



# SKILL CHALLENGES IN THE CONTEXT OF INFORMALITY

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# Outline

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1. Genesis and motivation for this work
2. Findings: skill challenge for adult workers
  - 2.1 Skill supply
  - 2.2 Skill demand
  - 2.3 Skill (mis-)match
3. Findings: skill challenge for children (future workers)
4. Ways forward



# I. Genesis and motivation for this work

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- ❑ Globally, 61% of workers are employed informally; and over 70% of workers in developing countries
- ❑ Informality has been on the policy agenda for the last 30 years; but progress is uneven. Moreover, various forces can affect informality trends
- ❑ OECD work:
  - data: KIIbIH global database ([KIIbIH](#))
  - analytical work (working papers, reports) – including on skills
  - policy advice
- ❑ Current work: looking at informality as part of broader processes. What worker characteristics matter/ What policies work?

Informal Employment (ILO definition):

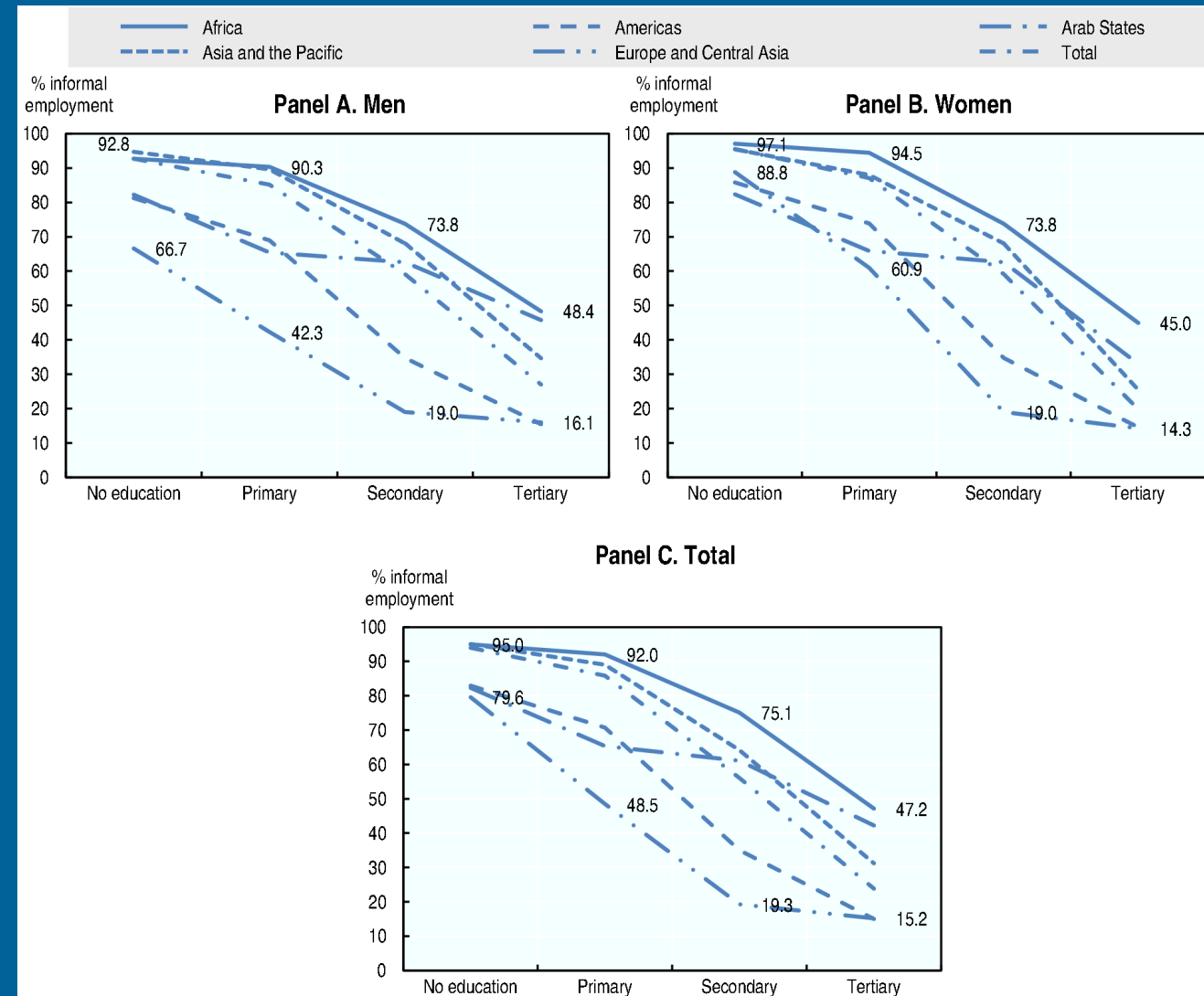
working arrangements that are de facto or de jure not subject to national labour legislation, income taxation or entitlement to social protection or certain other employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.).



## 2. Findings: skill challenge for adult workers

### 2.1 Skill supply

- **Message 1: informal workers have lower skills as compared to formal workers**
- Share of informal employment by level of education:
- workers with no education: 94 % informal
- with primary education: 85% informal
- with secondary education: 52 % informal
- with tertiary education: 24 % informal

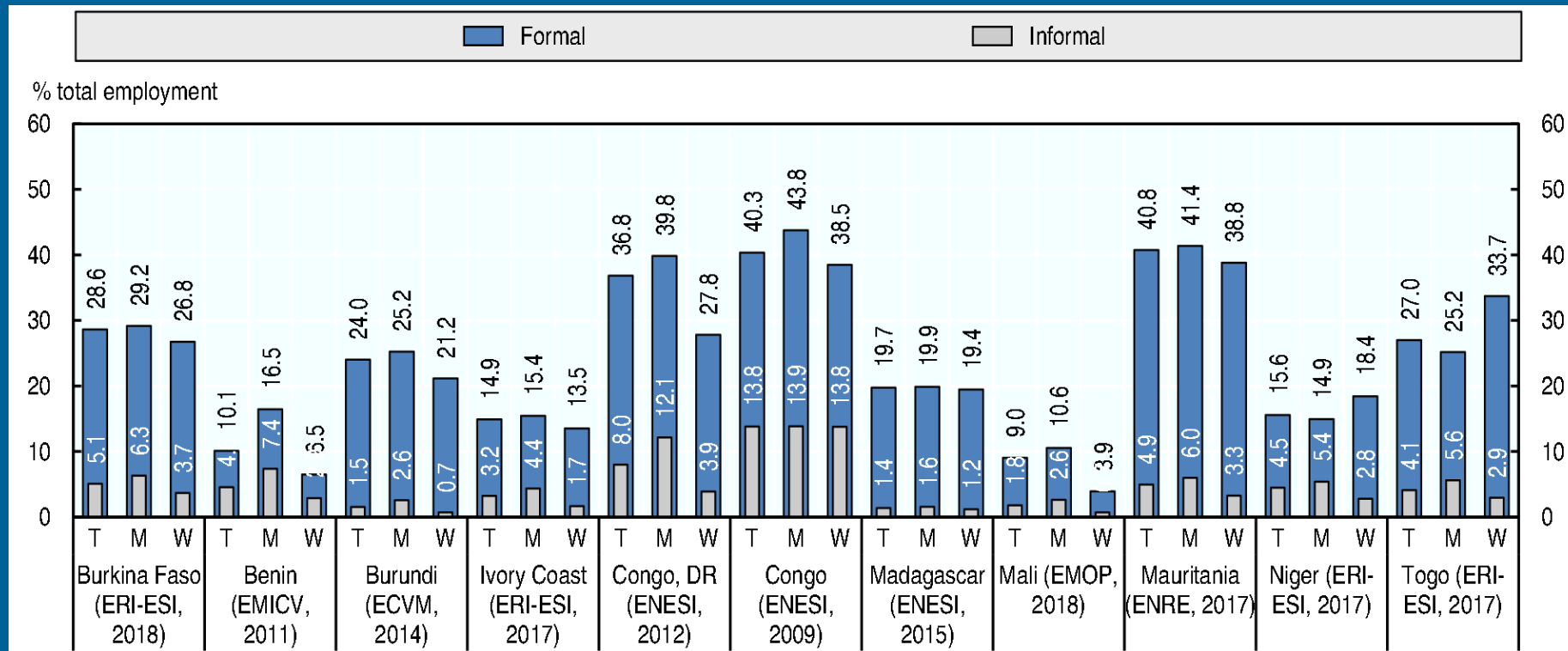




## 2. Findings: skill challenge for adult workers

### 2.1 Skill supply

➤ Message 2: informal workers also have fewer chances to upgrade their skills



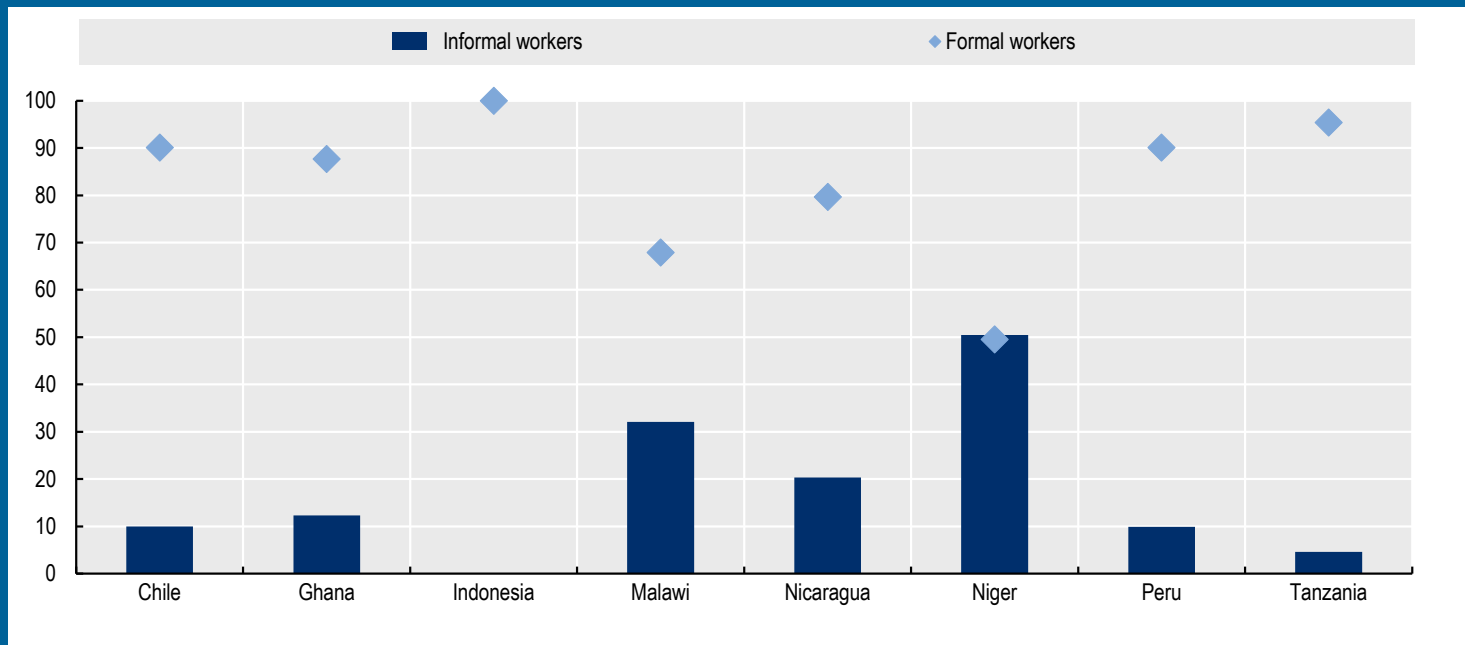
Participation in job-related professional training in the last 12 months, financed by the enterprise or a partner, concerns at most 5% of workers in informal employment in 8 of the 11 countries considered. This proportion is 3 to 15 times lower than that of workers in formal employment



## 2. Findings: skill challenge for adult workers

### 2.1 Skill supply

- Message 2: informal workers also have fewer chances to upgrade their skills



Informal workers are also less likely to benefit from training and skills programs provided through public labour market programs. For example, in Indonesia, 100% of such labour market program beneficiaries are formal workers. In Chile, Ghana, Peru, and Tanzania, around 90% of such labour program beneficiaries are formal workers



## 2. Findings: skill challenge for adult workers

### 2.2 Skill demand

- Message 3: informality cuts across all occupations and skills, yet formal jobs generally require higher and better skills
- Globally, among workers in informal employment, there is a higher share of workers in elementary occupations.
- Among workers in formal employment, there is a higher share of managers, professionals, and technicians, as well as clerical, service, and sales workers, as compared to workers in other occupations.
- These patterns are observed among countries at all stages of development; but they are especially pronounced in developing economies

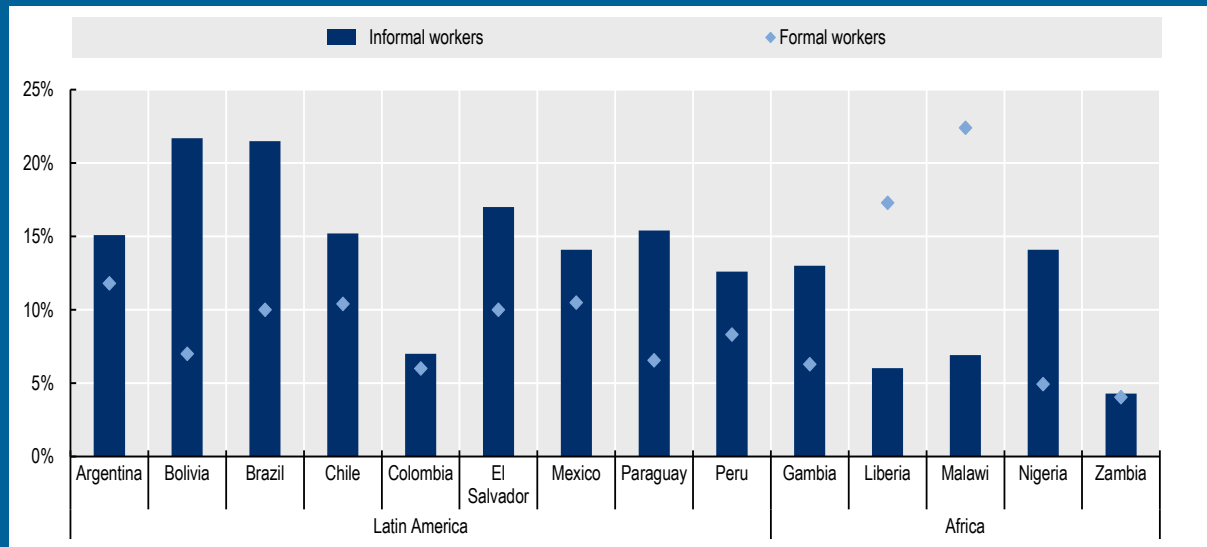


## 2. Findings: skill challenge for adult workers

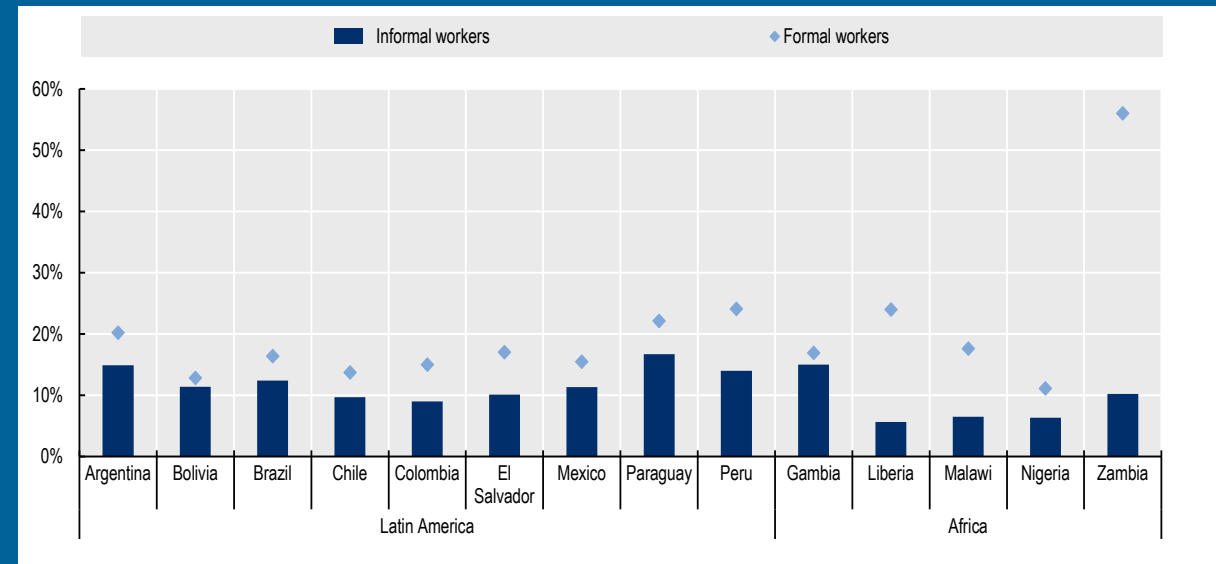
### • 2.3 Skill (mis-)match

- **Message 4:** informal workers tend to be under-educated / under-skilled, while formal workers suffer from over-education / over-skilling, exacerbating labour market inefficiencies and low productivity

#### Under-education



#### Over-education







### 3. Findings: skill challenge for children (future workers)

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- School attendance is higher for children living in formal households
- Formal households also spend more, per child, on education, exacerbating inequalities
- Children from informal households face longer and more uncertain school-to-work transitions

>>> Message 5: Vicious cycle is perpetuated: children from informal households are more likely to work in informal jobs because they do not acquire the skills required in the formal sector



# Policy Discussion: Skill policies can play an important role in tackling informality

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## Policies for improving skills of adult workers, with a view to better match skill demand

- Through employers
- Through public programs
- Through lifelong learning
- Through skill recognition of prior learning

## Policies focused on children and youth with the aim to break the inter-generational informality cycle

- Investing into equitable quality education
- Complementing educational policies with other policies



# Thank you!

To cite these findings:

OECD/ILO (2023 forthcoming). In Search of a New Social Contract. Global Report on Informality. OECD Publishing: Paris.

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