

Challenging the formality bias

Enhancing social protection for informal workers in Kenya and Tanzania

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Policy Brief

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Challenging the formality bias: Enhancing social protection for informal workers in Kenya and Tanzania

Public social protections schemes in Kenya and Tanzania cater mainly to workers in the formal economy, although the majority of the population works in the informal economy. Thus, there is a need to rethink social protection, and inspiration for this can be found in the informal workers' own collective initiatives.



Participating micro traders in Nairobi, Kenya. Photo: David Oburu



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Project

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Project partners

The project is a collaboration between
Roskilde University, Denmark
Nairobi University, Kenya
Mzumbe University, Dar es Salaam

Key Findings

- 1** Informal workers' associations often offer more relevant social protection for their members than public social protection schemes since they are more flexible and can cater for multiple short-term needs – but they are also more limited in scope.
- 2** Irregular income is another key factor for informal workers considering joining public social protection schemes, since these require regular monthly payments – some informal workers' associations can play a role by handling the payments.
- 3** Going forward there is a need to involve informal workers and their associations in developing more relevant social protection schemes.

In Kenya and Tanzania, the informal economy accounts for more than 80% of total non-agricultural employment.¹ Accordingly, for most workers in these countries, informality is the norm, not the exception. Access to formal social protection is extremely limited among these informal workers, who often face discrimination, exploitation, and precarious livelihoods. In this brief, we argue for the need to design social protection measures that accommodate informal workers' needs, and we explore the lessons that can be learned from informal workers' own collective initiatives.

The concept of informality is highly politicized and often intersects with formality in numerous ways. Nonetheless, the term 'informal' is essential to determine social protection rights and to understand key work-related challenges. We understand the informal economy as including self-employment in informal enterprises (i.e. unregistered or unlicensed business), as well as wage employment in informal jobs (i.e. without a written contract). In terms of social protection, we focus on measures such as health insurance and collective representation but exclude cash transfers as these are not commonly provided by informal workers' associations.

The formality bias

Internationally, the extension of social protection to informal workers is on the agenda. However, the dominant social protection policies and the literature on social protection have an almost exclusive focus on donor and state programmes. Most of these formal programmes only apply to small parts of the populations and in no way meet the needs. In these circumstances, people mainly rely on other means of protection against risks and vulnerabilities, through extended family ties and, importantly, through different forms of collective self-organizing.

These latter collective, informal, bottom-up forms of social protection are notably absent from social protection discussions, and little is known about their extent or format. In the collaborative research project SPIWORK (see below) we address this soaring gap in policy and literary focus. We challenge the formality bias and argue that the one-sided focus on formalization makes most existing formal social protection measures ill-suited and inadequate for the majority of the working populations, who work in the informal economy. Thus, the project investigates the role of informal worker organisations in enabling access to both formal and informal social protection measures, such as health insurance or collective representation in Kenya and Tanzania.

¹ ILOSTAT. (2023). Labour market-related SDG Indicators [ILOSDG database]. International Labour Organization.

About spiwork

Informal Worker Organisation and Social Protection, (SPIWORK) is a 4-year joint research initiative between Roskilde University, University of Nairobi in Kenya and Mzumbe University in Tanzania financed by the Ministry of Foreign Affairs Denmark (Danida). The project draws on interview and survey data from people working in micro trading, transport, and construction. 1,462 survey interviews, 120 key informant interviews and 24 focus group discussions and several case studies were conducted between 2018 and 2020 in four urban areas in Kenya (Nairobi and Kisumu) and Tanzania (Dar es Salaam and Dodoma).

Findings and lessons learned from social protection via workers' own associations

Informal workers' associations differ a lot in the capabilities and resources they have, and in the forms of social protection they offer. A common measure is micro social insurance, in case of health-related problems and death in the near family, and also the opportunity to save and receive loans. Some associations also offer some form of training, knowledge sharing or access to external services like loans, training, or health insurance. The most common issue, which people contact their association about, but which only few associations are able to help with, is negotiating with authorities with regards e.g. to access to workspace, harassment, or eviction.

While informal social protection at least in part addresses the needs and preferences of informal workers, it also has limitations related to capacity, viability, and exclusion. Hence, in some cases people are excluded from access to informal social protection via associations due to contribution requirements and enrolment barriers, and not all associations have strong or able leadership. Nonetheless, for the workers who are members, our analysis shows that associations offer a wider range of social protection than public schemes, and that they are tailored to the capacities and multiple needs of their members. We argue that important lessons can be derived by analysing their mode and scope:

1

Firstly, and in contrast to formal social insurance measures, the insurance model employed via workers' own associations focuses on timely, flexible, but also limited protection against more short-term needs.

2

Secondly, saving and loan functions, while limited, can help smooth income, address contingencies, and invest in education and at times even business development. Other measures, although less common, can contribute both indirectly (training and bulk buying) and directly (joint business activities) to enhance incomes.

3

Thirdly, in cases where the workers' association act as voice and representative for its members, this can help address adverse effects of state governance like evictions, fines, or harassment. Hence, help with negotiating with authorities was of key importance particularly for micro-traders and transport workers.

Findings and lessons learned from formal social protection

The recent implementation of a universal old age pension in Kenya (and in Zanzibar but not in mainland Tanzania) attests to the ongoing efforts aimed at extending social protection to informal workers. Nonetheless, when it comes to health care (and pensions in mainland Tanzania), current measures available to informal workers consist of the option to individually contribute to health insurance.²

However, our research shows that the public schemes do not work well for informal workers, as demonstrated in relatively low enrolment rates. Whereas pension coverage was almost non-existent among participants in our survey, we found health insurance coverage to be 41 percent for Kenya compared with 19 percent for Tanzania, in accordance with the national averages reported elsewhere.

Informal workers are reluctant to take up health insurance not only (or in Kenya even mainly) because they do not have money but primarily because their earnings are irregular. Also, many workers lack information about existing schemes, and institutional constraints such as complex registration procedures, penalty charges, and poor-quality services also play a role.

The key determining factor for informal workers choosing to take up health insurance is association membership. Hence, some associations play a crucial role in either registration of members to a formal health insurance scheme or by directly handling members' payments via their savings. Although this was not common practice, such facilitation points to the potential role that some associations might play in encouraging enrolment in formal health insurance, but also in preventing default among their members by handling payments. A particularly interesting example is the KIKOA scheme in Tanzania which was tailored to work through the informal workers' own associations. The scheme attracted considerable interest but did not survive, partly because many people with existing medical needs enrolled. Thus, two key lessons can be learned from the structure of formal social protection:

1

Firstly, while formal insurance schemes are now open to informal workers, they remain modelled on the needs and abilities of formal workers and hence require beneficiaries who are able to consistently provide contributions over relatively long periods of time with a perspective on possible future needs.

2

Secondly, voice and representation is not considered part of formal social protection, and people in the informal economy are generally not seen as collective political actors who should have access to representation in their own right (although there is a move in this direction with the Micro and Small Enterprises Authority in Kenya).

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



Bodaboda (motorcycle taxi) riders in Tanzania indicating they could pay for formal insurance. Photo: Aloyce Gervas



Mama lische (female street food vendor), Kisumu, Kenya. Photo: David Oburu

Conclusions and recommendations

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

Our findings reveal that there are lessons to learn from informal social protection approaches. Governments are advancing Universal Health Care which require bringing on board informal economy workers. But even when informal workers earn enough to pay for health insurance, the challenge lies in their irregular income which is not aligned with the monthly payments required by formal schemes. Furthermore, informal workers also need to cater for multiple and short-term needs. This could be addressed for example by enabling credit from the funds accumulated by health insurance or pension schemes. Consequently, there is need for governments and development partners to design social protection measures that accommodate informal workers' needs.

In doing so, a first step should be engaging informal workers in developing more appropriate policies that can provide informal workers with appropriate social protection measures. Their reality should not have to conform to an inadequate model; rather, the model should fit their reality.