



Reaping just what is sown: Low-skills and low-productivity of informal economy workers and the skill acquisition process in developing countries



Mayowa Abiodun Peter-Cookey*, Kanda Janyam

Department Educational Foundation, Faculty of Liberal Arts, Prince of Songkla University, Hat Yai, Songkhla, Thailand

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ABSTRACT

The objective of this paper is to explore the skill acquisition process of informal economy workers and how it affects their current skills and productivity levels. We used a mixed method and multilevel sampling design with the aid of questionnaires and interviews. We found that trainings provided and skill-levels of workers were basic, and this affected their performance and productivity. We recommend that skill development policies for informal economy workers need to be specific, comprehensive, all-inclusive and peculiar to their challenges.

1. Introduction

Informal economy workers (IEWs) are faced with a myriad of challenges, but the hydra-headed vicious cycle of low skills-low productivity-low income has truncating effects on their total wellbeing as well as societal and economic contributions (Adams et al., 2013; Palmer, 2008; Johanson and Adams, 2004; Pina et al., 2012). This vicious cycle is obviously a product of the conditions that pervade work in the informal economy (IE) such as lack of representation, registration, regulation, legal and social protection, property rights, access to capital and credit, access to quality training and poor governance visibility, which stifles the voices of these workers and hinders their ability to acquire requisite skills and/or negotiate equitably for better wages and conditions (Adams et al., 2013; dvv, 2011, 2013; Pina et al., 2012; Johanson and Adams, 2004; Palmer, 2008; Chen et al., 2002). The skill acquisition process (SKAQPRO) of most developing countries have failed to deliver on improving the skill levels of the IEWs (ILO, 2008) (those informal workers who own or work directly for enterprises in the IE) and this worsens their fate as they are already highly vulnerable (ILO, 2013a,b, 2012a; Darvas and Palmer, 2014; Bacchetta, 2009; Hussmanns, 2004) and suffer great deficits particularly since their activities are merely subsistence and/or simple products and services delivered at very micro-levels. This probably explains the phenomenon of a high working poor population in the IE (ILO, 2011, 2008; Palmer,

2008, 2009), especially women and young adults (ILO, 2013b; WYR, 2012). It seems that IEWs are not just vulnerable to unemployment, but to underemployment that still leads to the inability to preserve their wellbeing (ILO, 2002a,b,c; Carr and Chen, 2002; Gallin and Jhabvala, 2001).

The informal workforce of most developing countries sometimes make up to 80% of the entire workforce (and 20% in some developed countries) and its growth continues unabated (EC, 2009; Becker, 2004) in spite of decades drive to formalize the sector (ILO, 2013a; Adams, 2008; ADB, 2011). Some aspects of the IE may never formalize and some countries actually have the IE and formal economy co-exist agreeably (ILO, 2014; La Porta and Shleifer, 2009; Chen, 2007; Sparks and Barnett, 2010). Therefore, attention given to IEWs should shift from preparing them for formal jobs to equipping them with potential opportunities to improve their wellbeing, livelihood as well as individual and collective contributions to their society and national economic development. And since skills are increasingly critical in today's fast-growing world of work and regarded as the highest bargaining tool of the worker (OECD, 2013; EC, 2009; Kwon, 2009) that could transform lives, generate prosperity and promote social cohesion (OECD, 2013), governments and development agencies have been pushing for skills development in the IE (ILO, 2008; Palmer, 2008; OECD, 2006; World Bank, 2012a), but skills development alone has not yielded the expected results (Palmer, 2007a,b, 2008; Darvas and

Abbreviation: IE, informal economy; IEWs, informal economy workers; IWs, informal workers; SKAQPRO, skill acquisition process; IHBSWs, informal hair and beauty services workers; HBSSs, hair and beauty services; SDPA, Thailand Skill Development Promotion Act; DSD, Department of Skill Development

* Corresponding author.

E-mail addresses: livewithmayo@gmail.com (M.A. Peter-Cookey), kanda.j@psu.ac.th (K. Janyam).

Palmer, 2014; King and Palmer, 2006a; ILO, 2008).

Most IEWs are caught in the vicious cycle of 'low' what with working and living in the IE (Palmer, 2008; King and Palmer, 2008) as well as additional challenges to acquiring needed skills and so are unable to support a decent standard of living; and these vulnerabilities perpetuate the vicious cycle (Darvas and Palmer, 2014; ILO, 2013b; Palmer, 2008). They are often unable to afford the financial cost of trainings, lack access to quality training, training entry requirements are too high, irrelevance of training available, poor quality of training, weak commitment of training-providers, and poor support incentives from government, difficulty in taking time off work for training (Herschbach, 1989; Silva, 2008; Pavcnik, 2002; Liimatainen, 2002; Hussmanns, 2004), as well as social, economic and legal obstacles (dvv, 2013; Adams et al., 2013; Johanson and Adams, 2004; World Bank, 2014; Pina et al., 2012). These hinder their productive capacity (Palmer, 2008, 2009; King and Palmer, 2006a) and affect their decision to pursue training (ILO, 2013b). They are mostly paid per hour or service and so their income is dependent on how much service they render and how many clients they attend to per day. This indicates a failure of the SKAQPRO for IEWs in developing countries (ILO), which may not be unrelated to policies that isolate skills development from the other drivers of productivity and growth. But, the ability to perform optimally through improved skills for quality goods and services that attract more clients and orders would not only increase income, self-esteem, self-reliance (UNHCR, 2011) and wellbeing, but also the ability to negotiate for better deals. These issues need to be considered in planning SKAQPROs for IEWs with skills training placed in the center of a comprehensive strategy including social, political, cultural, economic and other related elements (Fluitman, 1989; Adams et al., 2013; Pina et al., 2012).

Acquired skills need to be of good quality and within appropriate contextual conditions (World Bank, 2004) to be effective and productive because poorly acquired skills will not result in increased productive capacity (King and Palmer, 2006a). The skill acquisition paradigm should go beyond just equipping the unemployed/underemployed with basic skills for employment in the formal economy to a shift that includes, at a higher degree, assisting IEWs to improve their social and human capital as well as productivity (Brewer et al., 2012; Brisbois and Saunders, 2005; Pieck, 2000). Therefore, SKAQPROs should be synergistic, adaptive, dynamic and exploratory without being rigid, constrained and stereotypical (Mayombe and Lombard, 2015; ILO, 2013c; Taylor and Ivry, 2012; Palmer, 2008, 2007b; King and Palmer, 2006b; Johanson and Adams, 2004; Newell, 1991); and in particular, all-inclusive and occupational domain-specific for IEWs. The SKAQPRO in developing countries' IE and its impact on the IEWs and their performance, especially in work that has to do with trade and craft as well as services outside the formal and industrial economy have never really been studied. Available studies also mainly focus on pre-employment provisions (e.g. traditional informal trainings like apprenticeship and formal training programs), informal employment in the formal economy or industrialized sector, formalization, property rights, poverty alleviation, etc and certainly not on IEWs. A literary search on skills for IEWs (on Scopus, ScienceDirect, and SSCI: Terms-skills, skills acquisition, IEWs: Language-English: Date- 09/2014-01/2016) yielded no related publications.

Fluitman (1989) recognized the need to plan SKAQPROs based on the perspectives of the people rather than mere assumptions and pointed out the importance of exploring and understanding the SKAQPRO from targeted angles. In this paper, we explore this issue from the perspectives of IEWs in informal hair and beauty services (IHBSSs) in Hat Yai, Thailand along with the enterprise owners, customers and training providers to serve as a guide for policy development and training design (Kraiger et al., 1993). We also view skills as a major

driver to improve productivity among others in the peculiar context of the IE as well as human and social capital; and productivity is viewed from the lens of per hour/service or performance quality (ILO, 2008; Gambin et al., 2009). The objective of this paper is to gain insight into the SKAQPRO of these workers and how it affects their current skills levels. The research questions addressed include 'how do they acquire their skills and what are their current skills levels?' The paper structure includes: introduction, methods, results, discussion and recommendations/conclusion.

1.1. Skills and productivity of IEWs

Skill acquisition could be seen as a form of prolonged skill learning within the right conditions to perform tasks and abilities (Speelman and Kirsner, 2008) from practice and experience (Rosenbaum et al., 2001) and shrouded in social norms and social class (Green, 2011). This implies that the process of skill acquisition is continuous and iterative giving room to add new skills and improve the performance of old skills (Boyatzis and Kolb, 1995; Newell, 1991; Anderson, 1982). Therefore, any SKAQPRO for IEWs should consider their expectations/desires and the peculiar challenges of their socioeconomic status as well as incorporate practice and experience into its core design. This will require a comprehensive and embrative understanding of skill and its impact on productivity as well as income and wellbeing by extension.

For IEWs, it really doesn't matter how skills are defined as long as they are provided with the kind of capital that they can trade with to improve their income and wellbeing (Ashton and Sung, 2006), whether it be social, physical or human capital. Majority of their earnings directly depend on the quality of their products and services whether as owners of their own informal micro- enterprises and/or waged workers who are paid per hour or service (Mayhew and Neely, 2006). They depend on their customer base for their income and job satisfaction, which affects their livelihood and self-esteem (ILO, 2005). Self-employed IEWs often require multiskills and knowledge (Nel et al., 2002; Johanson and Adams, 2004; Haan, 2006) for their business and so simply increasing skills may not result in improved productivity (Mayhew and Neely, 2006; Leitch, 2006; Gambin et al., 2009) if the prevailing conditions in the IE are ignored (Palmer, 2009, 2007a,b,c; Adams et al., 2013) and skills are taken in isolation (Crafts and O'Mahony, 2001; Gambin et al., 2009).

Palmer (2008) suggests that a SKAQPRO that improves access, relevance and quality of training programs will be better equipped to ensure resulting upgrade in productivity. And so for this research, we define skills as the ability and knowledge (know-what and know-how) embedded in an individual to carry out or perform tasks and duties of a given job or activity in an occupational domain, acquired through learning, experience and practice, in a productive and sociable manner, which can be built upon and mastered to any given level—i.e. the ability and the knowledge to perform. This is drawn from the perspectives of workers, employers and the users of their services and it is based on the findings of a pilot study. Skills level is the progressive placement (high, average and low) of an individual(s) based on ability and performance as well as certifications attained. This study assesses skills collectively rather than individually, therefore, we are referring to the ability of a group of heterogeneous individuals in a social and occupational group of the economy and level of their skills per task, which include practical skills and knowledge.

2. Methods

2.1. Research design

The study employed concurrent mixed methods (Tashakkori and

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