
SKILLS DEVELOPMENT CHALLENGES AND THEIR MITIGATION IN INFORMAL MICRO ENTERPRISES IN TANZANIA

Mwanaidi Shafii Msuya; College of Business, Education, Dodoma, Tanzania: Department of Business Administration,
Tel: +255713967309. E-mail: m.shafii@cbe.ac.tz

ABSTRACT

Possession of relevant skills opens new opportunities for informal microbusiness to improve their productivity hence become competitive. However, the available means of skills development are not user friendly to micro enterprises. The objective of this research is to investigate strategies of skills development relevant to informal micro businesses in Tanzania. Based on desktop research the study identifies challenges of skills development to include; ignorance, perceived cost, lack of resources, employees poaching and lack of contextualized skills development programs. The study proposed a set of alternative approaches to skills development in informal micro business which include; e-learning, public funded or low-cost skills development schemes, usage of psychological contracts, contextualizing the skills development programs, and ubiquitous learning.

Keywords: *Skills development, informal microbusinesses, micro enterprises, informal workers.*

1.0 INTRODUCTION

In much of the developing world, and especially in Africa, micro-entrepreneurship is a critical component of local economies (Doner and Escobari 2010). Micro-entrepreneurs engage in economic activities that range from trade, retail, and manufacturing to service provision (Horne, Nickerson and DeFanti 2015). The common kinds of micro-enterprises in Tanzania are, sole proprietorships, part-time businesses, and household businesses that operate in both formal and informal sectors. Although definitions vary across researchers, micro-enterprises are typically characterized by the number of hired workers being less than 10 (Mead and Liedholm 1998). Micro-enterprises account for 50% to 60% of all businesses worldwide (Horne, Nickerson and DeFanti, 2015). In Africa, roughly 90% of all businesses are micro- enterprise (Standage, 2009). According to Tanzania SME policy of 2002, micro enterprises are entities with 1-4 employees and capital of up to 5,000,000 shillings (URT, 2003) and most of them fall under the informal sector. They also include survivalist enterprises, whose income is below the official poverty line, often there are no paid employees and asset value is minimal (URT, 2003). However, despite the role played by micro-enterprises in poverty reduction, there are serious constraints limiting their growth and thus their contribution to poverty reduction. Apart from macroeconomic problems such as complex and costly legal and regulatory frameworks, Micro-enterprises face inadequate markets, low productivity and lack of access to capital (Mramba, et al., 2016)

An educated and well-trained workforce is essential to the maintenance of a business firm's competitive advantage in a global economy. It is also believed that skills development can be a powerful agent to facilitate a firm's expansion and the development of its capabilities, thus enhancing profitability (Cosh, Duncan and Hughes, 1998). Pre-employment skills are acquired largely through education and training, especially for jobs in the formal sector. However, Hill and Stewart (2000) suggest that, employees in small enterprises are much less likely to receive new skills than their counterparts in larger organizations because of the nature of their daily activities (busy in business). Additionally, the available means of skills development in poor countries are not user friendly to Micro enterprises (Wongtada, 2014). This research addresses the question "*how can the challenges of skills development in micro informal business be addressed?*"

2.0 METHODOLOGY

The current study applies systematic literature review, a smart and effective method for undertaking research particularly when one wants to draw conclusion basing on the previous findings. It is commonly used to identify, appraise and synthesize the empirical evidence that meets pre-specified eligibility criteria to answer a given research question' (White & Schmidt, 2005). The main steps in using the method are framing the question and choose appropriate methods; identify relevant work; extract relevant data on outcomes and quality; summarizing the

evidence; and, interpret the evidence (White & Schmidt, 2005). The choice of the method was influenced by three factors; nature of the study, time frame, and the unit of inquiry.

To be included in this review, a study must have been reported in a paper published in English as either a Journal paper or Conference proceedings. The study utilized only those articles in which respondents were informal micro businesses. We excluded the SME based articles because respondents were formal business owners. Also, the size of business was considered, it was only the micro business which were included in the study. Included papers were published between 2000 and December 2017.

Articles used in this study were obtained through searching from famous search engine in business and economics. These included Emeraldinsight.com, EBSCO host, Online Research Databases, [Wiley Online Library](#), and Taylorandfrancis.com. Other articles were accessed through google.com, goggle scholar and published books. The searching process was done by using keywords shown in Table 1. The study excluded articles in which respondents were traders in formal business though found to own micro business. This is because the nature of the informal occupation is different from formal enterprises.

Table 1: Searching keywords in the study

Informal business, <i>or</i> informal workers, <i>or</i> informal economy, <i>or</i> Micro business, <i>or</i> Small business, <i>or</i> SME, <i>or</i> small enterprises, Jua Kali, <i>or</i> Bodaboda, <i>or</i> Street traders, <i>or</i> Street vendors, <i>or</i> Carpenters, <i>or</i> Casual Labour, <i>or</i> Sole proprietorships.	+	Education, training, skills development,
---	---	--

3.0 INTERPRETATION OF RESULTS

3.1 Informal Microbusinesses

The informal sector constitutes an important part of the developing countries' economy. It is estimated that the informal economy generates 40% of the Gross Domestic Product (GDP) of low-income nations and 17% of the GDP of high- income countries (Schneider 2002). In Africa, most of the labour force is in the informal economy. It is estimated that as many as nine in ten rural and urban workers have informal jobs (Salazar-Xirinachs & Diop 2009). In the case of Tanzania, Bagachwa and Naho (1995) estimated, that the informal economy constitutes 25% -51% of Real Official GDP from 1969 to 1985, however Schneider (2002) puts the estimate at 58.3% in 1999/2000. The informal sector is wide ranging and difficult to draw lines across the various categories, especially on employment relations. These categories range from owner-operator, self-employed, and wage workers to non-wage workers. Among the wage workers are employees of informal enterprises, domestic workers, casual workers without fixed employer, industrial home workers, temporary and part time workers and unregistered workers; while the non-wage workers include: employers, including owners of informal enterprises and owner operators of informal enterprises and the self-employed who include heads of family businesses, own account workers and unpaid family workers (Chen 2007). These employment categories are nuanced with a number of workers belonging to more than one. The common form of informal economy in Tanzania is micro enterprises including micro business.

The informal micro business includes street vendors in many African cities (known as the machingas in Dar es Salaam) who walk selling goods from formal businesses (local industrial and agricultural goods (e.g. vegetables) or imported manufactured goods mainly from Asia, taxi, bajaj or motorcycle drivers working on contract, with the own account providers of services such as barbers, cobblers and butchers. There are also informal small kiosks or stalls that sell goods of every conceivable kind, small workshops and garages that repair motor vehicles, bicycles and motorcycles; enterprises making furniture, tanning leather and making garments or selling or producing goods from their homes. Some of home-based workers, work on their own account, while others work on a piece-rate basis for a contractor or a firm (Wangwe & Mmari 2013). The informal trade sector's emergence is largely attributed to the divergence between urban population growth, and employment in the formal economy. Growth of informal enterprises, is also thriving on the demand of the poor, whose needs for low cost goods and services are met by the informal sector (Ligthelm 2005). *Table2 summarize the characteristics of informal microbusiness.*

Table 2: Characteristics of informal microenterprises in Tanzania

Legal status	Most are informal run without a business license
Age	Run by youth from 18-30 years
Business	Investment =14. 45€ to 1445€ Profit 2.5€ to 20€ per day, 12-17 hours per day
Role in society	Main breadwinners, sole income earners with dependents
Social protection	Absence of social benefits such as pensions, sick pay and health insurance
Employment	Owned and run by the sole proprietorship with assistance from family members,
Separate entity	No demarcation between family and business activities
Business operation	Small scale operation, without job specialization with long working hours up to 18 hours per day
Entry	Ease of entry and exit
Nature	Labor intensive and adapted technology
Business Finance	Absence of access to institutional credit or other supports and protections

3.2 Skills and training level of micro informal business

Using street vendors as an example Mramba et al. (2016) found that micro informal traders possess a minimal level of business education in all business domains. Their findings show that; informal traders fail to develop competitive business strategies, e.g. reasonable selling price and profit margin as they lack business skills. However, their business strategies are not much differentiated from each as they can't develop new ones because of less business skills. Additionally, Tanzania National Informal Sector Survey of 1991 shows that, 80 percent of the informal sector workers are unskilled, 10 percent are trained on the job and only 5 per cent are skilled (Kent and Mushi 1995). Furthermore, the roadmap study of the informal sector in Mainland Tanzania (2002) concludes that the informal micro and small businesses in Tanzania are severely constrained by the low level of education, the lack of managerial skills, marketing and production skills, factors that inhibit its development.

O'Riordan, Swai and Rugumyambeto (1997) studied the relationship that exists between women's level of education and training, and the sustainability of their informal sector enterprises. The results indicate that, micro business owners possess a very low level of education and training. The study shows that; informal traders acquire a business education informally through the process of trial and error. For the few who attended short courses business training, was taught basic accounting and general business management. The limited educational levels, forces them to participate in only a few areas of business. The study concluded that, most skills used to conduct informal businesses in which women are involved tend to be learnt outside the formal school system and that competence in literacy and numeracy is fundamental to conducting business.

An investigation by Livingstone (1999) shows that, lack of technical and managerial skills impacts negatively small and microbusiness performance in South Africa. In a survey conducted by (Radipere & van Scheers 2005) it was found that 90% of a sample of 1000 entrepreneurs believe that small businesses fail due to a lack of managerial skills. A study by Bosire and Nzaramba (2013) assessed how entrepreneurship skills development impacts the growth of SMEs in Rwanda, with an artisan's cooperative in Rwanda selected as a case study. The findings reveal skill gaps in the identification of business opportunities, innovation and effective business communication. The skills shortages have proved to affect business growth and they raised a demand of skills in the field of separate entity concept, reinvesting profits in the business, maintaining business records of sales and expenses, and thinking proactively about new markets and opportunities for the profits.

Another study by (Adams, Silva and Setareh 2013) use household labor force surveys to look at the experience of skills development in five African in SSA. The study finds limited skill levels in the informal sector and recommends continuing focus on skills development hence to increase productivity and earnings. The study shows that the foundation skill (in which informal business lacks) is important for further skills development. The study argues that; traditional apprenticeships are the main source of skills for the people in the informal sector. The study shows that, any strategy to improve productivity and income in micro/ small business needs to consider factors behind the sectors shortfall in skills.

A study by Msoka (2013) on the effects of skills in the performance of microbusiness in Tanzania establishes that human capital is a prerequisite for microbusiness development. The study shows that the microbusiness women entrepreneurs possess very low level of education, and keep business records improperly. The study establishes

positive relationship between level of education and business performance. Most of the respondents in the study show that they need accounting skills for the smooth business operation.

3.3 Importance of business education to informal microbusiness owners

Most micro entrepreneurs in Africa believe that, training and skills development is not important for the success of their business (McGrath 2005). Small business owners and managers claim to be too busy to engage in training or any type of learning activity and that most training is of little value to them (Walker, et al. 2007). However, the evidence from different scholars proves that there is the relationship between level of education and business performance (Mike , Nicki and Sarah 2004). Traders with high level of education are more likely to do their business more efficiently and successfully than those who do not (Tundui and Tundui 2013). The result from the test carried in Tanzania by Kessy and Temu (2010) shows that, the micro enterprises owned by individuals who got business trainings have a higher level of assets and sales revenue when compared with enterprises which are owned by untrained counterparts. The findings by (Kilpatrick and Crowley 1999) suggest a relationship between contextualized on-the-job training and success of small and microbusiness, training and learning prompted by a desire to keep up to date and improve efficiency and success. Also Shabir and Robert (2016) noted that, if small businesses have access to adequate capital, maintain good record keeping and financial control, have industry and management experience, specific plans, use professional advice, have more education, have an easier time staffing, have a better product stage and economic timing and have marketing skills, their chances of success will increase. Using data from the Western Cape Brijlal, Naicker and Peters (2013) attempted to identify whether the level of education and gender has an impact on business growth. The findings reveal a positive relationship between the level of education of business owners and their respective business abilities to increase growth. Based on the intensive literature review.

3.4 Getting skills in informal microbusiness

Informal sector workers can acquire skills through formal and informal techniques, below are the common one;

On the job training, is a one-on-one training located at the job site, where someone who knows how to do a task shows another how to perform it. On-the-job training consists of teaching or coaching by more experienced people or trainers at the desk or bench (Armstrong 1995). The widely acceptance of on-the-job training strategy is stemming from the fact that, it is justifiable in terms of training cost and benefits, the possibility of the train just in time, and the expectation of a positive transfer of what was learned of the employee's own work situation. However, it has been criticized as it can be influenced by the trainer competences, training may be inadequate and that can be distracted by the same working environment (Obisi 2011). A Study by Van der and Steumer (2002) shows that; self-efficacy, prior experience and work characteristic, are the predictors of on-the-job training success.

Traditional apprentice; In most countries with a large informal economy, a traditional apprenticeship is the most common option available for young people wanting to acquire the vocational skills they need to find work, especially for those with a low level of education. In many of these countries, it is even the main system for training young people who are seeking work. *Traditional apprentice* is a private contractual agreement between the parent/apprentice and a master craftsperson who agrees to provide practical training in the workplace in return of a small fee (Adams, Silva & Setareh 2013). This type of skills development is popular in technical aspect of informal sector, e.g. tailoring, mechanical work, carpentry, and mason. It is very little used in street vending business. It involves the agreement between the trainer, parent, and trainee to provide training/coaching in a workplace for a specified period depending on the nature of training (ibid). The parents pay small fees, reduced wages, a kind, or other agreements. It allows the apprentice to gain technical knowledge and real practical experience, along with functional and personal skills, required for their immediate job and future career. According to Liimatainen (2002) 70% of urban informal workers in Africa are being trained within the traditional apprenticeship system. Unlike in East and Southern African countries, in West and Central Africa the completed apprenticeship is certified, but not formally registered with a government (Jackson 2011). Apprenticeships are the principal source of skills for the informal sector, conversely, can also be employed in the formal sector. Apprenticeships give the student an opportunity to work for a real employer, earn a real salary and gain a real qualification whilst gaining valuable workplace skills and experience. Apprenticeship has been providing the traditional solution for developing and financing vocational skills of young people in poor societies. Today, apprenticeship in the informal economy represents the main road to skills development in most developing countries (ILO 1997). Estimations suggest that 80 per cent of the skills imparted in the informal economy in West Africa are transferred through apprenticeship (ILO 1997). The International Labour Organization (ILO) acknowledged the relevance of apprenticeship systems early on through its Vocational

Training Recommendation, 1939 (No. 57), and Apprenticeship Recommendation, 1939 (No. 60), its Vocational Training (Agriculture) Recommendation, 1956 (No.101) and Vocational Training Recommendation, 1962 (No. 117) (ILO 1997).

Training is a planned group of activities through which the concerned organization uses to enrich their employees with specific skills, knowledge, and attitude (Noe 2010). For better results, training policies for small enterprises need to be clearly related to objectives of stimulating the role of start-ups, improving survival rates and increasing the growth potential of small firms. Research by Allan (1994) suggests that small firms need distinct approaches by trainers and organizers and a level of professional competence which might yet be largely missing. It identifies the necessary competences for trainer and organizer to deliver effective training. Vocational training by those involved in small land-based businesses can lead to innovation as transferred knowledge may be applied to make marginal changes to enterprises or, in some cases, a major reorganization of resources within a business (Allan , Matt & Phil 2007).

Informal Learning-Informal training is known to be the dominant skill acquisition strategy for the majority of workers in India and many other economically developing countries and there is much benefit in understanding the strengths and weaknesses of this form of training. Unlike formal learning situations with standardized curricula, informal learning processes are characterized by a lack of structure, absence of an underlying curriculum and a time set aside for learning (Madhu 2000). Informal learning activities are increasingly acknowledged as significant for learning and development in modern workplaces. Learning takes place primarily by doing and through experience and active acquisition, rather than by receptive learning. Learning proceeds from situations specific to different working and living conditions of persons and groups. Learning takes place in the family, the community and on the street or as a “helping member of the family” in working process (Marsick and & Watkins 2015). Studies of informal learning suggest that, people are constantly picking up additional skills, knowledge, and ideas in informal settings. Suggestions are that most learning in the workplace (more than 70 per cent) is informal, even though organizations spend billions of dollars each year on formal learning (Livingstone 1999).

3.5 Barriers for skills development in informal microbusiness

Skills are necessary for successful microbusiness operations, but most of informal microbusiness are unlikely to have prior business experience or to have received any business training. Additionally, access to further skills and development is limited to several factors;

Thomas, Mélanie and Andrea (2000) analyzed barriers of skills development in microbusiness. Their analysis revealed the influence of the prevalent culture, primarily attitudes towards skills development as barrier for skills development. The study show that majority of the small business have been established by individuals to whom their skills are relatively low, and who see further skills development as unnecessary. Informal microbusiness owners see skills development as an aspect that happens spontaneous not as part and parcel of their business.

The analysis by Antonios (2011) suggests that, a key challenge for small business skills development is to facilitate changes in owner attitudes, improve access to training interventions and create the necessary institutional conditions to encourage SMEs to move to high value-added trajectories. The study summarized these challenges as lack of time for training and learning activities, limited financial resources for training provision, high cost of external training provision, lack of external training programs tailored to the specific needs of small business, lack of awareness by small business of the training opportunities available, fear for poaching, lack of employee desire for training and learning, problematic training needs analysis.

A study by Wongtada (2014) shows that, the majority of micro entrepreneurs are preoccupied by their active involvement in the daily activities of the enterprise. They are driven by short-term business pressures and are looking for quick and easy solutions that, very often, cannot be provided by some forms of competence development. Informal workers do not have time to attend regular training classroom style because their daily tasks already consume most of their time. Moreover, their modest educational level causes them to lack interest in searching for more information and self-improvement. Research should investigate appropriate contents and the means to effectively teach them the essential tools for their survival and growth.

A recent study by Padachi and Bhiwajee (2016) shows that, the barriers to employee training in small and medium sized enterprises in Mauritius are negative attitude hindrances that owner managers hold with respect to skills

development (ignorance), the opinion that the returns on the skills development would not exceed the costs that would be incurred, absence of a formal training process, and the tendency to employ young people and people without qualifications. The study showed that the situation in Mauritius is not far from what is happening in other countries for all the parameters gauged, except for one parameter, which is the “perception” of owner managers with respect to training. Contrary to extant research, owner managers of SMEs in Mauritius perceived training to be an important component for business survival. However, owner managers perceived costs and funding to be an issue. Micro business owners are not interested with skills development programs because they are far relevant with their business. They focus on theory rather than practical materials, limits of immediate benefit to business, and not designed to meet small business environments (Roffey, et al. 1996).

3.6 Meeting the challenges of skills development in informal microbusiness

Basing on the findings above, we propose a number of alternative strategies for imparting skills to informal micro business. These include; learner get skills while proceeding with his daily business, meeting the costs of skills development, dealing with switching off skilled employees, and managing lack of resources. Each of these are discussed in the following paragraphs.

Design education system where a leaner can get skills while proceeding with his daily business

Informal microbusiness owners perceive that, their core function is business; therefore, they can't leave their business and go to school. A study by Mramba et al. (2015a) shows that, micro informal traders (street traders) believe that the more you vend the more you earn, therefore there is no time for skills development. However, the vendors acknowledge the need and importance of business skills in their operations. The recent emergence of information and communication technologies has redefined the concept of anywhere anytime learning and the delivery of various education content. The use of network technology to deliver training is the latest trend in the training and development industry and has been heralded as the 'e-learning revolution (Welsh, et al. 2003). Through these technologies e.g. mobile phones an informal microbusiness owner can get education and various skills without leaving their business premises. Online learning is an **affordable, cost-effective** alternative to classroom-based staff training. One of the best things about eLearning is that it's accessible **anywhere and anytime**. This makes it possible for learners to learn at work, at home, or even in transit via their ICT devices (Ruiz, Candler & Thomas 2007), it is interactive and dynamic, which makes it a fun way to learn. A study by (Mramba, et al. 2016) has recommended the use of education technologies to empower the skills of informal workers who do not have time to attend traditional classes. Additionally, Wongtada (2014) has called up researchers to find out alternative of traditional class training methods to street vendors.

Costs of skills development

The cost of providing training was cited as the primary reason for micro informal businesses not offering their staff a training and skills development programs. Informal microbusiness perceives that the cost of training in terms of money and time are higher than the benefit accrued. Additionally, they don't see the immediate effect of those training to their business. Small and microbusiness have a finite amount of resources they can dedicate to these activities, so policy interventions need to focus on areas that offer a way to systematize their skills development practices. Also, recognizing that skills development is a resource intensive activity, attention must be paid to demonstrating the benefits of business participating in training activities – in other words, the returns on their training and skills development investments must be sufficient to offset the cost. Publicly funded training, subsidized skills development programs, the use of education technology equipment may bridge this gap by lessening the costs of skills development.

Switching off of skilled employees

One of the challenges of skills development in small and microbusiness is the view that, the well-trained employees shall quit the business or be grabbed by the competitors. The ability to attract and retain reliable and competent employees has become a key component in developing an effective and sustainable competitive advantage (Kickul 2001). Furthermore, the issue of employee retention in small enterprises is a key challenge which concerns managers regarding their sustainability and profitability. To overcome this challenge small and microbusiness need to develop and maintain employee retention strategies like forming psychological contacts. These may include (but not limited) giving realistic information concerning an employee's job/position within business, focus more energy on openly communicating to employees what they can reasonably expect in terms of organizational inducements and practices, freedom to be creative, opportunities to develop new skills, and autonomy and control (Kickul 2001). Furthermore, the microbusiness owners need to institutionalize the skills development programs within their annual plan and

employment contracts with new employees (Augustina 2015). Other retention strategies may include need to adopt a flexible workplace practices and work, family support policies as well as focusing on good reward management practices (Sanda and Ntsiful 2013).

Absence of a formal training process and materials relevant to micro informal business

Literature shows the absence of formal skills development resources for example, teaching materials, curriculum, syllabus, and others. Due to these limitations, each skills developer follows his own approach and material without having a benchmark to base upon. Training need analysis could assist the identification of training in association with a business strategic mission and goals. These call for public, private, community based, and NGO responsible for micro informal business to sit together, plan, develop, evaluate and accredit these resources.

Skills development methods

Skills development method and approach need to be attractive to microbusiness by being focused, addressing needs identified as important by them, and flexible using range of delivery mechanisms. The approaches must possess the elements of training delivered in the workplace, based around workbooks; Individual tutor guidance to sole learner, where the learner determines subjects covered and learning time and place; and distance learning using workbooks covering subjects identified by the learner. The small business managers in this review identified themselves as preferring to learn by engaging in practical activities and working on real problems they faced in their businesses. These views conflict with the widely-held belief that formal business training based on competency-based accreditation is the most suitable solution for up-skilling small business managers and their employees. People who are problem-based learners value training that is related to the current work problems they face and are impatient with training for events or problems that might occur sometime in the future. They enjoy working on tasks that involve actively engaging in the task to solve real and immediate problems and prefer to use training tasks as opportunities to solve real problems, rather than hypothetical ones (Lynn , Sophie & Stephen 2010). Small business employers want courses with learning processes based on practical experience, greater flexibility in their content and outcomes associated with immediate job requirements

Table 3: Skills Development challenge and solution

The owner manager of microbusiness perceives that; skills development is not important for them “ignorance” or lack of understanding their deficiencies. To them, doing business is a core function and skills development is subsidiary	Design education system where a learner can get the skills while proceeding with his daily business
Perceive that costs exceeds benefits; skills development is “unaffordable luxury”	Free costs, low cost, skills development schemes
The perception that skillful employees are “stepping stones” or get “poached”	Psychological contracts. Which is unwritten set of expectations of the employment relationship as distinct from the formal, codified employment contract. It define the employer-employee relationship.
Absence of a formal training process and materials relevant to micro informal business	Conduct training needs assessment, Open Educational Resources (OER). These are freely accessible, openly licensed text, media, and other digital assets that are useful for teaching, learning, and assessing as well as for research purposes.
Active involvement in the daily activities	Ubiquitous learning. That is learning anywhere, anytime and is closely associated with mobile technologies.
Lack of relevance	Develop contextualized teaching and learning material with and for them

4.0 DISCUSSION OF THE FINDINGS

The current study is about mitigating the challenges of skills development in informal microbusiness in Tanzania. Its goal is to answer the question how to meet the challenges of skills development in micro informal business and alternative skills development methods.

The findings show the importance of micro informal businesses, in terms of employments, disposable income, supply of low cost goods, and poverty reduction. Also, the findings show that, the informal microbusiness lacks both formal education and on the job trainings necessary for successful business management. Many informal workers have primary school education which does not empower one to do business successfully. They do business through copying from others and trial and error system. These retard the development of their business since they cannot perform competitively. The findings show that, some of the informal business owners fail to set reasonable selling price, determine the profit, and set the competitive business strategies as they lack necessary skills. Yet, the findings suggest that, the business owners with relevant skills are likely to do business more efficiently than those who do not. These findings are not surprising because “lack of education/skills” is one of the features of the informal workers (Chen 2007, Anita 2009, Schneider 2002).

The review of the barriers for skills development in informal microbusiness shows that, there are numerous factors preventing the initiatives of the skills development. These include; ignorance, perceived cost and time, absence of skills development resources, fear for employee switch off, and the lack of skills development relevance. The findings suggest that; the employees of micro enterprises are less likely to take part in skills development programs than those working in large organizations. To informal microbusiness, skills development is an auxiliary requirement, which adds business costs and do not have an immediate return to business. The findings show that, there are limited opportunities for informal workers to get formal education. However, when skills development opportunities are available, business owners do not allow their employees to attend, scared that, once they become more skilled they will quit the job, or be poached by competitors. Likewise, the findings show that, there is an absence of skills development resources, e.g. lack of teaching and learning materials, lack of curriculum and syllabus, absence of skilled trainers, and classes. Correspondingly, our findings show that, the available skills development materials for microbusiness are not relevant to informal settings, in terms of their background skills, basic skills, level of illiterate, language, working environment, and their needs. They need to be customized to suit, the personal characteristics and working environment of informal microbusiness.

After seeing the barriers for skills development in informal microbusiness, we propose several extenuations including designing of the education system where a learner can get the skills while proceeding with his daily business, public funded free/low cost skills development schemes, usage of psychological contracts, contextualizing the skills development programs, and ubiquitous learning. In addition, we suggested the development of electronic learning platforms that can allow informal microbusiness owners and employees to access various skills wherever they are, anytime. Despite the literature having often found a positive relation between education and microbusiness development (Jiménez, et al. 2015), little research have focused on alternative strategies to impact skills to informal workers.

Innovations in information and communication technologies (ICTs) have created new forms of learning appealing to microbusiness: To overcome traditional barriers such as lack of financial resources, time, expertise and facilities. In the past, employee training necessitated the hiring of training experts to deliver face-to-face seminars, which proved to be costly, especially for small businesses. Implementing a good electronic learning means that you can have the best of both worlds. Saving both time and money, while still completing the training both you and your team need, is a simple process and can be reused to train new hires reducing onboarding times as well as setting new employees up for success. However, findings from (Sally 2003) suggest that there are significant barriers to electronic learning, including the lack of hardware and software, and employer attitudes, though these can be offset by the mobile learning which is possible to majority of the informal workers.

Most of the informal workers earn very little profit which almost ends with financing their substances. Hence, we propose that, the government should finance informal microbusiness skills development through skills development fund obtained from skills development levy. Skills development levy is charged based on the gross pay of all payments made by the employer to the employees employed by such employer in the time. The rate applicable for is 5% of the total emoluments paid to all employees during the month. The fund is used to finance vocational training owned by the government. We recommend the uses of such fund to be extended to offer training even to the informal microbusiness. Moreover, Tanzania government may establish informal workers’ skills development fund as Malaysia. The Malaysia’s’ Human Resource Development Fund (HRDF) was established in 1993 to promote increased enterprise-based training among firms, first in manufacturing and then more recently in-service sectors as well. The HRDF spearheads the up-skilling of Malaysian workforce by allowing employers to receive financial

assistance up to 100% to cover the training cost incurred. Employees with no formal education, but have obtained the relevant knowledge, experience and expertise in the workplace will also be certified based on their competency level (Tan and Gill 2000). Having such kind of funds funded by the tax of our people could enable the informal microbusiness to get relevant education and increase their productivity.

Poaching of employees may hamper company's goal and manpower management. Employee poaching takes place when a company hires an employee from a competing company. Employee poaching often happens in the small business when found to perform better, particularly when the business possess special skills e.g. ability to attract and retain new customers. We propose the use of psychological contracts to retain employees and overcome the threats of poaching. The psychological contract is an individual's beliefs about the terms and conditions of a reciprocal exchange agreement between that person and another party. Unlike formal or implied contracts, the psychological contract is inherently perceptual, and thus one party's understanding of the contract may not be shared by the other (Sandra 2013). Previous studies by Dhanpat and Sanjana (2014) have evidenced the role of psychological contracts and employee retentions.

To overcome the challenge of limited/lack of relevance of teaching and learning materials we proposed wide production and accreditation of open educational resources. Further, the resources should be accredited by the bodies and authorities responsible for small and micro business. The Open Educational Resources (OER) are any type of educational materials that are in the public domain or introduced with an open license. The nature of these open materials means that anyone can legally and freely copy, use, adapt and re-share them. These materials can take any of the following formats, Text Books, Curricula, Videos, Teaching notes, Lecture notes, Animation, Tests, Assignments, Projects and Audio. Since the materials are available free, the trainers, and learners, can access, use and share among themselves.

5.0 CONCLUSION, IMPLICATIONS AND RECOMMENDATIONS

The aim of this study was to identify the strategies for meeting the challenges of skills development to informal microbusiness in Tanzania. Based on a literature search the challenges were coupled under four main categories that is, ignorance, perceived cost, lack of resources, employees poaching and lack of contextualized skills development programs. The study proposes a set of mitigation for skills development in informal micro business which include; e-learning, public funded, or low-cost skills development schemes, usage of psychological contracts, contextualizing the skills development programs, and ubiquitous learning. We think that these measures would encourage many informal workers to undergo skills development programs, hence give them more opportunities to development. This study has important implications for the government and the owner managers who should understand the importance of skills development, as it helps in capacity building which in turn ensures the marketability of quality products and services. Hence, investing in training will be beneficial to them.

Proposed area for further study; Existence of skills development strategies in informal micro businesses, If exists are they implemented, If not why and Possible mitigation for not implementing them

REFERENCES

- Bagachwa, M. S., & Naho, A. (1995). Estimating the second Economy in Tanzania. *World development*, 23(8), 1387–1399. doi:10.1016/0305-750X(95)00055-H
- Brijlal, P., Naicker, V., & Peters, R. (2013). Education And SMME Business Growth: A Gender Perspective From South Africa. *International Business & Economics Research Journal*, 12(8), 885-896.
- Kickul, J. (2001). Promises Made, Promises Broken: An Exploration of Employee Attraction and Retention Practices in Small Business. *Small Business Management*, 39(4), 320–335. doi:10.1111/0447-2778.00029
- Kilpatrick, S., & Crowley, S. (1999). Learning in Small Business. *AVETRA Conference Papers*, (pp. 1-9).
- Sandra , L. R. (2013). Trust and Breach of the Psychological Contract. *Administrative Science Quarterly*, 4(4), 574-599. Retrieved from <http://www.jstor.org/stable/2393868>
- Schneider, F. (2002). Size and measurement of the informal economy in 110 countries. *Workshop of Australian National Tax Centre, ANU*, (pp. 1-50). Canberra.
- Udo, J. G., & Ifinedo , P. (2012). Information and Communication Technology Diffusion Issues in Sub-Sahara. *IEEE International Technology Management Conferenc* (pp. 1-7). IEEE. doi: 10.1109/ITMC.2012.6306400

- Walker, E., Janice, R., Webster, B., & Megan, L. (2007). Small business owners: too busy to train. *Journal of Small Business and Enterprise Development*, 294-306.
- Adams, A. V., Silva, S. J., & Setareh, R. (2013). *Improving skills development in the informal sector : strategies for Sub-Saharan Africa* (Vol. 1). World Bank Publications. Retrieved from <http://go.worldbank.org/FUQOCP8U20>
- Allan, B., Matt, R., & Phil, L. (2007). Vocational training: trust, talk and knowledge transfer in small businesses. *Journal of Small Business and Enterprise Development*, 14(2), 280 - 293.
- Allan. (1994). Training the Trainers for Small Business. *Journal of European Industrial Training*, 14(1), 546-563.
- Anita, S. (2009). African Women in the Entrepreneurial Landscape: Reconsidering the Formal and Informal Sectors. *Journal of African Business*, 10(1), 11-30. doi:10.1080/15228910802701296
- Antonios, P. (2011). Barriers to employee training and learning in small and medium-sized enterprises (SME), Development and Learning in Organizations. *An International Journal*, 25(3), 15-18. doi:10.1108/14777281111125354
- Armstrong, M. (1995). *A handbook of personnel Management Practices*, Kogan Page Limited. London: Kogan Page Limited.
- Augustina, A.-K. (2015). Black gold in Ghana: Changing livelihoods for women in communities affected by oil production. *The Extractive Industries and Society*, 2(1), 24-32. doi:10.1016/j.ijedudev.2006.10.
- Bosire, K. J., & Nzaramba, K. (2013). Entrepreneurship skills development and growth of small and medium enterprises in Rwanda. *International Journal of Information Technology and Business Management*, 17(1), 12-28.
- Carmody(a), P. (2013). A knowledge economy or an information society in Africa? Thintegration and the mobile phone revolution. *Information Technology for Development*, 19(11), 24-39. doi:10.1080/02681102.2012.719859
- Carmody, P. (2012). The informationalization of poverty in Africa? Mobile phones and economic structure. *Information Technologies & International Development*, 8(3), 1-17.
- Chen, M. (2007). *Rethinking the informal economy: Linkages with the formal economy and the formal regulatory environment*. United Nations University, World Institute for Development Economics Research. Retrieved from http://www.un.org/esa/desa/papers/2007/wp46_2007.pdf
- Cosh, A., Duncan, J., & Hughes, A. (1998). *Investing in Training and Small Firm Growth and Survival: An Empirical Analysis for the UK 1987-97*. London: DfEE Research Report RR36, HMSO.
- Dhanpat, N., & Sanjana, B. P. (2014). Re-establishing the psychological contract as a precursor to employee retention. *Problems and Perspectives in management*, 12(4), 78-90. Retrieved from http://businessperspectives.org/journals_free/ppm/2014/PPM_2014_04_Dhanpat.pdf
- Doner, J., & Escobari, M. (2010). A review of evidence on mobile use by micro and small enterprises in developing countries. *Journal of International Development*, 22(5), 641-658. doi: 10.1002/jid.1717
- Heeks, R. (2002). *Failure, success and improvisation of information systems projects in developing countries*. Institute for Development Policy and Management Manchester University.
- Hill, R., & Stewart, J. (2000). Human resource development in small organisations. *Journal of European Industrial Training*, 24(2/3/4), 105-17. doi:10.1108/03090590010321070
- Horne, D. R., Nickerson, D., & DeFanti, M. (2015). Improving Supply Chain Efficiency Through Electronic Payments: The Case of Micro-Entrepreneurs in Kenya and Tanzania. *Journal of Marketing Channels* 22.2 (2015); 22(2), 83-92.
- ILO. (1997). *Employment Sector :Employment Report Nu1: Apprenticeship in the informal economy in Africa*. International Labour Organization. Geneva: ILO.
- Jackson, T. (2011). Cross-cultural management and the informal economy in sub-Saharan Africa: implications for organization, employment and skills development. *Australian Journal of Business and Management Research*, 23(14), 82-91.
- Jiménez, A., Palmero-Cámara, C., González-Santos, M. J., Gonzalez-Bernal, J., & Jiménez-Eguizábal, J. A. (2015). The impact of educational levels on formal and informal entrepreneurship. *BRQ Business Research Quarterly*, 18(3), 204-212.
- Kent, D. W., & Mushi, P. S. (1995). *The Education and Training of Artisans for the Informal Sector in Tanzania*. Education Research.
- Kessy, S., & Temu, S. (2010). The impact of Training of on Performance of Micro and small Enterprises Served by Microfinance in Tanzania. *International Journal of Business Management*, 4(2), 103-111.
- Ligthelm, A. A. (2005). Informal retailing through home-based micro-enterprises: the role of spaza shops. *Development Southern Africa*, 22(2), 199-214.

- Liimatainen, M.-R. (2002). *Training and skills acquisition in the informal sector: a literature review*. Geneva: International L. Retrieved from http://www.ilo.org/public/libdoc/ilo/2002/102B09_274_engl.pdf
- Livingstone, D. (1999). *Exploring the icebergs of adult learning: Findings of the first Canadian survey of informal learning practices*. Working Paper No. 10, Centre of the Study of Education and Work, Department of Sociology, University of Toronto.
- Lynn, M. J., Sophie, H., & Stephen, L. (2010). Learning characteristics of small business managers: principles for training. *Journal of Workplace Learning*, 22(3), 146 - 165. doi:10.1108/13665621011028602
- Madhu, S. (2000). Combining Work and Learning in the Informal Economy: Implications for Education, Training and Skills Development. *International Review of Education*, 46(6), 599-620.
- Marsick, V. J., & Watkins, K. (2015). *Informal and Incidental Learning in the Workplace*. (Routledge Revivals). Routledge.
- McGrath, S. (2005). *Skills Development in Very Small and Micro Enterprises*. Cape Town: HSRC Press.
- Mead, D. C., & Liedholm, C. (1998). The dynamics of micro and small enterprises in developing countries. *World development*, 26(1), 61-74.
- Mike, S., Nicki, T., & Sarah, B. (2004). Small business success factors: the role of education and training. *Education + Training*, 46(8/9), 481 - 491.
- Molony, T. (2008). Running out of credit: The limitations of mobile telephony in a Tanzanian agricultural marketing system. *The Journal of Modern African Studies*, 46(4), 637-658.
- Mramba(a), N. R., Mikko, A., Sutinen, E., Msami, P., Tina, K., & Haule, M. (2015). Empowering Street Vendors through Technology: an Explorative Study in Dar es Salaam, Tanzania. *International Technology Management Conference*. Belfast: IEEE Explore.
- Mramba, N. R., Mikko, A., Emmanuel, K. A., & Erkki, S. (2016). Technology for street traders in Tanzania: A design science research approach. *African Journal of Science, Technology, Innovation and Development*, 8(1), 121-133. doi:10.1080/20421338.2016.1147208
- Msoka, E. M. (2013). Do Entrepreneurship Skills Have an Influence on the Performance of Women Owned Enterprises in Africa? Case of Micro and Small Enterprises in Dar es Salaam, Tanzania. *International Journal of Business, Humanities and Technology*, 3(3), 53-62.
- Murphy, T. J., Carmody, P., & Surborg, B. (2014). Industrial transformation or business as usual? Information and communication technologies and Africa's place in the global information economy. *Review of African Political Economy*, 41(140), 264-283. doi:10.1080/03056244.2013.873024
- Noe, R. A. (2010). *Employee training and development*. London: McGraw-Hill/Irwin.
- Obisi, C. (2011). Employee Training and Development in Nigerian Organisations: Some Observations and Agenda for Research. *Australian Journal of Business and Management Research*, 9(1), 82-91.
- O'Riordan, J., Swai, F., & Rugumyamheto, A. (1997). Educational Background, Trainee and Their Influence On Female-Operated Informal Sector Enterprises. *Research on poverty alleviation (REPOA) Research Report*, 97(3).
- Padachi, K., & Bhiwajee, K. S. (2016). Barriers to employee training in small and medium sized enterprises: Insights and evidences from Mauritius. *European Journal of Training and Development*, 40(4), 232 - 247. doi:10.1108/EJTD-02-2014-0018
- Radipere, S., & van Scheers, L. (2005). Investigating whether a lack of marketing and managerial skills is the main cause of business failure in South Africa. *South African Journal of Economic and Management Sciences*(8), 408-4011.
- Roffey, B., Stanger, A., Forsaith, D., & McInness, E. (1996). *Women in Small Business*. A Review of Research Program, Department of Industry, Science and Touris, Flinders University of South Austral.
- Ruiz, J. G., Candler, C., & Thomas, A. (2007). Peer Reviewing E-Learning: Opportunities, Challenges, and Solutions. *Academic Medicine*, 22(5).
- Salazar-Xirinachs, J. M., & Diop, A. (2009). *The Informal Economy in Africa: Promoting Transition to Formality: Challenges and Strategies*. International Labour Organization. Geneva: ILO. Retrieved July 20, 2016, from http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_policy/documents/publication/wcms_127814.pdf
- Sally, S. (2003). E-learning in small organisations. *Education + Training*, 45(8/9), 506 - 516. doi:10.1108/00400910310508892
- Sanda, A., & Ntsiful, A. (2013). Dynamics of Employee Retention Among SMEs in a Developing Economy. *ECENT ADVANCES in BUSINESS ADMINISTRATION, MARKETING and ECONOMICS*, (pp. 119-126). Retrieved from <http://www.europment.org/library/2013/venice/bypaper/BAME/BAME-16.pdf>

- Shabir , H., & Robert , N. L. (2016). Why businesses succeed or fail: a study on small businesses in Pakistan. *Journal of Entrepreneurship in Emerging Economies*, 8(1), 82-100. doi:10.1108/JEEE-03-2015-0020
- Standage, T. (2009). Mobile marvels: A special report on telecoms in emerging markets. *Economist Newspaper*.
- Steinfeld, C., Wyche, S, Cai, T., & Chiwasa, H. (2015). The Mobile Divide Revisited: Mobile Phone Use by Smallholder Farmers in Malawi. *Seventh International Conference on Information and Communication Technologies and Development* (p. 8). Singapore,: ACM. doi:10.1145/2737856.2738022
- Tan , H., & Gill, I. (2000). Vocational Education and Traini. In ILO, & World Bank, *Skills and Change: Constraints and Innovation in the Reform of Vocational Education and Training*,. Oxford University Press.
- Thomas, L., Mélanie , O., & Andrea, T. (2000). SMEs and barriers to skills development: a Scottish perspective. *Journal of European Industrial Training*, 24(1), 5 - 1. doi:10.1108/0309059001030821
- Toyama, K. (2010). Can technology end poverty? *Boston Review*, 35(6). Retrieved from <http://bostonreview.net/forum/can-technology-end-poverty>
- Trojer, L., Rydhamen, B., & Kjellqvist , T. (2014). Inclusive innovation processes–experiences from Uganda and Tanzania. *African Journal of Science, Technology, Innovation and Development*, 6(5), 425-438.
- Tundui, C., & Tundui, H. (2013). Microcredit, Micro Enterprising and Repayment Myth: The Case of Micro and Microcredit, Micro Enterprising and Repayment Myth: The Case of Micro and. *American Journal of Business and Management*, 20-30. doi:10.11634/216796061302240
- URT. (2003). *Small and medium enterprise development policy*. Dar Es salaam: The ministry of industry and trade.
- van der , K., & Steumer, N. (2002). Effectiveness of on-the-job training. *Journal of European Industrial Training*, 26(2,3,4), 196 – 199.
- Vincent, K., & Cull, T. (2013). “Ten Seeds”: How Mobiles Have Contributed to Development in Women-Led Farming Cooperatives in Lesotho. *Information Technologies & International Development*, 9(1), 37-48.
- Wangwe, S., & Mmari, D. (2013). *Promoting Micro and Small Enterprises for Inclusive Development: Managing the Transition from Informal to Formal Enterprises*. Dar es salaam: REPOA.
- Welsh, E. T., Wanberg, C. R., Brown, K. G., & Simmering, M. J. (2003). E-Learning:emerging uses, empirical results and future directions. *International Journal of Training and Development*, 7(4), 245-258. Retrieved from https://www.researchgate.net/profile/Connie_Wanberg/publication/227601946_E-Learning_emerging_results_and_future_directions/links/02bfe50db7b2bd976d000000.pdf
- Wongtada, N. (2014). Street Vending Phenomena: A Literature Review and Research Agenda. *Thunderbird International Business Review*, 56(1), 55-75.
- Wyche, S. P., Schoenebeck, S. Y., & Forte, A. (2013). Facebook is a luxury: An exploratory study of social media use in rural Kenya. *In Proceedings of the 2013 conference on Computer supported cooperative work* (pp. 33-44). ACM.