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Social Protection in Zimbabwe – Country Paper

Dr Henry Chikova, NSSA Zimbabwe

1. Introduction

In the foreword to the ILO Recommendation 202 of 2012 on Social Protection Floors, Guy Ryder the Director General of the International Labour Office notes that “social security is a human right and all people, regardless of where they live, should be guaranteed at least a floor of basic social protection and that social protection is a basic economic necessity to combat poverty” (International Labour Organisation, 2012). While the informal sector in Africa is increasing both in terms of employment and in terms of contribution to GDP, little attention has been paid to it with regards to social protection, largely because of the absence of an employer-employee relationship, which makes it difficult to make formal arrangements for the coverage of the sector. Zimbabwe is not an exception. Less than 20 percent of the labour force is covered by social security (National Social Security Authority, 2012). Other forms of social protection offered by the Government under its Social Assistance programmes are largely means tested, thereby excluding large population segments, most of which work in the informal sector. This paper looks at the extent of the informal economy in Zimbabwe, existing social protection systems, both formal and informal, what we can learn from these arrangements and how social protection arrangements can reach informal sector workers.

2. The extent of the Informal economy in Zimbabwe

In order to have a better understanding of the informal economy in Zimbabwe approaches to the concepts of informal sector and informal employment need to be clarified. Although these concepts are intertwined, the former is enterprise-based whilst the latter is job-based. According to the 2011 Zimbabwe Labour Force and Child Labour Survey (LFCLS) a production unit was considered to be in the *informal sector* if the establishment was neither registered with the registrar of companies nor licensed or was licensed only. Households employing paid domestic workers only and those involved in agriculture were not considered as informal sector enterprises. The 2011 LFCLS defines *informal employment* as employers and own account workers (other) employed in their own informal sector enterprises, all contributing family workers, all own account workers (communal farmers, peri-urban, resettlement farmers), and paid employees not entitled to any of the following: contribution to a pension fund by employer, paid annual leave, paid sick leave and written contract with employer. This definition encompasses groups that are excluded from formal social protection cover. This paper is interested in the population in informal employment.

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The Zimbabwe Statistical Agency carried out a Labour Force and Child Labour Survey in 2011 whose results show that the currently employed population aged 15 years and above was estimated to be 5.4 million and of these 4.6 million (84 percent) were considered to be in informal employment.

Females constituted 53 % of the population in informal employment. Above half (58%) of the population in informal employment was aged between 15 and 34 years. Nearly eight out of ten in informal employment were own account workers in the agriculture sector (communal, resettlement and peri-urban farmer), 10% were own account worker in other sectors, the remainder were either casual, temporary, contract or seasonal workers.

3. Social Protection System (formal and informal)

Legal provisions and intentions

The constitution of Zimbabwe provides for amongst other things, the provision of social protection to selected population groups. In its founding values the constitution espouses the respect of the elderly, children and people with disabilities. In its national objectives the constitution touches on issues of empowerment, employment creation, food security and compels the state to adopt policies and measures that relate to children. The State is obliged to take reasonable measures to ensure that youths between the ages of fifteen and thirty-five years are economically empowered, and are protected from harmful cultural practices.

The State is also required to take reasonable measures to improve the quality of life of elderly persons and to guarantee free and compulsory basic education for children and promoting higher and tertiary education. Additionally the State is obliged to take measures to ensure the provision of basic, accessible and adequate health services throughout Zimbabwe.

Additionally the constitution observes the right to education through the provision of basic education, with the intention of eliminating the risk of impairment of one's capacity to earn income through lack of basic education. The right to health care guarantees reduction of the risk of one failing to earn a living because of poor health. Likewise the rights of the elderly guarantee the social protection rights of the elderly.

Formal Social Protection Systems

Social Assistance Schemes:

Basic Education Assistance Module (BEAM): The BEAM is a non-contributory means-tested Public scheme. The main source of funding is the Government of Zimbabwe with support from technical partners such as UNICEF and DFID. The programme pays school fees for orphans and vulnerable children. In 2011 it had a national coverage of 407,241 primary and 119,316 secondary school children who were assisted. The primary objective of BEAM is to reduce the number of children dropping out of school, and to rope in children who have never been to school due to economic hardships. It targets children of school-going age (ages 6 – 19) and the Ministry of Labour and Social Services, in conjunction with the Ministry of Education, Sport and Culture, implements the programme. One of the major problems facing the BEAM is low coverage of the population at risk and late disbursement of the funds to schools resulting in children being sent away from school.

War Victims Compensation: The Ministry of Labour and Social Services administers the War Victims Compensation Act that came into effect in 1980. The Act provides for compensation for injuries or the death of persons, which was caused by the war of liberation. Compensation also extends to dependents of persons who died as a result of the war. Only war-related injuries or deaths, which occurred before 1st March 1980, are considered. The scheme is non-contributory and is financed by the State. This scheme is based upon the realisation that war injuries impaired claimants' capacity to earn income. Those who were dependent upon the persons who died as a result of the war had their source of support cut off hence the need for the State to intervene in providing income maintenance.

Assisted Medical Treatment Order (AMTO): The AMTO is non-contributory programme financed by the Government of Zimbabwe through the Ministry of Health and Child Welfare. This programme pays for health bills of indigent persons and had 25,000 individuals assisted in 2011. The target population are the vulnerable in society. It is a means-tested scheme.

Harmonised Social Cash Transfers: It is a means-tested public non-contributory scheme whose main source of financing is donor funding. The major technical partner is UNICEF. The programme involves direct cash transfer to ultra-poor and labour constrained households. About 14,000 households were assisted in 2011. The targets of the programme are OVC and labour constrained households.

Food Deficit Mitigation Strategy: This is a means-tested public non-contributory scheme financed by the Government with the WFP as the technical partner. Qualifying households receive grain. The national coverage stands at around 75 000 labour constrained and food vulnerable insecure households.

Child Protection Services: This is a public scheme where the Government and donors finance the programme with UNICEF as a technical partner. About 20,000 vulnerable children under the age of 18 years access the services nationally. The programme provides for the establishment of children's courts, protection, welfare and supervision of children and juveniles, registration of institutions for the custody and care of children and juveniles, funding for maintenance of children and juveniles and adoption of minors.

Support to Older Persons: It is a public non-contributory scheme funded by the Government which caters for older persons above the age of 65 years who are in institutions. The programme provides for the well-being of the older persons and is means-tested.

Support to Persons Living with Disability: Payment of grants to institutions housing 4500 PLWD countrywide to make provision for their welfare and rehabilitation.

Drought Relief Public Works Programme (PWP): The programme provides free cash assistance to the elderly, chronically ill and disabled persons. The able-bodied benefit on condition that they participate in community projects for a 15-day working month. The programme is self-targeting in which only the poor will participate. The objective of the programme is to supplement and quickly transfer incomes to the poorest households through temporary employment in labour intensive public works.

Rural Livelihoods Programmes: Between January 2002 and June 2006, Action Aid International implemented a *Rural Livelihood Support Programme* for vulnerable households affected by HIV and AIDS in 7 districts¹.

Education Block grants: The USAID and DFID block grant programmes, implemented by NGOs, provide annual payments negotiated with individual schools in exchange for fee waivers for orphans and vulnerable children. The schools use the funds to purchase books and other materials, furniture, or to invest in improved classrooms or vital infrastructure needs. In this way, block grants support entire schools as well as the individual orphans and vulnerable children who receive fee waivers.

Social Insurance Schemes

The National Social Security Authority (NSSA)

The National Social Security Authority (NSSA) scheme was introduced after the GOZ realised that the generality of the Zimbabwe workforce did not have adequate and comprehensive social insurance. Before the NSSA scheme, workers only accessed social protection under occupational schemes, which were not compulsory, and whose coverage was limited. This meant that only a small fraction of the labour force had social security cover, which lacked portability and transferability². The fragmented occupational schemes could not adequately pool risks and lacked intergenerational risk sharing and government financial backing in times of insolvency and economic turbulence. Occupational pension schemes only catered for one risk – loss of income due to retirement.

NSSA is a Statutory corporate body, constituted and established in terms of the NSSA Act of 1989, Chapter 17: 04 (Government Publishers), and tasked by the Government to administer social security schemes in Zimbabwe on behalf of workers, employers and the government. NSSA currently runs two schemes that are compulsory; the Pension and Other Benefits Scheme (POBS), also known as the National Pension Scheme, and The Accident Prevention and Workers' Compensation Insurance Fund.

¹ Bulilima, Mangwe, Shurugwe, Kadoma (Sanyati) Makondi and Nyanga

² If a worker resigned from employment he/she receives all contributions plus interest earned, and if the worker finds another job, he/she starts contributing afresh.

Pension and Other Benefits Scheme (POBS): The POBS is a contributory old-age scheme that is mandatory. The scheme pays old-age pensions, disability pension, survivor's benefits, and funeral assistance. It covers all employed persons between ages 16 and 65 years who are citizens or residents of Zimbabwe who work in the formal sector. Domestic and informal sector workers are excluded. Both the employer and the employee contribute 3.5% of the covered earnings respectively (translating into a contribution rate of 7%) up to a ceiling on earnings that is adjusted from time to time.

Accident prevention and Workers' Compensation Insurance Fund (WCIF): The employer funds the WCIF scheme in full. This is an insurance scheme where the employer insures his/her workers against work-related injuries. All workers except, in government and private domestic employment, are covered by the scheme. Contribution premiums are based on industry risk assessed rates levied on the total wage bill up to a ceiling on earnings. The main objective of the scheme is to remove from the employer the burden of looking after an injured worker, both in terms of medical expenses and wages during periods of temporary lay-off. The WCIF scheme pays out both short-term and long-term benefits.

Private Occupational Pension schemes:

Before independence extension of social protection under this scheme was dependent on the goodwill of the employers. This was due to the erroneous assumption that at retirement Africans were expected to fall back on the peasant economy. Occupational pensions were thus a preserve for non-Africans though the Public Service and a few companies provided occupational pensions to Africans. Employees contribute towards their occupational pensions with the employers usually matching the employee's contribution. Today there are various private occupational schemes in Zimbabwe, some organized according to the industries they fall in. Examples are the Mining Industry Pension Fund, The Local Authorities Pension Fund and the District Development Fund Pension scheme. A survey carried out by ZIMSTATS (Zimbabwe Statistical Agency) in 2011 showed that these private schemes cover only 11% of all pensioners in Zimbabwe.

The Maternity scheme:

is provided for in the Public Service Act and the Labour Act 28:01. It is administered by individual companies. The Labour Act provides for 98 days paid maternity leave whilst the Public Service Act provides for 90 days. The level of benefit is full salary on condition that a qualification period of one year employment has been met. The employer finances the cash benefit.

Private Medical Aid schemes:

These are contributory schemes where both employers and employees contribute to. They are aimed at providing access to health services by employees when they fall ill. These are employment-based schemes. They however have very low coverage of the population as shown by results of the 2011 Labour force survey where only 8% of the population was covered by these schemes.

Government Initiatives targeting those in the informal sector

There are no formal social protection schemes per-se that target the working age population who work informally in Zimbabwe. However, the Government of Zimbabwe has taken some steps in terms of social protection through economic empowerment targeted at those in the informal sector³.

Indigenisation and Economic Empowerment

Some form of social protection for those in the informal sector is hoped to be achieved through the indigenisation and economic empowerment programme of the indigenous population through the Indigenisation and Eco-

³ *It is important to note that there are national plans in Zimbabwe to include those excluded groups from social protection e.g. domestic workers and those in the informal sector. One of the first initiatives towards this goal is the voluntary contribution (which is open only to former NSSA members who have left employment) that the NSSA currently has in place although the take up by contributors is low. Currently it only has 15 contributors.*

conomic Empowerment Act Chapter 14:33. The aspect that has benefit the informal sector is the community share programme where companies that exploit natural resources in communities are required to invest in the respective communities' social services. The social investments include building schools, clinics, roads and any such social investment as deemed suitable by the community.

National Youth Policy

The formulation of the National Youth Policy (September 2000) reflects the commitment by Government to meet the needs and aspirations of young people. This policy aims to, amongst other things, establish a youth fund and encourage access to capital by the youth, ensure fair distribution of land for the youth who have reached legal age of majority and provide appropriate training for its utilisation.

Due to the Youth policy a concept that has been developed to target youth in the informal sector is the Loan Guarantee Scheme (LGS) whereby the Ministry of Youth Development, Indigenisation and Empowerment has engaged financial institutions to set up and manage a funding facility at concessionary interest rates and administrative fees to promote enterprise development. The lack of access to credit and lack of knowledge or experience in managing loans has too often left young people stuck in the informal economy. As a result of the LGS a local bank established a facility for the empowerment of youths in all the sectors of the economy. The youth being considered are young people between the ages of 18 and 35 who have bankable projects. The youth can borrow up to \$20,000 to finance their projects.

These initiatives are aimed at creating some form of employment for the youth, decrease poverty and aid social development. Hence, through these economic empowerment initiatives by the GoZ the youth subsequently have some sort of social protection available to them that they can access.

Informal Schemes

Burial Societies: Burial Societies are a form of informal social protection schemes that target those in the informal economy. They involve pooling resources together to provide financial assistance to members in the event of death or illness. They are generally seen to offer a measure of financial security in the event of bereavement and also cater for some of the other social needs of members. Burial societies basically provide the following services: advising members when a death occurs, meeting the cost of burial (coffin, providing food and transport for mourners), assist the bereaved family financially, visit members taken ill, pay hospital fees, assist the unemployed, organise social gatherings for members.

Co-operatives: Co-operatives are another form of informal social protection scheme that exists in Zimbabwe. Under this arrangement a group of people come together and contribute a certain amount of money every month and each one of them in turn accesses this money or sometimes goods. Members pool together their resources. While this arrangement exists mainly amongst those in the informal sector, those who are formally employed can also participate. They are mainly meant to cushion members financially and socially so that they do not experience financial and economic duress and they are a source of capital injection to embark on small business projects.

Zunde raMambo/Insimu yeNkosi: There is a traditional method of caring for orphans in Zimbabwe that is one of the responsibilities of traditional leaders; the Chief's Zunde raMambo or Insimu yeNkosi. This is a collective field that is worked by the community under the leadership of the chief and the village head for the benefit of indigent persons, specifically orphans. Zimbabwe legislative and policy framework for OVC - the Orphan Care Policy and the National Plan of Action for Orphans and Vulnerable Children builds on this social protection mechanism. However, due to institutional and resource constraints, they are not being fully mobilized at the local level.

4. Linkages between the Formal and Informal Schemes

The link between formal and informal schemes in Zimbabwe is through the formal social security scheme's investments portfolio, which has a component of social and economic investments geared on empowering com-

mon Zimbabweans. These investments are in the form of loans to Small to Medium Enterprises (SMEs) through umbrella organisations the Small Enterprises Development Cooperation (SEDCO). Finances reach the informal sector through economic empowerment programmes when beneficiaries access these loans. Allocation to cater for this facility is made every year in the National Social Security Authority's (NSSA's) budget. NSSA's target is to give 5 % of its overall investment portfolio to empowerment programmes. The NSSA has also provided funding for retrenched workers who are in the informal sector through banks. Retrenched workers who wish to be considered for the loan facility have to apply directly to the banks.

Insurance companies, like Old Mutual, have also participated in the Indigenisation and Economic Empowerment Fund. The National Social Security Authority has also constructed shelters for vendors to allow them to transact their business in secure, hygienic and safe environments.

Some pensioners of formal social insurance schemes use pension receipts to embark on small income generating projects, which provide them with some cash flows.

5. Lessons learned, ways to reach informal workers

Social protection can be extended to workers in the informal economy through programmes such as cash transfer programmes. However whenever these cash transfers programmes are initiated the Government should be mindful of their sustainability.

Allowing the population to voluntarily contribute may help to extent coverage to the informal sector. There are elements of voluntary contribution in Mozambique and Mauritius. When coverage cannot be immediately provided to people in the informal sector, social insurance on a voluntary basis could be introduced to extend coverage. The voluntary contributors can then be integrated into the social security system at a future stage when the value of the benefits has been demonstrated and when it is economically sustainable to do so.

Certain groups have different needs and some have very low contribution capacity. The successful extension of social security requires that these differences be taken into account. The potential for micro-insurance should also be rigorously explored: even if it cannot be the basis of a comprehensive social security system, it could be a useful first step, particularly in responding to people's urgent need for improved access to health care. Policies and initiatives on the extension of coverage should be formulated and adopted within the context of an integrated national social security strategy.

It is also import to review the structure and financing of social security schemes to ensure that they correspond more closely to the needs and circumstances of excluded persons and in particular those who work in the informal economy: decentralised schemes are key to delivering relevant and affordable social security to the informal economy and to rural workers

There is also need to improve the overall understanding of social security through conducting research on extension efforts, documenting best practices worldwide, developing new mechanisms to reach out to workers in the informal economy and creating guidelines for extending basic benefit entitlement.

In Zimbabwe the informal co-operative system is already entrenched and seems to work at local level. These can be strengthened through training of members on administrative skills. Such schemes can therefore be integrated using a bottom-up approach to transform them into regional and later national schemes. At another level community-based social protection schemes such as micro-insurance organisations and mutual associations can develop linkages with public social security systems and might operate as agents on behalf of public schemes.

The Government may think of other alternatives such as subsidising informal sectors contributions if those in the sector decide to contribute on a voluntary basis to encourage compliance.

The ILO (<http://www.oit.org>) is working in particular on community-based micro insurance schemes as a potential solution to the extension of social protection, especially in low-income countries with weak public ad-

ministration. These schemes are still few in number on a worldwide scale, but they are receiving amplified attention. This kind of system is, at least theoretically, liable to carry out various functions from risk prevention and its compensation through insurance. In the health field, for example, these schemes can contribute to the creation of a solvent service demand, stimulate the improvement of the quality of care, improve the efficiency of health care expenses, or set up health care services. They can also increase the efficiency in the allocation of resources as well as in the redistribution mechanisms towards the poor.

Some countries have been successful in extending social protection to those in the informal sector but important factors to be considered are, political commitment, public resources and a mobile labour force. Other countries have tried to adapt the social security benefit and contribution structure to the priority needs and the contributory capacity of workers in the informal economy. In some countries, this has been achieved within the context of statutory social insurance schemes; in others through special public schemes for workers such as the self-employed, domestic workers and workers in agriculture or construction. (<http://www.oit.org>).

6. Challenges in extending Social Protection to the Informal Sector

It is mainly those who are or have been formally employed at one point in their lives and have contributed to the schemes for a specified period of time that enjoy the benefits of social insurance. Zimbabwe like most other countries faces challenges in providing universal access to social security for all its citizens especially those in the informal sector. The following are the challenges Zimbabwe is particularly facing in extending social protection coverage to the informal sector.

- The country does not have the financial capacity to provide social protection to those in the informal sector. Social security schemes are contributory based therefore only those who contribute are able to be covered (less than 20% of the population is covered).
- Zimbabwe does not have the capacity or structures in place to collect contributions from those employed in the informal sector. In addition to this aspect, given the low level earnings of workers in the informal economy coupled with such problems as the absence of any visible employers for a significant share of workers (e.g. self-employed and casual), the contributory schemes are often difficult to enforce.
- The transitional nature of the Zimbabwean economy like most African countries also presents a challenge to the provision of social security to the informal sector.
- Voluntary schemes although ideal have been known to have low coverage
- The mobility of those in the informal sector also poses a problem in terms of collecting contributions hence a high default rate is likely to be experienced.
- The unstable nature of those in the informal sector also presents a problem in that it will result in a high default rate and will be costly to enforce compliance.