Social Protection for Those Working Informally
Social & Income (In) Security in the Informal Economy

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Keynote Address by the Guest of Honour:
SPIREWORK - Social Protection for Rural and Informal Workers,

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PROTOCOL

I wish to extend to you all present here, warm greetings of Her Excellency, Dr Nkosazana Dlamini-Zuma, the Chairperson of the African Union Commission, who, as you know, takes the wellbeing of the people of the Continent very seriously, especially social development issues, and in this case social protection and the well-being of workers, creation of decent jobs and employment for youth, women and persons with disabilities.

This conference is taking place at a historic period. This is a watershed year for Africa, which marks 50 years of the Organization of African Unity (OAU) and the African Union. The 50th OAU/AU anniversary is observed and organized under the theme: “Pan Africanism and African Renaissance”, providing us with opportunities to take stock of the key milestones of the past 50 years and to project to the future. How well have we provided decent jobs, social protection for our people, particularly the youth and women and tackled poverty? As we project into the next 50 years i.e. by 2063, will our narrative still be poverty or we would have eradicated poverty and ensure social protection for all our people? I hope that participants at this conference who are Experts in the area of social protection will take time to reflect on where we want to be in the next 50 years.

It is in this context that we should situate social protection for those working informally. The AUC document LSC EXP 4(IV) described informal economy as including: enterprises, which are not usually registered, and have low level of organization, productivity and profitability, has limited access to markets, credit facilities, formal training and public services. They have very small or no fixed premises, and finally, are not recognized, supported or regulated by the public authorities and don’t comply with social protection regulations, employment legislations or health safety provisions. This description is broad and encompasses both the rural and urban areas, as well as to labour not included in the normal regulating system.

The AUC’s description of the informal economy is broad but raises certain questions. Are those engaged in this sector working informally? Can we really call the sector where more than 70% of the workforce is engaged as informal? Let us consider the following characteristics and contributions of the informal economy:

- The so-called informal economy is a major contributor to job creation in Africa. It accounts for around 80 percent of new jobs in Africa. It employs up to 31% of South Africa’s labour force, 95% of Benin, over 90% of Cameroon and Mali. About 70% of those working informally are self-employed workers, mainly in street vending and trading.
• The Informal Economy is a major contributor to wealth creation, as the sector generates about 40% of the GNP of low-income nations and 17% of the GNP of high-income ones. In Africa, the size of the informal economy as a percentage of gross national income (GNI) ranges from under 30% in South Africa, the continent’s largest economy, to almost 60% in Nigeria, Tanzania and Zimbabwe (World Bank). It contributes to the enlarged middle class in the Continent.

• The informal economy is a major contributor to household income generation, social and family stability, as it creates jobs for unskilled workers and relieves urban employment tensions. It also offers a social security buffer in cyclical downturns, economic crisis or when the public sector is downsized. These informal micro-enterprises often operate in the poorer parts of African urban areas as well as in rural areas where Income-Generating Activities (IGAs) are the predominant forms and constitute an important source of household income supplementing farming incomes.

• Africa is faced with a Youth unemployment and demographic challenge, having the fastest-growing and most youthful population in the world. Women dominate the informal sector where they represent about 92 per cent of the total job opportunities outside of agriculture (against 71 per cent for men); and almost 95 per cent of these jobs are performed as self-employed or own-account workers and only 5 per cent as paid employees. In fact, Africa has the highest share of women employed informally, compared to the rest of the world. Policies and interventions have to take into account the gender nature of the informal economy in order to avoid perpetuating the gender gaps.

• Globalization tends to reinforce the links between poverty, informality, and gender. But globalization has also lead to new opportunities for those who work in the informal economy in the form of new jobs for wageworkers or new markets for the self-employed. Much of the recent rise in informality in Africa reflects the decline in formal employment associated with structural adjustment and global competition. The impact of the current global economic crisis will significantly worsen the situation.

Challenges

In spite of the higher percentage of people working in the informal economy, relative to the formal sector, they are working poor and without any social protection. The labour market institutions do not address the needs of the workers in these sectors, in terms of social protection, skills development, employment services and workforce management, productivity improvement, social dialogue and knowledge development through appropriate research and survey programmes. To a great extent, these challenges also apply to Small and Medium Sized Enterprises which are poorly covered by the services offered by the labour market institutions, in particular the labour inspection and public employment services.
Indeed, the lack of social protection is a key defining characteristic of the informal economy. Only some 20% of the world’s workers have adequate social protection. In Africa, not more than 10% of the labour force, mainly those in the formal sector are covered by statutory social security schemes. Working conditions in the informal economy are precarious, unsafe, and very poor both in terms of remuneration and occupational health and safety. Social protection of the African Informal workers, including the rural workers which represent together 70-80% of the workers, must be viewed as an issue of human right, human security, productivity, equity and social solidarity.

Moreover, the lack of, or insufficient recognition and legal protection of the informal workers under legal and regulatory frameworks is fuelling their high level of vulnerability and poverty. The representational gap the informal and rural workers is a impacting negatively and will impede their effective access to productive assets, capital and products markets, training and health systems, infrastructures and public services. There is a need off fostering representative, democratic and functional organizations in the rural and informal economy.

Similarly, poor information base about the informal economy has hampered effective policy making, advocacy and lobbying activities. Improved statistics on the informal economy would increase its visibility as well the understanding of its composition and of the processes behind its growth, including its contribution to economic growth and its link with poverty.

Then there is the skill gap. The education levels of the Informal workers are very low limiting their trainability and leading to modest skill levels. Skills development for the African Informal Economy has become an urgent matter not only for the development and employability of individuals, but also for stimulating economic growth and reduction of poverty in Africa, and can be instrumental in upgrading micro and small enterprises. In education priority is given to functional literacy. But the pattern is changing as more young workers with more education are entering

There is also the challenge of finance. Lack of funds and/or access to credit is a significant constraint to growth in the African informal economy. The challenge is to meet the needs of micro and small entrepreneurs and to facilitate their access to working capital and technology. Access to financial services underpins the ability of the poor to achieve the MDGs in a sustainable way, manage their risks and reduce vulnerability.

The prevalence of child labour in the informal economy is a major challenge for the sector. The worst forms of child labor are defined as work that is likely to harm children’s health, safety or morals, such as the use of children in armed conflict, domestic labor, trafficking and commercial sexual exploitation, and dangerous work in the agricultural, as well as informal commercial and service sectors of the economy.
Child labour is rife in the informal economy. Because employers in this economy are not accountable for complying with occupational safety measures, children are often in the most hidden and hazardous forms of work, running the risk of injury without any social protections.

One of the main challenges for modernizing the informal economy has been the legal and regulatory environment barriers. That is how to improve its governance by putting in place multi and cross sectoral policies that create a more favorable investment climate for enterprise in it, rooting out corruption. The informal economy operators are faced with the lack of, or weak access to market information, public services, insurance, technology and training that exclude them from the benefits of formalization. In addition, the absence of an appropriate system of property rights and the titling of the assets of the poor working prevents the generation of productive capital needed for business development. Improvements on registration procedures and property rights can have tremendous impacts on formalization and quality jobs creation, as it happened in Peru. Informal enterprises are often excluded from the public procurement policies, due to their competitiveness as linked to their size, weak technical capacity to participate, lack of information and their limited organization capacity.

The lack of National and Local Policy (Urban regulations and policies) on the Informal Economy is common within African countries, contrary to India and China. For example, the Chinese Government has taken increasing interest in the IE as a means to address the issue of unemployment. The Shanghai Municipal Government has proceeded furthest in creating a favorable policy and regulatory environment for promoting the informal economy, and is considered being a pioneering model for the development of the informal economy in China. In its Common Minimum Programme (CMP), the Indian Government committed itself firmly to ensure the welfare and well-being of the informal workers, putting in place a National Commission for Enterprises in the Unorganized Sector (NCEUS), as a focal point in respect of policy initiatives for the empowerment of informal businesses, and preparing a “National Policy on Urban Street Vendors”. Also, the NCEUS drafted two Bills: (1) Draft Unorganized Sector Workers (Conditions of Work and Livelihood Promotion) Bill, 2005 and (2) Draft Unorganized Sector Workers Social Security Bill, 2005.

In spite of these challenges, we need to look beyond the 10% of workers in the modern sector, listen to the overwhelming majority of the workforce in the informal economy and rural sector, and join our efforts in bringing them progressively into the mainstream economy to secure decent jobs for them. This brings me to what the African Union has been doing in this respect.

AU Leaders and Social Protection for Informal Economy and Rural Workers

1 Howell J., Good Practice Study in Shanghai on Employment Services for the Informal Economy, 2002
2 Legal Mechanisms to empower Informal Business-Bangladesh Perspective, 2007, Government of Bangladesh
The first bold step was taken at the Extraordinary Summit of Heads of States and Government on Employment and Poverty Alleviation in Ouagadougou, in September 2004. The Ouagadougou 2004 Plan of Action (PoA) on Employment and Poverty Alleviation devotes its Key Priority Areas 4 and 10 to extending social protection to those who are excluded in the informal economy and rural sectors and members of their families. The Heads of States were clear on how this goal should be achieved:

- providing affordable health care including through community-based health insurance schemes and strengthening viability of existing schemes;
- providing occupational safety and health coverage to vulnerable workers especially in agriculture and the informal economy;
- encouraging and supporting the development of micro-insurance and innovative decentralized social security schemes to provide social protection through community or group support. (EXT/ASSEMBLY/AU/4 (III))

The second bold step was when the AU Labour and Social Affairs Commission requested the AUC to conduct a Study on the Informal Economy in 2007. The findings pointed to the key role of the IE in the socio economic development process and the challenges encountered in various domains. A kind of wake up which leads to further commitment at continental level with the adoption of the Programme on Upgrading the Informal Economy (AU Summit, Addis Ababa, January 2010). The approach for upgrading the informal economy, formalizing will say others is grounded on core principles, and strategic initiatives which are: (i) Advocacy for African Informal Economy Visibility and Recognition, which includes the creation of an African Centre on the Informal Economy; (ii) Capacity Building and Empowerment of the African Informal economy; (iii) Productivity and Competitiveness of the informal economy workers and enterprises. Information was provided on the institutional arrangements and, the monitoring and evaluation mechanism.

The third bold step consisted of incorporating social protection for informal economy and rural workers in the AU Social Policy Framework for Africa (Windhoek, October 2008), which is the umbrella policy instrument on human and social development in the Continent. The approach builds on key functions of the SPF: Reproduction conditioned by training and health of the future labour force; Production for job creation that reduces poverty; Redistribution that ensures equitable opportunities and outcomes; reducing social problems and raising quality of life for all; and Protection through access to basic social services, including welfare services, and a basic income for all, including social insurance.

Specifically under Employment and Labour Strategies the SPF:

- “Give the informal sector the necessary support by removing administrative, legal, fiscal and other obstacles to its growth, and facilitate its employment creation functions with access to training,
appropriate legislation, productive inputs, social protection, and improved technology”

- “Develop and extension of social security and social protection to cover rural and informal workers as well as their families”

The **fourth bold step** comes with the Social Protection Plan for the Informal Economy and Rural Workers (SPIREWORK), adopted during the Malabo Summit, July 2011. The main thrust of SPIREWORK is that their access of these categories of workers to social protection regimes will facilitate the formalization and modernization of their activities.

There are other AU legal and Policy instruments that complement the SPF and SPIREWOK and aimed at social protection and well-being of the people. Among them are: African Charter for the Rights and Welfare of the Child, the Maputo Protocol on the Rights of Women, Africa Health Strategy: 2007-2015, the Abuja Declaration on HIV-AIDS, TB and Malaria and CARMMA at the informal workplace.

Similarly, there are international policy instruments and agenda that complement and provide synergy with the SPF and the SPIREWORK. They include but not limited to:

- **UN Social Protection Floor Initiative and the ILO Social Protection Norms**
  - (i) essential services: access to public services (water and sanitation, health, education and family focused social work support”); and
  - (ii) social transfers
- ILO Social Security standards :
  - Income Security Recommendation, 1944 (No. 67),
  - Medical Care Recommendation, 1944 (No. 69),
  - Social Security (Minimum Standards) Convention, 1952 (No. 102)
- **Africa-EU Partnership on Migration, Mobility and Employment commits to social protection for the informal workers**
  - Special emphasis is put on the creation of more, more productive and better jobs in Africa and the link to social protection as well as to the informal and social economy.
  - 2ND Africa-EU Action Plan (2011 – 2013) contains a number of concrete actions:
    - Decent Work Initiative will allow AUC and EC to jointly launch a project with the objective of extending social protection coverage in particular in the informal economy (to be discussed in Brussels in September 2013).
Regional and Sub-regional fora on employment, labour, social protection and labour migration also aims at improving productivity, working conditions and social protection coverage in the informal economy, including migrant workers.

SPIREWORK and the MDGs

- MDG1: Poverty Reduction
- MDG3: Women Empowerment
- MDG4: Under-5 Mortality
- MDG5: Reduction of Maternal Mortality
- MDG6: HIV/AIDS
- MDG8: Partnership/Youth Employment

SPIREWORK: AU STRATEGY TOWARDS SOCIAL SECURITY FOR THE INFORMAL ECONOMY AND RURAL WORKERS

The SPIREWORK has three components: (A) Core guiding principles; (B) a Minimal Social Protection Package and (C) the Enablers for achieving the Minimum Package.

**A. The Core Guiding Principles**

- Freedom, equity, security and human dignity for all workers;
- Upgrading the informal economy is part of Human Development and of human security, meaning freedom from fear, minimal income security, being in control of one’s development, and voice representation;
- The informal economy is considered as a catalytic vehicle which can serve as an accelerator of the attainment of most of the MDGs.
- The upgrading of the informal economy is considered as a critical lever of “attaining a middle income status country” and expanding the necessary *Wealthy Middle Class* for the AU Member States.
- The dynamic diversity of the informal economy allows to develop a cluster approach in the implementation of the SPIREWORK by the AU member States;
- Address and eliminate the particular vulnerability and insecurities of youth and women in the Informal Economy;

**B. The Minimum Social Protection Package**
The Member States have primary responsibility for defining and implementing the Country Minimum Substantive Social Protection Package for the Informal Economy and Rural Workers through:

- A National gap analysis on how many people need to be covered through social protection, which categories of informal sector workers exit, which targets which should be pursued regarding social protection for these workers, and what the social protection needs of the informal economy and rural workers are;
- Reassessment of social protection policies and programmes for better targeting and aligning with SPIREWORK;
- Determination of 5 informal economy clusters for quick impact interventions, using Value Chain Analysis method,
- Review of laws and regulations, policies, strategies and programmes as they relate to access of the informal and rural workers to social protection measures,
- Special initiatives on CARMMA, HIV-AIDS, TB and Malaria policies in the informal and rural workplaces;

C. **Enablers for achieving a Minimum Social Protection Package**

- Statistics and knowledge base on social protection on the informal economy and rural sector (including development of social protection indicators adapted to the sector);
- Organizing of the informal economy and rural workers, and their participation in the policy dialogue at national and local level;
- Policies to enhance women’s economic security;
- Sound analytical work with respect to the main vulnerabilities and insecurities of the informal economy by sub cluster;
- Quantitative analyses of the cost, benefits and long term financial and fiscal sustainability of alternative and innovative social protection systems;
- Social research and best practices sharing
- Public-Private Partnership;
- Cooperative systems, the NGOs, FBO and CBO as change agents for an effective channeling of social protection measures to the informal economy and rural sector workers and members of their families;
- Enhance the technical, infrastructural, and institutional capacities of Ministries responsible for social protection.

**AUC’s roles:**

- Dissemination of the SPIREWORK to MS, RECs, international partners and other key stakeholders through advocacy and training initiatives
- Develop benchmarks for a range of social protection measures for Informal Economy and Rural Workers for implementation by Member States and follow-up by RECs;
- Develop tools for the implementation of the SPIREWORK;
• Support African countries for formulation, implementation and follow-up, M&E of Pilot Projects on Social Protection for Rural and Informal workers;
• Establish a process for best practice learning;
• Design effective impact assessments, monitoring and evaluation;
• Facilitate international cooperation including south-south cooperation;

UN Agencies and Development Partners:

• provide technical support and financial assistance to AU Member States, AUC, RECs and other key stakeholders;
• Review their development policies and support programmes to make them more friendly to and supportive to promoting social protection for the informal economy and rural workers, and members of their families;
• Work towards coordination of and synergies in planning, funding and monitoring and evaluation of their programmes.

Regional level: The Regional Economic Communities:

• Integrate SPIREWORK in the design and implementation mechanisms of their social protection policies and programmes;
• Facilitate and/or support creation and development of regional professional organizations of informal and rural workers;
• Harmonize or coordinate the social protection policies and legal/regulatory frameworks in view of facilitation regional integration through improved labour mobility;
• Conduct research and studies, compile and disseminate best practices
• Harmonize their trade policies and mechanisms in order to facilitate Cross-Border Trade and market access by the workers in the informal economy, in particular in activities where women are concentrated;

Civil Society Organizations:

• Spearhead advocacy and capacity building activities at national, local, regional and continental levels for the Minimum Social Protection Package for Informal and Rural Workers to be instituted;
• Employers' organizations and Trade Unions to assist in establishment and strengthening of informal economy and rural workers organizations at all levels;
• International CSOs such as WIEGO, StreetNet, Povnet, Foundations are called upon to provide support and assistance

Over the last fifty years, we have listened to much rhetoric on labour market issues, social protection and challenges. Since the period of structural adjustment programmes, the labour and employment sector has borne the bulk of the cost of regulatory framework reforms and downsizing of labour market institutions. It has been, and still is
hard for African countries to re-emerge with effective labour institutions from this period of drastic reforms with the structural adjustment programmes. With our growing economy, we have the opportunity to change things and ensure that our economic growth and development is an inclusive one that offers social protection for all.

The Informal Economy is an area where Africa can be creative in developing innovative job market systems, be among the leading regions of the world and contribute to the conceptual, policy and technical work at global level. It is our responsibility to engage in such work. We could as a starting point, establish an observatory on the informal economy which could be the establishment of the African Centre of the Informal Economy.

I thank you.