

Presentation Brief

SUMMARY OF THE “EXTENSION OF SOCIAL PROTECTION TO WORKERS IN THE INFORMAL ECONOMY IN ZAMBIA” LESSONS LEARNT FROM FIELD RESEARCH ON DOMESTIC WORKERS, SMALL SCALE FARMERS AND CONSTRUCTION WORKERS”

1.1. Inadequate income and atypical employment arrangements

Limited and irregular income. Income of informally employed workers and self-employed are generally *low, irregular and unpredictable*. Often, workers face *periods of unemployment*, due to the absence of job opportunities or over-night dismissal. In most cases, their incomes are just sufficient to cater for essential and basic needs. Associated with *job insecurity*, it makes continuous social security contributions difficult. For the majority, the existing level of social security contributions rates are *not affordable, and particularly for self-employed*.

The absence of a regular income stream challenges the payment of regular contributions payment to social security schemes.

Complex informal work relations vs. linear social security design. The social security processes were designed for employees on a monthly payroll and with a stable and clearly established relationship. However, employment arrangements are characterized by the *absence of formal contract*, preponderance of *piece work, multiple employers* in some sectors or *ambiguous employment relationship*, which are difficult to establish. Additionally, most workers *lack official registration papers* which could help relevant authorities target them for coverage, as well as pay slip or income records. The high turn-over of casual workers make new registration cumbersome. As a consequence, current social security schemes in Zambia, particularly pensions, are mainly addressing coverage for those in formal employment. Atypical employment arrangements and income patterns are not suitable with the established social security rules.

1.2. Low awareness and demand for social security from workers

Lack of awareness. Workers in the informal economy are of lower education groups, which often implies that their *awareness and knowledge* of pension and other social security benefits is limited. This is further aggravated by the *lack of Social Security communication campaigns* specifically targeting informal workers.

Abundance of low-qualified and little-demanding workforce. Would they be aware of their social security rights, most *wage* employees would not dare asking their employers to contribute to social security schemes. In Zambia, there is abundance of low-qualified workforce. Because competition is scarce, workers do not negotiate their working conditions and usually take jobs as they come, be the conditions below the legal requirements.

Lack of representation and protection. The *absence of strong workers unions* does not help *wage employees* to voice their rights and defend their interests. The vast majority of workers are not protected by collective bargaining agreements. In some specific sectors, such as domestic work, employees work in isolation due to the inherent nature of the work (at employers' home, without co-workers) and have little free time available for building social networks or participating to workers movements - which could help them accessing information on their rights or defend their interests.

Lack of attractiveness of long-term social security benefits. Contributions to Social Security compete with priority needs such as food, accommodation and school fees. When households' budgets are severely constrained, putting money aside for long-term benefits is not attractive and/or not possible for many workers.

1.3. Low compliance with social security obligations amongst employers

1.4. Supply side factors

Labour cost. Although it is hard to get statistics, many formal enterprises deliberately choose to maintain informal employment relationships, in the interest of flexible and specialized production, and to reduce labour cost to generate higher profit and/to remain competitive. This is the case of saw millers who choose to have a multitude of part-time and/or casual workers instead of fewer full-time formal workers. Some employers may deliberately choose informal relationship to avoid formal obligations. In that case, the worker is unwillingly suffering the negative effects of informal employment while the employer enjoy the financial benefits of informality.

Affordability. For MSMEs, often financially constrained because of *businesses' unpredictability* in a currently uncertain economic environment, the current social security rates are considered too high.

Lack of information on social security liabilities. Some sectors such as the construction industry have put in place specific social security registration conditions for obtaining registration with authorities and for participating to bidding for public work. Therefore, not all employers are ignorant of their liabilities regarding social security. However, self-employed or MSMEs are not fully aware of their duties and, in the absence of control, tend to not register their workers.

Inadequate access to social security offices. In addition to the fact that the requirement of monthly pension payment is **inadequate to the atypical income patterns of most informal workers**, there are not enough pay points in the country to make contribution payment cost-less and rapid. NAPSA and WCFCB offices are located in main cities but have a too little number of branches to serve the population located in remote areas. In Lusaka, the cost of transport to the social security institutions offices acts as a major deterrent for the payment of contribution. The process is also **time-consuming** for workers and employers who cannot afford to be away from work every month to pay their contributions to the social security schemes.

Low trust in the government and social security schemes. In addition to the challenges of lack of information, limited affordability, inadequate processes and geographic access, there is a general suspicion from employers and workers concerning the capacity of the Government and Social Security institutions to deliver benefits and administer social security funds on a cost-effective manner. Employers and workers therefore associate registration with social security with costs rather than benefits. This significantly discourages employers and workers to comply with social security liabilities.

Weak enforcements mechanisms. MoLSS, NAPSA and WCF have limited inspection capacity to control the registration of employees and to ensure that all workers have been accounted for. Inspections can be cumbersome for employers due to the large number of institutions carrying-out inspections: local city council, NCC (OSH), MLSS, NAPSA, WCF are all mandated to inspect premises. Employers reported that inspections are partially done or with overlaps due to the lack of coordination between agencies. In the specific case of domestic workers, controls by social security inspectors are prevented by the fact that household is a private place, which premises cannot be accessed by inspectors.

1.5. Legal framework

2.1. Legal and regulatory provisions

Although informal workers are not explicitly excluded from social security legal provisions, there aren't any specific legislation addressing the informal economy and the self-employed's needs. Casual workers are excluded from the definition of workers in the Employment Act.

The delay in the drafting of a comprehensive Social Protection Bill is slowing down progress on implementing social health protection and pension reforms.