding is that, in spite of an apparent interest in new directions and boosting system performance, training for work in the informal economy has not usually made it onto policy agendas. Even if half the labour force might, as a result of pertinent policy reform, improve their chances of leaving poverty behind and cross into formal territory, the suggestion that there is serious work to be done here by the responsible government officials and institutions has nowhere really taken hold. In some countries a case for boosting skills in micro enterprises may have been made and endorsed by public authorities. But even there, the tendency is to leave the job of addressing informality at work to NGOs and foreign donors, "if they insist"

### 3. THE INFORMAL ECONOMY

#### 3.1 CONCEPT, DEFINITION, AND MEASUREMENT

People who try to make a living in difficult circumstances may go about their business in different, and far from perfect ways. Particularly in developing countries, it appears that large numbers of people do not abide by forms and norms as upheld by others in the same line of work. Anyone familiar with the mega-cities of the third world must have observed the innumerable micro-enterprises, located almost anywhere, and involved in almost anything productive. Often side-by-side, and reminiscent of the “peddlers and princes” of Java<sup>21</sup>, one finds the money lenders of the Cairo souks at walking distance from the city’s “high street” bankers; the chaotic computer assembly shops smelling of fish being smoked on their doorstep; the street corner furniture makers waving their IKEA catalogues; the tooth pullers on the Marrakech Djemaa el Fna market competing with their certified dentist counterparts; the multiple backyard car repair shops and the polished BMW dealer; the women preparing and selling “street food” opposite McDonald’s; the home-based tailors competing not so much with the global brands available in the modern malls, as with incredibly cheap second-hand clothes from Europe and Chinese imports<sup>22</sup>.

The reality of what has become widely known as the informal sector, or the informal economy, lies essentially in finding that, particularly in developing countries, many or most people at work may not be recognized or protected under current or legal and regulatory systems. While what they do is often far from what the ILO calls decent work, they appear unwilling or, more likely, unable to adhere to what others consider “normal” practice and are therefore considered to represent a problem. Indeed, with few exceptions, those engaged in the informal economy are the working poor and their, often complex, situation lies at the heart of the development challenge.

The phenomenon, in earlier days often presented as transient, does not anywhere appear to go away soon. While there are instances of people “graduating” from the informal to the formal sphere, they are easily outnumbered by job and income seekers who cause the informal economy to keep growing, particularly where the formal economy, including the public sector, is not or no longer hiring.

The term informal sector was first introduced in the early 1970s to highlight employment problems in Sub-Saharan Africa and gained global currency soon thereafter. In a 1991 ILO report<sup>23</sup>, it is “understood to refer to very small-scale units producing and distributing goods and

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<sup>21</sup> For an early analysis of dualism in economic activity, that is the juxtaposition of a “bazaar-type” and a “firm-type” economy, see: Clifford Geertz, *Peddlers and Princes: Social Development and Economic Change in Two Indonesian Towns*, University of Chicago Press, 1963, Chicago. Almost ten years later, and in the context of growing unease over Third World urban unemployment, ethnographer Keith Hart (as he recalls on his site <http://thefirstmemorybank.co.uk>) argued that the masses who were surplus to the requirements for wage labour in African cities were not ‘unemployed’ but rather were positively employed, even if often for erratic and low returns. He proposed that these activities be contrasted with the ‘formal’ economy of government and organized capitalism as ‘informal income opportunities’. He further states that the dualism (formal-informal) and some of the thinking behind it received immediate publicity through its adoption in an influential ILO (1972) report on incomes and employment in Kenya, which elevated the ‘informal sector’ to the status of a major source for national development by the bootstraps, as it were.

<sup>22</sup> For what one may run into in the cities of India, as well as another review of the informal sector concept, see: Martha Alter Chen, *Rethinking the informal economy*, Kennedy School of Government, Harvard University, 2003, Cambridge, Mass.

<sup>23</sup> ILO, *The Dilemma of the Informal Sector*, Report of the Director-General, International Labour Conference, 78<sup>th</sup> Session, 1991, Geneva. The dilemma was said to be whether “the informal sector [should] be allowed to continue to expand outside the framework of laws and institutions governing social and economic life, and thus provide a convenient low-cost way of absorbing labour that cannot be employed elsewhere; or [whether] attempts [should] be made to bring it into the legal and institutional framework of the rest of society, with the risk of impairing its capacity to absorb labour”.

services, and consisting largely of independent, self-employed producers in urban areas of developing countries, some of whom also employ family labour and/or a few hired workers or apprentices; which operate with very little capital, or none at all; which utilise a low level of technology and skills; which therefore operate at a low level of productivity; and which generally provide very low and irregular incomes and highly unstable employment to those who work in it". In 2002, the ILO decided from then on to use the broader term informal economy in order to accommodate "all economic activities that are, in law or in practice, not covered or insufficiently covered by formal arrangements". The informal economy then also includes "less visible" categories of people employed outside informal enterprises, such as workers in sweatshop production, home-workers, industrial outworkers, and casual, temporary and part-time workers.<sup>24</sup>

The concept of informality, although well established in the development discourse, is not understood and appreciated by all in the same manner. Precisely what is meant by informality in economic activity remains, in fact, subject to interpretation, debate and occasional confusion. This is inherent in concepts, as they are abstractions fed by distinct perceptions of reality.

There are certain economists, for example, who distinguish between formal and informal labour markets on the basis of whether employment relationships are regulated by the legal and bureaucratic institutions of a given society. While the formal sector would be covered by regulations setting the terms of employment contracts, minimum standards for working conditions, minimum wages, job security provisions, and social protection, the informal sector has none of that and is essentially a perfectly competitive market, free of institutional constraints. An economist like Assaad, however, argues that even in the absence of official regulation, informal labour markets and employment relations are often effectively shaped by kinship and communal ties, customary norms and other informal institutions, such as traditional apprenticeship, that a "new order" has failed to displace<sup>25</sup>.

In essence one finds that informality in economic activity stands for a combination of often-related attributes, many of them considered problematic or in any event undesirable. Thus, informal enterprises may be identified as small-sized, owner-operated, low-tech, unlicensed, or not paying taxes, and informal employment as unskilled, unproductive, low-income, unsafe, or not registered with the country's social security administration. In addition, or alternatively, informality may be associated with worker rights being denied or violated.<sup>26</sup> Different opinions exist, however, on the relative weight to be attached to such attributes. Measurement dictates the selection of one or a few parameters only, and such yardsticks vary among countries. The size and composition of the informal economy, if at all covered in official statistics, will therefore vary across borders and may not be strictly comparable. Moreover, the "proxy" indicators being used for statistical purposes will also decide to what extent informality is seen in a positive or negative light.

Whether the informal economy is basically an urban phenomenon, or in any event to be treated as such, is another unresolved issue. Although dualism may be evident merely in distinguishing between peasants and farmers, agricultural and other rural economic activities are, more often than not, and for reasons not always clear or convincing, excluded from the formal/informal analysis.

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<sup>24</sup> ILO, *Decent work and the informal economy*, Report VI, International Labour Conference, 90<sup>th</sup> Session, 2002, Geneva.

<sup>25</sup> Assaad, Ragui, *Formal and Informal Institutions in the Labour Market, with Applications to the Construction Sector in Egypt*, in: 'World Development', Vol.21, No.6, pp 925-939, 1993. See also: Portes, A., M. Castells and L.Benton (Eds.), *The Informal Economy: Studies in Advanced and Less Developed Countries*, The Johns Hopkins University Press, 1989, Baltimore.

<sup>26</sup> See e.g. Jamil Hilal, Saleh Al Kafri, and Eileen Kuttub, *Unprotected Employment in the West Bank and Gaza Strip – A Gender Equality and Workers'Rights Perspective*, ILO Regional Office for Arab States, 2008, Beirut.

Beyond diverging on what exactly the informal sector of the economy is, different views exist on why the phenomenon would exist in the first place, that is, on the root causes of whatever symptoms are being observed. There are those who view informality as what remains of earlier days, as “traditional” and generally inefficient manners applied to work by people who failed to “graduate” into a more formal, “modern” setting. Thresholds of different kinds, including gender, ethnicity and education level, are seen to cause the sort of dualism or apartheid by which people find themselves working either on the “bad” or the “good” side of some virtual fence. Thus, two distinct clusters of economic activity coexist, with only a limited degree of interaction. Others, with a structuralist label, hold a view in which the informal economy is essentially subservient and kept in place by vested interests in the formal economy<sup>27</sup>.

A perhaps somewhat narrow, legalistic viewpoint emanates from Latin America. It points at over-regulation, legal and fiscal hurdles, lack of access to credit, insecure property rights and stifling bureaucracy, as making it almost impossible for well-meaning people to set up, register and survive in a formal enterprise<sup>28</sup>. A related but somehow less sympathetic explanation for informality has people choosing deliberately to stay away from whatever formal structures and rules are in place, the usual example cited being tax evasion (as if taxes would not be evaded in the formal sector). “These people” are mainly pointed at as unfair competitors, if not as parasites<sup>29</sup>. Not surprisingly, strong partial views on what informality is and where it comes from, have given rise to alternative monikers such as the clandestine-, underground-, or black economy, the micro-enterprise sector, or the unofficial economy<sup>30</sup>. The standard translation of ‘informal sector’ into French has long been ‘secteur non-structuré’ rather than ‘secteur informel’ which is currently preferred.

Whatever views academics, policy makers or other observers may hold on the *raison d’être* of the informal economy, the reality on the ground is unmistakable. Governments are therefore increasingly prepared to consider measures to deal with informal employment. Beyond ignoring or forbidding it, repressive measures have been and are still being tried here and there, usually without avail. More constructive policy approaches are summarised, for example, in the conclusions of the 2002 International Labour Conference pointing “to a comprehensive range of actions to address the decent work deficits in the informal economy and to facilitate integration in the mainstream economy”.<sup>31</sup>

A recent OECD publication argues in a country-specific context for “a three-pronged strategy to address informal employment: (i) creation of more formal jobs; (ii) providing incentives to become formal to those who are located in the upper tier of informal employment; (iii) giving the necessary means (legal, financial, social) to those who are excluded from the formal labour market, to enable them to become more productive, while at the same time helping them in improving their risk management through providing basic social services and fostering institutions for social security.” It is emphasized that this strategy deviates substantially from a conventional approach to growth and poverty reduction and that it also differs markedly from views that aim to “formalise” the sector by narrowly focusing on the effect of business and labour regulations and their enforcement.<sup>32</sup>

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<sup>27</sup> See e.g. Moser, C., *Informal Sector or Petty Commodity Production: Dualism or Dependence in Urban Development*, in: ‘World Development’, Vol.6, Issues 9-10, pp.1041-1064, 1978

<sup>28</sup> See, in particular, writings on the subject by Peruvian economist Hernando de Soto.

<sup>29</sup> The various views cited here are also elaborated, for example, in: Jutting, J.P. and J.R. de Laiglesia (eds.), *Is Informal Normal? Towards more and better jobs in developing countries*, OECD Development Centre, 2009, Paris.

<sup>30</sup> See, for example, La Porta, R. and A. Shleifer, *The Unofficial Economy and Economic Development*, Brookings Papers on Economic Activity, 2008, Washington D.C.

<sup>31</sup> See for details: ILO, *Decent work and the transition to formalization – recent trends, policy debates and good practices*, Tripartite Interregional Symposium on the Informal Economy, 2007, Geneva.

<sup>32</sup> Jutting and de Laiglesia (eds.), *Is Informal Normal?*, op.cit. pp. 21-22.

Ways and means of responding to informality with appropriate policy measures, if at all, are of course greatly influenced by the perceived nature and extent of the phenomenon. As various definitions co-exist, measurement is problematic and more so if international comparison is intended. In 1993, first steps to streamline matters were taken by the International Conference of Labour Statisticians, followed up since 1997 by regular meetings of a group of experts set up by the UN Statistics Commission (the Delhi Group) resulting in detailed guidelines and recommendations, for example, on how to incorporate the informal sector in systems of national accounts. Having said that, global estimates by respectable statisticians suggest that informal employment comprises one half to three-quarters of non-agricultural employment in developing countries. The proportion is 72% in sub-Saharan Africa and 78% if South Africa is excluded; it is 48% in North Africa, 51% in Latin America and at least 65% in Asia. The inclusion in such estimates of informal employment in agriculture, increases the proportion of informal employment to reach 34% in South Africa, 62% in Mexico and 93% in India. There are no estimates of the contribution to GDP of the informal economy as a whole, that is, of informal sector enterprises plus informal employment outside such enterprises. Informal sector (enterprises) GDP as a percentage of non-agricultural GDP is reported as 27 % in North Africa.<sup>33</sup>

### 3.2 THE INFORMAL ECONOMY IN ENP (SOUTH) COUNTRIES

The first 'Euro-Mediterranean Employment and Labour Ministers Conference', held in Morocco in 2008, reviewed socio-economic developments in the countries of the southern Mediterranean and acknowledged in its conclusions "the persistence of key challenges, including high unemployment in many countries, which particularly affects young people and women; a vast informal economy, which is absorbing a high number of job-seekers, deprived of labour rights and social protection; a mismatch between education and labour market needs; poor social protection coverage, and challenges in developing social dialogue"

The economies and labour markets of the countries covered in this study, however heterogeneous, have indeed various conditions in common. One of these, as numerous other observers confirm, is a sizeable and growing share of informal employment<sup>34</sup>. Unfortunately, comprehensive, reliable and comparable statistics on informality - as on many other labour market particulars - are a rare commodity in the region. One reason may be that, in some countries, governments give low priority to knowing what goes on in labour markets. Another may be found in a certain hesitation on the part of authorities to publicize what are considered negative social phenomena. Or, perhaps, they are not particularly comfortable with the admittedly complex notion of informality and prefer instead to call it by another name such as micro-enterprises or 'the coping poor'<sup>35</sup>.

Assorted estimates and some empirical data do nonetheless suggest, consistently and repeatedly, that informal employment may represent around half of total non-agricultural employment. Occasional case studies and proxy indicators, such as self-employment rates, the proportion of unincorporated micro-enterprises, labour productivity data, or social security statistics, provide further insights. Relying on such yardsticks may be all the more appropriate where governments intend to address informality, or whatever problem it stands for, in a constructive manner, for example by taking steps to raise productivity in micro-enterprises or to extend social protection to poor households. Among the most widely cited and what appear to be plausible estimates of informal employment in developing countries are those by Charmes,

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<sup>33</sup> ILO, *Women and men in the informal economy – a statistical picture*, 2002, Geneva.

<sup>34</sup> See, for example: Bardak, Ummuhan, Henrik Huitfeldt and Jackline Wahba, *Employment Policy reforms in the Middle East and North Africa*, European Training Foundation, 2006, Turin; ILO, *Growth, Employment and Decent Work in the Arab Region: An Overview*, ILO, 2008, Geneva; Kabbani, Nader, Ekta Kothari, *Youth Employment in the MENA Region: A Situational Assessment*, SP Discussion Paper no. 0534, World Bank, 2005, Washington D.C.

<sup>35</sup> See e.g. : *Jordan Human Development Report 2004*, Ministry of Planning and International Cooperation and United Nations Development Programme, 2004, Amman

presented by the ILO<sup>36</sup>. Although excluding agricultural employment, they suggest that informality is a significant phenomenon in the countries of North Africa and the Middle East and that by far most of the people in informal employment are self-employed rather than wage-employed (table 7). It should be noted that these estimates concern informal employment both within informal enterprises and beyond, such as in the case of domestic servants. Data available for Tunisia, for example, suggest that in that country more than half (56%) of informal employment is found outside informal enterprises. Although longitudinal data are rarely available, it is commonly believed that the informal economy in ENP (South) countries - as in many other developing countries - has grown in size in recent years, if only because there are always many more jobseekers than jobs available in the various labour markets.

**Table 7 Non-agricultural, informal employment, selected countries, by sex, 1994-2000**

Country	Informal employment as a percent of non-agricultural employment			Self-employment as a percent of non-agricultural informal employment		
	total informal empl. as % of non-agric. employment	women's inf. empl. as % of women's non-agric. empl.	men's inf. empl. as % of men's non-agric. empl.	self-empl. as a % of total non-agric. informal employment	self-empl. as a % of women's non-agric. informal empl.	self-empl. as a % of men's non-agric. informal empl.
Algeria	43	41	43	67	81	64
Egypt	55	46	57	50	67	47
Morocco	45	47	44	81	89	78
Tunisia	50	39	53	52	51	52
Syria	42	35	43	65	57	67

*Source: Jacques Charmes, in ILO (2002)*

Algeria's recent Human Development Report<sup>37</sup> only refers explicitly to informality once or twice. Based on official statistics it elaborates how private sector employment increased rapidly since 2001 to reach more than 5 million in 2005 compared to 3 million in the shrinking public sector. It is then pointed out that informal activities represent an important part of the economy and that only 15% of those employed in the private sector are covered by social security. Half of the employment growth over the 2001-2005 period was in the category non-permanent jobs and apprenticeships that represented 27% of total employment in 2005 compared to 21% only four years earlier. Another 27% were categorized as independent employers, presumably including large numbers of self-employed workers without employees. The increase in female employment to reach 15% of the total in 2005 was also found remarkable.

From comparing results of two national surveys carried out in Morocco in 1988 and 1997 respectively, Walther, writing in 2006, concludes that the informal sector share in the overall economy increased sharply throughout the 1990s. He further cites results from the comprehensive national survey on the non-agricultural informal sector carried out in 1999/2000. The number of informal production units in Morocco was estimated at the time at more than 1.2 million; more than half (52%) were in trade, commerce and repair services, 21% in industry and handicrafts, 6% in construction and the remainder in other services. The contribution of these informal units to GDP was estimated at 17%; if the contribution of informal agricultural and related activities (16%) as well as of domestic work were added, the contribution of the informal economy to GDP would exceed 40%. As one would expect, most of the non-agricultural informal units were family enterprises and located in urban areas. They employed 1.9 million people in total, i.e. usually one person only. Most of those employed (87%) were men and the average age

<sup>36</sup> See, in particular: ILO, *Women and men in the informal economy – a statistical picture*, 2002, tables 2.1 and 2.2.

<sup>37</sup> Conseil National Economique et Social, Algérie, *Rapport National sur le développement humain, Algérie 2006*.

of those employed was 36 years. Levels of education and training were decidedly low with 70 % of the workers reported to have no qualification whatsoever. Wage-employees accounted for 18% of total employment in these units.<sup>38</sup>

A national survey of non-agricultural micro-enterprises undertaken in Tunisia in 2002 found that 433,000 people, 84% of them men, were employed in informal micro-enterprises, defined in terms of not keeping accounts *and* having less than six employees. They represented 20% of total non-agricultural employment. Of all those employed, 64% were self-employed operators, 24% were waged workers, 7% unpaid family helpers and 5% apprentices. Some 46% of the total were in trade, commerce and repair services, 34% in other services and 18% in industry and artisan trades. Another estimated 322,000 people were involved in domestic work and informal activities outside registered micro-enterprises. Total informal employment thus represented one third of total non-agricultural employment<sup>39</sup>. Haan and Gdoura, writing in 2003, concluded from a range of estimates available that the informal micro-enterprise sector in Tunisia, consisting for 50 per cent of people recognised as artisans, while the other half were involved in 'petits métiers' and small-scale trading and services, employed between 450,000-750,000 persons, or some 20-35 per cent of total employment outside agriculture. They were estimated to contribute at least 20% of the country's GDP.<sup>40</sup>

As concerns Egypt, El Mahdi<sup>41</sup> found that the number of economic units neither registered nor keeping regular accounts, almost all of them employing less than five workers, increased from 2.4 million to 2.8 million between 1988 and 1998; they represented 84% of all economic units. The number of non-agricultural waged workers without written social security contract grew from 2.3 million to 3.3 million over the same period. Radwan in a 2002 paper on employment and unemployment in Egypt argues that throughout the 1990s the government remained a major source of non-agricultural employment and that the informal sector continued to be the main refuge for low-productivity, low-income employment, especially for women<sup>42</sup>.

An analysis of the 2006 Egypt Labour Market Panel Survey, a follow-up and comparable to the 1998 Egypt Labour Market Survey, associates formality and informality at work with distinct types of workers, such as government employees, regular waged workers in formal enterprises, irregular waged workers, and unpaid family helpers. This suggests that informal employment represented 60% of total employment in Egypt in 2006, up from 54% in 1998. Informality was more pronounced in rural areas (71%, up from 65%) than in urban areas (46%, up from 41%). In rural areas women were more likely to be in informal employment than men (77% for women vs. 70% for men) while the reverse was the case in urban areas (31% for women vs. 50% for men)<sup>43</sup>.

Wahba, in her review of the Labour Market Panel data, uses a lack of job contract *and* social security as her measure of informality. She finds among other things that over the period between these two labour market surveys informality in non-agricultural employment increased somewhat from 35% to 36%; more significant is an increase in the proportion of wage-employed by 15 percentage points to almost 60% together with a decline of unpaid family workers. The proportion of male informal workers remained stable at around 85 per cent of the total. Education levels increased thereby reducing the proportion of workers without education from 34 to 26 per cent and raising the share of workers at the intermediate level of education from 21 to 34 per

<sup>38</sup> Walther, Richard, *Vocational Training in the Informal Sector – Report on the Morocco Field Survey*, Provisional version, Working Paper 16, Agence Française de Développement, 2006, Paris.

<sup>39</sup> See: République Tunisienne, Institut National de la Statistique, *Le Secteur Des Micro-Entreprises En Tunisie - Analyse des résultats de l'enquête nationale sur les activités économiques des micro-entreprises de 2002*.

<sup>40</sup> Haan, Hans C. with Ahmed Gdoura, *Skills acquisition for the informal micro-enterprise sector in Tunisia*, final draft for European Training Foundation/ World Bank, November 2003

<sup>41</sup> As cited in: Bardak, Ummuhan, Henrik Huitfeldt and Jackline Wahba, *op.cit.* p.34

<sup>42</sup> Radwan, Samir, *Employment and Unemployment in Egypt: Conventional Problems, Unconventional Remedies*, the Egyptian Center for Economic Studies, Working Paper no.70, 2002, Cairo.

<sup>43</sup> For more detail, see Egypt case study in Annex

cent. Her main finding is that the mobility from informal to semi-formal/ formal employment is highly segmented along education and gender lines. Overall it appears that informal employment is a steppingstone for highly educated male workers, but a dead end for the uneducated and for female workers.<sup>44</sup> Another recent study, making use of the same data set and focusing on the gender dimension of informality, suggests that the Egypt's informal economy grew at an annual rate of 5.3 percent from 1998 to 2006. It was found that, in 2006, 35 percent of micro- and small enterprises (MSEs) did not meet the conditions for formality of having a license, being registered, and keeping regular accounts, and were thus counted as part of the informal sector, compared with 32 percent in 1998<sup>45</sup>.

Jordan's Human Development Report 2004 finds that in urban areas the coping poor (as distinct from the poorest of the poor and the near poor) were "usually unskilled manual workers relying on irregular, low-wage work as well as revenue derived from income-generating projects and from the informal sector". In 2001, around 217,000 micro-enterprises were active in the country, "mostly organized informally" and operating in the retail and general services sectors. The scope and nature of business opportunities open to the poor was found to be very limited and constrained by a range of factors including a lack of various resources and limited and inappropriate skills, knowledge and experience to run a viable business.<sup>46</sup>

The hallmark of the informal sector, the micro enterprise, is "both the dominant and traditional entrepreneurial feature of the economy, constituting 95 percent of all businesses" according to the introduction of a microfinance market survey in the West Bank and the Gaza Strip undertaken in 2007 by the International Finance Corporation (IFC) and the Palestinian Network for Small and Microfinance. "Given the importance that the informal sector and micro enterprises have played in preventing the onslaught of absolute poverty among Palestinians, the development of this sector currently represents the most important source of employment for poor Palestinians. Moreover, this trend will continue in the medium term."<sup>47</sup> Based on an analysis of the current employment situation, the survey estimates that the potential number of micro-entrepreneurs, or those susceptible to receive loans from microfinance institutions, at around 190,000 people not including currently active microfinance clients<sup>48</sup>.

A national survey of micro and small enterprises in Lebanon, carried out in 2005, found that 45% of the sample enterprises had only one person working and 47% had two, three or four. Enterprises with 5-9 workers represented 5%, while only 2.7% of enterprises had ten or more workers. The average number of workers per enterprise was 2.5. Almost three out of four enterprises were involved in trade or commerce. As regards their being formal or informal no clear delineation was seen between the two but rather a grey zone. Besides some 15% of enterprises that were not required to register, almost as many were commercially licensed as were not. As regards social insurance only 20% of surveyed enterprises were registered with the government scheme known as NSSF. It should be noted, however, that one-person enterprises are exempt from taking part in the scheme. Around 44% of the surveyed enterprises were registered with the taxation department, while 39% were not and 17% were not required to register. As might be expected, average registration rates, whether commercially, with the NSSF

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<sup>44</sup> Wahba, Jackline, *Informality in Egypt: a stepping stone or a dead end?*, Economic Research Forum, Working Paper no.456, 2009.

<sup>45</sup> El Mahdi, Alia and Ali Abdallah, *Gender and Rights in the Informal Economy of Egypt*, paper presented at the CAWTAR-ILO Conference on Gender Rights in the Informal Economies of Arab States, Tunis, April 2007

<sup>46</sup> *Jordan Human Development Report 2004*, Ministry of Planning and International Cooperation and United Nations Development Programme, 2004, Amman, pages 52 and 89. For more detail on informality in Jordan, see case study in Annex.

<sup>47</sup> International Finance Corporation (IFC) and The Palestinian Network for Small and Microfinance, *Microfinance Market Survey in the West Bank and Gaza Strip*, May 2007, Washington D.C.

<sup>48</sup> IFC (2007), op. cit. p. 23; for additional detail on informality in the Occupied Palestinian Territories, see case study in Annex

or with the tax office, increased with the number of workers in the enterprise.<sup>49</sup>

Whether detailed statistics are available or not, it is safe to suggest, if only based on day-to-day observation, that a significant informal economy exists in all the countries covered in this study. As in other developing countries, the informal economy of Arab states is concentrated in micro- and small private enterprises and mostly made up of people without alternative livelihood. And it represents an important proportion of GDP. While - as is the case in the formal economy - it is no doubt true that not all people who work in the informal economy will always go by all the laws of the land, informality should not be confounded with crime and misdemeanor. By the same token, adopting a constructive rather than a strictly corrective attitude could well be a necessary first step in either making formal what is informal or, if that is too tall an order to begin with, in improving conditions for those who are bound to stay informal. Measures might be taken, for example to broaden access to skills or credit, to ease technology transfers, to improve physical infrastructure, or to extend social protection. Efforts to support small enterprises, if well conceived and well targeted, could yield significant economic and social returns.

### **Box 1 Support for small enterprises**

Development of informal small enterprises can contribute effectively to the strategic goal of poverty eradication through employment generation. Informal small enterprises are labour-intensive and capital-light, conditions that are perfectly suited to the national economies in which the vast majority of Arabs live. A major national effort needs to be put in place to promote them. The formulation and implementation of public policy should take into consideration the multifaceted nature of informal economic activity as well as current constraints to its development.

Small enterprises are notorious for high failure rates unless the economic and institutional environment in which they are set up is truly hospitable. Support for small enterprises needs to cover the entire spectrum of their needs: the legal and regulatory environment, finance, training, technical and management backstopping, and penetration of domestic and foreign markets. Ensuring easier access to, and firmer command over, physical assets, particularly land and water in rural areas, is also critical. Women, by virtue of their higher unemployment rates and proven ability to manage small enterprises and businesses, are prime candidates for programmes aimed at reinvigorating the small-enterprise sector.

This is not to say, however, that informal small enterprises can be the salvation of Arab economies. The appropriate approach is what the Chinese call "walking on two legs". No economy has developed without significant growth of enterprises of different sizes and, more importantly, without forging strong links between large and smaller enterprises. With wise policies, the promotion of small enterprises should lead, over time, to higher productivity and a process of growth and graduation into the formal sector.

*Source: UNDP, Arab Human Development Report 2002*

<sup>49</sup> Hamdan, Kamal, *Micro and Small Enterprises in Lebanon*, Economic Research Forum, Research Report Series no. 0417, Cairo, 2005.

#### **4. COMPETENCE AT WORK IN THE INFORMAL ECONOMY**

The main issue addressed in this report is that in many developing countries, including most ENP (South) countries, not enough useful and needed competence is embodied in the labour force for people to leave poverty and stagnation behind; low employability leads to un- and underemployment and other undesirable outcomes. Governments, it appears, are either unaware of the problem or they underestimate what difference effectively addressing it could make. Alternatively they may be unable for a variety of reasons to address needs and opportunities associated with people who dwell in informality at the bottom of society.

Whatever people do at work, almost all economic activities require a certain level and mix of knowledge, skills and attitudes. Knowledge needed, for example, to prevent or solve day-to-day problems, technical as well as administrative skills, and attitudes making customers come back. In fact, competence is likely to make all the difference in the quantity and quality of output. It should impact on the incomes of individuals therefore and, more broadly, boost the wellbeing of enterprises and countries and their capacity to absorb additional job seekers into employment. Workers lacking the necessary competence are likely to be less productive; they are more prone to accidents; they are the last to be hired or promoted, and the first to lose their job when jobs are cut; they are the first to see their micro-enterprise falter. A large proportion of informal enterprises do not survive more than a year or two, because they don't find customers or because, without noticing it, their costs exceed their revenues. Many at work in the informal economy could therefore do with a bit, or with a lot more of the competence required to do a better job.

This is not to say that people working in the informal economy are incompetent per se. In fact there are exceptions everywhere and anecdotal evidence of school dropouts having become millionaires. As Walther highlights, those who work in the informal economy may be un- or undereducated, this does not mean that they have no real knowledge or skills. Many of them possess cognitive, job-related and managerial know-how and experience which are equivalent to, if not superior to that obtained through formal training.<sup>50</sup> The problem, however, is that, exceptions aside, most people in the informal economy did not when they were young have access to the sort of education and training as needed to do a better job than they now do. Survey after survey shows that only very few informal micro-entrepreneurs acquired their competence, however limited, in a public school or training centre. Moreover, they do not generally have sufficient means or opportunities today to upgrade their skills or learn others.

##### **4.1 THE ROLE OF PUBLIC EDUCATION AND TRAINING INSTITUTIONS**

Basic education, enrolments may have increased considerably in recent years, but there are still large numbers of children not making it till the end of the cycle and the quality of primary education is often disappointing, or worse. Moreover the content of what children learn in school is not normally tuned to the world they are bound to end up in. In most ENP (South) countries, governments only play a marginal role in skills development beyond basic education, favouring to invest instead in general education which is supposedly cheaper and where parents want their children to go. Secondary level vocational education and training are widely seen as second best, meant for low achievers and dropouts to spend time, rather than as secure pathways towards meeting labour market requirements. Moreover, the existing formal TVET institutions are almost always exclusively focused, without necessarily being good at it, at meeting the perceived needs of the formal, the modern, the 'knowledge economy'. Programmes of two- or three years duration are usually provided under ministries of education and/or labour. As has been mentioned earlier, they tend to attract relatively small numbers of students, are usually underfunded, and hardly known for their close links to the world of work. Some special, non-formal "outreach" programmes implemented 'after hours' by these institutions, do not generally succeed in having much of an impact on the nature and quality of work in the informal economy either.

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<sup>50</sup> Walther, op.cit., p.36.

Typically, Morocco takes training seriously and has over the years and with financial support from abroad invested heavily in reforms aimed at giving TVET a status and institutions independent of the country's education system, increasing enrolments, including of women, substantially, and co-opting private sector involvement so as to strengthen links with the labour market. The focus is clearly on serving new economic sectors, however, including vehicle manufacturing and aeronautics, ICT, and hotels and tourism, rather than the sort of activities undertaken by the large numbers who work informally in agriculture or in the micro-enterprises dotting the cities. Likewise, in neighbouring Algeria, training- and other developmental government policies provide for major additional efforts at skills development, including a modern-day version of apprenticeship, but they appear largely to bypass the informal economy.

Some people at work in the informal economy are known to have benefited from non-formal, usually short-duration programmes offered by other public institutions. Various government ministries and agencies such as the Vocational Training Corporation in Jordan, or UNRWA, catering to Palestinian refugees, have long been involved in non-formal training programmes that target, usually indirectly, informal micro-enterprises and current or future informal economy workers. The Ministry of Housing and Reconstruction in Egypt, to give another example, has had its own training organization (TOMO HAR) for decades and trained over the years tens of thousands of construction workers many of whom are now part of the informal economy.

#### **4.2 PRIVATE TRAINING PROVIDERS AND NGOS**

In addition to governments, there are various other providers of education and training. There are, for example, numerous private secondary schools in most countries. However, relatively few of these offer any vocational education and training. Exceptions include, in particular, international Christian organizations such as the YMCA and the Lutheran World Federation, both in spite of many hurdles long active in the Occupied Palestinian Territories, and the Salesian Brothers, well known around the world for running good quality technical schools like the Don Bosco institute in Cairo.

Another major category of private training providers, often overlooked, consists of the for-profit institutes of which there are always a wide variety in terms of size and quality. The courses they offer are not normally technical in the strict sense of the word but mostly related to office work in the formal economy. Computer and secretarial courses, together with language classes are the usual subjects. However, hairdressing and related skills, as well as tailoring, are also popular and an obvious track to work in the informal economy. Ironically, these fee-paying institutions clearly succeed in attracting large numbers of clients where free-of-charge government programmes reach relatively few. In the end, however, the quality of these efforts and their relevance in terms of getting people into decent jobs or meeting serious skill gaps, often remain in doubt.

National and international NGOs of various persuasions and capabilities often do good work in reaching out to the poor and by implication to the informal economy. Some of them just do training, while others adopt an integrated approach to problem solving such as by also providing micro credit or health services. The Al Amana Association, for example, is one of leaders of the Moroccan microfinance sector. It operates across the whole country and has over 160,000 lenders, the vast majority of whom are solidarity groups, for a total of €36 million in outstanding loans. With development assistance, provided by the EC and bilateral donors such as Spain, Al Amana has since 2001 been training micro-entrepreneurs in the Tangier and Tetouan regions in the woodwork, metalwork and clothing sectors. The training scheme, which involved 300 people until 2006, consists of management workshops as well as technical training with groups of ten to fifteen people, followed by individual assistance in the workplace. Each training module lasts approximately fifty hours. Al Amana also trains people to increase their means of subsistence by creating or developing business activities. In view of the low level of education of participants, this type of training uses audiovisual aids and a participatory approach including viewing of a film, group discussion of the content, *in situ* application, and experience sharing. The modules focus on stock management, human resources management, sales techniques, or other topics,

depending on the participants' identified needs.<sup>51</sup> Similar micro-finance related training activities are found in other countries as well.

The international NGO Save the Children established a Jordan field office in 1985 with a special focus on children and families. Since then, their programs to improve health care services and education and create economic opportunities for poor women have impacted the lives of large numbers of Jordanian women and children. As more than 70 percent of the population in Jordan is under age 30, Save the Children engage youth while fostering a culture of hope through positive alternatives, affirmative civic action and civil society efforts. Reaching more than 50,000 Jordanian students age 12–24 each year, INJAZ ("Achievement" in Arabic) seeks to enhance youths' knowledge and awareness of the world of work and build their skills to enter and succeed in the labor market.<sup>52</sup> The NAJAH ("Success" in Arabic) program increases the employability of Jordanian youth ages 18–24 through learning-by-doing approaches, career counseling, support to stay in work and community mobilization designed to enhance parents' support for youth employment and entrepreneurship.

The Ma'an Development Centre, set up in 1989, is an independent, non-profit Palestinian sustainable development and training institution focusing in particular on rural development, youth employment, environmental issues, and capacity building for NGOs. It currently has an annual budget of US\$ 10-12 million fed by a multitude of donor agencies. Its regular entrepreneurship development programme, implemented in collaboration with others, including the Bisan Centre for Research and Development and Bir Zeit University, enables young entrepreneurs to prepare business plans and bankable projects. Among special projects implemented, a recent project successfully supported an informal cooperative of small olive growers in Jericho to add value to their product and eventually produce export-grade olive oil<sup>53</sup>.

In Lebanon there are relatively few training programmes targeting people working in informal micro-enterprises. The Community Development Centres under the Ministry of Social Affairs attempt to provide relevant basic skills to those with low educational achievements, especially women. Many of the larger NGOs active in the country are also involved in skills training. For instance, the Mouvement social has its own training centre and also runs a large number of training courses in its social centres throughout the country. The Mouvement social has also started pre-vocational schools for 11 to 14 year-olds to acquaint them with certain occupations and work in informal enterprises. In South Lebanon a number of NGOs have joined forces to create the 'Intensive Vocational Training Project'. Seven participating training centres offer regular full-time (three months) and part-time (six months) courses. They include topics such as children's rights, teamwork, literacy, and sexually transmitted diseases, as part of comprehensive skills and personal development packages. The training is normally practical and based on an assessment of demand and opportunities for skills. This sometimes leads to training in non-traditional trades. Training delivery is flexible and at the end certificates are awarded, for example, through the Ministry of Social Affairs, the Ministry of Labour, or the National Employment Office<sup>54</sup>.

#### **4.3 TRADITIONAL APPRENTICESHIP**

Most people working in the informal economy have acquired their competence on the job. Many, it turns out, have been traditional apprentices. Others have learned by trial and error, by copying colleagues at work, or by spending time with passers-by such as clients or equipment suppliers telling them what to do and how to do it. A few may have learned things from reading books, watching television or surfing the web. Walther cites survey results for Morocco suggesting that only four to five per cent of informal sector workers had received formal vocational training, while 80 per cent had received their training on the job. He concluded that the national training system

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<sup>51</sup> Walther, op.cit

<sup>52</sup> See: [www.injaz.org.jo](http://www.injaz.org.jo)

<sup>53</sup> See: [www.maan-ctr.org](http://www.maan-ctr.org)

<sup>54</sup> ETF/World Bank (2005), op.cit. page 76

had a negligible impact on skills used in the informal sector by those who had the most problems entering the labour market. He found vocational training officials whose effectiveness was thus challenged reluctant to discuss the issue of traditional apprenticeship because it was “outside their remit”<sup>55</sup>.

Traditional apprenticeship has long been and still is a main source of technical and other skills at work in the informal economy. In a 1988 survey of construction workers in Egypt, Assaad found that while only 5 per cent of workers had had participated in any kind of formal training, more than 80 per cent of craftsmen had acquired their skills through the traditional apprenticeship system dating back to the guild system that had dominated economic activity in the country until late into the 19<sup>th</sup> century. It appeared that many of the rules of the guild, while no longer explicit, had been internalised by contemporary craftsmen. A process of work combined with step by step learning would eventually lead to peer review and the recognition of skills acquired without which a former apprentice would not be able to get work in his specialty. By way of conclusion he argued that the formal vocational training system failed because its designers attempted to build an entirely new “modern” system that would simply be superimposed upon the existing system of skill acquisition through traditional apprenticeships. “If the existing system was deemed inadequate to meet the demand for skilled workers and too inaccessible, an alternative policy could have been to work on modifying it so as to make it more open and universally accessible, rather than to seek to replace it altogether”<sup>56</sup>.

While traditional apprenticeship is important, if only because of the large numbers involved, and because so many ex-apprentices succeed in setting up their own micro-enterprise, it also has its drawbacks. As Haan<sup>57</sup> and other observers point out, some apprentices may be too young to work and should really be in school; the working conditions of apprentices may be sub-standard; the quality of the training apprentices get is often low; the skills they learn may be considered obsolete or not be complete; or the apprenticeship may last too long. These and other issues have led a number of countries, notably Egypt, Morocco and Tunisia, either to set up parallel, modern apprenticeship schemes, or to intervene so as to improve the traditional system. So far, however, these efforts have not ‘gone to scale’.

In 1993, the Tunisian government developed a series of measures to improve the terms of engagement of traditional apprentices, in particular through the introduction of compulsory apprenticeship contracts, the setting of remuneration levels for apprentices, gradually rising from 30% to 80% of the legislated minimum wage, employers’ exemption from social security payments for apprentices, the introduction of compulsory accident insurance for apprentices, the increase in the maximum age for apprentices from 18 to 20, and the regulation of the duration of apprenticeship training ranging from 11 months to a maximum of three years. In 1996, the country’s national training agency (ATFP) began to focus on improving the quality of training provided in traditional apprenticeships. A compulsory dual system was developed in which apprentices attend a public training centre (CFA) two days a week to learn both job-specific and general literacy and numeracy skills. The CFA was given a new role as mediator between master and apprentice, with responsibility for placing apprentices, agreeing apprenticeship contracts, and providing a CFA counselor to monitor the progress of apprentices. Government financial support was made available to pay for apprentices’ social security, accident insurance and transport allowance. Only a relatively small proportion of traditional apprentices eventually benefited from dual training mainly because the CFAs did not have sufficient capacity to deal with increased responsibilities but also to some extent because apprentices were not always interested or their employers reluctant to release them<sup>58</sup>.

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<sup>55</sup> Walther op.cit p.17

<sup>56</sup> Assaad, Ragui, *Formal and Informal Institutions in the Labour Market, with Applications to the Construction Sector in Egypt*, in: ‘World Development’, Vol.21, No.6, pp 925-939, 1993.

<sup>57</sup> Haan, Hans C., *Training for Work in the Informal Micro-Enterprise Sector - Fresh Evidence from Sub-Saharan Africa*, UNEVOC, Springer, 2006.

<sup>58</sup> European Training Foundation/World Bank (2005), op.cit. page 81

In Egypt, NGOs such as the Centre for Development Services and the Coptic Evangelical Organisation for Social Services, provide enterprise-based training programmes which build on traditional, informal apprenticeship practices, while trying to overcome some of their weaknesses. They make use of existing workshops, both in the informal and the formal sector. The 'hook' for these workshops in terms of participation lies mainly in the financial reimbursement of the training costs incurred in terms of production materials, and use of equipment and workspace, as well as time and technical knowledge and experience (some EGP 500 to EGP 1,500 per apprentice, including EGP 150 to EGP 200 to be paid to the apprentice). A contract between the workshop owner, the apprentice and the NGO, together with intensive monitoring, solves the problem of the high mobility of apprentices that is common under the traditional apprenticeship system. The success of this type of training is reflected in a high rate of post-training employment (60 - 70%), and in its application to non-traditional and emerging trades (for example, mobile telephone repair)<sup>59</sup>.

#### **4.4 CONCLUSION**

In reviewing these and other examples<sup>60</sup> of what is being done in ENP (South) countries to come to grips with the usually difficult transition from school to work, or with informality at work, or with skill deficits in the informal economy, it appears that governments succeed, at best, in scratching the surface. Other providers, including NGOs and private schools, do not normally reach large numbers of clients either. While in several countries major TVET reforms are underway, boosting the skills of the working poor, or of the young people lined up to become working poor, appears nowhere included among priority concerns. Whether for a lack of interest, or for a lack of ideas, or for a lack of resources, there are no examples of TVET strategies designed and implemented to bring substantially more competence to the informal economy. As major economic and social benefits may be had from carefully reorienting, reorganizing and refinancing training systems to this effect, the time may have come for an alternative education and training agenda.

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<sup>59</sup> ETF/ World Bank (2005), page 65

<sup>60</sup> See in particular the case studies on Egypt, Jordan and the Occupied Palestinian Territories in the annex.

## 5. AN ALTERNATIVE TRAINING AGENDA

The countries covered in this report differ in many ways. However, they also have much in common, including several development challenges. Most have severe problems in matching labour supply and demand, and in educating and training their people so that sustainable development results and the fruits of economic growth are spread more evenly. They all have significant and growing informal economies in which currently between 30 and 60 per cent of the labour force try and make a living without being covered by formal arrangements such as foreseen in regulation and legislation. Those who work in the informal economy earn little; they have limited assets and few options. Most of them would glad to have decent work on the formal side of the fence.

The notion of informal employment has increasingly found its way into the development discourse. Even if informality is not always perceived in the same manner by all, policy makers in many countries now acknowledge that decent work deficits set large segments in the labour force apart from others in terms of productivity, income, social protection, and basic rights at work. Whether they speak of an informal economy or not, they know that it stands for a cluster of problems that governments should not want to ignore.

People at work in the informal economy need competence as much as anyone else, and may be more so. While many of them are literate and possess certain skills, many others would no doubt be better off if only they were a bit more competent. In fact, the sort of competence that translates into labour productivity and income, or occupational safety, is among the assets that many informal workers lack. Efforts at promoting competence, be it for youth on their way into informal employment, or for others already at work in the informal economy, are therefore critical ingredients in broader economic and social development strategies. These might be efforts at improving or reorienting what is already being attempted by formal institutions, or at extending them in order to reach larger numbers of learners. Also likely to make a difference are efforts at improving in a constructive manner and on a significant scale, traditional pathways of youth entering the world of work, and, as far as people already at work are concerned, at promoting alternative non-formal initiatives involving, as appropriate, NGOs, local communities and groups of employers.

Importantly, people should no longer have reason to believe that vocational education and training of one type or another are pathways “for losers”. On the contrary, good quality efforts at life-long skills development, properly targeted, for plenty of people, with incentives as needed to lure them away from academic tracks that lead nowhere, should go a long way to spread dignity and pride in being competent at work, be it in the formal or informal economy. This would in turn improve the quality of employment and secure more decent incomes. It would contribute to boosting the productivity of the country’s workforce and, thereby, to sustaining both economic and social development. It would in fact be a natural way for the informal economy gradually to become formal.

Investment in competence in order to come to fruition should respond to actual needs and opportunities in labour markets. In other words, knowledge and skills that people acquire should be applied, somewhere and somehow, to make a difference, to add value, to draw a decent income from economic activity whether considered formal or informal. Unfortunately, few formal education and training institutions acknowledge the merits of preparing young people for work in the informal economy, even if in recent years they have embraced the importance of being increasingly ‘demand-driven’. While often beset by multiple weaknesses and constraints, these institutions are largely focused on meeting requirements, real or not, of the formal economy. Being demand-driven means, naturally, trying to produce the precise number and quality of skilled workers that large-scale formal sector employers are going to employ now or soon. Or to retrain and upgrade their workers as a new technology is introduced, or when staff is assigned to new tasks and duties. There seems to be a good case, however, to extend the notion of what is demand-driven so that education and training institutions would also cater to the not always explicit needs of small and micro-enterprises, be they formal or informal. Moreover, training may

be conceived and delivered not so much to respond to demand or need but to enable people more readily to seize income-earning opportunities so far neglected.

## **5.1 TOWARDS A STRATEGY TO BOOST COMPETENCE IN THE INFORMAL ECONOMY**

As it is increasingly realised that one cannot simply wish the informal economy away, or move in to forbid it, governments in several countries have begun to look for more constructive ways to deal with informality. Recognising that most new entrants to the labour market have no other choice but to find employment in the informal economy, steps may be taken for some of them eventually to “graduate” to the formal economy. For others measures may be implemented to improve conditions at work and help them stay out of poverty. Among other things to do, boosting competence at work in the informal economy appears an attractive new avenue.

Governments of most countries devote major efforts to making sure that skills development systems are relevant and well targeted, well managed and funded, and in the end as effective as can be. As they monitor policy outcomes, they redirect their efforts as necessary to stay the course. Experience suggests, however, that it is far from easy to build and maintain a relevant and effective training system. As circumstances, needs and opportunities change, or development objectives, training systems should be able to respond and, as necessary, target new clients with new products and using new methods. And if they don't, it may be time for institutional reform and new management.

It could never be the intention to boost competence in the informal economy at the expense of sensible and effective efforts at skills development for the formal economy. A major principle, as in medicine, should be: ‘do no harm’. What appears to work well for the development of competence at work, be it in the formal or the informal economy, should be protected and possibly strengthened. And what is ready for repair or reform should be handled with ample care.

In order to be effective at all, measures to be taken should be based on a number of prior conditions being met unequivocally, namely a mindset that attaches true value to reducing poverty and promoting social inclusion, as well as a sufficient understanding of current systems and socio-economic circumstances. The first of these conditions suggests that informality as an issue should be taken seriously by the authorities concerned and acted upon with commitment and in a constructive manner. The second condition is that sufficient information, notably on labour markets and education and training systems, should be collected, freely circulated and competently interpreted. In other words, governments and others involved should on a regular basis decide where they stand and where they are going. They should look out for problems along the way, establish their nature and causes, verify the merits of inaction and as appropriate suggest measures to be taken.

For new efforts to succeed and yield impact, it is important to opt for sufficient scale. Governments committed to reorienting TVET should show more than marginal interest in catering to the informal economy and come up with more than mere pilot projects if they want to make a difference. As this would have funding implications, they should be prepared to make new or better use of existing resources and as necessary mobilise additional resources such as by involving private sector enterprises in planning and implementing training reform. The informal economy will not become more competent by leaving the necessary funding exclusively to NGOs and development assistance agencies.

A systemic reorientation of TVET and other skills development efforts so as to boost competence in the informal economy is more likely to succeed if part of broader economic and human development strategies. In other words, policy coherence and policy integration are prerequisites for the efficiency and sustainability of reform and any impact that is intended. Another critical condition, it appears time and again, is the active involvement of stakeholders in all steps to be taken in strategy development and implementation. As necessary therefore, steps should be taken to strengthen the capacities of stakeholders such as associations of micro-entrepreneurs, apprentices, or groups of rural women.

Finally, as stressed in a recent World Bank report on education reform entitled 'The Road Not Traveled', MENA countries do not have a strong tradition of public accountability in the education sector. Independent education-research institutions, stakeholder associations (e.g., professional educators, parents, employers, etc.), and networks promoting certain educational agendas (e.g., lifelong learning, opportunities for dropouts, changes in curricula) are quite rare in the region. Such entities have proven essential for the success of educational reforms in many other developing and developed countries, particularly as they address complex demands for education<sup>61</sup>.

With prior conditions met and fundamentals established, including answers to questions such as why people should be trained in the first place, who in this country needs training, or would benefit from it (and who would not), and why government should be concerned, various policies may be foreseen within a single logical framework to address a broad range of issues. Strategies aimed at extending competence to people working in the informal economy should vary, however, from place to place depending on the nature and extent of pressing problems and on particular opportunities and constraints. That being said, analysis suggests that they might well have elements in common such as promoting trainability during basic education, reviewing the relevance and quality of skills development in secondary schools, enhancing through incentives the role of private training providers including NGOs and commercial training centres, improving traditional apprenticeship without destroying it, supporting skills development efforts at the local level, constructing a national qualifications framework, securing adequate funding for training, promoting life-long learning arrangements, and so on and so forth.

None of these are simple things. Improving traditional apprenticeship, for example, should, however well intended, not merely be a matter of new legislation telling apprentices and their masters how to proceed from now on. In order to have significantly more informal apprentices end up with more and better skills under improved working conditions, a comprehensive, constructive approach, endorsed if not proposed by informal employers and their apprentices is indicated. Adequate incentives should be put in place and budgets secured as necessary. A potential role, if any, for existing TVET institutions in supporting the process should be carefully crafted. The issue of skill recognition should again be dealt with so as not to defeat the purpose of boosting competence in the informal economy and beyond. And there are all sorts of other complex issues to take into account.

## 5.2 ELEMENTS OF AN ALTERNATIVE EDUCATION AND TRAINING AGENDA

Governments that are prepared to shift their focus because they also want to include competence at work in the informal economy among their targets, may consider including some or possibly all of the following elements in an alternative education and training agenda:

- (i) **review** the nature and origins of the informal economy and **commit** to deal with informality at work in a just and constructive manner; this may imply, for example, defending and promoting as an integral part of national development strategies and plans the principle of more and better skills for more people, whether they work, or will work, in the formal or in the informal economy; in the context of ongoing or future TVET reform **consider** the merits of investments in competence for all who work both in terms of their economic and social benefits; **make** skills development a cornerstone of stepped-up programmes in support of micro- and small enterprises, including micro-credit, extension and other business development services;
- (ii) **collect, disseminate and analyse** pertinent information about the country's labour market and about all sorts and levels of education and training; this may be done by establishing and supporting authoritative observatories that undertake regular surveys as well as specific, ad hoc studies on pressing issues; particularly if they actively involve the

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<sup>61</sup> World Bank, *The Road Not Traveled*, op.cit. page 294

world of both formal and informal work, such observatories could play an important role in reducing skills mismatches as well as youth unemployment through guiding young people in their choice of school or training institution and upon completing these in finding suitable employment or in starting a small enterprise;

- (iii) **invest** more in the *quality* of basic education for all; **review** the contents of basic education, not so much with a view to 'vocationalizing' curricula, but to **ensure** that children will be functionally literate and acquire the sort of generic knowledge and soft skills that are particularly valuable in current labour markets; **make** trainability an outcome of basic education;
- (iv) **improve** the generally negative image of regular vocational education and training programmes provided after basic education, by improving their quality and their relevance, by demonstrating and advertising their effectiveness in getting young people into decent jobs, and by enhancing their attractiveness through incentives to students, training providers and employers as appropriate;
- (v) **recognise** that governments cannot or should not do everything alone, and **support**, therefore, good quality non-formal skills development by private providers and not-for-profit NGOs by providing fiscal and other incentives as appropriate, rather than by penalising them through unreasonable fiscal burdens and licensing procedures; likewise, **reward** enterprises able to show that they train their workers;
- (vi) **recognise** the significance of training taking place within the informal economy and **invest** in improving, in particular, traditional apprenticeship in a manner that will both attract more apprentices and improve the quality of their training without objections from the micro-entrepreneurs employing them;
- (vii) **shift** attention and resources as necessary from what is usually an exclusive focus of governments on pre-employment training to sensible life-long learning arrangements, including enterprise-based training, skills upgrading and retraining programmes;
- (viii) **make sure** that improved skill recognition systems currently being discussed and developed in several countries are cost-effective, manageable, employer-driven and user friendly; in particular **insist** that they are capable of recognizing as appropriate prior learning by informal economy workers;
- (ix) **go for** sufficient scale rather than for marginal tinkering in boosting competence at work in the informal economy ; invest public resources accordingly, rather than considering the effort as particularly suited for support by the donor community and assorted NGOs; **review** current levels and all sources of TVET funding and **consider** how available resources may be used to greater advantage before exploring additional funding;
- (x) **redress** training system fragmentation and overlapping by promoting unity of purpose and by improving, substantially, overall system management, coordination, monitoring and evaluation; **consider** setting up a single broad-based apex body to look after developing competence for all;
- (xi) **support** local skills development initiatives, such as by associations of artisans or groups of rural women, and **enable** individual training institutions to cater to local needs and opportunities;
- (xii) **involve** various stakeholders in a meaningful manner and on a permanent basis in taking decisions both at the national and local level about whatever it takes to boost competence at work, including work in the informal economy.

### **5.3 CONCLUSION**

The countries focused on in this report share serious problems such as manifest, for example, in high rates of youth unemployment and the fact that large numbers of people work in unsavory conditions, at low levels of productivity and income, in the informal economy. Their education and training systems appear, if not in part responsible, ill prepared to help correct the situation. In spite of some good intentions and reform efforts, much more is needed to make sure that more job seekers will have the sort of competence that will get and keep them employed and out of poverty. Vision, good will and true commitment, combined with sufficient analysis, should lead to new directions in further nurturing these countries' human resources. Implementing a policy agenda such as suggested, elaborated in greater detail and amended as necessary to account for particular circumstances, should go a long way in reorienting education and training systems so that they would more readily benefit people who have no other option now than to make a living in the informal economy.

**ANNEX 1**

**CASE STUDY: EGYPT**

## Annex 1 Case Study: EGYPT

### Introduction

Egypt is a country of one million square kilometres, 95 per cent of which consist of inhabitable desert. Its people live the land immediately bordering the Nile and the densely populated river delta. The country's total population of almost 80 million, including some 5 per cent living abroad, is growing at a rate of almost 2 per cent per year. Egypt's population is relatively young with an estimated 40 per cent under 15 and another 32 per cent in the 15-29 years of age group. Until now more than half of all Egyptians live in rural areas (57 per cent according to 2006 population census) but this may simply be a matter of where the line between urban and rural is drawn. Almost one in four of all Egyptians live in the Greater Cairo urban area and Alexandria, Egypt's second largest city, counts more than 4 million inhabitants. Although precise data are lacking, many, that is millions of the city dwellers live and work in unauthorised 'informal' settlements (ashwa'yyat)<sup>62</sup>.

Starting in the early 1990s Egypt's economy has been subjected to a major process of structural reforms. The predominant role of the public sector in the industrial and financial sectors was reduced through privatization and the promotion of both domestic and foreign investment, the business environment was improved, trade and fiscal policies were reformed, free and industrial zones were established. As a result GDP growth rates went up, inflation rates came down, although they still tend to be double digit, and external debt stabilised.

Real GDP growth was around 3 per cent per year during the early 2000s and increased to around 7 per cent per year during 2006-2008. Sectors seeing rapid growth included construction, manufacturing and tourism. The share of agriculture in GDP gradually declined and stood at 14 per cent in 2007 compared to 38 per cent for industry and 48 per cent for services. The public sector still accounts for about one third of the national product. Per capita income in purchasing power parity terms stood at around US\$ 5,500 in 2008.

High unemployment rates did not come down over the years, as will be elaborated below. Moreover, massive poverty remains a matter of concern. A national household income, expenditure and consumption survey undertaken in 2004-05 concluded that some 28 million people were poor with almost half of them, or almost 20 per cent of the country's population, classified as absolutely poor; 2.6 million Egyptians were considered extremely poor because unable to secure their food requirements.

The current global financial and economic crisis is severely felt in Egypt. GDP growth declined sharply as off the last quarter of 2008, in particular as a result of declining export values and tourism revenues. The Economist Intelligence Unit (EIU) in its outlook for 2009 estimates that real GDP growth for 2008/09 will be 4.4 per cent and 4.0 per cent for the next fiscal year. It foresees that the slowdown in the domestic economy will disproportionately affect the poor.

### Labour force and labour market

Egypt's official statistical organization (CAPMAS) does not publish regular labour force surveys. There are nonetheless a number of reliable sources from which insights into the size and composition of the country's labour market may be gleaned. A data set as good as any to be found, and based on recent survey work, is now available on-line and extensively reviewed in a dedicated publication<sup>63</sup>.

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<sup>62</sup> See e.g.: GTZ, *Cairo's Informal Areas - Between Urban Challenges and Hidden Potentials*, Cairo, June 2009.

<sup>63</sup> The Egypt Labour Market Panel Survey of 2006 conducted by the Economic Research Foundation (ERF) in cooperation with the Population Council and the Egyptian Central Agency for Public Mobilisation and Statistics (CAPMAS) which followed-up on the 1998 Egypt Labour Market Survey also conducted by ERF. For an in-depth analysis, see: Assaad, Ragui (ed.), *The Egyptian Labour market*

**Table E.1: Egypt – Structure and growth of employment and working-age population (15-64 years) by type of employment, urban-rural, 1998-2006, thousands of workers and percentage growth over the eight-year period**

Type of employment	Urban			Rural			Total		
	1998	2006	growth	1998	2006	growth	1998	2006	growth
- Government workers	2,584	2,851	10.3	2,198	2,521	14.7	4,782	5,372	12.3
- Public enterprises workers	705	714	1.3	335	309	- 7.8	1,040	1,023	- 1.6
- Formal private regular wage	867	1,426	64.5	312	694	122.4	1,179	2,120	79.8
- Informal private regular wage	998	1,682	68.5	1,024	1,918	87.3	2,022	3,600	78.0
- Irregular wage workers	410	400	- 2.4	1,374	1,230	- 10.5	1,784	1,630	- 8.6
Total wage workers	5,564	7,073	27.1	5,243	6,672	27.3	10,807	13,745	27.2
- Household enterprise worker	672	794	18.2	2,257	4,461	97.7	2,929	5,255	79.4
- Self-employed	815	1,319	61.8	626	1,063	69.8	1,441	2,382	65.3
Total non-wage workers	1,487	2,113	42.1	2,883	5,524	91.6	4,370	7,637	74.8
Total employment	7,051	9,186	30.3	8,126	12,196	50.1	15,177	21,382	40.9
Total unemployment	875	1,022	16.8	1,132	914	- 19.3	2,007	1,936	- 3.5
Total labour force	7,926	10,208	28.8	9,258	13,110	41.6	17,184	23,318	35.7
Total not in labour force	8,549	9,640	12.8	11,021	11,943	8.4	19,570	21,583	10.3
Total working age population	16,475	19,848	20.5	20,279	25,053	23.5	36,754	44,901	22.2

*Source: based on Assaad, Ragui (ed.), The Egyptian Labour market Revisited, Economic Research Forum, The American University in Cairo Press, 2008, Chapter 1, table A 1.3, pages 46-47.*

The data show that Egypt's working age population, i.e. all those in the 15-64 years of age bracket, increased by a million people per year from almost 37 million in 1998 to 45 million in 2006. Out of these it is estimated that up to 800,000 people entered the labour market every year looking for work. The country's labour force currently stands at around 25 million people who are either working or available and actively looking for work (Table E.1).

Total employment increased by 41% over the 8-year period, i.e. at an average rate of 4.4% per year compared to an average annual increase in the labour force of 3.9% per year. Government employment saw only marginal growth over the period, while public enterprise employment slightly declined. On the other hand there was a robust growth in private sector wage employment in both formal and informal firms, as well as in the numbers of household enterprise workers. Wage work represents around two thirds of total employment in Egypt; there is relatively less wage work in rural areas however (55% of total rural employment) than in towns and cities (77% of urban employment). As wage-employment of all sorts increased by an average of 367,000 jobs, i.e. at around 3% per year, it may be seen that more than one in two new entrants to the labour market had to turn to self-employment or unpaid family work.

A total of 2.4 million Egyptians were recorded as self-employed in 2006 and another 5.3 million as household enterprise workers not receiving wages. Almost all of them operate micro-enterprises across the economic spectrum. It is worth pointing out that both the labour force and employment, particularly that of unpaid family helpers, appear to have increased considerably faster in rural than in urban areas.

Between 1998 and 2006, the number of unemployed people decreased in rural areas while it increased in urban areas. While the total number of unemployed in Egypt was stable over the period, at around 2 million, unemployment came down significantly as a percentage of the labour force from 11.7% in 1998 to 8.3% in 2006. Almost all unemployment is said to concern relatively well-educated first time job seekers in the 15-29 years age group. While far fewer women than men are looking for jobs, women are much more likely to be unemployed than men. Most recent data originating with CAPMAS suggest an overall unemployment rate of 8.6% in 2008.

What has long been known about major gender differences in the Egyptian labour market is amply confirmed in the Labour Force Panel statistics. Female labour force participation in 2006 stood at just under 27% of the female working-age population, slightly more in rural areas and slightly less in urban areas. The rate was up, however, from just over 21% recorded in the 1998 survey. In contrast, male labour force participation was almost 78% in 2006. Of around 5 million Egyptian women at work in 2006, the government employed 36%, and 34% were classified as household enterprise workers, leaving minor shares employed in other categories. Whereas 4.7% of the male labour force was unemployed in 2006, the female unemployment rate reached 18.6%, down from 27.7% in 1998.

Assaad concludes from the data that the Egyptian labour market has performed better over recent years than before, with unemployment rates continuing to decline even if youth and female unemployment rates remain very high. Prospects for university graduates, the only educational category whose unemployment rate increased since 1998, remain particularly dim, it appears. Following the slowdown in public sector employment, the private sector has become the engine of employment growth with rates in excess of 7% per year both in formal and informal wage employment. There is relatively more employment created in the services sectors and less in manufacturing and almost all new jobs are in very small firms. "With the drying up of employment opportunities in the government, the sector which provided the bulk of employment for this group, many female graduates are simply not seeking employment at all. The relatively inhospitable employment climate for women in the private sector and the large gender gap in wages are discouraging these women to look beyond the government sector for employment. Thus some of the reduction in female unemployment can be attributed to this declining participation trend among educated women"<sup>64</sup>.

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Assaad, op.cit. page 42.

**Table E.2: Egypt - working age population (15-64) by type of employment, men and women, urban and rural, 2006, thousands**

Type of employment	Urban			Rural			Total		
	men	women	total	men	women	total	men	women	total
Government workers	1,643	1,208	2,851	1,953	568	2,521	3,596	1,776	5,372
Public enterprises workers	611	103	714	294	15	309	905	117	1,023
Formal private regular wage	1,201	225	1,426	644	50	694	1,845	275	2,120
Informal private regular wage	1,408	274	1,682	1,762	156	1,918	3,169	430	3,600
Irregular wage workers	376	24	400	1,143	87	1,230	1,519	111	1,630
Total wage workers	5,239	1,834	7,073	5,796	876	6,672	11,034	2,709	13,745
Household enterprise workers	567	227	794	3,005	1,456	4,461	3,572	1,683	5,255
Self-employed	1,164	155	1,319	665	397	1,062	1,830	552	2,381
Total non-wage workers	1,731	382	2,113	3,670	1,853	5,523	5,402	2,235	7,636
<b>Total employment</b>	<b>6,970</b>	<b>2,216</b>	<b>9,186</b>	<b>9,466</b>	<b>2,729</b>	<b>12,196</b>	<b>16,436</b>	<b>4,944</b>	<b>21,382</b>
Total unemployment	469	553	1,022	338	576	914	807	1,129	1,936
<b>Total labour force</b>	<b>7,439</b>	<b>2,769</b>	<b>10,208</b>	<b>9,804</b>	<b>3,305</b>	<b>13,109</b>	<b>17,243</b>	<b>6,073</b>	<b>23,317</b>
Total not in labour force	2,332	7,308	9,640	2,640	9,305	11,945	4,972	16,613	21,585
<b>Working age population</b>	<b>9,771</b>	<b>10,077</b>	<b>19,848</b>	<b>12,444</b>	<b>12,610</b>	<b>25,053</b>	<b>22,215</b>	<b>22,686</b>	<b>44,902</b>
Labour force participation rate	76.1%	27.5%	51.4%	78.8%	26.2%	52.3%	77.6%	26.8%	51.9%
% unemployment	6.3%	20.0%	10.0%	3.4%	17.4%	7.0%	4.7%	18.6	8.3%
% wage workers in labor force	75.2%	82.8%	77.0%	61.2%	32.1%	54.7%	67.1%	54.8%	64.3%
% non-wage workers	24.8%	17.2%	23.0%	38.8%	67.9%	45.3%	32.9%	45.2%	35.7%

source: based on Assaad, Ragui (ed.), *The Egyptian Labour market Revisited*, Economic Research Forum, The American University in Cairo Press, 2008, Chapter 1, table A 1.3, pages 46-47.

### The informal economy

Labour market observers<sup>65</sup> are all agreed that, as Egypt's labour force increased over the years, as public sector employment declined, as graduates no longer had a government job guarantee, and as few job seekers could afford to be without income for any length of time, the country's informal economy assumed ever growing proportions. Various estimates of the size and composition of the informal economy exist, most of them based on the 1998 and 2006 labour market surveys already mentioned, as well as an earlier survey of 1988. It may therefore be safely assumed that well over half Egyptians at work, and as many as two out of three new labour force entrants, find employment in the informal economy.

Egypt's informal economy, in fact, is huge by any yardstick and still growing. Whether the number of those who work in micro enterprises or the proportion of self-employed and unpaid

<sup>65</sup> In addition to Assaad, see, e.g. ...Alia El Mahdi, Jackline Wahba, Samir Radwan and others

family workers in the labour force are taken as indicators, or the observed extent of vulnerability in employment, or of compliance with registration and licensing requirements, tens of millions of Egyptians at work find themselves in circumstances that leave much to be desired. While some may have consciously opted not to adhere to formal ways of working, by far most of them seem never to have had much of an option in deciding how to make a living.

The Labour Market Panel Survey already mentioned recognises seven types of employment, providing an opportunity both to estimate the approximate extent of informality as well as its growth over the last decade. A plausible assumption would consider formal all those working for government and public enterprises as well as all regular private sector waged workers in formal enterprises. Private sector waged workers in informal enterprises, all irregular waged workers, the self-employed and unpaid family helpers, would be classified as informal. While marginal proportions of workers in the various categories should, no doubt, belong in the other camp, a division such as proposed may be considered reasonably realistic in trying to come up with orders of magnitude.

**Table E.3: Egypt – estimated formal and informal employment of the working-age population, urban-rural, 1998-2006, thousands of workers and percentages**

Type of employment	Urban			Rural			Total		
	1998	2006	growth	1998	2006	growth	1998	2006	growth
Total employment	7,051	9,186	30.3%	8,126	12,196	50.1%	15,177	21,382	40.9%
Total formal employment	4,156	4,991	20.1%	2,845	3,524	23.9%	7,001	8,515	21.6%
Total informal employment	2,895	4,195	44.9%	5,281	8,672	64.2%	8,176	12,867	57.4%
Informal in total employment	41.1%	45.7%	n.a.	65.0%	71.1%	n.a.	53.9%	60.2%	n.a.

*Source: based on Assaad, Ragui (ed.), The Egyptian Labour market Revisited, Economic Research Forum, The American University in Cairo Press, 2008, Chapter 1, table A 1.3, pages 46-47. In this estimate formal employment includes government and public enterprise workers as well as regular wage-workers in the private sector. Other workers are considered informal.*

**Table E.4: Egypt – formal and informal employment of the working-age population, 2006, urban-rural, men and women, thousands of workers and percentages**

Type of employment	Urban			Rural			Total		
	men	women	total	men	women	total	men	women	total
Total employment ('000)	6,970	2,216	9,186	9,466	2,729	12,196	16,436	4,944	21,382
- Formal employment	49.6%	69.3%	54.3%	30.5%	23.2%	28.9%	38.6%	43.9%	39.8%
- Informal employment	50.4%	30.7%	45.7%	69.5%	76.8%	71.1%	61.4%	56.1%	60.2%

*Source: based on Assaad, Ragui (ed.), The Egyptian Labour market Revisited, Economic Research Forum, The American University in Cairo Press, 2008, Chapter 1, table A 1.3, pages 46-47. In this estimate formal employment includes government and public enterprise workers as well as regular wage-workers in the private sector. Other workers are considered informal.*

Thus estimated, informal employment represented 60% of total employment in Egypt in 2006, up from 54% in 1998. Informality is more pronounced in rural areas (71%, up from 65%) than in urban areas (46%, up from 41%). In rural areas women are more likely to be in informal employment than men (77% for women vs. 70% for men) while the reverse is the case in urban areas (31% for women vs. 50% for men).

Instead of measuring informal employment through household surveys, it may be done through establishment surveys providing insights into the nature and extent of micro- and small enterprises (MSEs). While possibly overlooking certain home-based economic activities, such

surveys tend to yield a more detailed picture of what the informal economy is all about. El Mahdi reports<sup>66</sup> on the outcomes of a comprehensive survey of both formal and informal MSEs, undertaken in 2003 under ERF auspices. She defines formal units as those meeting three conditions, namely being registered, having a licence, and keeping regular accounts, and informal units as those who don't. Thus, 30% percent of all units in the large sample were found to be formal and 70% informal. Informality was higher in rural areas and decreased when the number of workers and/or the value of invested capital increased. No difference in the rate of informality was observed according to gender of the entrepreneur or the type of economic activity. It was found that 3.4% of the male and 2.9% of the female entrepreneurs had received a formal technical education.

An interesting example of the extent and complexity as well as the economic and social significance of informal employment is provided by the country's solid waste sector. In Cairo alone, tens of thousands of people are occupied in waste management and recycling, almost all of them informally, as waste collectors and cleaners, dumpsite scavengers, sorters, transporters, small middlemen and large traders, processors (plastic crushers, aluminium smelters, cloth grinders, paper compactors, etc.) and re-manufacturers. It is estimated that they may recover as much as 80% of municipal solid waste, which is one of the highest recovery rates in the world. However informal, the industry appears relatively organised, dynamic, prepared to introduce new technologies, and capable of getting involved in public-private sector partnerships<sup>67</sup>.

### **Education, training and skills development**

Basic education in Egypt is compulsory and free; post-basic education at secondary and higher levels is largely subsidised by the government. As a result enrolment and literacy rates have increased dramatically over recent decades and more than 90% of all enrolments are in public schools. There now are more than 20 million, or one in four Egyptians, in school, including over 2 million students in universities. At the same time it is estimated that there are still more than a million children who have never been to school or who dropped out before completing their basic education. As public education in Egypt is overstretched in many ways, the quality of education is a serious issue. Well over half of all public school students, surely from families who can afford the fees, receive additional private lessons, in particular from public school teachers. Total public expenditure on education was 3.7% of GDP in 2007 and 12.5% of total government expenditure. Both figures suggest a gradually declining trend over the decade<sup>68</sup>.

There are nine years of basic education. After six years of primary school most pupils proceed to three-year general preparatory schools. Based on low scores at the end of primary school, a small proportion (around five per cent) of pupils go to vocational preparatory schools.

Students holding preparatory vocational certificates as well as those with basic education completion certificates may enter into secondary vocational schools (not to be confounded with secondary technical schools). There are 256 vocational industrial schools attached to technical secondary schools with some 22,000 students and 56 vocational agricultural schools with some 14,000 students. A range of administrative problems has led the Ministry of Education to the conclusion that "students in these schools are not provided with real training opportunities"<sup>69</sup>.

For those who have completed their basic education there are general and technical secondary schools. Over the years the proportion of those going to either general or technical streams have gone up and down. Currently almost 2 million, or 61% of all 3.2 million students in secondary

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<sup>66</sup> El Mahdi, Alia, *MSES Potentials and Success Determinants in Egypt, 2003-2004, with Special Reference to Gender Differentials*, FEMISE Research Report, ERF, Cairo.

<sup>67</sup> CID - Community & Institutional Development, *The Informal Solid Waste Sector in Egypt: Prospects for Formalization*, 2001, Cairo.

<sup>68</sup> See e.g. data cited in Egypt Human Development Report 2008.

<sup>69</sup> Ministry of Education, National Strategic Plan for Pre-University Education Reform in Egypt (2007/08 – 2011/12), Annex 2: Situational Analysis of Technical Secondary Education, page 113.

education, attend some 1800 technical secondary schools (TSS)<sup>70</sup> that provide three or, in some cases, five years of schooling. About half of these students follow the industrial track, 40% are in the commercial track and 12% in the agricultural track. The vast majority of TSS graduates enter the labour market, unlike those in the general stream who are more likely to continue schooling at the tertiary level. However, only half of the enrolled TSS students graduate. Because courses are under-funded, generally considered of low quality, and totally out of tune with labour market realities, those who drop out are most likely to join the ranks the unemployed.<sup>71</sup> As mentioned earlier, almost all those who are counted as unemployed in Egypt are nominally well-educated, first-time job seekers in the 15-29 years age group.

Students are admitted to technical schools based on their scores at the end of preparatory education. As the Ministry of Education states it: “in other words, most of those admitted to technical education are not chosen according to their real interests; moreover, most of them lack aptitude, mental abilities, and creative skills (a state believed to be reflected in their low level of achievement at the basic education level). It is a common belief in Egypt that technical secondary education is less prestigious than general secondary education. The currently adopted admission system has largely contributed to the increasing unemployment among technical school graduates. In fact the number of students enrolled exceeds the labour market demand for employees”.<sup>72</sup>

Those who complete general secondary education sit an examination and their results will once again decide whether they may proceed to one of the public universities. The Ministry of Higher Education also looks after 47 middle technical institutions (2-years) and 4 higher technical institutes (4-5 years). And there are a large number of fee-paying private universities and other recognised institutions of higher learning.

In addition to the formal programmes under the ministries of education and higher education, there are a few private technical secondary schools in Egypt, such as the Don Bosco Technical Institute in Cairo. Established in 1928 and run by the Salesian Brothers from Italy, much of the teaching until today is in Italian. While initially the school catered to the children of Italian residents, it trains only Egyptian students since the 1970s. “Don Bosco” is considered by many as one of the best technical schools in the country. The school gets many more applicants than there are places and almost all graduates are known to find decent jobs soon after graduating and without much of a problem. Three and five-year courses are offered to around 500 students, as well as a variety of short-duration courses, including Italian language classes accounting for half of the 3,248 students enrolled in short courses in 2008. Almost three out of four of those attending short-duration courses were university graduates. Between 2002 and 2007 Don Bosco also trained over 400 trainers for the Ministry of Manpower. In spite of praise and promises by visiting dignitaries, the school is severely under-funded. Financial support from abroad is marginal and dwindling. Unlike public schools, Don Bosco is therefore forced to charge fees that, however modest in comparison to other private schools, not all families who send their children can afford. Moreover, the school is not at liberty, it appears, to increase their fees. Tuition received for short programmes is in part used to help needy families pay fees for the long-duration programmes. Don Bosco’s management is concerned that the school may not survive long if current financial conditions prevail<sup>73</sup>.

Another way of preparing young people for the world of work is known as a dual system because in a particular way it combines technical education with on-the-job training. The Mubarak-Kohl Initiative, based on a 1992 agreement between Egypt and Germany aimed at improving vocational education and training, engages since 1994 a number of technical secondary schools and private sector partners in offering a three-year programme of two days per week of

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<sup>70</sup> Ministry of Education, op.cit.

<sup>71</sup> Grunwald, Edda, et al., *Vocational education and training in the context of labour mobility – country report: Egypt*, GTZ, Cairo, 2009, pages 4-5.

<sup>72</sup> Ministry of Education, op.cit.

<sup>73</sup> Source: notes taken on 07/07/09 during an interview with Don Renzo Leonarduzzi, Director.

education in school and four days per week of training in the workplace. To date it is offered in 68 schools throughout Egypt; 31 occupational profiles have been developed; and 1,900 companies accommodate and train students. By 2008, there had been 20,000 graduates of the scheme (18% female) and a further 24,000 students were enrolled. Tracer studies have shown generally positive outcomes, particularly for urban males<sup>74</sup>. As is pointed out in a World Bank note<sup>75</sup>, it is yet unclear how such programmes, however promising, high-profile and sought after, may ever be replicated on a truly significant scale, not least because of their cost and the need for proper and supportive relationships with industry. Gill and Dar elaborated this same concern earlier in their essay addressing the feasibility of effectively replicating the German dual system in developing countries such as Egypt<sup>76</sup>.

Under the Ministry of Trade and Industry a major 6-year, 66m Euro TVET Reform project is currently being implemented within the framework of cooperation between the government of Egypt and the European Union. Aimed at contributing towards improving the human resources and hence the competitiveness of Egyptian enterprises, the project is charged with the formulation and implementation of a national TVET reform policy. Efforts are mainly focused on the organised, larger, formal sector enterprises seen to act as the engine for the sector as a whole. The project's main vehicle is the development in pilot fashion of 12 Enterprise-TVET Partnerships (ETPs) in industrial sectors including ready-made garments, furniture, building materials, food, leather tanning and leather goods, and tourism. These partnerships bring key stakeholders together including industrial enterprises, public and private TVET providers as well as various government and donor agencies. Key words in the effort are 'private sector participation', 'demand-driven', 'employer engagement', 'local context', and 'quality focus'. The project has in the process of setting up these ETPs seriously upgraded 27 technical secondary schools.

**Box: Enterprise Training Partnerships**

Public-Private Partnerships, in the form of pilot Enterprise-TVET Partnerships (ETPs) were introduced in order to bridge the historical gap between TVET service provision and the demands of industry. Private sector enterprises form the majority of representatives on each ETPs' decision-making Board of Directors, with public and private TVET service providers making up remainder of the stakeholder representatives. ETPs' provide their members with a variety of services, including, inter alia: training needs assessments and audits; training of master trainers and trainers, and workers from skill levels 1 to 3; drafting demand-driven curricula, occupational standards (which inform comprehensive training in an occupation), training packages/modules, and skills standards; and consultancy services. ETPs are closely aligned with their respective chambers and federations of industry, and are frequently identified as their 'HRD arm'. The agreements ETPs have reached with a variety of partners and stakeholders have been made possible as a result of the unique legal status attributed to ETPs. Due to their pilot nature, extensive monitoring and evaluation, in particular on best practice and lessons learnt, allow ETPs to feed their experiences into the process of TVET system reform at the macro level and provide stakeholders with a voice in the development of the TVET system reform policy and strategy

*Source: EC Delegation, Cairo*

The TVET reform project is furthermore proposing a new superstructure for the national training system consisting of an improved legal framework, an effective national council of stakeholders, a training and employment observatory, a national qualifications framework, and a sustainable funding mechanism.

<sup>74</sup> Grunwald, Edda and Bernhard Becker, *Mubarak-Kohl Initiative for Dual System (MKI-DS) – the Case of Egypt*, GTZ, Cairo, 2009.

<sup>75</sup> World Bank, *Egypt Education Sector Policy Note 2007*, p.17 footnote 23

<sup>76</sup> Gill, Indermit, Fred Fluitman and Amit Dar (Eds.), *Vocational Education and Training Reform, Matching Skills to Markets and Budgets*, Oxford University Press, 2000, Chapter 19.

Another project under the Ministry of Trade benefiting from external funding concerns a number of Technology and Innovation Centres that have been set up in recent years in order to boost the competitive advantage of Egyptian products. Having identified needs and technology gaps, these centres provide a variety of services, including training and technical assistance, so as to introduce new technologies, enhance productivity, improve quality, and promote cleaner production. While these efforts are in principle focused on larger and therefore mostly formal enterprises, in many instances subcontractors and family-based micro enterprises making up much of the sector are said directly or indirectly to benefit from such support. A well-known example concerns the Furniture Technology Centre in the industrial hub of Damietta where tens of thousands, mostly small, informal, family-based furniture making firms are concentrated. In addition to testing and consulting services, the Centre provides different types of training courses covering, among other subjects, furniture design, wood painting, chair carpentry, wood conservation, production planning, quality control, packaging and marketing. It also assists graduating trainees in finding jobs. Similar centres have been established to serve other industrial sectors characterised by large numbers of small and micro-enterprises, including textile and clothing, leather, food processing, and jewelry.

The Ministry of Manpower and Migration considers that it has a major responsibility for the development of the nation's human resources. In addition to regulating the world of work, it operates 26 Vocational Training Centres and 11 mobile training units. The training centres have a capacity for 7,000 students and offer programmes of different durations for different target groups such as for unemployed graduates who want to be self-employed even if in the informal sector. The Minister is the chairman of the Supreme Council for Human Resources Development, a coordinating body set up by presidential decree in 2003 but yet to become effective. A national training fund, part of the new superstructure foreseen has been challenged in court by employers and remains dormant as a result. Another complex issue with diverging views and vested interests at play, concerns a national system of qualifications and accreditation.

Many other government ministries and public institutions offer formal and non-formal training programmes of different design and duration, that altogether enrol hundreds of thousands of Egyptians. In many instances these programmes attempt, as in the case of the Mubarak-Kohl approach, to combine in-school learning with practical application at the work place. The Ministry of Housing and Rehabilitation (MOHAR) has over the years trained tens of thousands of workers for the construction sector, many of whom, it turns out, are in informal employment. The Ministry of Social Solidarity is reported to operate 196 training centres and the Ministry of Military Production is said to be another major player on the training scene. Many of these training programmes are under-resourced and suffer from common ills such as poor facilities, outdated curricula, trainers that are not qualified or motivated; and more often than not they fail in matching labour market requirements.

In the end it is very hard to get a complete picture and therefore a thorough understanding of the country's human resources development patchwork. Multiple visions and approaches are being pursued without much of monitoring and evaluation. And it is hard to detect any significant labour market impact. Over several decades, calls for unity of purpose, transparency, harmonisation and coordination have repeatedly given rise to attempts at reform, but none of these has succeeded so far. There are a number of ministerial committees at work, but there is no clear role for other stakeholders such as private training providers in managing the country's skills development efforts.

## **Skills for work in the informal economy**

As elaborated earlier, many people in Egypt are involved in informal employment, facing conditions at work that leave much to be desired. This is certainly not only a consequence of the unmistakable weaknesses in the country's formal education and training system. While having had access to good schools, and having done well in school, is bound to improve one's chances of landing decent work in the formal economy, widespread informality is more likely an outcome of factors such as longstanding labour supply-demand imbalances, skills mismatches and other market failures. That being said, one might expect the country's education and training system, perhaps among other things, to take note of and prepare people for the realities of the labour market, whatever these may be. One could imagine schools to prepare people for work in the formal as well as the informal economy, if only for those in the informal economy to make the best of it while seeking an early 'graduation' to the formal economy.

Egypt has clearly made considerable progress in extending basic education to all and in boosting literacy levels. Large numbers of students now move to public secondary schools, including vocational secondary schools. A large variety of other government programmes and projects are underway to bring skills to workers in various industries, including programmes that combine time in schools or training centres with on-the-job learning. Sadly, access, relevance and quality problems keep affecting the formal education and training system. In spite of reform efforts, TVET enrolments are still relatively insignificant. Vocational curricula are more often than not out of tune with the "real world". Many teachers and trainers are less than qualified. And youth unemployment remains sky high.

There is no doubt that in more than a few cases skills development efforts by formal institutions and special government programmes, even if focused on the formal sector, trickle down to have effect in the informal economy. One could imagine, for example, that well-conceived and implemented skills training programmes in support of the furniture sector, such as concentrated in tens of thousands of micro-enterprises in the coastal city of Damietta, might eventually impact on the daily practices of large numbers of informal workers there. The same may be the case with MOHAR training for the construction sector, which is largely composed of informal workers. Yet, it is probably fair to suggest that government attempts have regularly fallen far short of needs and opportunities. Surveys show time and again that those in informal employment have only rarely acquired the skills they need in formal education institutions.

Programmes in support of micro- and small enterprises, by governmental or other agencies, may indeed be a vehicle of choice in boosting skill levels and productivity in the informal economy. For example, the Social Fund for Development, set up in 1991 and operating under the prime Minister's direct supervision, has in addition to the Egyptian government contribution been supported by the World Bank, UNDP and a host of bilateral donors with a view to come to the assistance of low income families. It supports a broad range of projects for small enterprise promotion, human resources development, labour-intensive public works, community development and micro-finance.

Again, such programmes appear to reach relatively few beneficiaries, making it hard to detect much impact at the national level. It is not surprising therefore that those who find out, sooner or later, that it takes certain skills to make a living, may try alternative routes to competence such as fee-paying private schools and traditional apprenticeships. Although there are no solid data to prove it, Egypt's "hidden training world" may well be very large and do more for the skills of the work force than is commonly recognised, in spite of having limitations of its own.

Traditional apprenticeship has long been and still is a main source of technical and other skills at work in the informal economy. In a 1988 survey of construction workers, Assaad found that while only 5 per cent of workers had had participated in any kind of formal training, more than 80 per cent of craftsmen had acquired their skills through the traditional apprenticeship system dating back to the guild system that had dominated economic activity in Egypt until late into the 19<sup>th</sup> century. The average age at entry for those who had been apprentices was 15.7 years with a

standard deviation of 5.9 years. It appeared that many of the rules of the guild, while no longer explicit, had been internalised by contemporary craftsmen. A process of work combined with step by step learning would eventually lead to peer review and the recognition of skills acquired without which a former apprentice would not be able to get work in his specialty. By way of conclusion he argued that the formal vocational training system failed because its designers attempted to build an entirely new “modern” system that would simply be superimposed upon the existing system of skill acquisition through traditional apprenticeships. “If the existing system was deemed inadequate to meet the demand for skilled workers and too inaccessible, an alternative policy could have been to work on modifying it so as to make it more open and universally accessible, rather than to seek to replace it altogether”.<sup>77</sup> According to local observers, the situation thus described remains largely the same today.

The Promoting and Protecting the Interests of Children who Work (PPIC-Work) Project has joined hands with local micro-finance institutions to work with both children and business owners in informal enterprises using a participatory, gender sensitive, rights-based and business-focused approach. Since 2005, PPIC-Work has been exploring how to enhance enterprise-based learning for children at work and ensure that these children have safe, age-appropriate and non-exploitative working arrangements. A recent review analysed the learning process in the automotive repair, textiles, carpentry, and women’s hairdressing industries to elucidate the unwritten curricula taught in Egyptian micro-enterprises and improve the apprenticeship systems in these four trades. It concludes that there are certainly many areas for intervention in the enterprise-based learning system. While the technical skills appear to be in order, albeit with glaring gaps in the instruction of how core machines function, there seem to be significant challenges in ensuring apprentices learn business and life skills, as well as in improving the overall methods of instruction and workplace safety.<sup>78</sup>

NGOs such as the Centre for Development Services and the Coptic Evangelical Organisation for Social Services, provide enterprise-based training programmes which build on traditional, informal apprenticeship practices, while trying to overcome some of their weaknesses. They make use of existing workshops, both in the informal and the formal sector. The ‘hook’ for these workshops in terms of participation lies mainly in the financial reimbursement of the training costs incurred in terms of production materials, and use of equipment and workspace, as well as time and technical knowledge and experience (some EGP 500 to EGP 1,500 per apprentice, including EGP 150 to EGP 200 to be paid to the apprentice). A contract between the workshop owner, the apprentice and the NGO, together with intensive monitoring, solves the problem of the high mobility of apprentices that is common under the traditional apprenticeship system. The success of this type of training is reflected in a high rate of post-training employment (60% to 70%), and in its application to non-traditional and emerging trades (for example, mobile telephone repair)<sup>79</sup>.

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<sup>77</sup> Assaad, Ragui, *Formal and Informal Institutions in the Labour Market, with Applications to the Construction Sector in Egypt*, in: ‘World Development’, Vol.21, No.6, pp 925-939, 1993.

<sup>78</sup> Promoting and Protecting the Interests of Children who Work, *Enhancing ‘Learning Trough Work’: Strengthening Educational Opportunities for Children Working in Micro-Enterprises in Egypt*, Draft Final Report, 2008, Cairo.

<sup>79</sup> ETF/ World Bank (2005), page 65

**ANNEX 2**

**CASE STUDY: JORDAN**

## Annex 2 Case Study: Jordan

### Introduction

The Hashemite Kingdom of Jordan is a relatively small, middle-income country, with very limited natural resources. Its population reached 5,850,000 in 2008 and is growing at a fast rate, currently of 2.2% per annum. Some 2.2 million people reportedly live in the capital city of Amman. As little of the land is arable, agriculture does not, as in other developing countries, represent a major share in GDP and only 2.7% of employed Jordanians now work in the sector.

As a result of liberalisation and economic reform policies Jordan's economy has performed well over recent years with relatively high rates of GDP growth. Real GDP increased by 8.4% in 2004 to gradually slow down thereafter, reaching an estimated 5.7% in 2007. Through the establishment of Qualified Industrial Zones (QIZs), the value of total exports tripled between 2000 and 2005. Many Jordanians work in oil-producing countries and send remittances back home reaching JD 2.24 billion in 2008, representing around 15% of GDP. The level of remittances appears to have fallen markedly, however, during the last quarter of 2008 as a result of the current global economic crisis and it is feared that they will decrease further as Jordanians who lose their jobs in the Gulf return home.

Economic development over the years has so far not been translated into significant growth in real per capita income, largely because of a rapidly growing population. Nor did it have much impact on rates of unemployment and poverty. Moreover, such jobs as have been created do not necessarily qualify for the decent work label. Wages remained low especially in relation to inflation rates. Such issues, therefore, are said to assume priority in the government's National Agenda for the coming years.

### Labour force and labour market

The Al-Manar project at the National Centre for Human Resources Development provides, among other things, a serious and useful information platform on education, training, and employment. In a recent Al-Manar publication, Assaad and Amer analyse labour market developments in Jordan between 1995 and 2006 based mainly on results of the regular household surveys on employment and unemployment carried out by the national Bureau of Statistics<sup>80</sup>.

The labour force, also known as the economically active population, consists of all those in the 15-64 years age group who are either employed or unemployed, i.e. not working but available and looking for work. The current Jordanian labour force is estimated at some 1.3 million, including some 200,000 women. Every year up to 50,000 Jordanians add to the existing stock of the employed and the unemployed.

Jordanian labour force participation rates, measuring labour force shares in the corresponding population, are decidedly low by international standards, particularly so for women, at 12.4%, but also for men, at 66.7%. In Egypt, for example, male labour force participation was 77.6% and female participation 26.8%, bringing the overall rate for that country to 51.9% in 2006, as compared to 39.7% for Jordan. There are in Jordan, reportedly, no major differences between urban and rural participation rates.

Explanations for low overall labour force participation rates include, to begin with, the low participation of women, in turn explained by socio-cultural factors. Depending on where precisely the estimates originate, underreporting due to untrained interviewers, or to either misunderstanding or hesitation on the part of respondents, could also be part of the story.

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<sup>80</sup> Assaad, Ragui and Mona Amer, *Labor Market Conditions in Jordan, 1995-2006: An Analysis of Microdata Sources*, Al Manar, 2008, Amman.

Education levels of the male and female labour force differ significantly. Whereas in the case of men only one out of four has had more than secondary education, in the case of women three out of four have a higher education diploma or degree. This should not be taken to mean that women in Jordan are on average better educated than men. It is explained by the fact that large numbers of relatively less educated women are not participating in the country's labour force.

According to the regular surveys of the Bureau of Statistics (BoS), employment in Jordan gradually increased over the decade to reach just over a million in 2006. Unlike in other countries in the region, the proportion of women in total employment remained stable at around 13%. Some 84% of all those at work were wage-employed, 15% were self-employed, with or without employees, and the handful remaining were unpaid (family) workers. BoS data for 2006 show that 27% of all workers were working in establishments with less than five persons employed. These micro-enterprises represented 89% of all establishments. Of those who worked in micro-enterprises, 56% were self-employed.

**Table J.1 - Jordan: non-agricultural employment, male and female, public and private sector, 1996 and 2006, persons and percentages**

	1996	2006	increase
Male, total	567,354	848,596	50%
% public	32%	36%	
% private	68%	64%	
Female, total	94,456	131,937	40%
% public	58%	49%	
% private	42%	51%	
Total	661,810	980,533	48%
% public	36%	38%	
% private	64%	62%	
% female	14%	13%	
<i>Source: based on Assaad and Amer (2008) , table 2.4 , page 34</i>			

In 2006, Jordan's public sector accounted for more than one third of non-agricultural employment, in total some 370,000 workers, 21% of them women (table J.1). Over the decade, the proportion of men in the public sector, as opposed to men employed in the private sector, hardly changed. At the same time it decreased for women, presumably because it was high to begin with and because private sector jobs became more of an option. It remains remarkable that 41% of all women who work are reportedly engaged in the education sector.<sup>81</sup>

Comparatively very few, supposedly less than 50,000, Jordanians work in agriculture. Most workers in the sector are in fact Egyptian migrants. In recent years the number of foreign workers has increased much more than that of Jordanians at work. Among the reasons commonly put forward are that Jordanian labour laws do not apply, or are not applied, to non-Jordanians, making them a far cheaper source of labour to employers. Jordan has over the years seen massive numbers of migrants coming to the country and look for jobs, as in the case of many Egyptians, or those who fled war and upheaval affecting neighbouring countries.

Assaad and Amer report that although the growth of overall employment in Jordan increased from 2.1% per year in 1999-2002, to 5.2% per year in 2002-2006, employment growth of Jordanians was much lower at 1.5% and 2.7% per year, respectively. Employment of non-Jordanians increased on average by 5.0% per year during 1999-2002 and by 16.0% during 2002-2006.<sup>82</sup> They estimate the number of foreign workers in Jordan to be over 300,000 in 2006, without counting large numbers of Iraqi refugees who arrived since 2004 and who might also be

<sup>81</sup> See: Mryyan, Nader, *Labour Market Functioning, the Case of Jordan, an ETF Study* , page 8.

<sup>82</sup> Assaad, Ragui and Mona Amer, op.cit. page 40.

working.<sup>83</sup> In their annual Human Resources Indicators leaflet for 2008, Al Manar estimates the number of foreign workers with working permits at 303,325. Three out of four come from other Arab countries, Egypt in particular, and the rest from non-Arab Asian countries. Ninety per cent of them have less than secondary education. One each of four foreigners works in agriculture, in manufacturing, and in services, the remainder being split between the hotel and tourism and the construction sector. At the same time, however, 350,000 relatively better educated Jordanians are currently working abroad, particularly in the Gulf countries.

**Table J.2 - Jordan: total employment, Jordanians and non-Jordanians, public and private sector, 1996 and 2006, persons and percentages**

	1996	2006	increase
Jordanian	721,600	1,026,984	42%
% public	33%	37%	
% private	67%	63%	
Non-Jordanian	143,130	317,081	122%
% public	6%	4%	
% private	94%	96%	
Total	864,730	1,344,064	55%
<i>Source: based on Assaad and Amer (2008), Annex table 5, p.81</i>			

Unemployment in Jordan as measured by the Department of Statistics has for many years been hovering around 15% of the labour force. In recent years a gradual decline has been observed, however. The unemployment rate was reported to be 12.7% in 2008. The female unemployment rate, whether in urban or rural areas, appears to be much higher, and in recent years more than twice that of men.<sup>84</sup> Seeing high female unemployment rates vary considerably from survey to survey, together with very low labour force participation rates, strongly suggests that in addition to major barriers for women on both the supply and demand side of the labour market, measurement problems also play a part in obtaining a correct picture of the situation of women.

As in other countries, youth unemployment is a serious issue in Jordan. More than half of all jobseekers, whether male or female, are under 25 years of age. Most of them wait up to a year before being employed. It is more than likely that at least some jobseekers from time to time engage in economic activities without this being reflected in employment or unemployment statistics. Somewhat more than half (52%) of unemployed Jordanians have completed secondary education, or better, which is comparable to the score of employed Jordanians. In other words, there are no clear signs suggesting that unemployment is a matter of having had more or less education.

The global economic downturn appears so far not to have affected levels of unemployment in Jordan. The industrial sectors most affected by the crisis, textiles and construction, rely to a large extent on foreign labour not covered in employment statistics. However, if large numbers of Jordanians were to return from the Gulf unemployment rates would almost certainly increase.

### **The informal economy**

Awareness of informality in economic activities, associated with signs of segmentation of the country's labour market, appears not as widespread in Jordan as elsewhere. This may either point at an exceptional case, or be due to a lack of information, or to flexibility in defining the phenomenon, or to formal circles turning a blind eye to it. By the standards of other developing countries, however, and given Jordan's low scores on account of labour force participation, its relatively high unemployment rates, and sizeable pockets of poverty, it is almost unavoidable that, whether noticed or not, a lot of men and women are working "on the informal side of the

<sup>83</sup> A study undertaken for the government by Fafo/ UNFPA in 2007 estimates the number of Iraqis in Jordan between 450,000 and 500,000.

<sup>84</sup> See e.g. Assaad and Amer, op.cit. page51.

fence". The Department of Statistics has not so far published any data on informality.

Jordan's Human Development Report 2004 finds that in urban areas "the coping poor" (as distinct from "the poorest of the poor" and the "near poor") were usually unskilled manual workers relying on irregular, low-wage work as well as revenue derived from income-generating projects and from the informal sector. In 2001, around 217,000 micro-enterprises were active in the country, "mostly organized informally" and operating in the retail and general services sectors. The scope and nature of business opportunities open to the poor was found to be very limited and constrained by a range of factors including a lack of various resources and limited and inappropriate skills, knowledge and experience to run a viable business.

The country's 2008 Employment Policy points at the informal economy in two short sentences: Many Jordanians work in the vulnerable informal economy who if provided with appropriate services could be transferred to the formal economy. It is estimated that informal micro-enterprises provide employment to around 25% of total non-agricultural employment in Jordan." The statement refers to a 2005 report by the European Training Foundation (ETF) on unemployment in Jordan in which it is estimated that around 200,000 people in Jordan were working in the informal sector at that time. The report proposes a number of measures "in order to manage the informal economy". These include treating informal work as a legal issue, strengthening social dialogue, and promoting a local development approach. "The emergence of legislative measures to protect workers (including rights, minimum wages, acceptable hours and conditions of work, and social security), to decrease the taxes paid by employers and to foster entrepreneurship will also contribute effectively to the informal economy's decline".<sup>85</sup>

Various bits of information such as the fact that only 42% of those in the Jordanian labour force are covered by social insurance, or that the employment statistics do not include more than a handful of unpaid family workers, or, indeed, the exceptionally low participation in the world of work even of the poorest of poor women, confirm what many observers say, namely that Jordan like other developing countries has a sizeable informal economy and that it has not gotten any smaller in recent years. It would seem safe therefore to suggest that at least 30% of all Jordanians employed according to labour force statistics are in the informal economy. To their number one might add those who have not been counted, as well as a good number of non-Jordanians. Thus one would quickly arrive at a plausible estimate of well over 300,000 working people who are unrecorded, unregistered, uncovered by labour legislation and social protection systems, and therefore vulnerable in many ways.

### **Education, training and skills development**

Jordan has devoted considerable priority to education in recent decades and statistics suggest that results, as compared for example to other countries in the region, have been impressive across the board. A sharp increase in adult literacy rates has been recorded from less than 50% in 1970 to around 90% at present. It is evident that the younger generation is better educated than their parents, and also that women are catching up in large numbers. More than one third of all Jordanians is currently enrolled in a school, college, university or public training facility. As authorities confirm, there are still a range of challenges ahead, however, notably in terms of improving the quality of learning and access to education for girls and women.

Basic education in Jordan is free and compulsory through grade 10 but a very large proportion (more than 90%) of pupils continue their education thereafter. Some pre-vocational courses are included in the curriculum of grades 8-10. Depending on their performance in basic education, most pupils are streamed into either general or vocational tracks in 2-year secondary schools under the Ministry of Education (MOE). More than four out of five of those enrolled in these secondary schools follow the academic route. In 2008, the number of students in MOE vocational secondary schools was 29,500, of whom 10,500 were women, compared to 188,000 students in academic secondary education, including slightly more women than men.

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<sup>85</sup> European Training Foundation, *Unemployment in Jordan*, 2005, Turin, page 11.

At the end of secondary school, students who did not drop out in the meantime will sit for the Tawjihi examination. Depending on their results, they may continue to public or private universities (4-6 years) or community colleges (2-3 years). Public community colleges are under the supervision of Al-Balqa Applied University (BAU). At the end of the two- or three-year course, college students who pass a comprehensive examination (Al-Shamel) are awarded an associate degree or diploma. In 2005 there were almost 200,000 undergraduate students in universities and almost 26,000 enrolled in colleges.

A small and apparently declining proportion of grade 10 leavers, notably those 'least gifted', enter programmes offered by the Vocational Training Corporation (VTC), a semi-autonomous body established in 1976 under the Ministry of Labour to provide pre-employment and skills upgrading programmes as well as assistance to small and medium enterprises. The VTC currently operates 46 training centres throughout the country with an overall capacity of 10,000 places of which only 7,000 are taken. Its main programme trains young people for the skilled worker level, usually in courses of three or four semesters, by combining equal time of in-school and work-based learning. The VTC also offers up to one year of training for the limited skill level to people with or without school qualifications but able to read and write, in 34 specialisations, including barber training, tailoring, carpentry, food production, house maintenance, etc. Craft programmes in 24 specialisations are targeted at those with at least a secondary education completed (grade 12). The upgrading courses include, in particular, drivers' courses, occupational safety and health courses, and training of trainers for vocational training centres.

In addition to government institutions there are other formal and non-formal education and training providers active in Jordan, notably UNRWA, catering to Palestinian refugees, a large variety of not-for-profit NGOs addressing needs of special groups, and a growing number of private community colleges and universities. Private-for-profit training providers, commonly known as 'cultural centres', have long played an important part on the training scene, at least numerically, by offering, in particular, language, secretarial and computer courses, as well as courses in cosmetics, hairdressing and tailoring, to tens of thousands of Jordanians. Although statistics are not available, the number of these training centres should easily exceed 1,000 according to local observers. Some of them appear to be registered, whereas others are not. While doubts tend to be expressed about their quality, they apparently succeed, time and again, to convince new clients to enrol and pay for the service. And the fact remains that they reach many more Jordanians than public vocational training institutions.

Among other things, it is mentioned in the national Employment Policy that labour productivity in Jordan is among the lowest in the region. One reason is said to be that the training system produced poorly trained and uncommitted workers. The historical lack of collaboration with the private sector in vocational training has led to an increasingly widening gap between the private sector's needs and the training system<sup>86</sup>.

A 2006 report by the European Training Foundation (ETF) assessed the relevance, effectiveness and internal efficiency of Jordan's technical education and vocational training (TVET) system, it identified main challenges, and it proposed corrective measures to be taken.<sup>87</sup> In line with the findings of the report, Jordan has with the support of various external donors now begun a major effort to reform its system. Having been assigned a leadership role by the country's National Agenda, the Ministry of Labour developed a strategy and an action plan focused on improving the links between the training system and the labour market, on institutional development and system governance, on quality assurance, financing, and overall efficiency. To highlight the link with employment, one speaks of the E-TVET sector reform.

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<sup>86</sup> Government of Jordan, *Employment Policy*, October 2008, Amman, page 18.

<sup>87</sup> European Training Foundation, *Technical and Vocational Education and Training in Jordan - Areas for Development Cooperation*, 2006, Turin.

The Employment Policy document suggests that “the Government shall pursue effective integration of employment in E-TVET strategies [...] provision of demand driven, quality training to ensure a competitive, adaptable and qualified labour force and monitor private providers through an accreditation system [...] and] encourage the involvement of employers in training policies and in provision of training.”<sup>88</sup>

A newly restructured E-TVET Council, half of whose members are private sector representatives, has recently adopted a strategy to complement a more comprehensive HRD strategy approved by the Cabinet in 1998. It covers the main issues to be addressed in nine distinct areas, namely: (i) employment, (ii) planning for E-TVET, (iii) financing, (iv) information systems, (v) occupational classification and standards, (vi) the status of TVET, (vii) non-formal TVET, (viii) the role of private and non-governmental sector in E-TVET, and (ix) the regional and international dimension. It is intended that the training centres of the Vocational Training Corporation will be given new roles and new means in order, through ‘public-private partnerships’, to become ‘centres of excellence’. It is also foreseen as part of efforts to diversify funding for training to further develop the Employment and Training Fund that is operational since 2005. In this context, it is interesting to read in the sector reform document that steps will be taken “ensuring that the needs of SMEs as well as the needs of the informal sector are taken care of in funding policies for E-TVET”.<sup>89</sup>

### **Skills for work in the informal economy**

Although informality at work is hardly talked or written about in Jordan, it is widely acknowledged to be common and to affect a considerable proportion of the country’s workforce. Whether called informal or not, the fact is that a lot of poor people in the country are struggling in micro-enterprises to make ends meet. Their productivity is usually low and their product quality could often be improved. Many of them lack the sort of skills that would enable them to do a better job and leave poverty behind.

Jordan’s public TVET institutions, and VTC programmes more so than vocational secondary schools, have no doubt served some of those now working in the informal economy. Alas, the country’s public TVET system is relatively small, essentially aimed at serving the formal economy, and beset by multiple problems including relevance and quality problems. Other public and private training providers, including the multiple ‘cultural centres’ may likewise have played a role in bringing needed skills to people at work in the informal economy, but again their impact seems to be marginal.

The Development and Employment Fund (DEF) was set up in 1991 as an autonomous governmental agency to provide financial and non-financial services for small enterprises and income generating micro-projects to contribute in combating poverty and unemployment. In 2008 lending amounted to JD 12,4 million to finance some 3,394 projects thereby creating 5,409 jobs. Among its non-financial services, training was provided through sub-contracting institutions to 48 trainees in 2008 and 140 trainees during the first four months of 2009. As certain conditions are to be met for a start-up project to get financial support, the majority of clients are considered to be formal micro-enterprises. However, a number of existing projects are also supported and these include informal firms and groups of rural women reached by a mobile micro-finance unit.

Enterprise-based training, other than in the form of short-term detachments of VTC apprentices in more than 5,000 enterprises, is not widespread in Jordan, or at least not known to be significant. Traditional apprenticeship, as opposed to modern day variants, is a rather unknown phenomenon. This does not mean, however, that it does not exist, or that it would be a minor player among skill providers. In fact, it appears that traditional ‘father-to-son’ or similar methods

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<sup>88</sup> Government of Jordan, *Employment Policy*, op.cit. page 32.

<sup>89</sup> Government of Jordan, Technical and Vocational Education and Training (TVET) Council, *Employment-Technical and Vocational Education and Training (E-TVET) Sector Reform Document* May 2008, Amman.

of learning are just as common in Jordan as in micro-enterprises in other countries in the region.

There are a large number of national and international NGOs involved in efforts at uplifting the poor. They include JOHUD, the Jordan River Foundation, Save the Children, CARE, and the Gender and Social Fund supported by Canadian CIDA. Most of them focus on groups with special needs such as women and children. Their approach tends to be holistic and 'hands-on' and training is commonly among their interventions. Moreover, a number of their non-training efforts such as those aimed at promoting micro-enterprises and providing micro-credit are increasingly found to be more effective if combined with a certain amount of 'tailor-made' skills development. In projects aimed at capacity building and empowerment of the target group, soft skills and literacy usually assume priority over narrowly defined technical and vocational skills.

The Jordanian Hashemite Fund for Human Development (JOHUD) is Jordan's largest and oldest non-profit, non-governmental organization dedicated to promoting rights-based sustainable human development in Jordan and in the region. Established in 1977, JOHUD reaches out through a network of 50 community development centres to reach people in underserved, poor and remote communities. JOHUD helps people work together to access resources on which to build sustainable livelihoods and to claim the rights and entitlements that contribute to healthy and fulfilled lives. Among other interventions, JOHUD provides training, research and consultancy services to build individual and institutional capacity. In 2006-07, some 8,000 people attended courses in development related topics including 120 capacity building courses addressing poverty alleviation and 50 courses addressing reproductive health. Some 14,000 people attended awareness raising sessions at the organization's community development centres.<sup>90</sup>

The international NGO Save the Children established a Jordan field office in 1985 with a special focus on children and families. Since then, their programs to improve health care services and education and create economic opportunities for poor women have impacted the lives of large numbers of Jordanian women and children. As more than 70 percent of the population in Jordan is under age 30, Save the Children engage youth while fostering a culture of hope through positive alternatives, affirmative civic action and civil society efforts. Reaching more than 50,000 Jordanian students age 12–24 each year, INJAZ ("Achievement" in Arabic) seeks to enhance youths' knowledge and awareness of the world of work and build their skills to enter and succeed in the labor market.<sup>91</sup> The NAJAH ("Success" in Arabic) program increases the employability of Jordanian youth ages 18–24 through learning-by-doing approaches, career counseling, support to stay in work and community mobilization designed to enhance parents' support for youth employment and entrepreneurship. The School-to-Careers initiative increases the Ministry of Education's commitment and capacity to manage and deliver school-based activities that link education to the world of work. Save the Children introduced the Group Guaranteed Lending Program in Jordan in the mid-1990s with the goal of empowering female entrepreneurs to become income-earners and decision-makers in their households and communities. They founded the Microfund for Women, that became independent in 1999 and is a leader in the micro-credit industry in Jordan and the region, achieving full financial sustainability in 2002 and reaching the 25,000-active-loan mark in 2006.<sup>92</sup>

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<sup>90</sup> See: [www.johud.org.jo](http://www.johud.org.jo)

<sup>91</sup> See: [www.injaz.org.jo](http://www.injaz.org.jo)

<sup>92</sup> See: <http://www.savethechildren.org/countries/middle-east-eurasia/jordan.html>

**ANNEX 3**

**CASE STUDY: OCCUPIED PALESTINIAN TERRITORIES**

## Annex 3 Case Study: The Occupied Palestinian Territories

### Introduction

The Occupied Palestinian Territories, that is the Gaza Strip and the West Bank, including East Jerusalem, have been a dysfunctional society for as long as most people can remember. Successive waves of upheaval have retarded development and caused lasting scars on people and infrastructure. A merciless occupation has for many years affected whatever people might do for a living. With no prospects of any meaningful breakthrough in efforts at restoring peace and stability, decent work is a mere illusion for all but a few. Current conditions in Gaza are particularly dismal in the aftermath of the devastating war at the turn of the year. As observed by the Director-General of the ILO in the preface of his annual report on the situation of workers of the Occupied Territories, “the population is effectively sealed off from the rest of the world and lives on international assistance. With thousands of factories closed and people out of work, the modern economy has ground to a halt, replaced by informal makeshift activity and the ‘tunnel economy’.” While conditions in the West Bank may not appear equally traumatic, average incomes there, never far removed from the poverty line, continue to decline and the employment outlook is grim. Multiple roadblocks and closures, including the Separation Wall and intensified settlement activity in occupied territory, seriously compromise economic life.<sup>93</sup> And the widely acknowledged fact that public institutions are often not up to the innumerable challenges imposed by the context doesn’t help either.

In spite of everything, there is still optimism to be found and a strong desire exists among Palestinians, as well as an apparent capacity, to “get on with it”. Circumstances permitting, they raise and feed families as best they can, they send their children to school, and, in one way or another, many get or want to get involved in the world of work. Total GDP of the Territories is currently estimated at somewhat over US\$ 4 billion; the services sector represents three quarters of gross value added (60% of employment) and agriculture eight per cent (16% of employment).

National accounts data by the Palestinian Central Bureau of Statistics (PCBS) suggest a level of GDP per capita of US\$ 1,290 in 2008, still some 28% lower than the peak of 1999. According to the 2009 EIU country report on the Territories, the Palestinian economy, never particularly strong, has been in a state of decline since the outbreak of the second *intifada* in 2000, largely as a result of Israeli-imposed closures. After declining steeply in 2001-02, real GDP per head recovered slightly during the period of relative calm in 2003-05. This recovery has been largely reversed since then in the light of internal political developments followed by more than a year of international sanctions. The aggregate data mask a partial recovery in the West Bank since then, as a result of renewed international donor support to the Palestinian Authority. Meanwhile in Gaza, during the three years before the recent Israeli invasion, real GDP per head declined by as much as 12% a year. These figures do not capture the destruction of agricultural land and buildings in the many years of conflict, or the cost in human capital of deaths, incapacitating injuries and dislocation to education.<sup>94</sup>

### Labour force and labour market

One public institution that in spite of the difficult circumstances appears to work remarkably well is the Palestinian Central Bureau of Statistics (PCBS). Ample statistics, produced in a professional and transparent manner, and on a continuous basis, are available, including on the size and composition of population and labour force. Based on subsequent population censuses, the total Palestinian population living in the Occupied Territories was estimated to be 3,825,000 by the middle of 2008. Out of the total, 2,385,000 people lived in the West Bank, including East Jerusalem, and 1,440,000 in the Gaza Strip. The Palestinian population is decidedly young with 44.6 per cent under 15 years of age for the territories as a whole, 42.4% in the West Bank and

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<sup>93</sup> International Labour Office (ILO), *The situation of workers of the occupied Arab territories*, Report of the Director-General (Appendix), International Labour Conference, 98<sup>th</sup> Session, 2009, Geneva.

<sup>94</sup> Economist Intelligence Unit, *Palestinian Territories - Country Report 2009*, 2009, London.

48.3% in Gaza.

In 2008, the population 15 years old and above, was estimated at well over 2 million of whom 41.3%, or 875,000, were either employed or unemployed, i.e. not working but available and looking for work. Labour force participation in the West Bank was 43% compared to 38% in Gaza. The fact that these labour force participation rates are relatively low by international standards is mainly a consequence of a very limited (and possibly underreported) participation of women, namely 17.1% in the West Bank and a mere 11.7% in Gaza. That being said, female labour participation rates are seen to be gradually increasing if compared to earlier years.<sup>95</sup> Current trends suggest that labour force growth in the years ahead will mean that annually at least 25,000 new entrants to the labour market will try and find a job or set up their own enterprise.

Labour markets in the territories are, as suggested earlier, subject to a range of major constraints some of them temporary while others are lasting. Numbers may therefore vary considerably over time. Thus, during the last quarter of 2008, only one in five of the 15 years and over population was employed in Gaza as compared to one in three in the West Bank, which is also low by international standards. As it is, one person employed supports on average 4.7 persons in the West Bank and 8.8 persons in Gaza. It is justified indeed to refer to the employment situation in Gaza as particularly catastrophic.

Years of instability and upheaval have had major consequences for what people at work may do for a living. For example, the current blockade of the Gaza economy has seriously distorted its structure as may be seen in dramatically low levels of employment shares in agriculture (7 per cent), manufacturing (2.7 per cent) and construction (less than one per cent). Some 68 per cent of total employment in Gaza is now in services, up from 37 per cent in 1999.<sup>96</sup> While it is hoped that these shares will soon return to “normal” levels, there have long been fewer Palestinians than is common in countries at comparable levels of development involved in agriculture, and relatively more of them in the services sector. Levels of productivity and income are commonly low, however, both in agriculture and in private sector services, pointing at a predominance of informal micro-enterprises.

**Table P.1: Occupied Palestinian Territories, Population ≥15 and Labour Force Status 1996-2008**

year	pop. ≥15		labour force		employed		underemployed		unemployed	
	'000	'000	%*	'000	%**	'000	%**	'000	%**	
1996	1,399	561	40.0	362	64.3	67	11.9	132	23.8	
2000	1,675	699	41.5	565	80.9	35	5.0	99	14.1	
2004	1,954	790	40.4	528	66.8	50	6.4	212	26.8	
2008	2,118	875	41.3	590	67.4	58	6.6	227	26.0	

*Source: Palestinian Central Bureau of Statistics, Labour Force Survey, Annual Report 2008*  
\* the labour force participation rate; \*\* as a percentage of the labour force

Two thirds of all Palestinians employed in 2008 were wagedworkers, roughly one in four was self-employed, and 10 per cent, including one in four women in employment, were unpaid family workers. Wage-employment in the public sector increased to almost 25 per cent of total employment in the territories; in Gaza it represented almost 47 per cent in 2008 compared to 17 per cent in the West Bank and up from 30 per cent in 2007. As another sign of labour market

<sup>95</sup> PCBS reported a 1995 female labour force participation rate of 12.8% in the West Bank and 7.6% in Gaza. See: Fluitman, Fred, *West Bank and Gaza Strip*, chapter 17, in: Gill, Indermit, Fred Fluitman and Amit Dar (eds.), *Vocational Education and Training Reform – matching skills to markets and budgets*, A Joint Study of the World Bank and the ILO, Oxford University Press, 2000.

<sup>96</sup> ILO(2009), p.20.

malaise, almost 60,000 people are reported to be underemployed either because they seek to work additional hours or because they do work well below their level of competence or qualifications.

Unemployment is a major problem in Palestine, although it may be overstated to some extent such as by youth working short hours in odd jobs while looking for something more suitable. The overall unemployment rate of the territories, using the standard ILO definition, was 26 per cent in 2008. It was 19 percent in the West Bank and 42 per cent in the Gaza Strip. While the very high rate for Gaza should be associated with the dramatic events of the moment, unemployment there has been exceptionally high for many years (Table 1). Youth unemployment, as in most countries, is well above the average rate. It stands at 30.9% for 15-24 year olds in the West Bank and reportedly reaches an extraordinary rate of 58.6% in the case of the Gaza Strip.

Differences in unemployment rates for men and women are relatively small but it may be recalled that few women are considered economically active. In fact, 47% of the inactive population of 15 years and over were homemakers, most of them women, 36% were students, and 11% reportedly ill or too old. Female unemployment is particularly severe in the most educated category of women looking for work.

Among several reasons for high levels of unemployment is the continued decline in the number of Palestinians employed in Israel or Israeli settlements. In mid-2000, 146,000 Palestinians (including East Jerusalem residents) were said to be working in Israel or the settlements, mainly in construction, generating 21% of disposable Palestinian income. This number had fallen to 48,000 in 2004 and to only around 15,000 in 2008 as Israel cancelled work permits. In fact the number of Palestinians working in Israel used to be substantially higher than suggested by the official data, as many who could not obtain work permits still slipped over the border, but this has become almost impossible with the construction of the Separation Wall.<sup>97</sup>

### **The informal economy**

Given the circumstances, it is probably more difficult in the Occupied Palestinian Territories than elsewhere always to distinguish clearly between those economically active and those inactive, or between the employed and the unemployed, or between those at work in the formal and those in the informal economy. However, informality, whatever one's yardstick, is unmistakable and believed to be widespread. It is seen as a natural response of people to labour market failures and weak or absent institutions. It testifies of people having few alternatives when it comes to making a living.

In 2003, PCBS undertook an initial survey on the informal sector of the Palestinian economy using substantive samples of privately owned non-agricultural establishments employing less than five workers as well as randomly selected households. Main findings included, inter alia, that there were around 55,000 such enterprises in the territories. The household survey brought out that some 82,000 persons were working outside formal, non-agricultural establishments. The survey methodology while bringing out a range of interesting details did not provide, however, for an overall estimate of the size of the informal economy and its contribution to GDP<sup>98</sup>. Out of 116,000 establishments counted in a 2007 PCBS census of establishments, 105,328 or 90 per cent had fewer than five persons employed while only one per cent of establishments employed 20 or more.

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<sup>97</sup> The Economist Intelligence Unit, *Palestinian Territories – Country Profile 2008*, p. 23.

<sup>98</sup> Malki, Majdi, et al, *Social and Economic Characteristics of the Informal Sector in the West Bank and Gaza Strip*, MAS, Palestine Economic Policy Research Institute, Jerusalem/ Ramallah, 2004;

**Table P.2: Selected characteristics of micro-enterprises in the West Bank and Gaza Strip**

main indicators	West Bank	% of respondents	Gaza Strip	% of respondents
sector of activity	trade	56 %	trade	82%
sector of activity	other services	19%	other services	8%
sector of activity	handcraft/industry	12%	handcraft/industry	7%
sector of activity	agriculture/breeding	9%	agriculture/breeding	2%
business location	home-based	18%	home-based	6%
registration	not registered	49%	not registered	55%
finance sources	self financing	88%	self financing	91%
existence	more than 3 years	61%	more than 3 years	51%
employees	none	63%	none	74%
av. profit/month	US\$ 400	-----	US\$ 380	-----

*Source: International Finance Corporation (IFC) and The Palestinian Network for Small and Microfinance, Microfinance Market Survey in the West Bank and Gaza Strip*

The hallmark of the informal sector, the micro enterprise, is “both the dominant and traditional entrepreneurial feature of the economy, constituting 95 percent of all businesses” according to the introduction of a microfinance market survey in the West Bank and the Gaza Strip undertaken in 2007 by the International Finance Corporation (IFC) and the Palestinian Network for Small and Microfinance. “Given the importance that the informal sector and micro enterprises have played in preventing the onslaught of absolute poverty among Palestinians, the development of this sector currently represents the most important source of employment for poor Palestinians. Moreover, this trend will continue in the medium term.”<sup>99</sup> Based on an analysis of the current employment situation, the survey estimates that the potential number of micro-entrepreneurs, or those susceptible to receive loans from Microfinance Institutions, at around 190,000 people not including currently active microfinance clients<sup>100</sup>.

In their paper on unprotected employment in the West Bank and Gaza Strip<sup>101</sup>, Hilal, Al Kafri and Kuttab adopt an operational definition of informality focusing on the characteristics of the jobs rather than of the production units. They consider the lack of adequate social protection or proper entitlements as the defining characteristic of informal employment. Allowing for some minor exceptions they identify four categories of employment regularly measured in labour force and related surveys to fit their definition: agricultural wage-workers, the self-employed, unpaid family workers, and workers still working without proper permit in Israel or Israeli settlements. And they conclude that in 2006 some 53 per cent of men employed and some 47 per cent of women employed were at work in the informal economy. They further elaborate that among the non-employed there were a large proportion of unpaid care workers, almost all of them women, who should also be considered as vulnerable in an extended definition of informal employment.

In sum, while limited research has been done on the subject per se, it is clear to most observers of the Palestinian economy that informality at work abounds. There are indeed plenty of people struggling with limited assets in order to keep feeding their families. In conditions where little is normal, little is formal. That should not mean that whatever is found to be wrong with the informal economy should be denied or ignored. On the contrary, addressing the downside of informality in a constructive manner might well represent a development agenda of sorts. Comprehensive and sustained efforts at creating more jobs and making work more decent should go a long way in containing current anger and frustration and making life in Palestine a bit more bearable.

<sup>99</sup> International Finance Corporation (IFC) and The Palestinian Network for Small and Microfinance, *Microfinance Market Survey in the West Bank and Gaza Strip*, May 2007, Washington D.C.

<sup>100</sup> IFC, op. cit. p. 23

<sup>101</sup> Jamil Hilal, Saleh Al Kafri, and Eileen Kuttab, *Unprotected Employment in the West Bank and Gaza Strip – A Gender Equality and Workers’Rights Perspective*, ILO Regional Office for Arab States, 2008, Beirut.

## **Education, training and skills development**

Palestinians attach major importance to education. School enrolment and completion rates, as well as literacy rates, are relatively high both for males and for females. Currently, almost a third of all Palestinians living in the Territories, is enrolled at various levels of the education system. Basic education is free and compulsory and lasts ten years. Ministry of Education statistics show that some 950,000 pupils were enrolled at the primary level in 2005-06. After basic education there is a two-year secondary school with general and vocational streams. In 2005-06, almost 120,000 students were in general compared to 6,000 in vocational streams. Those who make the grade in the 'Tawjihi' end-of-secondary-school examination, may proceed to one of several colleges or universities. Across the West Bank and Gaza there are 19 community colleges offering two-year vocational and technical programmes (11,000 students) and 12 university colleges as well as 12 universities (together 139,000 students).

A few thousand basic education leavers who are through with formal schooling may proceed to one of 12 vocational training centres operated by the Ministry of Labour offering non-formal programmes, including vehicle driving, lasting from a few months to a year.

Much as across the river in Jordan, technical and vocational education and training, and the associated occupations, are generally considered as something for those who failed in 'regular' education. It is hardly ever a first or deliberate choice. This explains, no doubt in part, why TVET enrolments represent a marginal proportion of the many Palestinians in schools, colleges and universities.

The Palestinian TVET system is beset by a broad range of problems that are also seen, in different gradations, in other MENA countries. It suffers in particular from relevance and quality problems that are at least in part explained by the difficult circumstances flowing from the prolonged Israeli occupation. There are also other explanations. Relations with the world of work are weak or non-existent and labour market mismatches are common. In interviews one may hear that the education and training system is rigid, overly centralised, badly managed and lacking in vision. TVET in the Territories is certainly un-integrated and fragmented, even more so than in other countries in the region. As a result of weak leadership, multiple non-state actors have stepped in and are basically doing their own thing, no doubt with the best of intentions and often with good results.

According to UNRWA statistics, just over a million of registered refugees currently live in the Gaza Strip, half of them in eight official camps; in the West Bank three quarters of a million are registered of whom almost 200,000 live in 19 official camps. UNRWA, set up 60 years ago to provide assistance to Palestinian refugees, has for more than 50 years provided basic education to hundreds of thousands of them. On a smaller scale they have also provided and still provide free of charge vocational education and training in three centres in the West Bank, including the Ramallah Women's Training Centre, and one in Gaza. In collaboration with a number of NGOs, and depending on project funding being available, UNRWA also runs a number of short duration training courses.

The numerous international donors present in the Territories, are playing various roles on the education and training scene, notably that of funding a scattering of formal and non-formal training programmes. In addition, a large variety of private bodies, including local and international NGOs and commercial institutions, are providing education and training. As almost all private sector enterprises are very small, training by enterprises is uncommon in the OPT.

When the Palestinian National Authority took over responsibility for TVET in 1994, it found a fragmented, hardly managed, run down and obsolete, little system. In the late 1990s a Palestinian 'expert team' based at the Ministry of Labour did a commendable job in analysing problems and proposing a comprehensive national TVET strategy that would lead to a more demand-driven, flexible, competency-based system in which various stakeholders, including the

private sector, would play an active part.<sup>102</sup> Unfortunately the effort was not followed up both because of the constraints imposed by the circumstances and because of shortcomings in the Palestinian Authority's capacity to implement. As of late, modest attempts are underway to 'revitalize' the reform process including reviving a Higher Council for TVET consisting of various stakeholders, an Executive Board drawn from it, and possibly a national resource centre. There is also talk of a training and labour market observatory and of steps towards crafting a national qualifications framework.

The Palestinian Ministry of Education and Higher Education has adopted a new 5-year Strategic Plan which rests on four pillars: (i) access to education, (ii) quality of education (incl. curriculum development, evaluation, quality of teachers, and use of new information technology), (iii) relevance of TVET and higher education for local and foreign labour markets, and (iv) management and delivery. The TVET component is to be implemented in collaboration with GTZ and several other donor agencies.

### **Skills for work in the informal economy**

Most of the private sector in the Territories consists of family-based micro-enterprises that for all practical purposes can be called informal. Where and how people who work in these firms acquired their skills is not very clear, except that it is probably not in the formal education and training system. Many of them may have gone through a phase of apprenticeship of sorts and subsequent learning by doing. Some must have benefited from some of the many non-formal training programmes being offered. Most universities have popular adult education programmes, such as provided by the Centre for Continuing Education at Bir Zeit University in Ramallah<sup>103</sup>. And several government ministries offer special training programmes for disadvantaged groups such as unemployed youth, women, ex-detainees, poor farmers, or people with disabilities. These latter efforts, however, are neither known for the numbers they reach, nor for their quality or impact.

With an effective government not always near, a variety of NGOs have stepped in to provide community services, including non-formal education and training programmes. Most of them are highly respected bodies that have been operating in the Territories for many years. Some are exclusively Palestinian, such as the Chambers of Commerce, the Welfare Association or the Ma'an Development Center. Others include organizations with a Christian signature such as the Lutheran World Federation with schools in Beit Hanina and Ramallah, the Salesian Brothers in Bethlehem, and the YMCA with schools in Jericho and Beit Sahur, or international humanitarian organizations such as MercyCorps and Save the Children. Moreover, there are numerous, possibly thousands of 'cultural centres', most of them private-for-profit training providers without license, offering mostly computer and related administrative courses to tens of thousands, mostly adult trainees. All this shows that there is a strong demand for skills training in the Territories.

Various Chambers of Commerce in the Territories, such as those in Ramallah and Hebron, occasionally assist their members by assessing training needs and organising short, tailor-made training at the work place. They also target youth in arranging for apprenticeships with their members combined with theoretical training. Some 130 youth benefited from such training in 2008.

The Ma'an Development Centre, set up in 1989, is an independent, non-profit Palestinian development and training institution focusing in particular on rural development, youth employment, environmental issues, and capacity building for NGOs. It currently has an annual budget of US\$ 10-12 million fed by a multitude of donor agencies. Its regular entrepreneurship development programme, implemented in collaboration with others, including the Bisan Centre for Research and Development and Bir Zeit University, enables young entrepreneurs to prepare

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<sup>102</sup> For details see, e.g. European Training Foundation, *Human Resources Development and its Links to the Labour Market in the West Bank and Gaza Strip*, 2006, Turin.

<sup>103</sup> See: <http://ccemail.birzeit.edu>

business plans and bankable projects. Among some special projects implemented, a recent project successfully supported an informal cooperative of small olive growers in Jericho to add value to their product and eventually produce export-grade olive oil<sup>104</sup>.

The vocational training programme of the Lutheran World Federation (LWF) has since 1949 largely targeted disadvantaged youth. It had a one million dollar budget in 2008, as in 2007. The LWF graduated 125 students in 2008, including 10 women. A two-year programme is offered in two schools with currently 209 students enrolled. Subjects covered are car mechanics, carpentry, electronics/ communications, and aluminium works. The LWF also offers one-year apprenticeship arrangements in these same subjects combining school and work-based learning now for 67 trainees compared to 53 in the class of 2008. Short duration courses offered in villages enrolled 64 youth, including 31 women in 2008. Almost three in four of the 2008 LWF graduates were employed or self-employed within six months of graduation, which appears significantly better than the average for the Territories<sup>105</sup>.

The Portland Trust, a private British foundation committed to encourage peace and stability in the Middle East region through economic development has been working with the Palestinian private sector since 2006. One of its projects was conducted as a pilot and supposed to train 120 Palestinian entrepreneurs in order to ensure that at least 60 per cent of trainees would start their business within a year from the end of training. The number of actual trainees was 89 due to time and space constraints. The pilot project aimed at preparing a “bankable” business plans for micro enterprises included six training courses implemented through local partners in six main cities in the West Bank from March to June, followed by individual coaching of trainees between August and November 2008. Given the success of the pilot project, the partners are now planning for a three-year programme, targeting 1,200 participants (400 per year) through 16 training courses<sup>106</sup>.

Various NGOs, rather than compete, collaborate increasingly in proposing and implementing projects, including training projects. In addition to achieving greater overall efficiency such collaboration disseminates good practice and allows for integrated support e.g. by combining training and microcredit or job placement.

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<sup>104</sup> See: [www.maan-ctr.org](http://www.maan-ctr.org)

<sup>105</sup> The Lutheran World Federation, Jerusalem, *Annual Report 2008*.

<sup>106</sup> Source: “This Week in Palestine”, no.133, May 2009, Ramallah ([www.thisweekinpalestine.com](http://www.thisweekinpalestine.com))

**ANNEX 4**

**LIST OF PERSONS MET DURING FIELD MISSIONS**

#### Annex 4 List of persons met during field missions

<b>Mission to the Occupied Palestinian Territories, 17-21 May, 2009</b>	
<b>Name</b>	<b>Personal and Organisation details</b>
Hisham Kuhail	former Assistant Deputy Minister for Higher Education; presently Executive Director , National Elections Committee
Saleh Al-Kafri	Director-General, Economic Statistics, Palestinian Central Bureau of Statistics
Andre Batarseh, Michel Asfour, Elham Salameh	General Secretary, Director Program Department and Director, Youth and Community Department, The East Jerusalem YMCA
Mazen Hashweh	Director, Welfare Association
Sami Khader	Director General, Ma'an Development Center
Eileen Kuttab	Assistant Professor, Bir Zeit University, and Bisan Center for Research and Development
Nora de Laet	Consul, Head of Cooperation, Consulate General of Belgium
Muhannad Beidas , Mohan Menon	Chief, Field Education Programme, and Chief, Education Planning and Management Division, UNRWA
Elias Baboun	Chairman, League of Vocational Education and Training – NGO
Lamis Al-Alami	Minister of Education and Higher Education
Rudolf Rogg , Constanze Majer	Director and Program Coordinator, Economic and Employment Promotion, Deutscher Entwicklungsdienst, DED
Marwan Tarazi	Director, Center for Continuing Education, Birzeit University
Francis Gharfeh, Jerome Socie, Veronica Forin	Director, Vocational Training Center, Lutheran World Federation, Country Coordinator, COOPI (Italian NGO) and VTC Project manager, COOPI
Ziad Jweiles, Samer Salameh	Director General, Colleges and TVET, Ministry of Education and Higher Education, and Director General, Vocational Training, Ministry of Labour
Elena Buryan	Deputy Mission Director, MercyCorps
Volker Ihde	Team Leader, Vocational Education and Labour Market Program, GTZ
Afnan Yunis, Mahmoud	Network Manager, Sharakeh, the Palestinian Network for Small and Micro Finance
Nader Atta	Programme Officer, UNDP
Director and staff	Qalqilya Vocational Training Center
Mounir Kleibo	Representative for West Bank and Gaza, International Labour Organization, ILO

<b>Mission to Jordan, 25-28 May, 2009</b>	
<b>Name</b>	<b>Personal and Organisation details</b>
Nadera Al Bakeet	Executive Secretary, E-TVET Council, Ministry of Labour
Ghazi Daboubi, Susanne Grigoleit	Executive Director, Development and Coordination Unit, and Adviser, Ministry of Labour
Mohammad Al Qudah	Director, Employment and Training, Ministry of Labour
Said Bakri	Manager, TVET Fund
Munther Masri	Director General, National Center for Human Resources Development
Ali Ghezawi	Director-General, Development and Employment Fund
Saba Mobaslat, Sita Conklin	Director, Jordan, and Livelihoods Specialist, Middle East/Eurasia Region, Save the Children
Harriet Dodd, Curt Rhodes, May Shalabieh	Country Director, CARE, President, Questscope, and Programme Officer, Friedrich Naumann Stiftung
Hala Ghosheh, Rami Al-Karmi	Director, Gender and Social Fund, and Chief Executive Officer, Shabakat Al Ordon
Imad Malhas, Abeer Saleh	Director, Research and Training Department, Amman Chamber of Commerce, and Asst. Manager, Industrial Development Dept., Jordan Chamber of Industry
John Knapp	Policy Adviser/Manager, BEST project, Ministry of Labour
Hana Uraidi	Director, Cross Cutting Support, Jordan Enterprise Development Corporation
Firyal Aqel	Director, Development and Coordination Unit, Ministry of Education
Tom Leney	Head of International Unit, Qualifications and Curriculum Authority, United Kingdom
Amal Abdul-Razeq, Abu Rumman	Director, Small Business Development center, JOHUD, and researcher/ journalist
Majed Habashneh	Director general, Vocational Training Corporation
Abdelwadoud Matouk	Director, Economic Surveys, Department of Statistics
Sibel Kulaksiz, Dana Shuqom, Mary Lineberger	Senior Economist, Social and Economic Development Unit, MENA, World Bank, Executive Director and Institutional Transformation Specialist, Business and Professional Women
Abel Piqueras	European Commission Delegation official

<b>Mission to Egypt, 5-9 July, 2009</b>	
<b>Name</b>	<b>Personal and Organisation details</b>
Alia el Mahdi	Dean, Faculty of Economics and Political Science, Cairo University
Dorothea Schmidt	ILO Sub-regional Office, Employment Expert
Irene Jaeger	Children at Risk project, National Council for Childhood and Motherhood
Silvia Crescimbeni, Ahlam Farouk	Programme Managers, European Commission Delegation
Samir Talat Radwan	Ag. Manager, HRD Sector, Social Fund for Development
Mohamed Helal, Manfred Diehl	Project Director and Team Leader, TVET Reform Project
Don Renzo Leonarduzzi	Director, Don Bosco Training Centre
Laila Iskander, Jeena Mitry	Chairperson and Senior Consulting Manager, CID Consulting
Bernhard Becker, Atef Abdel-Malak	Senior Advisors, Mubarak Kohl Initiative/ VETEP
Ghada Barsoum , Abeer Salem, Rania Roushdy	Senior Programme Manager, Senior Development and Communications Officer, Manager Data Analysis and Economic Development Unit, Population Council
Ragui Assaad	Professor, University of Minnesota
Mohamed Fouad El-Fateh Moussa	Advisor, Ministry of Manpower and Migration
Ahmed Galal	Managing Director, Economic Research Foundation
Mohamed Hany Barakat	First Undersecretary, Ministry of Trade and Industry
Marion Fischer, Khahil Shaat	Programme Manager, Participatory Development Programme, Ministry of Economic Development, and Advisor of Informal Areas to Cairo Governorate

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