

**SKILLS FOR WORK?: FROM SKILLS DEVELOPMENT TO DECENT LIVELIHOODS  
IN GHANA'S RURAL INFORMAL ECONOMY**

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**Abstract**

In developing countries, skills development has been neglected. Skills development does not appear in the Millennium Development Goals (MDGs) or in many poverty reduction strategies and has been side-lined in favour of investment in primary education. However, it is hoped that discussion of skills development in the 2005 Global Monitoring Report and the forthcoming World Summit in September 2005, will refocus attention on skills training. In Ghana, skills development has received too little actual emphasis, despite the rhetoric of the Ghana Poverty Reduction Strategy Paper and more than one hundred and fifty years of preoccupation with making education more relevant to the world of work.

This paper argues that the current state of, and recent trends in, skills development opportunities in rural Ghana fail to adequately address the multiple occupational pathways of the youth, and especially the poor, as they attempt to become fully and productively engaged in decent livelihoods in the rural informal economy. Skills development interventions follow a top-down strategy, with programmes having little labour market relevance, and post-training support that is either absent or weak. Support for skills development in the informal economy, which is by far the largest destination for school leavers, is virtually non-existent. This paper will analyse and critique skills development in relation to Ghana's rural informal economy.

This paper argues that the underlying assumption of the Ghanaian skills development agenda, that skills training solves un/under-employment and leads to economic growth and poverty reduction, will not be realised unless an effective and innovative pro-poor informal economy strategy is developed in order for skills development to result in livelihood outcomes that are both decent and productive.

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Some of you might be asking yourself this question: What next after this graduation?... You will need to start working immediately... but your parents and guardians perhaps do not have means to set you up in business. The government is mindful of this situation and efforts are being put in place to offer you some assistance. In view of the problems which were associated with a similar scheme organised a few years ago where the majority of people who were given free tools and kits after their training sold them and pocketed the proceeds, only to get back on to the streets. Government is seriously studying the situation to come up with a practicable solution.

*Keynote Address by Angela Ofori-Att, then Deputy Minister for Manpower, Youth and Employment at the Graduation Ceremony of recent STEP trainees, 17.03.04 (GoG/MoMYE, 2004b)<sup>2</sup>*

## 1. Education For All ≠ Employment For All

Fifteen years on from Jomtien, Education For All (EFA) policies have started to result in some of the largest cohorts of primary school leavers ever seen in Ghana (see Table 1). This is occurring at a time when formal sector employment is continuing to fall, and the great majority of all school leavers, up to 90% in Ghana, are obliged to enter the informal, micro-enterprise economy, urban and rural. The issue of what happens next to these school graduates is crucial. In fact, ‘school-to-work’ discussions are becoming more prominent on the international agency agenda as people continue to ask: EFA-for-what?<sup>3</sup>

**Table 1. Primary school enrolment figures in Ghana, 1986-2004**

Year	Primary school enrolment (public and private)
1986	1,679,072
1990	1,945,422
1991	2,011,062
1992	2,047,293
1993	2,138,635
1994	2,154,676
1995	2,197,172
1996	2,333,347
1997	2,445,353
1998	2,562,229
1999	2,684,689
2000	2,477,990*
2001	2,723,300
2002	2,857,535
2003	2,957,491
2004	3,077,489

Source: GoG, 2005: 17; World Bank, 2004c: 145.<sup>4</sup>

<sup>2</sup> STEP = Skills Training and Employment Placement programme. See later.

<sup>3</sup> For example, at a USAID Education Training workshop, on ‘Moving From Access To Relevance: Improving The Quality Of Education’, held in Washington D.C. August 8<sup>th</sup>-12th, 2005, there was much discussion on the importance of ‘school to work’ or ‘school to career’ issues.

<sup>4</sup> \* Data from the 2000/2001 MoEYS annual school census and population data from the 2000 national population census conducted by the Ghana Statistical Service. All other population figures before 2000 are based on projections from the 1984 Population Census. One senior official in a bilateral donor agency in Ghana noted indicated they were ‘very suspicious of the reported 200,000 drop in enrolments in 2000’. The

That is not to say that the EFA-for-what question is new (cf. McGrath and King, 1999), but simply that the urgency of the question is becoming more of a concern for governments and development partners alike. Daniel and Hultin (2002: 2) note that “Education for All and Work for All are two sides of the same coin”.<sup>5</sup> Indeed, the inescapable interconnectedness of the Millennium Development Goals (MDGs) on Poverty (Target 1), Education (Target 3) and Decent and Productive Work (Target 16), point to the urgent need to examine possible synergies between these areas. If education and skills training is to promote the socio-economic well-being of the poor, it must improve their prospects for ‘decent’ work and higher earnings. Employment / self-employment, or rather ‘decent work’, is seen by many (Canagarajah and Pörtner, 2003; IFC, 2000; ILO, 2003; Islam, 2004; Khan, 2001; Osmani, 2003; World Bank, 2004b: 136) as the main pathway out of poverty for the poor. For example, the *World Development Report 2005* argues that “jobs are the main source of income for people - and the main pathway out of poverty for the poor” (World Bank, 2004b: 136). The informal economy represents the primary destination for both out-of-school and school graduates in Ghana, providing both skills training and a possibility of finding, or creating, decent and productive livelihoods. It follows, therefore, that one of the most critical outcomes of Ghana’s education and skills training system is the impact that this system has on rural livelihood outcomes, and to what extent the work outcomes are ‘decent’. This paper will examine the ways that skills development<sup>6</sup> contributes to the creation of decent livelihoods<sup>7</sup> in Ghana’s rural informal economy.<sup>8</sup> Firstly, this paper notes that while skills development has been sidelined from the international education agenda, it is beginning to re-emerge as crucial area. Secondly, I examine the skills development strategy in Ghana as it relates

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World Bank (2004c: 145-147) report suggests the drop is due to the non-inclusion that year of private school enrolments. But the drop also corresponds closely (in date and in extent) with the downward adjustment of the estimated school age population. This may have been done deliberately so that it did not appear that the GER suddenly jumped up that year (personal communication with one senior official in a bilateral donor agency in Ghana, 05.09.05). The figures should therefore be seen as indicative of trends and not exact. Note the jump in enrolment figures between 1995 and 1996 following the introduction of Ghana’s free, compulsory universal basic education (FCUBE) policy.

<sup>5</sup> John Daniel was then Assistant Director-General for Education at UNESCO, and Göran Hultin was the Executive Director for the Employment Sector at the ILO in 2002.

<sup>6</sup> In this paper, skills development is not narrowly equated with technical and vocational education and training (TVET), but is used more broadly to refer to education and training, occurring in formal, non-formal and on-the-job settings, which enables individuals in all areas of the economy to become fully and productively engaged in decent livelihoods and to have the capacity to adapt their skills to meet the changing demands and opportunities of the economy and labour market. However, since the focus of this paper is on skills development and the informal economy, we will focus here on both pre-employment skills training that is specifically targeted at the informal economy, and skills training that occurs in the informal economy, usually on-the-job.

<sup>7</sup> In this paper, ‘decent livelihoods’ is used as an adaptation of the ILO’s ‘decent work’ concept. Decent work, in ILO discourse, encompasses improvements in working conditions, reducing vulnerability and achieving improvements in productivity and quality. The ILO strategic areas regarding decent work include: Employment and labour issues; Standards (at the macro-level); Social Protection; and Social Dialogue (ILO, 1999). Decent Livelihoods is a broader concept than decent work and is used here to make the issue of occupational pluralism more explicit (see Palmer, 2004a on occupational pluralism). In rural Ghana, ‘decent livelihoods’ refers to decent and productive work in micro- and small-farms (MSFs), micro- and small-enterprises (MSEs) and formal sector employment, and acknowledges that many people have more than ‘one-job’ and frequently straddle occupational divisions.

<sup>8</sup> The focus of this paper will be on the examination of skills development in Ghana’s rural informal economy. The rural informal economy includes: agricultural (micro- and small farms), service, manufacturing and retail activities. See Palmer (2004a) for a full discussion on the concept, character and measurement of the informal economy in Sub-Saharan Africa. See also Bagachwa, 1997; Bromley, 1978; Livingstone, 1991; Palmer, 2004a: section 11 for discussion on the rural informal economy.

to the informal economy. Thirdly, I briefly examine several programmes that are meant to provide pre-employment skills training for informal sector entrepreneurs, as well as on-the-job informal skills training. Fourthly, I will explore one of the underlying assumptions of the Ghanaian skills development agenda: that providing people with 'employable skills' will help solve problems such as unemployment / under-employment and poverty reduction. Lastly, I will assess the link between skills development pathways and decent livelihoods in rural Ghana.

## **2. Skills Development and the International Education Agenda**

Since 1990 and the World Conference on EFA in Jomtien, the attention of international development agencies has become increasingly focused on basic, and especially primary, education at the expense of post-basic education, a focus that has become set in the time-bound targets of the MDGs. The focus on basic, and especially primary, education has contributed to the neglect of post-basic education and training (King and Palmer, 2005; Palmer, 2005a, b; World Bank, 2004a). Interest in skills development has suffered as a result of the focus on other development goals (Fluitman, 2005). Indeed, the international neglect of skills development in developing countries is underlined by its absence in the MDGs.

The only MDG that could be said to implicitly relate to skills development is MDG 8, Target 16: "develop and implement strategies for decent and productive work for youth". Part of the strategy for decent and productive work promotion is clearly skills development, but so long as this is not made explicit, and if donors follow the MDGs too narrowly, there is a danger that skills development will remain on the side-line of the international education agenda.

Similarly, the neglect of skills development is seen in many poverty reduction strategy papers (PRSPs) where, as far as education and training are concerned, UPE is prioritised (Caillods, 2003; cf. Bennel, 1999). Indeed, the ILO notes that "a striking feature of most poverty reduction strategies is the absence of vocational education and training" (ILO, 2003: 8). The neglect of skills development for the informal economy in the MDGs and many PRSPs seems particularly worrying, given that this represents the largest post-school training destination in most developing countries.

However, there is concern among development partners that the MDGs are more restrictive than what was agreed at Dakar and Jomtien (UNESCO-IIEP, 2004). The Dakar, and especially the Jomtien, agreements made skills development a much more explicit priority. The six Dakar goals included the goal of 'ensuring that the learning needs of all young people and adults are met through equitable access to appropriate learning and life-skills programmes' (UNESCO, 2000). At Jomtien, article five of the World Declaration included 'skills training, apprenticeships, and formal and non-formal education programmes' (WCEFA, 1990).

Indeed, "[c]urrent international policy debates demonstrate the need for an expanded vision of EFA, closer to the spirit of Jomtien" (UNESCO-IIEP, 2004: 78). Several international agencies, like UNESCO, are pushing for a more comprehensive EFA vision, and are stressing the importance of skills development within EFA (UNESCO-IIEP, 2004). For example, the 2005 UNESCO EFA Global Monitoring Report, *Education for all: The Quality Imperative*, discusses the importance of skills development (UNESCO, 2004: 133-135). Moreover, the World Summit, 14-16<sup>th</sup> September 2005, further sees a widening of the MDGs to include TVET, secondary, and higher education. The draft document notes that:

We emphasize the critical role of both formal and non-formal education as envisaged in the Millennium Declaration, in particular basic education and training for eradicating

illiteracy, and strive for expanded secondary and higher education as well as vocational education and technical training. (UN, 2005: section 31)

The World Bank further highlights the importance of skills for the informal economy as the following quotations show:

[R]eaching the informal sector with skills development will be important for poverty reduction. (World Bank, 2005: 9)

Skills are an important means to increase incomes and sustainable livelihoods for the poor. (World Bank, 2004a: 17)

Poverty reduction requires investing in the productivity and skills of economically and socially vulnerable groups. (World Bank, 2000)

### **3. Ghana's Skills Development Strategy for the Informal Economy**

The informal sector came into the development literature in the early 1970s in the Kenyan context (ILO, 1972). However, the term 'informal sector' originates from research based in Ghana (Hart, 1969; 1970; 1973) and today Ghana is known for its well-developed informal economy (Haan and Serriere, 2002).<sup>9</sup> Large numbers of young people in Ghana enter the informal economy each year. Since the transition rate between Junior Secondary School (JSS) and Senior Secondary School (SSS) is c.30% (GoG, 2003b: 52), many of those entering the informal labour market are JSS graduates, with nine years of schooling. The informal economy in Ghana, both rural and urban, employs 89% of the labour force (including 56% in agriculture and 21% in retail trade) (Xaba, Horn and Motala, 2002) and is predominantly female in nature. Hence, the informal economy in Ghana is the primary destination for all school leavers. But how does the government view the informal economy and skills training programmes related to it?

The Ghana Poverty Reduction Strategy (GPRS) (GoG, 2003a) seems to discuss the informal economy only in relation to the more dynamic, growth-orientated, manufacturing and urban micro- and small enterprises (MSEs), and has less to say about the more subsistence-orientated, retail and rural MSEs. The latter are most likely to be micro-enterprises owned and operated by women. The GPRS does, however, discuss the importance of agriculture and stresses the need to modernize this sector, but has very little to say about farm non-farm linkages, or about rural MSEs (ibid.).<sup>10</sup>

Crucially, the issue of occupational pluralism (multiple employment), a widespread phenomenon in Ghana's rural informal economy, is not recognised in the GPRS.<sup>11</sup> This, as discussed later, has implications for skills training interventions in Ghana's rural informal economy.

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<sup>9</sup> See Palmer (2004b) for a fuller discussion on the origins of the informal sector concept in Sub-Saharan Africa.

<sup>10</sup> The GPRS does note the importance of promoting agro-processing activities in rural areas (GoG, 2003a: 86-87). Further, participatory poverty analysis conducted as part of the GPRS noted that, among other things, improved access to education and promoting non-farm employment were crucial to poverty reduction efforts (GoG, 2003a: 29).

<sup>11</sup> For more on occupational pluralism, or pluri-activity, see Palmer, 2004a: 39-42 and 68-73. See also Bryceson, 2002; Bryceson, 1997; Buckley, 1997; Charmes, 2005; Hart, 1973; Kilby, Liedholm and Meyer, 1984; Long and Richardson, 1978; Mureithi, 1973.

While there is a recognised general absence of skills development in PRSPs (Caillods, 2003; ILO, 2003: 8), the World Bank notes that many governments in Sub-Saharan Africa have put policies in place that emphasize training for the informal sector (World Bank, 2004a: 142).

The GPRS has a short section on ‘Skills and entrepreneurial development for the youth’ (GoG, 2003a: 104). It outlines three groups of young people most in need of support: barely literate young people (due to early drop-out or inability to attend school); those who have completed a (stage of) formal education but are unemployed due to reasons of quality/relevance of education; young people that have acquired some skills but need retraining to enter the labour market. The Ministry of Education and Sports and the Ministry of Manpower, Youth and Employment are developing a *Skills and Entrepreneurial Development Programme* that calls for: increasing the relevance and coverage of vocational and technical training; developing and expanding the traditional apprenticeship system; and promoting entrepreneurship among the youth.

However, in Ghana skills development has traditionally received little *actual* government focus, despite the rhetoric of the GPRS and more than one hundred and fifty years of preoccupation with making education more relevant to the world of work (cf. Foster, 1965; Palmer, 2005b). It is worth briefly outlining the current state of, and trends in, skills development in Ghana, particularly as it relates to the informal economy.

The structure of public skills development in Ghana is disjointed, with Government programmes spread across no less than nine different ministries (GoG, 2004b: 3).<sup>12</sup> The formal TVET sector in Ghana, as in other developing countries, is largely not orientated towards the informal sector, with curriculum and objectives more focussed on formal employment (cf. World Bank, 2004a). Formal TVET is well known for being too ‘sluggish’ at responding to actual labour market demand. As the focus of this paper is on skills development for the rural informal economy, this paper will not go into great detail here about the formal TVET sector in Ghana, except where formal programmes exist that have as an objective the creation of informal sector entrepreneurs in rural areas (eg. the Integrated Community Centres for Employable Skills, ICCES).

The 2005 *Preliminary Education Sector Performance Report* of the Ministry of Education and Sports acknowledged that the TVET sector has been neglected (GoG, 2005: 71). And, despite a 19% increase in public TVET enrolments, from 18,001 in 2001-2, to 21,424 in 2004-5 (GoG, 2005: 72), the numbers that formal public TVET reach are low when compared to the huge numbers of annual JSS graduates (c.240,000, cf. Palmer, 2005b). Precise data is unavailable for the private TVET sector, though it may be rather large. The government estimates that there are over 400 private Vocational Training Institutes (VTIs) (including for profit, non-profit, religious and NGO VTIs), but has no comprehensive data on enrolments (Botchie and Ahadzie, 2004; GoG, 2004b). The ministry most concerned with skills training programmes for the informal economy is the Ministry for Manpower, Youth and Employment (MoMYE). Under the MoMYE, various skills development strategies aim to provide the youth with ‘employable skills’, including the Integrated Community Centres for Employable Skills (ICCES) and the short-term modular Skills Training and Employment Placement programme (STEP).<sup>13</sup>

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<sup>12</sup> The government acknowledges this in its new TVET policy framework for Ghana (GoG, 2004b) and intends to establish an inter-ministerial body, the Council for TVET (COTVET), to oversee and coordinate skills development in Ghana.

<sup>13</sup> Both ICCES and STEP will be discussed in more depth later in the paper. ICCES has been mentioned in a number of policy-orientated documents (e.g. Boeh-Ocansey, 1995), but has not been fully described in depth. STEP has hardly been written about by anyone in detail as it is a relatively new scheme.

However, government intervention has been focussed on pre-employment skills training - there has been very little attention paid to supporting traditional apprenticeships in the informal economy. But it is clear that the majority of post-basic opportunities lie in the informal economy, with “informal apprenticeship remain[ing] the only real option for a lot of young people for quite some time to come” (UNDP/ISSER, 2001: 12).

An education reform set to commence in 2007, as outlined in the *White Paper on The Report of The Education Reform Review Committee* (GoG, 2004a), proposes some quite radical changes to the education and training system in Ghana.<sup>14</sup> Concerning skills development, the White Paper acknowledges that the vocationalisation of the Junior Secondary School (JSS) “has failed to deliver its promise [from the 1987 reforms] of comprehensively equipping the youth... with directly employable skills for the world of work” (GoG, 2004a: 4).<sup>15</sup> Hence the JSS level will have a more general curriculum. Skills training will be emphasised more at the Senior Secondary School (SSS) level, which will be extended to four years (from three) and diversified into four streams: vocational, technical, agricultural and general education. Lastly, the White Paper notes that the government faces an “urgent need to restructure the current officially disengaged attitude towards... [those who drop out of primary and JSS and thier] subsequent participation in the world of work” (GoG, 2004b: 9). Hence, the government intends to partner with the private sector to promote more formalised apprenticeship training programmes, with government assuming “full responsibility” (GoG, 2004a: 9) for the first year of the programme. The White Paper proposes further to support public and private training institutions, like ICCES and GRATIS<sup>16</sup>, so that they can increase their capacity to enrol apprentices, and to constitute a National Apprentice Training Board to regulate and oversee apprenticeship training in Ghana, including traditional apprenticeship.<sup>17</sup>

Related to the new education reform in Ghana (GoG, 2004a) is the new Technical and Vocational Education and Training (TVET) Policy (GoG, 2004b) which is meant to complement the White Paper and to reform skills training in Ghana.<sup>18</sup>

The Government of Ghana recognises that TVET “has been moribund in course content and delivery for many years” (Preddey, 2005: 13), and the new TVET policy and the revision of the GPRS are meant to address this situation.<sup>19</sup> Although the revised GPRS is not yet out, it is expected that it will emphasise employment as a cross-cutting issue and skills training as a

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<sup>14</sup> See Palmer (2005b: section 3.11) for a full discussion on the new White Paper reforms.

<sup>15</sup> For more information on vocationalised secondary education, see Lauglo, Akyeampong, Mwiria and Weeks (2002).

<sup>16</sup> ICCES: Integrated Community Centre for Employable Skills; GRATIS: Ghana Regional Appropriate Technology Industrial Service.

<sup>17</sup> The other key element of the White Paper reform is the expansion of ‘basic education’ to include two years of Kindergarten (KG), making the basic education cycle in Ghana 11 years long (2 years KG, 6 years primary and 3 years JSS).

<sup>18</sup> However, progress has been slow. While the TVET policy framework has been accepted by the Cabinet, it has not yet been endorsed and passed into law by the Parliament. This has hindered the development of the TVET sector since the proposed national TVET council (COTVET), which was meant to guide activities, cannot be created until the policy is passed into law.

<sup>19</sup> The revised GPRS was meant to be made public by June/July 2005. However, problems in the costing of the document have led to delays, and as of the end of August 2005, the GPRS is still not ready. One official in a bilateral donor agency in Ghana thought that the delays were due to the involvement of at least four separate agencies; MoES, NDPC, ISSER (as consultants), and the Millennium Project, each with somewhat different models and methodologies. And not directly related to the donor-government tensions over the White Paper education reform costs (by personal communication by email 23.08.05).

priority area (Preddey, 2005: 13). The new TVET policy in Ghana broadly defines TVET to include both formal and informal skills training:

Ghana's TVET sub-system includes a formal as well as a non-formal apprenticeship system. Formal apprenticeship consists of on-the-job training in medium and large-scale enterprises...Non-formal apprenticeship is also generally known as the informal or traditional system which takes place in artisan workshops owned by master craftsmen/women. It is estimated that nearly 90% of all basic skill training in Ghana comes from this traditional/informal system. (GoG, 2004b: 3-4)

The TVET policy framework proposes to dramatically expand the formal TVET sector. However, since budget allocation to the technical and vocational education and training (TVET) sector is small, between c.1% to 1.4%, 2003-2005 (GoG, 2004: 111; GoG, 2005: 97)<sup>20</sup>, even doubling support to this level would only provide 2-3% of budget allocation.

Specifically in relation to skills development for the informal economy, the TVET policy framework outlines objectives that should be the focus of policy interventions in the informal sector (GoG, 2004b: 67-8).<sup>21</sup> The TVET policy framework proposes to strengthen links between the formal and informal training systems, for example through mechanisms used by GRATIS and the Vocational Skills and Informal Sector Support Project (VSP). Trade associations are meant to be supported so they are better able to deliver training-related assistance to members, with functional literacy, management and entrepreneurial skill development offered with technical skill upgrading (GoG, 2004b: 68).

The TVET policy framework has a separate section on skills development for agriculture and outlines a number of mechanisms by which to improve agricultural productivity through TVET (GoG, 2004b: 51). These include improving access to training and extension services and post-training support, especially for women and youth, and building capacity in agricultural research and technology.

Further, the TVET policy framework notes that a Ghanaian national qualifications framework (NQF) is being planned to achieve the following objectives: to bring all post-basic occupation-oriented qualifications into a unified framework; to facilitate access to further education and training for individuals in vocational and technical occupations; to improve product and service quality by ensuring uniform standards of practice in the trades and professions; and to promote and facilitate access to lifelong learning for all, especially operators in the informal sector of the economy (GoG, 2004: 42). However, it is unclear how the Ghanaian NQF will meet the skills needs of very small and micro-enterprises (VSMEs). In South Africa, the NQF was not designed

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<sup>20</sup> The figure of 1.1% applies to the Ministry of Education and Sports in Ghana. However, other ministries, especially the Ministry for Manpower, Youth and Employment, are very much involved in skills development. Unfortunately, figures related to expenditure on skills training for this ministry were not available at the time of writing. The total resources, including from donors and other sources, for TVET amounts to 1.4% of the total resource envelope for 2004 (GoG, 2005: 97). The total resource envelope includes GoG resources, Donor funding, Internally Generated Funds and Other sources (eg. GETfund, HIPC, DACF and EFA Catalytic).

<sup>21</sup> i] Reform and strengthen the traditional apprenticeship system by introducing a competency-based training and assessment system; ii] Promote technological proficiency by training for skills to produce competitive items for the domestic and international markets; iii] Develop training systems and mechanisms to facilitate the articulation of the informal level and standards of skills acquisition with those of the formal TVET.



with the needs of VSMEs in mind and has largely failed to understand the skills needs of the sector (McGrath, 2005).

The inclusion of informal apprenticeship in the TVET definition (GoG, 2004b: 3-4) is a positive step forward in acknowledging the importance of informal skills acquisition. However, the overall theme of the TVET policy framework to formalise training in the informal economy strikes right at the heart of the basic dilemma of informal sector policy. The ILO/JASPA studies back in the mid 1980s noted that “the [informal] sector is efficient because it is informal, but because of its informality it cannot be integrated into development plans” (ILO/JASPA, 1985: 35).<sup>22</sup> The ILO/JASPA report (1985: 35) asserted that pro-informal sector policies “taken to [the]... extreme... involves the formalization of the informal sector”. King further questions the formalisation of the informal economy, and comments that

if what is special and positive about the informal sector has been developed despite total neglect and even active discouragement by the state, then would it not be valuable for government to continue a hands-off approach? (King, 1996: 12)

King goes on to note that “any attempt to ‘formalize the informal sector’ could well undermine its robust independence” (King, 1996: 12). However, it remains unclear whether the specific proposal in the *White Paper* to formalise apprenticeship training in partnership with the private sector refers to apprenticeships in the formal or informal private sectors, or both. On the one hand, since the informal sector is obviously the largest current provider of apprenticeship training, and there are known limitations to informal sector training, improvements are needed in this area. On the other hand, the danger of formalising training in the informal economy lies, as noted above, in the possibility of undermining the strengths and sustainability of training in this sector (cf. World Bank, 2004a: 133). Previous apprenticeship projects that attempted to formalise the system experienced difficulties in implementation (eg World Bank’s VSP). Moreover, the cost to the government of taking ‘full responsibility’ for the first year apprenticeships would be high.

Donor involvement in skills development has not been extensive. Two notable recent exceptions are the World Bank’s Vocational Skills and Informal Sector Support Project (1995-2001) (World Bank, 1995), and the International Fund for Agricultural Development’s (IFAD) Rural Enterprise Project (1995 – ongoing), that aimed to support existing MSEs (GoG/IFAD, 2000). Donor financing for TVET in recent years has been a low priority, with TVET funding as a percentage of donor resources being only 0.2% in 2003, 2.3% in 2004 and 0.9% in 2005 (GoG, 2005: 95; GoG, 2004c: 109).<sup>23</sup> In the TVET area, JICA have been supporting the formulation and finalisation of the TVET policy framework and the EU has been supporting a small vocational training programme in the north.<sup>24</sup>

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<sup>22</sup> This basic dilemma of informal sector policy was noted earlier by Steele (1972: 226). See also Palmer (2004a: 80-82).

<sup>23</sup> One senior advisor from a bilateral in Ghana suspected that the 2005 0.9% figure for donor support to TVET would underestimate the real picture by ignoring the proportion of general budget support which goes into TVET. Where untied budget support is provided, either centrally or sectorally, the funds are at least partially fungible and it becomes very hard to be precise (personal communication by email 23.08.05). Donor resources for 2003/4 include DFID, IDA, ADB, SPAG, JICA, USAID, and UNICEF. Donor resources for 2005 also include BADEA.

<sup>24</sup> Personal communication with a senior advisor in a bilateral donor agency in Ghana.

#### 4. 'Training for What?' and 'What Kind of Training for Whom?'

There are some basic questions that need to be asked regarding the meaning of training and skill-building or upgrading (in and) for the informal economy (cf. Mitra, 2002: 4).

Included in this is the very fundamental issue of training for what and what kind of training for whom? What kind of training should be provided and how? This reiterates the need to look at the heterogeneity of the [informal] sector itself, which leads to a wide range of training needs. (Mitra, 2002: 4)

In analysing skills development in relation to the informal economy, these two key questions, 'training for what?' and 'what kind of training for whom?', need examining in the Ghanaian context in greater detail. The focus of this paper is on skills development for the rural informal economy, so the focus is on those forms of skills training most common in rural areas. But, the types of training discussed here are by no means exclusive to the rural informal economy.<sup>25</sup> This paper develops the distinction between 'training for' (pre-employment) and 'training in' the informal economy (Palmer, 2005b).

##### 4.1 Skills Development for Ghana's Informal Economy

*Skills development for the informal economy* refers to any formalised or semi-formalised skills programmes that have the specific objective of training people for the informal sector. It includes both skills upgrading and pre-employment training schemes:

- i) Skills upgrading - upgrading the skills of those already in the informal economy by those outside the informal economy. There are some schemes that offer skills upgrading for both apprentices and master-craftspeople while they are on-the-job. Training is typically of short, modular duration, often in a local formal training institute, and fits in with normal traditional apprenticeship training. Examples in Ghana include the Vocational Skills and Informal Sector Support Project (VSP) (1995-01) for traditional apprentices and Master-craftsmen/women (World Bank, 1995) (see Appendix, Box 1), and IFAD's Rural Enterprise Project, noted above.
- ii) Training in preparation for informal economy employment - pre-employment training for those not yet in the informal economy in skills that are deemed relevant for informal economy employment. In Ghana, these would include the Integrated Community Centres for Employable Skills (ICCES) (Appendix Box 2) and Skills Training and Employment Placement (STEP) Programme (Appendix Box 3).

While there are differences in programme design between VSP, ICCES and STEP (described in detail in boxes 1-3 in the Appendix), it is possible to outline a number of common themes that serve to inhibit the pre-employment training that occurs from being translated into decent livelihood outcomes:

- **Weak institutional linkages:** Government and non-government agencies concerned with skills development and employment start-up do not function coherently. This leads to training taking place in the absence of essential support services (savings, credit, and insurance services, extension services, post-training support, social protection).

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<sup>25</sup> ICCES and STEP are predominantly rural; traditional and trade apprenticeship training occurs in both urban and rural areas; agriculturally-related informal training is predominantly rural.

- **Weak training environment:** Training appears to occur in the absence of a decent training environment – for example, the lack of protective clothing, tools, equipment and sometimes materials, and the absence of technology upgrading and adaptation.
- **Weak strategic planning environment:** There is a mismatch between demand for services and trades, on the one hand, and the supply of skills through skills programmes on the other. Skills development programmes are frequently top-down planned and led.
- **Weak infrastructural environment:** The general rural environment, characterised by a weak transport infrastructure, poor market demand, and overall low quality, or absence, of services (eg. banks, extension services, hospitals, entertainment, instructors’ accommodation) contributes to an overall disabling context.

#### 4.2 On-The-Job Skills Development in Ghana’s Informal Economy

*Skills development in the informal economy* largely refers to ‘on-the-job’, enterprise-based, training in traditional apprenticeships as well as farm-based training.

Skills training in the informal economy is the most accessible and widespread form of training both for out-of-school youth, and for primary and JSS graduates. Far greater numbers of the poor (and not so poor) are trained in this way, rather than through public or donor-financed skills programmes that are designed with the specific objective of training for self-employment (ICCES and STEP), or training to upgrade or supplement existing skills acquisition in the informal economy (the World Bank’s VSP).

Traditionally, informal on-the-job training is discussed in the literature only in relation to traditional apprenticeship training in manufacturing and service trades (cf. World Bank, 2004a: 129-135). There is very little mention of informal training in retail/trade enterprises or of informal training in agriculture. This is because the latter two are often taught by the family and so not considered such an obvious training pathway as traditional apprenticeship training is. Moreover, the farm has not traditionally been regarded as an enterprise itself but, as this view is changing (cf. Commission for Africa, 2005: 239-240; King, 2005; King 1996: 193-196), it is necessary to examine skills acquisition in informal farming enterprises. While both service/manufacturing MSEs and farming MSEs trade their final products or services, the informal sector in Ghana also comprises of a large proportion of enterprises that *solely* buy and sell items, and hence informal skills acquisition in retail MSEs is also important to examine. Therefore, this paper makes a distinction between three types of informal ‘on-the-job’ training:

- Traditional apprenticeship training (eg. in service and manufacturing MSEs)
- Trade-related informal training (eg. in retail MSEs)
- Farm-related informal training (eg in farming MSEs)

In a situation in Ghana where neither the formal academic senior secondary schools, nor the formal TVET institutions can absorb even half the demand for post-basic education and training, these three types of skills development in the informal economy are, and will remain, the most common sources of further training that youth will receive at the post-basic level. But these types of informal post-basic training are not mutually exclusive, nor are they strictly for post-basic graduates only. Youth frequently receive more than one type of informal training, often receiving it from different sources. Moreover, it is possible to receive these types of training at any stage of the educational ladder – from those who have never been to school, to primary or JSS dropouts and graduates, to SSS and tertiary graduates.

#### 4.21. Traditional Apprenticeship Training

Traditional apprenticeship training is especially well developed in West Africa (World Bank, 2004a: 131). In Ghana, it is responsible for some 80-90% of all basic skills training in the country, compared to 5-10% from public training institutions and 10-15% from NGO for-profit and non-profit providers (Atchoarena and Delluc 2001: 225; Haan and Serriere, 2002: 34; World Bank, 2004a: 129). Apprenticeships are most commonly known in service and manufacturing enterprises and in Ghana are well organised. An aspiring apprentice becomes attached to a master, usually for three years (but this often varies by trade and by master). A fee is usually charged for the training, ranging from US\$33-100 in 2004/5 (Yokozeki, 2005), but is sometimes waved if the youth is known to the master.<sup>26</sup> In some trades an agreement is signed between the master and apprentice, outlining the framework for the apprenticeship, but in many cases agreements are verbal. Traditional apprenticeships are known to have a number of general advantages and disadvantages (cf. Fluitman, 2002; World Bank, 2004a: 133-134). According to UNESCO and the Government of Ghana, traditional apprenticeship in Ghana has a number of specific characteristics (GoG, 2004b: 4; UNESCO, 2003):

- there is no clear organizational structure;
- they cater for the majority of TVET recipients, including illiterate and semi-literates;
- there is a close link between training and actual production;
- there is no formal curriculum; what is taught depends on what is actually produced;
- skill training, customer service and work attitudes are integrated;
- standards vary; there are no common competency-assessment procedures;
- until recent interventions like the World Bank/VSP project, it had no link with the formal education system;
- it serves mainly rural populations and the urban poor;
- no one single government ministry has responsibility for it;
- there is virtually no government support, control or supervision; the burden of training falls on parents and apprentices.

#### 4.22. Trade-related Informal Training

This refers to informal training in retail MSEs, and is widespread among market traders and others in micro and small trading enterprises in Ghana. For example, Gracia Clark, who conducted extended ethnographic fieldwork in Kumasi Central Market in the late 1970s, noted that “[s]omeone beginning in trading needs to acquire both general trading skills and others specific to the kind of trading” (Clark, 1994: 187).

General basic trading skills include: knowledge of supply locations, prices, the ability to make calculations, give change, buy and sell, and the ability to develop social networks. Many of these skills are learnt by the age of eight or nine. Other basic skills seen as advantageous, but not

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<sup>26</sup> Interestingly, the fees paid for traditional apprenticeship training are, according to Yokozeki (2005), twenty times or more what it costs to send a child to Junior Secondary School. This implies that this form of training is both in high demand and considered worth this financial high investment. Perhaps more worryingly, it also suggests that the poor might find it harder to access this form of training than is sometimes assumed. The World Bank’s *Skills Development in Sub-Saharan Africa* notes, for example, that “[t]raditional apprenticeship training can be the least expensive way to get skills training” (World Bank, 2004a: 131). However, it also cautions that, “[i]t is commonly assumed that traditional apprenticeship is open to everyone, or at least to all young men. This is not so. Very poor households typically cannot afford to pay the costs of apprenticeship, particularly for trades that require a high fee or tools and equipment” (World Bank, 2004a: 145).

essential for success, include: knowledge of other African languages, literacy and numeracy (Clark, 1994: 188-9).

Specific trading skills are required in order to sell profitably particular commodities. These skills are either learnt through observation, or by a trader ‘shadowing’ a friend or relative for a few weeks or months until they have gained competency. Girls and young women, who have acquired basic trading skills, are often able to attach themselves to an established older trader for a longer period of time, in a similar fashion to traditional (craft) apprentices. As with traditional apprentices, terms of agreement are sometimes set, some trade apprentices receive wages, others pay to learn the specific skills, and still others agree to work for the master trader after training as part payment.

Clark highlights the importance of self-instruction, and her surveys revealed that over 50% of traders learnt both general and specific skills by themselves, usually through observation and/or trial and error (Clark, 1994: 188-192).

#### **4.23. Farm-related Informal Training**

This refers to informal training, principally in family-owned, farming MSEs and is predominantly self-taught through observation and trial and error. Similar to trade-related informal training, both general and specific skills are required.

General farming skills include: general trading skills (above); the ability to clear land, plant, weed and harvest crops or to raise livestock; the ability to make use of fertilisers and pesticides; knowledge about extension services, and weather patterns. In rural areas, general farming skills are predominantly learnt at an early age, starting with children weeding (from about age 5) on family farms and later assisting in planting, harvesting, clearing and so on. General trading skills are also learnt at an early age by children assisting relatives to sell farm produce in local markets.

Specific skills related to particular crops are also picked up through observation and helping out on family farms at an early age. Specific skills are required for different crops, for example knowing when to plant a crop, how to plant it and what fertiliser to use. Children are likely to learn these specific skills for the usual variety of staple crops grown in a particular area, for example yams, plantain, corn, cassava in rural Ashanti. But, if a farmer wants to learn the specific skills required to grow and sell peppy<sup>27</sup>, for example, they would most likely learn from a friend or relative since there are relatively few extension officers in rural Ghana.<sup>28</sup> But, in general, rural farmers do not like to move beyond staple crops as they know, except for drought or pests, that these crops will provide a reliable, if not great, return. To move to specialised crops is a risk that most poor farmers are not prepared to take. Hence, demand for specific skills for non-staple crops is weak.<sup>29</sup>

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<sup>27</sup> A hot pepper used in soups, or to flavour otherwise bland boiled yams, in Ashanti Region, Ghana.

<sup>28</sup> The average current ratio of extension officers to farmers in Ghana is 1:1,500 (GoG, 2004b).

<sup>29</sup> See Palmer (2004a: section 9) for a full discussion on ‘the moral economy of subsistence entrepreneurship in the informal economy’, including discussion on the risk averse nature of poor farmers.

#### **4.24. Informal On-The-Job Skills Development: Poverty Reducing or Poverty Perpetuating?**

So long as there remains inadequate and inequitable access to formal SSS or TVET in Ghana<sup>30</sup>, one, or more, of these three types of informal skills training represent the most likely destination for both out-of-school youth as well as primary and JSS graduates, particularly for the poor. A key question, therefore, is: Are these types of on-the-job training in the informal economy poverty reducing or poverty perpetuating?

Traditional apprenticeship, trade-related and farm-related informal skills training have a number of general advantages as a means of skills acquisition (adapted from Fluitman, 2002; World Bank, 2004a: 133-134):

- They are relevant to the real world of work;
- Youth become acquainted with real work conditions;
- Training is work-based and practical;
- Informal business networks can become established;
- General business-related skills can be acquired;
- They are low cost and self-financing;
- There is no need for a training centre or separate tools/equipment for training;
- There is no tradition of government support, control or supervision;
- Entry to informal skills training is relatively easy.

Traditional apprenticeships are also an important source of technical and vocational skills in manufacturing and service trades for those who cannot access formal training institutes to learn these types of trades. Traditional apprentices might also find employment with their master on graduation. Trade-related and farm-related informal skills training also caters for individuals who lack the educational requirements for formal training. Since family-owned farm enterprises are the most common form of informal sector enterprise, farm-related training, usually delivered by family members, is very accessible to poor youth. Many children, from an early age, get a chance to learn basic trading skills as they assist their families with selling farm produce at a local market. For the poor, who cannot afford formal education or traditional apprenticeship fees, trade or farm-related training from family members might be the only source of skills training open to them.

Traditional apprenticeship, trade-related and farm-related informal skills training also suffers from a number of limitations (adapted from Fluitman, 2002; World Bank, 2004a: 133-134):

- Traditional technologies are perpetuated;
- Master-craftsmen or enterprise owner frequently lack teaching skills;
- No predetermined training program;
- Training mostly involves passive learning and not experimentation;
- Lack of attention to theoretical aspects;
- Varying quality of both training and working conditions;
- No training follow-up support;
- Training is usually limited to what the enterprise makes, produces, grows or sells;
- The breadth of training depends on the division of labour within an enterprise.

Traditional apprenticeship training suffers a number of specific limitations; some masters do not teach the full range of skills for fear of competition from graduated apprentices; working conditions are often unsafe; apprentices are often exploited as a form of cheap labour; where up-

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<sup>30</sup> Due to the both the direct and indirect costs of getting formal education at this level, and also the insufficient number of places at this level.

front payment is required poor applicants are sometimes screened-out; apprenticeships are gender biased, with girls learning only traditionally female activities like dressmaking, hairdressing and soap making. In trade and farm-related informal training, which is more likely to be delivered by family or kin members, what is learnt depends on the division of labour within the household and the experience and education of older family members. In farm enterprises, for example, men and boys are usually responsible for clearing land and harvesting, while women and girls are responsible for planting, weeding and selling the produce at the market. The type of farming skills learnt by children depends on the type of farming skills possessed by the family and the type of food they grow, or livestock they keep. In poorer households, only staple crops of yam, plantain and cassava might be grown. In less poor households, who grow a wider variety of crops and perhaps keep livestock, children will be exposed to a wider variety of farm-related skills.

Informal skills training serves the informal sector well, but is proving too narrowly focused to cope with the increasing challenges of technical change, skills enhancement, and wider markets (cf. Ziderman, 2003: 154). In general, since skills development in the informal economy occurs on-the-job, then the delivery context for the training is intimately linked to the enabling or disabling enterprise environment of the informal economy itself. And, as discussed later, Ghana has a weak enterprise infrastructure in its rural informal economy.

## **5. The Underlying Assumption of the Ghanaian Skills Development Agenda**

Employment / self-employment creation is placed centre stage in the government's fight against poverty in Ghana (GoG, 2003a; Palmer, 2005b). But since it is not feasible for the government to create formal jobs for all, government policy in support of employment / self-employment creation has aimed to provide education and skills, as well promoting an enabling environment for private sector growth. But, as discussed later, current government support to private sector growth is largely concentrated in the formal sector, and largely ignores informal enterprises, despite the fact that the informal economy makes up some 90% of employment activities in Ghana. Policy focus is very much on the education and training system as the solution to unemployment / under-employment and poverty reduction, without the concomitant creation of a supportive pro-poor decent and productive work environment, especially for the informal economy.

The Ghanaian government, and the Gold Coast administration before that, have made repeated attempts to make education more relevant to the 'world of work' to solve unemployment issues, as can be seen by examining reform efforts over the last one hundred and fifty years (Palmer, 2005b). It is therefore surprising that support for skills development in Ghana remains weak.

The most recent education reform in Ghana, as outlined in the *White Paper on The Report of The Education Reform Review Committee* (GoG, 2004a), outlines a number of measures (noted above) and carries the implicit assumption that something must have gone wrong with Ghana's education and training system and that is why there are so many unemployed school graduates. The government, in the planned diversification of SSS level, and the new attempts at providing skills for the poor (eg. in ICCES and STEP) is following the same logic as it has in the past: that providing skills to the youth will lessen problems of under- / unemployment.

In a general analysis, the ILO (1998) saw training as being important for workers in the informal economy and discussions during a workshop of donors and researchers on a draft of *Skills Development in Sub-Saharan Africa* (cf. World Bank, 2004a) noted a definite link between skills training and poverty reduction, and argued that skills training is good for growth, productivity

and innovation (Fluitman, 2002). Skills development is often said to be beneficial to informal sector operatives in a number of ways;<sup>31</sup>

Firstly, it is widely assumed that skills training in the informal economy increases productivity, quality, diversity and occupational safety and improves health, thereby increasing incomes and hence leading to reductions in poverty levels for these workers and their families (cf. Fluitman, 2002; World Bank, 2004a: 128). Secondly, skills training in non-farm activities that results in increased productivity might lead to positive knock-on effects to agricultural enterprises, principally through cross-financing (Palmer, 2004b: 35-36).<sup>32</sup> Farm-Nonfarm linkages are well acknowledged (eg. Haggblade, Hazel, and Brown, 1989; Reardon, Berdegue and Escobar, 2001). For skills training that occurs on-the-job in the informal economy it has been argued that it helps to develop social capital. Training allows for a gradual building up of informal business and social networks (with suppliers, customers, other apprentices, masters and trade associations) (Assad, 1993; Hart, 1973) and can help develop business skills and experience (Fluitman, 1994).

While it is not the intention to dispute these claims *per se*, it is essential to question the capacity of the economy, especially the informal economy, to realise these outcomes. These beneficial results of skills development perpetuate the assumption that skills training leads to economic growth and poverty reduction (cf. Working Group for International Cooperation in Skills Development, 2002: 16).

This assumption, while popular in Ghana, and other developing country governments, is actually backed up with very little research or evidence. It is simply taken as axiomatic that skills training gives people skills which they can use to get or make work and get income, hence reducing their poverty and stimulating economic growth.

This assumption is implicit in the ICCES, STEP and VSP programmes already discussed. Korboe notes that “the design [of the VSP] assumed that a combination of training and [providing tools to] graduates would be sufficient to generate self-employment” (Korboe, 2001a: 3). Indeed, for political reasons, the Government of Ghana would like to believe that the objectives of skills programmes are largely met: that the youth have successfully acquired marketable skills and become gainfully employed.

Unsurprisingly, the research, monitoring and evaluation evidence from Ghana for the impact of skills development on the informal sector is very weak. Those programmes that have been evaluated were externally funded, like the World Bank’s VSP, or IFAD’s Rural Enterprise Project. Government programmes that target the informal sector, such as ICCES and STEP, have never been evaluated in depth.<sup>33</sup> It is simply assumed that objectives are reached and that these programmes have a positive impact on their target clients: the unemployed poor or the rural youth. Similarly, for skills training in the informal economy, in traditional apprenticeships for example, empirical research findings or evaluation studies on the impact of informal sector training on poverty reduction are not common. It is therefore clear that more research-based evidence is required that examines the relationships between skills development for poverty reduction and growth.

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<sup>31</sup> These are more fully discussed in Palmer (2005b: section 5.6).

<sup>32</sup> Cross-financing involves the use of profits from one (farm or nonfarm) enterprise as an input for another (farm or nonfarm) enterprise. The relationship is two-way, with farm activities cross-financing non-farm activities and vice-versa.

<sup>33</sup> See Boxes 2 and 3 in the Appendix for some information on employment outcomes of STEP and ICCES graduates.



## **6. Linking Education and Skills Development Pathways to Decent Livelihoods: Towards a Pro-Poor, Pro-Growth Informal Economy Strategy in Ghana**

It is recognised that skills training alone is not sufficient for developmental outcomes to materialise. As the World Bank's *Skills Development in Sub-Saharan Africa* notes, "training requires an enabling environment... training alone is not an effective means to combat unemployment" (World Bank, 2004a: 27). Training forms part of a package to support the informal economy (World Bank, 2004a: 127).

Working might be the clearest pathway out of poverty for the poor, but the type of work that people have is critical (cf. Fluitman, 2005). Most of those working in Ghana's rural informal economy do not work under 'decent' conditions and many are struggling to move from subsistence to growth. In the context of this paper, it is crucial to examine the type of informal economy environment into which skills training programmes are graduating their trainees. To what extent is the enterprise infrastructure around the informal economy enabling or disabling to development outcomes materialising from skills training?

***The Macro-economic and Labour Market Environment*** (cf. Palmer, 2005b): Approximately 90% of all employment in Ghana is in the informal economy, with formal employment experiencing slow growth rate. Between 1992 and 1999, the percentage of Ghana's population classified as poor reduced from 52% to 40%. However, poverty is still pervasive in Ghana and this average masks regional and occupational disparities. Poverty in Ghana is largely a rural phenomenon, with rural poverty running three times as high as urban poverty. This rural nature of poverty suggests that poverty is concentrated in the informal economy (which includes agriculture). Among occupational groups, non-export food-crop farmers and the non-farm self employed are still most at risk. The slow growth of formal employment opportunities, especially in rural areas (resulting in a slow growth in the number of people with reliable salaries), combined with the rural nature of poverty, means that the rural informal economy operates as an income-constrained market, and people's buying power is weak overall. This restricts not only overall demand for products and services, but reduces the demand for training to improve quality since the market could not purchase better quality, more expensive, goods and services anyway.<sup>34</sup>

***The Regulatory and Legal Environment:*** In Ghana, a key constraint to the informal economy remains the lack of rights over land and commercial assets (GoG, 2003a: 123; cf. Commission for Africa, 2005: 228-247). The need for enforceable property rights is crucial (UNDP, 2004). Many in the rural informal economy find it hard to utilise their assets, which largely remain dead capital (De Soto, 2001).<sup>35</sup> Constraints arise from the often contradictory policies of District Assembly and central government policy, in relation to tax collection, harassment and official procedures concerning MSE registration and start-up. Further, standards (eg. health and safety issues) and social protection that exist largely ignore the informal economy, especially in rural areas.

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<sup>34</sup> Hence, skills development interventions need to improve quality and efficiency without resulting in too great a rise for the final product or service.

<sup>35</sup> Dead capital, is capital in the form of informal assets that lack value as collateral for securing the interests of creditors. To become 'live capital', these assets must be formalized so that ownership can be traced and validated and exchanges can be governed by a legally recognizable set of rules (De Soto, 2001: 17). Nonetheless, it is possible to informally use assets, such as the practice of mortgaging cocoa farms to other community members.

***The Infrastructural Environment:*** Activities in the rural informal economy in Ghana are constrained by the poor infrastructural environment. Low access to piped water and sewage systems, mains electricity, hospitals/clinics, markets, extension and financial services, and education and training facilities, all serve to disable skills training outcomes in the rural informal economy. Ahadzie and Apt (2002) further point out that women are particularly disadvantaged in their access to services in rural areas. Since women make up the bulk of the rural informal economy in Ghana, this is a particularly worrying matter.

***The Skills Development and Informal Economy Institutional Environment:*** While acknowledging the importance of the informal economy, the current GPRS (GoG, 2003a) does not fully cover this issue - having no clear coherent informal economy strategy. Nor is there sufficient attention in the current GPRS on promoting 'decent work' in Ghana's informal economy. Government policy towards the informal economy has been neglectful at best, and disabling at worst. In Ghana, there is no ministry that has overall responsibility for the coordination of activities in the informal economy. Instead a number of ministries have programmes related to the informal economy but the lack of coordination between ministries serves to inhibit a coherent strategy from emerging. Coordination between the two key ministries concerned with education, skills development and employment, the Ministry of Education and Sports and the Ministry of Manpower, Youth and Employment is weak.<sup>36</sup> Similarly, there is a lack of coordination between government ministries on the one hand, and the private and non-governmental sector on the other. This is exacerbated since those in Ghana's rural informal economy suffer from a lack of voice in the policy process. Often, informal sector associations are not sufficiently capable or competent to make the voice of their members heard.<sup>37</sup> Further, many of those in the rural informal economy are not members of any association.

One of the findings of the VSP evaluation (Korboe, 2001a (Appendix Box 1), was the relationship between key government and non-government institutions concerned with skills training and employment start-up was disjointed. This disjointed approach to informal sector support resulted in trained VSP graduates lacking access to an integrated package of services (credit, extension services, post-training support, vulnerability and social protection). This finding, that the institutional linkages are weak between agencies promoting skills training and those promoting employment, should be a key concern in the development of an informal sector strategy. The forthcoming revised GPRS is expected to outline an informal sector strategy, and it is hoped this will cover some of these key issues.

The quality of skills training programmes like ICCES and STEP suffer limitations which further disables training outcomes (Appendix Box 2). Moreover, the gender dimension of skills training means that young women are often restricted to certain, usually less profitable, trades due to socio-cultural restrictions.

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<sup>36</sup> For example, at a recent policy dialogue discussion on 'poverty reduction and wealth creation in the informal economy' in Ghana, organised by the ILO and the Ministry of Manpower, Youth and Employment (MOMYE) on 1<sup>st</sup> March 2005 in Accra, there was not one representative of the Ministry of Education and Sports. At a recent workshop in Edinburgh, in May 2005, the Chief Director of the Ministry of Education and Sports in Ghana confirmed that there was very little real coordination between his ministry and the MOMYE.

<sup>37</sup> Korboe (2001b: 25) in an evaluation study for the VSP, argued that "most of the [informal sector] associations identified by the study team only exist in name and are not functioning as mobilisers of the local artisan corps."

***The Strategic Environment for Skills and the Informal Economy:*** Firstly, both the financial and non-financial government programmes for MSEs in Ghana are weak, with women disproportionately disadvantaged in this respect. Neither the FUSMED, PAMSCAD, NBSSI or EMPRETEC<sup>38</sup> “seem to be of any benefit to rural micro-enterprises, and instead tend to be aimed at the upper-tier of the informal economy or MSEs in the formal sector” (Palmer, 2004b: 20). For example, part of the function of the NBSSI is to serve as a government supported credit intermediation agency, and as such it manages the small credit component of the PAMSCAD (Palmer, 2004b: 18-19). However, there appear to be three fundamental problems with PAMSCAD that makes it of limited use, particularly for rural informal enterprises. Problems of PAMSCAD include: a) Small coverage of the population and urban bias; b) Small loan amount is not much help and equity contribution excludes the poorest; c) The timing of loan delivery and repayment schedules is bad (ibid.). Further, the NBSSI needs reforming so that it functions as a facilitator agency rather than as a service provider agency as is the case now. There needs to be less of a focus on the dynamic manufacturing enterprises only and more attention paid to the smaller enterprises that have potential.

Secondly, there is a mismatch between the relevance of skills provided through government training programmes and the demand for these types of products or services. Too often, government skills programmes cover only the traditional trades in rural areas, make no labour market surveys and sometimes result in saturating rural markets with too many youth trained in the same areas. As Korboe noted of the VSP, “[t]he acquisition of skills by trainees has not generated an equivalent demand for their services” (Korboe, 2001a: 3).

***The Post-training Environment:*** After receiving skills, either through pre-employment or on-the-job means, youth are frequently faced with the absence of post-training support, especially in rural areas. This is obviously connected to the disabling ‘institutional environment’ outlined above. Trained youth wishing to start-up an enterprise find it very difficult to access formal credit and informal credit markets are insufficient to meet their needs at this stage.<sup>39</sup> Participation in informal credit markets often relies on social capital (informal networks and trust between individuals), an asset that newly trained young people generally have not yet had time to develop. Further, young people find it difficult to participate fully in the informal credit market since suppliers and customers often exploit their need for credit to get a cheaper price (customer) or a bigger profit (supplier) for themselves. Consequently, new start-ups have to rely heavily on their own savings. A recent survey in rural Ghana showed that 76% of start-up finance came from personal savings (Palmer, 2004b: 31). In addition to problems associated with formal credit, formal savings and insurance programmes are difficult to access by young, often poor, individuals in the rural informal economy. Non-financial business development services (BDS)<sup>40</sup> are also few and far between in the rural informal economy, but there exist innovative possibilities to extend BDS to rural clients.<sup>41</sup> Especially in rural areas, agricultural education,

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<sup>38</sup> FUSMED: Fund for Small and Medium Enterprise Development; PAMSCAD: Programme of Action to Mitigate the Social Cost of Adjustment; NBSSI: National Board for Small Scale Industries; EMPRETEC is a UNCTAD programme that promotes SME development. EMPRETEC is the Spanish acronym for *emprendedores* (entrepreneurs) and *tecnología* (technology) (see [www.empretec.net](http://www.empretec.net)). See Palmer (2004b: sections 2.5-2.6) for more information.

<sup>39</sup> See Palmer 2004b: chapter 2 for further discussion on this.

<sup>40</sup> BDS includes market information, management and business advice as well as vocational skills training. For information on BDS, see Carney (1998) and Sievers and Vandenberg (2004).

<sup>41</sup> For example, the government should encourage the formation of mobile bankers along the lines of the Atwima-Mponua Rural Bank in Ashanti, but provide funding so that these ‘mobile bankers’ can also be trained to provide door-to-door business support in situ to informal sector enterprises. Having mobile

extension and training services are ineffective (GoG, 2004b). This contributes to a general lack of access to technology in the rural informal economy which further disables education and skills outcomes.<sup>42</sup>

The TVET policy framework for Ghana makes it explicit that training for agriculture is not sufficient alone to raise productivity. Following agricultural training, the priority areas outlined for support include: a) facilitating access to land; b) facilitating access to tools, equipment and credit; c) provision of extension services; d) facilitating access to storage and preservation facilities; and e) facilitating access to markets (GoG, 2004b: 56).

But, the TVET framework is not so explicit with regards to the type of post-training needs for those trained in more traditional non-farm trades, saying only that there should be some allowance made for “post-training support” (GoG, 2004b: 68) for trainees by integrating TVET with poverty alleviation programmes.

## **Conclusion**

This paper argues that the current state of, and recent trends in, skills development opportunities in rural Ghana fail to adequately address the multiple occupational pathways of the youth, and especially the poor, as they attempt to become fully and productively engaged in decent livelihoods in the rural informal economy. It has shown how skills development interventions follow a top-down strategy, with programmes having little labour market relevance, and post-training support that is either absent or weak. Support for skills development in the informal economy, which is by far the largest destination for school leavers, is virtually non-existent.

Operators of various micro-enterprises in Ghana’s rural informal economy have reached their current positions along different education and training pathways, including periods at school, in (formal or non-formal) training centers, in short-term modular training, as apprentices, or otherwise as learners on-the-job. Each different pathway involves a number of distinct training providers, each with their own strengths and limitations.

A skills development strategy in Ghana needs to recognise the multiplicity of these education and training pathways in order to adequately improve the education and training situation for Ghana’s rural youth. But such a skills development strategy has to be closely linked to the development of a supportive informal economy strategy. Indeed, the underlying assumption of the Ghanaian skills development agenda, that skills training in ‘employable skills’ solves un/under-employment and leads to economic growth and poverty reduction, will not be realised unless an effective and innovative pro-poor, and gender aware, informal economy strategy is developed in order for skills development to result in livelihood outcomes that are both decent and productive.

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bankers/business advisors would greatly increase outreach and is preferable to having ‘static advisors’ in an office, inaccessible to the entrepreneurs that need the advice (see Palmer, 2004b for more details).

<sup>42</sup> A number of economists (for example, Nelson and Phelps, 1966; Schultz, 1975; Welch, 1970, 1978) have suggested that a technically dynamic environment enhances the returns to education and general skills as more educated individuals are better able to make decisions and evaluate information in situations of economic disequilibria (changing economic conditions). In fact, there is much empirical research evidence showing that in technically dynamic environments, the returns to education are increased (Benhabib and Spiegel, 1994; Foster and Rosenzweig, 1996; Lockheed, Jamison and Lau, 1980; Rosenzweig, 1995). Lockheed et al. (1980) explicitly state that in traditional environments, education is unlikely to have an impact on productivity. See King and Palmer, 2005; King, Palmer and Hayman, 2005 for more discussion.

Promoting an enabling environment in the informal economy, including having an explicit strategy and supporting decent work, is crucial if education and skills development in Ghana are to be translated into positive developmental outcomes. Without such a supportive environment, many of those entering the informal economy after competing basic education and, perhaps, some form of informal skills training are likely to find themselves in a largely static situation, that is poverty-perpetuating, not poverty-alleviating. Hence, there needs to be more government focus on the creation of a supportive enterprise environment for all, and not simply a focus on education and training and an ‘enabling environment’ for the few in the formal sector or in more dynamic informal enterprise activities.<sup>43</sup>

Equally important is for an informal economy strategy to recognise the multiple nature of, and multiple pathways to rural livelihood activities. The issue of occupational pluralism (multiple employment), a widespread phenomenon in Ghana’s rural informal economy, is not recognised in the GPRS. This has implications for skills training interventions in Ghana’s rural informal economy. It points to the need to have skills training opportunities that are both flexible and highly responsive to labour market demand. Given that public skills training is slow at responding to market demand, more promising results may come from improving existing private informal skills training, in traditional apprenticeships, and in trade and farm informal training, which react quicker to market demand. But, as was noted earlier, any improvements that might be made in informal skills training have to be carefully applied so as not to undermine the strengths of the existing informal systems. Improvements are also needed in the quality of and access to basic education in rural Ghana, as this is considered to be essential for improving informal skills training and outcomes in the rural informal sector (Middleton, Ziderman and Adams, 1993: 245; World Bank, 2004a: 145-146).

In 2005, there are hopeful signs that a new informal sector strategy is being developed in the forthcoming revision of the GPRS, but it should be remembered that Ghana’s history is strewn with the wreckage of unsupportive MSE strategies and projects. In particular, the history of support to MSEs in the informal economy has not revealed much action beyond the political and policy rhetoric. As the quotation at the start of this paper reminds us, youth who have gone through training programmes and are keen to enter the labour market, are still waiting for the government to come up with a supportive informal sector strategy.

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<sup>43</sup> Current government support to the creation of an enabling environment for private sector growth is largely concentrated in the formal sector, and largely ignores informal enterprises.

## Appendix

### Box. 1. Vocational Skills and Informal Sector Support Project

The World Bank Vocational Skills and Informal Sector Support Project (VSP) (1995-2000) focussed on skills upgrading for master-craftsmen and traditional apprentices.

The VSP sought primarily to raise productivity in five occupational areas of the informal sector and to encourage a shift in formal vocational training towards shorter, competency-based packages. VSP courses were of short duration and provided through public and private training institutions. Apprentices received 12 weeks of skills training, while masters got 4 weeks practical training and 2 weeks management training.

Traditional apprentices at least 18 months into their training were eligible for participation. The VSP trained 14,565 apprentices (against a target of 15,000) in five trades in 39 selected public and private institutes. VSP provided incentives for apprentices to be trained: a small training allowance; the opportunity to purchase tools at subsidised rates; and a 'World Bank' certificate on completion. Apprentices that were trained under the VSP indicated that they experienced improvements in the following areas: reading of formal technical designs; turning out better finished products and providing safer services; skills to make more interesting products; improved status as they were envied by the non-enrolled peers for superior skills and better respected by their masters; improved prospects as they are sought after by some employers; and enhanced self-esteem.

Under the VSP, 9,304 masters received technical training [target = 5,000] and 7,666 masters benefited from entrepreneurship training [target = 5,000]. The masters trained under the VSP experienced improvements in their technical efficiency and productivity, for example in: reading of blue prints and production of own designs; undertaking of minor repairs of own tools; improved appreciation of resource economics; safer and more reliable production methods; technical information, specifics on materials and standards; appreciation of aesthetics; improved creativity; product pricing and time management; enhanced workshop economics (e.g. reducing wasteful use of materials and improved ability to set profitable prices for products).

However, a number of problems associated with the VSP led the World Bank to rate the project as 'unsatisfactory' at the implementation completion reporting stage in terms of achieving its objectives. Some problems included:

1. *Weak institutional linkages:* The relationship between key government and non-government institutions concerned with vocational training and employment start-up was disjointed. This led to a disjointed approach to informal sector support, and resulted in trained VSP graduates lacking access to an integrated package of services (credit, extension services, post-training support, vulnerability and social protection).

2. *Absence of technology upgrading and adaptation.*

3. *Inaccessibility, especially to those in rural areas.*

4. *Tools:* Shortfalls in tools delivery and inferior nature of some tool kits chosen by trade association members.

5. *Limited coverage:* Since the numbers trained were relatively small, the benefits felt by those who participated in the VSP did not lead to any significant impact on the wider informal sector. Out of the five skill areas targeted by the VSP, girls only enrolled in dressmaking/tailoring. The government did not have the finance to scale up or continue the project once the donor funding ended.

Sources: Author's fieldwork 2004-2005; Amankrah, 2001; Amankrah, no date; Haan and Serriere, 2002; Korboe, 2001a, b; World Bank, 1995, 2001.

## **Box. 2. Integrated Community Centres for Employable Skills (ICCES)**

The Integrated Community Centres for Employable Skills (ICCES) is an agency under the Ministry of Manpower, Youth and Employment (MoMYE) with a network of, predominantly rural, vocational training centres. It was set up in 1986, initially with UNICEF support under the Ministry of Education, but then was moved sideways to the MoMYE and essentially became community funded with the MoMYE taking on a facilitating role, but with very little financial support to centres. The central concept for ICCES is to 'train the youth with a view to making them employable, preferably self-employed within and around their own communities' (ICCES, 1996). ICCES offers students a three year vocational course, in traditional trades such as carpentry, masonry, dressmaking and hairdressing, and leads to a National Vocational Training Institute (NVTI) trade certificate. Illiterate/semi-literate ICCES students have the option of taking a non-written competency-based proficiency test with the NVTI. Trade teaching takes includes both practical and theoretical courses, supplemented by other subjects, principally Maths, English, Agriculture, Public Education and Entrepreneurial Skills. ICCES is essentially designed as pre-employment training for the informal economy and it is expected that students will become employed, mostly in self-employment in enterprises, upon completion.

ICCES now has a key role to play in the current government's skills drive, with the stated intention of having at least one ICCES centre in all 117 districts of Ghana. And, since 1986, ICCES has expanded to around sixty centres but has been beset with problems that seriously hinder quality training provision.

Major problems include lack of financial support from the government and lack of managerial competency of the ICCES Directorate, leading to, sometimes acute, shortages of teaching and learning materials, including textbooks, tools and materials for practical classes. Salaries are low and frequently delayed, leading to problems of getting and retaining qualified instructors. The rural nature of ICCES also makes it an undesirable work place for instructors, most of whom are from larger towns or cities, since there is a general absence of amenities, services, entertainment, infrastructure and housing for ICCES instructors. Many of the students at ICCES centres come from poor backgrounds and sometimes find it hard to pay the fees charged at these centres. This leads to a general deterioration of overall quality since the fees raised are supposed to pay for all running costs other than salaries. Once people graduate from ICCES, with 'employable skills', they receive no post-training support or assisted access to credit facilities.

The outcomes of ICCES training on poverty reduction are thus very mixed. There is no evidence of the types of employment outcomes of ICCES graduates, and anecdotal evidence and observation are all that exist to date on the experience of ICCES graduates. It is usually the male graduates (who have taken courses like masonry or carpentry) that are most likely to continue their training in formal VTIs to achieve higher certificates, with a view of gaining formal employment, often teaching. A small number of male graduates, particularly in building and construction trades, might get work on an informal contract basis (working only part of the year). Other ICCES graduates, both male and female, and from all trades, continue their training by doing a three year traditional apprenticeship course. This latter pathway suggests that the training that has been received in ICCES is not of sufficient practical orientation to allow graduates to become self-employed. Other ICCES graduates, lacking either the connections or the capital to utilise their skills, go back to the farm and continue to assist their family as before. Female ICCES graduates seem to have less opportunity to continue education/training and less opportunity to start-up their own enterprise. Many female graduates are observed to be not working in the trades that they have trained in, and not a small number go back to farming with their family.

Source: Author's fieldwork and experience working for ICCES, 2001-2005.

### **Box 3. Skills Training and Employment Placement Programme (STEP)**

Following the 2001 unemployment census in Ghana which revealed that most of the unemployed wanted to acquire skills that enabled them to be self-employed or employable, the Skills Training and Employment Placement Programme (STEP) was initiated. STEP, a Government-supported training programme, is intended to reduce poverty by providing employable skills and other assistance (including access to micro-finance) to the unemployed enabling them to join the informal economy. Funding is being made available by allocations from the HIPC Fund. STEP has three principal components:

1. *Skills training delivered through vocational training providers:* As of March 2005, about 25,000 unemployed have undertaken STEP training through formal public and private training providers. STEP training courses run for three to twelve months in 58 training areas, from textiles and soap production to welding, carpentry and painting.

2. *Skills enhancement for master-craftsmen and skills training delivered through apprenticeship placements:* Master-craftsmen go through a few days training with Ghana Regional Appropriate Technology Industrial Service (GRATIS) to make them more effective trainers. Skills training is then delivered by attaching up to 10 trainees to a master-craftsman to undertake a workshop-based apprenticeship for up to twelve months.

3. *Micro-finance component:* This component, launched in December 2004, has the intention of providing start-up and working capital to enable those trained under the STEP programme to set up their own enterprises. Funding is made available from HIPC funds to micro-finance institutions (MFIs) for on-lending to qualified trained STEP graduates. Two MFIs are participating: the Women's World Banking Ghana (WWBG) and rural bank network under the Association of Rural Banks APEX (ARB APEX). There are a number of problems hindering the outcomes of the STEP programme:

1. *Lack of demand for these types of skills:* The STEP programme is highly centralised: Skills needs assessments are conducted at NVTI Headquarters in Accra. There has been no real attempt at establishing demand for skills and product types at the local level, and District Assemblies sometimes complain about STEP delivering 'useless' courses. There is a danger of market saturation as too many are trained in similar trades in the same area.

2. *Microfinance:* Representatives of STEP training providers are unaware of whether any loans had been taken up. WWBG and ARB APEX view the capacity of STEP graduates to understand the conditions of lending as inadequate. WWBG consider that providing micro-finance to STEP graduates is a social programme and is not commercially viable. STEP borrowers are a higher risk than other borrowers, being new 'customers' with low educational attainment. Anecdotal evidence points towards difficulties in STEP graduates accessing loans, and, in some cases, the VTIs that provided the training are asked to act as guarantors on loans made. Obviously, VTIs are not in a position to do this.

3. *Weak training environment:* Many MCs that were given apprentices to train could not provide a decent training environment, ie. protective clothing etc, and were ill-resourced in tools and equipment. MCs complain about receiving insufficient funding to adequately train apprentices. The duration of training is not considered long enough, especially in trades like welding and carpentry, leading to the creation of 'half-baked' apprentices. Training has been criticised as having a traditional approach to production, one that is not competitive and not productive.

4. *Employment outcomes unknown:* Except for anecdotal evidence, no one really knows what has happened to the substantial number of STEP graduates since the programme's inception. There is concern that many (if not most) STEP graduates are not faring well in the labour market.

5. *A numbers game between planned and actual people trained, and between total reach of STEP and total demand:* The proposed STEP budget for the second phase provided for 1,000 proven master craftsmen to undergo skills enhancement to take on 5,000 new apprentices. The actual outcome, according to GRATIS, was that 1,140 STEP apprentices were placed with 120 master craftsmen who had received limited pedagogical training provided by GRATIS from their own resources. The total number trained under STEP to date is about 25,000, a small percentage of the annual c.150,000 JSS graduates who finish school and cannot enter further formal training.

6. *Other problems:* STEP suffers from management problems; Post-training support is inadequate; there is a significant risk for the Government that the programme title - Skills Training and Employment Placement - implies that STEP has a large capacity to place unemployed persons in jobs. But STEP is not a job-creation programme: rather it empowers unskilled or low-skilled unemployed persons to find jobs.

Sources: Author's fieldwork 2001-2005; GoG/MoMYE, 2004a; Preddey, 2005.



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