



# How inclusive is Uganda's Social Protection Legal and Policy framework in relation to the Informal Economy?

## Policy Brief

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## **Policy Brief**

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## **About the Author**

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## Executive summary

Uganda has demonstrated commitment to social protection through the enactment of various laws, policies and programs. Nonetheless, gaps still exist especially with regards to inclusion of the informal economy. These are informal sector blind or neutral. Most of the laws and policies are enforceable and applicable to the formal sector with similar nuances noted in the programmes. This policy brief therefore recommends extension or adjustment of the existing programs, policies and mechanisms to the informal economy; flexibility on the size and timing of the contributions; and undertaking a detailed impact evaluation of existing social protection initiatives to inform future planning and programming.

## Introduction

Social protection<sup>1</sup> is recognised as critical for sustained poverty reduction, inclusive growth and social cohesion (GoU 2015). In this regard, through the National Social Protection Policy 2015 Uganda has demonstrated its commitment and obligations towards addressing the vulnerable population. Despite the policy being in place for five years now, programme interventions addressing various forms of vulnerabilities are limited. Consequently, vulnerability remains high as suggested by a reversal in poverty levels from 19.7 percent in 2012/13 to 21.4 percent in 2016/17 (UBoS 2017). The most affected with income poverty shocks are persons in the informal economy where various legal and policy provisions are less likely to be enforced. Evidence shows that the informal economy contributed about 52 percent of real GDP in 2018/19 (UBOS, 2019) and employed about 9.1 million Ugandans. Specifically, the informal absorbed more than 85 percent of persons outside agriculture alone (UBoS 2018) of which 91 percent are youth and 86 are females. In this regard, the informal economy is growing and generating wage and self-employment opportunities in unregistered micro and small enterprises.

This brief specifically examines the level of inclusiveness of the legal and policy framework for social protection with specific focus on the informal sector in Uganda. The brief is an extract from Guloba and Ntale (2019) “Social Protection for the Informal Sector in Uganda: A review of laws and policies” paper developed with financial support from the Rights Based Social Protection Project, FES-Zambia.

## Key Findings

**Social protection legal frameworks exist and are sector neutral:** The Employment Act No. 6 (2006) provides for the rights of workers and employers’ obligations, including the duty to give maternity and paternity leave, and prohibits any kind of work that is dangerous or hazardous to a child’s health; Pensions Act, (Cap. 286) grants and regulates pensions, gratuities and other allowances in respect to public service officers; National Social Security Fund Act (NSSF) (Cap. 222) provides for their social security benefits for employees in the private sector, with several ways being considered to expand contributions to workers regardless of the size of the enterprise and accommodate the informal sector. Workers Compensation Act, (Cap. 225) provides for compensation to workers, employed both by Government and the private sector, for injuries suffered and illness incurred in the course of their employment. Box 1 provides a summary of the laws<sup>2</sup>. Most of the legal statements are general and not specific to sector of work.

**Policies addressing social protection are generally informal economy blind:** Specifically, the National Social Protection Policy (NSPP) 2015 identifies expansion of contributory social security schemes to the informal economy as one of its priorities but with no stated avenues on how to implement these. While the National Health Policy (2010) articulates issues of health insurance schemes for all and

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<sup>1</sup> Uganda defines social protection (SP) as “public and private interventions that address vulnerabilities associated with being or becoming poor” (MoGLSD, 2015a).

<sup>2</sup> Article 40 (1) emphasises the right to work under satisfactory, safe and healthy conditions; equal pay for equal work without discrimination, rest and reasonable working hours and periods of holidays with pay and remuneration for public holidays

support for alternative financing schemes such as user fees, in practice, less is being done to extend health insurance to informal economy. The National Health Insurance Bill that was approved by the Cabinet but later declined by the President is yet to materialise. The Bill if approved will benefit the informal economy workers in addition to formally employed workers. Generally, most of the policies are neutral in programming and hence interventions made often overlook the informal sector. Box 1 provides a summary of the policies.

Box 1: Selected legal and policy frameworks for social protection

<b>Laws/regulations</b>	<b>Policies</b>
<ul style="list-style-type: none"> <li>• <i>Employment Act No. 6 (2006)</i></li> <li>• <i>The Minimum Wages Board and Wages Councils Act (Cap 221)</i></li> <li>• <i>The NSSF Act (Cap 222) and NSSF Amendment Bill 2019</i></li> <li>• <i>The Occupational Safety and Health Act No. 9 (2006)</i></li> <li>• <i>The Pensions Act (Cap 286)</i></li> <li>• <i>The Persons with Disability Act (2006)</i></li> <li>• <i>The Registration of Persons Act (2015)</i></li> <li>• <i>The Uganda Retirement Benefits Regulatory Authority Act (2011)</i></li> <li>• <i>The workers Compensation Act (Cap 225)</i></li> <li>• <i>Self-Help Projects Act 245</i></li> <li>• <i>Kampala Capital City Act (2010)</i></li> <li>• <i>Labour Unions Act (2006)</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>The Uganda National Social Protection Policy (2015)</i></li> <li>• <i>The National Child Labour Policy (2006)</i></li> <li>• <i>The National Employment Policy (2011)</i></li> <li>• <i>The National Policy for Older Persons (2009)</i></li> <li>• <i>The National Policy on Disability (2006)</i></li> <li>• <i>The Uganda Gender Policy (2007)</i></li> <li>• <i>The National Youth Policy (2001)</i></li> <li>• <i>National Community Development Policy (2015)</i></li> <li>• <i>The National Orphans and Other Vulnerable Children Policy (2004)</i></li> <li>• <i>National Health Policy (2010)</i></li> </ul>

Source: Author's own construction 2020

**By design, most laws and policies excludes the informal sector:** Most of the social protection laws and policies have heavily focused on the formal sector and efforts to extend them to informal sector have weak points. For instance, the proposed amendments of the Employment Act, 2006 only focuses on domestic and casual workers, thus leave out other informal sector occupations outside these two categories. Similarly, the *Voluntary Retirement Saving Scheme* introduced in National Social Security Fund (NSSF) Act, cap 222 is still limited to former NSSF members who have retired and have joined the informal economy.

In addition, NSSF-the largest social security scheme, is limited to the formal economy and covers employees who work in firms employing a minimum of five (5) workers. Worse still, private social security schemes are few and do not reach many of the individuals in the informal economy. Worse still, the current health insurance coverage is in the range of 1 to 2 percent and largely to the formal sector. Whereas the proposed national health insurance scheme would be a good remedy, the National Health Insurance Bill (NHIS 2019) does not have provision for government to contribute to the Community Insurance Schemes-that mainly target informal economy workers, which is likely to undermine its implementation.

In spite of the Workers Compensation Act (Cap. 225), only a few employers in the private sector have insurance cover, and even those who are insured are largely in the formal sector. Considering the policies, almost all them are universal and do not necessarily segregate persons in formal and informal sector in their coverage. More specifically, there is limited evidence to show expansion of social protection coverage in the informal sector as required by the NSPP (2015).

**Programmes being implemented to social protection directly or indirectly to the informal sector are limited in coverage.** Government led social protection programmes such as the third Northern Uganda Social Action Fund (NUSAF 3) has prioritised labour intensive public works (LIPW) and financial input support to selected agricultural related programmes. Other programmes give direct cash transfers - Expanding Social Protection (ESP) Programme's Social Assistance Grants for Empowerment (SAGE) which targets individuals who are above 60 years of age in 14 districts mainly in Karamoja and Acholi sub regions. As Government expands coverage, elderly persons in new districts aged 80 years and above are the target.

Private non-statutory social security schemes being regulated by Uganda Retirement Benefits Regulatory Authority (URBRA) such as MAZIMA retirement plan and KACITA provident fund directly work with informal sector participants. These programmes are, however, limited in coverage and hampered with inadequate data in terms of knowing who the vulnerable are and where they are for better targeting. Employment enhancing programmes such as Youth Livelihood Programme (YLP), Uganda Women Entrepreneurship Programme (UWEP) and the Youth Venture Capital Fund (YVCF) have also been adopted. These though are neutral and encourage some form of formalisation in order for groups to attain extra benefits. Box 2 provides a summary of social protection related programmes in Uganda.

Box 2: Social Protection (SP) related programmes in Uganda

Direct	Others
<ul style="list-style-type: none"> <li>• <i>The Expanding Social Protection Programme (ESPP)-SAGE</i></li> <li>• <i>Public Pension Scheme</i></li> <li>• <i>National Social Security Fund</i></li> <li>• <i>NUSAF I, II &amp; III</i></li> <li>• <i>Makerere University Retirement Benefits Scheme</i></li> <li>• <i>Bank of Uganda Retirement Benefits Scheme</i></li> <li>• <i>Parliamentary Pension Scheme</i></li> <li>• <i>MAZIMA retirement plan</i></li> <li>• <i>Kampala Capital City Traders Association (KACITA) provident fund</i></li> <li>• <i>Community-Based Health Insurance (BBHI) Schemes</i></li> <li>• <i>Proposed National Health Insurance scheme</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Uganda Women Entrepreneurs Programme (UWEP)</i></li> <li>• <i>Youth Livelihood Programme (YLP)</i></li> <li>• <i>Universal Primary Education (UPE)</i></li> <li>• <i>Universal Secondary Education (USE)</i></li> </ul>

Source: Authors own construct, 2019

### Conclusion

There is without doubt a clear agenda to address social protection without discrimination as demonstrated legal and policy frameworks in place. Nonetheless, these are largely sector neutral or simply put, informal sector blind in addressing its social protection needs. Gaps and challenges especially regarding inclusion of the informal sector remain. The design of the laws and policies make them less enforceable and applicable in the informal sector. In addition, most of the social protection programs (both public and private) are largely in the formal sector, although the formal sector it's self is not comprehensively covered.

### Recommendations

- **Extending or adjusting the existing programs, policies and mechanisms to informal sector.** The Expanding Social Protection (ESP) is already a major step towards broadening the coverage of social protection schemes but there is a need to build on this by expanding coverage without formalisation and reconceptualising the role of formalisation. This can be

done better by using effective SP as an incentive tool to encourage formalisation rather than the other way around.

- **Flexibility on the size and timing of the contributions.** Flexible arrangements such as accepting a range of contribution rather than a fixed amount or proportion would help to offset the irregularity and low incomes of the informal economy. Such arrangements however, need to be backed by technical facilitation if they are to improve the functionality of existing social protection schemes in the informal sector.
- **Undertake detailed impact evaluations of existing social protection initiatives.** To inform future social protection policies and programs targeting the informal sector, there is need for detailed evidence in terms of baseline, midline and end-line comparisons of the existing informal schemes. For this to be achieved social protection initiatives need to have an in-built impact evaluation measurement component.

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