

MAKING SOCIAL POLICY A REALITY FOR POORER INFORMAL WORKERS

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INTRODUCTION

Increasing numbers of people across the world are working all their lives, but they cannot get basic measures of social protection. Employment used to be a main source of security for people, but now for many has become a source of risk. How can this problem be addressed?

There are new windows of opportunity for a broader view of social policy that could include the working poor in the informal economy:

- The size and economic contribution of the informal economy is being recognized
- There is more awareness of the need for a fairer distribution of the gains of globalization
- There is renewed appreciation by countries and international organizations that states can and indeed should intervene in some aspects of social protection – this is a driver of the Livingstone Call for Action.

WIEGO (Women in Informal Employment: Globalising and Organising) (www.wiego.org) is a global action- research-policy network that seeks to improve the status of the working poor, especially women, in the informal economy through better statistics and research and stronger organizations of the working poor. Much of what appears in this paper is drawn from what WIEGO has learned from the organizations of informal workers and other allies with whom WIEGO works.

Cash transfer schemes are designed to reach vulnerable groups as citizens. Informal workers are usually excluded from such programmes. The benefits of cash transfers are well-known. This Note explores social policy options that are *additional to cash transfer schemes*, yet reach *many poor working people*.

THE CHANGING WORLD OF WORK AND SOCIAL PROTECTION

Informal workers and their enterprises are a permanent feature of both urban and rural life. The informal economy is large and extensive in many 'developing countries'. It comprises half to three quarters of non-agricultural employment in developing

countries (ILO 2002), and 93 percent of total employment in populous India, for example, and more than 60 percent in Mexico (for further information on the size of the informal economy, see Chen et al 2005). In Africa, official statistics on Benin, Burkina Faso, Chad, Kenya, Mali and Tunisia show that informal employment comprises between 85 percent and 99 percent of total employment. The economic contribution of informal economy is great: informal enterprises contribute between 46 percent (Burkina Faso) and 70 percent (Benin) of GDP (Jacques Charmes, personal compilations using official labour force statistics and national accounts, 1999).

The informal economy provides opportunities for vast numbers of workers, especially women. In general, however, incomes earned in the informal economy are lower than those earned in formal employment. With the exception of a few countries, women are over-represented in the informal economy, and women who work informally are more likely to earn lower incomes than men who work informally (Chen et al 2005).

Informal workers and enterprises are faced with specific vulnerabilities and risks. Many people work in both formal and informal employment at different stages of their lives. Also, many people work in both formal and informal employment at the same time – at different times of the day, or during different seasons. They may therefore have limited and interrupted access to aspects of social security, such as savings for retirement, or workers compensation, or maternity benefits. In addition, people work in unregulated and often dangerous environments, where the work itself brings exposure to risks.

It is often not clear who has control over the place of work of informal workers, because they are ‘atypical’ – for example in *private homes* where for industrial outworkers do piece rate work for firms; in *public places* such as streets, where street vendors work – and street vendors form the majority of the urban labour force in African cities; on *public or private waste dumps*, where growing numbers of waste recyclers work; in *forests*, where people grow and collect forest products; on *construction sites*, where both men and women work.

Children of the working poor have heightened risks of themselves being poor, having to work, and not escaping from poverty. Children become part of a vicious downward spiral, which can include permanently compromised health status, and permanently compromised potential for raising their future earning power.

Adding to the problems are the work-related impacts of economic policies that create specific risks. Examples are the international trade agreements that lead to massive job-loss in the kinds of industries in which poor people predominate; ‘development agreements’ that lead to the displacement of thousands of people (for example, through the building of dams); and situations where governments and the private sector allow labour regulations on safe working conditions to be ignored. *All of these happen despite the formal commitment of many countries to the core labour standards of the ILO.*

In many regions of the world the HIV/ AIDS epidemic is eroding social protection for working people. Formal insurance raises its premiums; smaller informal insurance programmes, such as rotating credit associations, erode or collapse through the

sickness of members or of their families; savings are used for health costs and funerals; health care programmes place limits on the services they provide. HIV/AIDS also has an impact on what Caroline Moser called 'community time'. Much of the work of building relationships and organizations and offering support at community level is done by women, yet women are now being called on to do 'community care' for those affected by HIV/AIDS. And they are withdrawing from productive work in order to do more unpaid care work (Akintola 2004; Chen et al 2005). We need to be very cautious of the notion of 'community' when it is suggested as an agency for the provision of social protection to poorer people.

PROMISING DIRECTIONS

Changing approaches and policies to informal workers has to start with *a change in the mindset of those in authority*, and the general public. In WIEGO we have found the following facts are essential to convey in achieving such shifts in attitude:

- The world of work has changed in both the global north and south.
- Informal workers should be seen as workers, striving to make a living, not as for example 'marginalized women' who need special or temporary programmes.
- Most informal work is normal work, is not illegal (in the sense of being criminal activity), and is here to stay.
- Some workers 'choose' to enter the informal economy in order to avoid taxes; some are locked into informal work by tradition (for example through hereditary occupation). The vast majority however are working informally out of necessity (Chen et al 2005: 71).
- Informal workers prioritise *security of income* above all else.
- Informal workers also prioritise *security of place of work* – the need for reliable access to affordable sites in which to work. Regulations controlling the use of these spaces is often found *at local government level*.
- There is a role in social protection for all interest groups, including employers, organised trade unions, governments and informal workers themselves.

It is usually difficult for poor people to co-insure against risk. There is limited scope for cross-subsidising and pooling, which are essential for healthy insurance programmes. Two examples show first a trade union of informal workers building its own large scale insurance scheme, and second, a government extending its services in a contributory scheme.

India's Self Employed Women's Association has built a comprehensive social insurance scheme, Vimo SEWA, that by 2003 reached more than one hundred thousand of SEWA's 700 000 members (Chatterjee and Ranson 2003.) Vimo SEWA has shown that it is possible for an organization of poor workers to build a scheme from the bottom up; that it is possible to go to scale as well as be flexible and worker managed; that women are more reliable savers and insurers than men are; and that claims for insurance can be contained. SEWA has paid a great deal of attention to developing insurance products in accordance with women workers' needs.

In Costa Rica, the government accepted that more and more people were becoming informally employed, and were not covered by the health and

savings plans for formal workers. Costa Rica introduced a voluntary scheme for health insurance and for savings for old age for independent workers, and non-remunerated workers such as unpaid family workers (Martinez-Franconi and Mesa-Lago 2003). It is aimed at those with no or limited coverage, and is the workers themselves and the state both contribute to the schemes. Very many informal workers soon joined the health insurance scheme; fewer joined the savings for old age (possibly because there is already a non-contributory pension scheme for poor adult Costa Ricans).

Are there ways in which mainstream models of formal insurance could be used to extend to poorer workers, in new ways? The insurance industry is very good at providing policies to people for when they die, to cover funeral and associated costs, and indeed, having a dignified funeral is a high priority for most poorer workers. Could the insurance industry not also consider finding ways of assisting poorer workers to pursue their occupations, when crisis hits? Many poor workers have two or even three life and funeral insurance policies, but nothing for the protection of income and assets – the insurance products are not available.

First, formal insurance companies could be encouraged, possibly through a system of incentives from or underwriting by government, to develop products for and extend them to poorer people. Relatively small actions by the industry, which makes massive profits, could make a significant difference to the lives of millions of workers.

Second, it is expensive to establish micro-insurance and savings schemes for limited numbers of people. Are there possibilities for such schemes for poorer workers to be housed inside larger insurance institutions, with some subsidy from the larger to the poorer scheme, in the use of physical ‘plant’, information systems, communications systems, and expertise?

Third, private homes are the place of work for millions of workers, also known as industrial outworkers. Take the example of a woman doing piece work stitching parts of a shoe in her home, with the completion of the shoe being done inside the formal factory. Her sewing machine is burned in a fire in her working room. What are the possibilities of extending the occupational insurance which covers the formal factory, to cover the premises of such an outsourced worker? The insurance could be restricted to cover work-related loss, not general household loss.

MOVING FORWARD

Work-related social security for informal and non-standard workers is fundamentally necessary, if the health and well-being of the working poor, and of their children, are to be protected. However social security is only one component of a set of policy priorities for informal workers. Others are a favourable policy environment that recognises them as workers and entrepreneurs; measures to enable greater market access, and the development of assets and skills; improved terms of trade so that poorer workers can compete more effectively in markets; appropriate legal frameworks; and support to strengthening organizations of informal workers to ensure that they have a voice in policy discussions (Chen et al 2005: 99 – 101).

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