

## Qualifications for the Informal Sector: An Approach Paper

### Introduction

In India, the majority of the national workforce operates within the unorganised or informal sector. An accepted working definition of this sector is as follows: *The unorganized sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers (Report on Definitional and Statistical Issues Relating to the Informal Economy 2008)*

This paper addresses this issue and suggests a starting point for stakeholders to consider while searching for the way to ensure inclusion of the informal sector in the NSQF.

### Current Context

Since the first National Skills Policy in 2005, skills recognition in the informal sector has been much debated, discussed and analyzed and, while in some segments there is movement and action, there is still much that needs to be done to ensure that the 'Skill India' story includes the vast informal workforce.

The recently released National Policy for Skills Development and Entrepreneurship (2015) recognizes that *"one of the biggest challenges of skill development in our country is that 93% of the workforce is (sic) informal/unorganized sector"*. Further to that, it is understood and accepted that *"strengthening and certifying the skills of the unorganized workforce will contribute to overall economic development of this sector"*. However, it is also recognized that *"it is difficult to map existing skills in the unorganized sector and gauge the skilling requirement in the sector, "given that "the rate of job growth in the informal sector is estimated to be twice that in the formal sector "*

RPL is one of the mainstays of the policy as seen in Section 4.71 and 4.72 where it is stated that *"RPL will be encouraged in the unorganized sector for certification of existing skills and integration with (sic) formal labour market"*. RPL is seen as providing *"options for up skilling and further vertical mobility and (the policy mentions that) multiskilling in complementary areas will be promoted to enable sustainable livelihood in this sector"*. Apprenticeships and entrepreneurship initiatives are also mentioned as providing important pieces of the puzzle.

Given the focus in the policy on the importance of inclusion, the challenge is to identify and adopt an approach that makes implementation of the policy possible and easy to undertake. A clear approach is now required for operationalizing the NSQF for the informal sector. This is an enormous task. It is particularly challenging if you consider that all qualifications must accurately reflect the needs of the sector and the characteristics of the diverse workforce to be relevant. Therefore, new and innovative approaches to skills recognition are required.

In the early days of skills development in India, Sector Skills Councils with a large informal workforce component developed qualifications for this segment using the same approach as had been utilized for the formal workforce. It has been suggested by some industry partners that this approach resulted in qualifications that made sense in theory but did not accurately reflect the market realities. Even where industry was connected and engaged from the beginning, it was felt that the resulting NOS were aspirational and reflective only of the needs of large industry partners. SME's struggled to find a way to fit the NOS to their current operational model. Plumbing, Construction and Capital Goods SSCs have all worked to find a model for the informal workforce that satisfies all stakeholders.

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Training for the informal workforce has been similarly challenging. According to many private training providers, government-led training initiatives have resulted in courses that are often inaccessible to the informal workforce. Reasons given by these training providers include a paucity of time for the worker, lack of literacy skills needed to access the information for the courses as designed or mobilization issues stemming from location of the training centres. Cultural, religious and equity/gender issues also provide further obstacles to attendance.

Industry has been slow to recognize the value in skills training for the informal workforce. Companies cite the seemingly endless supply of unskilled labour as a reason for the decreased value in training the informal workforce. For example, the facility management industry has an attrition rate of over 60% and companies often consider training, beyond the basic OTJ training given when an employee joins the organisations, to be a waste of time and resources. Skilled employees see neither a significant increase in remuneration nor an increase in benefits.

Current training initiatives are designed to skill and train individuals for placement in formal and traditional working environments. However, training providers and mobilization partners (often NGOs operating in the area) have found that few informal, own-account workers aspire to working in an organized employment environment. These individuals are making a living using their skills informally and while they are interested in the courses and keen to receive the certificate, statistics prove that many of them either never enter a formal workplace or, if they do, they do not stay for long.

However, it is important to remember that there have also been positive developments and outcomes from skills initiatives across the country. Skills development and training in India has already been shown to contribute significantly to social development in both the urban and rural setting. This by itself is an important short-term win. The value to the individual includes increased dignity, empowerment, access to more formal training and qualifications combined with higher earning potential and mobility in employment. The value to industry includes decreasing skill shortages and a better fit of skills obtained matching demand by industry as seen best in the hospitality sector. Additionally, according to some industry partners, the skill level and education of a workforce positively affects productivity levels. When industry begins to recognize the connection between qualifications, certification and productivity, a range of support mechanisms need to be put in place to supply appropriate skills development and certification. These include:

- The building of educational bridges
- Courses created to increase literacy
- A robust quality assurance framework

The importance of mapping training to a framework has also been recognized. A quality framework ensures adherence to a nationally recognized standard and provides clear understanding and recognition for both companies and workers. This mapping is potentially very significant, particularly for the informal workforce as qualifications lead to an increase in employability as well as an increased in mobility both nationally and internationally in the future.

The time has come to adopt an approach designed to create solutions tailored for the needs and requirements of the informal workforce and the market that needs them across the country. This is particularly important if the goal of the current government to skilling millions by 2020 is to be realized.

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### The Approach

While skill training is seen as essential in most sectors today, stakeholders still often question the need for qualifications and the mapping of these qualifications to the NSQF. Some of the arguments, which question the need for qualifications, include:

- The belief that inclusion of the informal sector in training, RPL and certification is not necessary given that the individuals implicated have no immediate opportunity for growth or access to further education and increased literacy
- The assertion that the provision of training is sufficient, questioning the need to map the qualifications to a framework given that the informal workforce has little individual or collective growth prospects.
- The conviction that focusing on the formal workforce will provide sufficient economic growth for the country and that there will be a “trickle-down” effect for the informal workforce.

The recent skills policy makes inclusion compulsory which is the single most important reason to create an approach to implementation. Furthermore, the economic argument in favour of inclusion is a strong one. Informal workers make up the majority of the nation’s workforce. They provide essential labour and skills required to ensure economic growth across the country and their collection contribution to India’s GDP should be recognized.

Taking this into account, it is clear that the present situation is unsatisfactory and unsustainable. The current process of skill recognition and training in this sector does not lead the informal worker up a path of professional development. As time goes by opportunities are unlikely to appear that change their working environment for the better and the worker is unlikely to see a significant increase in salary or enjoy a higher status. At the moment, there are few, if any, industries with a fully mapped viable professional journey for an informal worker. Courses and qualifications currently on offer are aspirational although without bridges to literacy or paths that allow them to continue to build more skills the process is at best only really able to provide a few new life skills and help the worker feel more visible, validated and therefore, dignified. However, these provisions are enough to get agreement from SSCs and policy makers that training the workforce is a worthwhile undertaking. At the same time, many stakeholders still struggle with understanding the need for the inclusion of the workforce in the NSQF as they cannot understand the benefits to industry or the individuals. A strong approach and a strategy for implementation will help clarify the benefits to all stakeholders.

Mandating inclusion is an important first step. To ensure implementation a strategic road map must be put in place. Prior to detailing and designing a strategy it is helpful to agree a broad-based approach. This approach suggests a series of steps that provide a framework for implementation strategy that reflects the current requirements. Each step builds on the next and several can (and should) be undertaken simultaneously. Approaching this challenge step by step helps break down the enormous challenge of inclusion into smaller and more manageable pieces. By studying best practice and looking for examples and case studies of the components listed below the path ahead will begin to become clear and an action plan can be developed.

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### Approach Components

#### 1. Break down the sector

One of the issues that have contributed to the slow progress in this area is a lack of clarity around who is actually being referred to when speaking about the “unorganized sector”. Defining the unorganized sector has long been a preoccupation of all stakeholders involved in the skills ecosystem. The one characteristic that all can agree on is its approximate size which is accepted to be the majority of the workforce, vacillating between 83-93%. This majority is usually mentioned in policy as one homogenous workforce with similar natures and characteristics. In reality the informal sector is made of a large, diverse group of individuals and enterprise units. The nature and characteristics of the workforce and the enterprise units are too varied to allow for just one approach.

An essential first step to creating relevant training courses leading to qualifications for the informal workforce is to understand how the workforce is broken down across sectors. Given the scale of the challenge it is impossible to map every sector and every geographical region. A series of steps is needed to get workable segments out of one industry. Identifying key industries and understanding how they break down in industry sub-sectors and how the workforce in the sub-sectors is spread across regions and formal/informal roles is a good starting point. Mapping the various divisions of industry into categories such as; formal workers in an informal environment, informal workers hired through a contractor, daily waged workers etc. will shed light on where the numbers are the most challenging and enable common denominators to emerge. The next step would be to identify what the informal roles within a sub-sector or region or across sub-sectors and/or regions have in common. These common denominators would provide a) information on the features of the informal workforce and b) the skills needed. SSCs working together with the State Skill Development Missions (SSDM) could use this information to create some key principles to act as guidance for training and industry partners.

#### 2. Map the current workforce:

Once the segments have been analyzed and common denominators detailed, workforce characteristics will begin to emerge. Understanding the nature of the workforce is the key to creating a relevant implementation strategy. The NSDC’s recent sector Skill Gap Studies have already shown that a lack of formal qualifications makes informal workers vulnerable. It was found that current wage levels are low and productivity a continuing challenge. Exploitation by employers’ is commonplace across many sectors. These, and other similar studies, have focused largely on statistics and while the numbers are important it is actually more significant and informative to understand the workforce characteristics. This mapping could be done by the SSCs and include information on

- Levels of education, literacy and aspiration.
- The challenges presented by gender, religion, caste or social standing. Understanding the challenges faced by each group would help ensure training was accessible and relevant to the community and reflected what they are interested in and capable of doing.

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- The geographical breakdown by district - mapping the concentration of the workforce first by segment and then geographically. It would be useful to understand where these workers are living and whether they are potentially migrant workers or more likely to remain in their villages. This could be done in conjunction with the SSDMs many of whom have already begun to compile this data.
- Understanding the extent to which the workforce in a given segment currently sees value in training and certification. Working out how to shift the current perception is important. By documenting the current course and certification offerings and understanding the level of buy-in from the workforce a clear picture of what is working and what is not would emerge.
- The numbers of fresh entrants – understanding whether entry level jobs in a particular industry and in a specific geographical location are desirable to the workforce would help to ensure courses are offered in locations where the local population is willing to actually take up jobs in that sector

### 3. Engage Industry on all levels

Evidence from the SSCs suggests that, for the most part, industry has yet to attach real value in training programmes leading to qualifications and in RPL certification for the informal sector. Working out what would actually shift the current market status to embrace the skilling initiatives more comprehensively is essential to progress.

The importance of industry validation of qualifications in the informal sector is a given to ensure relevance. It is vital that the SSCs continue to invite representatives from all sizes and types of organizations within their industry. Reaching out to NGOs and local cooperatives may also be helpful in building relationships and understanding both the employment market and the market in which industries are operating. In sectors where the majority of the workforce is informal a suggested approach might be to begin building pathways from the informal to the formal even if this pathway remains, for the immediate future, aspirational only.

Certainly the validity of any skilling initiatives can be measured by industries response. Industry will recognize and reward workers if training results in increased productivity. However, even when industry has not completely engaged, it is important to begin the process of qualification through training and assessment so the informal workforce can begin to develop skills that improve their employability for the future. Understanding the current value placed on training and certification by companies in the segment and the extent to which they recognize these qualifications and reward the workers once attained will inform the path ahead.

### 4. Identify Early Adopters

In many industries, prior to the creation of skills policies and initiatives it is highly likely that there were individuals or companies who created training courses designed in-house in response either to a need to improve output in their own operations or in response to a need expressed by the market or end-user. The qualification and certification of the workers in these organizations that successfully completed the in-house training may have been

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highlighted and used in the corporate brand identity. Certificates awarded by these organisations may have created an industry standard and may have improved the workers employability. Competitors may have poached trained worker and increased their starting salaries to reflect their improved skill levels resulting from the training.

These “early- adopters” recognized the market advantage in creating a skilled and certified workforce.<sup>1</sup>

SSCs who have a predominately informal workforce could identify and engage these “first adopter” as part of their strategy. Given that the first adopters (‘champions’) created courses that had a value in the market place, their knowledge and experience can help ensure courses the training courses and resulting qualifications continue to be market relevant. First adopters know their market and have already identified the value of the training to the end user. This is a good starting point for developing qualifications in any sector.

### 5. Spread the Word – Campaigns and Change Agents

The creation of a robust marketing and communications strategy designed to highlight the benefits of training or assessment leading to qualifications for both industry and workforce will be another important step. Once the needs of both are understood and training courses leading to certification are designed to address those requirements and mapped to the NSQF, getting the word out will kick start participation by both industry and workers. Popularizing the NSQF is not the answer. Rather than trying to explain the broader concepts, simple campaigns communicating the value and outcome of the qualifications and the way in which lives and industry are positively affected will be most effective. Using champions (as indicated above) and highlighting best practice by using case studies could also be an effective means of changing current thinking. The SSDMs and SSCs are both natural partners for this step and would ensure that message would be appropriate to all stakeholders.

### 6. Design Flexible Learning Models

The informal workforce is often referred to as the “working poor”. These individuals may hold down several jobs, may work seasonally and many are migrant workers. As discussed earlier the current skilling environment provides training and assessment leading to certification that, because of the length of the course and the location (many are residential) are often inaccessible to this particular workforce. Aside from the challenges of access, the SSCs cite the loss of income as one of the key deterrents to attendance at training courses or RPL assessment. Once the workforce has been mapped, it would be sensible to create training courses and certification processes for times when workers are available and in locations that are easy to access for the workforce. Designing flexible courses that perhaps run for a few hours a week and result in a certification relatively quickly would encourage the workers to attend. For

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<sup>1</sup> In the field of security, G4S is a good example. At a time in the 1990s when chowkidars were unskilled night watchmen across the country, G4S entered the market with international style training courses, a mapped career progression for their men and uniforms thus setting them up to set the standard and lead the market in there industry. They set the tone for others who followed them and are still considered to have the highest brand value for security guards in the country. The genius was in taking the same men who previously had been considered unskilled and through market relevant and timely training provided them with dignity and a new professional identity.

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instance, a domestic worker may often have a Sunday off so creating a course that takes place for a few hours each Sunday would increase the likelihood of attendance. Ensuring that the modules do result in certification fairly briskly may serve to encourage them to attend more training. In the case of a construction worker, who may have been able to go through an RPL assessment initiated by his employer a short-term flexi-time course may encourage him to continue to increase his skill sets. The current practice of compensating the worker for time lost due to training is a good starting point. However, it is important to find the value in the training for the worker so they are prepared to contribute time if not some funds toward their goal. Innovation, in particular with technology and the possibility of using MOOCS may hold the key to increasing participation levels in the future.

### 7. Support Increased Literacy Skills Appropriately

It is often suggested that literacy training is a crucial first step when looking through the prism of the informal sector. There is no doubt that literacy is desirable for all and contributes to an individual's social and economic development. Literacy should be supported but the nature and timing of that support will be dependent on the sub-sector within which the individual is working.

For some sectors literacy training makes the biggest impact at the beginning of the training and qualification engagement.<sup>2</sup> In these population segments, literacy is an essential step to empowering the workforce and it can lead to a rapid decrease in exploitation.

For service sectors, industry specific literacy can elevate a worker from an entry-level position to a job role with a higher level of remuneration and dignity.<sup>3</sup> For these workers, complete literacy is not immediately required but training the workers on reading and writing skills specific to their job role can make an immediate difference to their ability to progress with the organisation and the sector.

However, there are some sectors where literacy is desired but does not have the potential to immediately change either the working environment or economic situation of the worker.<sup>4</sup> In these types of industries training should be focused on skills that improve the individual's ability to reach out to a broader market or customer base. The addition of these skills can potentially improve their immediate situation. Literacy training can be addition, adding an important way to cross over to a more formal working environment.

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<sup>2</sup> For example, in the apparel industry thousands of women are doing piecework stitching and sewing from their homes in traditional Muslim villages. These women, kept in Purdah have no access to the outside world. Skill training in the current ecosystem is inaccessible and the need for greater technical skills relatively small. However, literacy training can be done in their homes through the use of technology and would increase their levels of confidence while improving their ability to negotiate and manage their finances.

<sup>3</sup> In the hospitality sector, pilots have shown that workers in restaurants and cafes, such as Café Coffee Day, when provided with sufficient literacy to serve clients are able to move from cleaning floors and tables to working behind the counter. Once the workers have basic sector specific literacy, access to further training should ideally be provided while continuing to progress in the organisation. Another example where sector specific literacy is good starting point is in the domestic worker segment. A domestic worker that is able to read and write basic household items will be able to do the household shopping and manage the budget. This simple start in literacy has the potential to increase her responsibility and therefore improve her remuneration and her employability almost immediately.

<sup>4</sup> Roadside food vendors are a good example of a sub-sector where literacy is aspirational but the addition of which does not necessarily enhance their earning potential. These individuals would benefit more from training on personal and professional hygiene, communication skills and learning how to market their product better. Literacy training could be taught around the edges of their working day and may eventually be the bridge that allows them access to a more formal working environment.

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### 8. Build Bridges

Building bridges for the informal workforce to formal employment and further, to more formal educational opportunities is perhaps the most aspirational aspect of this suggested approach. Anecdotal evidence has shown that most informal workers express a desire to work in a more formal environment because of a perceived increase in dignity and in remuneration. However, evidence has shown that these same workers, when given the opportunity, are unable either to make the move in the first place or unable to sustain the job for any length of time for a myriad of reasons. Bridges need to be built that take into account two key factors:

- As an own account worker in an informal sector, an individual may make more money working independently than being employed in a similar role in a more formal environment in the same industry.
- The formal working environment may be alien to an informal worker. Coming to work on time, being indoors and being supervised may simply serve to unsettle the worker. Used to running their own schedule and working when they feel like it and in the manner they prefer, they may find the new environment restrictive

Designing these bridges will take time and a clear understanding of the workforce and the industries. Several recently formed SSCs, including Furniture and Fittings, Apparel

Made-Ups and Home Furnishings and Tourism and Hospitality are doing pioneering work on creating training courses for independent informal workers designed to enhance their current situation and move them slowly toward more formal work environments. Tourism and Hospitality is working successfully with large industry partners who have created CSR initiatives designed to provide training to the informal workforce with a view towards providing bridges to more formal employment

### Summary and Next Steps

Taking on the national skill challenge must include the informal sector if the entire country is to be served. There are many ways to approach the issues surrounding qualifications for this section of the population and if the first cue is taken from the policy as drafted it is incumbent upon the skilling community along with the SSCs, NSDC, NSDA and SSDMs to draft an implementation strategy immediately. To do so we must know more than we already do and assume nothing. Knowledge is the key and understanding the workforce, the individuals involved, the market and what could shift perspectives could be a first important step. A natural result of this information gathering will likely be a reassessment of the current job roles identified by the SSCs and a realignment of the qualifications mapped to each role.

To take this forward, a crucial next step is to circulate this suggested approach to the NSDA consultants. This paper is designed to kick-start thinking in order to create an action plan. Once the NSDA team has read through the approach paper, a round table discussion would be a good next step and agreement on a final approach and action plan reached. The action plan could focus on case studies of those SSCs that have a predominance of sectors that are informal and unorganised. The case study could examine their “bottom-up” approach and identify and analyze best practice. Once complete, the case studies and recommendations for next steps could be presented to the NSDC and rolled out to the SSCs and State Missions as guidance designed to help them create individual action plans based on sector.



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The EU India team of experts and the NSDA consultants could be available to help individual SSCs with their road maps. Simultaneously, an awareness campaign, rolled out across the SSDMs could begin, preparing the ground for the finalized implementation strategies.

In order for this work to be done in good time, cooperation and knowledge sharing across agencies and sectors is vital. Time is of the essence and the work must begin now.

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