

**CHALLENGES IN FINANCING INFORMAL ECONOMY SOCIAL SECURITY
IN NAMIBIA**

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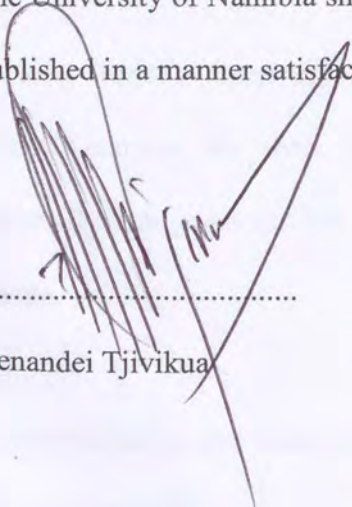
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Thank you all.

ABSTRACT

DEDICATION

The study was able to explore ways in which the learning of reading can be used by SAC in the provision of social security benefits to the informal economy. It is available.

The study differs from other studies, given that it aimed to explore the learning of reading that may be used by SAC in the provision of social security benefits to the informal sector in Nairobi and beyond, which may help in realizing the vision.

This study is dedicated to my greatest gifts, my beloved children

Tuaningapara, Napehari and Mbataara. I love you so much!

ABSTRACT

The study intended to explore ways in which the financing or funding constraints faced by SSC in the provision of social security benefits to the informal economy can be overcome.

The study differs from other studies, given that it aimed to unearth the financing constraints that may be faced by SSC in the provision of social protection or security to the informal sector in Namibia and suggest strategies that may help in resolving this intricate problem and assist with transforming the economic landscape. The study is relevant and significant, because it may help in promoting essential plans and strategies in the funding of social protection or security schemes, especially for social security institutions. It would also be useful for people in the public service, policymakers and technocrats as it will assist them in understanding the dimensions of the problem of financing social security/protection and the need for provision of social security to the informal sector better and in the execution of their responsibilities.

The study employed a historical qualitative research approach. In particular, it critically examined the current provisions of social protection schemes in Namibia and financing thereof including those for the informal sector. Data was collected from a representative sample through the use of questionnaires and conducting interviews with key-informants from informal sector representatives, research institutions as well as a selected number

of informal sector operators and workers. The study also surveyed relevant literature, which comprises of transaction records, relevant laws, regulations and policies. Present laws, regulations and policies that have shaped the state of financing of the current social security schemes have been reviewed.

The provision of medical benefit (combined with health insurance), which was followed by pension benefits, were identified as critical needs of the different segments of the informal economy that need to be developed and implemented by Government and SSC.

The study suggests a framework for the extension of social security coverage to informal economy in Namibia and the financing thereof. Further, it suggests that a social protection expenditure and performance review (SPER) be undertaken by the Namibian Government.

TABLE OF CONTENTS

	Page No.
APPROVAL PAGE	i
DECLARATIONS	ii
ACKNOWLEDGEMENT	iii
DEDICATION	v
ABSTRACT	vi
TABLE OF CONTENTS	viii
ABBREVIATIONS	x
LIST OF TABLES	xiii
LIST OF FIGURES/CHARTS.....	xv
CHAPTER 1: INTRODUCTION	1
1.1 Background of the study.....	1
1.2 Research Problem.....	11
1.3 Research Objectives	13
1.4 Research Questions	14
1.5 Significance and Contribution of the Study	15
1.6 Organization of the study	16
1.7 Limitations.....	17
1.8 Conclusion.....	18
CHAPTER 2: LITERATURE REVIEW	19
2.1 Introduction	19
2.2 Literature review	19
2.3 Review of literature on social security for informal economy	20
2.3.1 Social security	20
2.3.2 Social security in Namibia	43
2.3.3 Informal sector social security	46
2.3.4 Financing informal sector social security	68
2.4 Gap in knowledge.....	80
2.5 Conclusion.....	81
CHAPTER 3: RESEARCH METHODOLOGY	83
3.1 Introduction	83
3.2 Scope of study	83
3.3 Research Design	83
3.4 Population.....	85
3.5 Sample	86

3.6	Research Instruments	87
3.7	Data collection procedures	90
3.8	Data analysis.....	91
3.9	Validity and reliability.....	92
3.10	Ethical considerations	93
3.11	Conclusion	94
CHAPTER 4: ANALYSIS AND DISCUSSION		95
4.1	Introduction	95
4.2	Social security framework in Namibia	96
4.2.1	Institutions.....	96
4.2.2	Coverage of social security schemes	102
4.2.3	Non-contributory schemes benefits:	102
4.2.4	Employment-linked contributory schemes:	108
4.2.5	Coverage of GIPF	109
4.2.6	SSC contributions and benefits	114
4.3	Analysis and discussion on responses of participants	122
4.3.1	Respondents' profile	122
4.3.2	Total Response Rate.....	125
4.3.3	Demographics of the Respondents.....	126
4.3.4	Analysis and discussion	131
4.4	A suggested framework for social security coverage to informal economy in Namibia	163
4.5	A suggested framework for financing social security coverage to informal economy in Namibia	170
CHAPTER 5: SUMMARY OF FINDINGS AND RECOMMENDATIONS.....		180
5.2	Summary of findings	181
5.2.1	Findings from literature.....	181
5.2.2	Findings from survey	188
5.3	Recommendations	194
5.4	Areas for Further Studies	200
5.5	Conclusion.....	201
REFERENCES.....		203

APPENDIX I: Questionnaire for Informal Sector Business Operators

APPENDIX II: Questionnaire for Social Protection/Security and Research Institutions, etc.

ABBREVIATIONS

BON	Bank of Namibia
ECF	Employees' Compensation Fund of the Social Security Commission of Namibia
ECF Act	Employees' Compensation Act, 1941 (Act No. 30 of 1941) of the Republic of Namibia
GDP	Gross Domestic Product
GIPF	Government Institution Pension Fund of the Republic of Namibia
GNI	Gross National Income
IE	Informal Economy
ILC	International Labour Conference
ILO	International Labour Organization
IPPR	Institute for Public Policy Research
ISSA	International Social Security Association
ITUC	International Trade Union Confederation
LaRRI	Labour Research and Resource Institute
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
MLSW	Ministry of Labour and Social Welfare, Government of the Republic of Namibia

MoF	Ministry of Finance, Government of the Republic of Namibia
MSD Fund	Maternity Leave-, Sick Leave and Death Benefit Fund of the Social Security Commission of Namibia
MTI	Ministry of Trade and Industry of the Republic of Namibia
MVA Fund	Motor Vehicle Accident Fund, established by Act, 2001 (Act No. 4 of 2001) of the Republic of Namibia
NASA	Namibia Shebeen Association
NCCI	Namibian Chamber of Commerce and Industry
NDC	Notional Defined Contributions
NEF	Namibian Employers Federation
NGO	Non-Governmental Organization
NHIL	National Health Insurance Levy
NHIS	National Health Insurance Scheme
NISO	Namibia Informal Sector Organization
NMBF	National Medical Benefit Fund of the Social Security Commission of Namibia
NPF	National Pension Fund of the Social Security Commission of Namibia
NUNW	National Union of Namibian Workers
OHA	Okutumbatumba Hawkers Association
OVC	Orphan or vulnerable child
SADC	Southern African Development Community

SPER	Social Protection Expenditure and Performance Review
SPF	Social Protection Floors of the International Labour Organization
SSA	Social Security Act, 1994 (Act No. 34 of 1994).
SSC	Social Security Commission of Namibia
SSC-DF	Social Security Commission-Development Fund
SSNIT	Social Security and National Insurance Trust
TUCNA	Trade Union Congress of Namibia
UNAM	University of Namibia

LIST OF TABLES

Title of Table	Page No.
Table 1: Profile of informal economy business operators and workers	122
Table 2: Capacity/Relationship of informal sector operator and worker with business	126
Table 3: Capacity/Relationship with institution of institutions responses	128
Table 4: Period of association with business	129
Table 5: Period of association with the institution.	130
Table 6: Social protection/security programmes available to informal economy	132
Table 7: Social protection/security programmes available to informal economy.	134
Table 8: Critical needs of the informal economy not addressed/ Catered for: Informal economy business operators and workers views	136
Table 9: Critical needs of the informal economy not addressed/ catered for: Institutional views	138
Table 10: Possible benefits of provision of social protection/	

	security to informal economy.	142
Table 11:	How current social protection/security programmes are funded.	144
Table 12:	Funding options for the provision of social protection/security to the informal economy.	146
Table 13:	Social protection/security programmes to be developed: Institutional views	151
Table 14:	Social protection/security programmes to be developed: Informal economy business operators and workers views	153
Table 15:	Form of financing social protection/security programmes to be provided to the informal economy	159

LIST OF FIGURES/CHARTS

Title of Figure	Page No.
Figure 1: Profile of informal economy business operators and workers	123
Figure 2: Capacity/Relationship of informal sector operator and worker with business	127
Figure 3: Capacity/Relationship with institution of institutions responses	128
Figure 4: Period of association with business	129
Figure 5: Period of association with the institution	129
Figure 6: Social protection/security programmes available to informal economy	133
Figure 7: Social protection/security programmes available to informal economy	135
Figure 8: Critical needs of the informal economy not addressed/ catered for: Informal economy business operators and workers views	137
Figure 9: Critical needs of the informal economy not addressed/ Catered: Institutional views	139
Figure 10: Possible benefits of provision of social protection/	

	security to informal economy	143
Figure 11:	How current social protection/security programmes are funded	144
Figure 12:	Funding options for the provision of social protection/security to the informal economy.	145
Figure 13:	Social protection/security programmes to be developed: Institutional views	152
Figure 14:	Social protection/security programmes to be developed: Informal economy business operators and workers views	154
Figure 15:	Form of financing social protection/security programmes to be provided to the informal economy	160

CHAPTER 1: INTRODUCTION

1.1 Background of the study

Namibia's population was estimated at 2,104,900, consisting of 1,083,600 females (51%) and 1,021,300 males (49%) in 2011. Fifty-eight percent (58%) and forty-two percent (42%) of the population were enumerated in rural and urban areas respectively. (Republic of Namibia, 2012)

According to the World Bank (2013, August), Namibia is considered an upper middle income country with a Gross Domestic Product (GDP) of US\$13.07 billion in 2012, Gross National Income (GNI) per capita (Atlas method) of US\$5,610 in 2012 and poverty headcount ratio at national poverty line (% of population) of 28,7% in 2009.

The World Bank (2013, August) in its overview on Namibia expressed the following: "Namibia has enjoyed considerable successes since it gained independence from South Africa in 1990 resulting from sound economic management, good governance, basic civic freedoms, and respect for human rights. Namibia inherited a well-functioning physical infrastructure, a market economy, rich natural resources, and a relatively strong public administration. The country also inherited extreme social and economic inequities which have left Namibia with a highly dualistic society. In addition, the country is vulnerable to short- and long-term environmental shocks as all major sources of growth

depend heavily on Namibia's fragile ecosystem. These factors have made job creation difficult, and poverty and inequality remain unacceptably high. Nonetheless, daunting challenges persist. Although Namibia's per capita income of US\$5,610 (2012, Atlas method) places it in the World Bank's upper-middle income grouping, average income paints a misleading picture since Namibia's income distribution is among the most unequal in the world, with a Gini coefficient estimated at 0.5971 by the latest (2009/10) household survey. Poverty incidence is high, although it has declined somewhat during the past decade: 21% of individuals had consumption below US\$1.25/day in 2009, compared to 49% in 1993. Unemployment has remained extremely high for decades. Namibia is ranked 128 out of 187 countries surveyed in the 2012 Human Development Report. Although Namibia is on track to meet the Millennium Development Goals on education, environment and gender, the severity of the HIV/AIDS epidemic is frustrating efforts to meet the Millennium Development Goals (MDGs) to reduce child mortality (MDG4), improve maternal health (MDG5), and combat HIV/AIDS, malaria and other diseases (MDG6)."

Pertaining to income inequality, Hastings (as cited in Jauch, Edwards & Cupido, 2011: 188-189) stated that Namibia has remained a fundamentally unequal society and in the mid-90s, Namibia was regarded as the country with the highest levels of inequality and a gini co-efficient of 0,70 followed by Brazil and South Africa. Jauch, Edwards & Cupido (2011) commented that a comparison between various Southern African Development Community (SADC) countries in terms of GDP per capita and levels of inequality

indicates that Namibia is amongst the SADC countries with the highest GDP per capita while at the same time being the country with the highest levels of inequality. UN Advisor Robert Johnson (as cited in Jauch, Edwards & Cupido, 2011) pointed out the following: “Countries (like Namibia) with higher GDP levels have greater public policy flexibility to engage in redistributive justice; if its Gini is also high (like Namibia) then its most likely that its people are not deriving a reasonable share of national wealth. The GDP value shows that the national capacity exists; the Gini value shows that public policy is either failing or wilfully inequitable”.

With regard to poverty, the Namibia Demographic and Health Survey of 2006/7 reports that 28% of households in Namibia are either poor or severely poor, spending as much as 60% of their incomes on food. Acute malnourishment can be identified in about 7% of children and one in five children younger than five years are regarded as acutely undernourished. This finding was reiterated by the 2008 Review of Poverty and Inequality in Namibia. (Kojwang & Shindondola-Mote, 2012: 267)

In mitigating these challenges, social protection and economic development are generally seen to be complementary and mutually reinforcing. On the one hand, economic development, by entailing generalised and sustainable increases in per capita income (in a manner that uplifts the economic status of the poorest group in society) not only improves social welfare, but also provides the wherewithal for the state, private agencies, households and individuals to support individuals or groups who are indigent

but who may not have direct access to or the ability to exploit economic resources and market. On the other hand, social protection while directly improving the welfare of individuals, who benefit from services resulting from it, may also enhance investment in human beings such that they improve their capacity to contribute to economic growth and development in the future. Thus economic development provides the resources with which to finance social policy objectives in the form of social services, social security, social insurance and social assistance. At the same time, these same services have a consumption aspect which directly benefits the beneficiaries, and an investment aspect which may enhance the beneficiaries to contribute more effectively and efficiently to the economy in future. (Mhone, 2004: 1)

For a developing country, it is important to look at social protection and economic development as two sides of the same coin for the following reasons: Firstly, as social protection and economic development are mutually reinforcing as the country undergoes transformation from being underdeveloped to being developed. Secondly, economic development provides the wherewithal for financing social protections at individual, household, and national level. Thirdly, the inability of a country to promote sustainable economic growth and development (that is equitable and inclusive of growth) generally implies that the country will continue to shoulder a large social backlog or burden for some time. The foregoing considerations suggest relatively high dependency ratio which is typical of a developing economy. This high dependency-ratio places huge obligations

upon society to provide social support at the household, community and national levels.
(Mhone, 2004: 1-2)

Kalusopa (2012: 53) mentioned that in Namibia, the first noticeable aspect when it comes to social protection is the disparity present between male and female registration. There are proportionally larger amount of males registered with Social Security Commission (SSC), compared to women. The reason is that there are a higher proportion of men in formal sector employment than women and women are often relegated to the most vulnerable positions such as cleaning and domestic work. Moreover, urban registration is higher than rural registration and the majority of registration facilities are sited in urban areas and urban registration for both males and females is 72,1% while rural registration is 27,9% for both males and females.

The informal sector may be broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and income to the persons concerned. These units typically operate at a low level of organisation, with little or no division between labour and capital as factors of production and on a small scale. Labour relations – where they exist – are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.

Reliable and up to date data on the informal economy in Namibia is scanty. Anecdotal evidence points to the fact that just like in many countries in Sub-Saharan Africa, the informal economy is growing and is increasingly becoming an important source of employment for many people. This is undermining a healthy development of the welfare system and creates challenging and unstable situations that problematize existing poverty reduction efforts. Categories that form and define the type of work in the informal economy include self-employment and work for wages. The latter is more commonly characterised by precarious labour relations and poor remuneration. Due to several factors many of which are structural, the Namibian economy is unable to create sufficient formal sector jobs in the short term to accommodate the majority of the economically active population. Thus the Namibian job market is characterised by a relatively small formal sector alongside a growing informal economy. Though the contribution of the informal sector to Namibia's GDP cannot be underestimated, reliable statistics on the economic contribution of this sector are, as pointed out already, scanty. (Konjwang & Shindondola-Mote, 2011).

According to Konjwang & Shindondola-Mote (2001: 268), the Namibia Labour Force Survey of 2008 revealed that Namibia's labour force is divided into the economically active and the economically inactive population comprising the employed and the unemployed alike. Economically active refers to the labour force and inactive refers to those outside the labour force; examples are students, homemakers, the aged, income recipients, retired and the severely disabled people. The labour force survey of 2008

noted that 678,680 Namibians could be classified as economically active, of which 331,444 were employed and 347,237 were unemployed. The 2008 labour force survey revealed that Namibia's unemployment rate had increased from about 40% by 2004 to 51.2% by 2008. Unemployment in Namibia has a gender and educational dimension as more women and those with lower educational attainments dominate the unemployment population. The agricultural sector is still Namibia's largest employer, accounting for almost 53 000 jobs, followed by wholesale and retail and repair of motor vehicles sector with a little over 50,000 and private household employees accounting for almost 36,000. Education is listed as providing more employment than the public administration, defence and social security sectors but it remains unclear why education is categorised outside public administration.

The terms "informal sector" or "informal economy", which are used interchangeably, are topical issues in Namibia, especially in the social protection domain, and also in other developing economies due to the increase in formal unemployment, economic downturn and other related problems and conditions. The provision of social security to the informal economy is expected to remain an enigma for sometime to come because of its nature while it is essential to the transformation of the economic and social landscapes.

Anecdotal evidence on informal employment has shown that it has grown rapidly in recent decades. It is estimated that informal employment represents the majority of non-

agricultural employment in Namibia and the proportion of informal employment is even greater when agriculture is taken into account. The majority of poor and extremely poor workers are found in the informal economy.

Informal economy workers, and in particular women, often work in the most hazardous jobs, conditions and circumstances, and are especially vulnerable and unable to protect themselves against natural and human-made hazards and problems. A vast majority of these workers are not covered by social security schemes, occupational safety and health measures, working conditions regulations and have limited access to health services. As discussed by Otoo and Osei-Boateng (2012: 26), the exclusion of the informal sector from public social security schemes presents issues of gender inequality and vulnerability. The informal sector in Africa is dominated by women and young people. The proportion of females in informal employment is estimated at 57% in Ghana, 65% in Benin, 58% in Malawi and 53 percent in Namibia. Thus the exclusion of the informal sector amounts to denying women and the youth access to social security. And obviously, inadequate protection for women and the youth expose them to unmitigated risks that tend to push them into poverty which perpetuates throughout their working life and retirement.

Otoo and Osei-Boateng (2012: 26) stated further that as most informal operators are excluded from coverage, they have evolved for themselves informal arrangements for social protection. Traditional African societies have always relied on kinship support in

times of distress. Families, kinship groups and communities have evolved strategies to meet life contingencies faced by other members. For example, mutual funds and communal levies are common traditional forms of sharing risks. Traditional savings schemes (e.g. susu in Ghana and osusu in Sierra Leone savings schemes, commonly used in other parts of West Africa) provide income which can be used in times of illness, unemployment or maternity. However, most of these arrangements focus on specific products rather than broad coverage schemes. They thus provide very little protection for individuals and families that face recurring life risks.

Olivier and Kalula (2003: 666-667) mentioned that Namibia has caught the attention of the region. They explained three elements that are characteristic of the reform process and which are of great significance to the region as follows: "Firstly, Namibia embarked upon a comprehensive codification of the social insurance part of its system, inclusive of retirement and – on principle – health provision. Secondly, a centralized institution (the Social Security Commission) was set up to implement the reforms and to administer the new system, which tasks included publicizing the system and introducing a user-friendly, distinct social security number and social security card for identification and claim purposes. Thirdly, and partly in order to inform and sensitize the population regarding the need for and practical benefits of a (public) social insurance system, Namibia has been implementing some of the short-term schemes first."

The various schemes are similar in that they extend coverage to those who are formally employed for at least two days per week. “Marginalized groups are also included, such as farm and domestic workers, as well as *shebeen* owners. The self-employed may pay voluntary contributions and, by doing so, will enjoy coverage as well. It would, therefore, appear that the limited coverage of the (working) population, available in terms of a mix of welfare and private provision, was one of the primary factors that prompted the innovation and codification of the social insurance part of the system. The relative success of the new system, its widening support basis and the extension of coverage to many people who were previously excluded and marginalized, provide interesting and important elements for analysis and comparison. The same applies to the deliberate decision to gradually strengthen and widen the new system.” However, Olivier and Kalula stressed that “much remains to be done, particularly regarding the analysis of the role and function of informal social security mechanisms, and linking these to the formal system, as well as dealing effectively with non-citizens.” (Olivier and Kalula, 2003: 667)

At this stage, there is no specific social protection arrangement in place to cover the informal economy needs. This study attempts to explore ways in which financing can be done as a measure of social protection to the informal economy in Namibia.

1.2 Research Problem

The rationale for extending social security to the uncovered is premised on the fact that social security is essential for the well-being of people and society. It is a basic human right, and its fulfillment will contribute to achieving the various Millennium Development Goals. Social security helps to ensure a decent standard of living and it lifts many people out of poverty. It is closely linked with employment and often provides support to those unable to work. Furthermore, it is an economic necessity, which unleashes the full economic potential of a country, as only people who are healthy, well-educated and well-nourished can be productive. In times of economic crisis and even in natural disasters, it has proven to be a social and economic stabilizer, which protects the most vulnerable sections against such hardships.

At present, the social security coverage in Namibia is fragmented, with certain aspects of social security handled by the Social Security Commission (SSC) and others resorting under various Government Ministries. For example, the universal old-age pension resorts under the Ministry of Labour and Social Services, the orphans' grants are under the care of the Ministry of Gender Equality and Child Welfare, while the Ministry of Veteran Affairs is responsible for the veterans' grants. The SSC is responsible for administering such funds as provided for in the Social Security Act, 1994 (Act No. 34 of 1994). These are Maternity Leave-, Sick Leave and Death Benefit Fund (MSD Fund), National Medical Benefit Fund (NMBF), National Pension Fund (NPF), and Social

Security Commission Development Fund (SSC-DF). Besides, the SSC is mandated to administer the Employees' Compensation Fund (ECF).

With the exception of the SSC-DF, which epitomizes a solidarity Fund, the overriding characteristics of the SSC administered Funds is that they are contributory as per the establishing legislation. As a result, the benefits are restricted to those members who contribute to these Funds. What that implies is that some members of society will be excluded from benefitting since they cannot afford to contribute. The most likely candidates in this regard will be farm laborers, domestic workers and operators in the informal sector, since they do not always have regular and/or sufficient income to spare and contribute to social security. A further compounding factor that excludes informal economy operators is the fact that the law makes provision for voluntary registration and thus does not obligate self-employed individuals (many of whom are found in the informal sector) to subscribe to SSC. Given the option not to register, many operators prefer to remain unregistered.

The economic and social situation in Namibia is such that there is a need to make the social safety net more accessible to more people. This is especially so for the most vulnerable groups of society including the aged, the poor, the unemployed and those with little income. The Government of Namibia is providing universal old-age pension and other grants to all eligible Namibians. However, the old-age pension grant is clearly beneficial only to individuals who attain eligible age, thus leaving the other vulnerable

groups including the informal economy operators not of pensionable age (older than 60 years) uncovered i.e., not benefitting from the social security until they reach pensionable age. Therefore, more needs to be done to provide coverage to those currently excluded (including those in the informal sector). In that respect, the ILO started an initiative called the Social Protection Floor (SPF), in order to extend coverage to all, which goes beyond the basics of social security to include human rights and the dignity of individuals.

In order for the SSC to provide social protection to the informal economy, the specific need of this sector pertaining to social protection must be identified to develop corresponding programmes. This will enable SSC to introduce financing options in order to ensure that there is sufficient and sustainable funding and extend coverage to this sector without adversely affecting existing SSC programmes. In the present environment, financing of the provision of social protection to the informal economy by the SSC is proving to be a challenge. This study attempts to explore ways in which this challenge can be overcome.

1.3 Research Objectives

The study intends to explore ways in which the financing/funding constraints faced by the SSC in the provision of social security benefits to the informal sector can be

overcome in order for the SSC to contribute to the national programme of protection to this sector.

Some specific objectives that this study attempted to achieve shall be as follows:

1. Identify the critical needs of informal sector not addressed and which cannot be addressed under the existing programmes of the Government and the SSC in Namibia;
2. Explore the options for the provision of social protection/security through financing/funding the informal economy in Namibia;
3. Develop appropriate programmes for social protection/security for meeting the critical needs of informal sector in Namibia (i.e. Paraphrase the role of the SSC to provide social protection/security to the informal sector in Namibia);
4. Identify the financing constraints that may be faced by the SSC in the provision of social protection/security to the informal sector in Namibia and evolve appropriate strategies for helping in resolving this intricate problem.

1.4 Research Questions

The study answered the following questions:

1. What are the critical social security needs of informal economy that are not addressed and cannot be addressed under the existing programmes of the Government and the SSC in Namibia?

2. What programmes of social protection/security shall be more appropriate for meeting the critical needs of informal economy in Namibia?
3. What are the financing options for the provision of social protection/security to the informal economy in Namibia?
4. What may be the financing constraints faced by the SSC in the provision of social protection/security to the informal economy in Namibia and how can these be overcome?

1.5 Significance and Contribution of the Study

The study differs from other studies, given that it aimed to unearth the financing constraints that may be faced by the SSC in the provision of social protection/security to the informal economy in Namibia and suggest strategies that may help in resolving this intricate problem. The study is relevant and significant, because it may help in promoting essential plans and strategies in the funding of social protection/security schemes, especially for social security institutions. It would also be useful for people in the public service, policymakers and technocrats as it will assist them in understanding the dimensions of the problem of financing social security/protection and the need for provision of social security to the informal economy better and in the execution of their responsibilities.

The study will also contribute to the on-going debate on the extension of social protection to the informal economy.

1.6 Organization of the study

The study is organized into five main chapters and each chapter deals with specific aspect of the research.

Chapter one gives the introduction of the study, clearly outlining the problem of the study, its objectives and significance. Chapter two reviews relevant literature pertinent to the study and provides the context in which the present research is conducted. Chapter three explains the methodology used to conduct the research and gather data which included primary and secondary sources of data as well as the main instruments of data collection. It also discusses the population and sample size and how these were derived, data analysis procedures and ethical considerations. Chapter four deals with the presentation of the findings, analysis and interpretations of the data and discussion and Chapter five provides the summary, the overall research findings to reveal the answers to the research questions. This chapter contains recommendations arising from the findings and conclusions and also suggestions for future research.

1.7 Limitations

The most serious limitation that the researcher faced was in the collection of reliable empirical evidence on informal economy in Namibia given the fact that the data available from various sources were scanty. Informal sector is also unorganized, unregulated and too broad. There is also no public policy document by the Government of the Republic of Namibia on the informal economy that describes the size, the concentration, the contribution to the national economy, the formalization, etcetera of the informal economy that could guide the researcher in the analysis. In addition, time limitation also inhibited the efforts of the researcher in a thorough and comprehensive coverage and intensive interrogation of the problem. Wider coverage of informal sector was a serious challenge and so also to get a representative sample which seemed impossible.

The researcher experienced difficulties in collecting data from the institutions due to respondents' apathy and some executives appeared too busy to take part in the study. This led to the deadline being extended on several occasions.

Despite all these challenges, the researcher is satisfied with the responses received and is of the view that appropriate information was collected, interpreted and analyzed. The research objectives were achieved.

1.8 Conclusion

This chapter discussed the background, problem, objectives and questions of the study, its significance and limitations in detail. It provided a basis and justification for the researcher to further explore literature to gather theoretical and empirical evidence relevant to the study.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter reviews theoretical as well as empirical literature relevant to the study to provide the necessary theoretical framework for the research. The aspects covered include social security, social security institutions, social security in Namibia, informal sector social security and financing informal sector social security, with comprehensive review of the subject, the study gap in existing knowledge has been identified.

2.2 Literature review

The literature review was undertaken to evaluate the argument, to locate the argument and to compare different arguments, to highlight research possibilities that may have been overlooked implicitly in research up to date, to discover explicit recommendations for further studies, to help to avoid simply repeating work that has been done already, to gain insight into the aspects of the research question(s) and objectives and to discover and provide an insight into research approaches, strategies and techniques that may be appropriate to own research question(s) and objectives.

The researcher will consider the theoretical background to social protection/security and financing of the provision of social protection/security to the informal economy/sector.

2.3 Review of literature on social security for informal economy

2.3.1 Social security

The Social Security (Minimum Standards) Convention, 1952 (No. 102), is the flagship of all ILO social security Conventions, as it is the only international instrument, based on basic social security principles, that establishes worldwide-agreed minimum standards for all nine branches of social security. These branches are:

- i. medical care;
- ii. sickness benefit;
- iii. unemployment benefit;
- iv. old-age benefit;
- v. employment injury benefit;
- vi. family benefit;
- vii. maternity benefit;
- viii. invalidity benefit; and
- ix. survivors' benefit.

While Convention No. 102 covers all branches, it requires that only three of these branches be ratified by Member states, which allows for the step-by-step extension of social security coverage by ratifying countries.

The minimum objectives of the Convention relate, for all the nine branches, to the percentage of the population protected by social security schemes, the level of the minimum benefit to be secured to protected persons, as well as to the conditions for entitlement and period of entitlement to benefits. Convention No. 102 does not prescribe how to reach these objectives but leaves certain flexibility to the member State. They can be reached through:

- i. universal schemes;
- ii. social insurance schemes with earnings related or flat rate components or both;
- iii. social assistance schemes.

The principles anchored in Convention No. 102 are:

- i. guarantee of defined benefits;
- ii. participation of employers and workers in the administration of the schemes;
- iii. general responsibility of the state for the due provision of the benefits and the proper administration of the institutions;

- iv. collective financing of the benefits by way of insurance contributions or taxation.

Convention No. 102 also requires regular actuarial valuations to be carried out, to ensure the sustainability of the scheme. Furthermore, Convention No. 102 lays down that social security schemes be administered on a tripartite basis, which aims at guaranteeing and strengthening social dialogue between Governments, employers and workers. Thus, Convention No. 102 is considered as a tool for the extension of social security coverage and provides ratifying countries with an incentive for doing so by offering flexibility in its application, depending on their socio-economic level.

Confirmed as an up-to-date standard by decision of the Governing Body of the ILO in 2001, and recognized by the International Labour Conference in 2011 as a benchmark and reference in the gradual development of comprehensive social security coverage at the national level, Convention No. 102 has been ratified by 48 ILO Member States since its entry into force in 1952, and more ratifications are expected in the years to come. The last country to have ratified Convention No. 102 was Honduras, in 2012. A number of further countries have ratified the European Code of Social Security, which was modelled on Convention No. 102 but provides higher benefit levels.

The ILO, through the International Labour Conference (ILC), has asserted its role on social protection and at the 100th ILC in June 2011 provided the opportunity to discuss and endorse the Social Protection Floors (SPF) Recommendation as part of the two-dimensional strategy (vertical and horizontal) for the extension of social protection on global level. The Social Protection Floors Recommendation, 2012 (No. 202) provides guidance to member States in building comprehensive social security systems and extending social security coverage by prioritizing the establishment of national floors of social protection accessible to all in need.

The SPF Recommendation (2012) complements the existing Conventions and Recommendations. In particular, it assists member States in covering the unprotected, the poor and the most vulnerable, including workers in the informal economy and their families. It thereby aims at ensuring that all members of society enjoy at least a basic level of social security throughout their lives.

The objective of the SPF Recommendation is to reaffirming that social security is a human right and a social and economic necessity and it provides guidance to countries (1) in establishing and maintaining national social protection floors as a fundamental element of national social security systems and (2) in implementing their floors within strategies for the extension of social security that progressively ensure higher levels of social security to as many people as possible, guided by ILO social security standards.

The SPF Recommendation comprises a set of principles, including the overall and primary responsibility of the State; a rights-based approach based on entitlements prescribed by national law; diversity of methods and approaches; progressive realization; universality of protection based on social solidarity; adequacy and predictability of benefits; protection of rights and dignity of beneficiaries; non-discrimination, gender equality and responsiveness to special needs; financial, fiscal and economic sustainability; transparent, accountable and sound financial management and administration; as well as tripartite participation and consultation with representatives of persons concerned.

In order to ensure effective access to essential health care and basic income security throughout the life cycle, SPF should comprise at least the following social security guarantees, as defined at the national level:

- i. access to essential health care, including maternity care;
- ii. basic income security for children, providing access to nutrition, education, care and any other necessary goods and services;
- iii. basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability;
- iv. basic income security for older persons.

Kalusopa (2012: 61) argued that through the concept of SPF the ILO and United Nations as a whole is now advocating the increasing coverage beyond this convention to other sectors of the economy given the high level of informalization of most economies in the world including the Sub-Saharan Africa. It is clear that the definitions and scope of social protection are varied and wide; however, it is important to note that there seems to be a convergence in describing the term as a human right while acknowledging that in broader context, social security does reduce poverty and inequalities in society and actually generate and accelerate human development. Analysis of the countries under study shows that despite the fact that not all African countries have ratified Convention 102, all do provide most of the listed contingencies covered in the Convention and most of the countries have, in fact, attempted or are in the process of embarking on elaborate social protection programmes.

According to Kalusopa (2012:63) the country case studies indicate that the dominant social protection schemes are of three kinds: social insurance, income maintenance and social assistance. "The social insurance programmes include provision of retirement pensions, disability insurance and survivor benefits insurance. The insurance system is defined by statutes and serves a defined segment of the national population. The income maintenance exists to ensure a guarantee of income in the event of interruption of employment as in retirement,

disability and unemployment. Social assistance programme operates to support the most vulnerable groups in the society and to enable them access to basic necessities such as food, clothing, shelter and medical care.”

Otoo and Osei-Boateng (2012: 21) define social protection as consisting of a set of benefits provided by the state, the market or a combination of both to individual or households to mitigate possible hardships resulting from reduction or loss in income. The reduction or loss of income may be the result of sickness, maternity, employment injury, invalidity, old age or death. “Social protection could be a social security or social assistance. While social security is usually provided through social insurance programmes, social assistance comes in the form of state sponsored social benefits to the citizenry.”

Regarding the rationale for extending social protection, Otoo and Osei-Boateng (2012: 21-22), opined that social protection is primarily concerned with the prevention of poverty among different population groups that experience reduction or loss of incomes in their life-cycle. As in the rest of the rest of the world, African societies have traditionally relied on the extended family system that took great responsibility of caring for children, the aged and the infirm. In the era of globalization and urbanization, the extended family system has weakened considerably and is no longer capable of shouldering that burden. At the same time, modern forms of social protection introduced in many African

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economies have excluded large proportion of the population in need of such protection. This is explained by the exclusive reliance on contributory social insurance (social security/pensions) as the mechanism for delivering social protection. On the average, mandatory social security reaches less than one-tenth of the labour force in Sub-Saharan Africa. And the coverage rate continues to deteriorate particularly after the 1980s. Non-contributory pensions are only a novelty in Africa. Social safety nets programmes are implemented on a smaller scale and in ad hoc fashion, usually to address pressing social problems.

Moore, Smit, Van der Walt & Jansen van Rensburg (1999: 7) commented that it is rather problematic to describe the exact meaning of the concept, which has come to be known as “social security” because the expression has acquired a wider interpretation in some countries than other. “It seems as if recent attempts to define social security do not focus any longer on a list of social risks that have to be covered but they try to define social security as a set of policy instruments that are devised to elaborate a certain aim. A social security can, therefore, be defined in terms of the aim of its schemes. Social security, then, refers to the set of policy documents that is set up to compensate for the financial consequences of a number of social contingencies or risks. It can also be argued that social security should also refer to actions that are aimed at preventing the contingencies or risks from occurring. This approach to social security has the effect of acquiring much broader aims. Preventative measures for safety in the

workplace, preventative health care, employment policies and (re)- training programmes then become part of the social security realm.”

Further, Moore, Smit, Van der Walt & Jansen van Rensburg (1999: 9) stated that no uniform definition of the concept “social security” exists in South African law. “In international and supra-national law, too, a uniform definition of social security is lacking.”

Olivier (2004: 13-14) discussed that “determining the ambit of the concept of social security is extremely important – not only for the purpose of understanding the reach of the constitutional right to access to social security, but also for the purpose of obtaining a broader understanding of what a social security system in the South African context should entail. The traditional – essentially Western-orientated – concept of social security may also not be able to capture the characteristics of the African context sufficiently. This flows from, amongst other things, the formal sector-based orientation of the traditional social insurance model, particularly risks to which many people on the African continent may be exposed, and the important role played by informal social security arrangements. In short, the traditional approach has the effect of excluding large parts – and at times even the majority – of people on the African continent from social security coverage.”

Regarding the absence of a consistent definition and some constitutional reflections, Olivier (2004: 14-15) argued that neither the South African law nor international literature reveals a clear and consistent approach to the concept of social security. It has been accepted that social security is not a fixed concept, but reflects both similarities and variety. Similarities exist with regard to the list of social contingencies or risks (such as those relating to health, unemployment, old-age and employment injuries), which are often referred to as the core elements of social security. Most systems would also still rely on the traditional distinction between social insurance and social assistance being embedded in the concept of social security. International instruments, South African policy documents and academic writers each provide differing definitions of social security. In terms of some of these approaches, social security is defined with reference to an enumerated list of social risks, while other approaches see the concept defined in terms of the involvement of the state, or in terms of the aims served by social security generally and/or particular schemes specifically. It is suggested that one should refrain from defining the concept of social security too narrowly.”

With reference to the distinction between concepts of social security and social protection, Olivier (2004: 15) opined that social protection is a wider concept and that it “is increasingly used alongside, as an alternative to, and/or as a wider concept than the notion of social security. According to some commentators, social protection denotes a general system of basic social support which is no

longer linked to the regular employment relationship, and which is founded on the conviction that society as a whole is responsible for its weaker members. In other words, the term denotes a system of general welfare support and protection. It could be argued that the term social protection also encapsulates elements and rights related and ancillary to social security itself. Together with social security, the presence of these elements ensures adequate social protection. From a constitutional rights perspective, it is clear that there is a close interrelationship between the concept of social security and several other related concepts which constitutes the bases of specific fundamental rights, such as the right to have access to land, to housing and to health care services, and to sufficient food and water.”

According to the ILO (1989), social insurance denotes contributory- and risk-based schemes giving rise to fixed benefit payments aimed at income maintenance, while social assistance refers to tax-based benefit payments on a universal or targeted basis, aimed at minimum income-support. The rationale for extending social security to the uncovered, vulnerable elements of the society is premised on the fact that social security is essential for the well-being of the people and the society. It is a basic human right. Its fulfilment contributes to achieving the various Millennium Development Goals for the developing economies. Social security helps to ensure a decent standard of living and lifts people out of poverty. It is closely linked with employment and often provides

support to those unable to work. Furthermore, as indicated earlier on it is an economic necessity which unleashes the full economic potential of people of a country, as only people who are healthy, well-educated and well-nourished can be productive. In times of economic crisis and even in natural disasters, it has proven to be a social and economic stabilizer, which protects the most vulnerable sections against such hardships.

Asher (2003: 597-598) cited that “a distinction must be made between non-contributory social assistance, which is funded by general tax revenue, and contributory social assistance. Contributory social assistance schemes, sometimes referred to as self-financing schemes, are those where contributions are collected from employers, from employees or other institutions, in order to pay benefits. Social assistance is usually non-contributory and is funded essentially on a year-by-year basis, depending on the priorities of the government of the day.”

Smit & Olivier (2004: 76) mentioned that a social security system must be financially sustainable and economically non-distortionary (as provided in the ILO Social Security Financing). Social security can be financed – in general either from taxation or from contributions. The ILO Social Security (Minimum Standards) Convention 102 of 1952 provides that the cost of benefits provided in accordance with the Convention (and the costs of the administration of such benefits) must be borne collectively by way of insurance contributions or

taxation, or both, in a manner that avoids causing hardship to persons of small means and which takes into account the economic situation of different states and of the classes of persons that are protected.

Furthermore, Smit & Olivier (2004: 76-78) mentioned that a distinction must be made between contributory and non-contributory systems:

- Non-contributory systems – Taxation can be based on various resources: personal income, capital, profits or consumption (e.g. value-added tax). The main characteristics of the financing of social security through taxation is that such financing forms part of the budgetary process, where it is part of the larger category of social expenditure and must compete for scarce resources. It is possible however for earmarked taxes to be instituted where special taxes exist for social security expenditure (e.g. tax on alcohol or tobacco in order to finance health services). Another characteristic of general revenue financing is that it is often associated with universal benefit schemes (where benefits are paid to all residents). Social assistance benefits (which are usually subject to means test) are also paid out of general revenue. These benefits are an expression of solidarity at the national level, based on the rights of beneficiaries as members of the community. These systems thus pay out regardless of a beneficiary's participation in the labour market or ability to contribute. Hence, this method of financing social security is also called non-

contributory social security. The real problem with these schemes is the fact that they are costly and that benefits are usually low, as principles of redistribution are involved.

- Contributory social security schemes – these are schemes where contributions are collected from employers, employees and sometimes from the state, in order to pay benefits. Contributory schemes can either be mandatory or voluntary. Schemes where employers' and employees' contributions are the source of the fund are sometimes called self-financing schemes. The benefits paid out are related to the payments or contributions made and are thus in general, higher than the benefits paid out under non-contributory systems (i.e. they are earnings-related). Contributory systems differ from systems financed by general revenue in that, for example, a worker's contributions go towards increasing the worker's own benefits. Consequently, it is often stated that people are more willing to pay social security contributions than they are to pay taxes. Traditionally, in most contributory schemes, the record of contributions forms the basis of eligibility for benefits. It is this aspect of contributory scheme that requires proper record-keeping and effective system for the determination and collection of contributions, which results, in particular, in higher administrative costs.
 - Contributions to be paid by employees or employers may be determined either according to a flat-rate, a ceiling and/or a

threshold may be applied. The contribution types may be distinguished between uniform (flat) rates and wage-or income related rates. Uniform rates are rates that are fixed at the same amount for all insured persons having the same profile, irrespective of the wages or earnings of the insured person. The rates may therefore vary according to other criteria such as sex, age, region, etc. It can be stated that the system of uniform rates is generally applied when the benefits are also fixed at uniform rates. (This rate system is applied mainly under schemes that aim to provide only a minimum level of subsistence, as the rate must be fixed at a modest level, in order to avoid too heavy a burden being placed on lower-paid workers and poorer people.) Contributions fixed in relation to wages or earnings can be determined either as a percentage of wages, or by classes of wages. This system of contribution is generally applied where the benefits that are payable are also fixed in relation to the wages earned. Where the benefits are fixed at flat-rates, while the contributions are wage-related, the contribution takes the character of an income tax and more often than not results in a redistribution of income. It is very common that in the case of earnings-related rating, a ceiling or threshold is applied so that the part of the wages exceeding the ceiling is not taken into account for the calculation of

contributions. Usually, the ceiling for contributions is the same as that for the determination of benefits. It is however possible that the two may differ. The method of wage or income classes represents a system of uniform contributions for the different levels of wages. (Here two aspects are of particular importance: equity in the burden of contributions and simplicity in administration. This method often includes a regressive or progressive element, e.g. the contributions for each class are fixed in such a way that it represents a higher proportion in the higher wage classes and a lower proportion in the lower wage classes.) Mixed systems, where a benefit is financed utilising more than one system of finance, is also possible.

- Social insurance schemes methods of financing and the rating of contributions are usually determined by law. The same applies for the determination of benefits. Benefits can be either short-term or long-term and, therefore, the type of scheme and the coverage of the scheme are crucial factors to be considered when the decision is made regarding the financing of a scheme.

“It is evident that depending on the branch of risk covered, as well as on the persons covered, different schemes in one country can be financed in different way.”

Schulte (2008: 86-109) explained the distinction between social insurance and social assistance as follows:

- Social insurance systems generally accord rights on the basis of paid employment or on the basis of a family tie to an employed person.
- Social assistance provides for a last resort and ‘safety net’ of the overall system of social protection.

International Social Security Association (2013, August) in the Report on “Social Security Programs Throughout the World: Africa, 2013” defined social security as programs established by statute that insure individuals against interruption of loss of earning power and for certain special expenditure arising from marriage, birth or death and includes allowances to families for the support of children. Three broad approaches to coverage provide cash benefits under income-maintenance programs; namely, employment-related, universal, and means-tested systems. Under both the employment-related and the universal approaches, the insured, dependents, and survivors can claim benefits as a matter of right. Under means-tested approaches, benefits are based on a comparison of a person’s income or resources against a standard measure. These three approaches can further be defined as follows:

- **Employment-related:** Employment-related systems commonly referred to as social insurance systems, generally base eligibility for pensions and other periodic payments on length of employment or self-employment or, in the case of family allowances and work injuries, on the existence of the employment relationship itself. The amount of pensions (long-term payments, primarily) and of other periodic (short-term) payments in the event of unemployment, sickness, maternity, or work injury is usually related to the level of earnings before any of these contingencies caused earnings to cease. Such programs are financed entirely or largely from contributions (usually a percentage of earnings) made by employers, workers, or both and are in most instances compulsory for defined categories of workers and their employers. The creation of notional defined contributions (NDC) is a relatively new method of calculating benefits. NDC schemes are a variant of contributory social insurance that seeks to tie benefit entitlements more closely to contributions. A hypothetical account is created for each insured person that is made up of all contributions during his or her working life and, in some cases, credit for unpaid activity such as caregiving. A pension is calculated by dividing that amount by the average life expectancy at the time of retirement and indexing it to various economic

factors. When benefits are due, the individual's notional account balance is converted into a periodic pension payment. Some social insurance systems permit voluntary affiliation of workers, especially the self-employed. In some instances, the government subsidizes such programs to encourage voluntary participation. The government is pro forma the ultimate guarantor of many benefits. In many countries, the national government participates in the financing of employment-related as well as other social security programs. The government may contribute through an appropriation from general revenues based on a percentage of total wages paid to insured workers, finance part or all of the cost of a program, or pay a subsidy to make up any deficit of an insurance fund. In some cases, the pays the contributions for low-paid workers. These arrangements are separate from obligations the government may have as an employer under systems that cover government employees. Social security contributions and other earmarked income are kept in a dedicated fund and are shown as a separate item in government accounts.

- Universal: Universal programs provide flat-rate cash benefits to residents or citizens, without consideration of income, employment, or means. Typically financed from general revenues, these benefits may apply to all persons with sufficient residency.

Universal programs may include old-age pensions for persons over a certain age; pensions for workers with disabilities, widow(er)s, and orphans; and family allowances. Most social security systems incorporating a universal program also have a second-tier earnings-related program. Some universal programs, although receiving substantial support from income taxes, are also financed in part by contributions from workers and employers.

- **Means-Tested:** Means-tested programs establish eligibility for benefits by measuring individual or family resources against a calculated standard usually based on subsistence needs. Benefits are limited to applicants who satisfy a means test. The size and type of benefits awarded are determined in each case by administrative decision within the framework of the law. The specific character of means, needs, or income tests, as well as the weight given to family resources, differs considerably from country to country. Such programs, commonly referred to as social pensions or equalization payments, traditionally are financed primarily from general revenues. Means-tested systems constitute the sole or principal form of social security in only a few jurisdictions. In other jurisdictions, contributory programs operate in tandem with income-related benefits. In such instances, means- or income-tested programs may be administered by social

insurance agencies. Means-tested programs apply to persons who are not in covered employment or whose benefits under employment-related programs, together with other individual or family resources, are inadequate to meet subsistence or special needs. Although means-tested programs can be administered at the national level, they are usually administered locally.

- Other Types of Programs: In addition to the above approaches, three other types of programs are those delivered, mainly through financial services providers (individual accounts, mandatory occupational pensions, and mandatory private insurance), publicly operated provident funds, and employer-liability systems.

Kalusopa (2012: 51) stated that case studies shows that social protection patterns that have evolved in Africa over time have little comparative distinction and that social protection schemes have evolved with these countries' socio-economic development over the years with clear traces of colonial legacy and practice.

Otoo and Osei-Boateng (2012: 21) mentioned further that social protection is recognized in several international, regional and sub-regional instruments as the right of every individual which is crucial in the fight against poverty. "Article 22 of the Universal Declaration of Human Rights and the International Labour Organisation (ILO) Convention 102 of 1952 underscores the importance of social

security. Social security is part of the global ILO strategic policy framework for a decent work. The Regional Strategic Plan of the International Trade Union Confederation (ITUC) Africa Region – has also identified social security and social protection as key areas that labour movements in Africa must focus to improve the welfare of the labour force.”

According to Otoo and Osei-Boateng (2012: 28), there are eight African countries, mostly in the southern part of the continent that have established the non-contributory schemes (basic pensions) that pays pension to all residents who attain a given eligibility age, usually the mandatory pensionable age. These countries are Botswana, Lesotho, Mauritius, Namibia and Seychelles. Cape Verde, Liberia, South Africa and Swaziland also operate means-tested pensions for a section of the elderly that meets the test.

Otoo and Osei-Boateng (2012: 32) mentioned that social security in Africa covers only a minority of the workforce and large segments of the labour force remain outside the reach of social security and are also not covered by any other forms of social protection. The low coverage of social security in Africa reflects the declining trend of formal employment on the continent and most African countries adopted or inherited mandatory contributory schemes at independence. These schemes (contributory) are based on the assumption that as economies developed, more of the labour will secure employment in the formal sector where

productivity and earnings would be high enough to afford workers some saving capacity. This would make it possible for the state to enforce social security contributions. This assumption was only limited to countries in Africa. "In fact ILO Recommendations of 1944 was based on the idea that contributory social insurance could be relied upon to expand coverage of social protection to all in need of such protection. The view was that informal employment was transitory and that as economic growth proceeded informal employment would diminish. Coverage of social security, it was anticipated, would follow this trend of rising economic growth and formal sector employment." On the contrary, the pattern of economic growth and employment over the last 30 years has failed to follow the benign view. Economic growth has failed to pull the labour force into formal employment. Informal employment has expanded in nearly all countries in Africa and a significant majority of the workforce is trapped in low-productivity employment in agricultural sector. Overall, more than half of the labour force in Sub-Saharan Africa is in self-employment. And far from declining, informality is on the rise everywhere in Sub-Saharan Africa as nearly all new jobs are created in the informal sector. These groups of workers earn very little that enforcing mandatory contributions on them appears not feasible. But there are equally high earning workers in the informal sector who can afford to enrol and contribute to any social insurance scheme.

2.3.2 Social security in Namibia

The Constitution of Namibia under Article 95 (Promotion of the Welfare of the People) states the following:

“State shall actively promote and maintain the welfare of the people by adopting, inter alia, policies aimed at the following:

- a. enactment of legislation to ensure equality of opportunity for women, to enable them to participate fully in all spheres of Namibian society; in particular, the Government shall ensure the implementation of the principle of non-discrimination in remuneration of men and women; further, the Government shall seek, through appropriate legislation, to provide maternity and related benefits for women;
- b. enactment of legislation to ensure that the health and strength of the workers, men and women, and the tender age of children are not abused and that citizens are not forced by economic necessity to enter vocations unsuited to their age and strength;
- c. active encouragement of the formation of independent trade unions to protect workers' rights and interests, and to promote sound labour relations and fair employment practices;
- d. membership of the International Labour Organisation (ILO) and, where possible, adherence to and action in accordance with the international Conventions and Recommendations of the ILO;

- e. insurance that every citizen has a right to fair and reasonable access to public facilities and services in accordance with the law;
- f. insurance that senior citizens are entitled to and do receive a regular pension adequate for the maintenance of a decent standard of living and the enjoyment of social and cultural opportunities;
- g. enactment of legislation to ensure that the unemployed, the incapacitated, the indigent and the disadvantaged are accorded such social benefits and amenities as are determined by Parliament to be just and affordable with due regard to the resources of the State;
- i. insurance that workers are paid a living wage adequate for the maintenance of a decent standard of living and the enjoyment of social and cultural opportunities;
- j. consistent planning to raise and maintain an acceptable level of nutrition and standard of living of the Namibian people and to improve public health.”

The above Article constitutes a clear and unambiguous undertaking by the drafters of the Constitution to develop a comprehensive social protection system for Namibia in accordance with ILO Conventions and Recommendations.

Namibia has also enacted several legislations to regulate the administration of the different social welfare programmes and these will be discussed under Chapter 4.

Kalusopa (2012: 64) mentioned that in Namibia the promulgation of SSA ensures that all Namibians get an equal share in the provision of social assistance benefits. The act is legally representative of the fact that its contents are initiated and put into practice to ensure the smooth running of the systems in place meant to necessitate the assistance of all Namibians. The SSC was put in place after the attainment of independence to fulfil the missions of the different social security assistance schemes as providers of income security in times of crisis.

Otoo and Osei-Boateng (2012: 41-42) stated that legislative and institutional harmonization is deemed necessary to eliminate fragmentation, rationalize contribution rates and benefits entitlements, as well as promote portable benefits rights. However, most African countries lack comprehensive legal framework on social security. In most countries social security has evolved as a colonial legacy without adequate constitutional, legislative and constitutional environment. Most countries on the continent have fragmented policy environment. Different policies guide different schemes, leading to a plethora of laws. Legislative framework has been subjected to changes in political regimes. Acts have been passed by different governments in accordance with their development agenda. In effect, legislative or institutional interventions emanate without clear, central and

coordinated policy focus. Most social security laws on the continent are discriminatory against operators in the informal sector. Legislations on scheme contribution, for example, are usually formulated on the assumption that every citizen has regular income. In Kenya, informal sector operators who do not submit their health insurance premium on time faces penalty and this provision is enforced regardless of income irregularities in the informal sector.

2.3.3 Informal sector social security

Dekker (2001: 249) stated that it is important for the purpose of a strong theoretical framework to keep the various concepts of informal sector social security and informal forms of social security apart. However, these concepts cannot be seen in complete isolation as they co-exist and complement each other in order to ensure adequate social protection. “Informal social security, in broad terms, refers to all forms of social security outside the formal (governmental) social security framework. Two types of informal social security can be distinguished, namely:

- Informal sector social security; and
- Informal forms of social security.”

Dekker (2001: 249) has warned against the use of the word ‘sector’ as it creates a barrier when exploring arrangements for social protection and was opined that reference to the ‘informal economy’ will be a more apt term to use. “The

problem with drawing a clear distinction between these two concepts is that they often co-exist along with formal forms of social security”.

According to Dekker (2001: 250), informal sector social security refers to collective, ‘informal’; social security measures taken by members of a certain sector and this is done by means of monetary contributions by all members of a particular sector or trade. Examples of the informal sector are the atypically employed, the self-employed, casual employees, seasonal workers, minor-employees, part-time employees and work-from-home.

According to the ILO’s Technical Note on the Extension of Social Security to the Informal Economy in Thailand (2004), the term informal economy generally refers to economic activities falling outside the scope of government regulations and laws, including those on labour protection and social security. Informal enterprises tend to operate with low levels of capital, skills and technology and limited access to markets; they provide low and unstable incomes and poor working conditions. Some countries only include urban-based activities in their national definitions, while others also include rural activities, particularly small-scale agriculture. The concept includes rural activities and the following description was provided: “The informal sector consists of small-scale self-employed activities (with or without hired workers), typically at low levels of organization and technology with the primary purpose of generating employment

and incomes. The activities are usually conducted without proper recognition from the authorities, and escape the attention of the administrative machinery responsible for enforcing laws and regulations.” While the term informal sector may be more familiar, it does not adequately convey the very diverse nature of the workers and enterprises that function outside the legal or regulatory framework. For this reason, informal economy has come into use.

Regarding social security and the informal economy, it was stated that improving access to social protection is one of the many objectives of the strategies to alleviate social and economic problems in the informal economy. Healthcare and insurance for illness and injury are two obvious areas where extension to informal economy workers would be in the interests of both equity and economic productivity. Without social security for the informal economy, the vast majority of the population continues to suffer from the various risks which prevent sound and sustainable social and economic development, or there is a risk of great social cost in the event the government steps in, burdening national budgets and affecting standards of living and competitiveness.

On workers in the informal economy, the ILO Technical Note stated that although the informal economy is hugely diverse, some typical characteristics of informal economy workers can be summarized as:

- Working in informal economy enterprises and activities that lack official or legal status (rather than being illegal);
- Limited and irregular incomes;
- Unstable employment or business conditions;
- Atypical modes of employment, such as casual work, or seasonal work;
- Extreme vulnerability to risks such as work-related accidents and sickness, and the resultant loss of income, due to the lack of coverage by labour and social security legislation.

People and enterprises in the informal economy are currently outside the mandates of, or receive insufficient attention from government agencies responsible for programmes to develop small enterprises, improve access to credit, and upgrade occupational safety and health. One result is poor compliance with legislation on minimum wages, severance pay and labour protection – such as compensation for work-related accidents and paid maternity leave – as well as legislation on social insurance, where applicable. In many countries, the inspectorates responsible for enforcement are unable to counter these trends. The majority of informal economy workers work to survive, with incomes barely enough to cover daily expenses. Although they are not covered by formal social security, they sometimes benefit from informal protection in the form of credit societies and funeral clubs as well as depending on traditional solidarity.

Regarding key issues relating to social security coverage of the informal economy, the ILO Technical Note stated that one of the first challenges in extending social security coverage is the few points of contact between government and the informal economy. For example, compulsory social insurance schemes sometimes rely on data from business registration or tax records in order to build compliance lists. This is not possible with the informal economy because of the lack of official records. Determining informal economy workers' income is another problem. This is relatively easy in the formal economy, because salaries and wages are recorded; but accurately determining the incomes of the self-employed is a problem worldwide. If there is a well-developed direct income tax system that covers the self-employed, it may be feasible, by using tax records, to cover the informal economy through a national scheme with earnings-related contributions and/or pension benefits. If the income tax system is less developed, it is possible that incomes in the informal economy will be under-declared or not declared at all. Because of the nature of workers in the informal economy is so diverse, there are technical difficulties to provide certain type of benefits. For example, there are many difficulties in providing unemployment protection for self-employed workers and employees without formal work contracts. Similarly, without a clear and officially designated workplace, and employers who supervise and could prove the accidents, it is extremely difficult to cover informal economy workers for employment injuries. Relevant information on the target groups in the informal economy is lacking.

Knowledge of numbers of multiple job holders and annual employment patterns is crucial to the design of schemes for certain occupations or industries; information on the potential participants' capacity to pay contributions is also important for the financial design of any scheme; and knowledge of the different target groups' social security needs is essential for designing benefits packages. Another major challenge is the scale of a country's informal economy and huge administrative burdens extending coverage to smallest enterprises in 2002, which brought about 1 million new members into the national social insurance scheme. Extending coverage to another 20 million people in the informal economy, almost three times the number of formal economy workers currently enrolled in the scheme, will be much more difficult. Thus, a review of the current administrative capacity and careful planning of how to deal with the new administrative burden are vital in the preliminary stages of extension planning. It may be necessary to engage local people, organizations or Non-Governmental Organizations (NGOs) to act as agents for the scheme, who would be responsible for assessing earnings and contributory capacity, collecting contributions, assessing claims and distributing benefits. Inevitably, the Government will have to commit a good deal of money to the expanded social security system, whatever types of scheme and financing are chosen. The national social insurance scheme uses a tripartite contribution system, whereby employers, employees and government share the burden of paying contributions. If insurance cover offering benefits comparable to those of the current national scheme is extended to the

informal economy, the Government will need to subsidize contributions to a greater extent because there will be no employer to share the burden and because informal economy workers generally have less money to contribute than formal economy workers. Actuarial valuations and Social Budget analyses to estimate the financial implications of covering the informal economy will be necessary, not only to review the finances of the social security scheme but also to review government fiscal policy and expenditure on social protection for the future strategy on the provision of social protection to citizens. (http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_bk_pb_274_en.pdf)

Van Ginneken (2004, August) stated that it is estimated that well over two billion people in the world are not covered by any type of formal social security protection, i.e. neither by a contribution-based social insurance scheme nor by tax financed social assistance. If one takes the number of covered persons as a percentage of the number of persons of working age, it is estimated that in Africa some 90 per cent of the population are without any formal protection whatsoever, while in the more developed parts of the world only about 20 per cent remains outside the scope of social security protection.

According to Van Ginneken, the ILO experience in the developing countries - and more recently also in the developed countries - has shown that not all

workers would sooner or later end up in large enterprises, or at least in the formal sector. Even in countries with high economic growth, more and more workers are in less secure employment such as the self-employed, the casual and home workers. So the extension of formal social security programmes cannot be the simple answer to satisfying the social protection needs of increasing numbers of workers (and their families) outside the formal sector. The most vulnerable groups outside the labour force are the disabled, widows, orphans and old people who cannot count on family support, who cannot be reached by other social policies and who have not been able to make provisions for their own pension. New institutions and forms of social security will have to be developed to meet the specific social security needs of these various groups. Most formal sector workers can contribute regularly to social security and generally have a long-term planning horizon. Unemployment and/or incapacity for work are the main risks that jeopardize their earning power. And, given their regular earnings, they can provide for their retirement. This is not the case for informal (sector) workers who, in practice, cannot afford to be unemployed and who do not have the regular earnings to finance pensions. They often live from one day to the other and are faced with risks and calamities that can throw them into a state of permanent indebtedness. These risks and calamities can be grouped into the following four categories:

- calamities (flood, fire, civil unrest and famine);
- loss of earning power (disability, ill health, loss of assets);

- life-cycle crises (death and marital breakdown);
- sudden and large expenditures (hospital, wedding).

Social security schemes cannot protect informal sector workers against all these risks and calamities. Most informal sector households already spend a considerable part of their budget on vital life area such as health, education, death and disability. And it is exactly in these areas that collective action can improve the cost-effectiveness of their expenditure. For example, even poor households in developing countries spend a significant part (5- 10%) of their incomes on health care costs. As a result of structural adjustment and privatization, most government are not able anymore to provide free access to basic social services. Health insurance is therefore the most pressing social security need for most informal sector workers. Some of the reasons why informal sector workers would prefer social security schemes over individual spending and financing are the following:

- i. by regular contributions, they can avoid indebtedness when they face large medical bills;
- ii. as a group, they can negotiate on price and quality with private health providers;
- iii. within a group, they may be willing to spend on preventive and health promotion activities so as to keep down the cost of curative services.

Generally speaking, the perceived principal social security needs by informal sector workers are the following:

- improving the effectiveness of health care expenditure;
- death, survivor and disability benefits;
- regularizing expenditure on basic education;
- maternity and child care benefits.

Perceived social security needs naturally also vary according to the type of informal sector worker and their families as well as according to the various risks that they run. So, help with housing cost often is a high priority for urban residents where housing prices are high; social assistance is a high priority for old-age pensioners, orphans and widows who cannot be reached with employment and labour market policies; food security measures (social assistance) is appropriate in famine and civil unrest situations; and finally, crop and productive assets insurance is crucial for the self-employed.

The ILC's SPF Recommendation 202 (2012) stated the following in its preamble, which are related to the informality:

- "Recognizing that social security is an important tool to prevent and reduce poverty, inequality, social exclusion and social insecurity, to promote equal opportunity and gender and racial equality, and to support the transition from informal to formal employment,
- Recognizing that the transition to formal employment and the establishment of sustainable social security systems are mutually supportive."

In its Objectives, Scope and Principles it is stated the following:

“3. Recognizing the overall and primary responsibility of the State in giving effect to this Recommendation, Members should apply the following principles: (e) social inclusion, including of persons in the informal economy.”

And, under the National Strategies for the Extension of Social Security, the following is stated:

“15. Social security extension strategies should apply to persons both in the formal and informal economy and support the growth of formal employment and the reduction of informality, and should be consistent with, and conducive to, the implementation of the social, economic and environmental development plans of Members.”

According to Mhone (2004: 25) a major problem has historically been that government policy has not only been preoccupied with social policy in the formal sector, where it has only addressed the needs of the minority of the population, but it has also tended to ignore social development in the non-formal sectors. Generally, the formal and non-formal sectors, while interdependent, manifest a dichotomy which pervades the economic and social spheres. This dichotomy very much defines the nature of both the economic and social needs of a society, and

also defines the underlying constraints to aligning economic and social policies in a manner that is virtuously reinforcing.

Otoo and Osei-Boateng (2012: 25) mentioned that the past 30 years of neo-liberal policies have made decent employment a rarity on the continent. Nearly all new jobs are being created in the informal economy where earnings are low and workers are unable to afford to contribute to social security schemes. With rising informal employment comes declining coverage of social security schemes. Most countries on the continent operate contributory defined benefit schemes that are compatible with workers who have employer-employee relationship (i.e. workers in the formal sector). These schemes tend to exclude workers in the informal sector due largely to the fact that productivity level in the informal economy is too low and incomes are irregular making it difficult for workers to enrol in contributory schemes.

Otoo and Osei-Boateng (2012: 26) stated that the exclusion of informal sector from public social security schemes presents issues of gender inequity and vulnerability. The informal sector in Africa is dominated by women and young people. The proportion of females in informal employment is estimated at 57 percent in Ghana, 65 percent in Benin, 58 percent in Malawi and 53 percent in Namibia. "Thus, the exclusion of informal sector amounts to denying women and the youth access to social security. And, obviously, inadequate protection for

women and the youth expose them to unmitigated risks that tend to push them into poverty which perpetuates throughout their working life and retirement.

According to Otoo and Osei-Boateng (2012: 28), social security is mandatory for formal workers (i.e., workers who have employer-employee relationship) in most Africa countries and informal workers can enrol or participate voluntarily. The mandatory nature of social security in Africa reflects the colonial legacy of the schemes and it also reflects the practical necessity to ensure sufficient insurance against old age poverty. Governments can “step in to mandate compulsory savings in the formal social security contributions to prevent mass poverty in old age which would then require fiscal allocations from the state. In the formal sector, it is relatively easy and less costly to enforce mandatory and contributory social security since formal sector firms are registered and can easily be identified. In the informal sector, the situation is different and social security mandates cannot be easily enforced.”

Otoo and Osei-Boateng (2012: 43) mentioned that the difficulty of expanding coverage of mandatory and contributory schemes to the informal sector has also led some countries in Africa to introduce non-contributory social pensions and countries have also instituted large-scale cash transfer programs as part of the poverty reduction measure.

Regarding informal arrangements for social protection, Otoo and Osei-Boateng (2012: 47) observed that large majority of Africans excluded from social security have mainly depended on informal arrangements for social protection and traditionally most Africans have largely relied on the support of the extended family to meet life contingencies. However, growing economic constraints and urbanization have affected kinship ties and ability for family members to provide support. Mutual help associations - which are based on insurance principles and which are initiatives of community members or non-governmental organizations - have provided avenue for sharing financial risks amongst operators in the informal sector. Traditional saving mechanisms – which are primarily microfinance savings and credit schemes – serves social security purposes, since the proceeds are also used to meet health care needs and unemployment burdens among others. Microfinance saving schemes are common across Africa and rotating savings schemes operates not only among informal sector but also among formal sector workers. Like formal sector schemes, informal arrangements – which are usually founded on mutual understanding among group members without organizational structure - face many challenges.

Otoo and Osei-Boateng (2012: 48) also commented that by their nature as colonial legacies, social security schemes in Africa differ between the two main blocks, the Francophone and the Anglophone counties. The differences are found in the design, legislation, benefits offered and administration.

The International Labour Organization defines the informal sector as very small scale units producing and distributing goods and services, and consisting largely of independent, self-employed producers in urban areas of developing countries, some of whom also employ family labour and/or a few hired workers or apprentices; which operate with very little capital, or none at all; which utilise a low level of technology and skills; and which generally provide very low irregular incomes and highly unstable employment to those who work in it.

According to the African Union (2011), “Work in the informal economy (I.E.) in Africa, is, by definition, work with no social protection. The lack of social protection is a key defining characteristic of the I.E, as well a critical aspect of social exclusion. Less than 10% of workers in Sub-Saharan Africa and Asia have access to social security, while in other developing countries between 10% to 50% of workers are able to access social security.¹ This evidences the low coverage of formal sector insurance, as the formal sector insurance in sub-Saharan Africa covers only a fraction of the population, usually only civil servants and a few formal sector employees (between less than 1% in Ethiopia, 10% in Senegal, and 11% in Kenya).” The document further states that: “The current reality in Africa, however, is that the Continent is faced with numerous constraints in effectively reaching the ILO Social Security standards through implementation of the Income Security Recommendation, 1944 (No. 67), the

Medical Care Recommendation, 1944 (No. 69), and the Social Security (Minimum Standards) Convention, 1952 (No. 102), which identifies nine areas of social insurance. The reasons of low level of social protection in the informal economy and rural sector are various i.e. weak knowledge of data and statistics on the specific coverage needs of these categories of workers, their lower individual contributory capacity, legal constraints (size of the employer, occupational reference group often excluding self-employed, casual and domestic workers), and institutional, administrative and procedural obstacles. To overcome these gaps, the Continent needs to go by the approach of Social Protection for informal and rural workers which cover not only social security but also non-statutory schemes: various non-contributory schemes, mutual benefit societies, grass-roots and community based schemes.”

Osoro (2012) stated that “Before defining what informality is, it is first important to define at the outset what formality is. A formal sector is a sector which encompasses all jobs with normal hours and regular wages, and is recognized as income sources on which income taxes must be paid. A formal entity or activity is that which is formally registered, having a business or trade license and taxpaying. If an enterprise is registered but not paying tax, it would still fall short of being a formal enterprise.”

Osoro elaborated further that “the term informality implies different things to different people, but almost always bad things such as unprotected workers, excessive regulation, low productivity, and unfair competition, evasion of the rule of law, underpayment or non-payment of taxes, and work “underground” or in the shadows. The multiplicity of adjectives from very distinct fields of study suggests that we may have a classic “blind men and the elephant problem” – everybody touches part of animal, but understands only the part that they touch. More likely still, we are exploring several distinct phenomena as we attempt to describe one ungainly composite “informality”.

According to Mugoya (2012), “There are a number of definitions of the informal economy also referred to as the informal sector. The informal sector is defined as part of the economy that is neither taxed nor monitored by any form of government; or that is not included in the Gross National Product (GNP), unlike the formal economy”. He referred Hussmanns and Mehran (1999) who cited that an informal sector enterprise refers to an unincorporated business for which no complete set of accounts are maintained which would permit a clear distinction of the activities including flows of capital and income of such business from those of the owner or owners.

In order to distinguish informal sector enterprises from other unincorporated businesses, the Fifteenth International Conference of Labour Statisticians (1993) adopted one or more of three criteria as follows:

- a. Non-registration under specific forms of national legislation such as licensing, taxation, social security, factories etc.
- b. Small size in terms of number of employees engaged on a continuous basis depending on the circumstances of each country;
and
- c. Absence of employment contracts which commit the business to pay tax and/or social security contributions on behalf of the employees or which subject employment relations to standard labour laws.

Mugoya mentions further that “it should be noted however, that informal economic activity is dynamic process which includes many aspects of economic and social theory. By its nature, the informal economy is difficult to define, observe, study and measure. As such, informality as a phenomenon should be viewed as a package comprising several aspects; rather than focusing on any one aspect of it in isolation. These aspects include tax registration, business licensing, business registration, registration for social security purposes etc.”

According to Maliyamkono (2012), in most developing countries there is a substantial proportion of the economy which is conducted by businesses which do not meet all national criteria for being recognized as formal or wholly lawful businesses. These businesses constitute the informal sector. Naturally they will not be paying the same amount of tax as formal businesses, they may not be formally registered, they may not be recognized as legal entities, or they may not meet other statutory requirements. This is not to suggest that they are necessarily carrying out illegal activities; most are engaged in wholly legal operations, but they do not meet the national requirements for being a formal business. The author stated further that “the most obvious characteristics of trade in the informal trade in the informal sector are that it is normally unlicensed and that it frequently operates from no fixed location.”

Informal or community-based social protection schemes are important contributions towards complimenting state or private sector programmes. Savings schemes (Ghana and Nigeria), Welfare groups (Kenya) and other informal arrangements will continue to be critical where the state fails to provide adequate social protection support to households and communities. (Dicks, 2012: 83)

According to the ILO’s Decent Work Report of the Director-General (ILC, 87th Session in 1999), the informal sector is in fact a focus of attention and the strategy outlined in the programme and budget states that: “... the inclusion of

informal enterprises in national development programmes will be effectively promoted. This will be based on interventions in a range of fields, including ... establishing and strengthening associations of informal sector workers, which provide an effective vehicle for advocacy, social protection and community initiatives. Policy advice and support will help to identify and remove legal, fiscal and administrative barriers preventing the inclusion of informal sector operators in the modern economy. This will be supplemented by the creation of closer linkages between informal and modern enterprises, for example through innovative subcontracting arrangements and the development of more efficient intermediaries in production chains. In these activities employment creation and poverty reduction will be combined with the improvement of social protection and safety and health and the promotion of gender equality, using the innovative methodologies developed in pilot activities mainly in Africa, the Americas and Asia.”

According to the ILO Report (2000, March) on Employment and social protection in the informal sector - ILO activities concerning the urban informal sector: Thematic evaluation, the results of the ILO's substantial work have not only brought about a better understanding of the structure and functioning of the informal sector, but have also helped to demystify three commonly held beliefs that have influenced and even introduced bias into the work of many analysts. These are:

1. that all people engaged in informal activities are poor;
2. that the sector is unorganized and unstructured;
3. that informal activities are illegal.

Regarding the first myth, many informal sector operators and workers are indeed poor, but available empirical evidence has shown that the informal sector as a whole is not synonymous with poverty. It has a highly heterogeneous structure: the very poor are engaged in subsistence activities at the bottom of the ladder, while at the top there are some very profitable economic ventures. In many cases those active in the latter earn incomes well above the minimum wage in the formal sector of the economy. As far as the second myth is concerned, case studies have shown that informal sector activities are far from being unorganized or unstructured. The urban informal sector has its own mechanisms and networks of financial services, training, marketing, welfare schemes and social safety nets. These rely largely on traditional, kinship, neighbourhood, occupational and family ties, and these have proven effective and durable. Secondly, while the bulk of informal sector workers are engaged in own-account activities – run by individuals with or without the participation of unpaid family workers – the sector also includes micro- and small-scale enterprises, largely in manufacturing, which hire workers on a continuous basis and often have operating links with formal sector enterprises. In most cases, such links take the form of subcontracting arrangements. As regards the third myth, it has become clear that the illegal situation in which many informal sector workers may find themselves

is due to the non-applicability of existing regulations to the economic conditions of informal sector activities and lack of knowledge of the regulations, rather than to any outright desire to circumvent the law. Moreover, most of the subsistence and micro-businesses operate at the periphery of or beyond the law because of the unaffordable costs that compliance with existing regulations would impose on their economic activities, putting at stake their ultimate survival.

From a review of approaches and strategies concerning the urban informal sector, the study identifies eight key areas of priority action –

- measuring the informal sector;
- enhancing the micro-entrepreneur's potential;
- the creation of and capacity-building among informal sector organizations;
- infrastructure, job creation and living conditions;
- reforming training policies and systems;
- enhancing workers' social protection;
- reforming legal frameworks;
- assessing macroeconomic policies.

Based on increased knowledge of the structure, scope and dynamics of informal sector activities, the ILO has been able to develop approaches and measures concerning the main policy areas in support of the urban informal sector. The priority concerns for ILO action were defined in the Director-General's Report to

the International Labour Conference in 1991. The general aims of each priority area of action can be summarized as follows:

- to enhance the productive potential of the informal sector, and hence its employment and income-generating capacity;
- to improve the welfare of the poorest groups;
- to establish an appropriate regulatory framework, including the adoption of adequate forms of social protection and regulations;
- to improve the organization of informal sector producers and workers.

2.3.4 Financing informal sector social security

The ILC's SPF Recommendation 202 (2012) stated the following in its Objectives, Scope and Principles specifically about the financing aspect:

“3. Recognizing the overall and primary responsibility of the State in giving effect to this Recommendation, Members should apply the following principles:

- (h) solidarity in financing while seeking to achieve an optimal balance between the responsibilities and interests among those who finance and benefit from social security schemes;
- (i) consideration of diversity of methods and approaches, including of financing mechanisms and delivery systems;
- (j) transparent, accountable and sound financial management and administration;

- (k) financial, fiscal and economic sustainability with due regard to social justice and equity.”

Under the National Social Protection Floors, it is stated the following:

“11. (1) Members should consider using a variety of different methods to mobilize the necessary resources to ensure financial, fiscal and economic sustainability of national social protection floors, taking into account the contributory capacities of different population groups. Such methods may include, individually or in combination, effective enforcement of tax and contribution obligations, reprioritizing expenditure, or a broader and sufficiently progressive revenue base.

(2) In applying such methods, Members should consider the need to implement measures to prevent fraud, tax evasion and non-payment of contributions.

12. National social protection floors should be financed by national resources. Members whose economic and fiscal capacities are insufficient to implement the guarantees may seek international cooperation and support that complement their own efforts.”

Regarding National Strategies for the Extension of Social Security, it is mentioned that:

“13. (1) Members should formulate and implement national social security extension strategies, based on national consultations through effective social dialogue and social participation. National strategies should: (b) seek to provide

higher levels of protection to as many people as possible, reflecting economic and fiscal capacities of Members, and as soon as possible.

14. When formulating and implementing national social security extension strategies, Members should:

(c) seek to close gaps in protection through appropriate and effectively coordinated schemes, whether contributory or non-contributory, or both, including through the extension of existing contributory schemes to all concerned persons with contributory capacity;

(e) specify financial requirements and resources as well as the time frame and sequencing for the progressive achievement of the objectives.”

Otoo and Osei-Boateng (2012: 21-22) mentioned that at different ages within the life-cycle, individuals go through different patterns of income and expenditure. These patterns often lead individuals to go through a life-cycle of surplus and deficits. And every society must decide how the deficit is financed.

According to Otoo and Osei-Boateng (2012: 37) the mandatory social security schemes in Africa are typically financed from payroll taxed with joint contributions from employers and workers. The contribution rates range from 8 in Rwanda and Liberia to 18,5% in Ghana. The non-contributory pensions are financed out of general tax revenues. For instance, Ghana has instituted 2,5% National Health Insurance Levy (NHIL) on some goods and services to finance

the National Health Insurance Scheme (NHIS) in addition to premium from Social Security and National Insurance Trust (SSNIT) members and non- SSNIT members. In 2009, Gabon raised US\$30 million for health by partly imposing a 1,5% tax on companies handling remittances from abroad and its health insurance scheme also raises revenue from taxes on mobile phone companies to cover up the economically inactive population. Universal schemes funded by employees' contributions require a highly formalized economy with effective taxation. In countries where different forms of social security exist, contributions may be separate for each. South Africans aside occupational pension schemes pay 2% to enjoy social security benefits under the Unemployment Insurance Fund. On the other hand, Nigers pay one premium of 17% which is shared between departments of old age/invalidity/death, family benefits and work injury. The SSNIT in Ghana pays to the NHIS on behalf of its members, a premium of 2,5% of members' monthly contributions. NHIS premiums from non-SSNIT members range between US\$5,10-US\$34,20.

Otoo and Osei-Boateng (2012: 38) observed that Sub-Saharan Africa, which spends less than 2% of Gross Domestic Products on social security, has the least expenditure on social security after South Asia. "Social security schemes supported by a few working people are not sustainable. With the shedding of labour by the public sector and the failure of the formal private sector to absorb more of the labour force, current contributions are increasingly falling short of

what is required to meet current payout". This creates fiscal imbalances that continue to deplete pension reserves in many countries. Ghana's mandatory scheme has reserves of 9,4%, Namibia (0.4%), Ethiopia (1,4%), Chad (0,5%) and Senegal (1,6%). These compare with 32% for Sweden and 25% for Japan – economies with much older population. The provident fund schemes in Kenya and Tanzania have reserves of 12,1% and 9,4% respectively, while Malaysia and Singapore have reserves of 55,7% and 55,6% respectively, while Malaysia. The rising pension expenditure is also explained by weak administration and the associated high administrative costs.

Kalusopa (2012: 62) indicated that various social protection schemes/programmes are financed from and /or by a variety of sources. The government assistance schemes derive their funding from the tax-generated government revenue. The employment / occupational schemes are, on the other hand, financed through contractual savings (employer and employee contributions). Both employers and employees make monthly contributions into the fund as contractual savings. Contributions' pension plans are financed both by employers and employees. The informal social protection arrangements are largely financed through personal members' contributions without any outside intervention and such contributions are not always confined to money. A major source of savings and a key driver of investment in a number of countries are social security and pension funds. "The role of the State is well-pronounced in

Botswana, South Africa and Namibia with an elaborate universal social protection schemes financed mainly through tax revenue complimented by formal employment related schemes which themselves are financed through contractual pension funds for most organizations and some traces of informal personal schemes through burial societies, for example. The State provides old age pension universal coverage at low cost (annual direct cost of approximately P235m (US\$34m) and 1% of total government spending), and supports the income of elderly – but poverty rates are still high.”

According to Smit and Olivier (2004: 69-70) “social security systems - by their very nature - are said to be based on the notion of solidarity and social cohesion. The most basic questions relating to social security financing are: who pays, how much, on what basis, and through which instruments? One of the key questions that national policy-makers have to answer, therefore, is: How much do we want to spend on social protection? (Or, as is often in developing countries: How much can we afford to spend on social protection?). There is a wide range of methods for the financing of social security arrangements. The sources of revenue can be summarised as follows:

- State participation;
- Participation of other public authorities (e.g. provisional and local government);
- Special taxes, earmarked or allocated to social security;

- Contributions from insured persons;
- Employers' contributions;
- Income from capital; and
- Other receipts.

Having regard to the above sources, the method of financing must make the most of the scarce available revenues. All methods wrestle with the problem of balancing two extreme approaches, namely, the principles of solidarity versus those of self-sufficiency. The debate involves an assessment of the relative merits of "universal" versus "selective" social security systems. This reflects the close relationship between the method of financing and the benefits structure. The relationship exists because earnings-related benefits, paid without a test on income or assets, are a general feature of contributory systems but are incompatible with a general revenue financed approach. A general revenue financed system is more likely to provide flat-rate benefits, which may also be means-tested."

Smit and Olivier (2004: 70) have identified two main approaches to financing social security (solidarity and self-sufficiency) as follows:

- Solidarity – As the basic purpose of social security is to provide assistance to those in need of it, beneficiaries cannot always be expected to finance their own assistance. This means that others (preferably the

entire base of taxpayers) have to pay. This is the principle of solidarity and general revenue funding.

- Self-sufficiency – Whenever possible, future beneficiaries, or generations of beneficiaries, should be encouraged to make whatever advance provision they are able to make as a contribution towards their own future needs. Features of social insurance systems include the fact that they are financed from compulsory contributions, levied on employers and/or employees in the form of payroll taxes, and that they pay “defined” earnings-related benefits or compensation on a pay-as-you-go basis. The establishment of fully- (or partially-) funded schemes has generally been seen as the solution to the problems of pay-as-you-go schemes.

“Clearly, these extreme approaches reflect ideological and political biases. In practice, most countries recognize the need to adopt a position between the two extremes. Despite this slight difference in emphasis, there is much in common between their approaches. The blending of these two approaches is apparent throughout social security arrangements, as a social security programme must be financially sustainable and economically non-distortionary.”

Financing of social security schemes is important and the International Labour Office (2011: 77) Report on the 4th United Nations Conference on the Least Developed Countries (LDCs) states that “the lack of social security coverage is closely associated with the prevalence of informal employment in most LDCs.

Informal economy workers usually are not or are insufficiently covered – in law or in practice – by formal social security arrangements. In most LDCs, social insurance covers only wage and salary workers in the formal economy, sometimes excluding workers on temporary contracts or in small enterprises. In many countries, there have been commendable efforts to extend the coverage of formal schemes to additional categories of workers through the extension of coverage of social security schemes to workers at the margins of formal employment, or the complementary use of micro-insurance schemes. These efforts have been successful where the design, financing and administration of schemes respond to the specific needs of the covered groups of workers. Innovative measures are needed to accommodate the specific characteristics of their work, such as irregularity or seasonality of employment, low and/or fluctuating incomes, or their employment status (own-account workers and the self-employed.)”

Asher (2003: 598) stated that social insurance on the other hand calls for a different treatment. “In many cases, contributions are supplemented by tax concessions and, occasionally, by state subsidies. Contributory schemes may be either mandatory or voluntary. Benefits related to contributions are likely to be higher than those under non-contributory systems.” The author further mentioned that in most contributory schemes, the record of contributions forms the basis of eligibility for benefits. “Contributions may be made at a flat rate or they may be

earnings-related. Uniform or flat rates are fixed at the same amount for all insured persons in particular group, irrespective of the wage or earnings of each person. The rates may vary for different groups defined by sex, age, region, and etcetera. In general, flat-rate contributions apply when the benefits are fixed at uniform rates, and mainly under schemes that aim to provide only a minimum level of subsistence. The rate must then be fixed at a modest level, in order to avoid too heavy a burden falling on lower-paid workers and poorer people. Where contributions are earnings-related, a threshold or ceiling may be applied. Only earnings above the threshold, or below the ceiling, are then counted in the determination of contributions and benefits. The ceiling for contributions is usually the same as that for the determination of benefits, although the two may differ. Contributions may be determined as a percentage of wages – which may increase for higher wage earners – or they may be fixed at different levels for contributors with wages falling within different bands. Two aspects are of importance here, namely redistribution and simplicity of administration. Redistribution will require those with higher wages to contribute more. The use of fixed contributions by class or band of income can be explained by the administrative advantages that this system offered, prior to the introduction of high-speed computers.”

Asher (2003: 598) opined that a range of mixed systems is possible. "It is evident that – depending on the branch of risk covered, as well as on the persons covered – different schemes in one country can be financed in different ways."

Some measure of (social) solidarity is required for the effective functioning of a social security system. Regarding solidarity and redistribution, Asher (2003: 603-604) mention that "social security is usually seen, *inter alia*, as a means of reducing inequality. The other main vehicle of income redistribution is tax system. Most countries recognize the need to adopt compromise positions, as social security programmes must be financially sustainable and economically non-distortionary. Solidarity, as a concept, rests on the shared nature of all people and recognizes our mutual independence. The concept of ubuntu is, in some ways, a South African equivalent. It can be stated that social security systems are based on the ideas of solidarity and social cohesion. The basic purpose is to provide assistance to those who need it and, because the beneficiaries cannot always be expected to finance their own assistance, others – preferably the entire bases of taxpayers – have to pay. This is what constitutes the principle of solidarity." Regarding the elements of a system of redistribution, the author opined that "taxes and targeting mechanisms for the payment of benefits may be described as progressive if they redistribute income to the poor, as regressive if they reduce the relative income of poorer people, and as neutral if they fall in-between. It is common to refer to taxes – expressed mathematically as a fixed

proportion of income – as neutral. The most regressive tax is the reverse, namely where the same amount is taken from each member of a particular society. This could be referred to as “poll taxes”. The author mentioned the following types of taxes: expenditure taxes, income taxes, taxes on profits and investment income, social security taxes and tax rebates. (p. 603-604)

Most funding sources for social protection are provided through the National Budget, contributions made by members and in some instances the donor community. A significant amount of the social security funding and costs are born by the employed and the poor as Sub-Saharan Africa’s contribution to social security as a percentage of GDP (8,7%) remains bleak. Ideally, cross-subsidisation through the tax system is an important redistributive tool when the tax system works. Tax collection inefficiencies and administration, in many African countries, is indeed a major challenge if we intend increasing our social protection coverage. (Dicks, 2012: 89)

Regarding contributions, Otto & Osei-Boateng (2012: 28) observed that social security is mandatory for formal workers (i.e. workers who have employer-employee relationship) in most countries. Informal workers can enrol or participate voluntarily. In the formal sector, it is relatively easy and less costly to enforce mandatory and contributory social security since formal sector firms are

registered and can easily be identified. In the informal sector, the situation is different and social security mandates cannot be easily enforced.

2.4 Gap in knowledge

At the level of a Master's degree, the researcher did not develop a complete original theory or piece of analysis. The researcher's aim in this instance was to applying existing analysis to specific question(s), to further deepen understanding of the theory or socio-economic problem which was chosen. The argument was based on critical examination and application of the existing literature.

In the light of the authoritative literature on the problem under study reviewed above it may be concluded that while the rationale and need for social security/protection to informal sector of economy is well recognized, appropriate programmes and strategies are not in place to address the problem in Namibia.

Further, it is unclear from the literature how the issues of coordination and complementary between tax revenue and contribution revenue for the purpose of financing of social security systems purposes should be established/determined. There is no uniform agreed/set contribution rate ranges for contributory schemes as this depends from country to country and it is not known to what extend the

Namibian Government is willing to fund further social security schemes i.e. the fiscal space.

Further, benefits are multi-faceted and multi-sectoral in nature and in the absence of a comprehensive study, it is difficult to accurately analyse the issue of benefits in Namibia.

Thus, there remains a wide gap between the need and the efforts needed to meet the need in this critical area. The present study therefore attempted to fill in the knowledge gap in this area and also developed financing options considered appropriate for meeting the requirements of social security/protection to informal sector in Namibia through the SSC.

2.5 Conclusion

The Namibian Constitution states that the State shall actively promote and maintain the welfare of the people and the SSA does not preclude the informal economy to participate in its social security scheme and allows a self-employed person, who does not employ any other person, to voluntarily register with SSC.

Social security programmes can make a major contribution to mitigating/minimising inequalities in society. The extent to which social security

achieves this often varies according to the design and implementation of programmes. The factor of how benefits are financed is also critical and this depends not only on whether they are contributory or non-contributory but also on how contributory schemes are designed. Although the financing methods used by social security programmes may be perceived to perpetuate or exacerbate inequalities stemming from unequal access to formal and informal work opportunities, they can also be constructed to ensure that there is redistribution within a contributory scheme.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals mainly with the methodology used to find answers to research questions and to attain the research objectives of the study. It discusses the research design, population, selection of the sample, research instruments, and sources for collection of data as well as data analysis procedures. It also states how validity and reliability of the findings has been ensured and research ethics guidelines have been complied with.

3.2 Scope of study

The research area for this study was Namibia covering mainly the informal economy business operators in the capital, Windhoek, and institutions tasked with social security and related operations across Namibia with head offices in Windhoek. These were the institutions that provide coverage to both the formal and informal sectors.

3.3 Research Design

The researcher explored various research designs and found the collection of information from a representative sample through the use of questionnaires to a large extent and conducting interviews with selected participants to a lesser extent suitable for the study.

The study was to a large extent qualitative in its approach. It was based on data collected in the form of written and spoken words. This process allowed the researcher to explore the subject matter of investigation in greater details. This approach was also adopted to accommodate the limitations of time and resources available for conducting the study.

The study started with a survey of relevant literature, which comprised of transaction records, relevant laws, regulations and policies related with social security. The researcher also examined the issues looking at the present laws, regulations and policies that have shaped the state of financing of current social security schemes with a view to find out their suitability for providing social security coverage to informal sector.

The researcher critically examined the current provisions of social protection schemes in Namibia and financing thereof including those for informal economy. This was supplemented by data collected through two questionnaires: one for informal economy business operators and workers and the other for institutions that operated in informal economy, provide social security and research institutions.

Researcher conducted interviews with key-respondents from informal economy representatives, research institutions, Namibian Government Ministries and the SSC as well as a selected number of informal sector operators and workers.

3.4 Population

The population for this study comprised of the following:

- Informal economy business operators and workers: These included Windhoek-based informal sector business operators and workers.
- Institutions active in social security domain in Namibia. These included broadly five types of institutions: workers' organizations; employers' organization; Government institutions; business representative and support organisations; and research institutions.

Workers' organizations

- National Union of Namibian Workers (NUNW),
- Trade Union Congress of Namibia (TUCNA),

Employers' organization

- Namibian Employers' Federation (NEF),

Government institutions

- Ministry of Labour and Social Welfare (MLSW),
- Ministry of Finance (MoF),
- Ministry of Trade and Industry (MTI),
- Social Security Commission (SSC),

Business representative and support organisations

- Namibian Chamber of Commerce and Industry (NCCI),

- Namibia Informal Sector Organization (NISO), to which Namibia Shebeen Association (NASA) and Okutumbatumba Hawkers Association (OHA) are affiliated

Research institutions

- Labour Research and Resource Institute (LaRRI), and
- Institute for Public Policy Research (IPPR).

3.5 Sample

The researcher has undertaken a sampling process through which a representative proportion of the population was selected for observation with the ultimate aim of drawing conclusions. Sampling is helpful because it lessens the time requirement and it is less expensive while collecting data from sample than from the entire population. Another benefit is that analysing data from a sample is less prone to error than from a census. If cognisance is taken of the population of the informal economy, which is significantly unimaginable to be observed in its entirety, collecting data from a sample was therefore considered appropriate for the study.

The study being qualitative involved non-probability sampling where attempt was made to generate a representative sample. The sample consisted of one executive from each of the identified institutions and thirty (30) randomly selected Windhoek-based informal sector operators and workers. The sample was drawn from the identified population

using the simple random sampling procedure. The sample drawn from the informal economy operators and workers may not be proportionately representative of the actual population. Since the sample was based on random sampling method it was observed that it represented the entire spectrum of informal sector in Namibia, the operators and workers both. Moreover, due to time and financial constraints, it was the only physical option for the researcher.

3.6 Research Instruments

Two types of instruments were used in this research, questionnaires and follow-up interviews. Two separate structured questionnaires for data collection through survey of participants' opinion were used, which enabled collection of qualitative data from the executives of selected institutions and informal economy operators and workers. Each respondent in the two groups was asked to respond to the same set of questions in a predetermined order.

The questionnaire questions used for informal sector operators and workers was structured with open-ended questions as well as close-ended questions. This was predominantly informed by the data required to be collected. The open-ended questions afforded the respondents an opportunity to express their opinions in their own words without any restrictions, whilst the closed-ended questions had a fixed list of potential responses from which selection of an alternative was to be made, allowing easier

analysis of comparative data. The questionnaire was divided into four parts A, B, C and D. Part A contained three questions about nature of business, status of relationship of respondent and years of experience. Part B also had three questions on current status of social security, critical needs and possible benefits. Part C had one question on existing funding options for social security. Part D contained two questions, one on identification of a suitable social security programme and the other on suggestions for the improvements in the existing programmes for social security.

For the institutions, the data collection instrument (questionnaire) was self-administered, to be filled in by the respondent. This was to ensure that the questionnaire gets to all selected cases quickly and efficiently. The questionnaire for social security related institutions was more detailed and contained fifteen questions divided into five parts A, B, C, D and E. Part A has two questions about capacity/relationship of respondent and period of association. Part B had three questions about current social security protection and critical needs. Part C had four questions on funding options for social security. Part D contained three questions on appropriate social security programme for informal sector in Namibia. Part E had three questions on financing constraints faced, funding options and appropriate measures. In retrospect, the researcher realized that the response rate was not very satisfying and there were misinterpretation on common shortcomings of self-administered questionnaires. It could be possible to get all required information from all respondents through reminders and persuasions.

On the other hand, for the informal economy operators and workers, the data collection instrument (questionnaire) was, though self-administered, it was partially assisted by the researcher, meaning that it was filled in partly by the respondent and partly by the researcher. This was to ensure that the questionnaire gets to all selected cases quickly and effectively and the required information may be gathered. This approach was considered appropriate also in view of the literacy level and understanding of the subject matter by the selected respondents. This technique worked and the researcher could get responses from the selected cases and to minimize misinterpretations. However, the response was entirely left to the judgement of the respondent. The researcher took full care to ensure that the judgement of the respondent is not affected by such interventions.

Both questionnaires were pre-tested on a small random sample representing all segments of the universe and revised before these were administered to the selected cases. Revisions were based on inputs from test sample respondents to improve its validity, reliability and ease in completing. They were pilot tested by inviting selected executives and informal economy operators to complete the questionnaires. After completion of questionnaire they were invited to express their doubts, difficulties and reservations. Based on the input of the pilot tests, potential difficulties in obtaining data were identified and the questionnaires were modified before administering the questionnaires to the entire sample. This process was chiefly motivated with the aim of improving validity and reliability of the data to be collected, which is also believed to have a positive effect on the response rate.

Interviews were conducted with selected executives of institutions and informal economy operators. These were flexible open-ended unstructured interviews conducted face-to-face and or over the telephone. The purpose was to deepen the researcher's understanding on several matters pertaining to this research and to perceive certain issues from the respondents' viewpoints.

The research approach above was considered appropriate and was adopted to accommodate the limitations in terms of time and resources available to conduct the study.

3.7 Data collection procedures

The researcher adopted a comprehensive approach and procedure starting with the review of literature and selection of sample units and survey. Structured questionnaire were emailed to the identified executives/managers in the targeted organizations to elicit detailed information. The questionnaire for the informal economy operators/workers was hand-delivered and they were assisted with the completion thereof. The purpose of the research was explained and the participants were given an assurance of complete confidentiality during survey, data analysis and development of research report to elicit their cooperation. Efforts were made to pursue the selected participants and obtain necessary information from them.

Respondents from institutions were given a month period in which to respond, and in case of delay were sent reminders. Interviews were conducted to fill the gaps that remained. Appropriate interview schedules were developed and used for this purpose.

3.8 Data analysis

For the analysis of data collected graphical statistical technique performed on Microsoft Excel was used. The information collected and analysed was interpreted in order to obtain feedback on the findings about the research questions. Results of the study have been documented in this report. Graphs, and multiple line and other charts have been used to make the presentation of results more informative and lucid wherever required in the text.

In order to capture the message of open-ended questions that were included in the questionnaires, the content of responses was analysed to understand their meaning and identify relationships. Responses to open-ended questions were analysed manually due to their qualitative nature and implications for analysis. The meaning of these responses were summarized, categorized and structured accordingly.

3.9 Validity and reliability

Saunders, Lewis and Thornhill (2009: 156) stated that underpinning the research design is the issue of the credibility of research findings. "Reducing the possibility of getting the answer wrong means that attention has to be paid to two particular emphases on research design: reliability and validity".

Saunders, Lewis and Thornhill (2009: 157) define validity as being concerned with whether the findings are really about what they appear to be about. Is the relationship between two variables a casual relationship?" Robson (2002) asserts that there are six threats to validity: history, testing, instrumentation, mortality, maturation and ambiguity about casual direction.

Saunders, Lewis and Thornhill (2009: 156) state that "reliability refers to the extent to which the data collection techniques or analysis procedures will yield consistent findings". Reliability refers to consistence. (p. 373) According to Easterby-Smith, Thorpe, Jackson & Lowe (2008: 109) it can be assessed by posing the following three questions: (1) Will the measures yield the same results on other occasions? (2) Will similar observations be reached by other observers? (3) Is there transparency in how sense was made from the raw data? According to Robson (2002) there are four threats to reliability: subject or participant error, subject or participant bias, observer error and observer bias.

Validity and reliability have to be seen as a way of preventing the researcher from deceiving himself in regard to his creatively formed subjective hunches which may have been developed between the researcher and his material. The researcher has been aware of the threats to validity and reliability and has made attempts to control the threats from the questionnaires design stage, during the data collection and the analysis.

3.10 Ethical considerations

Ethical guidelines were observed through all stages of research. As the research sought access to information from organizations and individuals maintaining their confidence and trust was core to research. Research ethics was maintained through all stages starting with the review of literature, to collection, analysis- and interpretation of information and reporting the findings.

The researcher in this process ensured that (1) the way the research was designed is both methodically sound and morally defensible to all those who were involved; (2) privacy of possible and actual participants was protected; (3) voluntary nature of participants and the right to withdraw partially or completely from the process; (4) maintenance of confidentiality of data provided by individuals or identifiable participants and their anonymity.

The researcher had provided an explanation in the body of the email letter as to why such information was required, namely for the fulfilment of the requirements for the degree qualification, and assured the respondent that the survey was being administered in a manner that research ethics shall be maintained.

The questionnaire did not request the respondents to indicate their personal identities or divulge personal details.

3.11 Conclusion

This chapter discussed the research methodology adopted to collect data for the study. It set out the research design, population, sample, data collection instruments and procedures, data analysis and ethical considerations. The following chapter will present the results obtained through document survey and field work.

CHAPTER 4: ANALYSIS AND DISCUSSION

4.1 Introduction

In the previous chapters, the researcher explained the research methodology. The purpose of this chapter is to present, analysis and discussion on responses obtained from the participants in the research. It also presents a comprehensive analysis and discussion on the social security policies, programmes and activities to cover the organized sector in Namibia and their performance.

The study aims to unearth the financing constraints that may be faced by SSC in case of provision of social protection/security for the informal economy in Namibia and suggests strategies that may help in resolving this intricate problem and assist with transforming the economic landscape.

This chapter is divided into two major sections. The first section provides comprehension of the social security programmes for the organized sector in Namibia. The second section presents the results of the survey undertaken to capture the experiences of social security institutions and the expectations of the informal sector operators and workers about social security framework for the informal sector. This was based on two separate questionnaires designed for the purpose and interviews with selected participants.

A structured questionnaire was emailed to the identified executives/managers in the targeted organizations to elicit detailed information. Another questionnaire for the informal economy operators and workers was hand-delivered to the selected participants. This was also self-administered. However, some were assisted with the completion of the responses where they specially expressed the need for assistance.

4.2 Social security framework in Namibia

This section discusses the social security framework that is prevailing in Namibia:

4.2.1 Institutions

4.2.1.1 Social Security Act, 1994 (Act No. 34 of 1994)

The Act, herein abbreviated as SSA, provides for the establishment, constitution, powers, duties and functions of the Social Security Commission. The Act paves the way for the establishment of four social security funds, namely:

- i. Maternity Leave, Sick Leave and Death Benefit Fund (MSD Fund): to provide for the payment of maternity leave benefits to every female employee; sick leave benefits to every employee; and death benefits to dependants of every employee, who is a member of the Fund subject to the provisions of the Fund. (Section 28)
- ii. National Medical Benefit Fund (NMBF): to provide medical benefits (in respect of medical expenses incurred) to every employee who is a member of the Fund subject to the provisions of the Fund. (Section 32 and 33)

- iii. National Pension Fund (NPF): to provide pension benefits (in respect of the retirement, permanent disability or death of members) to every employee who is a member of the Fund subject to the provisions of the Fund. (Sections 34 and 35)
- iv. Development Fund (SSC-DF): to provide for the conducting of training schemes and employment schemes for the benefit of socio-economically disadvantaged persons who are unemployed and granting of bursaries, loans and other forms of financial aid to students. (Section 37)

The Act - with the exception of Parts VI (National Medical Benefit Fund) and VII (National Pension Fund) - came into force on 15 January 1995. SSC is currently administering the MSD Fund and SSC-DF of the Funds listed above. The NMBF and NPF are being researched on.

The key general provisions of the SSA relevant to this study are:

- i. The Act applies to every employer, including the State, and every employee.
- ii. Every employer and employee must be registered with SSC, in the prescribed manner and within the prescribed period.
- iii. A self-employed person who does not employ any other person may, in the prescribed manner, voluntarily register with SSC.
- iv. Every employee registered with the Commission shall be a member of:
 - MSD Fund;

- NMBF, except if he or she is a member of any other medical fund or scheme approved by the Minister on recommendation of SSC; and
 - NPF, except if he or she is a member of any other pension fund or scheme approved by the Minister on recommendation of SSC.
- v. Different contributions may be prescribed in respect of different categories of employers or employees.
- vi. No claim for any benefit payable under this Act shall be considered by SSC unless:
- The person to whom such claim relates has been a member of the fund concerned for a continuous period of at least six months before the date on which such claim arose; and
 - All contributions payable in respect of his or her membership of such fund have been paid in full.

4.2.1.2 National Pension Act, 1992 (Act No. 10 of 1992)

The Act provides for national pensions to be paid to the aged, the blind and disabled persons, and to provide for matters incidental thereto. **The Ministry of Labour and Social Welfare** administers the Basic State Grant which is a universal pension, provided by the state to citizens of permanent residence who are 60 years of age and above. The Ministry of Health and Social Welfare on the other hand administers the disability grant. The latter is a grant paid to Namibian citizens who are declared disabled by a medical

doctor, including those who are declared medically unfit due to the AIDS pandemic. (Kojwang & Shindondola-Mote, 2012: 272-273)

4.2.1.3 Child Status Act, 2006 (Act No. 6 of 2006)

This Act replaced the Children's Act of 1960. The provides for children born outside marriage to be treated equally regardless of whether they are born inside marriage or outside marriage; to provide for matters relating to custody, access, guardianship and inheritance in relation to children born outside marriage; to provide for matters which are in the best interest of all children; and to provide for matters connected thereto. **The Ministry of Gender Equality and Child Welfare** is responsible for addressing the plight of orphans and vulnerable children. An orphan or vulnerable child (OVC) is a child under the age of 18 years whose mother, father, either parents, or a primary caregiver has died, and who is in need of care or protection. Benefits extended to OVCs are administered under the category of child and family allowances. (Kojwang & Shindondola-Mote, 2012: 273)

4.2.1.4 Veteran Act, 2008 (Act No. 2 of 2008)

The Act provides for the establishment of a Veterans Fund for the provision of assistance to the veteran and dependants of veterans; to provide for the registration of veterans and dependants of living or deceased veterans; to provide for the establishment of projects for the benefit of assistance to veterans and dependants of veterans; to

provide for the integration of pension benefits for veterans; to provide for the constitution and functions of the Veterans Board and Veteran Appeal Board; and to provide for matters incidental to or connected with the foregoing. **The Ministry of War Veterans** is the custodian Ministry responsible for the War Veterans Subvention Grant, which is provided on a monthly basis to those Namibians who are recognized as having contributed towards the struggle for independence. (Kojwang & Shindondola-Mote, 2012: 274)

4.2.1.5 Maintenance Act, 2003 (Act No. 9 of 2003)

The Act provides for the payment of maintenance to provide for the holding of maintenance enquiries and the enforcement of maintenance orders. The basic principle of child maintenance has always been that both parents should contribute to the maintenance of their children in accordance with their means. The child maintenance grant is enforced by the **Ministry of Justice**. (Kojwang & Shindondola-Mote, 2012: 274)

4.2.1.6 Motor Vehicle Accident Fund Act, 2001 (Act No. 4 of 2001)

The Act provides for the establishment, management and administration of the Fund, payment of compensation to victims of motor vehicle accidents and incidental matters. The Motor Vehicle Accident Fund of Namibia (MVA Fund) is the institution mandated to design, promote and implement crash and injury prevention measures. It provides

assistance and benefits to all people injured and the dependants of those killed in motor vehicle crashes in accordance with the MVA Fund Act No.10 of 2007. The Fund operates on a 'no-fault' based system where all people injured in motor vehicle crashes, regardless of who caused the crash, receive fair and reasonable benefits (subject to some limitations and exclusions). Payments are done in accordance with administrative law principles. (Kojwang & Shindondola-Mote, 2012: 274)

4.2.1.7 Government Institutions Pension Fund

The Government Institution Pension Fund (GIPF) was established on October 1 1989 as a statutory body created by the Namibian Government to provide retirement and other benefits to civil servants in the service of the Namibian Government as well as employees of some institutions established by Acts of Parliament. It is a defined benefit pension fund and its operations are guided by the provisions of the Pension Fund Act and the Income Tax Act.

A defined benefit pension fund provides guaranteed benefits to its members. This means that should the Fund be unable to fulfil its promise to its members, the employer (Government) undertakes to provide the benefits as promised. The benefits are defined in terms of the rules of the fund. The calculations of most benefits are based on final average salary and the number of years that the member was employed by the Government / statutory institution and contributed to the Fund.

The GIPF is controlled by a nine- member Board of Trustees whose members have been drawn from the employer, (which is the Government), Public Service Commission including pensioners and organized labour.

Membership to GIPF is compulsory and is a condition of employment for all public servants. (Kojwang & Shindondola-Mote, 2012: 275)

4.2.2 Coverage of social security schemes

Namibia has a range of social protection programs in place. However, reliable figures on the nature and extent of coverage have always been missing. Information on coverage of social security programs in Namibia has not always been available or reliable. It is only since 2003, that statistics on how many people are receiving social grants have become readily available. (Kojwang & Shindondola-Mote, 2012: 276)

4.2.3 Non-contributory schemes benefits:

Kojwang & Shindondola-Mote (2012) stated about 12% (+250 000) Namibians were beneficiaries of various social grants. The number of beneficiaries receiving the old age grant were estimated at 150,893, the war veterans was estimated at 1767, while the child maintenance and the child foster care grant was estimated at 99,493. Social security schemes in Namibia have been able to reach a large majority of recipients. The funeral benefit covers on average about 500 persons a month (Third National Development

Plan, 2008). Nationally, over 11% of children receive the child maintenance grant (Ministry of Finance, Namibia). In December 2008, 99,490 recipients were registered as beneficiaries of the Child Grants.

Namibia has not ratified Convention 102 of the ILO. However, the Government makes provision for social protection through a set of public measures. The country has three types of non-contributory social pensions. These are the old age pension, the disability pension and the war veteran's subvention.

- i. The Universal old age social pension is paid to all citizens or permanent residents who reach 60 years of age, irrespective of sex, past and current employment status and income. The current amount payable is N\$550 per month.

Old age pensioners are also entitled to a funeral benefit. This assistance is provided in the event of a death of an old age pensioner. The package includes: a standard coffin, a grave site and programme for the funeral service, burial preparation service and transport of the body from home to the burial site. The value of all these is estimated at N\$2200 (USD+-285.00) which is a one-off payment. There is no reliable information about how many people have benefited through this scheme.

- ii. The disability grant is paid to those aged 16 years and above who have been diagnosed by a state doctor as being temporarily or permanently disabled. This

may include blind persons or those who are medically diagnosed with AIDS. The recipient should either be a Namibian citizen or a permanent resident if not born in Namibia and should reside in Namibia in order to qualify for the grant. The amount of money paid to persons living with disabilities is N\$450 (US\$58.44) per month. It is estimated that about 3 percent of the population of Namibia (44,000) were living with disabilities (Subbarao, 1998). Beneficiaries of a disability grant are also entitled to a funeral benefit. The conditions are the same as for the old age pensioners.

- iii. War veterans' subventions grants are paid to those who took part in the struggle against South African colonial rule, irrespective of age, assets or employment status provided that she/he has an annual income of less than N\$36,000. The value of this subvention increased from N\$500 (US\$75) in 1999 to N\$2,000 (US\$300) in 2007. In order to be a recipient the person should be 55 years of age and above, should be a Namibian citizen, should have participated in the struggle that led to Namibia's independence and should reside in Namibia. By 2007, the number of recipients of this subvention stood at 1,767. (Africa Cooperation: Programme on Social Protection, 2008). Unlike the other grants mentioned, the War Veterans Subvention is the only one of its kind that is restricted to Namibian citizens and is not extended to permanent residents.

The Child Grants:

There are five child grants in Namibia, four of which are public funded. The fifth grant is the child maintenance grant and this is not financed by the State directly, but is administered through the state. The five child grants are:

- i. The Child Support Grant is paid to a biological parent of a child under 18 years of age and to those parents whose spouses (a) are receiving an old age or disability grant; (b) have passed away; or (c) are serving a prison sentence of three months or longer (Levine et al, 2009). The amount paid is N\$200 (US\$30) for the first child and N\$100 (US\$15) for each additional child for up to a maximum of six children. Certain minimum conditions have to be met to qualify for this grant. For instance, applicants must be earning monthly incomes of less than N\$1,000 (US\$150) and have to provide school attendance records, if the child is older than 7 years. The aim is to create a monetary incentive for parents or guardians to ensure that children remain in school.
- ii. The Foster Care Grant is paid to any person who for reward or otherwise undertakes to take care of a child temporarily as per section 31 (1) (b) or section 50 (1) of the Children Act, (Act No. 33 of 1960). The value of the Foster Care Grant is N\$200 (USD 26) per month for the first child and an additional N\$100 (USD 13) for every additional foster child. Unlike in the child support grant, there is no limit set in terms of how many children a foster parent can register as beneficiaries (Levine et al, 2009). Additional requirements are that the beneficiary has to be a Namibian citizen or a permanent resident if not born in

Namibia. The grant is paid until such time that the Social Assistance Clerk advises otherwise.

- iii. The Special Maintenance Grant for children is given to children below the age of 16 years and who are medically certified by a state doctor as temporarily or permanently disabled (this includes blind children and or children with full blown AIDS). To qualify, the beneficiary has to be a Namibian citizen or a permanent resident. There is no reliable information about how many people have benefited through this scheme.
- iv. The Place of Safety Allowance is available to any person or institution having custody of a child who is under 21 years of age, placed by the Commissioner of Child Welfare in accordance with the Children's Act (Act No. 33) of 1960 or the Criminal Procedure Act (Act No 51) of 1977 in the care of an adult. To qualify for the allowance one needs to complete a Place of Safety grant claim form and an original order/s of detention (if the child is a juvenile delinquent). The value of a Place of Safety Allowance is N\$10 (US\$1.30) per child per day.
- v. The Child Maintenance Grant is a grant financed by a biological parent towards the support of his/her biological child. This grant is enforced by the state but is financed directly by the parent. The state intervenes in cases when the father or mother neglects to support his or her child materially. In many cases the complainants are single mothers. The defendant will be ordered to support the child by depositing a certain amount of money on a monthly basis to the courts

or to be deposited in the personal bank account of the complainant. There is no fixed amount as in the case of other child support grants. The amount is determined based on the income and expenditure of the defendant. The state intervenes if the defendant disputes paternity. In that case, the state will demand that a paternity test be carried out at the cost of the state.

Motor Vehicle Accident Fund (MVA Fund) Benefits:

One public funded social protection program is the MVA Fund. The MVA provides financial assistance and benefits to all people injured and the dependants of those killed in motor vehicle crashes in accordance with the MVA Fund Act No.10 of 2007.

The fund provides 5 benefits as described below:

- i. Medical benefits: Any person involved in a motor vehicle accident is entitled to medical treatment amounting up to N\$1, 5 million, which provides for medical treatment, injury management, rehabilitation and life enhancement
- ii. Injury grant: The fund provides an injury grant to the value of up to N\$100,000 depending on the degree of injuries sustained. This is a cash grant that serves as compensation for injury in respect of any one injured. The money is paid for pain, suffering and loss of amenities.

- iii. Funeral grant: If a motor vehicle accident victim dies, the family receives N\$7,000 to cover burial costs.
- iv. Loss of income benefit: An injured person who is not able to return to work for a long time is granted a 'loss of income' grant to the value of N\$100,000 per annum. There has to be proof that the beneficiary indeed paid income tax for the year prior to or for most of the five year period before the accident. In all other cases, the maximum amount payable will be the proven amount of actual loss suffered.
- v. Loss of support benefit: It may be claimed by a dependant of a deceased provided that evidence of income tax payment for the tax year preceding the accident or most of the five year- period preceding death is furnished. The share is calculated on income assured to be not more than N\$100 000 per annum, otherwise on an income assumed to be not more than the amount set as the tax threshold per annum. (Kojwang & Shindondola-Mote, 2012: 283-288)

4.2.4 Employment-linked contributory schemes:

There are only two major employment linked social protection programmes in Namibia. These are the SSC (Maternity leave, Sick Leave and Death benefit Fund and Employees' Compensation Fund) and GIPF (which only available public servants). All other social security programmes are available to all qualifying Namibians.

4.2.5 Coverage of GIPF

The Government Institutions Pension Fund is a defined benefit fund and is the biggest pension fund in Namibia. The active membership stood at 88 274 and its asset base was N\$50 billion as at 31 March 2012. GIPF derives its assets from contributions made by participating employers and their employees and returns on invested funds. The Government of the Republic of Namibia is the biggest participating employer and is also the main guarantor of the Fund.

The total benefits paid for the year as at 31 March 2012 amounted to N\$1,254.2 million compared to N\$1,333.9 million paid for the comparable period. This represents a decrease in benefit payments of 12.67%. The total contributions received for the year as at 31 March 2012 amounts to N\$1,926.9 million compared to March 2011 (N\$1,655.3 million) and resulting in an increase of 16.53%. The increase is mainly due to the civil servant salary increase of 10% and the increase in the number of active members from 87,152 (March 2011) to 88,274 (March 2012).

Historical data have indicated the benefit rate exceeding the contribution rate. However, the data for the financial year ended depicts the opposite trend where the contribution rate exceeded the benefit rate. There are mainly two factors contributing to this positive move namely: the 12.67% reduction in benefit payments during the financial year and

the 16.53% increase in contribution income of which 10% is attributed to salary increases. It should be noted that this positive move is likely to be of a temporary nature and future data could depict the opposite trend. (GIPF Annual Report, 2012).

The GIPF offers 8 interrelated benefits as follows:

- i. Retirement benefits: The fund administers two types of retirement benefits. The first is the normal retirement. Members qualify for the normal retirement benefits when they reach the age of 60. Upon retirement, the member would receive a tax free lump sum of one third of the total pension. In addition, he/she would receive a taxable monthly income for life. The calculation of the benefits are determined through a formula that takes into consideration the final salary, a percentage of the member's salary and the number of years of service. The second is the early retirement. This benefit is applicable to employees who choose to retire earlier before the age of 60. An employee qualifies for early retirement from age 55. The employer has to confirm (in writing) that the employee will retire earlier. The early retirement benefits are calculated in the same way as those of normal retirement but the pension amount is reduced for every month the employee falls short of the normal retiring age.
- ii. Resignation and Dismissal Benefits: An employee who is dismissed or resigns would receive his/her accrued benefits based on age, salary and service period. The employee would then be provided with the following options:

- To take the benefit in cash. (The benefit will be taxed);
 - To transfer the benefit to a new employer's pension fund;
 - To transfer the benefit to an approved retirement annuity;
 - To transfer the benefit to an approved preservation fund, or
 - To keep the benefit within the GIPF if he/she has been a member of GIPF for an uninterrupted minimum period of 10 years.
- iii. Retrenchment benefits: Upon retrenchment, the employee is entitled to a service bonus that is paid by the employer. The benefits are calculated in the same manner as normal retirement benefits plus the shortest of the following periods: 1/3 of service period of the employee, the difference between real date and actual date of retirement and a period of 5 years.
- iv. Health benefits: Members qualify for ill-health retirement benefits if they suffer from continuous illnesses such as uncontrolled diabetes, persistent lower back pains, etc. The services of such members are terminated and they become pensioners. To qualify for this benefit, the employee has to be assessed by the Medical Board whose members would make recommendations to the Public Service Commission about the condition of the employee. The member will receive a pension calculated in the same manner as for those who went on normal retirement. The difference between the two benefits is that the service

period for ill -health retirees could be shorter than the period of those who went on normal retirement.

- v. Disability benefits: Members who qualify for disability benefits are those who have suffered from traumatic bodily injuries, cancer, stroke, etc. A report from the Medical Board would be required to confirm the condition of the member. Although the services of such employees are terminated, they remain full members of the fund; they contribute to the fund and qualify for death and funeral benefits like any civil service employee. They receive a disability income equal to 75% of the salary they were receiving before they became disabled.
- vi. Funeral benefits: GIPF provides a funeral benefit as a lump sum to assist members with funeral costs. N\$5,000 is paid on the death of the member or spouse. Deceased children over the age of 1 year qualify for N\$1,000 whilst those less than a year old qualify for N\$500 as a contribution towards funeral costs. Claims can be made and paid within 24 hours. If a couple are both employed as civil servants, only one can claim the benefits payable per funeral. This benefit does not form part of the contributions towards pension savings. In the case of multiple spouses claiming authenticity to make claims, GIPF will transfer the issue to the court that will decide who the authentic spouse is based on proof of proper documentation.
- vii. Death before retirement benefits: If a member dies before retirement, the fund will pay out a tax-free lump sum of two times the annual salary of the deceased

employee. The qualifying spouse would receive a pension which is equal to 40% of annual salary for life and children (maximum 3) will receive monthly incomes of up to a maximum of 30% of the annual salary. Disabled children and students above the age of 18 can also be considered to receive the benefits. The Children Pension can be paid for an unborn child up to the age of 18 years if the mother was widowed during pregnancy. The child pension is only paid up to the age of 18 years. Thereafter the child will access the other portion of the pension preserved at the Master of the High Court at the age of 21 years.

Children can remain beneficiaries up to 25 years of age provided there is proof of an uninterrupted study period up to tertiary education. Disabled children get paid up to the age of 25. The parents of the deceased member are also eligible to receive a lump sum amount as it is a requirement that they are part of the beneficiary nomination list. They will not get a monthly income but will receive 2 times the annual salary of the deceased member as a one - off payment.

- viii. Death after retirement benefits: Should the pensioner die within the first 5 years (called the guarantee period) after retirement, the spouse will receive a pension equal to the amount that the deceased pensioner was receiving. This amount will be reduced to 50% once the guaranteed period expires. If there were no dependants, the pension to be paid in respect of the guaranteed period will be paid into the member's estate. If a pensioner dies after the age of 65, the spouse will receive 50% of the amount that the pensioner was

getting. In the case where the member had no children or spouse, the pension will cease to exist.

4.2.6 SSC contributions and benefits

For the period under ended February 2012, the SSC combined revenue from operations was N\$338,9 million (2011: N\$325,4 million). Despite an increase of 5% in primary revenue due to a significant growth in registered employers and employees, the payment of claims increased by 18% due to increases in tariffs as well as the increase in the number of employees.

Assets for ECF stood at N\$476 million and for MSD Fund at N\$1,452 billion, making up a total of N\$1,929 billion. The asset growth for both funds is mainly a result of the retention of surpluses made over the years. The most significant component of the total assets is investments in short term investment instruments managed by asset managers and a small portion which is managed internally. These investments make up on average 96% of the total assets of MSD Fund and 83% of the total assets of ECF.

The accounts were subjected to an actuarial valuation which has confirmed a good state of health for all the funds under management. Despite the increase in the number of claims, the ECF ended with an overall loss ratio of 93,86% while the MSD Fund had a

loss ratio of 76,06%. The SSC target range is 85% - 95%, although a loss is incurred once the ratio reaches or exceeds 100%. (SSC Annual Report, 2012)

Regarding the coverage, in total 32,569 and 46,686 employers for ECF and MSD respectively registered with SSC and 417,790 employees were registered as beneficiaries as at end February 2012.

i. Maternity leave, Sick Leave and Death benefit (MSD Fund)

It is a short-term social insurance scheme that is being administered by SSC. All persons who work and receive a basic wage for his or her services in Namibia, even if it is for only one day per week on a regular and continuous basis. This includes domestic employees, as well as employees of Small and Medium Enterprises (SMEs), like shebeens, hair salons, panel beaters, construction workers etc. Self-employed persons may choose to register themselves with the MSD Fund voluntarily. The employers are liable to register all such employees.

The contribution rate for the MSD Fund is 1.8% of the employee's basic wage shared on a 50/50 basis by the employer (0.9%) and the employee (0.9%) from N\$300 per month to the ceiling of N\$9,000. The minimum monthly contribution by members is N\$2.70 and the maximum is N\$81. Employees earning less than N\$300 per month are also required to contribute the minimum of N\$2.70. A self-

employed person's contribution is a combination of both an employer's and an employee's contribution (i.e. 1.8% of his/her basic wage/income).

A six months waiting period for newly registered members is applicable. However, this is not applicable for qualifying members who are merely changing jobs, provided that they are de-registered by the previous employer and registered under the new employer. No fees are payable upon registration for this Fund.

- Maternity leave benefit: Maternity leave benefits to female members equal 100% of basic wage up to a ceiling of N\$10,500 for a maximum period of 12 weeks (3 months), with a minimum of N\$300 per month and maximum of N\$10,500 per month. All claims must be submitted to SSC not later than 7 days before the expected date of birth. The SSC pays the final maternity leave benefits upon receipt of a declaration regarding employment status.
- Sick Leave benefit: The sick leave benefit is payable when an employee is booked off by a medical practitioner for 30 or more consecutive days and has exhausted paid sick leave days as provided under the Labour Act

or contract of employment. Sick leave benefits are paid at 75% of the maximum basic salary of N\$10,500 for the first 12 months (minimum N\$225 per month and maximum N\$7,875 per month) and 65% for a further 12 months, at N\$195 per month (minimum) and N\$6,825 per month (maximum). Claims must be submitted within 30 days after the expiry of paid sick leave, as provided under the Labour Act or contract of employment. The SSC pays the final sick leave benefits upon receipt of a declaration regarding employment status.

- **Death, Disability and Retirement Benefits:** A single payment of N\$5,515 is made upon the death of a fully paid up member or upon retirement or permanent disability. This is a once-off benefit for disability, retirement or death. Claims for death benefit must be submitted to the SSC Commission not later than 30 days after the date on which the employee concerned has died and must be accompanied by an affidavit, if the claimant is not the spouse of the deceased. Claims for retirement or disability benefit must be submitted to the Commission not later than 30 days after the date on which the employee concerned has retired or became disabled. Retirement age for the purpose of claiming social security benefits is from 60 years onwards.

ii. Employees' Compensation Fund (ECF)

This is a fund established by the Employees' Compensation Act, 1941 (Act No. 30 of 1941) as amended. This Act, which provides for employees' compensation insurance on a collective liability basis, is administered by the SSC. Under the Act every employer who employs one or more employees is required to complete a form of registration and to pay annual assessments to the Accident Fund established in terms of section 64 of the Act. The SSC is the Trustee of the Accident Fund. All compensation benefit costs, as well as the costs of administration of the Act, are paid from the Accident Fund, and the SSC determines all claims and decides on all matters falling within the scope of the Act.

Generally all persons engaged in business (including the professions, clubs, associations, companies, etc.) who employ one or more persons in connection with their business activities are "Employers" for the purpose of the Act. The term "employee" means any employee, male or female, with the exception of the classes referred to below, who has entered into works under a contract of service or of apprenticeship with an employer, whether the remuneration is calculated by time or by work done, or is in cash or in kind, and includes amongst others persons such as working directors earning fixed salaries, members of close corporations, managers, clerks, typists, cleaners of service flats, etc. An essential

feature is that an “employer-employee” relationship must exist between employer and employee.

The following persons are specifically excluded by the Act from the definition of an “employee”:

- a. Persons earning more than N\$81,300 per annum.
- b. Persons employed casually and not for the purpose of the employer’s business.
- c. Outworkers performing work on premises not under the control of the employer.
- d. Seamen or airmen employed under a contract of service whose remuneration is fixed solely by a share in the takings.
- e. Persons employed temporarily outside the Republic of Namibia for a continuous period of more than 12 months, unless their employers have made special arrangements with the SSC.

Where a contractor, who employs “employees” is engaged by a principal to execute the whole or any part of any work undertaken by the principal in the course of or for the purpose of the latter’s business, and has not paid all

assessments due by him to the Accident Fund, the “employees” of such contractor shall, in terms of Section 9 of the Act be deemed to be “employees” of the principal who shall be held responsible for all the liabilities of the contractor under the Act until such time as the contractor has paid his assessments in full. Principals should, therefore in their own interest advise the SSC of the names of the contractors engaged by them for the purpose of complying with the provisions of the Act.

The Act provides for the payment of benefits on a generous scale to an employee injured as a result of an accident arising out of and in the course of his/her employment. Compensation is paid in respect of temporary disablement, permanent disablement (according to the degree of disablement) and death. Reasonable medical expenses are payable for a period of two years, or longer if further medical or surgical treatment may reduce the extent of the disablement.

Liability for the payment of benefits under the Act vests in the Accident Fund, irrespective of whether an employer has registered or not, but in the event of a compensable accident to an employee in the service of an employer who has not registered, the SSC may impose on the employer a penalty not exceeding the total cost of the accident.

Every employer carrying on business in the Republic of Namibia must register within fourteen days of the date of commencement of business.

In accordance with the provisions of the Employees' Compensation Act, all farm workers except employees earning in excess of N\$81,300 per annum, N\$6,775 per month or N\$1,694 per week are covered by the Act in respect of accidents arising out of and in the course of their employment. It is therefore incumbent on employers engaged in agriculture to pay assessments calculated on a wage amount not exceeding N\$36,000 per annum per employee.

The Government of the Republic of Namibia is exempted to contribute to the Accident Fund, but carry all the cost for injury on duty by all civil servants through the budgetary provision of the Ministry of Labour and Social Welfare. The SSC handles the administration of the injury on duty claims on behalf of the Ministry of Labour and Social Welfare and in return claims the cost for such an administration on an annual basis.

Should cover be required in respect of employees whose earnings exceed N\$81,300 per annum, a special arrangement need to be made with SSC.

4.3 Analysis and discussion on responses of participants

4.3.1 Respondents' profile

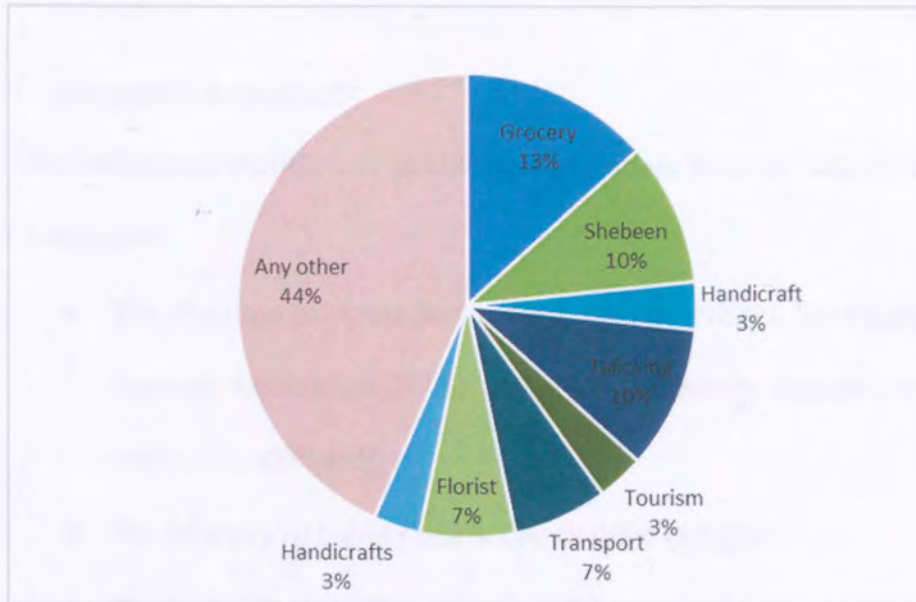
a. Informal economy business operators and workers:

Table 1: Profile of informal economy business operators and workers

Business	Number
Grocery	4
Shebeen	3
Handicraft	2
Tailoring	3
Tourism	1
Transport	2
Florist	2
Others	13
Total	30

Source: Data Collected through Survey, January - April 2013

Figure 1: Profile of informal economy business operators and workers



Source: Data Collected through Survey, April 2013

30 Windhoek-based informal sector operators and workers were selected randomly.

It may be observed that the profile of informal economy business operators and workers was comprehensive and included shebeens, handicrafts, tailoring, tourism, fruit, florist, transport and others. 'Others' accounting for forty percent (44%) of respondents consisted of fourteen (14) assorted respondents from clothing and accessories (2), bakery (1), wholesale/retail (1), catering (2), hair

salon (1), automotive retailer (1), butchery (1), fish shop (1), business consultants (1), movie rentals (2) and stationery shop (1).

b. Institutional participants:

The institutional participants included the executives from the following institutions:

- The Namibia Informal Sector Organization (NISO), [to which Namibia Shebeen Association (NASA) and Okutumbatumba Hawkers Association (OHA) are affiliated],
- The Ministry of Labour and Social Welfare (MLSW),
- The Social Security Commission (SSC),
- The Labour Research and Resource Institute (LaRRI), and
- The Institute for Public Policy Research (IPPR).

The executives from the above 5 institutions participated in the survey and provided responses. These accounted for 45,45% of the total responses received from institutions.

The following six institutions did not provide feedback and their executives could not be persuaded to be available for conducting the interviews:

- i. National Union of Namibian Workers (NUNW),
- ii. Trade Union Congress of Namibia (TUCNA),

- iii. Ministry of Finance (MoF),
- iv. Ministry of Trade and Industry (MTI),
- v. Namibian Employers Federation (NEF), and
- vi. Namibian Chamber of Commerce and Industry (NCCI).

4.3.2 Total Response Rate

Considering the number of informal economy business operators and workers equipped enough to participate in a study of this nature, the sample size of thirty (30) randomly selected respondents was considered appropriate for the study. Finding more respondents was not a problem but finding participants who are equipped enough to participate in a study of this nature was a problem.

Regarding the institutional respondents, out of a sample size of eleven (11), 5 (five) responses could be obtained. As was expected from respondents in major institutions and Government service, questionnaires were either deleted from mail without reading or merely went unread or went unanswered. A degree of pleading and extensions of deadline aided in the realization of the response rate of 45,45% stated above. The objective of receiving 100% response from this category could not be achieved due to aforesaid reasons. The problem of low response rate is also experienced by other researchers with whom verbal discussions were held.

4.3.3 Demographics of the Respondents

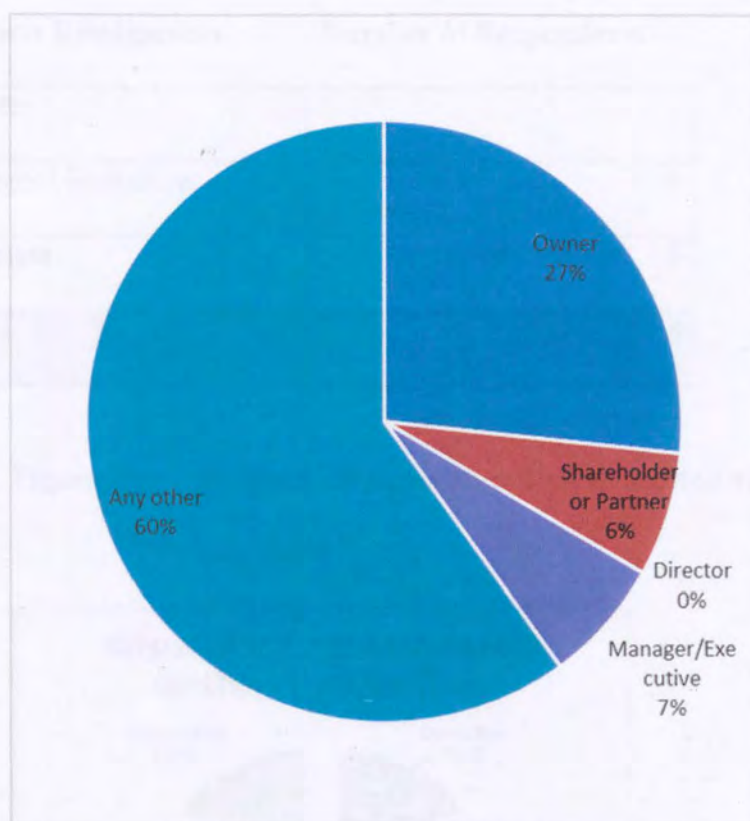
a. Capacity/Relationship

Informal sector operator and worker respondents:

Table 2: Capacity/Relationship of informal sector operator and worker with business

<i>Business Relationship</i>	<i>Number</i>
Owner	8
Shareholder or Partner	2
Director	0
Manager/Executive	2
Other	18
Total	30

Figure 2: Capacity/Relationship of informal sector operator and worker with business



Source: Data Collected through Survey, April 2013

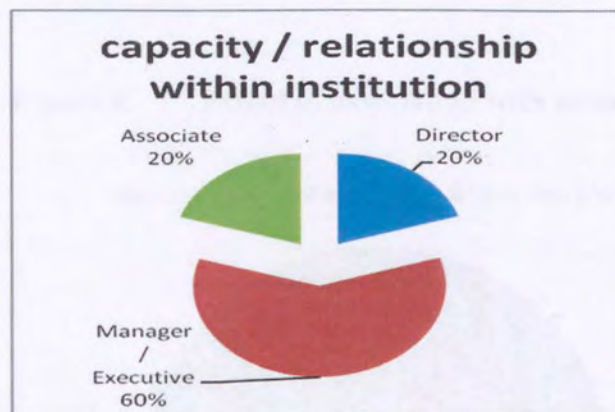
Among the “Any other” represented 18 (60%) employees (people employed by the informal economy), 8 (33%) were business owners and shareholders/partners and 4 (7%) were managers and or executives.

Institutions responses

Table 3: Capacity/Relationship with institution of institutions responses

Business Relationship	Number of Respondents
Director	1
Manager / Executive	3
Associate	1
Total	5

Figure 3: Capacity/Relationship with institution of institutions responses



Source: Data Collected through Survey, April 2013

Among the institutional respondents the majority of respondents, which were 3 (60%), were managers/executives employed by the institutions. It can be

inferred that the respondents had appropriate seniority and could express themselves on the views of the institutions.

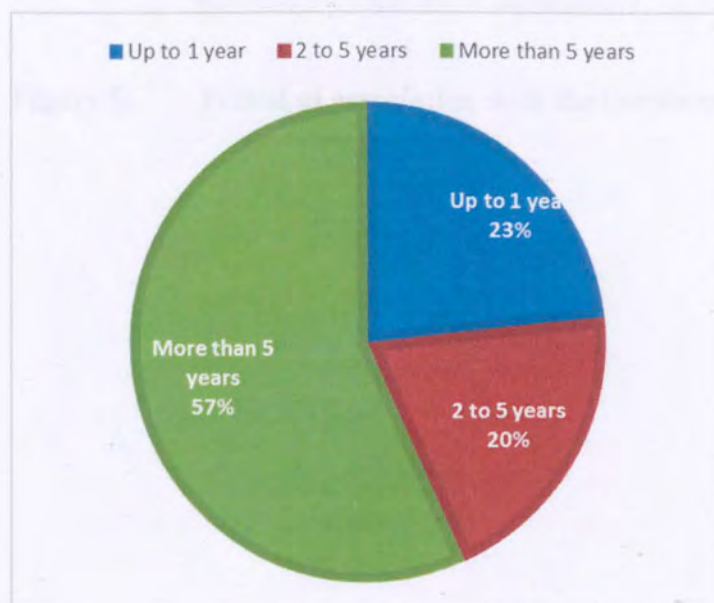
b. Years of experience/Period of association with institution

Informal economy business operators and workers responses:

Table 4: Period of association with business

Years	Number of Respondents
Up to 1 year	7
2 to 5 years	6
More than 5 years	17

Figure 4: Period of association with business



Source: Data Collected through Survey, April 2013

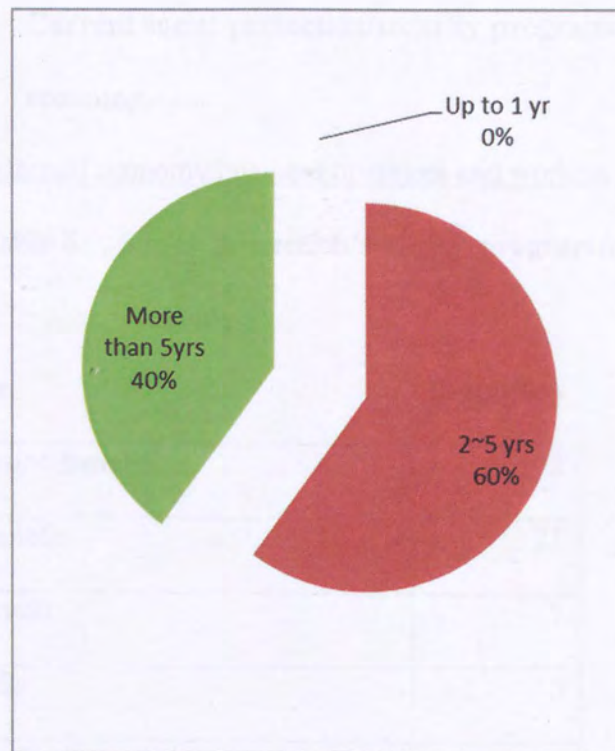
Majority of respondents, which were 17 (57%), have more than 5 years of experience in the informal economy business. It can be inferred that the respondents have working knowledge and practical experience in the sector.

Institutions responses:

Table 5: Period of association with the institution

Years	Number of Respondents
Up to 1 yr	0
2~5 yrs	3
More than 5yrs	2
Total	5

Figure 5: Period of association with the institution



Source: Data Collected through Survey, April 2013

Majority of respondents, which were 3 (60%), have between 2 to 5 years of experience with their institutions. It can be inferred that the respondents have accumulated working knowledge about the sector.

4.3.4 Analysis and discussion

The research findings are presented in order, based on research questions.

1. **Critical needs of the informal economy not addressed under the existing programmes of the Government and SSC:**

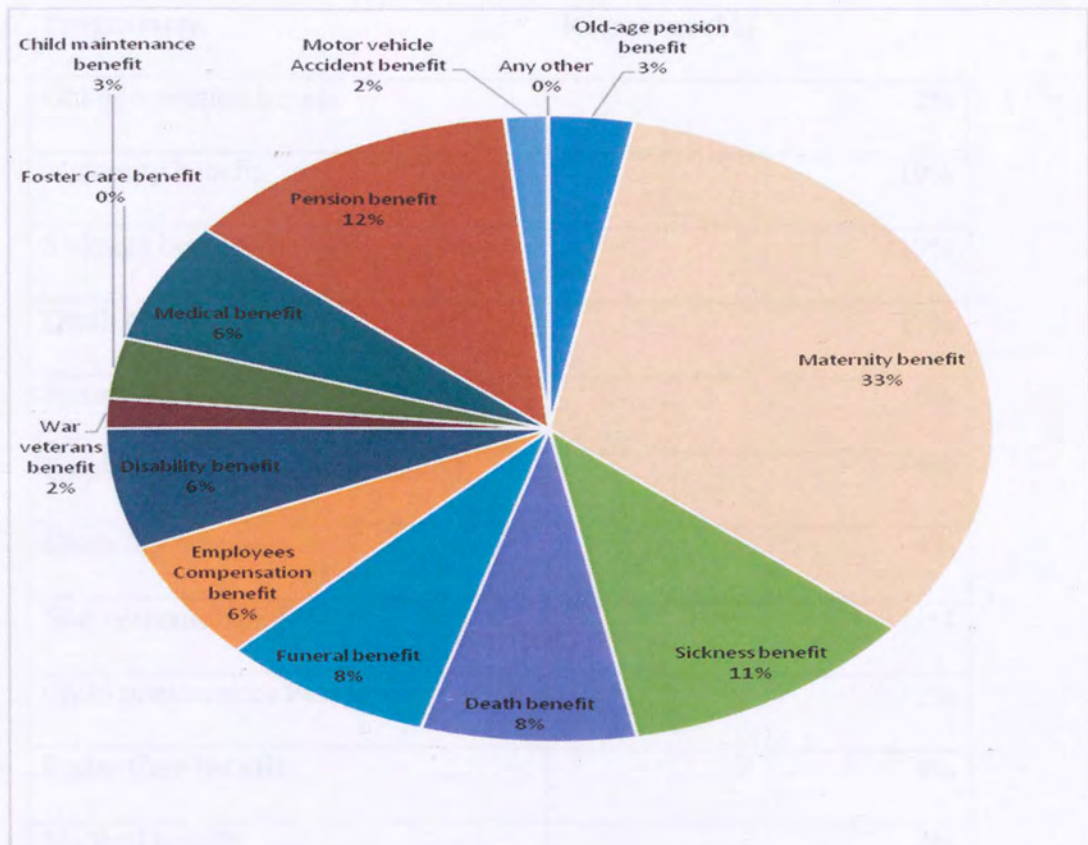
1.1 Current social protection/security programmes available to informal economy

Informal economy business operators and workers responses:

Table 6: Social protection/security programmes available to informal economy

Programme	Responses
Old-age pension benefit	2
Maternity benefit	21
Sickness benefit	7
Death benefit	5
Funeral benefit	5
Employees Compensation benefit	4
Disability benefit	4
War veterans benefit	1
Child maintenance benefit	2
Foster Care benefit	
Medical benefit	4
Pension benefit	8
Motor vehicle Accident benefit	1

Figure 6: Social protection/security programmes available to informal economy



Source: Data Collected through Survey, April 2013

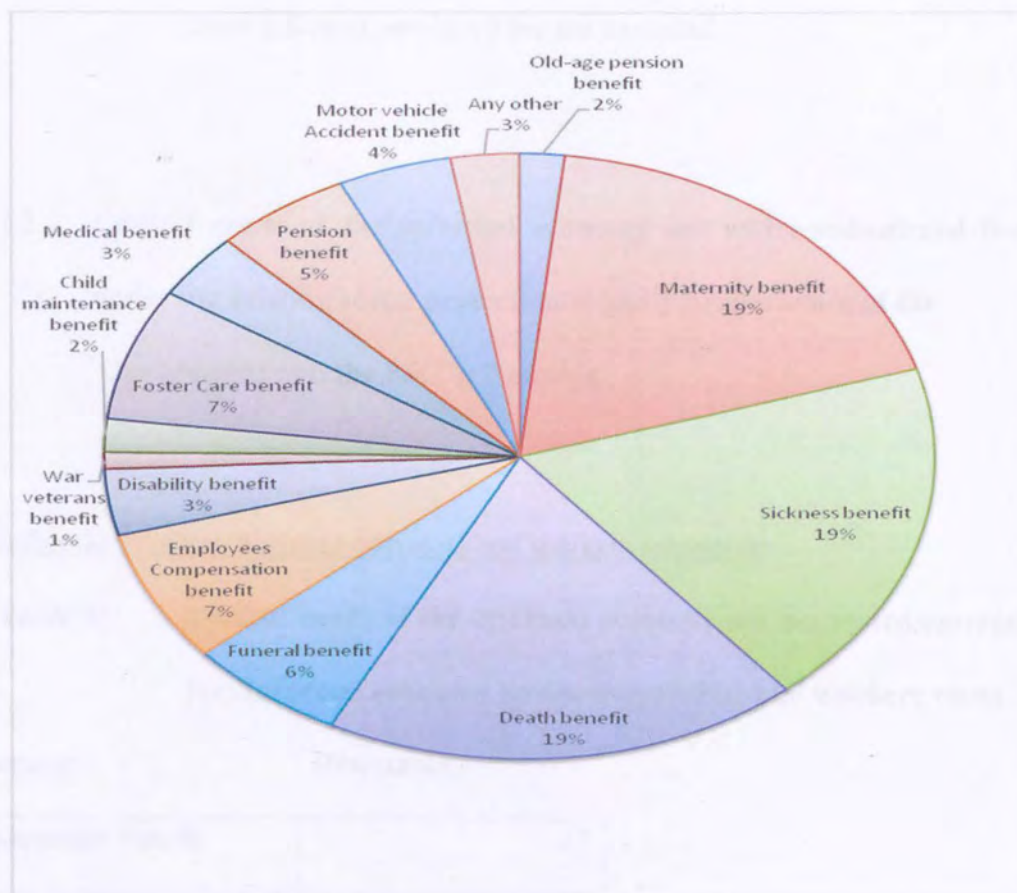
Most respondents are aware of the maternity benefit (33%) offered available, followed by the pension benefit (12%) and sickness benefit (11%).

Institutions responses:

Table 7: Social protection/security programmes available to informal economy

Programme	Responses (%)
Old-age pension benefit	2%
Maternity benefit	19%
Sickness benefit	19%
Death benefit	19%
Funeral benefit	6%
Employees Compensation benefit	7%
Disability benefit	4%
War veterans benefit	1%
Child maintenance benefit	2%
Foster Care benefit	7%
Medical benefit	4%
Pension benefit	5%
Motor vehicle Accident benefit	4%
Others	3%

Figure 7: Social protection/security programmes available to informal economy



Source: Data Collected through Survey, April 2013

There is an equal awareness about the death, maternity and sick benefits available to the informal economy. The other benefits are known to lesser extent.

Note: SSC programmes are not specifically targeting the informal economy. They exist as social security system that is largely design to cater for the needs of the formally employed but those informal employed are not excluded.

1.2 Critical needs of the informal economy not addressed/catered for under the existing social protection/security programmes of the Government and the SSC in Namibia

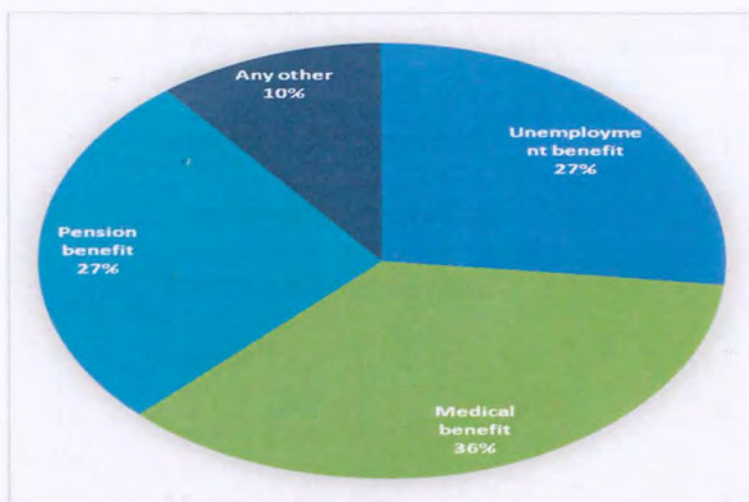
Informal economy business operators and workers responses:

Table 8: Critical needs of the informal economy not addressed/catered for: Informal economy business operators and workers views

Programme	Responses
Unemployment benefit	15
Medical benefit	20
Pension benefit	15
Others	6

Figure 8: Critical needs of the informal economy not addressed/catered:

Informal economy business operators and workers views



Source: Data Collected through Survey, April 2013

The question was posed to assess the critical needs of the informal economy that are not addressed/catered for under the existing social protection/security programmes of the Government and the SSC in Namibia.

Majority choose the medical benefit (36%) followed by the pension benefit (27%) and unemployment benefit (27%) in equal proportion.

Institutions responses:

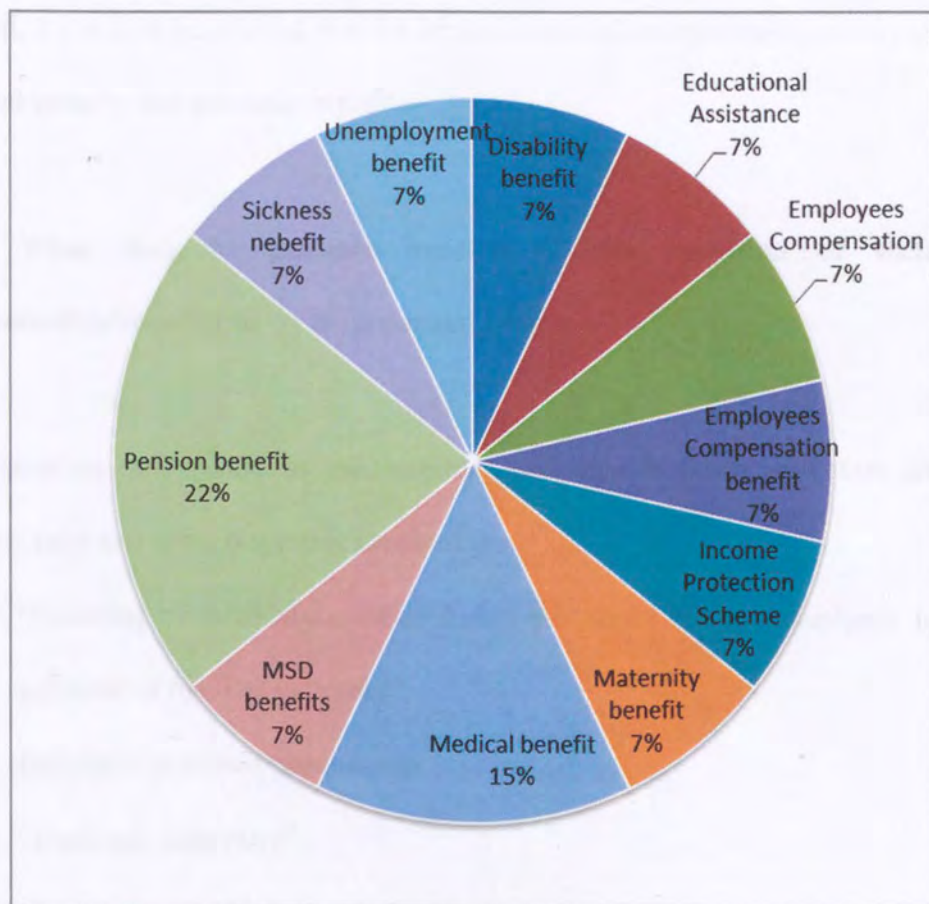
Table 9: Critical needs of the informal economy not addressed/catered:

Institutional views

Disability benefit	1
Educational Assistance	1
Employees Compensation	1
Employees Compensation benefit	1
Income Protection Scheme	1
Maternity benefit	1
Medical benefit	2
MSD benefits	1
Pension benefit	3
Sickness benefit	1
Unemployment benefit	1
Grand Total	14

Figure 9: Critical needs of the informal economy not addressed/catered:

Institutional views



Source: Data Collected through Survey, April 2013

The question was posed to assess the critical needs of the informal economy that are not addressed/catered for under the existing social protection/security programmes of the Government and the SSC in Namibia.

Pension benefit (22%) followed by medical benefit (15%) were chosen as critical needs.

Overall, it can thus be inferred that the critical needs of the informal economy are medical benefits and pensions benefits.

1.3 What may be possible benefits of the provision of social protection/security to the informal economy?

This question was posed to the informal economy business operators and workers only and some responses received are:

- “Covering of medical expenses during sickness / Provide assistance for payment of medical expenses”
- Resultant increased productivity
- “Decrease in poverty”
- “Improvement of health standards”
- Accident benefit
- “Orphans are looked after and obtain basic survival needs”
- “Members of deceased will be looked after”
- Post-retirement benefit/income
- Pension benefit
- Unemployment benefit

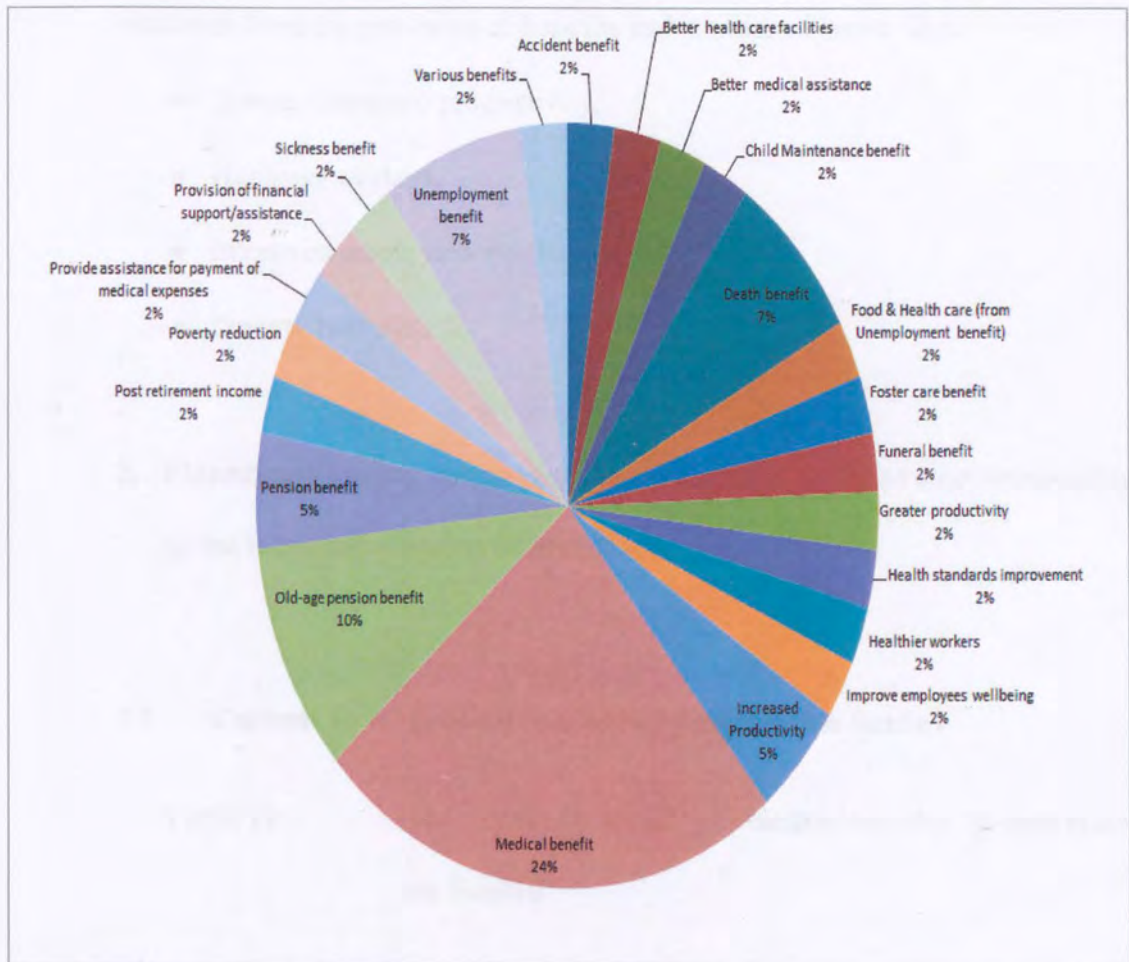
- “Better medical assistance and exposure to better health facilities”
- Child maintenance benefit

Table 10: Possible benefits of provision of social protection/security to informal economy

Accident benefit	1
Better health care facilities	1
Better medical assistance	1
Child Maintenance benefit	1
Death benefit	3
Food & Health care (from Unemployment benefit)	1
Foster care benefit	1
Funeral benefit	1
Greater productivity	1
Health standards improvement	1
Healthier workers	1
Improve employees wellbeing	1
Increased Productivity	2
Medical benefit	10
Old-age pension benefit	4
Pension benefit	2

Post retirement income	1
Poverty reduction	1
Provide assistance for payment of medical expenses	1
Provision of financial support/assistance	1
Sickness benefit	1
Unemployment benefit	3
Various benefits	1
Grand Total	41

Figure 10: Possible benefits of provision of social protection/security to informal economy



Source: Data Collected through Survey, April 2013

Responses received are multiple but medical benefit (24%) is highly considered and many pointed to resultant possible increase in productivity. It is followed by old-age pension (10%), which is already universal and provided by MLSW.

Only some respondents showed understanding of possible outflows or resultant outcomes from the provision of benefits and mentioned issues like:

- Greater/increased productivity,
- Healthier workers,
- Improved employees wellbeing, and
- Poverty reduction.

2. Financing/Funding options for the provision of social protection/security to the informal economy in Namibia:

2.1 Current social protection/security programmes funded

Table 11: How current social protection/security programmes are funded

No social protection at all for IE	1
Equally shared between employer & employee: Deducted from monthly wages and salaries	4
Social grants financed through National Budget	1

Sixty six percent (66%) of the Institutional respondents mentioned the equal monthly contributions made by employees are employers, which is deducted from monthly wages and salaries.

Social grants which are financed through the National Budget was mentioned by seventeen percent (17%). The remaining seventeen percent (17%) mentioned that there are no specific financing/funding options for the provision of social protection/security to the informal economy made available.

2.2 Funding options for the provision of social protection/security to the informal economy

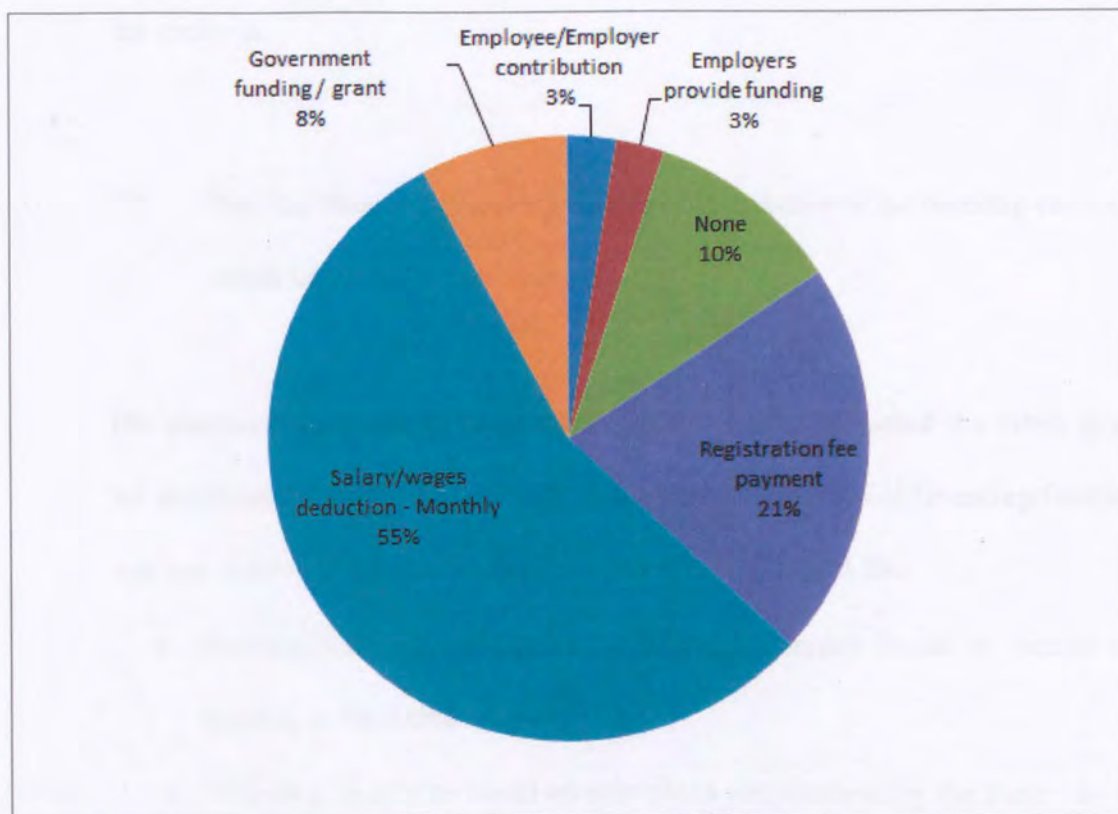
Informal economy business operators and workers responses:

Table 12: Funding options for the provision of social protection/security to the informal economy

Employee/Employer contribution	1
Employers provide funding	1
None	4
Registration fee payment	8
Salary/wages deduction – Monthly	21

Government funding / grant	3
Grand Total	38

Figure 12: Funding options for the provision of social protection/security to the informal economy



Source: Data Collected through Survey, April 2013

Overwhelmingly, the monthly salary deductions payments that are deducted from salaries/wages option (55%) is considered the existing funding option

followed by registration fee (21%), Government funding/grant (8%), employer/employee contribution (3%) and employers funding (3%).

Institutions responses:

All respondents mentioned that there are no explicit funding options existing at the moment.

2.3 Possible financing/funding options recommended for meeting critical needs of the informal economy

The question was posed to institutions only as researcher wanted the views from an analytical perspective of persons that know the specifics of financing/funding options that are available. Divergent views were expressed like:

- Funding/financing options for the informal economy should be “similar to funding in the formal economy”
- “Funding should be based on subsidised contributions by the State – so it should be a 40/60% or 50/50 basis”
- “To levy social security protection from corporate companies earning XY amount per annum”
- “Tax funding”

- “Shared Contribution by both employers and employees”

It is thus concluded that there is uncertainty with regard to source of financing/funding and/or contributions sharing formula. This is a matter that should be explored further.

2.4 Sustainability of social protection/security to informal economy

In order to find out how the social protection/security to the informal economy can be sustainably provided, the question was posed to institutional respondents only and responses received are given below:

- “Informal economy needs to realize the benefits”
- “This can happen if the informal economy is well organized. That can be through an association/trade union.”
- “In addition, the State should make deliberate efforts to identify the funding needs of Informal Economy operators. This is to assist such operators to grow their businesses and enable them to graduate from informal to formal.”
- “Establish umbrella organization by Act of Parliament” and “Register companies in Informal Economy to the body”.
- “Participation through umbrella organization”.

- “Short-term: Government and SSC to subsidize a national social security protection for Informal Sector.”
- “Long-term: Informal Sector organizations to provide and manage social security protection fund for Informal Economy at a minimal fee. (This can be through Government subsidy)”.
- “Hawkers trading spaces’ monthly fees to be deducted a certain portion to go towards social security protection fund for Informal Sector”.
- “Shared contributions by employers and employees as well as part funding by government can ensure sustainability”.

Overall, this could be considered a broad question and it is why responses are diverse. This shows the variety and complexity of thinking about the issues of social protection and the need for the Government to have a strategy and/or policy developed.

3. Development of appropriate programmes for social protection/security to meet the needs of informal economy in Namibia

3.1 Social protection/security programmes to be developed and implemented by the Government or SSC

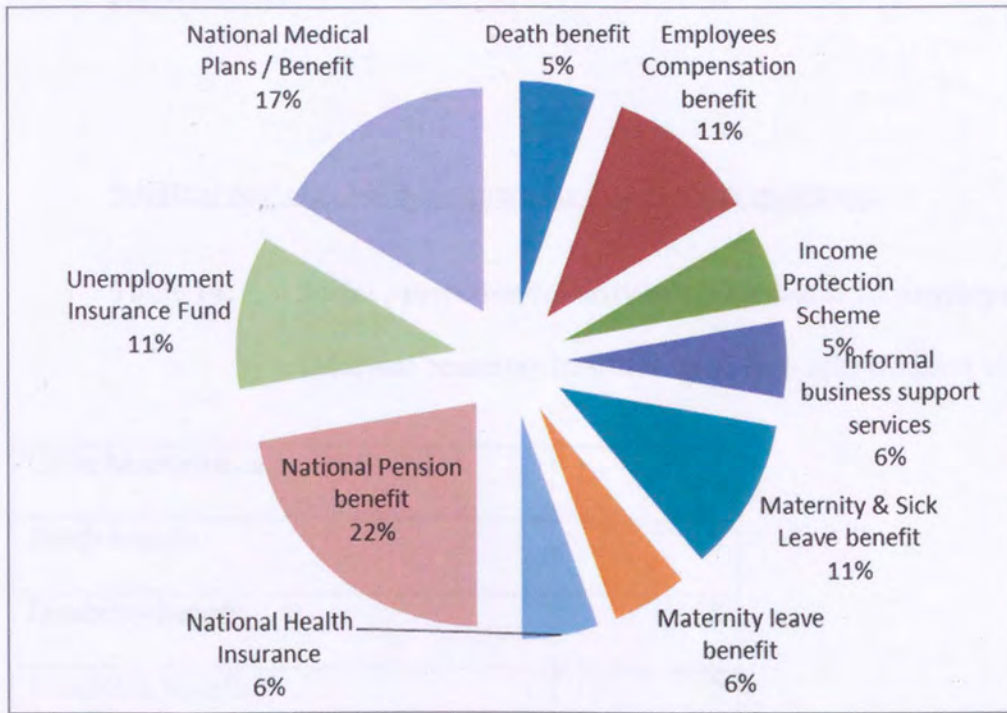
Institutions responses:

Table 13: Social protection/security programmes to be developed: Institutional views

Death benefit	1
Employees Compensation benefit	2
Income Protection Scheme	1
Informal business support services	1
Maternity & Sick Leave benefit	2
Maternity leave benefit	1
National Health Insurance	1
National Pension benefit	4
Unemployment Insurance Fund	2
National Medical Plans / Benefit	3
Total	18

Figure 13: Social protection/security programmes to be developed:

Institutional views



Source: Data Collected through Survey, April 2013

The question was posed to assess social protection/security programmes that should be developed and implemented by the Government and SSC, specifically targeting the needs of the different segments of the informal economy.

Medical plans/benefits combined with health insurance scored twenty three percent (23%) and was closely followed by the pension benefit makes up twenty

two percent (22%). Maternity leave combined maternity and sick leave benefit stands at seventeen percent (17%) and unemployment insurance scored eleven percent (11%).

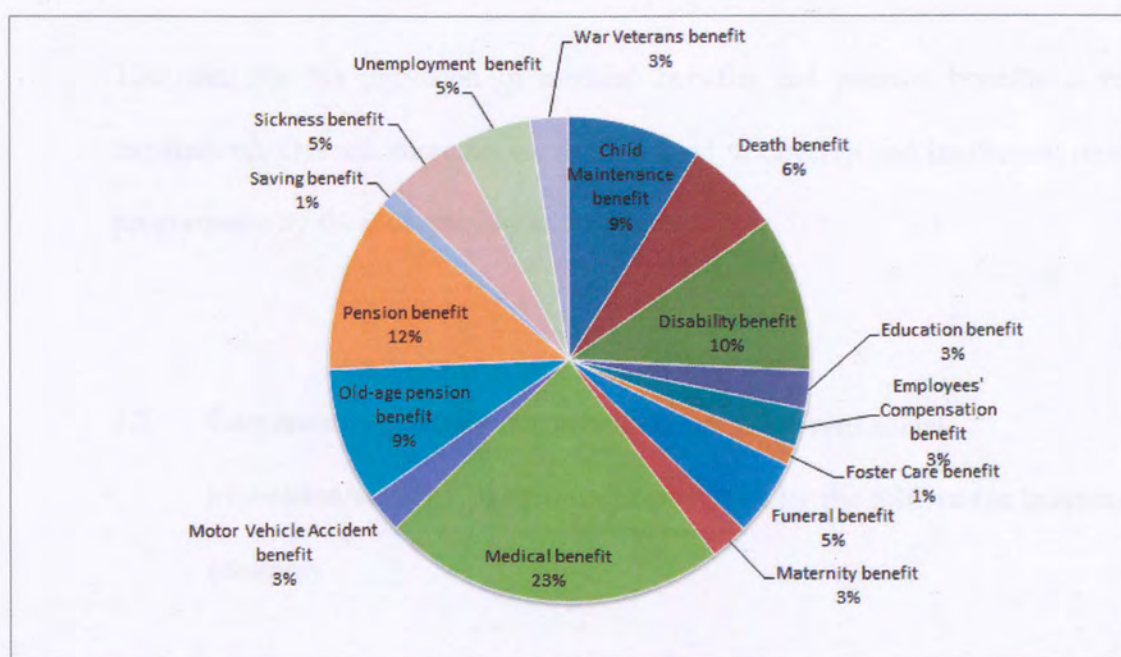
Informal economy business operators and workers responses:

**Table 14: Social protection/security programmes to be developed:
Informal economy business operators and workers views**

Child Maintenance benefit	7
Death benefit	5
Disability benefit	8
Education benefit	2
Employees' Compensation benefit	2
Foster Care benefit	1
Funeral benefit	4
Maternity benefit	2
Medical benefit	18
Motor Vehicle Accident benefit	2
Old-age pension benefit	7
Pension benefit	9
Saving benefit	1

Sickness benefit	4
Unemployment benefit	4
War Veterans benefit	2
Total	78

**Figure 14: Social protection/security programmes to be developed:
Informal economy business operators and workers views**



Source: Data Collected through Survey, April 2013

The question was posed to assess social protection/security programmes that should be developed and implemented by the Government and SSC, specifically targeting the needs of the different segments of the informal economy.

The medical benefit was prioritized by most respondents (23%) and was followed by the pension benefit (12%).

The need for the provision of medical benefits and pension benefits is re-emphasized. Overall, there seems to be a need to develop and implement more programmes by the Government and/or the SSC.

3.2 Comments on improvement/alteration of current social protection/security programmes provided by the SSC to the informal economy

Institutions responses

- “SSC does not provide social security benefits to non-contributing companies” and should look at it.

- “Design new programmes/additional programmes targeting the informal economy operators but a survey to determine the needs need to be carried out.”
- “None is provided in a formal sense – all access by informal economy is on a voluntary basis.”
- “Simplify the operating rules, laws and registration process.”
- “To translate pamphlets into indigenous languages.”
- “To review the current SSC benefits packages to suit the informal economy.”
- To make the monthly premium payment flexible to suit the needs of Informal Economy.”
- To raise awareness amongst the informal sector economy traders”.
- “Increased outreach to the informal sector through targeted interventions.”
- “Closer cooperation with representative bodies such as NISO and local authorities.”
- “Remove barriers on employer registration status.”

Informal economy business operators and workers responses:

- Provide information on social security programmes and its benefits to people.
- “Provide social security to temporary/part-time workers.”
- “Other sources of funding should be found rather than deducting from salaries.”
- Man should also get paternity benefits.
- “Provide more benefits.”
- “Pay unemployment benefit for at least six months.”
- “Domestic workers should also be registered.”
- “Reduce the mandatory retirement age of 60.”
- Enforce programmes.
- Ensure registration.

A quarter of informal economy business operators and workers did not respond to this question. Also, it became apparent that the respondents do not differentiate between the Government-run programmes and the SSC specific programmes.

However, the responses could serve as food for thought for the SSC and consider them in the formulation and implementation of its social security system extension strategy for the informal economy.

3.3 Other issue or disincentives which if addressed will greatly improve the provision of social protection/security to the informal economy

The question was posed to institutions only and the following responses were received:

- “Companies chose to operate in the informal sector owing to various reasons. Without including them in the mainstream formal economy, it will be challenging to extend social protection to them.”
- “It is not clear at the moment how many people are dependent on the informal sector economy and overall contribution to the economy. There is a deficit in terms of data.”
- Not self-sustaining schemes should be discouraged.
- “Improve on communication between informal economy and the SSC rules and regulations.”
- “Recognition of informal sector as an important part of economy.”
- “Strengthening the capacity of NISO.”

The responses could serve as food for thought for the SSC and consider them in the formulation and implementation of its social security system extension strategy for the informal economy.

4. Identification of financing constraints that may be faced by the SSC in the provision of social protection/security to the informal economy

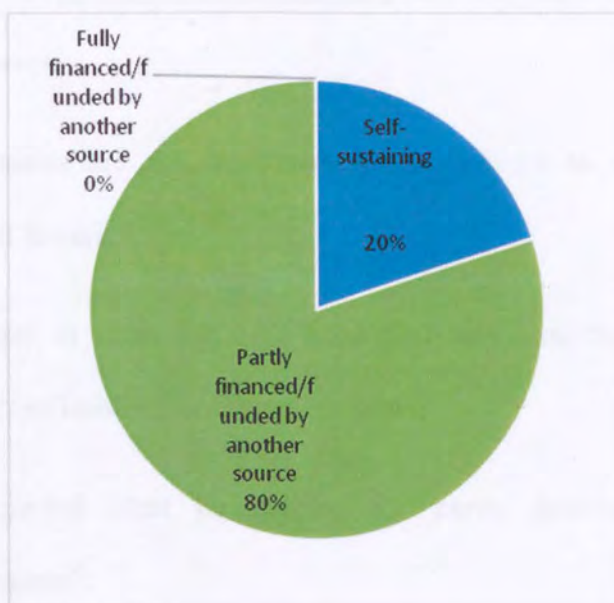
4.1 Form of financing social protection/security programmes to be provided to the informal economy

The question was posed to institutions only and respondent were requested to choose between the following: self-sustaining, partly financed/funded by another source and fully financed/funded by another source.

Table 15: Form of financing social protection/security programmes to be provided to the informal economy

Self-sustaining	1
Partly financed/funded by another source	4
Fully financed/funded by another source	0

Figure 15: Form of financing social protection/security programmes to be provided to the informal economy



Source: Data Collected through Survey, April 2013

Eighty percent (80%) of the respondents prefers the form of partly financed/funded by another source (e.g. taxation, levy) while only twenty percent (20%) opted for self-sustaining.

This is a matter that should be further explored because fiscal space would need to be determined.

4.2 Possible constraints are foreseen for any possible financing/funding option

The question was posed to institutions only and the respondents provided the following answers:

- “Companies are not registered, hence difficult to trace. Information difficult to verify.”
- “Changes in economic conditions that may lead to reduction in the incomes of informal economy operators.”
- “The period must be defined for partly funding. I believe by Government”.
- “Lack of political leadership and willingness.”
- “Affordability”
- “Incapacity by Government to finance due to budget constraints.”

These are concerns and challenges that could be addressed with the development of the extension strategy and policy by Government and SSC.

4.3 Other measures besides the provision of social protection/security to the informal economy to benefit lower income groups/wage earners

The question was posed to institutions only and the following responses were received:

- “Training in order to move to formal economy.”
- “Improved legislation. Review SSC Act to include informally employed.
- “SSC to devise ways on how to collect contributions from the informal economy.”
- “Skills enhancement initiatives.”
- “Awareness workshop (campaign) on labour law and practices.”
- “To levy social security protection from corporate companies earning XY amount per annum.”
- “To subsidize the most basic essential services such as electricity, water and housing.”
- “Providing incentives such as tax relieve to the informal sector in order to make SMEs more competitive.”
- “Training and education of informal sector operators in subjects such as finance and entrepreneurship.”

Issues identified are familiar with challenges experience with the informal economy and are diverse. These issues could be addressed with the development of the extension strategy and policy by Government and SSC.

Dicks (2012: 73) expressed the view that social protection shifts from the social insurance approach, that has an inherent bias towards formal employees belonging to some contributory scheme, is not very helpful when the vast majority of Economically Active Population is not in employment or significantly underemployed (casual or precarious).

Regarding legal and regulatory framework for social protection, Dicks (2012: 75) opined that Botswana, Namibia and South Africa and partly Zimbabwe have a fairly extensive Social Protection legislation that meets the needs of those in employment and those outside of the labour market. However it would be flawed should one simply ignore many of the implementation constraints faced or the inherent shortcomings in meeting a universal social protection system.

When developing a framework, it is important to be guided by the principles that were established by the ILC's SPF Recommendation 202 (2012), with regard to the extension of the social protection floors, which stated the following aspects:

Under the National Social Protection Floors, Regarding National Strategies for the Extension of Social Security, it is mentioned that:

“13. (1) Members should formulate and implement national social security extension strategies, based on national consultations through effective social dialogue and social participation. National strategies should: (b) seek to provide higher levels of protection

to as many people as possible, reflecting economic and fiscal capacities of Members, and as soon as possible.

14. When formulating and implementing national social security extension strategies, Members should:

(c) seek to close gaps in protection through appropriate and effectively coordinated schemes, whether contributory or non-contributory, or both, including through the extension of existing contributory schemes to all concerned persons with contributory capacity;

(e) specify financial requirements and resources as well as the time frame and sequencing for the progressive achievement of the objectives.”

Having been informed by the literature review and outcome of the research, the researcher is making the case for a framework for the extension of social protection to the informal economy and argues for the expansion of inclusive, integrated social protection systems as an effective approach for achieving greater equity for all Namibians and contributing to broader human and economic development.

The suggested framework is as follows:

1. The main components of the framework would be multi-sectoral and a systems approach as well as current debates including social protection financing, expansion of coverage, and inclusive design.

2. The extension of social protection to the informal economy should be a joint effort by the Government and SSC in collaboration with informal sector organizations and NGOs. It should be a collaborative policy agenda for social protection to engage informal sector organizations, NGOs and development partners in leveraging social protection to participate in the formulation of the strategy and policy and to help with the sensitization and enrolment of the informal economy.
3. Development and adoption of an overarching Social Protection Strategy and a Social Protection Policy for the country. A country strategy for the extension of coverage to the informal economy should be incorporated in the overarching Social Protection Strategy. This should be a joint effort by the Government and the SSC.
4. Legal and policy framework for implementation of the strategy for the extension of social protection to the informal economy should be developed by the Government. A lack of a policy and legal framework to enforce, inform and guide the implementation of the different types of social protection schemes will be detrimental. This aspect is achievable with minor adjustments to the existing Social Security Act and related legislations.
5. The SSC in its own way should consider to ways to extent social protection to the informal economy. In this regards, there are four major aspects that need to be considered in planning extension of the SSC scheme: legislation, administration, financial assessment, and awareness-raising.

6. The administration of the social assistance schemes to be brought under one roof of one Ministry to ensure better coordination and implementation. The specific Ministry will be responsible for the financing, administering and fixing of the social assistance benefits.
7. The overarching Social Protection Strategy should include four broad sets of interventions, namely:
 - a. Protective programs that offer relief from economic and social deprivation, including alleviation of chronic and extreme poverty. These interventions include humanitarian relief in emergencies, and targeted cash transfer schemes;
 - b. Preventive programs are put in place before a shock (ex-ante) and are designed to avert deprivation or to mitigate the impact of an adverse shock, and include mechanisms such as health and unemployment insurance and non-contributory pension schemes;
 - c. Promotive programs enhance assets, human capital and income earning capacity among the poor and marginalized, such as skills training and active labour market programs;
 - d. Transformative interventions are those aimed at addressing power imbalances that create or sustain economic inequality and social exclusion, and include legal and judicial reform, budgetary analysis and reform, the legislative process, policy review and monitoring, and social and behavioural/attitudinal change. With regard to extending and reforming

formal social insurance, the main question here is how currently available social security programmes in the formal sector can be extended to all regular workers and - in as far as possible - to casual wage and some self-employed workers. The main obstacles for the extension are that the benefits offered do not correspond to the priority needs of most informal sector workers and that the contributions required are much higher than what informal sector workers are prepared to pay. There are as well some obstacles of quantitative and qualitative nature that further limit the extension of formal sector social insurance schemes.

8. The overarching Social Protection Strategy should consider address the following issues, amongst other:
 - a. Three major ways in which the Namibian Government could promote social security for informal sector workers and their dependants i.e.
 - through specially designed social insurance schemes;
 - through social assistance; and
 - through the extension and reform of formal sector social insurance
 - b. Prior to determining the social security extension approach, carefully consider the design of social security schemes since extension of coverage to the informal economy will bring different kinds of challenges, especially concerning financing and administration.
 - c. Consider issues relating to compulsory versus voluntary participation. Social insurance in the formal sector is generally based on compulsory

participation because this is the best guarantee that workers with good risks support those with bad risks. Experience in other parts of the world suggests that any social security coverage for the informal economy needs an element of compulsoriness to avoid adverse selection and poor uptake.

- d. Consider the benefits package design. (Key issues in designing a benefit package include reducing benefit levels, excluding some benefits, and requirements for substantial government subsidy. Other issues are replacement ratio, the pensionable age for old-age pension, and a short qualifying period for invalidity pensions which may lead to adverse selection for voluntary contributors.)
- e. Consider issues relating to the administration of various social security programmes. Different arrangements for collecting contributions from the informal economy may be needed, depending on what types of schemes that are adopted. (For example, tax-financed universal schemes will not require contributions at all; on the other hand, for insurance-based schemes it will probably be necessary for the SSC to establish a system of agents to collect contributions from informal economy members.)
- f. Develop a workplan with needs to provide a timetable for designing and commencing implementation of the extension programme, broken down into a preparatory stage, a planning stage, and the implementation stage and onwards. The workplan should recommend a range of actions,

studies and consultations that the Government and SSC in collaboration with other stakeholders should carry out at each stage. The studies in the preparatory stage will provide baseline information and contribute to determine extension strategy including scheme financing, and benefit package options.

4.5 A suggested framework for financing social security coverage to informal economy in Namibia

Kalusopa (2012: 65) stated that the case studies reviewed acknowledges that one of the main obstacles to accessing social protection lies in the limited resources available for social spending.

Taylor (2009: 43) argued that ideally given the mass based poverty and social deficits, Africa will require “active social protection systems that reduce poverty, contribute to asset redistribution and that include measures to address the structural basis of poverty and social exclusion.

Kojwang & Shindondola-Mote (2012: 281) commented that major part of funding for social security programs in Namibia is drawn from the central Government income

taxes. The rest are financed through contributions by employers and employees. A large number of the social protection programs in Namibia are public funded. The total cost of public funded programs was estimated at 2% GDP and 6% of the national budget in 2008. This represents almost a double in expenditure since the beginning of the decade. The Old Age Pension and the War Veterans Subvention take up two thirds of the resources and earlier predictions were that for the fiscal year 2009/2010 the share of the budget devoted to the War Veterans Subvention would match the Child Maintenance Grant and the Foster Care Grant. A large proportion of Government spending committed to the funding of social pensions currently stands at N\$880 million between 2009 and 2010, which is 4.05% of total government expenditure.

When developing a framework, it is important to be guided by the principles that were established by the ILC's SPF Recommendation 202 (2012), with regard to the financing of social protection systems, which stated the following aspects:

- Members should apply the following principles:
 - i. solidarity in financing while seeking to achieve an optimal balance between the responsibilities and interests among those who finance and benefit from social security schemes;
 - ii. consideration of diversity of methods and approaches, including of financing mechanisms and delivery systems;
 - iii. transparent, accountable and sound financial management and administration;

- iv. financial, fiscal and economic sustainability with due regard to social justice and equity.”

Under the National Social Protection Floors, it is stated the following:

- Members should consider using a variety of different methods to mobilize the necessary resources to ensure financial, fiscal and economic sustainability of national social protection floors, taking into account the contributory capacities of different population groups. Such methods may include, individually or in combination, effective enforcement of tax and contribution obligations, reprioritizing expenditure, or a broader and sufficiently progressive revenue base.
- In applying such methods, Members should consider the need to implement measures to prevent fraud, tax evasion and non-payment of contributions.
- National social protection floors should be financed by national resources. Members whose economic and fiscal capacities are insufficient to implement the guarantees may seek international cooperation and support that complement their own efforts.”

According to Smit & Olivier (2004) the sources of revenue are the following:

- State participation;
- Participation of other public authorities (e.g. provincial and local government);
- Special taxes, earmarked or allocated to social security;

- Contributions from insured persons;
- Employers' contributions;
- Income from capital; and
- Other receipts.

The financing framework should cover the following: affordability, costing and financing issues around social protection system, including:

- Different mechanisms and options available to assess affordability, and develop costing estimates.
- Challenges in financing integrated interventions e.g. political economy; donor coordination; fiscal constraints; high initial costs; inter-sector nature of social protection; counter-cyclical demand, etc.
- Financing options available (domestic and international).

The development of a clear and coherent framework for financing of social security coverage to the informal economy in Namibia is a challenge, especially from the legal and regulatory framework perspective.

The researcher is suggesting a framework for financing social security for the extension of social protection to the informal economy on the following basis:

1. The financing framework for the financing of social security to the informal sector should be informed by the overarching Social Protection Strategy and a Social Protection Policy for the country.
2. The different financial financing choice/options can only be determined once the overarching Social Protection Strategy is in place because the ways of promotion of social protection to the informal sector must be decided. For instance, it may be decided to promote the extension through specially designed social insurance schemes; or through social assistance; or through the extension and reform of formal sector social insurance and each of the aforesaid choices would require a different financing approach.
3. The financing framework should cover the following: affordability, costing and financing issues around social protection system, including:
 - Different mechanisms and options available to assess affordability, and develop costing estimates.
 - Challenges in financing integrated interventions e.g. political economy; donor coordination; fiscal constraints; high initial costs; inter-sector nature of social protection; counter-cyclical demand, etc.
 - Financing options available (domestic and international).
4. Studies on targets such as socio-economic information or social security needs as well as a study on public finance will be necessary for the establishment of a more feasible and cost-effective schemes for the informal economy.

5. A social protection expenditure and performance review (SPER) should be undertaken by the Namibian Government, with the assistance of relevant international organizations (e.g. ILO). The objectives of undertaking the analytical work would be:

- To build a comprehensive base-line of contributory and non-contributory public social security/social protection provisions. The base-line projections would be the foundation of any future policy options analysis supporting the process of a national policy debate on the future of a social protection in the country.
- To project on a status quo basis the overall social security expenditure, incorporating social insurance, social assistance and health care (i.e. the country's social budget) for a long-term period.
- To be able to identify the amount of fiscal space - the availability of budgetary room that allows a government to provide resources for desired purpose without any prejudice to the sustainability of a government's financial position - needed to begin to implement a minimum social protection package. This minimum package would be gradually implemented according to national priorities to be set. The package is expected to help to reduce substantially the prevalence and depth of poverty and vulnerability and consequently improve productivity and thus growth of the country's economy.

6. Overall, it is advisable to design a suitable contributory scheme which would enable as many people as possible to be integrated into a system of social insurance contributions and benefits. A study should be undertaken to establish a baseline in order to understand and improve the social situation for the people working in the informal economy in Namibia.
7. Further, the financing options available and to be explored should be informed by the legal and policy framework for implementation of the strategy for the extension of social protection to the informal economy.
8. Prior to determining the social security extension approach, careful consideration should be given to the design of social security schemes since extension of coverage to the informal economy will bring different kinds of challenges, especially concerning financing and administration.
9. Compulsory versus voluntary participation: Experience in other parts of the world suggests that any social security coverage for the informal economy needs an element of compulsoriness to avoid adverse selection and poor uptake. This approach should be researched on.
10. Extension of coverage to the informal economy can be financed entirely from tax revenues, entirely from contributions paid by (or on behalf of) scheme members, or through a mix of contributions and tax revenues. A series of preliminary studies will be necessary to examine the contribution capacity and determine the most appropriate forms of finance for any scheme covering the informal economy. Extension to the informal economy will undoubtedly require

substantial financial commitment from the government, not least because of the limited capacity of most informal economy workers to pay contributions, many not having employers to share the burden of the contributions; also as a matter of equity with enterprise workers who enjoy Government subsidy.

11. Financial organization: It is recommended to have separate autonomous funds for each benefit in order to ensure accountability and long-term financial sustainability. Also, it is recommended to further separate funds for formal employees from funds for workers in the informal economy in the event of establishing a new special scheme for the workers in the informal economy.
12. Benefits package design: Key issues in designing a benefit package include reducing benefit levels, excluding some benefits, and requirements for substantial Government subsidy. Deficiencies must be established upfront and not replicated.
13. At first sight, universal tax-financed schemes may seem to put great financial pressure on Government budgets compared with insurance-based schemes, which may mean there is less to allocate for social assistance and social development programmes. In reality, any extension of social security to the informal economy will inevitably be costly to the State because the target population is so large. This principle applies to any extension scheme, whether based on the universal approach or a social insurance approach.

4.6 Conclusion

The study reveals that there is a need for extension of social protection to the informal economy and the sector could be assisted by the Government and SSC in collaboration with informal sector organizations and NGOs. Current social protection provisions in Namibia need to be strengthened and better coordinated.

The study found that neither existing contributory (social insurance) nor non-contributory (social assistance) social protection provisions are adequate in terms of the provision of cover, scope of coverage and adequacy of benefits to the informal economy.

It was observed during the study that there is a clear less public awareness regarding the social security systems as regards the vital proactive, preventive and compensative roles.

The fragmentation in social programmes can lead to a number of adverse outcome affecting their development, delivery (including the overlap and duplication of institutional efforts), inefficient use of resources, inconsistencies between policy objectives and operational practices, and inter-ministerial or inter-agency power disputes, all of which may lead to the benefits and services offered failing to meet the expectations and needs of the population in an efficient and effective manner.

Coordination and complementary between tax revenue and contribution revenue for financing purposes of the social security system in Namibia is essential and there is a

clear need to explore this subject matter further. The researcher could not identify/determine the amount of fiscal space available and/or needed to consider suggesting a minimum social protection package for the informal sector.

The researcher suggested frameworks for social security coverage and financing of social security coverage to the informal sector.

This chapter highlighted the results of the research and present the analysis and discussion. The following chapter will present the summary of findings and proposed recommendations.

CHAPTER 5: SUMMARY OF FINDINGS AND RECOMMENDATIONS

5.1 Introduction

This chapter after giving a brief summary focuses on findings from research backed by the survey. It also gives recommendations on measures to be taken to address the problem under discussion. Both the findings and recommendations are firmly cemented by the results of this research on the challenges in financing the informal economy social security in Namibia. The research results are based on Namibian experience and may be applicable to other African countries also.

The objectives of this study of challenges in financing informal economy social security in Namibia were:

- Identifying the critical needs of informal sector not addressed and which cannot be addressed under the existing programmes of the Government and SSC in Namibia;
- Exploring the options for the provision of social protection/security through financing/funding the informal economy in Namibia;
- Developing appropriate programmes for social protection/security for meeting the critical needs of informal sector in Namibia; Paraphrase the role of SSC to provide social protection/security to the informal sector in Namibia;

- Identifying the financing constraints that may be faced by the SSC in the provision of social protection/security to the informal sector in Namibia and evolve appropriate strategies for helping in resolving this intricate problem.

The strategy adopted for developing a framework for research included besides review of literature a comprehensive investigation of transaction records, relevant laws, regulations, policies related to social security in Namibia. Besides the main instruments employed were two separate structured questionnaires, which enabled qualitative data collection from the executives from selected institutions and informal economy operators and workers. The data collection instruments (questionnaire) though were self-administered but assisted by the researcher, meaning that these were filled in partly by the respondents and partly by the researcher.

5.2 Summary of findings

5.2.1 Findings from literature

- i. Similarities between SSC and other social security organizations worldwide:
The researcher could not find any other social security organization that has a statutory framework/mandate, structured or operations similar to that of the SSC to (1) provide for payment of maternity leave benefits, sick leave benefits and death benefits to employees; (2) provide for payment of medical benefits to employees; (3) provide for payment of pension benefits to retired

employees; (4) provide for the funding of training schemes for disadvantaged, unemployed persons; and (4) administers the employees' compensation fund. Thus, similarities on policies and objectives, policies and activities, performance against objectives and evaluation of performance proves to be an extreme challenge.

- ii. Namibia has remained a fundamentally unequal society and is regarded as a country with a high gini-coefficient. However, with a high GDP levels, Namibia has greater public policy flexibility to engage in redistributive justice.
- iii. Social protection and economic development are generally seen to be complementary and mutually reinforcing.
- iv. There is disparity present between male and female registrations for social protection in Namibia. There are proportionally larger amount of males registered with SSC compared to women and this could be attributed to the fact that there are a high proportion of men in formal sector employment then women.
- v. Reliable and up to date data on the informal economy in Namibia is scanty and anecdotal evidence points to the fact that just like many counties in Sub-Saharan Africa, the informal economy is growing and is increasingly becoming an important source of employment for many people.
- vi. As most informal operators are excluded from coverage, they evolved for themselves informal arrangement for social protection.

- vii. Namibia has a low level of formal employment and high unemployment rate, which was estimated at around 27,4% in 2012 according to the Namibia Labour Force Survey.
- viii. There is no social security programmes specifically designed to cater for the needs of the informal economy in Namibia. Social security programmes in Namibia are not specifically targeting the informal economy; they are much broader in coverage.
- ix. Although the Social Security Act makes provision for the coverage of the employed persons, it is not explicit about the inclusion and/or provision of coverage to the informal sector. SSC therefore does not insist on the coverage or formal registration of those in the informal sector. Most business operators do not make distinction between the Government-run and SSC specific social security programmes but it seems that it does not matter to them.
- x. Most respondents are not aware that SSC programmes are largely designed to cater for the needs of the formally employed persons, but not to the exclusion of the informal economy.
- xi. Social security coverage in Namibia is fragmented, with certain aspects of social security handled by SSC and other resorting under various Government Ministries.
- xii. The overriding characteristics of the SSC administered Funds is that they are contributory, as per the establishing legislation.

- xiii. Informal sector is unorganized, unregulated and too broad. There is no policy on the informal economy in Namibia that could guide the researcher in the analysis.
- xiv. Extension of social protection can be through universal schemes, social insurance schemes with earnings related or flat tare components or both and social assistance schemes.
- xv. The rationale for extending social protection is primarily concerned with the prevention of poverty among different population groups that experience reduction or loss of income in their life-cycle.it is founded on the conviction that society as a whole is responsible for its weaker members.
- xvi. There is no uniform definition of the concept “social security”.
- xvii. The Constitution of Namibia under Article 95 (Promotion of the Welfare of the People) constitutes a clear and unambiguous undertaking by the drafters of the Constitution to develop a comprehensive social protection system for Namibia in accordance with ILO Conventions and Recommendations.
- xviii. There are two types of informal social security, namely informal sector social security and informal forms of social security.
- xix. Dekker (2001) warned against the use of the word “sector” as it creates a barrier when exploring arrangements for social protection and was opined that reference to the “informal economy” will be a more apt term to use.
- xx. The ILC’s SPF Recommendation 202 (2012) recognized that social security is an important tool to prevent and reduce poverty, inequality, social

exclusion and social insecurity, to promote equal opportunity and gender and racial equality, and to support the transition from informal to formal employment. The Recommendation recognized that the transition to formal employment and the establishment of sustainable social security systems are mutually supportive. Furthermore, the Recommendation stated that social security extension strategies should apply to persons both in the formal and informal economy and support the growth of formal employment and the reduction of informality, and should be consistent with, and conducive to, the implementation of the social, economic and environmental development plans of Members, of which Namibia is one.

- xxi. There are a number of definitions of the informal economy/sector and the term informality implies different things to different people. The term has acquired wider meaning in different countries.
- xxii. With regarding to the financing of social security, the ILC's SPF Recommendation 202 (2012) stated that members should apply the following principles:
- solidarity in financing while seeking to achieve an optimal balance between the responsibilities and interests among those who finance and benefit from social security schemes;
 - consideration of diversity of methods and approaches, including of financing mechanisms and delivery systems;

- transparent, accountable and sound financial management and administration;
- financial, fiscal and economic sustainability with due regard to social justice and equity.

Under the National Social Protection Floors, it is stated that:

- Members should consider using a variety of different methods to mobilize the necessary resources to ensure financial, fiscal and economic sustainability of national social protection floors, taking into account the contributory capacities of different population groups. Such methods may include, individually or in combination, effective enforcement of tax and contribution obligations, reprioritizing expenditure, or a broader and sufficiently progressive revenue base.
- In applying such methods, Members should consider the need to implement measures to prevent fraud, tax evasion and non-payment of contributions.
- National social protection floors should be financed by national resources. Members whose economic and fiscal capacities are insufficient to implement the guarantees may seek international cooperation and support that complement their own efforts.”

Regarding National Strategies for the Extension of Social Security, it is mentioned that:

- Members should formulate and implement national social security extension strategies, based on national consultations through effective social dialogue and social participation. National strategies should: (b) seek to provide higher levels of protection to as many people as possible, reflecting economic and fiscal capacities of Members, and as soon as possible.
 - When formulating and implementing national social security extension strategies, Members should:
 - seek to close gaps in protection through appropriate and effectively coordinated schemes, whether contributory or non-contributory, or both, including through the extension of existing contributory schemes to all concerned persons with contributory capacity;
 - specify financial requirements and resources as well as the time frame and sequencing for the progressive achievement of the objectives.”
- xxiii. In Africa, mandatory social security schemes are typically financed from payroll taxed with joint contributions from employers and workers. The contribution rates vary.
- xxiv. Social security systems, by their very nature, are said to be based on the notion of solidarity and social cohesion.
- xxv. The researcher established that there is no standard set or agreed norm determined on the coordination and complementary issues between tax

revenue and contribution revenue for the financing of social security systems. There is no uniform agreed/set contribution rate ranges for contributory schemes as this depends from country to country.

5.2.2 Findings from survey

- i. Identify the critical needs of informal sector not addressed and which cannot be addressed under the existing programmes of the Government and SSC in Namibia:
 - a. Most respondents are aware of the maternity, sick and death benefits availability. They are also aware of the old-age pension benefit.
 - b. Critical needs were identified as the provision of medical benefit and pension benefit to the informal economy.
 - c. Regarding the possible benefits of the provision of the social protection to the informal economy, answers varied but medical benefit is highly considered and many pointed to the resultant possible resultant increase in productivity, decrease in poverty, unemployment benefit and retirement benefit amongst other.
- ii. Explore the options for the provision of social protection/security through financing/funding the informal economy in Namibia:

- a. Sixty six percent (66%) Majority of institutional respondents are of the view that equal monthly contributions made by employers and employees, which is deducted from monthly wages and salaries as how the current social protection programmes are fund. However, this is only applicable to the Maternity leave, Sick leave and Maternity leave benefit (MSD Fund) of SSC.
- b. Social grants were mentioned as financed through the National Budget.
- c. All respondents mentioned that there was no specific financing/funding option existing at the moment for the provision of social security to the informal economy.
- d. As possible financing/funding options recommended for meeting the critical need of the informal economy, various options were mentioned, namely, that options should be similar to financing/funding in the formal economy (based on a share basis) and that the State should subsidize contributions through levy and taxation.
- e. Regarding short-term and long-term sustainability of the provision of social security, it was mentioned that informal economy should be well organized through membership to an association/union. Also, Government and SSC should subsidize and shared contribution by employers and employees can ensure sustainability. Further, the State should make deliberate efforts to assist operators to graduate from informal to formal.

- iii. Develop appropriate programmes for social protection/security for meeting the critical needs of informal sector in Namibia; Paraphrase the role of SSC to provide social protection/security to the informal sector in Namibia:
- a. Medical benefits, combined with health insurance, and followed by pension benefit were identified by majority as social security programmes that they would like to be developed and implemented by Government and SSC, specifically targeting the needs of the different segments of the informal economy.
 - b. On how the current programmes provided by SSC could be improved/alterd the answers were multiple. It was opined that new programmes should be designed but a survey to determine the needs to should be carried out. Awareness raising, increase of outreach and provision of information, were mentioned amongst other.
 - c. Regarding issues or disincentives, which if addressed will greatly improve the provision of social protection to the informal sector, institutional respondents expressed views that there is deficit in terms of data about how many people are dependent on the informal economy and overall contribution the economy. Also, it was recommended that there should be improvement of communication between informal economy and SSC.

- iv. Identify the financing constraints that may be faced by the SSC in the provision of social protection/security to the informal sector in Namibia and evolve appropriate strategies for helping in resolving this intricate problem:
 - a. Regarding the form of financing social protection programmes, institutional respondents opined by an overwhelming percentage (80%) in favour of “partly financed/funded by another source”.
 - b. Affordability as a possible constraint and the possible incapacity of Government to finance due to budgetary constraints was pointed out.
 - c. The matter of lack of political leadership and willingness was brought to light.

The following findings were made in summary:

- a. The provision of medical benefit (combined with health insurance), which was followed by pension benefits, were identified as critical needs of the different segments of the informal economy that they would like to be developed and implemented by Government and SSC.
- b. Many pointed to the resultant possible resultant increase in productivity and decrease in poverty as possible resultant benefits of the provision of social security to informal economy.
- c. All respondents mentioned that there was no specific financing/funding option existing at the moment for the provision of social security to the informal economy.

- d. As possible financing/funding options recommended for meeting the critical need of the informal economy, various options were mentioned, namely, that options should be similar to financing/funding in the formal economy, based on a share contribution structure between the employee and employer.
- e. It was mentioned that the State should subsidize contributions through levy and taxation.
- f. It was mentioned that informal economy should be well organized through membership to an association/union to ensure short-term and long-term sustainability of the provision of social security.
- g. The State should make deliberate efforts to assist operators to graduate from informal to formal.
- h. It was opined that a survey to determine the needs of the informal economy should be carried out to inform the design of new social security programmes.
- i. Communication i.e. awareness raising, increase of outreach, provision of information, were mentioned amongst other things as an area for improvement between the informal economy and SSC.
- j. The issue of deficit in terms of data about the informal economy and its contribution to the overall to the economy was emphasized.

- k. Regarding the form of financing social protection programmes, institutional respondents opined by an overwhelming percentage in favour of partly financed/funded formula.
- l. As a possible constrain to financing/funding, the issue of affordability as and the possible incapacity of Government to finance due to budgetary constraints was pointed out.
- m. Possible lack of political leadership and willingness to extend social security to the informal economy was brought to light as possible constraint.
- n. There is no specific social security programme designed to cater for the needs of the informal economy only and social security programmes in Namibia are much broader in coverage.
- o. It was observed that most respondents are not aware that SSC programmes are largely designed to cater for the needs of the formally employed persons, but not to the exclusion of the informal economy.
- p. It was observed that most business operators do not make distinction between the Government-run and SSC specific social security programmes but it seems that it does not matter to them.

5.3 Recommendations

The researcher wants to build a continuum of reasoning and present the recommendations as follows:

General Recommendations:

1. SSC is mandated by its enabling Act to also establish the National Medical Benefit Fund and the National Pension Fund and should speed up with implementation thereof as the provision of medical benefit (combined with health insurance), which was followed by pension benefits, were identified as critical needs of the different segments of the informal economy that they would like to be developed and implemented by Government and SSC.

2. Government, in joint collaboration with SSC, should be proactive and undertake a research and an extensive consultation process with the informal sector. The purpose of such an exercise would be to develop strategies that are encompassing for the extension of social security to the informal economy in Namibia. The following issues should be looked into:
 - Estimation of the sector's total size and its contribution to the overall economy of Namibia;

- Total employment and the extent of the secondary or part-time employment (including those in the agriculture industry);
 - Possibility of introducing a levy or taxation by the Government to subsidize social security contributions, as possible financing option.
 - Possible optimal financing/funding formula;
 - Social protection needs of specific segments of informal economy in order to determine in order to inform the design of new social security programmes.
 - Barriers to formalization.
3. Government should make deliberate efforts to assist the informal economy and start putting emphasise on formalising the informal economy, as a long-term objective. In this regard, Government should consider implementing business friendly and attractive policies to assist operators to graduate from informality to formality.
4. The fragmentation in social programmes can lead to a number of adverse outcome affecting their development, delivery (including the overlap and duplication of institutional efforts), inefficient use of resources, inconsistencies between policy objectives and operational practices, and inter-ministerial or inter-agency power disputes, all of which may lead to the benefits and services offered failing to meet the expectations and needs of the population in an

efficient and effective manner. Generally, this a matter of concern as there are too many Government ministries that are involved in the social security's sphere in Namibia and there is great need for such ministries to form a cluster or Government should contemplate to reduce or place social security protection under one roof (of a Ministry). The administration of the social assistance schemes should to be brought under one roof of one Ministry to ensure better coordination and implementation. The specific Ministry will be responsible for the financing, administering and fixing of the social assistance benefits.

5. There is a lack of coordination in delivery of social protection benefits for the non-contributory schemes to the Namibian population due to too many Government Ministries involved. Therefore, it is recommended that the Government should consider introducing a legislation and regulatory to establish an institution primarily to cater for the delivery of non-contributory social protection benefits. Alternatively, the legal framework of SSC could be strengthened or amended to cater for that delivery.

6. Government should show political commitment and willingness to extend social security to the informal economy and establish cooperation with the informal sector association/union to ensure that the sector is well organized through membership subscription and to ensure short-term and long-term sustainability of the provision of social security to this sector.

7. Communication protocol with regard to social protection issues between the Government, SSC and the informal economy (through its representative association/union) should be established in order to raise awareness and to provide information. The researcher is of the view that this will enhance the knowledge and understanding.

8. There is a clear need for institutions involved in the social security sphere in Namibia to invest in social security education. It was observed during the study that there is a clear less public awareness regarding the social security systems as regards the vital proactive, preventive and compensative roles. Increased efforts to raise awareness about and to more fully utilize dimensions inherent to social security should be expended by institutions involved in this sphere. A further aim would be to positively influence public attitudes and behaviour patterns that will be supportive of the sustainable development of, and the extension of coverage under social security programmes.

9. Cross-subsidation by formal sector workers of the informal sector arrangement (i.e. extension of social security to informal economy) may be problematic because business risks associated with issues relating to registration of employers and reliability of information about incomes of employees. Therefore, when extending social protection to the informal economy, SSC should consider

applying a specialized enabling regime and ring-fenced dispensation, as a good practice, if it to accommodate informal sector within the existing social security systems.

Recommendations regarding the suggested framework for social security coverage to informal economy in Namibia and the financing thereof:

10. The extension of social protection to the informal economy should be a joint effort by the Government and SSC in collaboration with informal sector organizations and NGOs. It should be a collaborative policy agenda for social protection to engage informal sector organizations, NGOs and development partners in leveraging social protection to participate in the formulation of the strategy and policy and to help with the sensitization and enrolment of the informal economy.

11. An overarching Social Protection Strategy and a Social Protection Policy for the country should be developed and adopted. A country strategy for the extension of coverage to the informal economy should be incorporated in the overarching Social Protection Strategy. The Strategy should incorporate the following, amongst other things:

- Four broad sets of interventions, namely: protective programs, preventive programs; promotive programs and transformative interventions.
- Design of schemes (and benefits packages);
- Compulsory versus voluntary participation;
- Financial financing choice/options; and
- Administration of various social security programmes.
- A workplan with needs to provide a timetable for designing and commencing implementation of the extension programme, broken down into a preparatory stage, a planning stage, and the implementation stage and onwards

12. Legal and policy framework for implementation of the strategy for the extension of social protection to the informal economy should be developed by the Government.

13. The SSC in its own way should consider ways to extend social protection to the informal economy. In this regards, there are four major aspects that need to be considered in planning extension of the SSC scheme: legislation, administration, financial assessment, and awareness-raising.

14. A social protection expenditure and performance review (SPER) should be undertaken by the Namibian Government, with the assistance of relevant international organizations (e.g. ILO). The objectives of undertaking the

analytical work would be (1) to build a comprehensive base-line of contributory and non-contributory public social security/social protection provisions; (2) to project on a status quo basis the overall social security expenditure, incorporating social insurance, social assistance and health care (i.e. the country's social budget) for a long-term period; (3) to be able to identify the amount of fiscal space - the availability of budgetary room that allows a government to provide resources for desired purpose without any prejudice to the sustainability of a government's financial position - needed to begin to implement a minimum social protection package.

5.4 Areas for Further Studies

From the research, it transpired that the area of social protection and informal economy in Namibia is not well researched and there is a great need to look into that. At this juncture, the following areas for further studies were identified:

1. Legislative and institutional harmonization necessary to eliminate fragmentation, rationalize contribution rates and benefit entitlements as well as promote portable benefits rights.
2. Administration, Management and Governance of social security schemes, contributory and non-contributory in Namibia.

3. Determination of the size of the informal economy and its overall contribution to the economy of Namibia.
4. A comprehensive analysis of social security benefits provision in Namibia.
5. Research on and development of national strategy for the extension of social protection to the informal economy.
6. SSC should to determine specialized enabling regime and ring-fenced dispensation for the informal sector, if it to accommodate informal sector within the existing social security systems.
7. There is a great need to research on the possibility of gradually formalising the informal sector in Namibia in the long-run. What could be done to achieve such an objective?

5.5 Conclusion

The study intended to explore ways in which the financing/funding constraints faced by the SSC in the provision of social security benefits to the informal economy, which segment is critical to the economy of Namibia, can be overcome.

This chapter provided observations and findings, which were followed by recommendations derived from the study as well as the areas for further research.

The process was an invaluable learning experience to the researcher, which has greatly enhanced his theoretical understanding of the issues of social protection.

It is concluded that the study objectives were attained and accompanying research questions were answered to the degree necessary.

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31 January 2013

Dear Sir/Madam/Honourable

CHALLENGES IN FINANCING INFORMAL ECONOMY SOCIAL SECURITY IN NAMIBIA

I have completed course work for the Master of Science in Accounting & Finance (M.Sc. A&F) at the University of Namibia (UNAM), and have to - in partial fulfillment of the requirements for the degree – undertake research and present thesis on “Challenges in Financing Informal Economy Social Security in Namibia”

This research attempts to investigate ways of financing as a measure of social protection to the informal economy in Namibia. The goal is to make recommendations to the Social Security Commission (SSC) and the Government to develop suitable approaches and strategies.

The questionnaire enclosed may pleased be completed and returned by 15 February 2013 to my e-mail addresses (provided above). Alternatively, I shall be collecting it from your office.

Please be assured that the survey is being administered in a manner that research ethics shall be maintained.

Thanks

Kenandei (Kapara) Tjivikua

THEME: "CHALLENGES IN FINANCING INFORMAL ECONOMY SOCIAL SECURITY IN NAMIBIA"

QUESTIONS FOR INFORMAL ECONOMY BUSINESS OPERATOR

A. The following section seeks to collect some demographic details which will help us classify your responses

1. Nature of business/operation (*Please show with X in one or more boxes below.*)

Grocery	
Shebeen	
Handicraft	
Tailoring	
Tourism	
Transport	
Fruits & Vegetables	
Florist	
Handicrafts	
Any other (please specify)	

2. Your capacity/relationship in business (*Please show with X in one or more boxes below.*)

Owner	
Shareholder or Partner	
Director	
Manager/Executive	
Any other (please specify)	

3. Your years of experience in this Informal Economy business (*Please show with X in one or more boxes below.*)

Up to 1 year	
2 to 5 years	
More than 5 years	

B. Critical needs of informal economy not addressed and which cannot be addressed under the existing programmes of the Government and the Social Security Commission (SSC) in Namibia:

1. What are the current social protection/security programmes available to the Informal Economy? (*Please show with X in one or more boxes below.*)

Old-age pension benefit		
Maternity benefit		
Sickness benefit		
Death benefit		
Funeral benefit		
Employees Compensation benefit		
Disability benefit		
War veterans benefit		
Child maintenance benefit		
Foster Care benefit		
Medical benefit		
Pension benefit		
Motor vehicle Accident benefit		
Any other (please specify)		

2. What are the critical needs of the Informal Economy which are not addressed / catered for under the existing social protection/security programmes of the Government and the SSC in Namibia? (Please show with X in one or more boxes below.)

Unemployment benefit		
Medical benefit		
Pension benefit		
Any other (please specify)		

3. What may the possible benefits of the provision of social protection/security to the Informal Economy?

- 3.1.....
- 3.2.....
- 3.3.....

C. Financing/Funding options for the provision of social protection/security to the Informal Economy in Namibia:

1. What are the existing funding options for the provision of social protection/security to the Informal Economy?

- 1.1.....
- 1.2.....
- 1.3.....

D. Development of appropriate programmes for social protection/security to meet the needs of informal economy in Namibia. (Paraphrase the role of the SSC to provide social protection/security to the informal economy in Namibia):

1. Which among the identified social protection/security programmes would you like to be developed and implemented by the Government or the SSC specifically targeting the needs of the different segments of the Informal Economy? (*Please place in order of priority.*)

1.1.....

1.2.....

1.3.....

.....

2. Could you suggest how can the current social protection/security programmes provided by the SSC to the Informal Economy be improved/alterd?

2.1.....

2.2.....

2.3.....

.....

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31 January 2013

Dear Sir/Madam/Honourable

CHALLENGES IN FINANCING INFORMAL ECONOMY SOCIAL SECURITY IN NAMIBIA

I have completed course work for the Master of Science in Accounting & Finance (M.Sc. A&F) at the University of Namibia (UNAM), and have to - in partial fulfillment of the requirements for the degree – undertake research and present thesis on “Challenges in Financing Informal Economy Social Security in Namibia”

This research attempts to investigate ways of financing as a measure of social protection to the informal economy in Namibia. The goal is to make recommendations to the Social Security Commission (SSC) and the Government to develop suitable approaches and strategies.

The questionnaire enclosed may pleased be completed and returned by 15 February 2013 to my e-mail addresses (provided above). Alternatively, I shall be collecting it from your office.

Please be assured that the survey is being administered in a manner that research ethics shall be maintained.

Thanks

Kenandei (Kapara) Tjivikua

THEME: "CHALLENGES IN FINANCING INFORMAL ECONOMY SOCIAL SECURITY IN NAMIBIA"

QUESTIONS FOR SOCIAL PROTECTION / SECURITY, RESEARCH INSTITUTIONS, ETC.

A. The following section seeks to collect some demographic details which will help us classify your responses

Name of Institution:

Nature of business/operation:

1. Your capacity / relationship within institution (*Please show with X in one or more boxes below.*)

Owner	
Shareholder or Partner	
Director	
Manager/Executive	
Any other (please specify)	

2. Period of your association with this Institution (*Please show with X in one or more boxes below.*)

Up to 1 year	
2 to 5 years	
More than 5 years	

B. Critical needs of informal economy not addressed and which cannot be addressed under the existing programmes of the Government and the Social Security Commission (SSC) in Namibia:

- Are there currently social protection/security programmes available to the Informal Economy?
Yes/No
- If yes, what are the current social protection/security programmes available to the Informal Economy? (*Please show with X in one or more boxes below.*)

Old-age pension benefit	
Maternity benefit	
Sickness benefit	
Death benefit	
Funeral benefit	
Employees Compensation benefit	
Disability benefit	
War veterans benefit	
Child maintenance benefit	
Foster Care benefit	

Medical benefit		
Pension benefit		
Motor vehicle Accident benefit		
Any other (please specify)		

3. What are the critical needs of the Informal Economy which are not addressed/catered for under the existing social protection/security programmes of the Government and the SSC in Namibia?

- 3.1
- 3.2
- 3.3
- 3.4

C. Financing/Funding options for the provision of social protection/security to the Informal Economy in Namibia:

1. How are the current social protection/security programmes funded?

- 1.1.....
- 1.2.....
- 1.3.....

2. What are the existing financing/funding options for the provision of social protection/security to the Informal Economy?

- 2.1.....
- 2.2.....
- 2.3.....

3. What possible financing/funding options are you recommending for meeting critical needs of the Informal Economy?

- 3.1.....
- 3.2.....
- 3.3.....

4. How can the provision of social protection/security to Informal Economy be made sustainable over a short-term and long-term?

- 4.1.....

4.2.....

4.3.....

D. Development of appropriate programmes for social protection/security to meet the needs of informal economy in Namibia. (Paraphrase the role of the SSC to provide social protection/security to the informal economy in Namibia):

1. Which social protection/security programmes would you like to be developed and implemented by the Government or the SSC specifically targeting the needs of different segments of the Informal Economy? *(Please place in order of priority.)*

1.1.....

1.2.....

1.3.....

2. Could you suggest how can the current social protection/security programmes provided by the SSC to the Informal Economy be improved/alterd?

2.1.....

2.2.....

2.3.....

3. Are there other issue or disincentives which if addressed will greatly improve the provision of social protection/security to the Informal economy in Namibia which were not covered above?

3.1.....

3.2.....

3.3.....

E. Identification of financing constraints that may be faced by the SSC in the provision of social protection/security to the informal economy in Namibia and evolve appropriate strategies for resolving this intricate problem:

1. What should be the form of financing social protection/security programmes to be provided to the Informal Economy?

Self-sustaining	
Partly financed/funded by another source	
Fully financed/funded by another source	

2. What possible constraints are foreseen for any possible financing/funding option?

2.1.....

2.2.....

2.3.....

3. What other measures besides the provision of social protection/security to the Informal Economy should be taken to benefit lower income groups/wage earners?

3.1.....

3.2.....

3.2.....