INFORMAL SOCIAL SECURITY IN SOUTHERN AFRICA

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The paper examines informal social security in Southern Africa. It conceptualizes the concept of informal social security and explores the reasons for the existence of informal social security systems. The paper also examines the functions and contributions of informal social security and discusses attempts to extend formal social protection to those working informally. It is the author’s contention that informal social security systems will continue to co-exist with formal social security systems until African countries are able to guarantee universal access to formal social security. Informal social security systems have always existed in Africa. However, the content and form have been changing over the years as a result of urbanisation, industrialisation and globalisation. There is no precise definition of informal social security. However despite this, there is a common understanding of what informal social security seeks to achieve and the activities undertaken to achieve this. According to Decker and Olivier (2003:573), “Informal social security is (a) the provision of support (in the form of monetary transfers, benefits in kind, services and facilities) to members of society, households and individuals (b) through collective means (including non-governmental, semi-formal, community and traditional arrangements) with or without public intervention (c) to maintain a living standard of human dignity by meeting basic needs (d) and to protect against low or declining living standards (e) arising from a number of basic risks, contingencies and needs.”

This definition suggests that informal social security systems are developed in response to human needs that are not being met or that are being met partially. Secondly, the basic assumption is that individuals, households and communities are exposed to risks which they may not be able to respond to adequately on their own. These risks encompass both individual and collective risks. Examples of individual risks include sickness and death whilst floods and droughts are examples of collective risks. Thirdly, the definition suggests that needs are met collectively and thus implying that they are underpinned by the principles of solidarity and reciprocity. The import of this is that risks are shared with a view to lightening the burden of exposure to risks on the individual or household. This reinforces the notion that the individual is part of the collective and it is the collective that should respond to human needs arising from exposure to risks. Fourthly, benefits provided under informal social security can be in cash or in kind.

Types of informal social security

There are two major types of informal social security, namely traditional or family support systems and self-organised mutual aid arrangements (Kaseke, 2002). Traditional support systems are kinship –based and see the extended family as an important social security institution which provides support to its members in the event of exposure to risks (Kaseke and Olivier, 2010). The extended family looks after its own sick, older persons and those with disabilities. This support is an expression of the principle of solidarity whereby the risks are shared within the extended family system. In addition, traditional social support systems are informed by the principle of reciprocity which assumes the existence of a system of exchange between members of the extended family system. In this regard, support is given on the assumption that it will be reciprocated directly and indirectly in the future. This helps to cement the bonds that exist within the extended family system and thereby enable “the people to develop a sense of belonging and togetherness” (Kaseke, 2003). It is, however, instructive to note that the bonds that define the extended family system have been weakening owing to changes in the value system as a result of urbanization and globalisation. The processes of urbanization and globalisation have resulted in a dilution of values that inform and sustain the extended family system (Kaseke, 2003). The weakening of these bonds has consequently eroded the effectiveness of the extended family as a social security institution.
Self-organised mutual aid arrangements on the other hand, are community or neighbourhood –based support systems (Kaseke and Olivier 2008). Essentially, mutual aid arrangements are membership-based and are not defined by kinship ties. The affected persons voluntarily form a group or an association or cooperative to address the unmet needs. Thus one has to be a member of a scheme or organisation and membership is generally linked to contributions. Mutual aid arrangements are put in place to meet specific needs which are not being met at all or are not being met fully by an existing social protection system. This explains why such schemes are referred to as self-help schemes. Examples of mutual aid arrangements are burial societies and rotating savings and credit schemes.

**Understanding the rationale for the existence of informal social security**

Traditional support systems exist because they are a way of life and therefore an embodiment of cultural norms, values and beliefs (Kaseke and Olivier 2008). Traditional support systems therefore define who people are and are instrumental in developing and maintaining cohesiveness within the extended family system. It is this cohesiveness that makes it possible to galvanise support from the extended family system in support of needy members. Although it is generally acknowledged that the extended family system has weakened as a result of urbanisation and globalization, the extended family still remains an important source of social protection for informal workers.

Secondly, the emergence of some of the self-organised mutual aid arrangements was associated with the movement of labour from rural to urban areas. It was not possible for the migrants to continue relying on traditional support systems given the fact that they were now living far away from their relatives. Thus they had to organise their own social protection in order to respond to the new socio-economic challenges in their new urban environment. This is aptly put by Mukuka et al (2002) who observe that: “When wives and children move into town from the village, extended family relations are affected, especially when visits to the village or caring for the family members left behind are reduced because of the high cost of travel and urban life. These families build new social networks at the place of work, church, clubs and within their neighbourhoods”. One of the early initiatives was the formation of burial societies in response to the prohibitive costs associated with burying the dead.

Thirdly, informal social security particularly self-organised mutual aid arrangements have emerged because of gaps in formal social security provision. Oduro (2010) observes that informal social security has emerged in situations where formal social security is either non-existent or noticeably weak. This explains the situation in many African countries which are characterised by lack of comprehensive social security systems. Lack of comprehensive social security systems therefore means that some of the risks that people are exposed to remain uncovered. There are thus gaps in the coverage of risks which leave people vulnerable.

Gaps also exist because existing social security schemes exclude many people from coverage. African countries adopted a Western model of social security that has traditionally viewed social insurance as the preferred and dominant form of social security. However, the fact that social insurance extends social protection only to workers in formal employment means coverage is bound to be low given the high unemployment levels. Those employed in what may be referred to as atypical forms of employment are not covered by social insurance schemes. Consequently, those working in the informal economy and those engaged in small – scale agriculture are not reached by social insurance schemes. The ILO (2000) points out that the coverage of social security in sub-Saharan Africa is between 5 and 10 percent. Thus only a small proportion of the population is covered. The question that arises then is what is the source of protection for the 90-95 per cent excluded from formal social security? These huge gaps in social protection are suggestive of the fact that the Western model of social security is out of sync with the realities in Africa. There is no
doubt then that the restricted coverage of formal social security forces those excluded to make their own arrangements for their social protection.

Gaps in coverage are also created by social assistance schemes. This is in view of the fact that social assistance tends to be categorical in its approach (Decker and Olivier, 2003). Thus social assistance only covers specific population groups that are considered more deserving, notably older persons, children and persons with disabilities. As a result, needy individuals who fall outside these specified groups are excluded from social assistance. Thus lack of coverage from both social insurance and social assistance provides a fertile ground for the development of self-organised mutual aid arrangements.

The functions of informal social security

Informal social security systems contribute to human well-being in a variety of ways. Informal social security systems perform some of the functions performed by formal social protection systems. Some of the dimensions of social protection alluded to by Devereux and Sabates-Wheeler (2004), namely protective, preventive and promotive interventions are clearly evident in informal social security. Devereux and Sabates-Wheeler point out that social protection encompasses four dimensions, notably protective, preventive, promotive and transformative social protection. Firstly, informal social security, particularly the extended family system serves an instrument for the propagation and protection of traditional values that promote solidarity and reciprocity. This paves the way for informal social security to play a protective function at both the household and community levels in that it provides the means with which to manage risks associated with sickness, death and disability. In their study of informal social security in Tanzania, Mchomvu et al (2002) found that among the Maasai people when heads of households lose their cattle due to drought or other causes they can expect the extended family to replace the lost cattle. Thus informal social security systems provide support to individuals and households that are unable to deal with the burden of exposure to a social risk on their own. It is also for this reason that children have traditionally been viewed as a form of social security and the more children parents have the better their social protection is perceived to be (Kaseke, 2003).

Community-based mutual aid arrangements also have a protective function. A study of informal social security systems in Zimbabwe by Dhemba et al (2002) revealed that the traditional practice of having Zunde raMambo (Chief’s Granary) was designed to feed vulnerable groups, particularly older persons, orphans and widows in times of drought or famine or when these groups experience food insecurity. All members of the community contribute to the Zunde raMambo under the general supervision of the Chief of that community. The Zunde raMambo is thus meant to provide protection against hunger or food insecurity. Essentially, the Zunde raMambo has the hallmarks of a social assistance scheme.

Secondly, informal social security systems play a preventive function. The rotating savings and credit schemes that are common in this region help to reduce the probability of risk. The proceeds from the rotating savings and credit associations are often used to pay school fees for children or to enable members of the family to access health care. Ensuring that children go to school is an important strategy for breaking the cycle of poverty. Burial societies also have a preventive function in that they help to soften the blow on the family when death occurs. UNICEF (2008: v) explains that a programme is preventive if it seeks “to avert deprivation or to mitigate the impact of an adverse shock-”. In Dar es Salaam, UMASIDA which is a self-organised mutual health insurance scheme plays an important preventive function.
Thirdly, informal social security systems also have promotive functions. UNICEF (2008: v) explains a promotive programmes as those that “enhance assets, human capital and income earning capacity among the poor”. It can thus be argued that rotating savings and credit associations help members to enhance their productive capacity and thereby enhance their income earning capacity. Members also use the proceeds from these schemes to build their assets. The ultimate aim is to improve the well-being of the individual members and their families but with the potential of a positive knock –on effect on the community. For instance, mutual aid societies in Same District in Tanzania have been instrumental in improving agricultural productivity and this has improved food security in the District (Mchomvu et al, 2002). The chilimba scheme, a form of a rotating and savings and credit association which has its roots in the Copper belt of Zambia provides a useful pointer to the promotive role of informal social security. In their study of informal social security in Zambia, Mukuka et al (2002:99) quote a member of chilimba as having said that:

*Chilimba enables me to raise money so that I can expand my business. I am able to buy more goods for sale and by doing so I make more profit than I would otherwise make without belonging to the chilimba group. Without chilimba I would have been out of business a long time ago.*

It is therefore apparent from this discussion that informal social security is developmental in orientation as it focuses not only on meeting immediate needs but also builds the capacity of individuals, households and communities to become self-supporting and to be able to manage future risks.

**Social protection for informal workers**

Informal workers and rural people are not covered by social insurance given the fact social insurance schemes are oriented towards protecting workers in formal employment. However, there have been efforts to extend coverage of social insurance to workers in the informal economy. The results have been negligible because many of the informal workers are reluctant to contribute to the schemes because of the requirement that they pay double contributions, that is, the workers contributions and the employers’ contribution (van Ginneken, 1999). This requirement is beyond the capacity of many workers in the informal economy given their often low and unreliable incomes. According to van Ginneken (1999:54), “the irregularity of informal sector employment makes it unreliable as a source of income for social insurance contributions”. The other constraint is that the most schemes do not cover a wide range of risks and these do not always coincide with what informal workers consider to be priority risks. Social insurance’s preoccupation with protecting workers against future risks may not necessarily be attractive to informal workers who struggle to meet their immediate needs.

In recognition of the fact that social insurance schemes do not reach all population groups, governments have introduced non-contributory forms of social security for the benefit of such groups. However, in the majority of cases, these non contributory forms do not reach informal workers except when they reach old age. The reason is that both social assistance and universal benefits are categorical in that they target specific vulnerable groups and those who fall outside these groups are not covered. Olivier (2004) cites the example of South Africa which has a categorical social assistance system which targets children persons with disabilities and older persons. The consequence of this is that those who are below 60 years, have no disability and have no children under the age of 18 years are excluded from the social grants.

Lack of access to formal social security forces informal workers to depend largely on informal social security systems. As I pointed out earlier on, informal social security systems, particularly community-based mutual aid arrangements exist because of gaps in formal social protection. In view of this, it should be understood that informal social security system represents a second best option. This second best option has
serious limitations in providing adequate protection. Firstly, the extended family system continues to weaken as a result of urbanization, industrialization and globalisation rendering it unable to maintain its utility as a social security institution. Relying on the extended family system for support assumes that family members have the capacity to extend support to the other members of the extended family. This assumption is often misplaced, particularly given the high poverty levels in many African countries. This point is reinforced by Oduro (2010) who observes that lack of resources constrains the family from functioning optimally as a social security institution. The harsh economic realities have forced individuals to be inward-looking and thus pre-occupied in meeting their own needs and possibly those of the immediate family. Thus poverty has become a major impediment to the continued use of the extended family as an effective social security institution. On the other hand, some may have the capacity to assist their family members but may not feel obligated to do.

Secondly, community-based mutual aid arrangements also do not provide adequate social protection because of limited funding. The people participating in community-based mutual aid arrangements are largely poor and therefore can only afford low levels of contributions. This naturally has implications for the level of social protection that is possible. Minimum levels of contributions result in minimal social protection. Furthermore, community-based mutual aid arrangements tend to cover a limited range of risks and thus they only provide partial protection.

Policy-makers have been grappling with the problem of lack of social protection for informal workers for many years now. There are no easy solutions to this problem and this explains why the problem still persists. The options that have been considered include the following:

- **Extending the reach of social insurance**
  This entails extending coverage of existing social insurance schemes to informal workers with the understanding that they pay double contributions to accommodate the payment of the employer component (van Ginneken 1999). The payment of double contributions has proved to be a disincentive hence the low participation rates.

- **Creation of special schemes for informal workers**
  The special schemes are an adaptation of existing social insurance schemes in that the contribution and benefit regimes are designed to accommodate the special circumstances and capacities of informal workers and other excluded groups. An important consideration is that the special schemes should cover the priority risks of informal workers.

- **Introducing micro-insurance**
  Micro-insurance has been introduced to enhance access to health care by groups that are not covered by any scheme. A celebrated example is the UMASIDA which was established to benefit those operating in the informal economy in Dar es Salaam (ILO, 2000). The informal workers are organized into groups for administrative efficiency. The ILO (2000:89) observes that: “The great advantage of the scheme is that it provides access to quality health care at an affordable cost. This is achieved through negotiation with carefully screened private sector health care providers on price and quality, the result of which is then reflected in contracts”.

- **Strengthening self-organised mutual aid arrangements**
  Linking community-based mutual aid arrangements with formal social security schemes is one way of strengthening these schemes so that they can provide meaningful social protection (Kaseke, 2002). These schemes can benefit from the technical and financial expertise in formal social security schemes. For instance, burial societies can be linked to funeral insurance companies which can extend their funeral insurance policies to members of burial societies.
• Expanding non-contributory social security systems
Many countries in Southern Africa have expanded non-contributory social security systems in order to extend coverage of social security. These countries have realized that relying exclusively on social insurance will not ensure access to social security for all. In the past few years, countries such as Botswana, Lesotho and Swaziland have introduced universal old age pensions to provide protection against the risk of old age. Although these schemes do not provide immediate protection for many, informal workers will however, be able to fall back on these schemes when they reach old age. The discourse on human rights and social security has helped many policy-makers to realize that universal access to social security will remain elusive unless governments are willing to use non-contributory forms of social security as instruments for achieving universal coverage. There is now growing pressure for African governments to expand social assistance and/or universal benefits. The World Commission on the Social Dimension of Globalisation argues that, “As long as countries—however poor—are able to collect some taxes and contributions, they can afford some levels of social protection—A global commitment to deal with insecurity is critical to provide legitimacy to globalization” (ILO 2004 as cited by Cichon and Hagemejer (2007:169)

Conclusion

The discussion has shown that informal social security systems remain a major source of social protection for the majority of the people, particularly informal workers. Informal social security systems will continue to exist alongside formal social security systems because of the failure of formal social security systems to reach informal workers. It is, however, acknowledged that informal social security systems are not the preferred source of social protection as they are seen as providing adequate social protection. Firstly, the extended family system has continued to weaken because of urbanization and globalization. As a result, it is no longer a reliable form of social protection. Secondly, because of poverty, the poor are not able to make substantial contributions to self-organized mutual aid arrangements and this undermines the capacity of the schemes to provide adequate social protection. These weaknesses notwithstanding, informal social security systems still contribute to the social protection of the poor. These systems play a number of functions, notably preventive, protective and promotive functions.

In order to achieve universal social protection, there is need to adopt a multi-pronged approach to the social protection of informal workers. Firstly, there is need to extend the coverage of existing social insurance schemes to informal workers. There is need to create awareness among informal workers on the need for them to participate in social insurance schemes. Secondly, there is need to establish special social insurance schemes for informal workers. These schemes need to come up with contribution and benefit regimes that take cognizance of the limited contributory capacity of informal workers. Thirdly there is scope for strengthening self-organized mutual aid arrangements by linking them to formal social security schemes, including private insurance schemes. This has potential to raise the level of social protection for informal workers. Finally, there is need for African governments to use non-contributory forms of social security as instruments for extending social protection to informal workers. In view of the fact that informal social security is not the ideal, informal workers should be assisted to eventually graduate from informal to formal social security.
References


