

Social assistance

In Moldova, State subsidies for the agricultural sector are regulated by several legislations. All registered farmers meeting certain criteria are eligible to receive subsidies, which are provided to priority development areas set out by the National Strategy for Agricultural and Rural Development 2014-2020. More than 70% of State subsidies are provided to large corporate farms meaning that small individual farmers receive very limited State assistance even though they produce 70% of the country's agricultural output.

Community based schemes

Other approaches are based on "community"⁶ schemes, which have laws that support them and require their members to contribute to a social fund that they can draw from during emergencies such as illness or death. Such approaches include the following efforts:

i. VimoSEWA Insurance (SEWA Insurance):

VimoSEWA is an integrated insurance program that aims to provide social protection for members of the Self-Employed Women's Association (SEWA) in India to cover the life cycle needs and various risks faced by the women. SEWA is an organisation of poor, self-employed female workers in India who earn a living through their own labour or small businesses. The association organises women workers for full employment and enables them to access work security, income security, food security, and social security (at least health care, child care and shelter) through the VimoSEWA insurance⁷. To achieve this, SEWA has created links with formal insurance schemes and is able to provide supportive services to its members including life insurance (death and disability), pension, and insurance against loss of work equipment. The scheme also covers illness, widowhood, accident, fire, communal riots, floods and other such natural and man-made calamities that result in loss of work, income, and assets for poor working families. The organisation also provides savings and credit, health care, child care, legal aid, capacity building, housing and infrastructure. They provide these services in a decentralised and affordable manner, at the doorsteps of workers. Further, supportive services can be and are themselves a source of self-employment. For example, midwives charge for their services and crèche workers collect fees for taking care of young children. Also, women are ready to pay for the services and in fact, this results in the financial viability of the supportive services.

ii. Workers Welfare Funds:

In India's construction sector, characterised by a high incidence of sub-contracting and casual work, Worker Welfare Funds provide coverage for all workers involved in the construction project, including casual and subcontracted workers, based on a contribution of one per cent of the total value of every construction project (payable by the main contractor).

⁶ The term community in this context includes both people who live in the same locality and people who have something in common – such as employment in the same industry. As such, inhabitants of a village may form a community, and so may the workers in say, a construction industry (RNSF, 2017).

⁷ The liberalisation of the Indian insurance market in the late 1990s permitted VimoSEWA to dream of forming a member-owned insurance company to serve the informal economy. SEWA introduced its first insurance product in the late 1970s, which was a life insurance for its women members. At the time, the insurance industry in India was under state control.

2. Promote contributory schemes for informal economy workers that maximise benefits at minimum cost.

Increasing emphasis should be placed on organisations of workers in the informal economy (including small holder farmers) to pool risks and lower the cost of insurance. This should entail, among other things, modifying and/or improving social insurance systems to allow flexibility that enables informal workers in different employment categories and sectors to participate – such as lower contribution rates for farmers, and flexibility in access to benefits – e.g. multi-tiered benefits; and include self-employed workers.

3. Complement social insurance with non-contributory mechanisms.

Tax-financed protection plays a key role in filling the gaps and ensuring at least a basic level of coverage, thereby guaranteeing a floor of social protection for everyone in line with the ILO Recommendation 202 on Social Protection Floors. Such non-contributory schemes play an important role, especially for those who are not covered or not sufficiently covered by contributory mechanisms. Tax-financing is for instance essential for providing child benefits or social assistance or subsidising health insurance contributions for low income workers such as those in the informal economy.

3. Harmonise taxation and licensing fees and procedures.

Government, through the Uganda Revenue Authority, the Ministry of Finance, Planning and Economic Development, the Ministry of Trade, Industry and Cooperatives, as well as other licensing bodies need to agree on a harmonised taxation and licencing procedure that will ease the tax burden on informal workers. This can include among other strategies a centralised system of collection of fees from informal workers and distribution to the various licensing and taxation agencies by one authority. These will greatly reduce the frequent taxation and licencing processes that are perceived by informal workers as exorbitant and unfair taxation.

5. Boost workers' confidence in social protection systems:

Successful extension of social protection coverage to informal workers is dependent in many ways on their confidence in State-led social protection systems particularly the NSSF and the Public Pension Scheme. Lack of confidence in these two schemes has reduced the confidence of the public in general and workers in particular, in both public and private social protection providers. There is therefore an urgent need to restore the workers' confidence in state social protection systems. To build this confidence it is important to develop and foster a culture that promotes trust in social protection systems. However, such a culture cannot be built overnight. It will require continuous efforts and cooperation of all relevant stakeholders. In this endeavour, awareness-raising and education using both formal and informal communication channels will play a key role in developing a better understanding of the value of social protection and fostering positive attitudes towards full participation in social security systems.

Cabinet and Parliament need to:

6. Treat social protection as a human right.

Government should extend the social protection policy into a legal framework, based on the rights-based approach. This approach ensures that the state creates legal obligations to implement social protection systems and establish standards for the design, implementation, and evaluation of such systems. Social protection systems not only have the potential to contribute to the realisation of economic rights for informal sector workers, they are also an important tool to support government in achieving its goal of reducing poverty and leading the country into a middle income status.

Civil society organisations and the private sector need to:

7. Encourage, support and build the capacity of representative informal economy workers' organisations.

Currently, there are several organised groups of informal economy workers based on their sub-sectors such as market vendors, domestic workers, street vendors, taxi drivers, long-distance truck drivers. These operate mostly at micro-levels and in silos. The importance of these organisations in mobilising their members to subscribe to social insurance schemes and negotiate for affordable contributions as well as a wide range of benefits suitable for their type of work cannot be over-emphasised. However, they lack the necessary knowledge, capacity, and skills to pursue this cause. To boost their effectiveness, civil society organisations and the private sector need to collaborate with and encourage government to consider providing fiscal and non-fiscal support to such informal workers' organisations and enable them to form proper links with formal social security systems. They should also be encouraged to join or register themselves as unions for legal recognition within the tripartite arrangement. In this way, they will acquire the mandate and space to negotiate for social protection for their members.

8. Promote and support social dialogue.

Social dialogue is especially important for addressing the lack of awareness among informal workers and informal economy employers regarding social protection and the complementarity of labour and social protection policies. Government needs to ensure a dialogue-friendly environment and provide training and support to the dialogue bodies. The development of social dialogue must be part of the institution-building efforts and included as a necessary tool in the norms governing the negotiation and supervision of social protection and employment policy. How to finance the extension of social protection and employment policies to the informal economy, as well as efforts to integrate existing policies should be exhaustively discussed in national dialogues as it is a central concern and needs further development through debates.

Unless mechanisms are in place to ensure social protection coverage for workers in non-standard employment arrangements these workers are likely to have inadequate coverage or no coverage at all, and, as a result, more exposure to social risks and vulnerabilities. Subsequently, this will perpetuate their poverty (with increasing numbers of the working poor) and undermine their contribution to the national goal of economic growth.

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ACKNOWLEDGEMENT

The author wishes to thank the participants of the five (5) KCCA divisional dialogues on social protection for the informal economy in July and August 2018 for sharing their most pressing needs and stimulating the need to write this policy brief. She also acknowledges the constructive feedback received from Friedrich-Ebert-Stiftung (FES) in Uganda, Ministry of Gender, Labour and Social Development (MGLSD), and members of the Uganda Social Protection Platform (USPP). Importantly also, the author acknowledges the financial contribution of Friedrich-Ebert-Stiftung in Uganda towards the divisional dialogues from which the policy issues discussed in this brief emerged.

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POLICY BRIEF

By Rebecca Ssanyu

SOCIAL PROTECTION FOR WORKERS IN UGANDA'S INFORMAL ECONOMY



November 2019

The informal economy in Uganda

Since the 1970s, the informal economy¹ has been fast growing, superseding the formal economy and constituting the driving force of Uganda's economic development today. In 2001/02, a report on the Uganda Business Register observed that over 90% of businesses were informal (i.e. employed less than five people) and owned by individuals (sole proprietor). Of these, 39% are owned by women and 61% owned by men. Within a majority of these businesses the owner was the only worker, or they employed one additional member of staff (UBOS, 2003, p.10).

There have been recent efforts to generate statistics on the informal economy in Uganda. In its informal sector module, the Uganda National Household Survey 2009/10 (UBOS, 2010) noted that 67% of people in non-agriculture employment were in the informal sector (p.41). The survey also found that 1.2 million out of the 6.2 million households studied (i.e. 21% of the households) had an informal business, including those that had aspects of commercial agriculture, selling off at least 50% of their produce (p.142).

TABLE 1:
Employees in the informal sector by selected characteristics (%)

BACKGROUND CHARACTERISTICS	SELF EMPLOYED	PAID EMPLOYEE	CONTRIBUTING FAMILY WORKERS	UGANDA
SEX OF EMPLOYEE				
Male	50.5	53.6	40.0	52.1
Female	49.5	46.4	60.0	47.9
Age				
<18	0.9	5.3	19.5	18.6
18-30	46.3	79.5	66.8	57.1
31-59	48.6	14.9	13.4	22.9
60+	4.2	0.3	0.3	1.4

Source: Manpower survey Uganda 2016/2017

The informal economy is diverse with different categories of employment. According to Lund (2004, p. 71) it can be broadly subdivided into two categories: informal self-employment and informal wage employment.

1. The informal self-employment comprises employers who are owner operators that hire others; own account workers, usually owner operators of single-person units or family; businesses/farms who do not hire others; unpaid contributing family workers; businesses or

At the national level, a broader picture of the informal economy is drawn. The Uganda National Household Survey 2016/17 reported that close to four in every ten households (37%) operated non-agricultural household enterprises that were informal in nature (UBOS, 2018). The Manpower Survey Uganda (MAPU) report of 2016/2017 states that more than half (52%) of the employees in the informal sector were paid employees, followed by the self-employed (35%) and contributing family workers (13%). The survey further shows that there were slightly more male (52%) than female (48%) employees in informal businesses. However, most male employees were paid employees (54%) while females dominated the category of contributing family workers (60%) (MAPU, 2018, p. xvii).

The urban labour force survey 2015 that covered Kampala Capital City Authority (KCCA) and the surrounding urban areas of Mukono and Wakiso districts found that informal employment was 87.2% of total employment and constituted 86.2% of non-agricultural employment; and that women's share of non-agricultural informal employment was 88.6% (UBOS, 2016, p.5).

farms without pay; and members of informal producers' cooperatives or associations.

2. The informal wage employment comprises employees without formal contracts in both formal and informal enterprises. They include informal employees who are unprotected workers with a known employer; casual or day labourers who are wage workers with no fixed employer, who sell labour on a daily or seasonal basis; and industrial outworkers who are sub-contracted to produce for a piece-rate from small workshops or their homes.

¹ This brief adopts the definition of informal economy used in the manpower survey Uganda (MAPU) 2016/2017 report, which in turn, is based on the ILO definition. The informal sector is thus understood "as one that consists of units engaged in the production of goods or services with the primary objective of generating employment and incomes for the persons concerned [..., where] labour relations [...] are mostly based on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guaranteees" (MAPU report, 2018, p.130).

TABLE 2:
Informal employees by nature of contract (%) and work hours per day

NATURE OF CONTRACT					
BACKGROUND CHARACTERISTICS	HAVE WRITTEN CONTRACT	VERBAL AGREEMENT	NO CONTRACT ¹	TOTAL	AVERAGE WORKING HOURS PER DAY
SEX OF EMPLOYEE					
Male	0.7	87.7	11.6	100.0	10
Female	2.7	88.7	8.6	100.0	11
Age					
<18	0.0	89.4	10.6	100.0	9
18-30	1.8	87.0	11.2	100.0	11
31-59	0.4	94.3	5.3	100.0	10
60+	71.2	3.3	25.5	100.0	8

The above statistics show that the informal sector is the part of the economy, which employs the majority of Ugandans which further highlights its importance. It is not only large and the fastest growing in Uganda, but also accounts for 70% of the country's labour force. It is embedded in the urban, regional and national economies and estimated to constitute over 60% of the urban economy and contributed 43% of the country's GDP (p.12). Moreover informal activities support the consumption habits of many of those on higher-incomes and provide cheap inputs to formal service sector and manufacturing operations (p.216).

SOCIAL PROTECTION AND THE INFORMAL ECONOMY

In Uganda, the social protection discourse has been developed around the idea of risk and vulnerability. The National Social Protection Policy (NSPP) of 2015 views social protection as a basic service and human right (p.1) and provides a basis for a holistic approach to addressing the risks and vulnerabilities faced by different categories of the population including informal economy workers.

The policy recognises that the low income of especially informal economy workers cannot enable them to meet their basic needs and limits their ability to save or contribute for future social security. It also notes that the social protection options available for the formal economy workers are unavailable to informal economy workers. These include services provided by the National Social Security Fund (NSSF), selected provident funds, and social health insurance schemes that are contributory, public service pension and other such schemes that are non-contributory, as well as maternity benefits, workers compensation against accidents and occupational safety and health which is intended to protect them against hazardous conditions of work.

In the informal economy jobs and businesses are largely not registered or protected by the State, and work is without social protection. Workers do not enjoy any social benefits and are inherently vulnerable and insecure. They are excluded from social safety nets and lack the legal protection accorded by formal labour contracts. Nevertheless, as the NSSF (2015) further notes, there are a few social protection programs that are covering informal economy workers in the form of social assistance such as cash transfers. However, they are usually designed for target groups of non-working age such as the Senior Citizens Grant for the elderly, the special grant for people with disabilities (PWDs) but is insufficient to cover all PWDs who would need to access it. Temporary public works schemes that are mainly implemented under the Northern Uganda Social Action Fund (NUSAF) do not usually facilitate skills development to support long-lasting employment.

The NSSF (2015) therefore aims to increase the coverage and scope of social insurance through reforms in the contributory social security and other strategies. Priority area No.3 of the policy is to develop appropriate social security products for the informal economy. In recent years, the government of Uganda has sought to extend coverage to informal economy workers by encouraging non-state involvement in social security provisioning and at the same time creating innovations within the NSSF.

In the former case, government has, through the Uganda Retirement Benefits Regulatory Authority (URBRA) licenced private provident fund providers. Notable among these is the Mazima Retirement Plan and Kampala City Traders Authority (KACITA) provident fund that encourage people to save for long term goals like retirement by providing anyone and everyone an opportunity to open and fund an Individual Retirement

Account (IRA)². In addition, Save for Health Uganda (SHU), a non-government organisation provides community-based health financing through several streams namely, pure health insurance schemes, pure credit-for-health schemes, mixed health insurance and credit-for-health schemes, as well as family savings for health care³.

In the latter case, the NSSF has in the last three years opened its services to informal workers through a voluntary scheme where individuals can subscribe to the NSSF and remit social security funds for themselves. The limitation with the voluntary scheme is that it is not provided for in the current legislation. As such it is only open to informal workers who were previously members of the NSSF during their employment in the formal sector. To be able to open it up to the wider informal sector membership, the aspect of voluntary contributions has been proposed in the NSSF Amendment Bill 2019.

WHY THIS DEBATE AND WHY NOW?

An important reason behind the heightened concern for social protection for the informal economy is its rapid expansion with poor working conditions and low-wage operations. Informal workers lack income and social security, and job security. Informal enterprises are survivalist in nature and face several challenges including inadequate access to infrastructure, services, and finance. Also, skills training and business development support is often totally absent.

The call to extend social protection to the informal economy is consistent with the Sustainable Development Goal (SDG) 1 target 1.2 to reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions. And, SDG 1.3 to implement nationally appropriate social protection systems and measure for all including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable. Social protection contributes to poverty reduction by transferring resources to those living in extreme poverty, enabling the beneficiaries to generate income, protect their assets and accumulate human capital. It also contributes to achievement of SDG 8 particularly target 8.5 to achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value; and target 8.8 to protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment. The most pressing social protection needs of informal workers can be summarised as follows⁴:

1. General lack of knowledge and awareness about social protection.

The majority of workers in the informal economy have never heard about social protection as a concept or policy concern. They are unaware of the social protection programs that the government or non-government actors deliver in Uganda. There is also a glaring incomprehension by informal economy workers of the difference between savings schemes

² For more information see www.mrp.co.ug

³ For more information see www.shu.org.ug/index.php/our-work/programs/community-health-financing

⁴ This summary is based on dialogues and consultative meetings which were held with informal economy workers in the five divisions of Kampala City Council Authority (KCCA) in July and August 2018.

which typically include short-term measures and social protection which should be viewed as a long-term policy.

2. Non-adherence to decent work.

The nature of the informal economy makes it difficult for employers or workers to observe or adhere to decent work indicators. The most important limitations include:

a. The lack or insufficiency of a minimum wage, and the abruptness of salaries and wage negotiations. This seems to affect domestic workers and casual labourers most who often earn wages that are incommensurate to their volume of work.

b. High levels of job insecurity where informal economy workers are hired and fired mostly summarily and verbally. An extreme example is that of long distance, usually cross-country truck drivers who are often fired over the telephone while still on trip and asked to pack the tracks and leave the keys somewhere for the next driver to pick up.

Indeed, the 2016/17 Manpower Survey found that overall, the nature of contract for close to nine in every ten employees (88%) was a verbal agreement; only 2 per cent of employees had a written contract while the rest were working without any form of contract (10%). Furthermore, female employees (3%), older persons (71%), those with a bachelor's degree or more (13%), and those in the Western region (11%) were more likely to have a written contract compared to their respective corresponding counterparts.

c. Lack of occupational safety and health leaving many informal economy workers exposed to hazardous conditions.

d. Lengthy periods of work: Most informal traders work between 8 – 12 hours a day, although the starting and closing time vary depending on gender, type and location of business.

Again, the Manpower Survey found that on average, employees in the informal economy work for 10 hours a day, which is slightly higher than the eight hours typically required of employees in the Public Sector (p.138).

3. Lack of health insurance.

This is one of the most pressing social security needs for most informal economy workers. They lack health protections enjoyed by formal sector workers such as medical insurance, paid sick and maternity leave, and invalidity benefits. They continue to work even when their health is very poor, lose income when they fall very sick and cannot go to work, and are forced to return to work immediately after child birth, which undermines their health and that of their children.

4. The perceived effect of Uganda's tax regimes on informal workers' ability to engage with contributory social protection.

Informal sector workers generally feel that the tax regime is unfair, exorbitant, and that there were many overlaps in the taxes they have to pay. There was also an apparent lack of differentiation between taxes and licence fees a combination of which act affects the already meagre earnings particularly for those in the lower tier of the informal sector. This greatly reduces their disposable income from which they would make social security contributions.

Social protection for workers is supposed to provide social security guarantees stipulated in ILO Recommendation 202 on social protection floors, namely: (a) access to a nationally defined set of goods and services, constituting essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability and quality; and (b) basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability. However, the existing legal and policy framework promotes these guarantees only for the formal sector which is registered and institutionalised; and the constituent schemes and services that provide social protection exclude informal economy workers. This in turn affects their income security and undermines their ability to participate in a regular, long-term planning horizon through which they can save for their retirement.

International experiences of extending social protection to the informal economy

In recognition of the role and potential of the informal economy as a major source of employment and contributor to the economy, and following the adoption of ILO recommendation 204, there are increasing attempts to extend social protection to informal economy workers⁵.

Trends towards coverage of workers in the whole informal economy

There are several efforts in many countries that aim to extend social protection to the entire informal economy through a broad legal framework that allows tailor-made social protection arrangements for specific categories of workers. Examples of these include the following:

i. India's Unorganised Sector Social Security Act of 2008

allows schemes to provide for social security and welfare of unorganised workers. It defines different categories of workers within the informal economy and provides for development of relevant benefits for informal workers including life and disability, health and maternity and old age protection, and any other benefit as may be determined by the central government. It also mandates government to prescribe welfare benefits such as provident fund, employment injury, housing, educational schemes for children, and upgrading of skills among others from time to time. The schemes

⁵ Paragraphs 18 of the ILO Recommendation 204 calls on members to progressively extend social security, maternity protection, decent working conditions, and a minimum wage to all workers in the informal economy through law and practice. In paragraph 19 the recommendation implies that while members build and maintain national social protection floors, they should pay particular attention to the needs and circumstances of those in the informal economy.

developed under this Act are financed by both the beneficiaries and the government at both national and sub-national levels depending on the nature of the scheme.

ii. The Ghana Informal Sector Fund

is accommodated within the Social Security and National Insurance Trust Fund (SSNIT) of Ghana. It covers the self-employed and informal workers via a dedicated suitable and specialised framework that relates to both contributions and benefits. The contributions are not fixed but based on their ability to pay on a basis that informal workers prefer. This could be daily, weekly, monthly, seasonally or annually. Informal workers contribute to two accounts: (a) a retirement account to provide benefits on retirement; and (b) a personal savings account with rules for accessing the money before retirement (e.g. for education or business enhancement).

Approaches that target specific groups of informal workers

Some approaches aim to extend social protection to informal workers by targeting specific groups of workers and make it possible to tailor schemes to the situation and needs of a certain group.

Examples include:

i. Social security coverage for farmers in the Republic of Moldova.

Agriculture is a major economic sector in the republic of Moldova which employed 31% of the workforce in 2014 and accounted for 14 per cent of the country's GDP. 80% of agricultural workers in the agricultural sector work informally. In the Republic of Moldova, farmers' social security coverage differs by system.

Farmers and the self-employed are mandatorily covered by health insurance and they pay a fixed amount in annual subscription. They are eligible for discounted contributions if they pay their annual subscription by the end of March of a given year. The rate of discount is 50% for self-employed workers and 75% for farmers. About three quarters of farmers apply for this discount.

Employees in the agricultural sector are mandatorily covered by social insurance. The total contribution rate for agricultural employees is one percentage-point less than for employees in non-agricultural sectors, and they pay their total contribution amount themselves.

In terms of benefit provisions, farmers and the self-employed are treated differently: both are entitled only to the minimum old-age pension and funeral grant based on the flat rate contributions. And, the minimum old-age pension for farmers is set at a lower level. Under the current law, farmers who have been insured for at least half of their insurance period are entitled only to farmers' minimum pension regardless of their other insurance periods. This incentivises farmers to stop their agricultural activities before the retirement age in order to receive a higher pension.