Insufficiency of Social Security in the Informal Sector

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Social Security is a Human Right

- Social security is an important tool in preventing and reducing poverty, inequality, social exclusion, and social insecurity. It acts as an economic stabilizer and helps stimulate aggregate demand in times of economic crisis and beyond. Investing in social security is empowering people to work towards their self-reliance, making them more productive and contributing to economic development (International labour conference: recommendation 202)

- Governments have always strived to put in place social security programs and other necessary infrastructures to ensure social justice, equitable development and social cohesion is provided to its citizens. However, despite the social security being a human right and the political will, the issue which is yet to be resolved is how to extend social security to informal sector especially in underdeveloped and developing countries.

- ILO World Social Security Report 2010-2011
Focus of the Research

Mines, Manufacturing and non-manufacturing
CHALLENGES
CHALLENGES:

- The majority of the employers in the informal sector are reluctant to contribute towards social security;
- The informal sector employees are paid low wages and remain with no savings to secure their social security and others have dependants to cater for, this reduces their capacity to contribute towards social security arrangements;
- Informal sector employers do not follow the labour laws and regulations in the process of recruiting;
- Informal sector workers find the strict criteria involved too onerous like of contribution requirements, vesting policies and requirements on the government structure of pension fund itself;
The majority in the informal sector are mainly the youth who feel reluctant to contribute to pension branch where benefits are realised in a distant period of time hence abstaining.

Majority in the informal sector are not organised making it difficult for government programs to reach them.
General Observations

The challenge is partly in the tracking and keeping record of the people working in the informal sector, and partly due to the traditional role of family support and the limited policy initiatives, thus frustrating all efforts aimed at extending social security to those involved.

Informal sector system undermines implementation of the social security to employees due to the set up and how the sector operates.

Informal sector employees are paid lower salaries and do not have formal contracts that guarantee them accessing social security.

Employees in the informal sector have dependents including children, the aged and the disabled who need specific attention through the provision of basic needs and these aren’t available as required due to the nature of the employment of these employees.
Informal sector workers are aware of the social security benefits and are willing to contribute if better mechanisms are established that reflect the nature of the informal sector. This will definitely improve livelihoods of their families/households as well as increase productivity.

Informal sector workers are aware of the sudden shocks that may hamper their working conditions and a threat to their future survival.
Recommendations

- Social Security institutions should increase coverage to tap into the informal sector arrangements.
- The governments need to modify and adopt laws that will accommodate informal workers with irregular incomes.
- The system needs flexibility; flexibility in terms of contributions, flexibility in terms of withdrawals may be necessary to encourage informal sector workers to participate in pension arrangements. Given that these workers come from vulnerable groups of society, having access to long-term pension savings may be required to cover periods of unemployment, for emergency spending (such as on health care) or for other life essentials, such as housing.
Cooperative agencies should work hand in hand with social security institutions to sensitize cooperatives in joining social insurance

Relaxing some requirements to the level which is consistent with the situation relating to informal sector workers (no size fits all)

Local authorities should mobilize and sensitize individual informal sector workers on the benefits of social insurance

Social security should be part of formal education curriculum

Policy and incentive schemes should be established and promoted to enable the private sector to actively participate in social security
Recommendations-Cont’d

- Unemployment benefit fund should be established to cater for loss of employment for a specified period; this would encourage informal sector workers to participate in social insurance and this will help mitigate shocks caused by loss of employment.

- Governments in SADC should institute mechanisms of monitoring the informal sector to ensure contribution and compliance is respected.

- Laws determining the modalities of voluntary affiliation to the branches of pension in its should be updated to suit the present situation.
Recommendations-Cont’d

- Preretirement benefits should be put in place to encourage informal workers participation in social insurance.
- Formula for calculating pension and lump-sum benefits should be made to accommodate indexation.
- Civil Society Organizations (CSOs), Faith Based Organizations (FBOs), Community Based Organizations (CBOs) and NGOs both local and international should help in sensitizing population on the benefits of social security.
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