



## Enhancing Skill, Socio-Economic Status & Family Welfare: Employment-Specific on Job Training in Pakistan's Informal Sector

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### Abstract

Pakistan, with a population exceeding 200 million and the 10th largest labor force globally, grapples with a significant informal sector, employing a majority of its workforce, particularly the youth. This research paper explores the dynamics of the informal sector, its contributions to the economy, and the challenges faced by informal workers. The focus is on the crucial role of employment-specific training in enhancing the skills and livelihoods of the labor force engaged in micro-businesses within the informal economy. The data was collected from 1200 workers and 60 entrepreneurs from 6 major cities of Pakistan. The application of the chi-square technique revealed significant positive correlations between on job training and various variables. Notably, a positive correlation was observed between on job training and skill proficiency, emphasizing the role of training in enhancing workers' skills. Positive correlations were also found with factors such as total duration and resources, wages, socio-economic status, engagement level, family welfare, and positive attitude. This paper delves into the complexities and contributions of the informal sector, emphasizing the need for tailored policies and strategies.

**Keywords:** Informal Sector, Employment-Specific Training, Apprenticeships, Skills Development, Social Protection, Pakistan

### 1. Introduction

The term "informal sector" gained prominence in the 1970s, referring to the labor market segment in developing countries that absorbs job seekers, primarily in self-employment and small production units. In Pakistan, the informal sector contributes significantly to the GDP, employing 75% of the rural and 68% of the urban workforce. Despite its economic importance, the informal sector faces challenges such as the absence of legal protections, job security, and social security benefits for workers. Understanding the demographics of informal sector workers is crucial for designing effective training measures. Categorizing them into owner-employers, own-account workers, and dependent workers provides insights into their diverse needs. Informal workers in Pakistan often experience transitory poverty, lack formal education, possess minimal core skills, and face irregular household incomes. Recognizing these challenges is essential for formulating targeted training interventions.

Skills development is a key instrument for enhancing productivity and promoting decent work in the informal economy. In Pakistan, the informal apprenticeship system, facilitated by skilled workers training apprentices, plays a vital role in meeting the demand for skills. Efforts to revamp the informal apprenticeship system aim to address weaknesses such as long working hours, unsafe conditions, and gender imbalances. The paper highlights the importance of integrating skills recognition, standardization, and certification into the informal apprenticeship system.

#### 1.1. Research Objectives

- To assess how apprenticeships and on job training affect the skill acquisition and development of unskilled workers in the informal sector.
- To quantify the factors that impact the efficacy of on job training in improving job performance among unskilled workers.
- To evaluate the effects of on job training on socio economic status of workers.
- To determine the role of on job training towards family welfare of workers.

#### 1.2. Hypotheses

- Hypothesis 1 (H1): There is a positive correlation between the participation in on job training programs and the level of skill development among unskilled workers in the informal sector of Pakistan.
- Hypothesis 2 (H2): On job training is positively correlated with socioeconomic status and family welfare of the workers.

### 2. Material and Methods

**Research Approach:** The mixed-methods research approach has been applied using combining quantitative and qualitative data for understanding of the phenomenon, capturing both numerical trends and in-depth insights.

#### 2.1. Sampling Strategy

##### a. Target Population

Micro and small business with ten or less than ten employees were identified as informal sector. Unskilled workers in the informal sector of Pakistan were target population.

##### b. Sampling Frame

Two broad categories were identified to collect data that provide on job trainings. The production and services sector. The production sector includes informal micro enterprise producing furniture, electric & electronics and engineering products. The services sector includes tailor shops, beauty parlors and transport services. The data is collected in six major cities of Pakistan i.e. Rawalpindi/Islamabad, Peshawar, Quetta, Lahore, Faisalabad and Karachi.

##### c. Sampling

the sample size was 1200, 200 from each city 100 from production enterprises and 100 from services sector. In addition, 60 entrepreneurs were also identified for focus group discussion, 10 from each city, 5 from production sector and 5 from services sector. This has ensured the diversity within the sample to enhance the generalizability of the research findings. The sample was selected using random sampling techniques.

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#### d. Data Collection

##### a. Quantitative Data

A questionnaire was structured to gather quantitative data. Questions related to demographics, current skill levels, and the perceived impact of on-the-job training and impact on socio economic status and family welfare were included. The data was collected from selected sample, ensuring ethical considerations and informed consent.

##### b. Qualitative Data

Conducted in-depth focus group discussions with entrepreneurs (providing on job training to the employees/ unskilled workers) to gather qualitative insights.

#### 2.2. On Job training assessment & Data Analysis:

Training Program Inputs: Duration i.e. a. total duration of on-the-job training programs. b. Resources: resources allocated, including trainers, facilities.

Trainee Participation: Engagement Levels: the active participation and engagement of trainees during training sessions.

Skill Acquisition: Skill proficiency level of trainees in targeted skills after completing the training.

Family welfare: the impact pf on job training on wages, socioeconomic facilities and family welfare.

Focus Group Discussions: focus group discussions to delve deeper into employees & employer's experiences with on-the-job training and Performance Improvement: Job Performance Metrics: changes in key performance metrics (e.g., productivity, error rates) post-training.

a. *Quantitative Analysis*: This descriptive statistics and regression analysis is used to identify patterns and correlations.

b. *Qualitative Analysis*: Employed qualitative data analysis methods to extract meaningful themes from focus group data.

#### 3. Interpretation of Results

Capital is always a scarce resource in the emerging economies but capital is not a limiting factor when there are skilled workers capable of efficiently utilizing it for production. The primary hindrance to growth lies in the absence of human capital that can adeptly absorb technology and experience. It is the individual that makes a significant impact, not just the assets they manage, as assets serve as a means to an end. Although the expansion of high-quality general education will require time, creating pockets of excellence is possible by developing crucial skills in various disciplines. This, in turn, can elevate the growth rate through the effective utilization of such capital.

##### 3.1. Acquisition of Skill

As mentioned above human capital formation closely associated with the training. The informal training can be distinguished from the formal training, as it is the productivity enhancing occupation specific knowledge that is particularly acquired in the form of on job training. Generally, most of the unskilled workers in informal enterprises acquire their skill enhancing through on job training.

It is an established fact that "Labor Productivity" is positively correlated with the investment in human capital i.e. training (skill acquisition), the data collected for this specific purpose shows that as many as 91.67% of the unskilled workers got on job informal training in informal micro & small enterprises whereas only 8.33% were trained before acquiring the job in formal institutions. Similarly, 95% of the workers in services sector got on job training and only 5% got training before entering the job market through formal training institutions.

**Table 1: Informal On Job Training (acquisition of skills)**

Type of Business	Formal Training	Informal Training	Total
Production sector	08.33	91.67	100.00
Services sector	05.00	95.00	100.00
All Businesses	07.78	92.22	100.00

#### 4. Focus group discussion

In focused group discussion with selected entrepreneurs operating in informal from diverse sectors of Pakistan about on job training emerged as a key point of interest. The entrepreneurs collectively emphasized the significant role that on-job training plays in enhancing the skills and capabilities of their workforce. Participants emphasized that training programs not only contribute to immediate performance improvement but also foster a culture of continuous learning within the enterprise. There was a consensus among entrepreneurs that tailored on-the-job training initiatives are particularly effective in addressing specific skill gaps relevant to their industry. Some employers highlighted the importance of hands-on experience in refining employees' practical skills, making them more adaptable and proficient in their roles. Concerns were raised about the need for ongoing support and resources to sustain effective training programs. Overall, the employers expressed a commitment to investing in on-the-job training as a strategic approach to improving overall productivity, fostering employee engagement, and staying competitive in an ever-evolving job market. The discussion provided valuable insights into the employer perspective on the impact and challenges associated with on-the-job training initiatives in the Pakistani context.

Chi square technique is applied to assess Correlation among on job training in informal sector and other variables. The above table represents the outcomes of correlation between on job training and other variables particularly developed for this study. A significant positive correlation is observed between on job training and skill proficiency ( $r = .320^*$ ). Training and total duration & resources were also positively correlated ( $r = .089$ ), because if resources level is increased the feeling of self-esteem will be enhanced and trainees will think themselves as employed in better environment. On job training shows positive correlation with "wages" ( $r = .371^{**}$ ), this specifies that on job training improves the person's ability to earn better wage level. In addition, better wage level in turn positively impact the socio economic status, the workers become able to improve their living standard with better wages and positive correlation is found ( $r = .013$ ). "engagement level" of the trainee and trainer significantly impact the acquisition of skill that is positively correlated with on job training ( $r = .030$ ). consequently, the workers can contribute for the betterment of his/her family and family welfare is positively correlated with on job training ( $r = .120$ ). Optimistic behavior and training were also positively correlated ( $r = .033$ ), higher the wages/ income of individual higher will the positive attitude of individual towards oneself will be. The data shows that "Failure" and "on job training" have negative correlation ( $r = -.238^{**}$ ).

Negative correlation between these two responses indicates that person who gets on job training, becomes happy and his/her satisfaction level is enhanced that in turn positively impact his/her psychology and mental health. Therefore, the chance of failure become less. The most important impact of on job training is positive correlation of on job training on positive attitude of the workers ( $r = .032$ ), “who can contribute to the society and the economy as civilized citizens which is the dire need of the day. It is worth mentioning that the coefficients of correlation of all the variables are statically significant because “p value” is less than 0.01( $p < 0.01$ ).

**Table 2: Analysis of Correlations**

	Training	Skill proficiency	Total duration & Resources	Wages	Socioeconomic status	Engagement level	Family welfare	Total duration	failure	Optimistic behavior
Training	1	.320**	.089	.371**	.013	.030	.225*	.120	.238**	.033
		.001	.438	.005	.979	.847	.025	.277	.976	.751
		99	99	99	99	99	99	99	99	99
Skill proficiency		1	.003	.171	.230*	.032	.138	.063	.195	.345**
			.000	.091	.022	.752	.174	.533	.053	.000
			99	99	99	99	99	99	99	99
			1	.011	.068	.180	.094	.081	.016	.184
				.915	.502	.075	.354	.426	.871	.069
				99	99	99	99	99	99	99
Wages				1	.291**	.106	.150	.045	.259**	.059
					.003	.295	.137	.655	.010	.560
					99	99	99	99	99	99
					1	.254*	-.189	.195	-.174	.137
						.011	.060	.052	.084	.177
						99	99	99	99	99
Socioeconomic status							1	.096	-.086	.124
								.345	.395	.222
								99	99	99
Engagement level								1	.070	.354**
									.489	.000
									99	99
Family welfare									1	-.164
										.057
										.105
										99
Failure										1
										.001
										.899
										99
Optimistic behavior										
										1

### 5. Conclusion and Recommendations

The pivotal role of on job training in enhancing the skills and capabilities of the workforce is established. Tailored on job training initiatives effectively address specific skill gaps, fostering not only immediate performance improvement but also instilling a culture of continuous learning within enterprises. The importance of hands-on experience in refining practical skills was underscored by some entrepreneurs, making employees more adaptable and proficient in their roles.

- **Enhanced Resource Allocation:** To ensure the sustainability of on job training programs, there is a need for continuous support and increased allocation of resources. Adequate resources contribute to a positive environment, fostering a sense of self-esteem among trainees.
- **Wage Improvement:** Recognizing the positive correlation between on job training and wages, employers should consider investing in training as a means to improve the earning potential of workers. This not only benefits individual workers but also positively impacts socio-economic status and overall living standards.
- **Promoting Positive Attitudes:** Given the positive correlation between on job training and positive attitudes, entrepreneurs should focus on fostering a positive work environment. This includes recognizing the importance of individual contributions and creating opportunities for personal and professional growth.
- **Family Welfare Programs:** Acknowledging the correlation between on job training and family welfare, employers can explore initiatives that support the well-being of employees' families. This can further contribute to the overall satisfaction and engagement of the workforce.
- **Evaluation:** evaluation and monitoring of on job training programs is crucial. This ensures that the training is adaptive to the market.

- **Encouraging a Culture of Learning:** To capitalize on the positive outcomes of on-the-job training, organizations should actively encourage a culture of continuous learning. This involves promoting ongoing skill development and creating opportunities for employees to expand their knowledge and expertise.

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