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Institutionalizing the Informal Sector through Social Protection Policy in Uganda

By

Mary Baremirwe Bekoreire, Edmond Were and Shadrack Nasongo

Abstract

Social protection is one of the globally recognised strategies in poverty reduction. Lack of access to social protection by over 90% of the working population in the informal sector implies that there is high vulnerability to poverty by the majority of the working population in Uganda. This paper aims at illuminating the need to pay attention to three key aspects during policy design and implementation in order to design and implement an inclusive social protection policy. These aspects are availability, inclusiveness and affordability of social protection services. It presents a review of literature on social protection interventions in Uganda with reference to theoretical and scholarly literature. It posits that the social protection policy in Uganda has not taken into cognisance the contextual factors that hinder informal sector workers from accessing social protection. The current social protection policy targets workers in formal employment and other vulnerable groups, leaving out majority of the working population that contributes about 20 per cent of national GDP. This social-economic exclusion may, therefore, not enable Uganda escape the poverty cycle towards becoming a middle income country. Lack of access to social protection is pointed out as one of the leading factors that contribute to non-institutionalisation of the informal sector and as a result, majority of informal sector workers have limited ability to protect themselves against risks and vulnerability to poverty. The government of Uganda should promote institutionalisation of the informal sector in order to enable pooling of resources, promote savings and investments, enable easy administration and facilitate easy access to resources from the Government and NGOs to support social protection interventions for informal sector workers.

Key words: Uganda, Informality, Institutionalisation, Social protection

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Introduction

Social protection interventions are being popularised on the global development platform as effective strategies in poverty reduction (Barrientos & Hulme, 2008; Ntare, Namuddu & Onapa, 2008). This is because it addresses risks and vulnerability especially among the poor (MOGLSD, 2015). In addition, social access to protection has been pointed out as an essential strategy in addressing informality and informality is viewed as an indicator of poverty.

Despite the fact that social protection plays a significant role in human development, the current social protection policy in Uganda excludes the informal sector workers. According to the National Social Protection Policy (2015), the formal social protection interventions in Uganda include Public Pensions Scheme, National Social Security Fund (NSSF) and Parliamentary Pension Scheme. The other initiatives include support to Orphans and Vulnerable Children (OVCs), Community Based Rehabilitation Programmes for People with Disabilities, School feeding programmes and Social Assistance Grant for the Elderly (SAGE). The existing social protection strategy is fragmented and excludes 85 per cent of the workers in paid employment in Uganda (MOGLSD 2015).

Access to social protection promotes distribution of resources in the society (Barrientos & Hulme, 2008; Hickey, 2015). The informal sector comprises over 50 per cent global workforce and 80 per cent of the workforce in Africa (Schneider, *et. al*, 2010). In Uganda, it comprises over 90 per cent of the working population (MOGLSD, 2015). However, the social protection strategies in most developing countries exclude workers in the informal sector (Lund 2009). Majority of those excluded are women who work in the agricultural sector (ILO, 2012). The informal sector workers contribute greatly towards economic growth but they less benefit from the gains of economic growth (UNDP, 2012). According to Henley *et al*, (2006), lack of access to social protection is an indicator of informality. Therefore, informal sector workers are more likely to shy away from legalising their existence because they want to avoid taxes that do not directly translate into direct social services that address their immediate social welfare needs (Chen & Sewa, 2001). Realistically, no significant development can take place if the majority of the population are excluded accessing from social-economic services and opportunities.

There is consensus among scholars that extending social protection to informal sector is limited by the informality of the sector which makes administration of social protection very difficult. One of the popularised reasons is the fact that informal sector workers have irregular incomes because majority of them operate on a small scale, which makes it hard to make regular contributions (Lund, 2009). Also, other factors such as unavailability of statistics due to the informality of businesses and the heterogeneous nature of the economy deter the government and non-state actors from implementing effective social protection interventions for informal sector workers (Chord, 2009; Gonzalez & Manasan, 2012).

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Purpose

There is no significant national development that can be realised when a significant proportion of the population is excluded from accessing social services. This paper advances that the government of Uganda should promote institutionalisation of the informal sector to facilitate the extension of social -economic benefits to the informal sector workers in form of social protection services. It further illuminates the role of institutionalisation in addressing challenges relating to informality that leads to exclusion during social protection interventions. It emphasises that institutionalisation is possible only when the state addresses the contextual factors that prevent informal sector workers from forming and maintaining strong institutions. In addition, this paper focuses on three key factors should be addressed during policy design if the country has to successfully achieve the vision of accessing social protection to all citizens by 2040. They include; availability, inclusiveness and affordability of social protection services.

Method

Literature was reviewed both at global and national level. Analysis was made basing on global and theoretic paradigms in comparison to contextual setting of informal sector workers in Uganda to derive recommendations and conclusions. A critical examination was made to highlight the pertinent issues that need attention in the policy process which contribute to inequitable access or even exclusion to social protection services.

Findings

Availability of social protection services

The state exists to provide welfare services to its citizens. In this case, access to social protection services should be perceived as a right for every citizen (Ntare, Namuddu & Onada, 2008; Article 22 of UDHR). In Africa, this right has been abused because informal sector workers do not have adequate protection and indeed have very limited access to basic social welfare services including public health care, social security, pensions, and unemployment protection (Gal *et al*, 2007). In actual sense, effective social protection interventions should lead to realisation of competing objectives including effective protection of the population from various risks, promotion of increased economic activity, and redistribution of economic resources and facilitation of a smooth economic market (Babajania & Hagen-Zanker, 2012).

In Uganda, informal sector workers depend on informal and traditional approaches to social protection that include burial societies, rotating credit societies, cooperatives or other exchange systems (MOGLSD, 2015). Given the fact that the family and traditional society structure have been affected by globalisation, these approaches are unreliable and this calls for other supplementary and reliable coping mechanisms that can protect the informal sector workers and their families against risks and vulnerability. In addition, most of the approaches used by informal sector workers in Africa have a welfare approach and they lack the capacity to protect the members from long term risks (Artin- Tenkorang, 2001).Majority of them are curative in nature. Thus, they are inadequate in addressing majority of the risks in the lifecycle such as old age, disability, natural disasters and unemployment among others.

According to the current social protection policy, the Ugandan government intends to use universal health coverage as one of the strategies of increasing accesses to affordable health care

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by all households. Experiences from universal coverage of social protection interventions have reported pronounced gaps (PEP, 2013). With specific reference to Uganda, some of the gaps can be reflected in the universal programmes such as Universal Primary and Secondary Education and the Health policies. Although the mentioned policies have realised increased access to the services, there are quality related challenges in regard to these public services. For instance, the government has increased access to health through its decentralised health system but the health units are under-stocked with drugs and other facilities, leave alone having limited personell. Besides, corruption is commonly reported in health centres and the vulnerable persons are tasked to pay before accessing the services (Bekoreire and Nangoli, 2014). This is an indicator that individual coverage may not adequately address access problems for vulnerable groups that are excluded.

Nevertheless, it is worth noting that some African countries such as Rwanda, Kenya, Tanzania and Ghana have registered success in providing universal health insurance (UNDP, 2011) and Uganda could learn from their experiences. However, even where success has been registered regarding universal coverage, informal sector workers still experience limited access. For instance, although the Republic of Kenya has registered commendable progress with health insurance for all, only 16% per cent of informal sector workers access health insurance as compared to 98% of the informal sector because contributions are compulsory for the formal sector workers and voluntary for the informal sector workers (FGM Mobile money, 2014). The causes of this discrepancy need to be critically analysed. Apart from assessing the causes relating to affordability, there is need to make comparisons concerning modes of payment. It is most probable that contributions are easily made on the side of the formal sector because employers remit the contributions whereas the informal sector workers are left to make their contributions on a voluntary basis.

Literature shows that there is no blueprint strategy for ensuring access to social protection for informal sector workers in all countries (Meirner, 2014). This is due to the heterogeneous nature of the sector, the broad spectrum of social needs to be addressed and other factors such as the fiscal space, availability of care institutions and national and international laws (Shahrokh, 2013). A number of proposals have been given by different scholars including the multi-sector approach (Lund, 2009), Public-private partnership (Ghanem, 2014), prioritisation of individual sectors first before scaling up to others (Grant, 2008) and empowering of the workers through groups /community based organisations to increase their voice and advocate for their social protection rights (OECD, 2009; Lund, 2009). It is worth mentioning that the most effective strategy in this case is the one that addresses the priority needs of the target group on a sustainable basis. Uganda should therefore consider contextual appropriateness in order to design a suitable and effective social protection strategy for the informal sector.

In addition, whereas the government commits itself to prioritise the informal sector (MOGLS, 2015) there is need to consider in its programming a strategy /strategies that will address the administrative challenges that come along with the informality of the sector. One of those factors that should be strongly emphasised is empowering the informal sector workers, while considering the heterogeneous nature of the sector and sustainability of the social protection initiatives. This requires using an integrated approach as opposed to a single approach

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(Barrientos and Hulme, 2008) and mixing financial and other efforts to include the government and Non-state actors.

Inclusiveness

Most of the policies in developing countries lack contextual appropriateness and policies target wrong problems (Ndah, 2010). According to Robalino, Rowlings, & Waller (2012) policy makers can achieve inclusion in social protection interventions observing the principles of equity, inclusion, incentive comparability, fiscal sustainability and ability to respond to risks and shocks. However, this is possible if the target groups are involved early enough in the policy process during problem identification and agenda setting. Social inequalities across the lifecycle are addressed by empowering the vulnerable groups to benefit and participate fully in the initiatives (OECD, 2009) thereby promoting economic growth in the society.

Given the diverse nature of social risks and vulnerabilities (Barrientos &Hulme 2008), the social protection policy should be grounded on specific contextual consideration of factors that include demographic characteristics, economic situations and labour market among others (Hormansdörfer, 2009). However, this is possible when workers organise themselves into homogeneous groups. Lund (2009) proposes that a multi-stakeholder approach to social protection has the potential to foster the dialogue between organisations of formal and informal workers, government and the corporate sector can possibly move a long way to address capacity constraints although but this calls for effective coordination by the state.

Institutionalisation is even more helpful in addressing gender gaps that often curtail equal access to resources such as land, technology, pesticides, loans among others (Narsarin, 2011). This is because even when it comes to gender, risks are different among men and women and where they are the same, the magnitude differs (Luttrell & Moser, 2004). Women in most developing countries are engage in unpaid work which require no skills and qualifications (Mersneir, 2014). Women are also limited from owning resources such land and other assets and from accessing other opportunities and resources of societal norms and customs (Said-Allsopp & Tallontire, 2014). Therefore gender sensitive data that includes risks and vulnerabilities of men, women and households should inform the social protection interventions.

Political will is critical if inclusion has to be achieved in social protection programming and implementation (Meirsner, 2014). The views held by political elites are pertinent in determining the extent to which the social protection policy is inclusive because they are influential in resource and budget allocations. On the contrary however, political elites in Uganda have displayed negative attitudes towards social protection for the poor (Mubiru, 2014). Previous studies on social protection in Uganda show that political elites perceive social protection negatively. Some of the perceptions reported include: social protection is perceived by political elites to be promoting dependence, laziness; it is considered as welfare “hand outs” or charity that consumes scarce public resources but does not generate economic returns; and that it undermines social capital of the traditional society and is likely to undermine informal safety nets (IDS, 2008; Grant 2008; Ntale et al, 2008). Such and similar attitudes challenged the proposal of extending social insurance to the informal sector where the informal sector workers were to be mobilised through a savings scheme and contribute 4 per cent per month and the government would also contribute 4 per cent. Grebe (2014) reported that this proposal was halted

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due to major criticisms from major stakeholders because it was perceived as a burden for employers of workers in the formal sector.

In addition there is needed to take into cognisance the politics of social protection if informal sector workers have to be prioritised in social programming and implementation. This is because the socio-economic conditions in developing countries do not always favour democratically generated public demands (Deacon and Cohen, 2011) and because of this, there is need to understand the dynamics that are essential in fostering social protection demands of the informal sector on the policy agenda. Hickey (2015) observes that politics influences policies demands and policy outcomes. The different stakeholders- informal sector workers, donors, government administrators, politicians and NGOs have different levels of influence. For instance, if informal workers are institutionalised, they can take advantage of their vote power to demand from the competing political parties and ruling elites to include social protection in their manifestos. According to Grebe (2014) the donors were only able to gain support of cash transfers in 2006 since 2002 after recruiting having recruited a group of social democrats in the Ministry of Gender, Labour and Social Development. As a result, support of cash transfers increased and eventually led to eventual implementation of transfer scheme in 2010.

Affordability

Studies on affordability of social protection reveal that the underlying causes of failure of most of social protection interventions is not necessarily lack of financial resources of rather lack of political will. According to Hagemeyer and Behrendt (2009), Affordability has a direct link with prioritisation and political will. OECD (2009) suggests the need to empower civil society organisations so as to mobilisation voices of the informal sector workers and build their capacity to advocate for favourable policy reforms. On the other hand, governments are also able to prioritise social protection if they understand the effect of adverse shocks on community/national development (Oduro, 2010). Absence of inclusive social protection policy can result into adverse effects such as malnutrition, political instability and high expenses on relief, which in the long run are more expensive to the government.

However, affordability of social protection interventions is possible when workers' contributions and benefits are mobilised through homogeneous groups. Korten (2014) reported that in Asia the 4 out of 14 cooperatives that were successful were less stratified and had cohesive social structures that allowed members to hold leaders accountable. The poor and vulnerable are empowered by addressing the norms, structures and frameworks that encourage discrimination and stigma (Babajania &Hagen-Zanker, 2012). In addition, pooling of resources for financing social investment and funding social protection initiatives is more affordable and sustainable when the groups are homogeneous. There are successful stories in Ghana, Rwanda and Burkina Faso where the Health sector relies on mutual health organisations that collect premiums and insurance of small risks (Fontenau, Vaes & Hub, 2014). However, the governments play a key role in monitoring the insurance programmes although they are not obliged to implement them (Babajania &Hagen-Zanker, 2012).

In addition, informal sector workers should be empowered with knowledge and skills and increased access to health in order to build meaningful investments (World Bank Social Protection Strategy 2012-2022). This is possible when they are institutionalised because they are

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empowered to access to opportunities and resources (Babajanian &Hagen- Zanker, 2012). Much effort should be put on promoting human investment so that informal sector can bounce out of poverty (ILO, 2002). This in the long run will make the social protection initiatives more sustainable. This is possible because empowerment enables the beneficiaries exercise the power of voice in lobbying and advocating for resources from the relevant authorities as well as to save and invest

Conclusion

Uganda should consider access to social protection for informal sector workers as a right that needs to be fulfilled. The design of the policy should consider the heterogeneous nature of the sector and other contextual factors that inhibit access to social protection in order to come up with an inclusive social protection strategy. To achieve the vision of extending social protection to all workers in formal and informal sector, there is need to increase awareness about the gains of increasing access to social protection in the development process. This can move along way in influencing commitment of policy actors to prioritise social protection interventions during agenda setting, programming and budget allocations.

Effective politics is very pertinent in influencing the dynamics of agenda setting and in ensuring effective programming and implementation of social protection policy for informal sector workers. There is need to popularise the need to access social protection among the key stakeholders that have influence during the policy process including the informal sector workers, politicians, donors, media, political institutions and administrators. This is not only to influence their attitudes but also to gain political support. The key stakeholders that influence policy decisions should be engaged early enough in order to win their favourable support in the entire policy process. Institutionalisation of the informal sector is important in addressing the issues relating to informality that makes administration of social protection interventions difficult. It also ensures gender –sensitive interventions that address the priority social protection needs of beneficiaries in the lifecycle with consideration of heterogeneity of the sector.

Recommendations

Deliberate efforts should be made by policy actors to ensure active involvement of informal sector workers in the early stages of the policy process. This will promote relevant, affordable and sustainable social protection interventions. For instance, Stakeholders analysis and gender analysis should be undertaken before policy design in order to make informed policy decisions. Different approaches should be adopted considering the diversity of the informal sector. An integrated approach that addresses the different risks in the lifecycle should be adopted. In addition, individual contributions, multi-sector and public –private partnership approaches should be adopted in order to address resource capacity gaps and to ensure sustainability of social protection interventions. The informal sector workers should take an active role in managing the social protection initiatives but the government should be at the fore front in ensuring that favourable legislations are available and monitored closely.

Given the heterogeneous nature of the informal economy, social protection interventions should be provided through homogeneous formalised groups. This will ensure that priority and gender sensitive risks and vulnerabilities of the different groups are addressed.

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