Extension of coverage to the workers in the informal economy:
Lessons learnt from field research to build comprehensive social protection systems

SASPEN INTERNATIONAL CONFERENCE: COMPREHENSIVE SOCIAL PROTECTION IN THE SADC
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In most low and middle-income countries, formal sector workers have access to social protection.

Some programmes target the poorest, leaving the rest of the informal sector uncovered.

Existing universal schemes (e.g. old-age pensions in Lesotho or Swaziland)
Social protection floor

• All residents should enjoy at least a minimum level of social security
• Member states of the ILO should establish SPFs as a fundamental element of their social security systems
Reaching higher levels of coverage

• Based on this floor, extend social security to provide progressively higher levels of SP benefits to more people

Higher levels of social security to more people

Nationally defined SPF

Level of protection

Population

Poor

Rest of informal economy

Formal economy
Dual Social Protection System

- Non contributory
- Contributory

Income/Contribution Level

Benefit Level

Minimum Contributory Pension
Strategies for Extension of Social Protection: Building a Non-Contributory Floor

- Benefit Level
- Income/Contribution Level

Non contributory

Contributory

Minimum Contributory Pension
Strategies for Extension of Social Protection: Building a Non-Contributory Floor
Strategies for Extension of Social Protection: Extending Social Insurance

Critical to consider the incentive structure: subsidize access to Social Protection, do not subsidize informality
How can social protection contribute to formalization? Two approaches

- Extend social security through formalization
  - Formalising informal workers in order to give them access to existing social security schemes (e.g. social insurance)
- Extend social security independently of status
  - Extending coverage through non-contributory schemes and other approaches

- Convention 102, Social Security (Minimum standards)
- Recommendation 202 (2015) on Social Protection Floors
- Recommendation No. 204 (2015) concerning the Transition from the Informal to the Formal Economy

Can contribute to formalization in the medium and long-term
Informal economy in Zambia

- Working age population: 6.7M; 45% of total population
- Economically active: 6.3M
  - Employed: 5.8M
  - Unemployed: 0.5M
- Informally employed: 5.2M
- Economically inactive: 1.8M
  - Formally employed: 0.6M

89% employed workers engaged in the informal economy – 77% of working age population
56% are women
62% in rural areas
Context: Trends in Informality
Labour Force by Employment Type

Evolution of the informal economy from 2005 to 2014
-4.6% as a share of the total employed population
+ 1,730,698 workers in the informal economy
Field research on extension of social protection to workers in the informal economy in Zambia

Focus on:

- Domestic workers
- Small holder farmers
- Saw Milling workers/Construction workers

All together: 76% of workers in informal employment in Zambia
Understanding Needs & Specificities

**EMPLOYMENT ARRANGEMENTS**

Various employment status

Oral contract in most cases
- Basic agreements on remuneration and working hours
- Rare provisions of social security benefits

High Job insecurity
- Can be replaced over-night
- Casual employment/piece work

**INCOME PATTERNS**

Diversity of income patterns in the sectors

Seasonality, frequency of payment

But often low and unpredictable income

<table>
<thead>
<tr>
<th>Employment arrangements</th>
<th>Employed</th>
<th>Self-employed</th>
<th>Mixed, Casual work essentially</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated average salary (per month)</td>
<td>ZMW 494</td>
<td>ZMW 856</td>
<td>ZNW 600-800</td>
</tr>
<tr>
<td>Periodicity of payment</td>
<td>Monthly</td>
<td>Annually</td>
<td>Daily, Weekly, Monthly</td>
</tr>
<tr>
<td>Job insecurity</td>
<td>High</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Unpredictability of income</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Seasonality of income</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
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Limited access to Social security and rights at Work

Findings from field research

<table>
<thead>
<tr>
<th></th>
<th>NAPSA</th>
<th>WCF</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment of health expenditures</td>
<td>3%</td>
<td>0.6%</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>0%</td>
<td>0%</td>
<td>9%</td>
</tr>
<tr>
<td>16% are helped by the employer</td>
<td>Meet health expenditures costs on their own</td>
<td>35% helped by the employers</td>
<td></td>
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</tbody>
</table>

NAPSA 3% 0% N/A
WCF 0.6% 0% 9%
Payment of health expenditures 16% are helped by the employer Meet health expenditures costs on their own 35% helped by the employers
Challenges to extension of coverage

- Employment arrangements
- Limited knowledge on Social Protection
- Weak workers organization, and Isolation, Fragmentation
- Low, unpredictable, irregular income/Low contributing capacity
- Abundance of low demanding, low qualified workforce on the market
- No documentation on employment
- Limited knowledge on Social security legal requirements
- Cost of compliance
- Low trust in Government’s institutions
- Financial constraints and business unpredictability
- High staff turnover
- Limited demand from workers
- Limited provision of Social Security coverage from employers

Inadequate regulatory framework, design, financing and implementation of Social security systems

No subsidies to contributions
Design of Social security systems
Exclusion from legal framework
Weak enforcement

LOW SOCIAL SECURITY COVERAGE AMONG WORKERS IN THE INFORMAL ECONOMY
Social Security – What workers say

Old-Age pension: “If we get a pension, at least we feel we still have our own dignity even if we are too old to work”

“These [pension, worker compensation fund, social health insurance] benefits will bring us peace of mind.”

Health: “If we fall sick when we don’t work, we have no money for the clinic. Social Health Insurance is the solution”

Work injury: “It is important because you can be helped even when the boss has no money to pay for you at the time of injury”

Health: "Most of the time we don't have the money. If we borrow, it is at a 50% interest rate, we don't do that, we just sit and die”
Opportunities: Willingness to contribute to social security

Willingness to contribute to selected social security schemes, among domestic **workers**, small scale farmers and saw mill workers in Zambia, 2015

<table>
<thead>
<tr>
<th>98%</th>
<th>88%</th>
<th>86%</th>
</tr>
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<tbody>
<tr>
<td>2%</td>
<td>12%</td>
<td>14%</td>
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</table>

Willingness to contribute to select social security schemes among **employers** of domestic workers and casual saw mill workers

<table>
<thead>
<tr>
<th>35%</th>
<th>65%</th>
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<tbody>
<tr>
<td>38%</td>
<td>62%</td>
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</table>
Strategies to provide Social Protection to the population of Zambia

**Integrated framework – Contributory and Non-contributory Social Protection**

**Social Assistance:**
- Plurality of Social Protection programmes (PWAS, FISP)
- Social Cash Transfer, 238,000 households covered (8% of the population)
- BUT limited funding => limited coverage and benefits; issue of targeting

**Social Security:**
- Extension of Social Security coverage to workers in the informal economy is high on the agenda
- Recognition that systems are not adapted to IEW characteristics and needs and that more substantive structural challenges to penetrate the informal economy are needed

Integrated framework under development
Social Protection Floors

- Integrated framework – Contributory and Non-contributory Social Protection

Voluntary top up insurance (Old-age, Health, Life, etc.)
Mandatory occupational pension schemes (NAPSA, PSPF, LASF, WCF, SHI*)
Free primary health care,
Maternity protection
Cash transfers

Ensuring a basic level of social protection and thus a decent life. SPF recommendations 2012 (No 202)
Strategies to provide Social Protection to the population of Zambia

- Development of a generic model, (broad risk pooling) with tailored approaches to address diversity – Pillars of the strategy:

**Benefit package adapted to priority needs:**
- Progressive realization
- Attractiveness
- Focus on Incentives rather than enforcement

**Alternative Financing options**
- Financial accessibility, Equity, Universality, Solidarity
- Innovation

**Innovative delivery mechanisms**
- Cost-efficiency
- Partnerships/aggregators/mobile money
- Grievance mechanisms

**Create incentives to formalization**
- Focus on Incentives rather than enforcement
- Higher Contr./ Higher Benefits

**Social Dialogue**
- Tripartite mechanisms
- Consensus and synergies
- Support to workers organization to strengthen the workers’ voice in the informal economy
Strategies: Stepping-up the game

Revision of Legislative framework
Provisions for coverage of informal sector incorporated in Social Protection Bill

Experimentation/innovation in scheme design
Construction sector (casual workers); Domestic Workers (wage employed)
Agriculture/fisheries sector (self-employed)

National strategy on extension of coverage

Analysis & Evaluation?
Feasibility Assessments
Rigorous M&E framework

Linkages & Complementarities?

Institutional factors?

Support to Institutional/Administrative Reform?

Tripartite Technical Working Group

Financing
Actuarial analysis/Review of benefits package
Study on Sector Levy

Joint implementation
Construction-NAPSA/WCF

Provisions for coverage of informal sector incorporated in Social Protection Bill
Conclusion: Some lessons learnt in the process:

- Quick wins versus long term gains
- Multifaceted problem that requires complex response with technical expertise at multiple levels (legislation, product design, administration, financing, institutional coordination)
- No silver bullet: invest in assessments, experimentation and evaluation
- Social dialogue is critical to success, but there is a great problem of representation of workers in the informal economy -> who represents the “informal economy” in the political space
- Create policy space for discussion of social protection systems in an integrated manner: consider synergies (and trade-offs) between contributory and non-contributory systems
Publications

Reports online: