

# Research project on Informal worker organisation and social protection

## Introduction

This collaborative research project set out to generate new knowledge on the role of informal worker organisations in enabling access to both formal and informal social protection (SP) measures in Kenya and Tanzania, focussing on three sectors (construction, micro-trade and transport).

For the majority of workers in the Global South informality is the norm not the exception. Access to formal SP is extremely limited amongst informal workers who often face discrimination, exploitation and precarious livelihoods without access to measures such as health insurance or collective representation.

Internationally extension of SP to informal workers is on the agenda. However, not much is known about the ways in which informal workers are organising and if/how this organising facilitate access to SP in Kenya and Tanzania. The dominant SP agenda and the literature on SP come with an almost exclusive focus on donor and state programmes. Nonetheless, the coverage of the majority of these formal programmes is limited to small parts of the populations and in no way stands measure to the needs. In these circumstances, people elaborate other means of protection and cushioning against risks and vulnerabilities through extended family ties and, importantly, through different forms of collective self-organizing.

These latter collective, informal, bottom-up forms of SP are notably absent from SP discussions, and little is known about their extent or format. It is this soaring gap in policy and literary focus that we have started to address in this research project. The research addressed the following broad research questions:

- a. Do informal workers associations offer any kind of informal SP, and if so, what characterizes the format of these services, who benefits from them, and how do they compare to formal SP measures?
- b. In the formal SP schemes, how are SP needs and beneficiaries qualified and to what extent do they cater for informal workers? What, if any, is the role of informal associations in providing access to formal SP schemes?

In total, 1,462 survey interviews, 120 Key Informant Interviews, 24 Focus Group Discussions were conducted in the period between 2018 and 2020 in four urban areas in Kenya (Nairobi and Kisumu) and Tanzania (Dar es Salaam and Dodoma) with informal workers. Case studies have been conducted of 'trade union policies and practices towards informal workers', 'Enrollment and retrenchment practices of informal traders in the National Health Insurance System (NHIF) in Kenya' and of 'the National Informal Sector Scheme (NISS) in Tanzania'. In addition, an extra study was undertaken during the Covid-19 pandemic to understand the challenges faced by informal workers because of the pandemic, and the resilience of informal workers organisations. For this, a total of 65 interview were conducted in Tanzania and 71 in Kenya in 2021.

We adopt a broad understanding of *social protection*. Targeted safety net measures such as cash transfers (also known as social assistance) are not covered by our study as they fall outside the common assistance of most informal associations. We cover *Preventive measures* including social insurance programs such as pensions, health insurance and maternity leave as well as informal insurance mechanisms. *Promotive measures* include access to microfinance and vocational training, while *transformative measures* include representation and advocacy. We understand the informal economy as including self-employment in informal enterprises (i.e. unregistered or unlicensed business), as well as wage employment in informal jobs (without a written contract). The concept of informality is highly politicized and often comes in degrees while intersecting with formality in numerous ways. Nonetheless, the term 'informal' remains essential in terms of delimitating social protection rights and in terms of understanding key work-related challenges.

## Findings and lessons learned from informal SP 'from below' via associations

Informal workers associations differ a lot in the capabilities and resources they have, and in the forms of SP they offer. However, a few particular services stand out as being very common. Most frequently mentioned was some form of micro social insurance (in case of health-related problems and death in the near family) but

also opportunity to save and receive loans. Help with negotiating with authorities (with regards e.g. to access to work space, harassment or eviction) was an issues people had often contacted their association about but which only few associations were able to help with. Finally, some form of training/ knowledge sharing or providing access to external services (loans, training or health insurance) was also offered by some associations.

While informal SP at least in part address the needs and preferences of informal traders, it also suffers from limitations related to capacity, viability, and exclusion. Hence, access to informal SP ‘from below’ via associations is in many cases exclusionary due to contribution requirements and enrollment bias and not all associations have strong or able leadership. Nonetheless, for the workers who are members, our analysis shows that associations offer a wider portfolio of SP than public schemes and that, crucially, they are tailored to the capacities and multiple needs of members. Hence we argue that important lessons can be derived by analyzing their mode and scope.

- First, and in contrast to formal social insurance measures, the insurance model employed via workers’ own associations is personal and directed towards timely, flexible, but also limited cushioning against more short-term needs.
- Second, promotive measures in the form of saving and loan functions, while limited, can help smooth income, address contingencies, and invest in education and at times even business development. Other promotive measures, although less common, can contribute both indirectly (training and bulk buying) and directly (joint business activities) to enhance incomes.
- Third, with respect to the transformative measures of voice and representation, where present, this can provide an important link between SP and work-related challenges by seeking to address the adverse effects of state governance of informal workers. In addition, although lacking institutionalized forums where informal workers can negotiate with authorities, workers’ own associations could potentially play an essential role with regard to designing and possibly also implementation of SP measures tailored to the needs and abilities of informal workers.

### **Findings and lessons learned about formal SP**

The recent implementation of a universal old age pension in Kenya (and in Zanzibar but not in mainland Tanzania) attests to the ongoing efforts aimed at extending SP also to informal workers. Nonetheless, when it comes to health care (and pensions in mainland Tanzania), current measures implemented and available to informal workers consist of the option to individually contribute to health insurance.<sup>1</sup>

Our research, however, illustrates how the public schemes seem to not work well for informal workers, as shown in the relatively low enrolment rates. Whereas pension coverage was almost non-existent, health insurance coverage was found to be 41 percent for Kenya compared with 19 percent for Tanzania in accordance with the national averages reported elsewhere.

Informal workers are reluctant to take up health insurance not only (or in Kenya even mainly) because they do not have money but primarily because their earnings are irregular. Also contributing is often lack of understanding of health insurance, institutional constraints such as complex registration procedures, penalty charges, and poor-quality services.

The key determinant of increased uptake of health insurance among informal workers is association membership. Hence, some associations play a crucial role in either registration of members to a formal health insurance scheme or by directly handling members’ premium payments via their savings. Although this was by no means common practice, the existence of such facilitation points towards the potential role that some associations might play in encouraging enrolment but also how a group can help prevent default among their

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<sup>1</sup> Both countries have plans to roll out self-contributory universal minimum health insurance schemes which will be subsidized only for very poor households, identified through means testing.

members by handling the premium contributions. A particularly interesting example is the KIKOA scheme in Tanzania which was tailored to work through the informal workers' own associations. The scheme attracted considerable interest but did not survive, partly due to adverse selection problems.

- While formal insurance schemes are now open for informal workers, they remain modelled on the needs and abilities of formal workers and hence require beneficiaries that have the capacity to consistently provide contributions over relatively long-time horizons with a perspective on possible future needs.
- Voice and representation is not considered part of formal SP and people in the informal economy are generally not seen as collective political actors who should have access to representation in their own right (although there is a move in this direction with the Micro and Small Enterprises Authority in Kenya).
- Help with negotiating with authorities was of key importance particularly for micro-traders and transport workers and in general representation is of key importance in terms of ensuring that informal workers can have a say in the elaboration of SP policies and more generally in issues affecting their work and living conditions.

In addition to these findings, the project has contributed to improved understanding of informal worker organizations and SP amongst participating stakeholders including informal worker organisations, government agencies, practitioners, academics, civil society organisations and the private sector which have participated in out-reach and peer learning activities. Finally, academic capacity have also been built amongst the participating researchers.

### **Conclusions and recommendations**

There is a need to conceptually re-think and broaden both academic and policy discussions on SP in order to overcome the one-sided focus on formalization as this bias renders most existing formal SP measures inappropriate and inadequate for the majority of the working populations who work in the informal economy.

Our findings and lessons reveal that there are opportunities for governments to learn from informal SP approaches. Governments are advancing Universal Health Care which require bringing on board informal economy workers. The study findings established that even when informal workers earnings can pay for the health insurance premium, the challenge lies in their irregular incomes which is not in sync with the prompt monthly payment required by formal schemes. Furthermore, informal workers need to also be able to cater for multiple and short-term needs. This could be addressed for example by enabling credit from the funds accumulated by health insurance or pension schemes. Consequently, there is need for governments to design SP measures that accommodate informal workers' needs.

The lessons can be used as a first step by governments and development partners of engaging informal workers in developing SP strategies. In designing such systems, the differences across informal sectors and workers' has to be taken into consideration. Some associations are already collaborating with government SP programs in assisting members to collectively make their contributions. Authorities might utilise informal workers associations for communicating SP programmes and policies and use association meetings as an opportunity to understand their reactions to implementations of SP programmes and policies.

Capacity building is required for SP policy makers and managers in coming up with innovative approaches to SP for informal workers and sensitisation of informal workers is needed on the working of and value of insurance schemes. Also, peer learning within the African regional blocks might bring about good practices for the SP provision to informal workers.

Hence, SP policies, strategies and procedures need to be reviewed and revised for effective accommodation of informal worker's needs. In addition, representation should be included in SP discourses as it is of key importance in terms of ensuring that informal workers have a say in the elaboration of SP policies and in issues affecting their work and living conditions.