

SOCIAL INSURANCE FOR INFORMAL ECONOMY WORKERS IN ZAMBIA



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1919-2019

SOCIAL JUSTICE
DECENT WORK

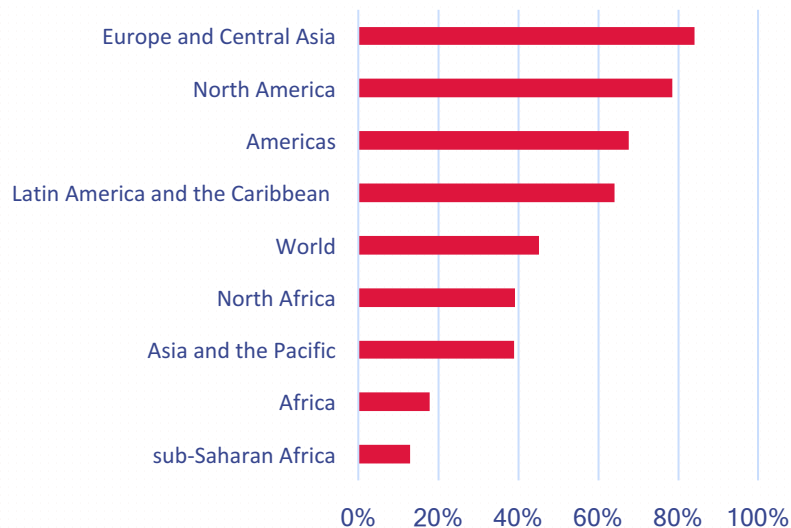


Rome, 6 June 2019

LIMITED, BUT EXPANDING SOCIAL PROTECTION

- Sub-Saharan Africa remains with persistently low coverage
- Innovative experiments with cash transfers and other social safety nets (e.g. cash 'plus' interventions)
- Limited (to extreme poor) but expanding coverage

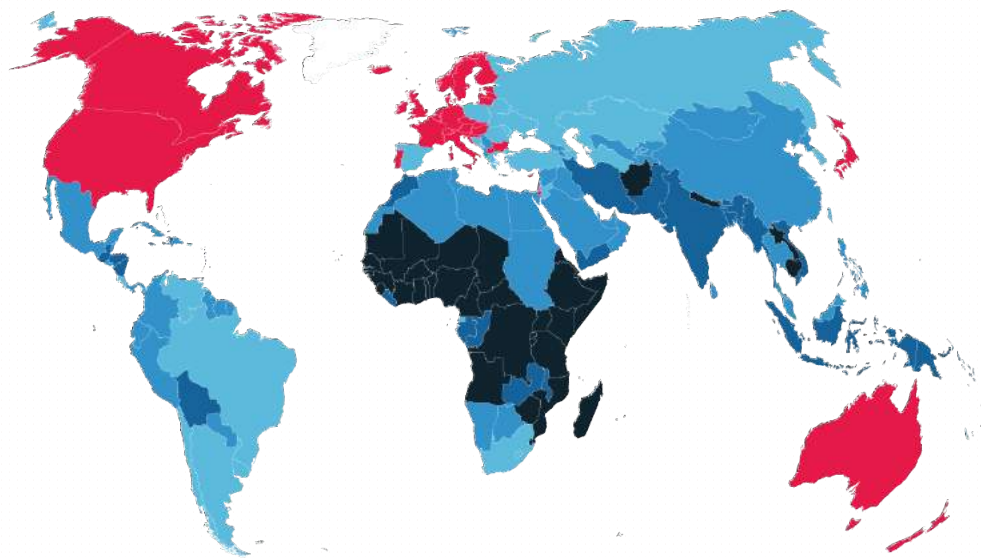
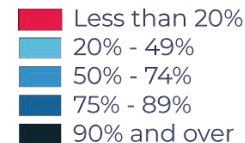
Percentage of the total population covered by at least one social protection benefit (effective coverage), 2015



THE AFRICAN “INFORMAL SECTOR”

- Sub-Saharan Africa has highest incidence of informal employment as share of overall employment
- Youth and older workers overrepresented in informal employment
- Workers with lower levels of education
- Rural and female workers

Share of informal employment in total employment, including agriculture (percentages, 2016)

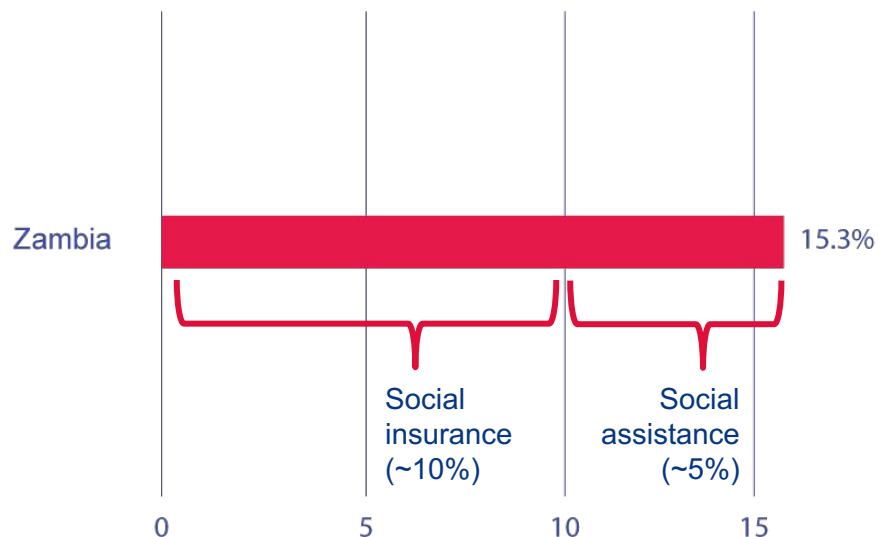


ILO, 2018: Women and Men in the Informal Economy: A Statistical Picture

SOCIAL PROTECTION IN ZAMBIA

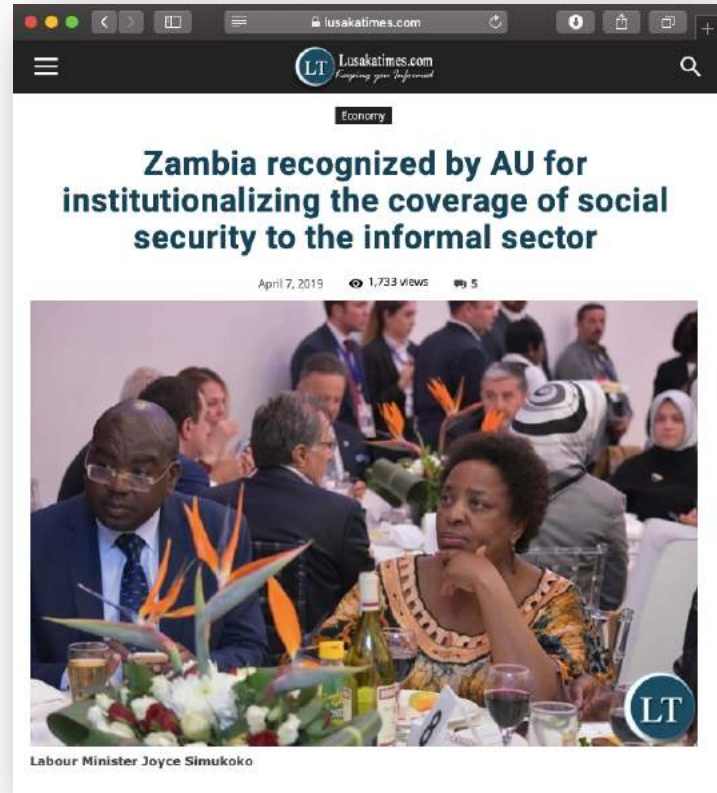
- Social insurance coverage for small formal sector (~10% of employed):
 - National Pension Scheme Authority (NAPSA)
 - Workers' Compensation Fund (WCF)
- Social assistance, PMT plus categorical targeting for disability, elderly, etc. (~5%)
 - Social Cash Transfer (SCT)

Percentage of the total population covered by at least one social protection benefit (effective coverage), 2015



REACHING INFORMAL SECTOR WORKERS

- Technical Working Group on Extension:
 - High-level leadership (Permanent-Secretary, Min. of Labour)
 - Broad participation from across sector
- “National Strategy for Extension”
 - Social assistance (non-contributory)
 - Mutual funds (contributory)
 - Social insurance (contributory)
 - Defined-benefit
 - Defined-contribution
 - “Hybrid” schemes



SOCIAL INSURANCE FOR THE INFORMAL SECTOR

Challenges:

- Lack of information regarding social security, faith in state institutions
- Shorter time horizons
- Lower, irregular incomes for many informal sector workers
- Absence of employment relationship
- No legal framework

Actions:

Outreach

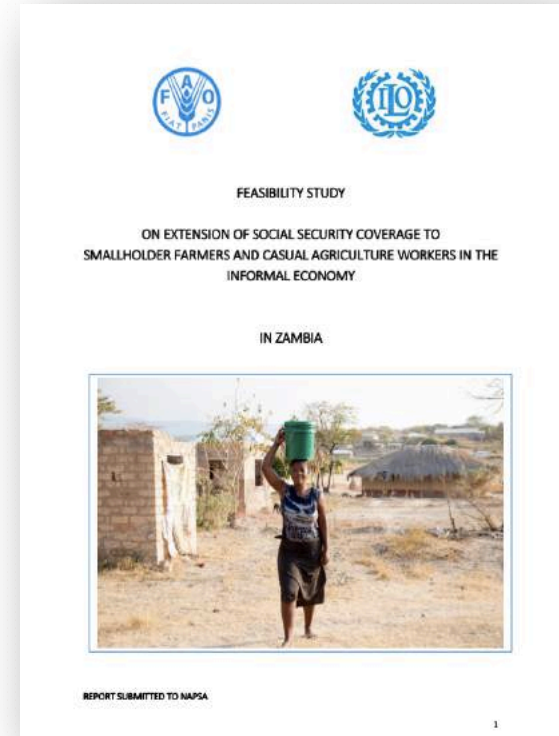
Benefits adaptation

Contributions
adaptation

Legal review

EXTENSION IN PRACTICE, BY SECTOR

- NAPSA: Extension of Coverage to the Informal Sector (ECIS)
 - Domestic workers
 - Bus and taxi drivers
 - Marketeers and traders
 - NAPSA: Social Protection for Informal Economy and Rural Workers (SPIREWORK)
 - Small-holder farmers
- Employment relationship
- Self-employed
- Self-employed



ONE SCHEME, DIFFERENT RULES

- Access to same defined-benefit scheme (old-age, invalidity, survivors') as formal sector members with possible cross-subsidization
- Average annual income ZMW 8800 (USD 675), 2017 indexed to national average earnings growth

Employer contribution waived	From 10% to 5%	Accrual rate halved
Shorter vesting period for “long-term” benefits	From 15 to 10 years	Minimum pension reduced by $\frac{1}{3}$
New “short-term” benefits added	Maternity, weather index insurance	Additional 0.4%, ZMW 50 (flat) contrib.
Annual contribution	From 12 to 1 contribution	-



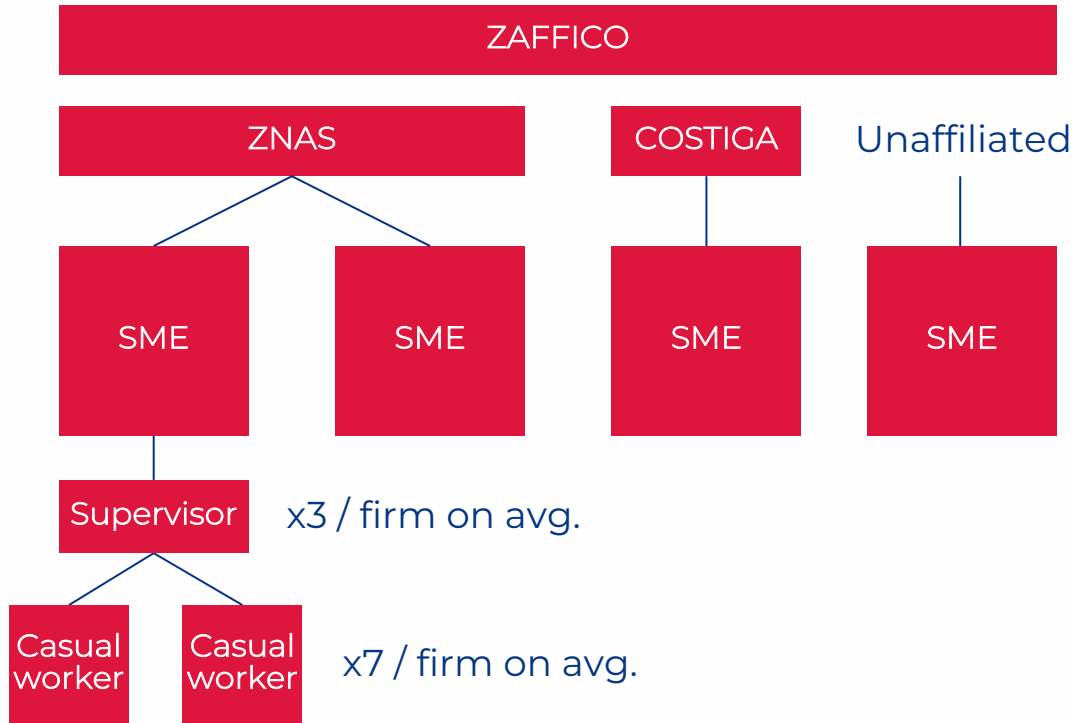
SOCIAL INSURANCE FOR CASUAL SAW MILLERS IN ZAMBIA



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ORGANIZATION OF SAW MILLING



Industrial plantations

Employers associations

Organized, well trusted

Saw milling firms

Small, limited capital

Low margins

Low capacity for investment, growth

Supervisors, admin. staff

Written contract, long-term

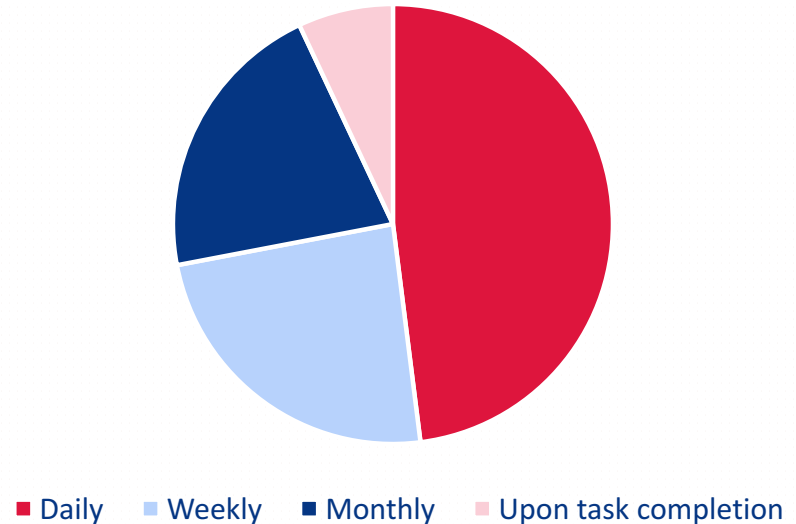
Casual workers

Oral contract, no contract

CONDITIONS OF CASUAL SAW MILLING WORK

- Low coverage in social protection schemes (3% affiliated to NAPSA, 9% WCF); low awareness
- Cash wages for groups or individuals calculated by task (e.g., # trucks loaded, # trees cut, etc.)
- On average, ZMW 600 – 800 /mo. (USD 56 – 62 /mo.)
- Workers faithful to one employer across the year (average 3-year tenure), or rotate
- Frequent accidents, underreporting

Wage payment frequency, by prevalence



ILO, 2015: Practical options for the extension of social protection coverage in Zambia – Casual saw millers

OPPORTUNITIES

Compliance

- ZAFFICO allotments require SME registration with NAPSA, WCF

Outreach

- Sensitization and outreach activities to increase demand among casual saw miller workers

Accommodation

- Replace payroll-based system with social security levy applied at purchase of ZAFFICO allocation
 - Agreed standards on the number of workers required for each position along the production chain, and per volume allocated
 - Agreed standards on average earnings for each position
 - Alignment with existing contribution rates (NAPSA, WCF) – *or modified ones, if corresponding benefits adjustment*

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THANK YOU