

# New Forms of Social Insurance: The Case of the FIWON Cooperative Scheme in Nigeria

Case study for research project titled “New Forms of Social Insurance for the Economic Inclusion of Women & Young Informal Workers”



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This case study was commissioned as part of a joint SNI WIEGO project, *New Forms of Social Insurance for the Economic Inclusion of Women Informal Workers*, to increase the knowledge base of what works for informal workers in relation to social protection. Our aim is to capacitate informal workers and their organizations to develop their work on social protection, whether that is by developing their own social and solidarity economy schemes, advocating for the development of new or the expansion of existing government schemes to cover informal workers, and/or supporting informal workers to partner with governments towards the establishment of hybrid schemes.

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The Nigerian government's response to the vulnerabilities of workers in the informal sector has been slow. While progress has been made in the laying of institutional frameworks and the introduction of social protection programmes over the past decade, with coverage at just six per cent of workers in the country, these fall far short of the need.

The low levels of public investment in social protection in Nigeria reflect a general crisis of governance, one in which government priorities are informed largely by political considerations that do not align with the interests of informal workers.

The FIWON cooperative, a wholly informal worker-driven collective with chapters in Lagos and Osun, facilitates access to insurance for its members. The findings from the case study could be useful to others in contexts where public trust has been significantly eroded and government investment in social protection is low.

Start small, start early and start alone are among the lessons learned from the FIWON case study. FIWON executives have come to terms with self-organizing as the route to advancing economic empowerment and social protection for informal workers. Inspired by examples such as the Self Employed Women's Association in India, the cooperative aims to get enough donor support to enable it to grow its membership, and then to establish its own organizations that will provide social insurance directly to its members.

The active involvement of the government – both by way of direct financial investment and effective regulation of the private sector – is important for the growth of cooperatives such as FIWON. In the absence of decisive measures mediated by a functional government, informal workers will continue to be vulnerable to the vagaries of the market and exploitation by private interests.

## Country Context

Nigeria is Africa's largest economy, by both population and GDP. Its population is estimated at just over 200 million people<sup>1</sup> and its GDP per capita of USD1,969<sup>2</sup> places it on the lower end of the income range for lower to middle-income countries.<sup>3</sup> Oil, consistently Nigeria's greatest revenue earner for the past six decades,<sup>4</sup> has been the major focus of successive governments, despite accounting for only 10 per cent of GDP in 2019.<sup>5</sup> The failure of the government to effectively redistribute the country's massive oil wealth and the attendant neglect of non-oil sectors,<sup>6</sup> which employ the majority of Nigerians, have resulted in record levels of poverty. In 2018, Nigeria became the country with the highest number of extremely poor people in the world (86.9 million people, or nearly 50 per cent of the population),<sup>7</sup> defined by the World Bank as those who live on less than USD1.90 a day.<sup>8</sup> This juxtaposition of wealth and poverty portends high levels of income inequality – the Gini index, a measure of the distribution of household income within a country,<sup>9</sup> is 35.1 for Nigeria.<sup>10</sup> The preponderance of poverty and inequality, coupled with weak government attention to social welfare, means that access to basic services such as health and education is also unevenly distributed.<sup>11</sup>

Even though Nigeria has had uninterrupted democratic rule since 1999 – its longest stretch since independence in 1960 – institutional and governance structures have struggled to embody democratic principles in practice. The notion of a social contract between the state and citizens is weak, and pervasive corruption and rights abuses make citizens distrustful of the government.<sup>12</sup> A tendency to concentrate power and resources at the centre, despite a federal system that ostensibly devolves power to state and local governments, further disempowers not only citizens but also their representatives at the lower levels of government.

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<sup>1</sup> Schwettmann (2020).

<sup>2</sup> Ibid.

<sup>3</sup> The GDP per capita for lower to middle-income countries ranges from USD1,006 to USD3,955 (ILO 2008).

<sup>4</sup> Global oil price shocks have sent Nigeria's oil revenues on a downward spiral, severely threatening its dependence on the commodity: see <https://www.africanews.com/2020/05/06/nigeria-s-oil-revenue-falls-by-80-percent/>

<sup>5</sup> OPEC (2020).

<sup>6</sup> Olayungbo and Olayemi (2018).

<sup>7</sup> Kazeem (2018).

<sup>8</sup> <https://www.worldbank.org/en/topic/poverty/overview>

<sup>9</sup> The Gini index is measured on a scale from 0 to 100. The closer to 100, the more unequal the country.

<sup>10</sup> <https://data.worldbank.org/indicator/SI.POVGINI>

<sup>11</sup> Hagen-Zanker and Holmes (2012).

<sup>12</sup> The #EndSARS protests of October 2020, which were driven by youths across the country, were among the more visible instances of citizen backlash against abuses of power by state agencies.

The government's lack of commitment to public welfare became particularly pronounced following the implementation of 'structural adjustment' policies in the 1980s, which promoted privatization as the route to stimulating growth in developing economies.<sup>13</sup> The federal government has pursued market reforms since then, but these have largely focused on the formal sector.

The cuts to public spending, unaccompanied by the industrial expansion envisaged by proponents of structural reform, have driven many workers to employment in the informal sector – defined in the context as 'activities and income that are partially or fully outside government regulation, taxation and observation.'<sup>14</sup> While the share of informality tends to decline with the overall wealth of countries, including in sub-Saharan Africa, this effect is generally cancelled in oil-dependent states like Nigeria.<sup>15</sup> This is likely because the GDP of such states is generally not tied to broad-based growth and productivity, but is mostly accounted for by rents from oil exports, which are concentrated in the hands of a few.<sup>16</sup> Of the nearly 60 million Nigerians aged 15 and older engaged in the labour market, 89 per cent are in informal employment (92.9 per cent if workers in the agricultural sector are included).<sup>17</sup> 83.5 per cent of working men in the country are in informal employment (90.8 per cent including those in agriculture); and the corresponding figures for women are 93.2 per cent and 95.1 per cent.<sup>18</sup> Young people (aged 15-34) are especially prone to absorption into the informal economy, with one in every three people in this category being unemployed in mid-2020, and a similar proportion being underemployed in the period.<sup>19</sup> The unemployment rate was also higher among working-age women (31.6 per cent) than men (22.9 per cent) for this period.<sup>20</sup> Together, informal workers contribute 65 per cent of the country's GDP, among the highest in sub-Saharan Africa.<sup>21</sup>

Notwithstanding the huge scale and scope of the informal economy in Nigeria, it is characterized by extremely low productivity (defined as output per worker) and inadequate social, legal and physical protections for workers.<sup>22,23</sup> Accordingly, individual incomes are low, with the majority of workers earning on a daily basis<sup>24</sup> and consequently being highly vulnerable to shocks like the COVID-19 crisis. As a result, many informal

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<sup>13</sup> McCarthy and Prudham (2004).

<sup>14</sup> EFINA and PenCom (2014), p.2.

<sup>15</sup> Medina et al. (2017).

<sup>16</sup> Olomola (2007).

<sup>17</sup> ILO (2018).

<sup>18</sup> Ibid.

<sup>19</sup> NBS (2020).

<sup>20</sup> Ibid.

<sup>21</sup> Medina et al. (2017).

<sup>22</sup> African Union (2011).

<sup>23</sup> IMF (2017).

<sup>24</sup> Schwettman (2020).

workers find it difficult to set money aside for the future, even though they often engage in multiple ventures to generate income and subscribe to various savings platforms, both formal and informal.<sup>25,26</sup>

The Nigerian government's response to the vulnerabilities of workers in the informal sector has been slow, ad hoc and largely uncoordinated. Substantial progress has been made in the laying of institutional frameworks and the introduction of social protection programmes over the past decade, but with coverage at just six per cent of workers, they fall far short of the need.<sup>27</sup> On the whole, the social sector is underfunded, with only 0.3 per cent of the country's GDP spent on social safety-net programmes – the least of any lower to middle-income country.<sup>28</sup> International organizations have historically launched or supported local programmes in areas such as health, education, nutrition and child protection; however, with limited budgets and time frames, those programmes have proved difficult to scale.<sup>29</sup> Conversely, government programmes conceived at the federal level often lack the capacity for operationalization at the local level,<sup>30</sup> and they rarely join up with local trade unions or civil society organizations to try to increase their effectiveness on the ground.<sup>31</sup>

Although the landmark National Social Protection Policy was enacted in 2017 to provide a framework for coordinating historically fragmented programmes and stakeholders,<sup>32</sup> the political will for implementation remains weak.<sup>33</sup> Crucially, the policy does not explicitly address the particular circumstances of informal workers, making it unlikely that their needs will be met through the policy. Some federal programmes, notably the National Pension Scheme, have begun to find ways to tailor their schemes to the peculiarities of the informal sector<sup>34</sup> – though, as will be evident from the FIWON cooperative case discussed below, these efforts have yet to connect to workers' realities. Other programmes initiated by state governments, notably in the areas of health and

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<sup>25</sup> Ibid.

<sup>26</sup> EFINA and PenCom (2014).

<sup>27</sup> Schwettman (2020).

<sup>28</sup> World Bank (2018).

<sup>29</sup> Holmes et al. (2012).

<sup>30</sup> The major social protection schemes running at the federal level are: The National Health Insurance Scheme (which currently covers 4 per cent of workers, and only in the formal sector); the Nigeria Social Insurance Trust Fund (aimed at providing formal private sector workers with a safety net in the event of disability, retirement or death); and the National Pension Scheme (which requires matching contributions by workers and employers, and which is therefore unsuited to informal workers). Newer and seemingly more ad hoc programmes – for school feeding, conditional cash transfers and micro loans – can be accessed by informal workers, but their monetary value is limited and they cover only a small fraction of the population.

<sup>31</sup> Ihejirika (2019).

<sup>32</sup> The coordinating government department under this framework is the Federal Ministry of Budget and National Planning (World Bank 2019).

<sup>33</sup> Ihejirika (2019).

<sup>34</sup> EFINA and PenCom (2014).

education, have been somewhat more accessible to informal workers and cooperatives – although these too are limited in their scope and reach.<sup>35</sup>

This report goes on to analyze the efforts of the FIWON cooperative scheme, a wholly informal worker-driven collective, to facilitate access to insurance for its members within the context described above. The findings are instructive for workers operating in similar contexts, where public trust has been significantly eroded and government investment in social protection is low.

## Background and Description of the Scheme

*'Cooperative... Honesty! Cooperative... Power! Cooperative... Progress!'*

– Rallying cry adopted by all registered cooperative societies in Lagos State

The FIWON Multipurpose Cooperative Scheme ('the cooperative') is an outgrowth of the Federation of Informal Workers' Organizations of Nigeria, a union of informal trade associations established in 2010 to represent the interests of everyday workers. This parent organization has about 25,000 members nationwide spread across 19 of the country's 36 states.<sup>36</sup>

FIWON was conceived as a platform to amplify the voices of disenfranchised workers, and so it necessarily adopts a rights-based approach to engaging with the state. In particular, members of the Nigerian Automobile Technicians Association (NATA) – motor mechanics who mostly work out of previously unoccupied tracts of land long since repurposed into communal 'villages' – needed to defend themselves against government authorities seeking to evict them from the land. FIWON, with its commitment to securing social and economic justice for workers, provided NATA members with the direction and practical support they needed to fend off extra-legal actions by the government. Many other worker organizations (encompassing associations of carpenters, mechanics, welders, petty traders, tailors and so on) have since come under the FIWON umbrella, bringing the number of member associations to 41. However, NATA maintains a dominant presence in the membership and governance of the organization, and this high level of representation is reflected in the constitution of the cooperative.

While the justice agenda was unfolding, it became apparent to FIWON executives that they needed to pay specific attention to the economic needs of the informal workers in their ranks. They began to approach public and private-sector actors to solicit financial and material support for members, but the response they received was uniform: to be eligible for such support, they had to organize themselves into a cooperative and register with the state. The promise of access to mortgage facilities was an early driver

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<sup>35</sup> Holmes et al. (2012).

<sup>36</sup> The exact size of FIWON membership is difficult to determine, as the data gathered periodically by the Secretariat are sparse and incomplete.

of interest: key government agencies signalled that there were schemes available to informal workers if only they would organize themselves into cooperatives:<sup>37</sup>

*'And one of the major reasons while we established this cooperative was that when we went to the Federal Mortgage Bank for a courtesy visit, we told them we were interested in mortgage loans and we were told they don't give it out just like that; that they can only give it to societies that have a cooperative and that it is through the cooperative we can show that we are many and organized.'*

– Key Informant Interviewee 3

In addition, there was a lot of initial interest from public agencies and private administrators who seemed to see the potential for delivering health insurance and pension services to a large number of informal workers through the cooperative. However, as will be seen below, the extent to which these promises have materialized for cooperative members is limited.

### **Membership benefits**

The cooperative consists of two chapters (one in Lagos and the other in Osun State that operate in parallel. The scheme was launched in March 2017, although the Osun chapter had earlier begun to introduce some benefits for its members.<sup>38</sup> Once members join the cooperative, the services available to them and the demonstrated preference for different benefits vary by state. The flagship service in Lagos is a savings and loan package, with a more recent addition of land acquisition and home-appliance purchase schemes. The flagship service in Osun, meanwhile, is a land acquisition scheme, offered alongside less-subscribed savings and loan and health insurance packages. A brief description of the schemes is provided in Table 1.

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<sup>37</sup> Though there was no upfront requirement for the workers to pay to join these schemes, this condition overlooked the financial challenge that setting up a cooperative would pose to informal workers.

<sup>38</sup> Registration involved paying the sum of NGN250,000 (USD814 at March 2017 exchange rates) to the Ministry of Commerce and Industry in Lagos, and the cooperative was issued a certificate of registration.



**Table 1: Benefits available to FIWON cooperative members by chapter**

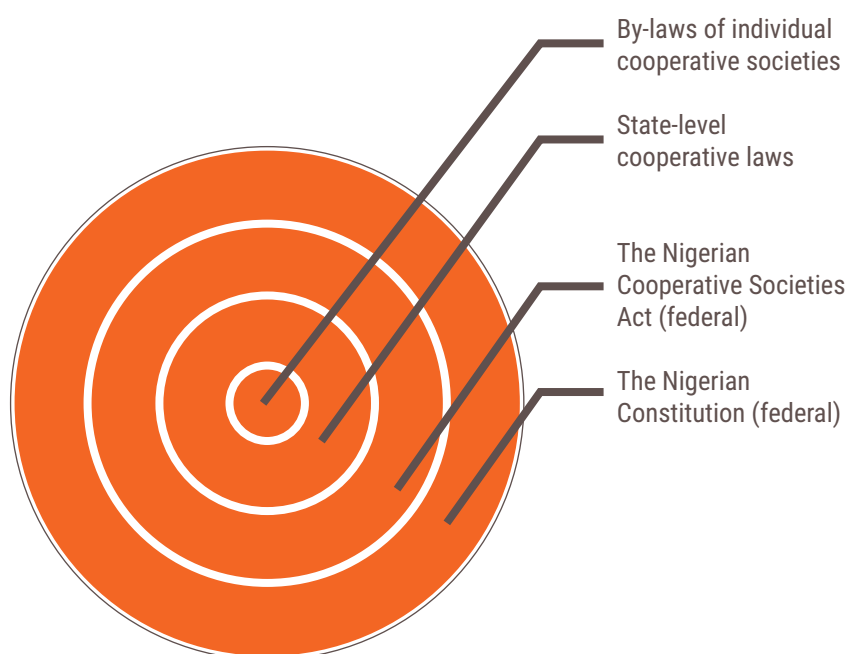
Scheme	Location	Characteristics
<b>Target savings</b>	Lagos	Members contribute at a self-determined pace toward a specific financial target to cover a fixed expense, such as home rental or children's school fees. Members can only take out the total amount they have saved at the end of the specified period, and interest of 1% is charged upon withdrawal to cover administrative fees.
<b>Low-interest loans</b>	Lagos and Osun	This is by far the most heavily subscribed product in Lagos. Members who have contributed consistently for a minimum of six consecutive months can apply for up to twice the amount they have in savings, to be repaid with 10 per cent interest over a 6-month period (or 5 per cent if the member wishes to only 'borrow' the exact amount of their savings). The application process involves putting forward two fellow cooperative members as guarantors (#1 and #2), with the understanding that the guarantors will not be eligible to take out loans themselves until the applicant has repaid at least half of their loan amount. The risk is split between the two guarantors: the guarantor named as #1 in the loan application is free to take out a new loan once the borrower has paid back 25 per cent of the original loan, and #2 then has to wait until the full 50 per cent has been paid before they can apply for their own loan. <sup>39</sup>
<b>Home-appliance purchase</b>	Lagos	Subscribers can pay half of the cost of an appliance (such as small generating sets to power their businesses) to selected stores upfront, and then they pay the balance in instalments out of the savings they have in the cooperative.
<b>Land acquisition</b>	Lagos and Osun	This is a popular product in both locations, even among members who cannot yet afford to subscribe to it. Both chapters have partnered with estate agents to purchase tracts of residential land, out of which cooperative members make monthly payments for individual plots from their savings, interest-free. The scheme in Lagos requires upfront payment of 70 per cent of the total cost, with the balance to be paid up in 6 months. The Osun plan is less onerous: payment is evenly spread over a 5-year period, with members making contributions of NGN5,400 per month (or, more conveniently, NGN180 per day) for a plot. Many members in Osun find this idea of breaking the sum down into daily contributions relatable, even if the actual frequency of their contributions is lower (i.e., weekly or monthly). This is because, even for people on very low incomes, NGN180 is considered a negligible sum in absolute terms.
<b>Health insurance</b>	Osun	This scheme began in Osun in January 2020. For a yearly sum of NGN12,000 (NGN56,000 for a family of six), subscribers have access to a range of public and private hospitals in the state. Payment can be made in two instalments over a 12-month period. In addition to the premium, subscribers must pay 10 per cent of the cost of any drugs prescribed out of pocket. About 20 per cent of members in Osun, many of them older people and women of childbearing age, are currently signed on to this package. Most subscribers are on the individual plan, largely because it is much more affordable for them than the family plan.

## Governance and administration

The legal framework for the governance and administration of cooperative societies in Nigeria is provided by the interplay of four discrete structures, nested within one another: the Nigerian Constitution; the Nigerian Co-operative Societies Act; state-level cooperative laws and regulations; and by-laws of respective cooperative societies

<sup>39</sup> This requirement can be waived for a guarantor who needs to take out a loan to meet an emergency, for example, someone who is behind on their rent and at risk of being evicted from their home. In such cases, the guarantor would, in turn, need to be guaranteed by one of the cooperative executive members. In general, though, this privilege is only extended to guarantors as a last resort, to discourage abuse. In the event that the borrower and the guarantor both default, the loss is chalked up to bad debt – although executives are mindful not to let this exceed 1–1.5 per cent of all loans in a given financial year.

(see Figure 1).<sup>40</sup> In principle, this framework is decentralized and egalitarian, granting overall decision-making power to the members of individual cooperatives. In practice, however, federal and state provisions take precedence over the specific requirements and governance structures of individual cooperatives. Regulators at the federal and state levels routinely veto proposals made by individual cooperatives upon registration, stifling innovation within them and limiting their capacity to be responsive to members' needs. Cooperatives registering within a particular state, for instance, are required to model their by-laws on templates provided by the regulatory authority of that state – and even these are subject to amendment by the state Director of Cooperatives, without recourse to cooperative members or executives.<sup>41</sup> The FIWON cooperative largely operates within this framework. Registered with the Lagos State Ministry of Commerce, Industry and Cooperatives, its activities are governed by the Co-operative Societies Law of the state. The Lagos state law stands out as being more flexible in its operation than those of other states similarly governed by the federal Act;<sup>42</sup> however, as will become evident below, this distinction appears to have delivered little practical benefit to the cooperative.



**Figure 1. The hierarchical framework governing cooperative societies in Nigeria**

Administratively, the Lagos and Osun chapters are subsumed under the National Secretariat of FIWON, the parent organization, but they function as separate entities. While the parent body can be seen as a necessary precursor to the cooperative scheme – and membership of the two often overlap – the organizations are distinct from each other. FIWON itself is a loose network that does not have a formal registration status

<sup>40</sup> Kolade and Samuel (2019).

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

(although it is affiliated with the Nigeria Labour Congress),<sup>43</sup> while the cooperative, apart from being regulated by state actors, is highly structured internally.<sup>44</sup> As such, while there are many FIWON members who are also part of the cooperative, affiliation with one is not a prerequisite for membership in the other.<sup>45</sup> The cooperative is a much broader platform, comprising those who originally signed up to FIWON through their respective worker associations, but also drawing individuals with no prior affiliation to any of these associations. In any case, the overlap between membership of FIWON and that of the cooperative is extremely small: there are only about 800 members in both chapters of the cooperative, or 0.03 per cent of the estimated size of FIWON, the parent body. The geographical spread of members is also uneven: in Osun, for instance, where FIWON members are present in all 30 local government areas of the state, the cooperative scheme operates in only seven. These are the only areas where there is sufficient interest among local FIWON affiliates to drive cooperative membership.

Figure 1 shows a simple organogram of the cooperative structure. Governance of the scheme is broken down by state, with the FIWON general secretary functioning as the coordinator of the Lagos chapter as well as providing administrative oversight and direction across both chapters.

Each state has a duly elected 'executive council' comprising a president, a treasurer and a secretary. In both cases, the treasurer maintains physical records of members' contributions, while the secretary is mostly responsible for keeping minutes of meetings. There is a middle-management cadre that is somewhat discretionary, comprising two vice-presidents, an assistant secretary and a financial secretary in Lagos and a vice-president, an assistant secretary, a financial secretary and a chief whip in Osun. Members are organized into location-specific 'clusters' that cut across trades and worker associations. There are currently 13 clusters in Lagos and nine in Osun. Members meet within their clusters, but are also encouraged to attend the general meetings held once a month in each state.<sup>46</sup> Each cluster has one or more 'agents' who are expected to go round collecting contributions from members in their assigned locations. Many clusters were themselves established by highly motivated agents who often end up working as

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<sup>43</sup> The Nigeria Labour Congress, the largest union of workers in Africa, represents about 4 million workers (both formal and informal) in various sectors of the economy.

<sup>44</sup> The high degree of internal organization required is a key reason why only two FIWON member states have been able to run the cooperative scheme to date, even though it is open to all members in principle.

<sup>45</sup> Indeed, it would appear that membership of one has little bearing on workers' inclination to join the other.

<sup>46</sup> Unlike the standard practice at many other cooperatives and associations, meetings do not follow a rigid eight-day schedule, and fines are not levied on members for missing meetings.

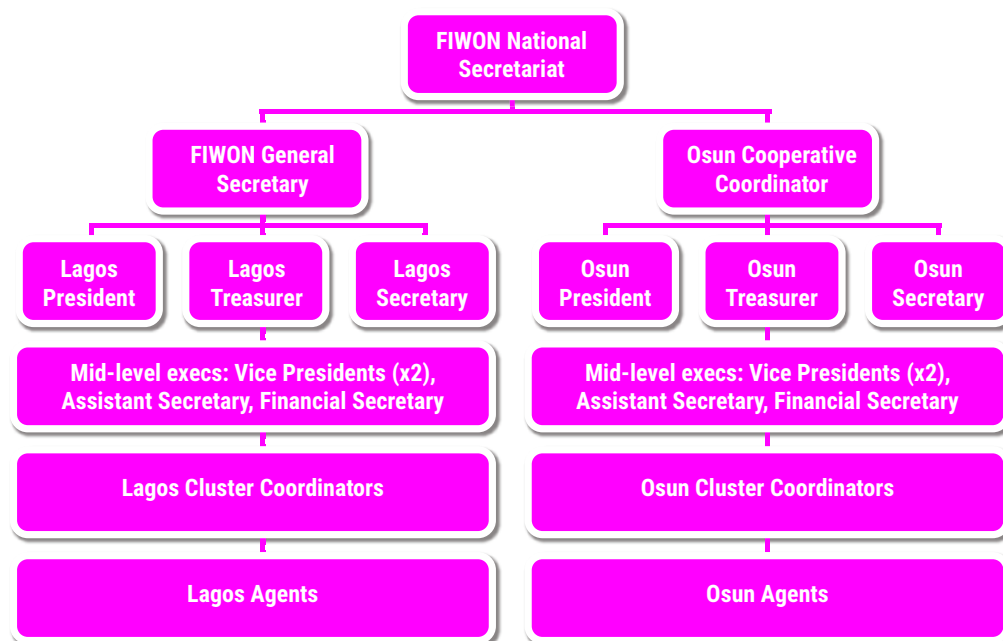
unpaid coordinators across multiple clusters.<sup>47</sup> As will be explained below, success on the ground depends to a large extent on the commitment of these agents and coordinators.

Representation in the top ranks is skewed towards men, with the current executive council in Lagos comprised entirely of men and that in Osun having only one woman, in the role of treasurer. Women become more visible in the middle and lower ranks, especially in Osun. While the mid-level executives in Lagos remain all male, three out of four in Osun – the vice-president, the assistant secretary and the chief whip – are women. The comparatively higher levels of female representation in Osun continue further down the ladder: while there are only three female agents (who all double as coordinators) out of 11 in Lagos, fully half of all agents in Osun (seven out of 14) are women.<sup>48</sup>

At the level of the executive, the cooperative is run competently and transparently, and is generally seen by members as operating in the interests of workers:

*‘One other thing they do at the cooperative is to make things so easy for people. That’s the understanding I also have. If anything comes from the government, they will let you know and carry us along in the plans. At a seminar we attended in Ikeja, we got a lot of things. They always look for things to make life easier for us.’*

– Participant, Focus Group Discussion 1 (Man, Mechanic)



**Figure 2. Administrative structure of the FIWON cooperative scheme**

<sup>47</sup> Coordinators usually start out as self-appointed agents who recruit cooperative members in the communities where they live or work, and then branch out over time to activate new member networks or ‘clusters’ in other locations. When local agents are recruited for new clusters, they usually come under the oversight of older and more experienced agents who become known as coordinators. Many coordinators, at or near retirement age, are propelled by a desire to give back to their communities – and they are, in turn, respected by people in those communities.

<sup>48</sup> USD2.64 at November 2020 conversion rates.

The themes of solidarity and social justice that animate the broader movement are apparent in the way that leaders administer the scheme and advocate on behalf of members. Those serving in the capacity of president or state coordinator are heavily invested in the day-to-day running of their chapters and have the right credentials for the task: one belonged to the executive of a cooperative society in the formal sector prior to joining the scheme, and another is a professional with more than 20 years' experience in international development. Since 2019, the cooperative's transactions have been moved onto a centrally coordinated digital platform, which is maintained in parallel with the physical records kept by the treasurers at the state level. This has boosted the transparency and credibility of the scheme among members. Nonetheless, as shown below, the degree to which this well-structured regime translates to reach and influence among informal workers is less than optimal.

### **Membership requirements**

To join the cooperative, individuals must fill out a registration form that they procure for the sum of NGN1,000.<sup>49</sup> Members must then make contributions for at least six consecutive months before they can access benefits offered by the cooperative. Beyond this requirement, the scheme is highly flexible. There is no fixed amount or prescribed frequency to member contributions: they can be made daily, weekly or monthly depending on what works best for each individual,<sup>50</sup> and members can decide to change the frequency of their contributions at any point. Contributions range from NGN200<sup>51</sup> daily for the female petty traders whose livelihoods are among the most precarious, to NGN 20,000<sup>52</sup> monthly for the more comfortable salary earners and 'businessmen'. The only other condition is that members must be consistent with whatever plan they have chosen, although this is not rigorously enforced and proscriptive or punitive measures in cases of default are rare:

*'We based our cooperative on the income of informal workers. Sales are not fast every time. A carpenter might not do any work in a whole week, even traders get low sales sometimes and they will not be able to pay. We do not have a fixed amount that is compulsory but if there are sales, anyone can even pay twice a day. Inconsistency does not necessarily disqualify anyone from being granted a loan. The problem is that anyone who is not consistent with savings will not be consistent with repayment. We only advise such people, not deny them totally.'*

– Key Informant Interviewee 2

This flexibility is a deliberate strategy on the part of the cooperative to be responsive to members' circumstances and keep the financial burden on them as low as possible;

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<sup>49</sup> USD2.64 at November 2020 conversion rates.

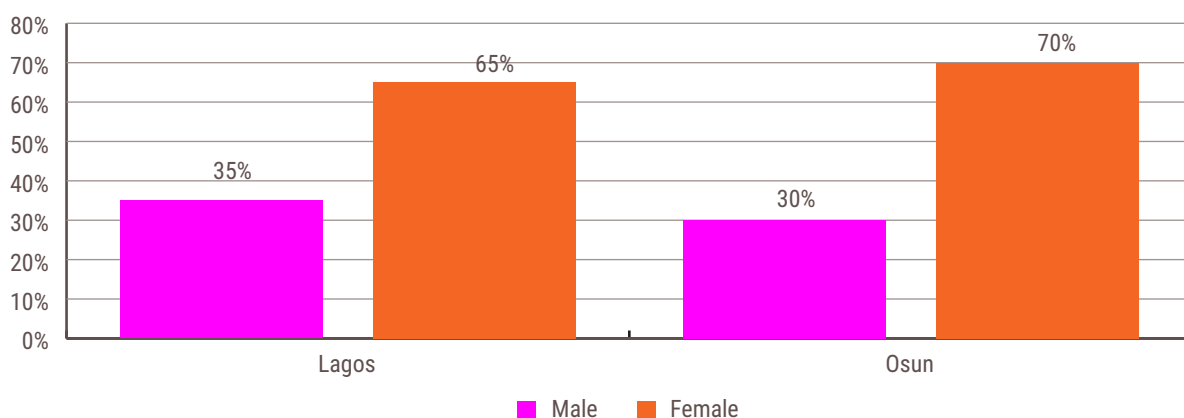
<sup>50</sup> The daily plan is most common among petty traders, most of whom are women.

<sup>51</sup> USD0.53 at November 2020 conversion rates.

<sup>52</sup> USD53 at November 2020 conversion rates.

a quality that makes them stand out from similar schemes operating in the context.<sup>53</sup> Once members meet the six-month threshold for contributions, they are, in principle, eligible to subscribe to a range of services including low-interest loans, health insurance, land acquisition, home appliance purchase and ‘target savings’. Non-tangible benefits like periodic training on ‘soft’ topics like financial management are also available to members, irrespective of the status of their savings. The degree of access that members in the two chapters have to these benefits in practice will be discussed in subsequent sections.

Membership of the cooperative can be analyzed along the lines of occupation, age and gender.<sup>54</sup> Apart from the preponderance of NATA members highlighted above, members of the Nigerian Union of Tailors (NUT) – many of them women – are also heavily represented in the cooperative, especially in the Osun chapter. Overall, women make up the majority of members in both chapters: 65 per cent in Lagos and 70 per cent in Osun. Many of these women are traders, an occupational group that accounts for about half of the total membership. The other half comprises those in artisanal occupations – mainly mechanics and tailors as highlighted above, but also vulcanizers, barbers, welders, hairdressers and aluminium workers.<sup>55</sup>



**Figure 3. Breakdown of cooperative membership by gender**

In the Lagos chapter, youths have low levels of representation – they make up only about 10 per cent of total membership. Conversely, older people are disproportionately represented in both the general membership and executive ranks of the cooperative, resulting in a ‘generational gap’ that has the effect of further discouraging younger

<sup>53</sup> For comparison, some other cooperatives charge up to NGN20,000 (USD53) as their one-off registration fee. In addition to the FIWON fee being relatively low, prospective members are allowed to break the payment into two or three instalments, to make the expense even easier to bear.

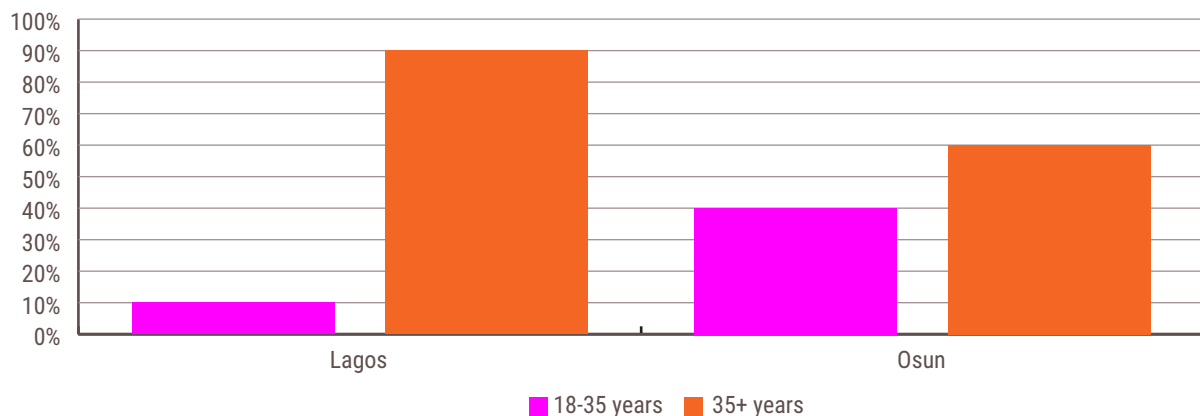
<sup>54</sup> The breakdown reported here is tentative; work is ongoing among cooperative executives to systematically collate and analyze membership data along these lines.

<sup>55</sup> Some of these members represented in these occupations (such as aluminium workers) joined the cooperative independently of FIWON and are now canvassing for their trade associations to sign up with the parent body.

people from joining. A vicious cycle has been established in this regard: prospective members who are young want to see themselves represented in the scheme so they can feel a sense of belonging, yet this is difficult to achieve if more young people do not join in the first instance. Levels of youth representation and participation are much higher in Osun (about 40 per cent of total membership), with the majority being women working as tailors, petty traders, food vendors and hairdressers. As was highlighted earlier, the Osun chapter also has more women working as agents than men. The high levels of female representation in Osun appear to be linked to the especially vulnerable status of women in the context:

*'Women are mostly challenged economically around here. They have serious economic issues. Most women are the ones paying their children's school fees, most don't have husbands, several are widows – and even most men don't have enough to cater for the family, so the women have to support them. So, they do the cooperative in order to cater to their families' needs. And some of them also use the money they get from the cooperative to improve their business.'*

– Key Informant Interviewee 5



**Figure 4. Breakdown of cooperative membership by age**

## Financing

The issue of financing is a constant source of concern for cooperative executives. Apart from the income garnered from member registration fees, the cooperative deducts NGN100<sup>56</sup> from members' savings as monthly dues. Additional income is generated from interest on loans taken out by members, which ranges from 5 to 10 per cent over a six-month period. Given that the sums involved in these transactions are generally small and their flow inconsistent, the cooperative's internally generated revenue regularly falls far short of the amounts required to run its operations. Some of the shortfall is catered for indirectly through donor grants obtained by FIWON, the parent organization. However, these financial donations, mostly from international non-governmental organizations, are irregular and unpredictable. The cooperative tries to cut costs by keeping its overheads low: executives and staff mostly work on a voluntary basis and agents are

<sup>56</sup> USD 0.26

paid commission as opposed to having a fixed salary. Notwithstanding these austere measures, however, funding to the cooperative remains highly inadequate, with a major unmet cost being substantive remuneration for the agents who are so central to the collection of member contributions.

## Challenges and Changes: A Trust Deficit and an Agent Problem

Perhaps the most significant challenge to the cooperative over the years has been its inability to grow its pool of members – and, by extension, member contributions – beyond a few hundred people. Successive strategies have been introduced by the executive to resolve this, but each response has tended to throw up new difficulties that then need to be addressed before a degree of progress can be recorded.

The scheme started out much like the *esusu*, or indigenous savings groups, in the sense that transactions between members were largely done in-person. Meetings were only held at the state level, and members had to be physically present at those meetings (or delegate someone who would be present) before they could make contributions. It soon became apparent that this system was not conducive to establishing a regular savings pattern, as most members could not spare the time and expense required to travel to a central location. It was at this point that the cluster system was introduced: rather than have members go the extra mile to attend meetings, they could just meet within their various geographical clusters whenever it suited them. However, the pace of member contributions did not pick up, due in large part to established spending patterns that make it difficult for informal workers to hold on to savings for more than a few days.<sup>57</sup> Realizing this, cooperative executives reframed the problem and reasoned that having designated agents stationed within the various clusters would make it more likely for members to make contributions in between meetings at whatever frequency was conducive to them. This assumption did not hold in reality, however, and the cooperative finally decided that it needed to change its collection model to mirror that of indigenous savings groups, where agents move around to collect contributions rather than wait for members to come to them. This itinerant agent model does appear to be better suited to the realities of informal workers, as its popularity with indigenous savings groups might suggest, but it has thrown up yet another challenge for the cooperative: how to adequately compensate agents for the extra effort they must make in going to members' homes or workplaces on a regular basis.<sup>58</sup>

Even though the itinerant agent system is familiar to many cooperative members from their experiences with indigenous schemes, it comes with an important innovation in this case, namely, a technological interface that enables agents to reconcile cash

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<sup>57</sup> It is possible for members to transfer their contributions directly to the cooperative's bank account, but this channel is utilized by less than two per cent of members. While levels of financial inclusion are generally low within the cooperative, especially among women, even members who have bank accounts are more comfortable interfacing with agents than with online or physical banking channels.

<sup>58</sup> An agent typically has a few dozen members to visit within a given cluster, ideally many times a week.



transactions with electronic records and allows members to see their contributions reflected immediately:

*'Whenever [a member] saves, the agent uses his Android phone to access the app. Through the app, he is able to record the transaction and he takes that amount of money [from the member]. If the customer has saved a thousand naira, for instance, that takes one thousand naira from the agent's float, so the agent is debited while the saver is credited and receives an alert [on his phone]. That could happen even twice a day or as many times as the member wants to save.'*

– Key Informant Interviewee 1

These technological features were added in an attempt to distinguish the cooperative and counter the weaknesses associated with traditional rotating savings schemes:

*'So, this actually is a very transparent way of doing it that takes care of those problems. It also builds their confidence as these are people who have been exposed to all manner of abuses, all manner of pyramid schemes. A lot of people are falling victim of that so there is a lot of scepticism about it. So, the idea is that at least we have a system where you are able to receive alerts and you have immediate feedback that shows some assurance and that your money is in your account.'*

– Key Informant Interviewee 1

However, notwithstanding the considerable capacity for innovation and credibility demonstrated by the cooperative, its administrators find that they still have to contend with a massive trust deficit engendered by workers' negative experiences with both indigenous savings and formal cooperative schemes in the past. The distrust is so entrenched that it is extremely difficult to dislodge, even with concerted efforts by dedicated agents:

*'I started going round and telling people about it. I also invited our leaders to come and speak to people. Still, many people were still afraid because of past experiences but I encouraged them. Some of them insisted on not doing the cooperatives but they are suffering because they don't have enough.'*

– Agent, Focus Group Discussion 2 (Woman, Trader)

*'[People] don't want to be swindled. This actually comes from their previous experiences. We try our possible best to convince them with our own personal experience and this has really helped in driving the organization forward. So, it takes a lot of time before they can actually believe you. We rely on our representatives to convince them and get it done, but the truth is that they are not coming up with the kind of result I envisaged.'*

– Key Informant Interviewee 5

It is important to interrogate the role of the agent in building trust because, as cooperative executives point out, the potential for expansion rises and falls on this core function. In many cases, local agents are the face of the cooperative, and it is important that they have an established presence and are well respected within their respective communities. However, while this closed-circle model may augur well for trust, it raises concerns for growth and replication. One way to resolve this tension would be to strategically deploy a blend of 'Type A' agents – typically older 'local champions' who are willing and able to invest in their communities without expecting a return – and 'Type B' agents

who are usually younger and are mainly motivated by the prospect of an income. This system would recognize that Type A agents are essential to establishing new clusters within their spheres of influence, thus surmounting the trust barrier to some extent, while Type B agents are valuable for their potential to pick up on the income-generating opportunities offered by a proliferation of clusters.

## Informal Worker Experiences of the Scheme

There are two main routes through which individuals join the cooperative: having someone they trust – typically a dedicated member or an influential figure within their networks – convince them to do so (the personal route); and learning about it through a weekly radio programme anchored and paid for by FIWON (the public route). Neither route is hassle-free: it usually takes many attempts over a long time to build up enough confidence in prospective members; and only a small fraction of the radio audience takes concrete steps to register. While this is unsurprising, given the generally low levels of trust in the system as described above, there are several examples of trust being extended to the cooperative via the personal route:

*'I joined FIWON cooperative because I have trust and I believe in them. This is the first time I will join a cooperative because I have seen so many cooperatives fail. I don't believe in loans but when I joined FIWON, we didn't have the cooperative. I was sceptical about it but the president of the cooperative used to explain to us every time. He said it will help us. With the belief I have in the cooperative and the general secretary, I joined. I didn't join the one in my association when they started. I believe in FIWON leaders and that is why I joined.'*

– Participant, Focus Group Discussion 2 (Man, Photographer)

*'Mr O. is my landlord; he is also my father in the Lord. He asked me to come and do FIWON [cooperative], then I remembered that I contributed money in like 2 places and could not get my money back. I told him that I am scared because I have seen too many cooperatives fail and I am not convinced. He told me to have faith, and also, I have seen people expand their businesses with the cooperative money. I then said I will listen to him because he is my father in the Lord.'*

– Participant, Focus Group Discussion 1 (Woman, Drinks seller)

In general, members are well-informed about the 'countless' benefits on offer at the cooperative, but – mainly for reasons of affordability – they usually only subscribe to one or two at a time, with hopes of signing up for other benefits later. In Osun, for example, many of those who have signed up for the health insurance and land acquisition schemes do not take out loans. In Lagos where the loan scheme is the main attraction, members usually invest the funds they borrow in their businesses. Many of the loan beneficiaries are female petty traders who have been able to grow their small inventories with the credit they got. Bigger businesses have also benefitted: the biggest loan given by the cooperative to date (NGN400,000, or USD1,052) was to a young man looking to diversify his already sizeable frozen-food business.

The savings scheme also seems to have benefitted members on a more fundamental level: it is a powerful nudge that helps many workers set aside part of their income, however small and irregular, that they would otherwise have spent on non-essential purchases. This has helped bring a sense of control into a situation of helplessness:

*'Those of us who are petty traders do not save often. If we cannot save frequently and we cannot go to the bank to make transfers, we will spend the money. That is the major problem in our own cluster. FIWON has designated the agents to collect it like thrift collectors. If they don't come and you try to keep it, you will spend it.'*

– Participant, Focus Group Discussion 3 (Woman, Provisions trader)

The ability to save in this way is particularly advantageous for younger cooperative members, as it means that they can plan for the longer term:

*'As a youth, I had no savings culture, but FIWON has helped a lot. Whenever I had money, I spent it unnecessarily, it could be on things I don't need. Since I joined FIWON, I have been able to plan my finances.'*

– Participant, Focus Group Discussion 1 (Man, Frozen-food seller)

The relative inaccessibility of cooperative savings (especially compared with money in the bank) is viewed by some as an added advantage:

*'This one is more secure than banks. As I am now, I have my ATM card with me and I will collect the little change I have. Cooperative money requires procedures to collect but money in the bank is easier to access. This also guarantees me access to other things.'*

– Participant, Focus Group Discussion 2 (Man, Photographer)

*'There is nothing bad in having savings accounts in banks but nowadays that banking is easy, the money can be withdrawn easily. The cooperative encourages us to save money. You know that you will not get your money from the cooperative immediately. The earliest is 24 hours.'*

– Participant, Focus Group Discussion 3 (Man, Mechanic)

Notwithstanding the current preferences expressed for certain services over others, there is latent demand among cooperative members for all the services on offer, as well as for insurance schemes that are yet to materialize. The feasibility of running a pension scheme for workers through the cooperative, for instance, is being explored,<sup>59</sup> and appears to have gained some traction among older people:

*'We have gone for the pension lecture and I thought we would begin on time when we received the lecture. I want them to work on it so that the pension will come on time. We are all growing old, and the kind of work I can do last year, I cannot do it again this year. The earlier, the better, so that we can benefit.'*

– Participant, Focus Group Discussion 3 (Woman, Petty trader and food grinder)

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<sup>59</sup> In March 2019, the National Pension Commission introduced the Micro Pension Plan to cater to small businesses and workers in the informal sector. The cooperative has since approached several pension fund administrators (PFAs) to obtain pension coverage for its members but finding the right fit has been difficult. The cooperative is insistent on a model in which pension deductions are made from members' contributions, rather than from individual pockets, to reduce the likelihood of default by members and exploitation by PFAs. Many PFAs, however, prefer to circumvent the cooperative and deal directly with individuals, fuelling suspicion among cooperative executives that the PFAs are not acting in good faith. The ideal PFA for the cooperative would be one that is willing to make short-term investments (e.g., in incentivizing local agents to boost member contributions) for the potential of making long-term gains. Cooperative executives have learned that this kind of arrangement is hard to come by, but they are still on the lookout for viable options.

Women with school-age children expressed the desire to see a dedicated education fund, separate from the generic target savings scheme, that would enable them to save specifically towards their children's school fees (instructively, none of the men interviewed for the study echoed this desire, indicating that women in the context bear much of the responsibility for providing for their children).

If the considerable demand for insurance observed among cooperative members is to be met, the difficulty of recruiting and retaining a wider pool of members must be overcome. Given that there is a trade-off between flexibility (an essential feature that enables responsiveness to workers' needs) and the viability of the cooperative, broader support will be needed, particularly from the government and potentially from the formal private sector. The next section explores possible avenues for such support.

## Broader Support for the Scheme

With the remarkably high levels of competence and credibility that the cooperative has demonstrated since its inception, it might be expected that it would have garnered substantial support from public and private actors at the federal and state levels. Indeed, the availability of government support to organized workers was a key premise upon which the cooperative was established. However, this support has not yet materialized and its absence is viewed by cooperative executives as a major setback:

*'One of the major obstacles [to growth] is that we are not getting the required support from the government and most of the support we get comes from outside Nigeria.'*

– Key Informant Interviewee 3

Cooperative executives continue to engage with government agencies in the hope of actualizing the many promises of informal-worker protections – pension, health insurance, life insurance – advertised by different programmes. The cooperative adopts a critical stance in these engagements, given that the government has a poor record of implementing social insurance programmes. Being highly sensitive to the vulnerability of its members, it closely scrutinizes any offers of insurance for potential loopholes. This high level of scrutiny has resulted in several private-sector offers being rejected<sup>60</sup> on the grounds that they would take undue advantage of poor workers in the cooperative:

*'If we let the pension companies collect money directly from our people, it is possible that 70 per cent of people will not continue, and the company will keep trading with the money. They don't care whether people continue or not. We then insisted that all members interested must pay through the cooperative. With that, the programme will be sustained and if anyone wants to claim money, we will claim it for them.'*

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<sup>60</sup> In addition to the privately administered pension scheme described above, the Lagos chapter of the cooperative has been pursuing leads for health insurance. Like the pension fund administrators, the health maintenance organizations (HMOs) would rather contract directly with individuals rather than do so through the cooperative, and again, the latter has refused to compromise. This, coupled with the fact that members consider the premium (which is fixed by the state government) to be too high, has derailed talks with several HMOs.

*Most of the companies see that we are wise. They are looking for money to sit on, but we don't want our people to suffer more.'*

– Key Informant Interviewee 2

In essence, therefore, the cooperative acts as a buffer between its members and propositions from external actors. Given that many state insurance schemes are administered by private actors, the cooperative often does not make a distinction between the two:

*'The pension administrators came to our office and told us about their plans which are not acceptable to us. We showed them the comprehensive templates from the cooperative which they did not find appealing. They brought the idea of paying the money to them without proper records, and after a while our members won't be able to keep up. So, we realized that what the federal government was bringing to the table was not what we wanted and that is why they are still holding us back, but we are not bothered. So, we told our members not to pay to them.'*

– Key Informant Interviewee 2

This situation with the government and private companies is reflective of the trust deficit within the broader system, and has been a major hindrance to expanding the capacity of the cooperative to meet the needs of its members. However, even when propositions from insurance providers seem straightforward, the costs involved may be deemed too high by the cooperative. In Lagos, for example, the yearly premium for the state health insurance scheme is NGN40,000<sup>61</sup> for a family of six, which is lower than the cost of many private schemes but is still unaffordable for many informal workers. Larger volumes would drive down costs – for instance, it is possible to cut the health insurance premium by nearly 50 per cent, but the numbers required for this fall far short of cooperative membership figures.<sup>62</sup> As has been described, it is difficult to increase and maintain the membership pool, due in part to a shortage of motivated agents. Here as well, the cooperative has attempted to broker partnerships with private insurance companies which also run agent-based models. This has not yielded any results so far, presumably because such partnerships would dilute the profit motive for the companies.

All this points to the need for the government at all levels to prioritize the welfare of informal workers within and outside the cooperative while allowing for reasonable gains to private administrators – and to build trust with the cooperative in the process. Even in this context where government support is generally low, it is possible to see how even indirect forms of government support can make schemes more affordable for workers. A key difference between the land acquisition scheme in Lagos and that in Osun is that the former is a purely commercial enterprise while the latter, though also administered by a private estate agent, is linked to a state government scheme. This distinction is a major reason why the terms of payment in Osun are far more relaxed, and therefore more accessible, for workers than the terms in Lagos.

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<sup>61</sup> USD105.

<sup>62</sup> To qualify for a reduction of the premium to NGN25,000 (USD66), the cooperative must have at least 15,000 members signed up to the health insurance scheme – many times the current few hundred members.

More directly, support is required to increase the pool of agents – either by way of remuneration or by facilitating the sorts of partnerships with private companies highlighted above – both to recruit new members to the cooperative and follow up with existing ones:

*‘One of the primary motivations was to use [the cooperative] to drive their participation in social protection schemes. But like I have said, in the middle of all of that is the agent who actually interfaces with members in their localities across clusters, but it has been the weak link and it is the area we need all the assistance in the world.’*

– Key Informant Interviewee 1

Providing the necessary support in the short to medium term would help to build up the membership figures – and hence the pool of funds – which would in turn increase members’ access to benefits by enabling reduced premiums on insurance packages and even lower interest rates on cooperative loans. The next two sections illustrate how, in the absence of such support, the social protection needs of many informal workers go unmet.

### **Informal Workers’ Reasons for Not Joining (or Dropping Out of) the Scheme**

As has been shown, the vast majority of FIWON members do not belong to the cooperative. Many cooperative members were unaffiliated workers who heard about the scheme outside of the organization, predominantly through the FIWON radio programme that started airing in 2018.

For many FIWON members, a key deterrent to joining is that they consider the terms of the cooperative loan scheme too stringent, especially in Lagos where the loan scheme is the main package on offer. Despite the efforts of the executive to make the scheme as flexible and worker-friendly as possible, many members still view the 10-percent interest rate and the six-month repayment period as not being sufficiently favourable. Further, many members find the requirement to commit to saving for six months before they can make withdrawals cumbersome, especially when compared with the terms of the indigenous saving schemes they are accustomed to:

*‘Our thrift system is fixed and you already know when you will collect money. But the cooperative, it will take some time. There are differences between the two. It is not easy to pull out and collect all your money [from the cooperative]. Most people just do the thrift system and collect all their money at once.’*

– Participant, Focus Group Discussion 3 (Woman, Frozen-food seller)

It would appear from the above that informal workers in the context generally have a low threshold for tying down capital, perhaps indicating that they do not have much of it to begin with. Indeed, many workers would rather take microfinance loans at interest rates of up to 25 per cent because they are not required by the banks to put up any equity, a situation which heightens their exposure to extortion and makes default more likely.

Workers who are especially vulnerable, such as petty traders and grinding mill operators (most of whom are women), are more likely to avoid loans altogether and stick with the

interest-free savings they accumulate periodically through indigenous schemes, even if this means they have significantly lower access to trading capital:

*'The cooperative will give double of one's savings, but the thrift gives you your exact money. In our association of frozen-food sellers, we also have a contribution system. People used to borrow money from banks before, but the interest rate discouraged them. When people want to buy more goods, they use the thrift contribution. I encourage people to join the cooperative, but they claim that it is like borrowing from a bank. Bank loans have interest like cooperatives.'*

– Participant, Focus Group Discussion 3 (Woman, Frozen-food seller)

Notwithstanding the flexibility built into the cooperative, some workers view the irregularity of their incomes as a strong disincentive to joining. Further, some workers who do join but who find themselves unable to keep up regular contributions – either because of a downturn in their business or a personal emergency that depleted their savings – elect to disengage from the cooperative rather than risk being seen by their peers as incapable. This effect was observed among women and men and older and younger workers alike. There are no discernible variations by sector either: what these workers have in common is a heightened sense of precarity resulting from unforeseen shocks to their personal circumstances. Paradoxically, it is precisely these workers who would benefit most from access to insurance and who should therefore be encouraged to remain in the cooperative.

Other workers have not so much made a decision to stay out of the cooperative as lacked the information they need to participate effectively in the scheme. For those in this category, the cooperative feels distant, especially relative to the local trade associations they often belong to. Efforts have been made to fill this information gap – for example, members of the executive visit trade associations periodically to explain the benefits of the cooperative, but this has done little to drive membership. To bring more workers into the fold, attention needs to be paid to ways of reaching them continually with the right messaging – but again, some support will likely be required on that front. While the opportunity for outreach afforded by the FIWON radio programme is valuable especially for the way it draws non-FIWON members to the cooperative, a parallel strategy is required to communicate effectively with the vast network of FIWON members on an ongoing basis. In all likelihood, this will come back to the need for the personal touch that a well-oiled network of Type 1 and Type 2 agents is able to provide.

In Lagos especially, many of the workers interviewed stated that a reduction in the interest rate on cooperative loans, to about five per cent, would make them more inclined to join the scheme. Beyond this, however, there are strong indications of latent demand for more traditional insurance products. As mentioned earlier, for example, health insurance appears to be a priority for older workers in both chapters, with several of those interviewed in Lagos indicating that they would sign up to the scheme if it became operational. As another example, the introduction of the land acquisition scheme in Lagos in early 2020 has attracted some members who would otherwise see little reason to join the cooperative:

*'When the estate scheme started, I knew I would be saving towards it. That is why I joined the cooperative. I do this like I am saving money, not so I can borrow money. The mortgage scheme, I will add to it so that I can pay.'*

– Participant, Focus Group Discussion 2 (Man, Shopkeeper)

*I didn't join because of loans; I joined because of other benefits. The housing scheme benefit is one, then household items that I can get through the cooperative. Some people came one time and said that we can buy electronics and pay in instalments through the cooperative. Also, the land is a major benefit. That is why I joined.'*

– Participant, Focus Group Discussion 2 (Man, Photographer)

The upshot of this is that more workers might be drawn to the cooperative if non-loan benefits constituted a larger share of its portfolio, especially given that, unlike loans, there are few alternative channels for informal workers to access these benefits. This, however, harks back to the cyclical effect described earlier: the capacity to add on benefits largely depends on the cooperative's ability to expand its pool of members significantly, so that the volumes required for insurance providers to achieve economies of scale can be reached. This reinforces the cooperative's need for financial and administrative support – especially from government, but also from private and donor organizations – to enable it to grow into a self-sustaining entity in the medium to long term. While it would be ideal for much of the synergy with government structures to occur at the municipal level, the weakened position of local government authorities throughout the country makes such an arrangement unlikely in the short term.<sup>63</sup> However, the broader idea of establishing linkages between the cooperative and local governance structures (including the community development associations that operate below the level of the municipality) is well worth exploring.

## **The Impact of Covid-19 on the Cooperative and its Members**

When the COVID-19 pandemic hit towards the end of March 2020, restrictions on movement were imposed in various states, including Lagos, starting with a near-total lockdown for five weeks. During this time only a few essential service providers – health workers, waste workers, food traders, etc. – were allowed to operate. The restrictions were eased in phases after this initial lockdown and ended in September 2020, but their effects on the local economy have lingered.

At the height of the restrictions, the impact on informal businesses in particular was profound but uneven. Workers in the food value chain (frozen-food sellers, grinding-mill operators, etc.) generally fared better than those in the fashion industry, for example – indicating that women, who are heavily represented in both sectors, experienced different levels of vulnerability during the crisis:

*'I am a tailor. There were no social gatherings, and we were at home. We had nothing. When we started sewing face masks, those who work in the local governments gave it all to their own people to do. We were very hungry, but we thank God. Still, things have not picked up because there are only few social gatherings.'*

– Participant, Focus Group Discussion 3 (Woman, Tailor)

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<sup>63</sup> The Nigerian Constitution assigns a broad range of responsibilities to local government authorities, but the latter have little relevance in practice because the resources that reach them from federal government allocations are negligible and they generate very low levels of revenue internally (Awotokun 2005, Murana 2016).



Some male-dominated occupations were also hard-hit: auto-mechanics, for instance, who constitute a large share of cooperative members, saw a sharp decline in business because their trade depends on people being able to move around in vehicles.

In the absence of government assistance,<sup>64</sup> cooperative members, like other workers across the country, had few avenues left for coping.<sup>65</sup> This is where cooperative savings became a lifeline for many members. Cooperative executives, seeing the need, waived the standard procedure for loan applications and made members' savings available to them, interest-free, on request:

*'That is where the cooperative came in. Members started calling us, so we held a Zoom meeting during the lockdown. Members asked for assistance from the cooperative; they said they had exhausted their money. We then decided that each member could take from their savings. We would not be able to give anyone double of their money because the demand was very high. Even at that, our people who got the opportunity were happy.'*

– Key Informant Interviewee 2

Members who took advantage of this facility during the lockdown were mostly those in the Lagos chapter – perhaps not surprising, given the prominence that the savings and loan scheme had in the state pre-pandemic. According to executives, at least half of all members in the chapter took up the cooperative's offer and tapped into their savings. Of this share, about 40 per cent withdrew the entirety of the savings they had in the cooperative at the time.

Some of those who withdrew their savings invested the money in their businesses. However, many others used the money to meet the immediate needs of their families, essentially providing them with a safety net under the circumstances:

*'I spent it because there was no other money. I was going to use it to buy goods before. I already told [the cooperative] I would take a loan with my savings to buy goods, but during the lockdown, there was nothing and the children were at home. Instead of borrowing money from outside, I asked for my savings.'*

– Participant, Focus Group Discussion 2 (Woman, Trader)

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<sup>64</sup> State governments around the country, including those in Lagos and Osun, launched food relief programmes in a bid to cushion the effects of the pandemic on poorer households. However, poor coordination and capture by political elites at the local government and community levels skewed the distribution in favour of people with connections to those elites.

<sup>65</sup> There were citizen-led efforts sponsored by well-to-do residents and members of the diaspora; however, while those efforts provided short-term relief for recipients, they were neither systematic nor sufficient given the scale of the need.

However, not all cooperative members were in such dire straits, with some having access to alternative sources – savings in the bank, family and friends – that helped them meet their basic needs. Members in this category mostly chose to retain their cooperative savings as insurance for the future:

*'I did not collect my money because I still had little money in my bank account. I managed with that. I prefer to spend that than this because this one is secure. I can easily get that, but this one requires me to come to meetings. That is why I fell back on that one and asked for money from some friends. I just decided to leave this one here.'*

– Participant, Focus Group Discussion 2 (Man, Photographer)

For other members who did not withdraw their savings from the cooperative, it was less a matter of choice than of circumstance: some simply did not have enough saved up to make a difference; while others, including many women, did not have bank accounts and therefore could not access their savings via the electronic platforms that became the de facto means of transacting during the lockdown. Still others with savings did not receive the communication that they were eligible for zero-interest withdrawals during the lockdown.

The impact on the cooperative's finances has been severe. Members who depleted their savings are only just starting to replenish their accounts. Many who did not withdraw money during the period did not save either, and those whose loan repayment periods coincided with the lockdown had their tenor extended without penalties. All these factors, combined with many members' struggle to reboot their businesses post-lockdown, have put the cooperative in an even more dire financial position than usual.

However, there is widespread appreciation of the relief that members' savings provided during the lockdown and its aftermath:

*'When people saw it, especially members who were not saving money before, they were challenged. They heard that members were in their houses during the lockdown and were getting credit alerts. We were transferring money to them. They learned a lot of lessons.'*

– Key Informant Interviewee 2

Cooperative executives have seized on this turn of events to promote the benefits of joining, emphasizing that everyone will benefit if the pool of members is expanded. However, the extent to which COVID-19-era experiences have influenced the broader view of insurance among members and non-members alike is less clear. In this regard, shocks that are more commonplace – such as seeing a life-threatening illness deplete one's savings in the absence of health insurance – may be more effective at persuading workers of the value of insurance. This was the case with an interviewee in Osun who, having used all her cooperative savings to augment her hospital bills when she took ill, signed up to the health insurance scheme and is now a vigorous advocate of the scheme among her peers. In the pandemic era, though, members have generally been unwilling to visit hospitals for any kind of treatment for fear of contracting the virus. This has resulted in a significant drop in participation, possibly eroding some of the gains that were made earlier in the scheme.

## Analysis of the Scheme Against Elemental Criteria

### Alignment with the needs of informal workers

The cooperative has been instrumental in building a culture of saving among its members – savings that enable them to access other benefits such as loans, land and, in Osun state, even some level of insurance. However, there is wide variation in members' perceptions of the utility of their contributions to the scheme. On the one hand, there are members who, in the absence of any other assets, value the access to short-term loans that their savings facilitate. On the other hand, there are members who view the scheme primarily as a means to target longer-term goals, irrespective of any immediate financial hardships that their savings might otherwise help to alleviate.

Many cooperative members who have taken out short-term loans are female traders, indicating that the scheme responds to the need of this group for operating capital. For those who see the advantage of the structure provided by the cooperative, these business loans, however small, help to reduce the precarity of their livelihoods. However, the disproportionate emphasis of vulnerable female workers on loans, exacerbated by the fragile financial status of the cooperative itself, undermines attention to other areas that are also important to those workers. Saving for children's education in particular matters greatly to women, and the cooperative is yet to explicitly address this need. In theory, young workers looking to build a financial base would be well-served by the loan and land-acquisition components of the scheme; however, responses from older workers indicate that their younger counterparts are impatient with the model of incremental progress and would rather take their chances elsewhere.

Notwithstanding these limitations, the range of benefits available through the cooperative means that there is something for everyone. Closer analysis, however, suggests that the cooperative may not be best placed to deliver some of those benefits optimally, especially when compared with competing platforms. The loan scheme for instance, though reasonably responsive in its current form, would need to have its terms relaxed even further (lower interest rates, longer repayment periods and shorter savings windows) for it to compete favourably with microfinance loans – and, to a degree, indigenous schemes. While the cooperative's terms are sensible given that it runs on little funding and low volumes, its inability to match the immediate gratification offered by other savings and loan schemes puts it at a disadvantage, even if its model proves to be more sustainable in the long run. Conversely, the cooperative seems well placed to carve a niche for itself in the area of insurance provision: as has been shown above, there is considerable unmet demand among members for social services ranging from health insurance to pension schemes and education trust funds. However, the ability of the cooperative to deliver these benefits at affordable rates largely depends on its ability to expand its membership pool, which in turn requires external support that has proved elusive so far.

### Building ownership and trust with members

Even within the broader climate of distrust within which the cooperative finds itself operating, its executives have largely succeeded in persuading members of their good intentions and their commitment to the welfare of informal workers. Indeed, some within the cooperative view their relationship with the executive in paternalistic terms

and trust their judgement on important decisions, such as whether or not specific offers of insurance are in the best interests of members. Many members attest to the integrity of the leadership and note how executives have distinguished themselves from leaders of similar schemes whose primary interest lies in ‘ripping the people off’ and enriching themselves at workers’ expense. Importantly, the leaders involved had established their credibility prior to starting the cooperative, which helped workers to overcome their trepidation at the prospect of joining. This dynamic is replicated at the cluster level where, as highlighted earlier, many workers were persuaded to join based on the reputation of agents and coordinators. For members of NATA, the auto-mechanic association with relatively high levels of representation in the cooperative, the dynamic extends to the group: members simply extend the trust they have in their association to the cooperative, certain that they will not be betrayed by their peers in the trade.<sup>66</sup>

The fact that the cooperative’s affairs are run competently and transparently only serves to bolster the reputation of its leaders and retain the trust of members once they get on board. Even the cooperative’s ethos of moderation (evident in the conservative approach to lending described above) that some members find limiting has served to increase the confidence of others in the authenticity of the scheme. Among committed members, there is a widespread sense that the cooperative is stable and therefore worth investing in, even if returns in the short-term appear minimal.

### **Balancing the financial viability of the cooperative and workers’ access to the scheme**

While the cooperative demonstrates a considerable degree of flexibility in its operations, many people want even greater flexibility, especially in the administration of cooperative loans. While the unpredictability of informal livelihoods contributes to members’ preference for ever-more flexible plans, a more pertinent issue appears to be a general reluctance to commit to saving for the stipulated 6-month period before they are allowed to make withdrawals. Many workers prefer the instant access to funds provided by higher-interest microfinance loans, which seemingly come with no strings attached. Even indigenous schemes have a unique value proposition for workers in this category (many of whom are women) and enable access to savings within significantly shorter time frames. The cooperative, meanwhile, put up the advance savings requirement to guard against default,<sup>67</sup> fully aware that it does not have the kind of agent networks that microfinance banks in particular deploy to follow up aggressively on loan repayments. This points to an inherent conflict between the cooperative’s requirement for financial stability and members’ preference for flexibility; a conflict that may be difficult to resolve without external support.

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<sup>66</sup> There is a strong sense of solidarity that permeates NATA that is not evident with other worker associations represented in the cooperative. NATA has unusually high levels of organization and coordination across its chapters nationwide. Many NATA executives previously worked in formal settings as company mechanics, and some of that experience has contributed to the strong administrative capacity within the association. Other associations have relatively weaker internal ties, which translates into weaker accountability among their members at the level of the cooperative.

<sup>67</sup> This is a broader requirement for all registered cooperatives in Lagos State.

### **Overcoming administrative barriers to access**

The cooperative has attempted to address barriers to access faced by workers through enabling electronic money transfers and innovating on the agent system. Although progress has been made on both fronts, some challenges remain. The fact that success still depends so heavily on agent activity underscores the inadequacy of the technology-enabled options that were designed to make transfers between the cooperative and its members 'seamless'. In principle, members can make transfers to the cooperative's account via online and mobile banking channels. In practice, however, some members do not have bank accounts, and many who do are more accustomed to traditional banking practices that require them to visit branches before they can make transactions – hardly a convenient way to make regular cooperative contributions.<sup>68</sup> Further, having a bank account is not the same thing as having a bank balance: many members do not retain sufficient balances from which they can make transfers to other accounts. More fundamentally, the high level of formalization implicit in the cooperative's structured approach to operations might itself be a deterrent to wider grassroots participation. For example, the seemingly basic requirement for prospective members to fill in registration forms, complete with passport photographs, can be daunting for workers who are not accustomed to such formality in their dealings with more traditional schemes. The solution, again, appears to lie in being able to recruit a critical mass of agents to assist workers with completing the forms accurately, reinforcing the centrality of their role to the functioning of the cooperative.

### **Integration of the scheme into a wider programme**

The cooperative scheme is embedded in, yet separate from, the parent organization – i.e., FIWON – that was the precursor to its formation. The cooperative's flexible and transparent structure draws heavily on the ideological underpinnings of FIWON, which emphasize social justice and worker solidarity. More practically, the cooperative derives 'opportunistic' benefits from its association with FIWON by finding ways to synchronize its activities with programmes run and funded by the latter. A good example is the FIWON radio programme that profiles the cooperative at no cost. The leadership recognizes that this is not a sustainable funding model for the cooperative, given that it is expected to run on a separate funding stream from that of the parent organization. However, as highlighted earlier, the cooperative's efforts to draw on public and private-sector support have not yet yielded results, severely limiting its capacity to realize its primary objective of facilitating access to insurance for its members.

### **The role of education, information and awareness**

In light of the generally low levels of trust in contributory schemes, the need to continuously raise public awareness around the distinctive features of the FIWON cooperative is of prime importance. The fact that the cooperative does not fit into any of the traditional models – indigenous and otherwise – that informal workers are familiar with reinforces the need to impress the cooperative's unique proposition upon them; a

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<sup>68</sup> There is the option of paying through stationary mobile money agents but the nominal fee (5 per cent of deposits) charged by those agents discourages cooperative members from using them. Moreover, members' preference is for agents that go from door to door collecting contributions.

task that has proven highly challenging. The occasional featuring of the cooperative's programmes on the weekly FIWON radio show is one way in which the information gap is being addressed by the leadership; however, as has been noted, they are unable to maximize the potential of this platform because it is not exclusive to the scheme.<sup>69</sup> Even among registered cooperative members, knowledge of the scheme's offerings varies widely, with the members most committed to meeting attendance generally being the most informed.<sup>70</sup> Petty traders (many of whom are women) are among the most disadvantaged groups in this regard as they are typically loath to leave their trading spots for any length of time, for fear of losing income. Information is also shared via a WhatsApp group, but membership of the group automatically excludes those without a smartphone or internet connection. Cooperative executives are aware that a coordinated awareness campaign is required, but this is yet another area in which they see progress as being contingent on having sufficient resources with which to mobilize local agents.

### **Monitoring and evaluation**

The cooperative does not systematically monitor or evaluate its activities and programmes; however, it is deliberate about being responsive to the needs of its members, notwithstanding its acute financial constraints. The leaders' commitment to members' welfare motivates them to keep troubleshooting and innovating to find solutions. Even though many of the cooperative's initial plans – particularly those for insurance – remain unrealized, alternative programmes are being devised to provide a modicum of support to members. A good example is the land-acquisition scheme, which was launched to help members meet their need for home ownership, even if they cannot yet access formal mortgage schemes through the cooperative. Another example is the itinerant agent approach taken by the executive, – although the cooperative does not yet have the resources required to implement it fully. This ability to adapt has been a key factor in helping the cooperative remain relevant in the face of numerous challenges, and it will be important for it to retain this flexibility as its membership and scope expand.

### **Lessons Learned**

This final section chronicles the reflections of members of the executive on setting up and running the cooperative. The lessons drawn from these reflections should be interpreted in light of the broader context of governance and state-citizen relations described above.

### **Start small**

The cooperative exists in its current form due, in large part, to the ability of the executive to rally from disappointment at the failure of an earlier scheme aimed at catalyzing

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<sup>69</sup> In any case, the show does not appear to be effective in disseminating information among FIWON members, as many of them do not tune in. Callers-in to the radio show tend to be non-FIWON members and they form the bulk of people who have been recruited into the cooperative since the show started.

<sup>70</sup> Meetings cannot be relied upon as a platform for information sharing, given the time and cost involved that impede regular attendance.

financial inclusion and economic empowerment among FIWON members. In retrospect, they consider this initial plan ‘grandiose’, with several elements that required high-level technological and financial expertise. The elements included a national database registry; a smart card meant to serve both identification and transaction purposes; an online marketplace where members would be able to advertise their goods and services and connect with prospective customers; and an app to facilitate all these processes. Indeed, the cooperative only surfaced as an alternative platform after the original plan fell through in 2017, three years after it was initiated. The emerging lesson is that it may be more productive for informal-worker schemes to start with available resources and work upwards, rather than anchoring the schemes on attractive but untested platforms.

### **Start early**

Another key lesson is that the pivot from the wide-ranging technological platform described above to a pared-down version, in the form of the cooperative, should have occurred earlier than it did. Too much time and attention was devoted to pursuing the original grand plan. While they succeeded in registering hundreds of thousands of workers nationwide on the database, including in the key states of Lagos and Osun, most became disillusioned when nothing came of the years-long registration process and declined to join the cooperative when it eventually started in 2017. The executives now see this as a missed opportunity to harness the goodwill and enthusiasm that were abundant in that early period – an especially painful realization given that the cooperative’s struggles with low numbers to date.

### **Start alone**

When the cooperative scheme finally began, the initial plans for insurance were predicated on the involvement of a cast of public and private sector actors. The hopes of the executive were particularly high regarding the potential for integrating the informal sector into the National Pension Scheme while it was undergoing review. They held a series of deliberations with public officials which yielded proposals for integration – a key one being that the federal government make contributory payments towards informal-worker pensions to encourage them to buy into the scheme. It is not clear to cooperative executives why government interest suddenly waned, but they speculate that it had to do with an abrupt change of guard at the National Pension Commission; a political decision from the centre that they had no control over. Similar proposals for worker concessions were made to private health maintenance organizations, but none of these were implemented and counterproposals were ‘utterly useless’ to the informal sector. These counterproposals essentially glossed over the cooperative’s requests for financial and technical inputs from the HMOs to help them get started, in return for guaranteed profits down the line. The cooperative made some strides on its own after executives overcame the ‘illusions’ they had about the possibilities of securing public and corporate buy-in, highlighting the potential for self-organizing in the absence of external support.

### **There is no substitute for a functional public sector**

Notwithstanding the progress that has been made by the cooperative without support, it has the potential to achieve much more with the active involvement of the government – both by way of direct financial investment (such as the proposal for pension contributions) and effective regulation of the private sector. The low levels

of public investment in social protection reflect a general crisis of governance, one in which government priorities are informed largely by political considerations that do not align with the interests of informal workers. Private sector activity, on the other hand, escapes a lot of scrutiny because an uninterested government can only provide lax regulation where, in fact, decisive measures are required to facilitate inclusive outcomes. In the absence of such measures, mediated by a functional government, informal workers will continue to be vulnerable to the vagaries of the market and exploitation by private interests.

**In the absence of public and/or private sector commitment, donor support can make a difference**

For the time being at least, the executives have come to terms with self-organizing as the route to advancing economic empowerment and social protection for informal workers. They are inspired by examples such as the Self Employed Women's Association in India and the 'Grameen Family of Organizations' in Bangladesh and recognize that these organizations were enabled by donor support to launch their own institutions that cater autonomously to their members' needs. The cooperative envisages this kind of outcome for itself: if it gets enough donor support to enable it to grow its membership to a few thousand workers, it can establish its own organizations that will provide social insurance directly to its members, as is the case with community-based insurance schemes.



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## About WIEGO

Women in Informal Employment: Globalizing and Organizing (WIEGO) is a global network focused on empowering the working poor, especially women, in the informal economy to secure their livelihoods. We believe all workers should have equal economic opportunities, rights, protection and voice. WIEGO promotes change by improving statistics and expanding knowledge on the informal economy, building networks and capacity among informal worker organizations and, jointly with the networks and organizations, influencing local, national and international policies. Visit [www.wiego.org](http://www.wiego.org).



## About StreetNet International

StreetNet International is an alliance of street vendors. It was launched in Durban, South Africa, in November 2002. Membership-based organizations (unions, co-operatives or associations) directly organizing street vendors, market vendors and/or hawkers among their members, are entitled to affiliate to StreetNet International. The aim of StreetNet is to promote the exchange of information and ideas on critical issues facing street vendors, market vendors and hawkers (i.e., mobile vendors) and on practical organizing and advocacy strategies. Visit <http://streetnet.org.za/>