



International Vocational  
Education and Training  
Association

# **Conference Paper Malawi**

**2012**

**Human Resource Development for Poverty Reduction; Strategies for the  
Informal Sector**

**Harry Gerson Kamdima & Fanny Tasiye Nkunika**

# **Human Resource Development for Poverty Reduction; Strategies for the Informal Sector**

**Harry Gerson Kamdima**

**&**

**Fanny Tasiye Nkunika**

Technical, Entrepreneurial, Vocational, Education and Training Authority

Private Bag B460

Lilongwe3

Malawi

## **Abstract**

The African Continent has largely been looked at as the poorest continent on earth with Sub-Saharan Africa being one of the least developed regions. Despite all the development initiatives and programs it has had over the years, the region has still stagnated in poverty and according to UN the region has still gotten worse over the years. One thing that has been noted of these economies is that they are dependent on informal sector and have much of their output and employment figures emanating from this sector. An insight into the poverty of the region shows that women are the ones who are largely vulnerable to poverty and they are also the ones who are at the center the informal sector. Though such is the case they are also vulnerable to deprivation in human resource development. This paper therefore adopted Malawi as a case study in human resource development for poverty reduction with an aim of getting a best plausible strategy in reducing poverty in Africa. Using the data set of informal sector programs in Malawi, the study recommended a family enrichment model as the best in getting these women out of poverty which will overall translate to getting Africa out of poverty.

## Table of Contents

Abstract .....	iii
List of Figures .....	v
List of Tables .....	vi
CHAPTER ONE .....	1
An Overview of Sub-Saharan Africa Informal Sector.....	1
1.1 Introduction.....	1
1.1 Arrangement of the Paper .....	3
CHAPTER TWO .....	5
An overview of informal sector in Malawi.....	5
2.1 Economy, Informal sector and women.....	5
2.2 Current Interventions for human resource development in the informal sector .....	8
2.3 Conclusion .....	8
CHAPTER THREE .....	10
Choosing the Best Strategy for Informal Sector Human Resource Development; Estimation and simulation .....	10
3.1 Introduction.....	10
3.2 Data.....	11
3.2.1 Poverty levels in Malawi’s informal sector.....	12
3.2.2 Estimation; variables for strategy consideration.....	13
3.2.3 Simulation for better strategy .....	17
3.3 Conclusion.....	18
Reference.....	20

## List of Figures

Figure 1: Occupation Distribution by Gender (Source IHS, 2004/5) .....	6
Figure 2; Recruitment of apprentices in the formal sector (2000-2009) (Source; TEVET Times, January 2010).....	7
Figure 3; Quintiles of Income (Source: Own calculation from informal sector data).....	12
Figure 4; Distribution of beneficiaries based on gender and occupation (Source; own data) .....	16

## List of Tables

Table 1; Share of persons in Informal Employment by Gender.....	2
Table 2; Current strategies in the informal sector .....	9
Table 3; Empirical estimation results .....	14
Table 4; Best Strategies for Poverty Reduction through Human Resource Development in the Informal Sector.....	18

# CHAPTER ONE

## An Overview of Sub-Saharan Africa Informal Sector

### 1.1 Introduction

The embracing of the Millennium Development Goals (MDGs) by both governments and organizations all over the world and the subsequent interventions in education, hunger, maternal health and mortality among some have clearly shown that governments and organizations have taken seriously the betterment of life especially for the marginalized and the vulnerable. However the Sub-Saharan Africa seems to still stagnate in the ills of development. Studies have shown that Sub-Saharan Africa is the home to the vast majority of children out of school and also highest illiteracy especially among females, continues to bear an inordinate share of the global HIV burden, and has the highest maternal mortality rates (UN,2012; USAID, 2011; World Bank, 2006).

From economic perspective, over the years the Gross Domestic Product of African economies has steadily declined from the 1960s (Easterly and Levine. 1997). During the 1980s per capita GDP declined by 1.3 percent per annum, a full 5 percentage points below the average for all low income

developing countries. During 1990-94 the decline accelerated to 1.8 percent per annum and the gap widened to 6.2 percentage points (Collier, 1999).

The performance of these indicators has culminated to defining the poverty of the Sub-Saharan Africa as increasing than any other part of the World (Statistical Economic and Social Research and Training Center for Islamic Countries, 2007). This therefore suggests that there is more to the poverty prevailing in Sub-Saharan Africa, a situation which subsequently calls for a better understanding of these economies for proper designing of strategies for poverty reduction.

A look into these economies shows that largely Sub-Saharan African economies are informal sector economies with a range of 20 to 90 percent employed in the informal sector for Botswana and Mali respectively. Within this setup, Haan (2006 in World Bank, 2008) reports that trade activities, including street vending and ambulant trading, are the most important segments of

this informal sector in Africa, usually constituting half and sometimes up to 75 percent of employment. The sector has also been stated to be female dominated than the formal sector. According to Boner and Spooner (2011), the sector employs more than 60 percent of the women workforce in the developing countries rising to 84 percent in Sub-Saharan Africa. It has further been

observed that this trend of women involvement in informal sector is widely spread across the Sub-Saharan Africa with Zambia in the recent years topping the list. Below is a table showing the involvement of women in the informal sector in Sub-Saharan Africa for four countries whose data is available in Key Indicators of the Labor Market database (2011).

**Table 1; Share of persons in Informal Employment by Gender**

	Year	Sex	Share of persons in informal employment in total non-agricultural employment (%)
<i>Sub-Saharan Africa</i>			
<i>Eastern Africa</i>			
Zambia	2008	M	62.9
		F	80.1
<i>Southern Africa</i>			
Namibia	2008	M	41.1
		F	47.0
South Africa	2010	M	29.5
		F	36.8
<i>Western Africa</i>			
Liberia	2010	M	47.4
		F	72.0

**Source: Key Indicators of the Labour Market, 7<sup>th</sup> Edition**

It is worth accepting afore that a trend over several years could have given a good indication of women involvement however, only two years are available in the database. Though such is the case it can still be noted that the stipulation of Boner and Spooner (2011) for the Sub-Saharan Africa is justifiable with the lowest involvement being 36.8 percent and the highest 80.1 percent still above and below that of Mali and Botswana respectively, which can be attributed to the male involvement.

From the look of things it could have been thought that since South Africa is among the developed countries in Africa, then the percentage could have been much lower and a little close to each other than 37 and 26 percent, women and men respectively giving a higher difference in percentage points than Namibia. This therefore further justifies the claim of women dominance in Sub-Saharan informal sector.

However, despite the greater involvement of women in the economy, it is fascinating to



note that of the whole World population, women make up 70 percent of the poor, with Africa being classified as the poorest continent and Sub-Saharan Africa been stated to be the last frontier in the fight against abject poverty which has still been growing since 1981 to early 2000 (UNIDO 2004, The Global Poverty Project). It is also imperative to note that in its perception of African Poverty, the World Bank has stipulated that “*Poverty in Africa has a female face*”.

It has to be acknowledged that despite the feminization of poverty in Africa, several studies have not been conclusive as to between men and women who is the most poor. Such studies including, Chen (2001), Kalala (1999), and Baden (1993). Though not being conclusive, one thing that can be noted from these studies is that, they still conclude that the susceptibility of getting into poverty and the stagnating in the same is so high for women.

From these arguments therefore it can be stated that the poverty of the Sub-Saharan Africa is perverse among women, who are also largely confined in the informal sector economy. With this stipulation the question can be why are women in the informal sector poor? It is important to know why

such is the case. From the argument of the UN (2012) it can be gathered that women are concentrated in insecure jobs in the informal sector with low income and few rights; they tend to have few skills and only basic education and they are the first to be fired. Arguments on the determinants of poverty have also surrounded on the same variables being so critical in as far as poverty vulnerability is concerned because they limit individuals’ ability to see and take advantage of market opportunities for poverty reduction.

## **1.1 Arrangement of the Paper**

Having appreciated that Sub-Saharan Economies are largely dependent on the informal sector for employment, the women make up the majority of those in the sector, and that the poverty of the world is so intense in the Sub-Saharan Africa especially among the same women who don’t have the skills that can be brought on the market for a better pay, this paper therefore will look at human resource development in the informal sector as a strategy of reducing poverty in Africa, and Malawi will be used as a case study. The second chapter will concentrate on Malawi’s economy, education and women involvement, while the last chapter

will do an assessment of the human resource development strategies that can help in

reducing poverty more especially among the women in the informal sector

## CHAPTER TWO

### An overview of informal sector in Malawi

#### 2.1 Economy, Informal sector and women

Like most Sub-Saharan Africa countries, Malawi depends much on the informal sector economy with at least 80 percent of the work force involved in informal activities (ILO, 2010; TEVETA, 2008). So far there is no quantification of the total informal sector's contribution to Malawi's GDP per-se, however basing on the population involvement and the structure of the economy, which is largely based on subsistence agriculture contributing the highest to GDP (about 38 percent) it can be arguably presumed that the informal sector contribution must be higher than any other sector. This non quantification of the informal sector is generally the problems in most countries and there is a lament of usual under reporting of its contribution. Besides the subsistence agriculture, vending and petty trading among some are among the highest contributors of informal sector in Malawi, though were not included in national accounting till 2006.

The none accounting of the informal sector activities might be attributed to its

characteristics attributed as has been argued by Charmes (1998), reports that the Malawi informal sector is characterized by; low level of organization with no access to organized markets, formal credit, education and training, limited barriers to entry, small scale, self-employment, with a high proportion of family workers and apprentices, little capital and equipment, labour intensive technologies, and low skilled labour force.

The growth of the informal sector in Malawi has been attributed to low job creation in the formal sector forcing the expansion of the informal sector. According to the new youth policy (2020), the absorption rate of the formal sector for new graduates is at 10 percent annually leaving the 90 percent for the informal sector with more females calculated around 9 percent each year not getting any employment one percentage point above their male counterparts. This will therefore mean the ever increasing number of females in the informal sector as is the case in Sub-Saharan Africa. In the presence of such a set of characteristics, it is

very unpredictable if Malawi will reduce its poverty significantly if the informal sector is not targeted.

Though the difference arising from participation might seem small, it is pertinent to acknowledge that already the unemployment rate in Malawi is higher among females compared to males, registering about 10 and 5.4 percent

respectively. This therefore shows that the unemployment rate of females in Malawi is almost twice that of men and above the national unemployment rate with 2 percentage points. Similar trend has been observed in reference to their education vis-à-vis unemployment rate where that of females is twice that of men at every education level.

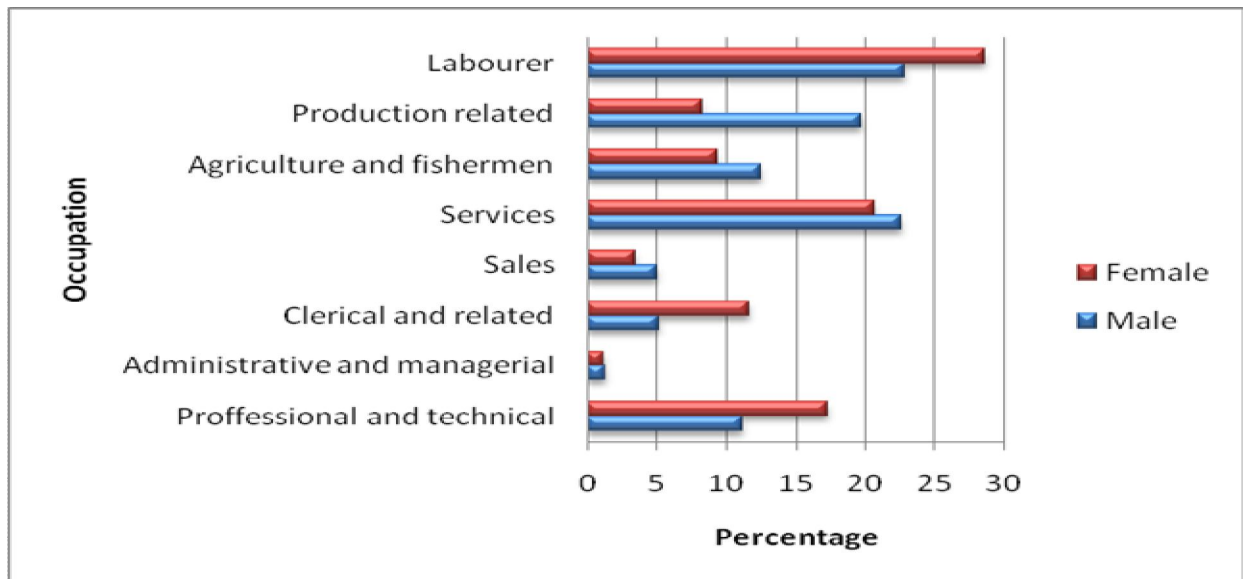


Figure 1: Occupation Distribution by Gender (Source IHS, 2004/5)

From the analysis of their occupation, even when females get employed, the figure above indicates that more females work as laborers, clerics and other related, and professional and technocrats. While the lucrative jobs in the service, sales and production sector are dominated by males inclusive of the managerial posts. From the

outlook of the labour market and the weight given to these skills, it can be argued that more females on average are engaged in low paying informal sector jobs than their male counterparts.

Partly this might be attributed to their education status where literacy levels of males are higher compared to that of

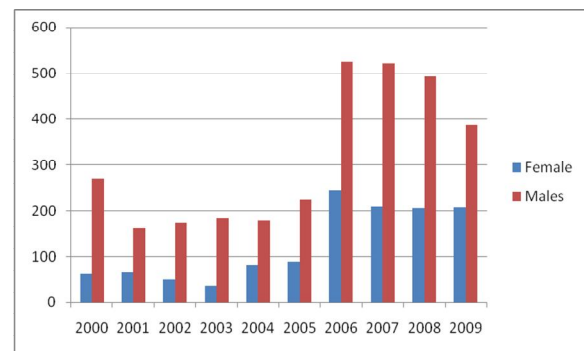
females, 75.8 and 52.4 percent respectively. It is therefore not surprising that more female headed households are poor compared to their male counterpart calculated at 59 and 51 percent respectively.

Regardless of all these observations, it is quite unfortunate that despite the ever increasing numbers in the informal sector especially that of females and the prevailing poverty among the same gender above the other in all respects stated above, the government policies still fail to recognize the informal sector as the biggest contributor to employment, output and growth and subsequent poverty reduction. As much as the Malawi Growth and Development Strategy (MGDS) II which is the overarching national strategy (in cognizance of the MGDS III) recognizes the contribution and constraints of the informal sector under the creation of an enabling environment for private sector led growth in theme one, it is the feeling of the authors that it has not been given the attention that it deserves.

The MGDS has spelt the lack of linkages between the formal and informal vocational training with points of action to develop competence based curriculum of the two sectors and the inclination of secondary school curriculum towards self employment

in the informal sector. However there is no allusion of the actual development of the human resource which is in the informal sector especially women and the informal sector itself as has been done with the rest baring in mind its contribution to poverty reduction.

It is worth noting that there are several barriers to these women to access technical and vocational education as may be required for the upgrading of their skills. The ILO (2010) acknowledges that in Malawi, access to technical education is limited to the majority of Malawians due to various financial and non-financial barriers including unaffordable fees, illiteracy, physical disability, and stereotyping. The Table below shows how biased formal education has been against women.



**Figure 2; Recruitment of apprentices in the formal sector (2000-2009) (Source; TEVET Times, January 2010)**

This therefore means with such a trend where the highest intake has had 35 percent of females, it is not easy to get a good number of females in

the formal sector training. This among other reasons on increasing access to technical and vocational training necessitated the introduction of the informal sector training to those who cannot access the formal apprenticeship training. This is in an effort to upgrade their skills to make them more attractive on the market. It is also important to note that the higher the skill, the more income one is expected to derive from the employment and the better one is placed to fight poverty (Labour Market Survey, 2010).

## **2.2 Current Interventions for human resource development in the informal sector**

Malawi's informal sector development can be stated to be unorganized with several players having programs that are running concurrently without a pivotal point. Though TEVETA has the mandate to regulate training in Malawi, it has neither put in place a coordination strategy nor regulation framework for the informal sector training. This therefore has led a situation where every player does what s/he feels best. This is a case even with the players coming from the formal sector but have interventions in the informal sector.

The major players on the market are TEVETA; the just merged Malawi Entrepreneurs Development Institute (MEDI), Small Enterprise Development Organization of Malawi (SEDOM), Development of Malawian Traders Trust (DEMAT); Ministry of Child, Women and Community Development; and NGOs in their totality. As much as it is important to consider what all these are doing, this paper will only present the TEVETA programs.

The table on the next page presents the programs being run by TEVETA, their target, the time it takes to complete the training, and the objective in human resource development. Within these programs several trades have been taught ranging from soft to hard skills across the nation.

## **2.3 Conclusion**

This chapter has therefore managed to state the position of Malawi's economy as far as informal sector development is concerned the strategies that are there and the position of women in the economy. The next chapter therefore will concentrate on choosing the best strategy that can be used in developing the informal sector and that can best help in poverty reduction.

**Table 2; Current strategies in the informal sector**

<b>STRATEGY</b>	<b>TARGET</b>	<b>DURATION</b>	<b>OBJECTIVE</b>
<b>Skills Development Initiative (SDI)</b>	Unemployed Youth/Adults(Those with no previous training in Vocational Skills)	2-3Weeks	-Aimed at adding value to traditional apprenticeship system by creating training opportunities for those in Informal sector. -An approach to skills transfer conducted based on demand.
<b>Small Enterprise Development (SED)</b>	Traditional Apprentices Micro Entrepreneurs (With basic Vocational skills, and who want to establish robust enterprises)	3-6 Months	-Aimed at responding to needs of clients to expand businesses. -To upgrade skills of apprentices and micro entrepreneurs. -To create conducive business environment for informal sector. -Training participants in business management to create viable enterprises. -Create market linkages
<b>Partnership Skills Development Programme (PSDP)</b>	Apprentices (Done in collaboration with Partners)	2-3 weeks, 6 months or 2 years	To help capacity building in partners development programs.
<b>On the Job Training Programme (OJTP)</b>	Traditional Apprentices	6 Months-2years	Develop skills of the local people within which there is a project.
<b>Tailor Made Common Courses</b>	Employees	1 Week	Training intervention for employees in the private sector and industry following demanded areas.
<b>Programmes with Associations/ Industrial Groupings</b>	Employees	1 Week	Aimed at bridging gaps for Industrial Associations with similar problems.
<b>Company Specific Courses</b>	Employees (Targets the Private Sector and Industry).	1 Week	-Aimed at generating competent labour force.

Source: TEVET Informal Outreach Programs, Gondwe 2003

## CHAPTER THREE

### Choosing the Best Strategy for Informal Sector Human Resource Development; Estimation and simulation

#### 3.1 Introduction

Poverty has widely been associated with the income of the reference population, such that income has become a proxy in poverty measurement. The definitions of poverty based on poverty line are a best example of the income measurements. Similarly the analysis of poverty based on severity has the deviations from income as a measurement. This study therefore adopted income of the beneficiaries of informal sector programs as a proxy measurement of their poverty. The beneficiaries have been divided into quintiles for better analysis on relative poverty of the same population.

Several factors have been identified as the contributors to poverty vulnerability. The most important of these factors is education. Education has the ability of empowering the beneficiaries in making proper decisions and also taking advantages of the market. Adams (2008) argues that recently there is an increased entry of young people in the informal sector who have progressed with their education such that this characteristic adds to the trainability and acquisition of the

skills. Above the basic education, technical education has the advantage of upgrading beneficiaries' skills to market requirement and also giving the skills a value that can help in income generation which will subsequently reduce the risk of getting into poverty. However it can also be argued that with increased experience in a particular occupation one would be expected to have increased his/her skills hence attracting a higher value on the market. In addition to the training the informal sector also demands the availability of entrepreneurial skills, such that business management and entrepreneurial training can be stated to have a positive advantage in exploiting markets. Adams (ibid) has argued that the learning of entrepreneurial and business management has a potential of developing attitudes favorable to starting one's own business and provide knowledge and skills for running a business, e.g. business law, accounting and bookkeeping, credit and finance, and marketing.



The other determinant is gender. As has been argued before, studies have established that poverty is largely associated with being female. Arguments from biological point of view have stressed on women not able to withstand some of the work done by men, while from social perspective it has been argued that the poverty of women is largely from deprivation perspective where women have low access to capital and financial market because they do not have collateral. Hobson (2011) has stated that lack of financial access is the most important constraint in the informal sector that impedes productivity and progress. Such being the case, women are deprived from producing goods and services of value on the market a situation that still perpetuates their poverty by pushing them into informal markets largely petty trading and agriculture even if they can have the vocational skills to produce the goods.

Beyond gender, African families have been noted for retarding progress because of large number of dependents. This being the case the few resources that the family has are distributed to many resulting to lower per-capita expenditures. From health point of view, women have an economic time constraint/burden in their labor because of

the social responsibility of taking care of family members.

Income has also been associated with relevance and importance of the skill on the market. However, in most instances the training is offered without prior knowledge of the market demand, such that the beneficiaries of the training will not be able to sale their skills on the market unless they move to urban areas where the skills become relevant. In migration theories this has been one of the fundamental arguments in the pull/push factors in labor migration. However, best training has to answer the needs of the local market unless it is not the focus.

### **3.2 Data**

Therefore this study uses data from informal sector development programs being run by TEVETA and in choosing a best strategy that can help in reducing poverty in informal sector through human resource development, it has adopted the discussed variables, income, gender, education level, number of dependents one has, special education in entrepreneurship, the trade pursued, duration of the training, relevance of the training to the environment, and type of employment.

### 3.2.1 Poverty levels in Malawi's informal sector

Malawi's informal sector as seen above can be taken to be the home of the poor in this developing economy. From this study, it has been found that 88 percent of the households have per capita income for a month of less

than MK7500.00, meaning 88 percent can be classified to be poor based on \$1/day/person poverty definition. Based on the relative poverty measurement, quintiles have been created and the figure below presents results of the quintiles.

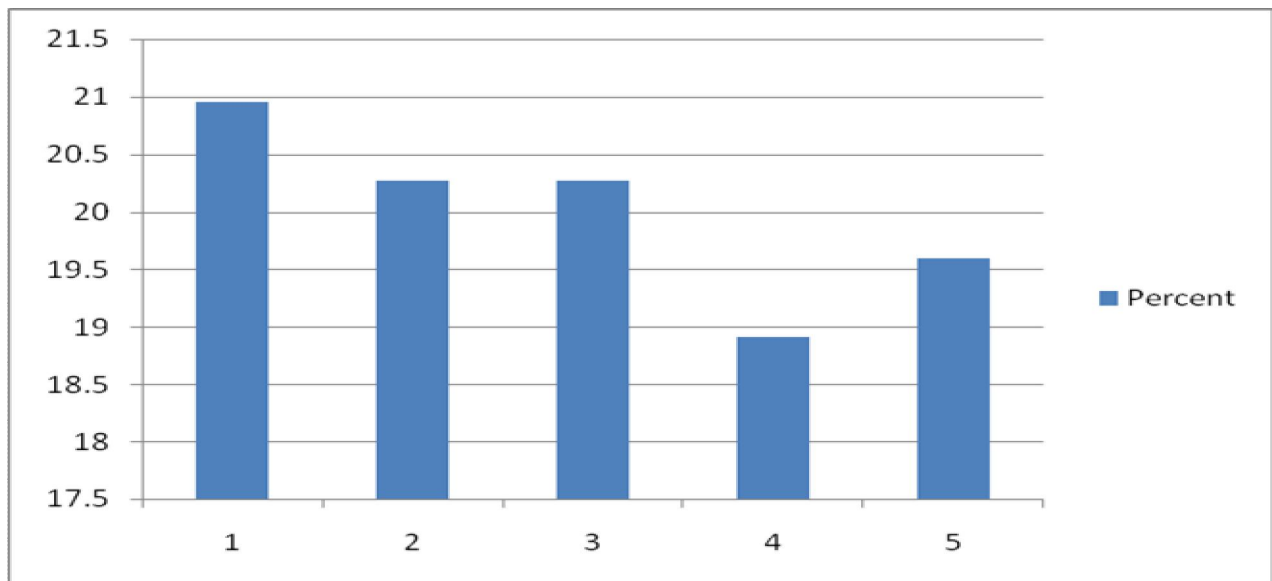


Figure 3; Quintiles of Income (Source: Own calculation from informal sector data)

From this figure, where one is the most poor and five the well to do in this informal sector, it can be seen that even within the sector, 61 percent can be stated to be poor in comparison to their friends based on relative poverty definition, with the majority being at the lowest quintile. A comparison of the outcome of this study and the IHS suggests that poverty in the informal sector is above the national poverty level of 52.4 percent,

suggesting more people being poor in the informal sector than the economy<sup>1</sup>.

An analysis of gender-poverty dimensions reveals that there is no much difference between men and women in the informal

---

<sup>1</sup> It has to be noted that the comparison though used, the definitions are different. However the income standard used in IHS do not give a true reflection of the poverty from income perspective.

sector, 42 and 40 percent respectively below the average. However, linking the same gender, age, and dependents, it has been found that females enter the informal market at a very early age even before the working age of 15 and also have dependents before the same working age. This might be attributed to early marriages as seen on having dependents at a very early age, or else orphan hood and high school dropout rate among females, which has been rated at 5.9 percent, above the national average of 5.1 percent. It has therefore to be acknowledged that though males might be poorer than females in the informal sector but as argued before, the two factors here stated have a capacity of perpetuating females' dependency of the informal and making them more vulnerable to poverty than their male counterparts as a result of low incomes prevailing in the sector.

Turning to education, the data had a bias in that use was for program evaluations such that education status is higher than the national figures. So far there is none who is illiterate, 16 percent have at least basic education while the rest have gone beyond the basic education. Such being the case, education in this case, might not give a good picture in relation to their poverty levels except in simulation, similarly

entrepreneurship. However for technical and vocational training, it has been found that the majority of females, 79 percent have accessed the short training programs of less than six months compared males, calculated at 69 percent. If skill acquisition can be associated with duration of the training and poverty, then more females have lower skills that cannot be compared to their male counterpart on the market which then translates to females being graded lowly as far as remunerations are concerned. Even if it comes to self employment, then the quality or output of females will be of lower value than that of men. So far in skills development initiatives, females have been classified to be a group that has to acquire home-based/ targeting skills like bakery, knitting, tailoring, just among some, while men the market skills like automobile mechanics which fetch a higher pay on the market compared to the domestic output which is mostly not valued at all or cannot be brought on the market. This has therefore further widened the poverty gap between the two sexes.

### **3.2.2 Estimation; variables for strategy consideration**

The study has therefore, adopted ordinary least squares for estimation of critical

variables in developing a human resource development strategy for poverty reduction in the informal sector. The table below presents the estimation results.

Contrary to most programs formulation, the most important variable for informal sector

training programs is the number of dependents the beneficiary has. As initially alluded to the greater the number of dependents the lower are the chances that the beneficiary can get out of poverty, and the higher the probability of low per-capita expenditure.

**Table 3; Empirical estimation results**

<b>Quintile- Poverty measure</b>	<b>Coefficient</b>	<b>t-ratio</b>
<b>Gender of the beneficiary</b>	-2.20076	(2.22)**
<b>Age of the beneficiary</b>	-0.04565	(0.44)
<b>Number of dependents</b>	-0.42736	(2.35)**
<b>Education Level</b>	-1.44302	(2.01)**
<b>Training in entrepreneurship</b>	0.238719	0.19
<b>The trade pursued</b>	-0.12828	(0.87)
<b>Duration of the training</b>	-3.28774	(0.42)
<b>Relevance of the trade</b>	0.1127	0.19
<b>Type of employment</b>	0.915647	1.09

**\*\* Significant at 5 percent level of significance**

**Source: Own calculation**

As also has also been calculated before, the moment the household has many dependents, the per-capita income goes down unless there is augmented initiative to cushion the increased dependency ratio. From this study the dependency ratio has been calculated at 3:1 with the highest being eleven and lowest being one, and the majority 65 percent having not more than three dependents. It is very important to appreciate that training while having the responsibility over other people will not yield desirable results in both formal and

informal training because of divided concentration and effort. In the presence of such a responsibility the person attending training has to defer present maximization of family affairs to future gratification of the same. Franz (1998) notes that women, are the largest victims in this because they are less able to attend training courses that require a significant period of absence from their homes.

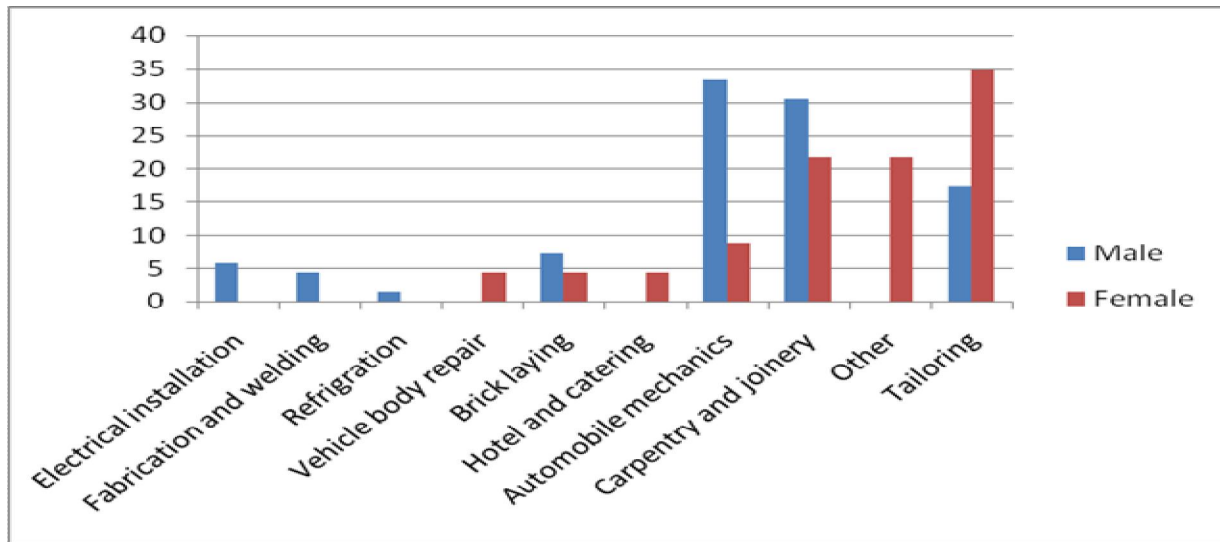
In African culture where organic societies are still enforced in the informal sector, it is

not easy for one to progress from two perspectives; the society has inculcated in its members to take collective decision not those which appears to be selfish, such that when one has dependents, they have to be given priority than the self. Secondly such practice has been found to be detrimental to entrepreneurial culture, which divorces the owner of the business from the business as a business culture. With sore business enterprises prevailing in the informal sector in an environment where the business culture is at threat, it is very difficult to end poverty. This also justifies the finding that training in entrepreneurship is insignificant in helping reduce poverty in informal sector.

The second critical element in human resource development for poverty reduction in the informal sector is gender. As has been alluded to from the beginning, gender especially being female has been found to be

negatively adding to poverty reduction strategies. This has been a resultant effect of being deprived of poverty reduction initiatives starting with education which helps in empowerment to social and complimentary services as was also noted by Franz (1998).

As has been seen in the preceding chapter women are confined to short courses which are also domestic oriented, and there are cultural barriers that prevent women from entering traditionally male trades (Franz, 1998). It is worth repeating that the trades which women are in apart from being domestic oriented are also the trades that fetch low pay on the market. This trend is also justifiable in the population under study. The figure below presents the distribution of the beneficiaries according to gender and trade.



**Figure 4; Distribution of beneficiaries based on gender and occupation (Source; own data)**

From this distribution, it can be shown that women are largely in tailoring, 34.78 percent, then other trades, which includes food processing, 21.74 percent, and carpentry and joinery, 21.74 percent. Trades which can fetch a higher pay on the market are left for men, either by target of the program, or by choice of the beneficiary. It is therefore important that gender has to find its place into the programming of human resource development initiatives that are aiming at reducing poverty among the people who are in the informal sector.

Lastly but not least in importance is education of the beneficiary. It is very important to acknowledge that education has the advantage of empowering a person in making decisions that are economically well

calculated feasible and viable. Education also empowers a person for self actualization, and also being able to take advantage of market opportunities. However in this study as seen previously 84 percent have at least reached secondary school a qualification that can take them into formal vocational and technical education and training. This means therefore, that their being found in the informal sector adds negatively to their poverty reduction strategies. In other words it is a worst of resources for them to be in the informal sector. However as lamented in the youth policy, the formal sector is not growing enough to absorb the ever increasing number of people getting qualifications needed in the sector. A good example is the total

enrollment for the technical and vocational skills training centers. In the year 2012, 15800 applications were submitted against a requirement of 1505 students representing around 10 percent absorption rate as that of the formal labor market. This therefore would call for formalization of the informal training to make sure that education has a positive impact in poverty reduction.

### **3.2.3 Simulation for better strategy**

Simulation in this paper follows ideal scenarios of program formulation for either increasing significance of the variables or changing the sign of the variables like education.

Since education has had a totally opposite sign from what could be expected, it is important to find out what happens if all those with secondary education have gone for formal training.

With this change since they are the majority accounting for about 84 percent, none of the variables is significant in reducing poverty in the informal sector anymore. This will then require getting data that can suit the condition of the informal sector. Upon selection of only the cases that are below

secondary education, education and employment variables are dropped from the estimation. However gender comes out to be significant and negatively contributing to income.

This therefore suggests that in all respect of human resource development where poverty reduction is core, whether targeting only those that can be in the informal sector or with the inclusion of the rest, gender constraints especially from women's perspective have to be minimized.

Therefore in the event that technical education is only offered to those with the age 18 or above in an effort to make secondary education compulsory till one gets a secondary qualification or there are free education opportunities to reduce the post primary dropout rate to zero, and assume that with all repetitions taken into consideration and the average post secondary age is the adult age of 18. Or in program formulation with the idea of not encouraging dropping out of school and taking vocational training in the informal sector as a get way to employment, education becomes insignificant but gender and number of dependents still remain significant in program formulation.

Gender and education together become insignificant in determining poverty in the informal sector if only those who are married are empowered to have a maximum of three dependents, have gone through a vocational training of about a year and they are self and wage employed. In other words they have their own enterprise as at the same time they are also working.

Lastly it has been found that all the variables are insignificant if women are allowed to get into male dominated trades like automobile mechanics.

### 3.3 Conclusion

Therefore strategies must have a combination of these scenarios if poverty has to be reduced in the informal sector.

What the study has not managed to do is the

effect of loan and capital mobilization in reducing poverty in the informal sector. This has been the case because the data that was being used, there was no component of loan or capital mobilization for the beneficiaries.

A best strategy must be able to combine gender and education empowerment, and family planning services and health education, and creation of market for the informal sector products and employment creation. From the perspective of this study, it is recommended that the best strategy for poverty reduction in the informal sector is that of family enrichment model because of its multifaceted and inclusion approach in dealing with poverty, despite being expensive. Below is a table showing the combination of the strategies and the action.

**Table 4; Best Strategies for Poverty Reduction through Human Resource Development in the Informal Sector**

<b>STRATEGIES</b>	<b>ACTION</b>
Introduce Robust policy on Informal Sector Development	Government should put up deliberate policies to empower informal sector through creation of markets for both output and skills in the informal sector.
Traditional Apprenticeships and women empowerment	Skills, attitudes and knowledge of those in informal sector to be promoted and to ensure females take advantage of male dominated trades. The training has to have about one year duration to ensure coverage of the basics and critical aspects of the trades being pursued. However the period can vary with the content. Affirmative action must be taken to empower women economically and in decision making, through education e.g adult learning.
Health and family planning education	There is need for the programs to be augmented with health education and family planning sessions to ensure reduction of dependency burden.





## Reference

- Adams, A. V. (2008) Skills Development in the Informal Sector of Sub-Saharan Africa. World Bank Washington, D.C.
- AFDB/OECD (2008). African Economic Outlook; Malawi.
- Aggarwal, A. et al (2010). A Study on Informal Apprenticeship in Malawi. International Labour Office, Skills and Employability Department, ILO Decent Work Team for Southern and Eastern Africa. (*Employment report ; No.9*). Geneva.
- Baden. S. (1993). Gender and Adjustment in Sub-Saharan Africa. Report Commissioned by the European Communities. *BRIDGE. Report no 8*. Institute of Development Studies, University of Sussex
- Boner. C. & Spooner. D., (2011). Organizing in the Informal Economy; A Challenge for Trade Unions. Accessed on 29/05/2012 from [http://library.fes.de/pdf-files/ipg/2011-2/08\\_a\\_bonner.pdf](http://library.fes.de/pdf-files/ipg/2011-2/08_a_bonner.pdf)
- Charmes, J.(1998a). Informal Sector, Poverty and Gender: A Review of Empirical Evidence. *Background paper for World Bank, World Development Report 2000*. Washington, D.C. (updated in February 2000).
- Collier & Gunning (1999). Explaining Africa Economic Performance. *Journal of Economic Literature*
- Collier & Gunning (1999). Why has Africa Grown Slowly. *Journal of Economic Perspective*
- Easterly & Levin (1997). Africa's growth Tragedy: Policies and Ethnic Division. *Quarterly Journal of Economics*
- GoM. (2010). Malawi National Youth Policy. Malawi; Lilongwe
- GoM. (2005). Integrated Household Survey 2004-2005, National Statistical Office, Zomba

- Green, C. & Baden, S. (1994). Women and Development in Malawi. Report Commissioned by the European Communities Directorate General for Development. *BRIDGE. Report no23*. Institute of Development Studies, University of Sussex.
- Haan, H. C. (2006). Training for Work in the Informal Micro-Enterprise Sector: Fresh Evidence from Sub-Sahara Africa. Unesco-Unevoc, Springer, The Netherlands.
- ILO. (2011). Key Indicators Labour Market Database (7<sup>th</sup> Ed.). Geneva
- IMF. (2007). Malawi: Poverty Reduction Strategy Paper-Growth and Development Strategy. *IMF Country Report No. 07/55*. Washington: DC.
- Statistical Economic and Social Research and Training Centre for Islamic Countries, (2007). Poverty in Sub-Saharan Africa in the OIC Member Countries; A preliminary Report. Turkey; Organization of the Islamic Conference
- TEVETA. (2007-08). Annual Report. Unpublished.
- TEVETA. (2009). Malawi Labour market Survey Report. TEVETA Malawi.
- UN. (2012). Facts & Figures on Women, Poverty & Economics. Accessed on from [http://www.unifem.org/gender\\_issues/](http://www.unifem.org/gender_issues/)
- UN. (2000). The World's Women 2000: Trends and Statistics. New York: UN Statistical Division.
- USAID. (2011). HIV/AIDS Health Profile; Sub-Saharan Africa