Social Protection and Informal Workers in Zimbabwe

By
Henry N. Chikova (Dr)

Paper presented at the
SASPEN and FES
International Conference
16-17 September 2013,
Birchwood Hotel
Johannesburg, SA

Introduction

- In the foreword to the ILO Recommendation 202 of 2012 on Social Protection Floors, Guy Ryder the Director General of the International Labour Office notes that “social security is a human right and all people, regardless of where they live, should be guaranteed at least a floor of basic social protection …. and that social protection is a basic economic necessity to combat poverty” (International Labour Organisation, 2012).
Introduction

- Informal sector in Africa is increasing; in employment terms and in contribution to GDP.
  - Little attention has been paid to it with regards to social protection, due to absence of an employer-employee relationship, which makes it difficult to make formal arrangements for the coverage of the sector. Zimbabwe is not an exception.

- Less than 20 percent of the labour force is covered by social security (National Social Security Authority, 2012).

- Other forms of social protection offered by the Government under its Social Assistance programmes are largely means tested, excluding large population segments, most of which work in the informal sector.

- *This paper looks at the extent of the informal economy in Zimbabwe, existing social protection systems, both formal and informal, what we can learn from these arrangements and how social protection arrangements can reach informal sector workers.*
The extent of the Informal economy in Zimbabwe

Concepts:

- **Informal sector**: enterprise-based
- **Informal employment**: job-based
  - in **informal sector** if the establishment was neither registered with the registrar of companies nor licensed, or was licensed only.
  - Households employing paid domestic workers only and those involved in agriculture were not considered as informal sector enterprises.

The extent of the Informal economy in Zimbabwe

Concepts:

- **Informal employment**
  1. employers and own account workers employed in their own informal sector enterprises,
  2. all contributing family workers,
  3. all own account workers (communal farmers, peri-urban, resettlement farmers)
  4. paid employees not entitled to any of the following: contribution to a pension fund by employer, paid annual leave, paid sick leave and written contract with employer.
- This definition encompasses groups that are excluded from formal social protection cover. This paper is interested in the population in informal employment.
The extent of the Informal economy in Zimbabwe

- LFCL Survey of 2011: currently employed population aged 15 years and above was estimated to be 5.4 million and of these 4.6 million (84 percent) were in informal employment.
  - Females constituted 53% of the population in informal employment.
  - Above half (58%) of the population in informal employment was aged between 15 and 34 years.
  - Nearly 80% in informal employment were own account workers in the agriculture sector (communal, resettlement and peri-urban farmer).
  - 10% were own account workers in other sectors,
  - the remainder were either casual, temporary, contract or seasonal workers.

Social Protection systems

Legal Provisions:

The constitution of Zimbabwe:

- provision of social protection to selected population groups.
- respect of the elderly, children and people with disabilities.
- National objectives
  - empowerment,
  - employment creation,
  - food security.
  - right to education
  - economic empowerment of youths 15 and 35 years
Social Protection systems

Formal Social Protection Systems

Social Assistance Schemes:
- **Basic Education Assistance Module (BEAM)** – needy children in primary and secondary schools (630,000)
- **Assisted Medical Treatment Order (AMTO)** – means-tested administered through the Ministry of Health, funded by the Gvt.
- **Harmonised Social Cash Transfers** - It is a means-tested, donor funded; direct cash transfer to OVC, ultra-poor and labour constrained households, about 14,000 households were assisted in 2011
- **Food Deficit Mitigation Strategy** – qualifying households receive grain, funded by Gvt with WFP as technical partner
- **Child Protection Services**: Gvt and donors finance the programme - about 20,000 vulnerable children under the age of 18 years access the services nationally.
- **Support to Older Persons**: caters for older persons above 65 years who are in institutions
- **Support to Persons Living with Disability**: Drought Relief Public Works Programme (PWP), Education Block grants

Social Protection systems

Formal Social Protection Systems

Social Insurance schemes:
- **National Pension scheme** – 38%
- **Public Service Pension scheme** – 43%
- **Private Occupational Pension schemes** -11%
- **Other private arrangements** – 8%
- **WCIF** – insurance against work related injuries and diseases
- **The Maternity scheme** – provided for in both the Labour Act and the Public Service Act. Financed by the employer – 3 months leave
- **Private Medical Aid schemes**

% of pensioners covered LFCLS - 2011
Government Initiatives targeting those in the informal sector

- **Indigenisation and Economic Empowerment** e.g. Community share schemes
- **National Youth Policy** - Establishing a youth fund and encourage access to capital by the youth, ensure fair distribution of land for the youth who have reached legal age of majority and provide appropriate training for its utilisation

Informal Schemes

- **Burial Societies** - Pooling resources together to provide financial assistance to members in the event of death or illness.
- **Co-operatives** – (*Osusu in The Gambia*) Entails contributing a certain amount of money every month with each member in turn accessing this money or sometimes goods.
- **Zunde raMambo/Insimu yeNkosi** – people work as a community in fields designated by the chief, where the produce is used to feed the less privileged in the community
- **Informal Transfers**: from within the country and from abroad
Linkages between the Formal and Informal Schemes

- NSSA has in its investment portfolio a component of social and economic investments geared on empowering common Zimbabweans.
- Loans to Small to Medium Enterprises (SMEs) through umbrella organisations the Small Enterprises Development Cooperation (SEDCO).
- Finances reach the informal sector through economic empowerment programmes when beneficiaries access these loans.
- NSSA has also provided funding for retrenched workers who are in the informal sector, through banks.
- NSSA has also constructed shelters for vendors to allow them to transact their business in secure, hygienic and safe environments.
- Some pensioners of formal social insurance schemes use pension receipts to embark on small income generating projects, which provide them with some cash flows.

Lessons learned, ways to reach informal workers

- Social protection can be extended to workers in the informal economy through
  - programmes such as cash transfer (Gvt to be mindful of their sustainability).
  - Voluntary contribution to extent coverage to the informal sector.
  - Integrating voluntary contributors into the social security system at a later stage when the value of the benefits has been demonstrated and when it is economically sustainable to do so.
  - Decentralising schemes to the informal economy and to rural workers
  - Improving the overall understanding of social security through research on extension efforts, documenting best practices worldwide, developing new mechanisms to reach out to workers in the informal economy
  - Strengthening informal systems by training their members on administrative skills.
  - Government subsidy on informal sector contributions
  - Political commitment
Challenges in extending Social Protection to the Informal Sector

- The country does not have financial resources to provide non-contributory social protection to those in the informal sector, as a result (less than 20% of the population is covered).
- No structures in place to collect contributions from those employed in the informal sector.
- Contributory schemes in the informal sector are difficult to enforce due to low earnings, absence of visible employer and high mobility of workers.
- The transitory nature of the Zimbabwean economy like most African countries also presents a challenge to the provision of social security to the informal sector.
- Voluntary schemes although ideal have been known to have low coverage.