



Ministry of Labour, Industrial
Relations and Employment Creation



NAMIBIA INFORMAL ECONOMY

**Case Study Report
2016/17**

TABLE OF CONTENTS

PREFACE	i
EXECUTIVE SUMMARY	ii
Main Results	ii
Recommendations	iii
List of tables	iv
List of Figures	v
Acknowledgements	vi
List of abbreviations	vii
Chapter 1: Introduction	1
1.1 Background	1
1.2 Objectives	2
1.3 Organization of the Report	2
Chapter 2: Methodology	3
2.1 Target population	3
2.2 Sample design	3
2.3 Sample size	3
2.5 Limitations and Challenges of the Study	5
Chapter 3: Characteristics of Informal Sector in Namibia	6
3.1 Demographic characteristics of own account workers	6
3.2 Organization of enterprises in the informal sector	9
3.2.1 Type of Enterprise	9
3.2.2 Industry of Economic Activities	10
3.2.3 Year and Length of Operation	12
3.2.4 Premises Where Business are Operated	14
3.3 Micro-finance Services and Other Support	15
3.4 Records keeping	17
3.5 Marketing Channels of Products and Services	19
3.6 Challenges and Prospects	22
Chapter 4: Employment in the Informal Sector	24
4.1 Size of the establishment	24
4.2 Paid Employees and Type of Remuneration in the sector	26
4.3 Status in Employment in the informal sector	27
4.4 Benefits in employment	28

Chapter 5: Registration and Social Protection	31
5.1 Registration of enterprises.....	31
5.2 Social Security Registration and Social Protection	32
5.3 Informality and social protection: the coverage gap	38
5.3.1 Extent of coverage gap	38
5.3.2 Strategies to Extend Social Protection in the Informal Sector.....	38
Chapter 6: Legislative and Policy Framework	41
6.1 Introduction	41
6.2 The International Law Context.....	41
6.3 The National Context	42
6.3.1 The Namibian Constitution of 1990	42
6.4 The statutory framework	43
6.4.1 General.....	43
6.4.2 The Labour Act, 2007	43
6.4.3 Workmen's Compensation Act, 1941	43
6.4.4 The Social Security Act, 1994	44
6.5 Conclusion and Recommendations.....	56
6.5.1 Flaws in the current constitutional framework of the Namibian Constitution of 1990	56
6.5.2 Flaws in the current legislative framework of the Social Security Act (SSA), 1994	56
6.5.3 Recommendations	57
Chapter 7: Summary, Conclusions and Recommendations	59
7.1 Summary of Main Results	59
7.2 Conclusion.....	59
7.3 Recommendations	60

PREFACE

The informal economy is a major source of employment and livelihoods in many countries and it interacts closely with the formal economy. Estimates of its size, contributions, and composition vary widely within regions and countries across the world. Therefore investigating the nature and extent of the informal economy in a country is a necessity to informed policy strategies and interventions. Furthermore the findings might provide policy with directions on facilitating the transition of the informal economy into the formal economy, in line with Recommendation 204.

The first ever informal sector survey in Namibia was conducted in 1993. The second was conducted in 2001 with the objectives to provide reliable and up to date information on enterprise and labour activities in the informal economy sector for planning; inclusive policy formulation; implementation and monitoring. However, after the 2001 survey, no follow ups were made on results of the study recommendations. Moreover, the launch of the publication *Measuring Informality: A Statistical Manual on the Informal Sector and Informal Employment* in October 2013, has encouraged more countries to produce and disseminate the necessary data to expand the knowledge base on this relevant topic for the world of work.

Therefore this third report finding of the Informal Sector Survey (ISS) was conducted in eight regions in Namibia during 2016. The main objectives of the survey was to characterize the informal sector into the activities of enterprises, and to provide a snapshot of the legal environment within, which social protection can be extended to the informal sector.

This report provides a wealth of information on the size and nature of the informal sector for planning purposes and the recommendations contained herein would be useful to accelerate poverty reduction.

EXECUTIVE SUMMARY

Like any other country in Africa, Namibia also faces key developmental challenges such as the growing informal economy, lack of decent and secure jobs and lack or insufficient social protection for workers. It was reported by the Namibia Statistics Agency (NSA) from their Annual Labour Force Surveys of 2012-2014 that the informal sector created about 40% employment. However, employment created in the informal economy sector is reported to be largely exploitative and insecure. The other challenge is prevalence of insufficient and up to date information about the character of the informal economy sector in Namibia. This scenario makes it difficult for planners and lawmakers to engage in proper planning, decision making and implement policies of service delivery.

The key findings of this case-study report on the informal sector in Namibia are as follows:

Main Results

- Most of the own-account workers are in urban areas with coverage as high as 76.8%, even though regional variations were evident.
- Most of the own-account workers are young-adult females who have completed junior secondary education and close to 85% of them had access to cell phones.
- Those who have not received any training in running a business were 70%; however 8.5% had received training in crafts, repair and operations of machinery. This suggests either lack of training in operating business and might impact on the sustainability of their businesses.
- The majority of businesses were sole-ownership (92.1%) and about 7% of them are in partnerships. Most of these enterprises were relatively new only having been established in the last 5 years preceding to the survey date. Noticeable was that about 12% of the operators had been operating for less than 6 months. Results also show that over half of the businesses were in wholesale and retail trade, with a slightly equal distribution in urban and rural areas.
- Predominantly, 85% of the businesses were in the non-agriculture sector. As it was expected close to 60% of the businesses were operating at home. Only 19% had business premises with a fixed location that was independent from home.
- Further findings indicated that access to credit and micro-finance is limited in the informal sector, mostly because of lack of awareness to banks and micro-finance services. In fact, financial difficulties was the mostly the challenge faced with running businesses in the informal sector as it was stated. Start-up capital for the informal sector businesses were sourced either from own savings or relatives, friends and neighbours. Advertising of business activities seemed to be known to about a third of those interviewed. However, the most stated method of advertisement is through relatives, friends or neighbours.

A sizable number of enterprises with employees (62%) had only one employee. The majority were permanent employees with a fixed monthly salary, with an average wage of N\$1554.95. Close to half were paid between N\$1,000 and N\$2,000, and a third was paid less than N\$1,000. Employment in the sector was without contracts for most employees and also they work excessive hours, between 9 to 13 hours for most them. Sick leave benefit is accessible to less than 40% of the employees and less than 30% enjoyed annual leave. Non-mandatory leaves were mostly confined to food and transport allowances.

A high number of informal enterprises were not registered (88.9%) with the Social Security Commission. Lack of information as to why they must register was the main reason cited for non-registration. On the other hand, 84.3% of the employees also indicated that they were not registered with the Social Security Commission. Physical inaccessibility to social security offices and lack of knowledge on the part of the own account workers were other reasons given for non-registration. Although most own-account workers did not see the benefit to.

- register their business with the Social Security Commission, they enumerated a number of benefits that would help mitigate exposure to vulnerability.
- For an enhanced or extended social protection in the informal sector, there is need to reform the Social Security Act, or amend the constitution, because access to the social security benefits in Namibia is not a right but a privilege.

Recommendations

Based on findings of this case study, a few policy instruments are highlighted:

- Invest in training and skills development tailored to the needs of the informal sector, which requires market-driven and market-recognized certification of skills. Training may also cover general administrative and management business skills which may impact on sustainability and profitability of businesses.
- Provide opportunities that encourage partnership or more concretize business enterprises that may increase profitability and sustenance. Acquisition of machines or equipment might be possible through co-operatives which may attract more resources than sole-ownership type of ventures.
- Increase awareness on micro-finance services to enhance volume of production, and improve competitiveness or profitability.
- Train informal sector entrepreneurs in financial literacy so that applications for credit or finance are not rejected. At the same time, the training should educate the entrepreneurs on the need to keep records.
- Sensitize own-account workers on the benefits derived from social security for both genders.
- It is critical that measures should be put in place to raise the productivity of informal workers and equally provide them with basic social protection. Social security benefits can be provided through three basic options to increase people's control over their life and extend coverage to informal sector workers and other vulnerable groups in society: (1) Through specially designed and self-financed social insurance schemes; (2) through social assistance; and (3) through the extension and reform of formal sector social insurance.
- Systematically introduce new information and telecommunication technologies to formalize employment and support enterprises.
- Simplify labour laws and tax legislation without sacrificing basic social standards.
- Where there is wage discrimination, give informal workers a stronger voice and remove the stigma attached to informal employment.

Reform the Social Security Act or develop a new Social Security Act to enable extension of social protection to the informal sector, specifically, since as it stands at the moment it may be a burden for the employers in the informal sector. At the same time there is a need to amend the Labour Act and Employees Compensation Act so that they are responsive to the needs of both the formal and informal economies.

LIST OF TABLES

Table 2.1: Sampled own account by regions	4
Table 3.1: Own account workers, by region and area, 2016	6
Table 3.2: Sex and age distribution of own account workers	7
Table 3.3: Marital status of respondents	7
Table 3.4: Nationality of respondents	8
Table 3.5: Education level and access to ICT among the respondents	8
Table 3.6: Kind of training received	9
Table 3.7: Type of business	9
Table 3.8: Position in the business	10
Table 3.9: Industry of economic activities	11
Table 3.10: Year business was established	12
Table 3.11: Length the business has been operating	13
Table 3.12: Frequency of operating business	13
Table 3.13: Fixed premises business	14
Table 3.14: Non-fixed premises	15
Table 3.15: Amenities available at the business premises	15
Table 3.16: Choice of premises	15
Table 3.17: Access to banking and finance services (in percentage)	16
Table 3.18: Loan impact on business	17
Table 3.19: Type of records kept by enterprise	17
Table 3.20: Marketing channels used and paid for	20
Table 3.21: Impact of marketing on business	22
Table 3.22: Challenges/difficulties experienced in running business	23
Table 4.1: Number employees	24
Table 4.2: Number and percentage distribution of paid employees	26
Table 4.3: Type of remunerations	26
Table 4.4: Reasons why employees were not paid	27
Table 4.5: Status of employment	27
Table 4.6: Duration of employment	27
Table 4.7: Type of contract	28
Table 4.7: Mandatory benefits of employment	29
Table 4.8: Non-mandatory benefits	29
Table 5.1: Status of registration of business	31
Table 5.2: Registration of enterprises by region	31
Table 5.3: Year of registration	31
Table 5.4: Reasons businesses in the informal sector was not registered	32
Table 5.5: Name of institutions with which informal businesses are registered ⁸	32
Table 5.6: Status of informal business registration with SSC	33
Table 5.7: Employees registered with SSC	34
Table 5.8: Reasons why informal business are registered with SSC	35
Table 5.9: Reasons why informal businesses are not registered with SSC	36
Table 5.10: Status and frequency of claims from SSC	36
Table 5.11: Reasons for not claiming from SSC	36
Table 5.12: Frequency of SSC contributions by employers and employees	37
Table 5.13: Methods of SSC contributions	37
Table 5.14: Payment method most convenient for transmitting SSC contributions	37
Table 5.15: Products participants found to be more suitable for their needs	38

LIST OF FIGURES

Figure 3.1: Percentage distribution of own account workers by region and rural-urban	6
Figure 3.2: Percentage distribution of type of business by region	10
Figure 3.3: Percentage distribution of industry of economic activities	11
Figure 3.4: Percentage distribution of industry of economic activity by region	12
Figure 3.5: Type of economic activity and the year of establishment.....	13
Figure 3.6: Percentage distribution of reason for establishing business by place	14
Figure 3.7: Types of records by region.....	18
Figure 3.8: Type of records kept by industry type	18
Figure 3.9: Percentage who advertised their business activities by region and location (urban/rural).	19
Figure 3.10: Percentage distribution of number of times of business is advertised by location	20
Figure 3.11: Widely used marketing channels by region	21
Figure 3.12: Amount paid for advertising	21
Figure 3.13: Average amount paid (N\$) by region.....	24
Figure 4.1: Size of establishment based on the number of employees.....	25
Figure 4.2: Percentage distribution employees by sex	25
Figure 4.3: Percentage distribution of employees by industry and sex.....	26
Figure 4.4: Amount paid (N\$) to workers in the informal sector	28
Figure 4.5: Total hours worked per day	29
Figure 4.6: Percentage of workers who received mandatory benefits by sex	33
Figure 5.1: Status of informal business registration with SSC by regions	33
Figure 5.2: Informal businesses registered with SSC by region and areas	34
Figure 5.3: Registration with SSC by type of industry	39
Figure 5.4: Employee registration status with SSC by region	35

ACKNOWLEDGEMENTS

Photos used courtesy of Social Security Commission.

This report was prepared under the auspices of the Labour Resource and Research Institute (LaRRI) by a team headed by Dr Michael Uusiku Akuupa (Director of LaRRI, Windhoek, Namibia). Other core members of the team included Professor Lawrence Kazembe, Dr Ndeyapo Nickanor, both lecturers in the Department of Statistics and Population Studies at the University of Namibia (UNAM), and Mr Bernhard Tjatjara, a Legal Analyst and Law Lecturer at both UNAM and Namibia University of Science and Technology.

The report was prepared under the close and direct supervision of the Ministry of Labour, Industrial Relations and Employment Creation and the Social Security Commission of Namibia. The preparation process, from training to data collection benefitted the involvement of various members from Ministry of Labour, Industrial Relations and Employment Creation, Social Security Commission of Namibia and LaRRI.





LIST OF ABBREVIATIONS

CEDAW	Convention on Elimination of All Forms of Racial Discrimination
ECD	Early Child Development
EFT	Electronic Funds Transfer
GDP	Gross Domestic Product
HUEM	Household Unincorporated Enterprise or Market
ICLS	International Conference of Labour Statisticians
ICSER	International Covenant on Economic, Social and Cultural Rights
ICT	Information Communication and Technology
ILO	International Labour Organization
ISCS	Informal Sector Case Study
ISS	Informal Sector Survey
ITUC	International Trade Union Confederation
KILM	Key Indicators of the Labour Market
LaRRI	Labour Resource and Research Institute
MFI	Micro-Finance Institutions
NGO	Non-Governmental Organisation
NHIF	National Hospital Insurance Fund
NSA	Namibia Statistics Agency
NSP	National Social Protection Policy
NSSF	National Social Security Fund
PSU	Primary Sampling Units
ROSCA	Rotating Savings Credit Association
SACCO	Savings and Credit Cooperatives Societies
SADC	Southern African Development Community
SHG	Self Help Group
SNA	System of National Accounts
SSA	Social Security Act
SSC	Social Security Commission
UDHR	Universal Declaration of Human Rights
UNAM	University of Namibia
VICOPA	Village Community Bank

CHAPTER 1: INTRODUCTION

1.1 Background

The concept of informal sector was coined at the beginning of the 1970s and it gave rise to many theoretical debates. These debates included broadening the concept and systematic criteria of employment definition in labour force surveys, such that today, both the estimates of the informal employment and informal sector employment are compiled and included in many countries. However systematic and comprehensive comparisons worldwide remain difficult. Despite difficulties in measurements, the informal sector is beneficial to economic growth and development and in fact it has contributed substantially to poverty reduction and employment creation. How much the informal sector contributes to the economic growth is still a matter of contention.

Since the independence of Namibia in 1990, there has been a striking visibility in informal activities but the size and growth has not been well examined, with the exception for the 2001 Informal Economy Survey. The latter survey was commissioned by the then Ministry of Labour and Social Welfare, now Ministry of Labour, Industrial Relations and Employment Creation, and sought to provide information on the informal sector activities for planning purposes. The definition of the informal sector has evolved in the following manner: In January 1993 the Fifteenth International Conference of Labour Statisticians (15th ICLS) adopted an international statistical definition of the informal sector that was subsequently included in the revised international System of National Accounts (SNA 1993). The inclusion of the informal sector definition was considered essential as it would make it possible to identify the informal sector separately in accounts and hence, to quantify contribution of the informal sector to the Gross Domestic Product (GDP). In order to obtain an internationally agreed definition of the informal sector, which was acceptable to labour statisticians as well as national accountants, the informal sector had to be defined in terms of characteristics of the production units (enterprises) in, which the activities take place (enterprise approach), rather than in terms of characteristics of persons involved or their jobs (labour approach).

Employment in the informal sector includes all jobs in the informal sector enterprises or all persons who, during a given reference period, were employed in at least one informal sector enterprise, irrespective of their status in employment and whether it was their main or a secondary job. The 15th ICLS (ILO 2000) definition of informal sector enterprises is based on the following criteria: They are private unincorporated enterprises (excluding quasi-corporations), i.e. enterprises owned by individuals or households that are not constituted as separate legal entities independently of their owners and of which no complete accounts are available that would permit financial separation of production activities of the enterprise from other activities of its owner(s). Private unincorporated enterprises include unincorporated enterprises owned and operated by individual household members or by several members of the same household, as well as unincorporated partnerships and co-operatives formed by members of different households, if they lack complete sets of accounts. All or at least some of the goods or services produced are meant for sale or barter with possible inclusion in the informal sector of households, which produce domestic or personal services in employing paid domestic employees. Their size in terms of employment is below a certain threshold to be determined according to national circumstances and/or they are not registered under specific forms of national legislation (such as factories or commercial acts, tax or social security laws, professional groups' regulatory acts, or similar acts, laws or regulations established by national legislative bodies as distinct from local regulations for issuing trade licenses or business permits), and/or their employees (if any) are not registered. They are engaged in non-agricultural activities, including secondary non-agricultural activities of enterprises in the agricultural sector.

According to ILO definition the “informal sector” is referred to as the part of production covered by “household unincorporated enterprises” (UNSD 2008) with little or no division of labour and labour relations based on casual employment, kinship or personal and social relations rather than contractual agreements with formal guarantees. Employment in the informal sector includes all jobs in the informal economy. In contrast, informal employment comprises all jobs “outside the framework of regulations” as defined by labour laws' social protection benefits and the likes. The self-employed are the classical type of informal employment as it is known from the discussion in developing countries. However, analysis is difficult as there are diverse forms of self-employment. One should at least distinguish own account workers (i.e. self-employed without employees) and unpaid family workers who are the clearest cases of informalised employment. The classification of the different types of self-employed is particularly problematic by definition because self-employment is highly informalised. However, it is not obvious where to locate this group on the continuum, given the case that the profits of a self-employed allows for regular contributions to private health care or pensions insurance etc. as there might be dramatic differences for different self-employed. To confuse this definition further, in most developing countries Key Indicators of the Labour Market (KILM) provides information on distribution of workforce by status in employment and can be used to answer questions such as what proportion of employed persons in a country (a) work for wages or salaries; (b) run their own enterprises, with or without hired labour; (c) work without pay in the family unit? To be more specific information on the subcategories of the self-employed group, self-employed workers with employees (employers), self-employed workers without employees (own-account workers), members of producers' cooperatives and contributing family workers (formerly known as unpaid family workers), is not available for all countries but is presented wherever possible. It is therefore important to note that for this report, the concept of self-employed and own-account workers is used interchangeably. Similarly, it is important to mention that the percentage of self-employed/own-account workers with employees is given.

Based on the multi-criteria definition of the informal sector as defined by the ILO, the current study which was commissioned by the Ministry of Labour, Industrial Relations and Employment Creation in conjunction with the Social Security Commission (SSC) in Namibia to seek a deeper understanding of the informal sector in the country. Furthermore, in line with Recommendation 204 of the ILO, the findings might provide policy with direction on facilitating the transition from the informal to formal economy.

1.2 Objectives

The main objectives of this study were to:

1. Characterize the informal sector (nature; size; type of work; type of industries; organization and registration of enterprises; micro-finance services and support; and employment).
2. Examine the legal framework and current legislative support with special emphasis on social protection.
3. Assess access to formal social security networks for social protection; financing; benefits and risk mitigation.
4. Provide policy recommendations
5. Provide benchmarked information for the main survey.

1.3 Organization of the Report

Analysis of the informal sector case study will be presented in chapters as follows: Chapter 2 will outline the method of data collection, followed by characterization of the informal sector in Chapter 3. The chapter presents information on demographic characteristics on operators of informal sector businesses, the type of enterprises, industries of economic activities, finance in the sector, marketing strategies and a presentation on challenges and prospects. In Chapter 4 employment in the sector is presented, in terms of size of establishment and working conditions. Chapter 5 presents issues of registration and social protection, followed by Chapter 6 which covers legislative and legal framework that may govern the informal sector if it can operate as a formal sector. The summary, conclusion, and recommendations conclude the report.

CHAPTER 2: METHODOLOGY

This chapter outlines the methodology used in collecting data and associated sample size. Data was obtained in 8 regions namely! Karas, Khomas, Omaheke, Erongo, Oshana, Ohangwena, Kavango East and Zambezi. The sample size was optimized for each of the 8 regions.

The eight regions were selected based on the following reasons, (i) the Ministry was interested in four regions as a case study representing 14 regions. For instance, Khomas was selected to reflect the urban perspective, while Ohangwena,!Karas and Zambezi were chosen to represent the diversity of the Namibian economic sector. Subsequently, SSC added 4 regions, viz Kavango East, Erongo, Oshana and Omaheke. SSC motivated that the four regions had very few registrations with the Commission, yet have a large informal sector.

2.1 Target population

The target population was all informal enterprises in 8 regions selected as a case-study. The enterprises which were identified for the Informal Sector Case study (ISCS) comprised of (i) households unincorporated enterprise with at least some market production (HUEM); and (ii) production units with low levels of organization and technology and with unclear distinction between labour and capital or between household and production operations.

Other typical characteristics of these units were high mobility and turnover, seasonality, lack of recognizable features for identification and reluctance to share information. The turnover of these production units is quite fast, making it highly unlikely for them to be included in the list of establishments/enterprises that are usually used as sampling frames for business surveys. Moreover, the total number of employees of these production units is usually lower than the threshold number for inclusion in the list of establishments. Thus, it is quite likely that these units are not covered by the regular establishment or enterprise surveys. Although these units might be covered by household surveys, the standard questionnaires for these surveys do not usually include questions pertaining to production, because of these issues, informal sector statistics are not collected through the regular survey system of national statistics offices.

2.2 Sample design

The design for the survey was a stratified two stage design. At the first stage, geographical clusters, which were the primary sampling units (PSUs) were selected proportional to size. Then from the selected PSUs, a fixed number of enterprises for interviews were selected systematically. The primary persons interviewed were employers or own account workers. From this list, employees were selected at every fourth enterprise, which was identified at stage 2 and all interviews conducted were face-to-face, using two different questionnaires for each group (i.e. one for employers and other for employees).

The following procedures were used to obtain the sampling frame. First, a list of households that have enterprises (i.e. HUEM) was generated. Second, a listing of independent enterprises by the roadside or market places was generated. At each listing, the following characteristics were noted:

- a. The type of business (e.g. manufacturing, transport, retailing among others);
- b. Whether the enterprise is mobile or not;
- c. If the enterprise has employees and
- d. The owner of the enterprise.

These characteristics served three purposes (i) to remove duplicates, (ii) to avoid non-contact responses and (iii) to balance the representation of the type of industry.

2.3 Sample size

The sample size was determined based on limited information obtained from the Annual Labour Force surveys". The following assumptions were used (i) a margin of error of 5.5%, with 16 HUEM or enterprises per PSU; (ii) precision of 95%; (iii) design effect of 1.5; (iv) non-response of 20% and (v) an estimated 50% informal activity in each PSU.

The initial sample size is summarized in Table 2.1. No adjustment was done for the non-response. It is assumed that the non-response was missing completely at random. From the expected sample size, about 41 PSUs were without a single household informal activity, giving a reduced sample of 5,917. Further, a total of 15 PSUs did not have an optimal number of enterprises per PSU. This reduced further the sample size to 4,507 enterprises, representing a non-response rate of 21.6%. Table 2.2 shows the regional distribution of the final sampled enterprises.

Table 2.1 Sampled own account by regions

Region	Sample PSUs			Sample enterprises		
	Urban	Rural	Total	Urban	Rural	Total
!Karas	25	19	44	400	304	704
Erongo	49	6	55	784	96	880
Kavango East	22	22	44	352	352	704
Khomas	63	4	67	1,008	64	1,072
Ohangwena	8	45	53	128	720	848
Omaheke	17	23	40	272	368	640
Oshana	28	23	51	448	368	816
Zambezi	13	31	44	208	496	704
Total	225	173	398	3,600	2,768	6,368

Table 2.2: Sampled employers and employees by regions

Region	Employers		Employees	
	Number	Percent	Number	Percent
!Karas	327	7.3	150	10.9
Erongo	505	11.2	307	22.3
Kavango East	435	9.7	83	6.0
Khomas	1,221	27.1	330	24.0
Ohangwena	310	6.9	110	8.0
Omaheke	527	11.7	60	4.4
Oshana	702	15.6	194	14.1
Zambezi	480	10.7	141	10.3
Total	4507	100	1375	100.0

2.4 Recruitment Processes, Training and Survey Structure

The survey was conducted in the eight regions through a team of supervisors and enumerators. For each region, the supervisory team consisted of officials from LaRRI, Ministry of Labour, Employment Creation and Industrial Relations, and SSC. Each team in the region was responsible to about 12 enumerators (which varied depending on the size and sample size of the region). The enumerators were identified through the Ministry using their

employment database. All supervisors and enumerators received adequate training on:

- (i) identification and listing of enterprises;
- (ii) obtaining informed consent;
- (iii) maintaining confidentiality and
- (iv) consistent data collection.

The survey was conducted for a period of 14 days in May of 2016.

2.5 Limitations and Challenges of the Study

In carrying out this study, the following limitations were observed:

1. Developing a sampling frame:

Most surveys are household based, with the NSA master frame used in such instances. On the other hand, enterprise surveys use a sampling frame drawn from the Ministry of Trade and Industry registry. However, such a frame is targeted at formal operators. In the case of Informal Sector Case Study (ISCS), the sampling frame has to be drawn based on a hybrid of the household and enterprise sampling frames.

2. Stratification by type of industry

In labour surveys, representativeness by industry is required. In such instance, it is possible to oversample industries that are under-represented. However, in this case-study, stratification by type of industry was not used.

3. Other elements that characterize the informal sector were not assessed.

When characterizing the informal sector, ILO prescribes the need to assess the incorporation of taxation in the informal sectors and contribution of the informal sector to the GDP. However, due to the poor recording of information from the operators, we did not analyse and report on these aspects.



Chapter 3: Characteristics of Informal Sector in Namibia

While the previous chapter has dealt with methods of collecting data on informal sector in Namibia, this chapter presents an overview of the informal sector with particular emphasis on demographic and socio-economic characteristics of own account worker; organization of enterprises; registration of enterprises and micro-finance services and support.

3.1 Demographic characteristics of own account workers

Table 3.1 and Figure 3.1 presents demographic characteristics of own account workers by region and rural-urban areas. Most of the own account workers in Erongo were in urban areas (90.1%), followed by Khomas (88.8%) and Oshana region (84.6%). The majority of own account workers in rural areas were in Ohangwena region (61.3%) and Kavango East region (43.4%) respectively. All other regions had less than 40% of own account workers in rural areas, with Erongo region being the least (9.9%). Clearly, from Table 3.1 it shows that the concentration of own account workers is in urban areas (76.80%), with distinct regional variations (Figure 3.1).

Table 3.1: Own account workers, by region and area, 2016

Region	Urban		Rural		Total	
	Number	Percent	Number	Percent	Number	Percent
!Karas	261	79.80	66	20.2	327	100
Erongo	455	90.10	50	9.9	505	100
Kavango East	246	56.60	189	43.4	435	100
Khomas	1,084	88.80	137	11.2	1,221	100
Ohangwena	120	38.70	190	61.3	310	100
Omaheke	362	68.70	165	31.3	527	100
Oshana	594	84.60	108	15.4	702	100
Zambezi	339	70.60	141	29.4	480	100
Total	3,461	76.80	1,046	23.2	4,507	100

Note: Sample size changes in most tables below due to non-response and missing data

Figure 3.1: Percentage distribution of own account workers by region and rural-urban

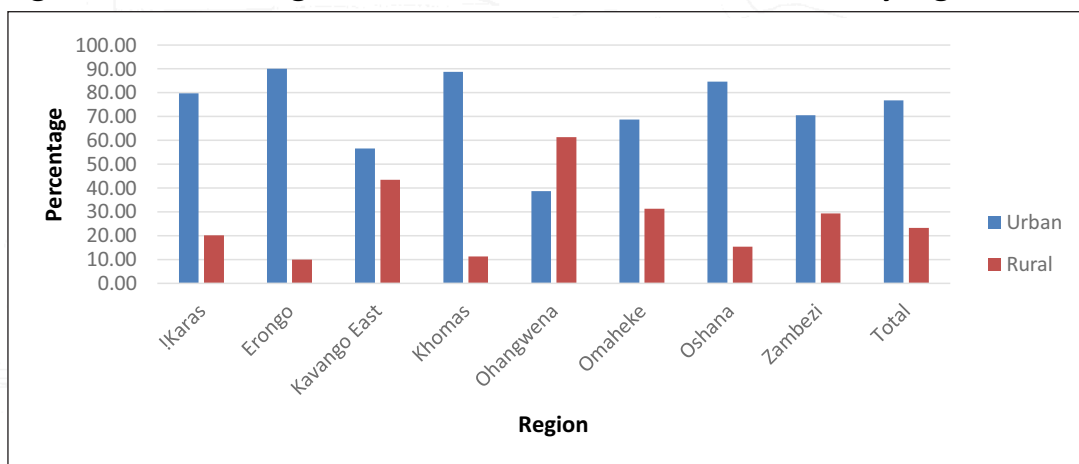


Table 3.2 shows the demographic characteristics of own account workers. A total number of 4,506 own account workers were interviewed. The most important finding is that nearly 70% of the own account workers were female and only 31% were male, this finding is consistent with the literature that the proportion of females engaged in informal employment is higher than that of men.

The majority of own account workers engaged in the informal sector are in the age groups of 30-34 (16.9%), 35-39 (18.4%) and 40-44 (16.3%). The number of own account workers in informal sector declines steadily with increasing age, reaching 281 for those aged 60 years and above. A small number (0.6%) of own account workers are relatively young, aged between 15-19 years (Table 3.2).

Table 3.2: Sex and age distribution of own account workers

<i>Sex</i>	<i>Number</i>	<i>Percent</i>
Male	1,385	30.7
Female	3,121	69.3
Total	4,506	100
Age groups		
15-19	28	0.6
20-24	285	6.4
25-29	616	13.9
30-34	750	16.9
35-39	814	18.4
40-44	722	16.3
45-49	435	9.8
50-54	313	7.1
55-59	189	4.3
60 and above	281	6.3
Total	4,433	100

Table 3.3 shows that majority of own account workers in the informal sector were never married (63.9%) and nearly a quarter (24.5%) were married. Those in consensual unions, divorced, widowed and separated were less than 6%.

Table 3.3: Marital status of respondents

<i>Marital Status</i>	<i>Number</i>	<i>Percent</i>
Never married	2,864	63.9
Married	1,097	24.5
Consensual union	246	5.5
Divorced	66	1.5
Widow / Widower	179	4
Separated	31	0.7
Total	4,483	100

With regards to nationality (Table 3.4) as expected, the majority of own account workers were Namibians (96.5%) with relatively small proportions from neighbouring countries such as Angola (1.4%), Botswana (0.6%), South Africa (0.3%), Zambia (0.3%) and Zimbabwe (0.5%) and a combined proportion of 0.5% were from other Southern African Development Community (SADC), other African countries and all other countries.



Table 3.4: Nationality of respondents

Nationality	Number	Percent
Namibia	4,338	96.5
Angola	63	1.4
Botswana	26	0.6
South Africa	13	0.3
Zambia	15	0.3
Zimbabwe	22	0.5
Other SADC countries	8	0.2
Other African countries	3	0.1
All other countries	7	0.2
Total	4,496	100

Table 3.5 presents information of the level of education of own account workers. The proportion of own account workers in the informal sector who had junior secondary education were 41.1%. Only 24.3% had secondary education. Own account workers without any formal education were 10% and about 4 and 3% had university and vocational training education respectively. For any business, access to ICT is important in the modern day. A greater proportion (84.2%) of own account workers had access to a cell phone, 10.2% had access to a Telephone, 9.6% had access to a smart phone, 7.5% had internet and 5.2% had access to a computer.

Table 3.5: Education level and access to ICT among the respondents

Educational level	Number	Percent
None	426	10
Primary	751	17.6
Junior Secondary	1,755	41.1
Senior Secondary	1,040	24.3
Tertiary	172	4
Vocational	130	3
Total	4,274	100
Access to ICT		
Telephone	458	10.2
Cell phone	3,793	84.2
Smart phone	433	9.6
Internet	336	7.5
Computer	236	5.2
Others	39	0.9
Total	5,295	100

Note: Access to ICT is a multiple response

Table 3.6 provides information on all kinds of training received by own account workers in the informal sector. Most visible is the high number (69.9%) of own account workers without any form of training. The type of training may or may not necessarily be related to the kind of activity currently engaged in. Own account workers with training in craft, repair and operations of machinery were 8.5% while those with training in administrative and business services were 5.8%, followed by 4.7% with personal and protective services training. Other types of training received include services and sales (3.4%); early childhood, child care and education (2.4%); mining, construction, manufacturing and transport (1.6%) and armed forces occupations (1.2%). The proportion of own account workers with training in agriculture, forestry and fisheries, and all other kinds of training (e.g. self-training) were less than 1%. Appendix A1 provides details on training received.

Table 3.6: Kind of training received

<i>Training received (by type of occupation)</i>	<i>Number</i>	<i>Percent</i>
Administrative and Business services	260	5.8
Services and sales	151	3.4
Personal and protective services workers	213	4.7
Agriculture, forestry and fisheries	33	0.7
Crafts, repair and operations of machinery	385	8.5
Mining, Construction, Manufacturing and Transport	72	1.6
Early childhood, child care and education	110	2.4
Armed forces occupations	53	1.2
Health and related services	62	1.4
Others	17	0.4
None	3,151	69.9
Total	4,507	100

Note: Classification from p.37, Section 3.7 of the International Standard of Classification of Occupations

3.2 Organization of enterprises in the informal sector

The estimates from the Annual Labour Force Survey indicate that informal sector supports a significant portion of the total employment. To better understand characteristics of the informal sector, this section examines (i) the type of business; (ii) frequency of operating business; (iii) type of premises where business is carried out; (iv) length the business has been operating.

3.2.1 Type of Enterprise

Table 3.7 presents results on the type of business. Based on the case study, about 92% of the informal enterprises are sole ownership. Partnerships comprised 6%, followed by family businesses at 1.4% and cooperatives (0.4%) respectively.

Table 3.7: Type of business

<i>Type</i>	<i>Number</i>	<i>Percent</i>
Sole ownership	4,144	92.1
Partnership (2-10)	271	6.0
Cooperatives (10-50)	19	0.4
Family enterprise	62	1.4
Others	4	0.1
Total	4,500	100

Figure 3.2 shows regional variations in type of businesses operated. Sole ownership was highest in Oshana (96.9%) and Kavango East (95.9%) regions, while partnerships were the business form operating most in Ohangwena (10.3%), Omaheke (9.7%), !Karas (9.2%) and Erongo (8.0%). The majority of the businesses (91.8%) are operated by owners, or partners (7.3%). Further Table 3.8 shows only less than 1.0% was operated by family members or cooperative members and supervisor.

Figure 3.2: Percentage distribution of type of business by region

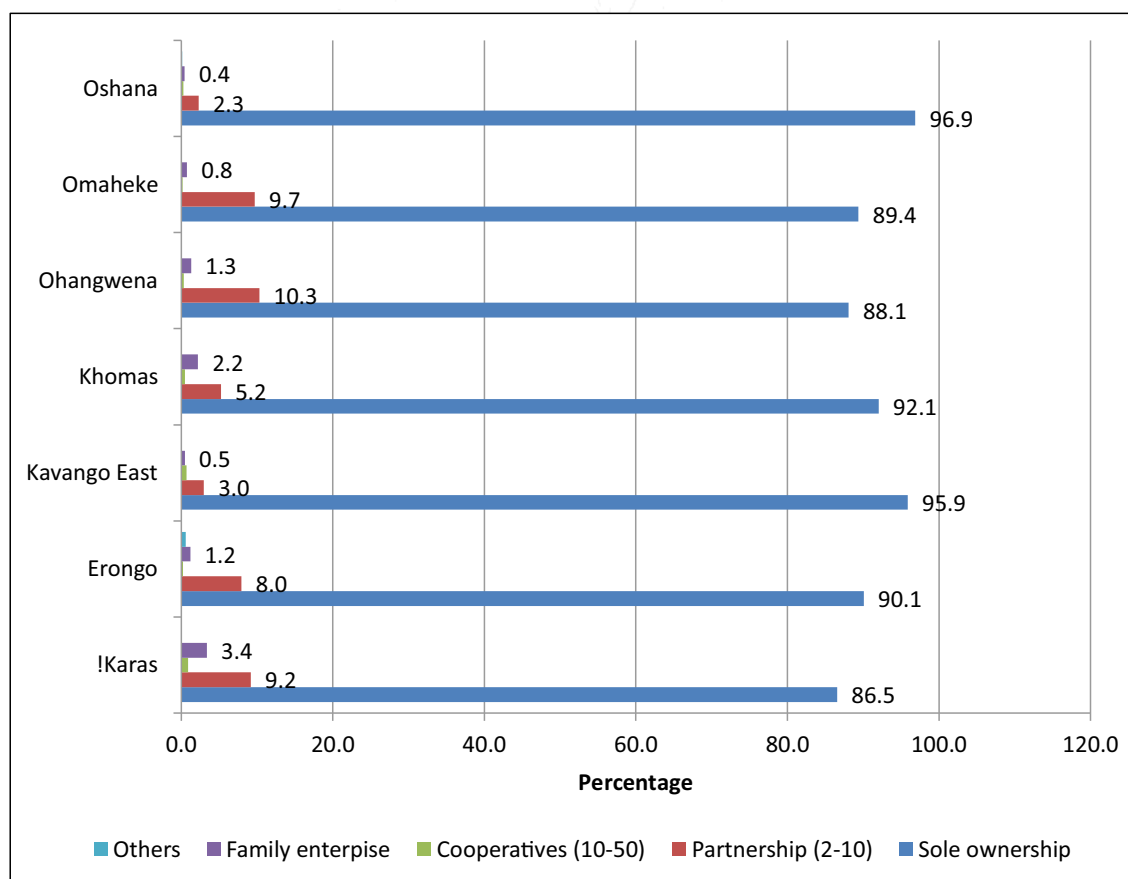


Table 3.8: Position in the business

<i>Position</i>	<i>Number</i>	<i>Percent</i>
Sole owner	4,141	91.8
Partner	330	7.4
Family enterprise member	11	0.3
Member (Cooperative)	8	0.2
Supervisor	1	0.0
Others	20	0.5
Total	4,511	100.0

3.2.2 Industry of Economic Activities

The informal sector survey used International Standard Industrial Classification (Version 4) in generating the codes for the “main industry” variable. Table 3.9 shows that wholesale and retail trade dominated the informal sector economy (54.4%), followed by manufacturing (16.4%) and agriculture (15.1%). The least economic activities in the informal sector were electricity, gas and water (0.4%) and transport, storage and communication (0.7%). Appendix A2 gives fuller details of business activities.

Table 3.9: Industry of economic activities

Industry	Number	Percent
Agriculture	679	15.1
Manufacturing	738	16.4
Electricity, gas and water (EGW)	16	0.4
Construction	48	1.1
Wholesale and retail trade (WRT)	2,452	54.4
Transport, storage and communication (TSC)	33	0.7
Financial services	73	1.6
Community, social and personal services (CSPS)	466	10.3
Total	4,505	100

Figure 3.3 shows that wholesale and retail trade provided most jobs in rural areas (57.1%), followed by manufacturing (21.1%) and agriculture (16.5%). On the other hand, in urban areas, industries that provided most jobs to the community were social and personal services (12.5%) as well as financial services (1.9%). Construction only offered small percentage of jobs in both rural and urban areas (1.1% each). In Figure 3.4, Khomas region had the largest share of both agriculture and non-agriculture industries, with non-agriculture offering slightly more jobs. Agriculture industries were more prevalent in Kavango East, Oshana and Zambezi regions, while in Erongo, !Karas and Omaheke regions, non-agricultural economic activities were relatively dominant.

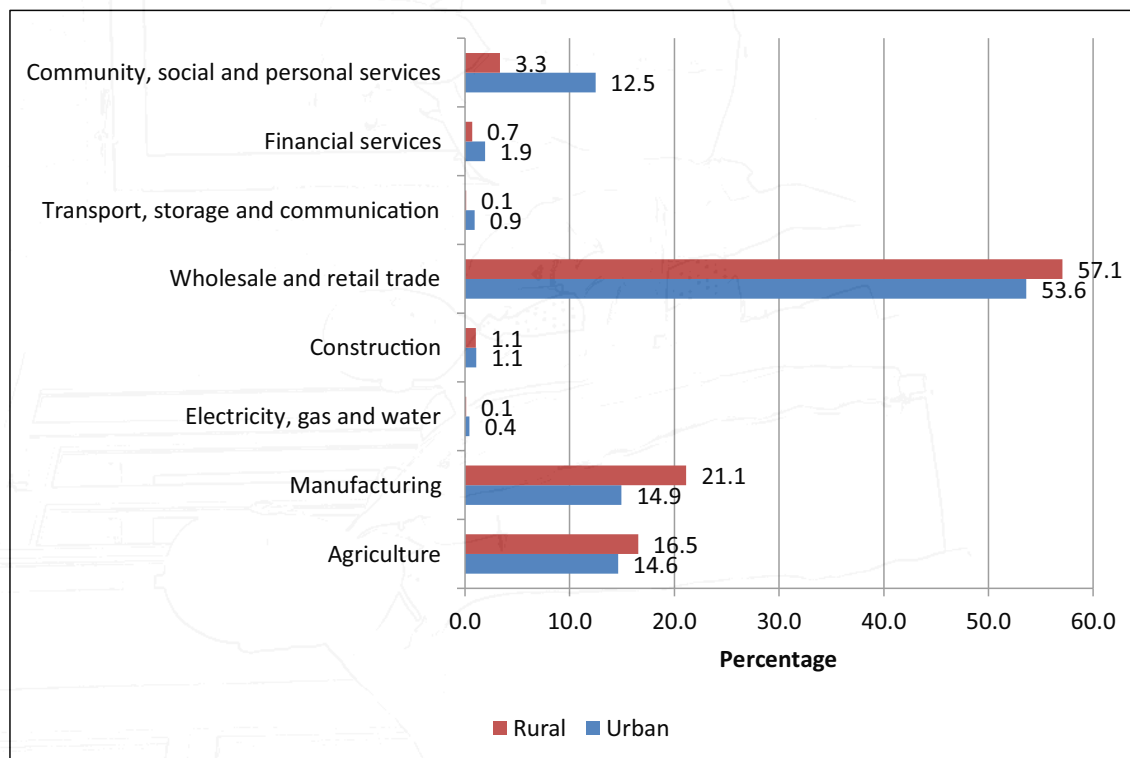
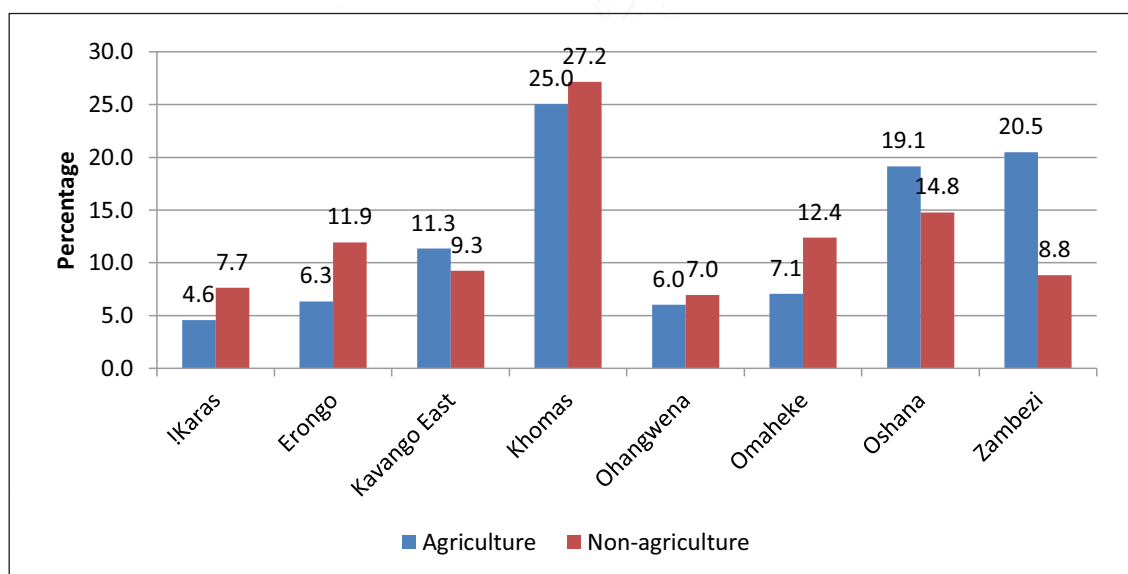
Figure 3.3: Percentage distribution of industry of economic activities

Figure 3.4: Percentage distribution of industry of economic activity by region



3.2.3 Year and Length of Operation

In terms of year the business was established, Table 3.10 shows that over 60% of the enterprises were established between 2010 and 2016. Only about a third (27.3%) was established during the period between 2000 and 2009. Very few enterprises (2.3%) have been in existence before Namibia gained independence in 1990. Figure 3.5 shows that most enterprises in the TSC industry (81.8%) were established in the period 2010 and 2016. A similar pattern is portrayed in the financial services and CSPS group of industries. For the construction group, a slightly equal proportion of enterprises were established in 2000 - 2009 and 2010 - 2016 periods.

Table 3.10: Year business was established

Year	Number	Percent
<1990 (Before Independence)	104	2.3
1990 - 1999	384	8.6
2000 - 2009	1,211	27.3
2010 - 2016	2,743	61.8
Total	4,442	100



Figure 3.5: Type of economic activity and the year of establishment

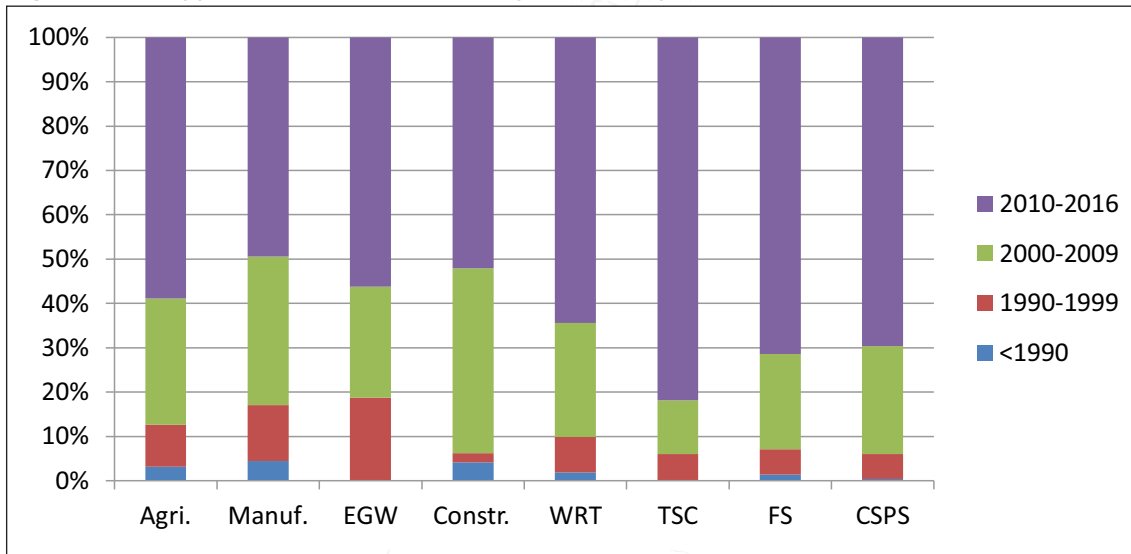


Table 3.11 presents the length which businesses have been operating. Close to half (47.0%) of businesses have been operating for more than 5 years. However, other businesses were relatively new. For example, there are those that have been operating less than 6 months (12.1%) while 3.5% have been in operation for 6 to 12 months. Only about a third of enterprises have been operating for a period of 1 to 5 years. From the sampled enterprises, over three-quarters of informal enterprises were operating throughout the year (Table 3.12), while others were seasonal (4.2%). However, about 20% of the enterprises were occasional enterprises.

Table 3.11: Length the business has been operating

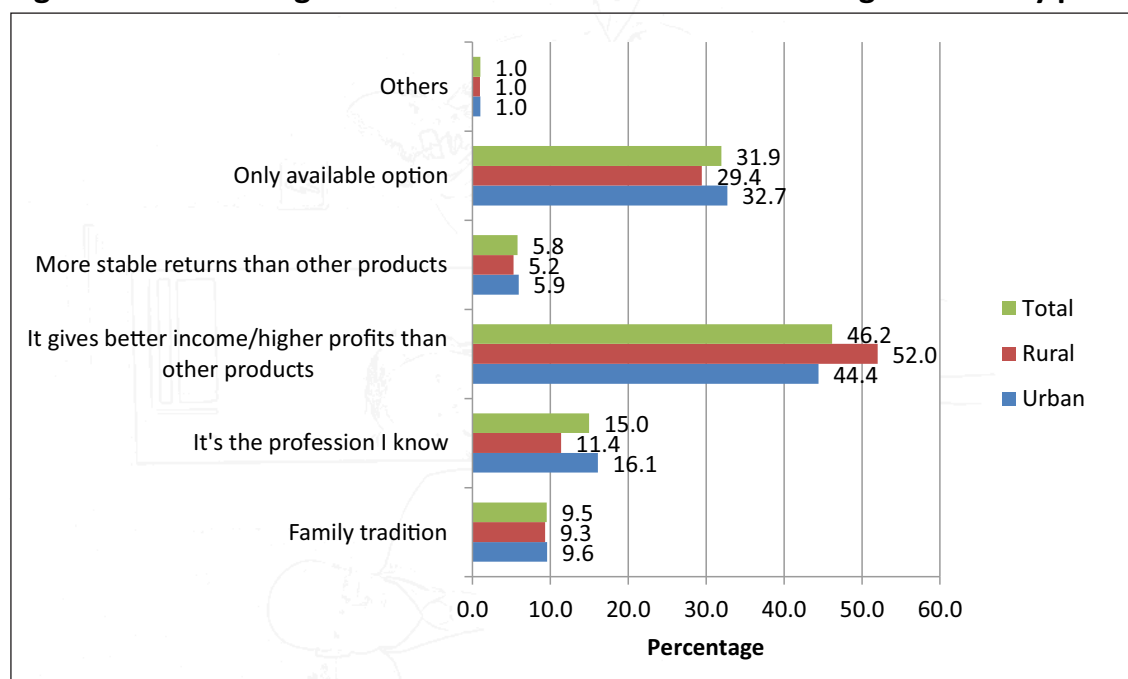
<i>Length</i>	<i>Number</i>	<i>Percent</i>
<6 months	540	12.1
6 - 12month	157	3.5
1 - 2 yrs.	961	21.6
3 - 5 yrs.	700	15.7
>5 years	2,087	47.0
Total	4,445	100

Table 3.12: Frequency of operating business

<i>Operation</i>	<i>Number</i>	<i>Percent</i>
Occasional	837	18.8
Seasonal	187	4.2
All year	3,384	76.0
Others	43	1.0
Total	4,451	100

In addition, Figure 3.6 provides main reasons why enterprises were established. Most respondents (46.2%) report that they established their businesses because it gives better income and higher profits than other activities. However, others report that it was the only available option (31.9%) and that the business is the only profession they know (15.0%).

Figure 3.6: Percentage distribution of reason for establishing business by place



From Figure 3.6, other respondents indicated that running business is part of family tradition while others reported that business provided more stable returns than other products (9.5%). The creation of business varied slightly by place of residence. While rural residents seem to indicate that having the business gives a better income or higher profits (52.0% in rural areas versus 44.4% in urban areas), urban residents were more likely to establish a business for other reasons (Figure 3.6).

3.2.4 Premises Where Business are Operated

The premises where enterprise owners were operating from shows a strong preference for home-based premises, with over 50% (Table 3.13). About a fifth (18.6%) of enterprises were operating from business premises with fixed location independent from home. Other places reported were the market place (12.6%) and streets/pavement/ highway with fixed post (9.7%). Only very few informal enterprises were operated at construction sites (0.8%).

Other enterprises were operating from non-fixed premises. Table 3.14 shows that over 77% traded their merchandise from door-to-door (mobile), while others use vehicles to do their trade (17.1%), followed by about 5.6% who operated from non-fixed construction sites.

Table 3.13: Fixed premises business

Premises	Number	Percent
At home with no specific workplace	1,368	31.6
At home with work space/attached to home	1,116	25.8
Business premises with fixed location independent from home	805	18.6
Construction site	35	0.8
Market space	546	12.6
Street /pavement /highway with fixed post	421	9.7
Others	32	0.7
Total	4,327	100.0

Table 3.14: Non-fixed premises

<i>Premises</i>	<i>Number</i>	<i>Percent</i>
Transport vehicle	110	17.1
No fixed location (mobile, door-to-door, walking vendor)	499	77.4
Construction site(s)	36	5.6
Total	645	100.0

The business premises have varied amenities, including electricity, water, toilet and shade. However, the percentage coverage is mostly under a quarter (25%) for each of these. Table 3.15 shows that electricity was only available to 22.3% of the premises, while water was available in 23.0% of the premises. Toilets and shades were in about 19% and 25% of the business premises respectively. About 10.5% of the business premises did not have any amenities.

Table 3.16 indicates that the choice of premises for business was mostly determined by affordability (35.1%) followed by a place being a right or conducive environment (30.0%). Other factors that are related to choice of premises where businesses are conducted were: “it’s convenient”, or “profitable location”, or “others, with respective proportions of 17.0%, 17.5% and 0.3%.

Table 3.15: Amenities available at the business premises

<i>Amenities</i>	<i>Number</i>	<i>Percent</i>
None	938	10.5
Electricity	1,992	22.3
Water	2,060	23.0
Toilets/ablution	1,664	18.6
Shade	2,241	25.1
Others	47	0.5
Total	8,942	100.0

Table 3.16: Choice of premises

<i>Premises</i>	<i>Number</i>	<i>Percent</i>
Right or conducive environment	1,525	30.0
Affordability	1,787	35.1
Convenient	866	17.0
Profitable location	891	17.5
Other(s)	15	0.3
Total	5,084	100.0

3.3 Micro-finance Services and Other Support

It is generally accepted that the existence of an efficient financial sector contributes positively to poverty reduction by expanding access of poor and vulnerable segments of the population to credit. Indirectly, doing so allows the poor to contribute to economic growth.

Based on the case study results, about 38% of the informal sector operators in urban areas had a bank account as opposed to 30.4% in rural areas. About 70% of the accounts were personal. Only about a third were aware of banking and micro-finance services in both urban and rural areas with a little 2.0% more people in rural areas aware of financial support (Table 3.17). About 77% in either location (urban or rural) ever applied for a loan or credit from the bank or micro-finance. For those who applied, about two-thirds (67.5%) were successful in urban areas, while about 71% in rural areas were successful.

Table 3.17: Access to banking and finance services (in percentage)

<i>Finance</i>		<i>Urban</i>	<i>Rural</i>
Have bank account	Yes	38.0	30.4
	No	62.0	69.6
	Total	100.0	100.0
Awareness of bank, micro-finance services	Yes	30.7	32.7
	No	69.3	67.3
	Total	100.0	100.0
Ever applied for loan or credit	Yes	23.1	23.7
	No	76.9	76.3
	Total	100.0	100.0
Application successful	Yes	67.5	71.4
	No	32.5	28.6
	Total	100.0	100.0
Why application rejected	Incomplete document	22.9	19.8
	Complete but not convincing documents	8.8	9.8
	Insufficient collateral	32.4	29.5
	Activity/enterprise was deemed not viable	18.2	22.2
	Others	17.6	18.8
	Total	100.0	100.0
Sources of Finance	Own savings	27.9	26.0
	Relatives/friends/neighbours	49.1	45.0
	Employer	8.5	12.1
	Landlord	0.2	0.1
	Cash loans	2.3	2.2
	Community saving group	1.1	1.4
	Government	0.7	1.6
	Private bank	9.7	11.4
	Cooperative	0.4	0.0
	Others	0.2	0.2
	Total	100.0	100.0
Reason Never Applied Loan	Documentation	9.4	8.8
	Procedures are too complicated	14.8	17.7
	No collateral	10.7	12.0
	Available funding do not correspond to my needs	5.0	3.9
	Not interested	20.1	12.7
	Don't know where to apply	25.6	30.0
	Others	13.7	14.8
	Total	100.0	100.0

Among those who applied for a loan and had their application rejected, the majority mentioned that they had insufficient collateral (32.4% in urban areas and 29.5% in rural areas). This was followed by 22.9% in urban and 19.8% in rural areas, who indicated they had incomplete documents. Others mentioned that their applications were rejected because the enterprise was deemed not viable (18.2% and 22.8% in urban and rural areas respectively). Overall there was no difference in reasons given between rural and urban areas.

Table 3.17 also reports on the sources of finance for starting a business. Close to half (49.1%) in urban areas and 45.0% in rural areas received finance from relatives/friends/neighbours. This is followed by those who used own savings to set up their businesses (27.9% and 26.0% in urban and rural areas). Only 10 percent secured funds from private banks (9.7% in urban areas and 11.4% in rural areas), while 8.5% in urban areas and 12.1% in rural areas received finance for business from their employers. Government, community savings groups and cooperatives provided for only less than 2% source of finance.

Again Table 3.17 provides summaries of reasons why the respondent never applied for a loan. The highest percentage (25.6 % in urban and 30.0% in rural areas) said they don't know where to apply, while 20.1% in urban and 12.7% in rural areas said they are not interested. Another group of respondents, 14.8% in urban areas and 17.7% in rural areas, think that the procedures of applying for a loan are complicated, whereas others mentioned that they had no collateral (10.7% and 12.7% in urban and rural areas respectively).

In Table 3.18, the impact of loans is presented. Close to 60% of those interviewed think that the loan they applied for in the past increased volume of production (44.4% in urban and 43.6% in rural areas) and increased volume of sales (14.2% in urban areas and 17.3% in rural areas). Other impacts of loans cited were an improvement of competitiveness and profitability (9.4% in urban; 13.6% in rural areas), diversification of production (6.1% in urban and 9.1% in rural areas), and financial difficulties (8.9% and 10.0% in rural areas).

Table 3.18: Loan impact on business

<i>Loan Impact</i>	<i>Urban</i>	<i>Rural</i>
Increased volume of production	44.4	43.6
Diversification of production	6.1	9.1
Increased volume of sales	14.2	17.3
Improvement of competitiveness/profitability	9.4	13.6
Recruitment of additional staff	4.3	0.0
Working less time	0.3	0.0
Utilization of less staff	0.3	1.8
Reduced Financial difficulties	8.9	10.0
Others	12.2	4.5
Total	100.0	100.0

3.4 Records keeping

One distinctive character about the informal sector is that there is minimal or no record keeping. This section reports on how many enterprises keep records what type of records. Table 3.19 shows that most enterprises had no records (45.6%). This is followed by those who kept human resources related records (34.2%) and financial records like book-keeping (20.0%). Others indicated they keep records of stock, production and credits (0.2%). Within those who kept no records we also capture a small portion that indicated they “just keep in their head”.

Table 3.19: Type of records kept by enterprise

<i>Type of records</i>	<i>Number</i>	<i>Percent</i>
No records	3,921	45.6
Human Resources related records	2,963	34.2
Financial records	1,731	20.0
Others (e.g. stock records; production records; credits records)	50	0.2
Total	8,665	100

Note: multiple response variables

Figure 3.7: Types of records by region

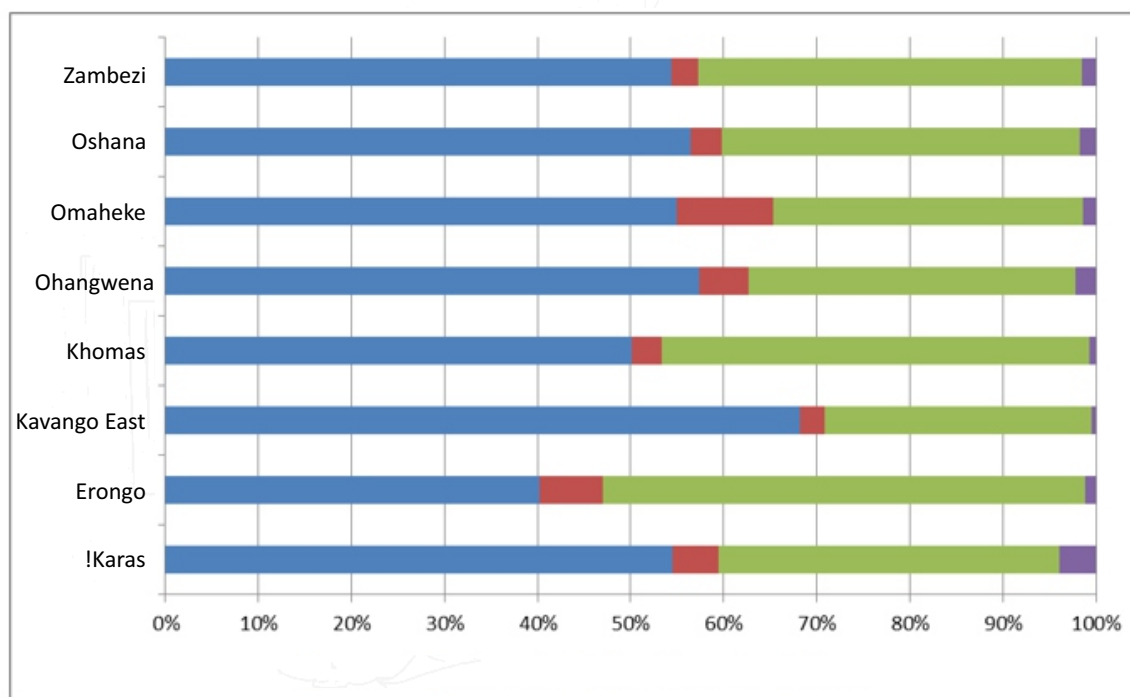
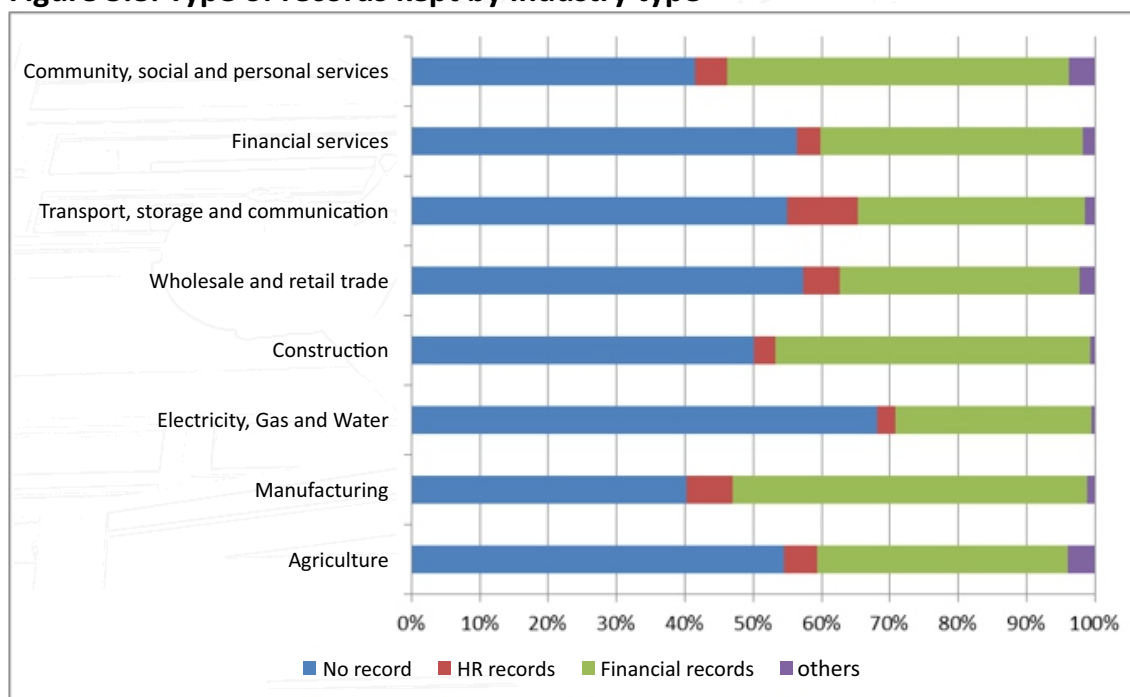


Figure 3.7 presents the percentage distribution of record keeping by region. The highest proportion of enterprises not registered was in Kavango East (68.2%), followed by Ohangwena (58.7%). Human resources were least kept by business operators, with most regions reporting less than 10%, except for Omaheke with 10.4%. Over half of the enterprises (51.8%) in Erongo were keeping financial records, followed by Khomas (47.0%).

Figure 3.8 shows distribution of record keeping by industry. The agriculture group posted a highest percentage without records (60.5%). Enterprises engaged in transport, storage and communication were more likely to keep financial records (71.8%). This is followed by those in electricity, gas and water and financial services, which showed about 60.0% and 48.6% respectively. Human resource records were somewhat kept in the financial services group (15.7%) and construction (10.9%).

Figure 3.8: Type of records kept by industry type



3.5 Marketing Channels of Products and Services

Marketing is a key strategy for growing business. An important problem confronted by the informal sector is lack of adequate support for business opportunities through branding of products and marketing channels. The marketing of activities and services in the informal sector is important to promote products and increase sales and production. However, only few in the sector are able to absorb advertising rents. We investigated this by asking 6 questions: Do you market your products/ services? What are the channels for marketing your business? Which advertising channels do you pay? How much do you pay on average per month for advertising? How many times (on average) do you advertise? What is/was the impact of marketing on your business?

From those interviewed, 31.4% (n=1,395) indicated that they advertised their business activities, with a relatively high percentage in urban areas (33.6%), than rural areas (24.2%). Figure 3.9 presents the percentage distribution of advertising by region and location. The highest percentage advertising was reported in Zambezi region (48.7%) with 56.8% in urban areas and 38.1% in rural areas of the region. This is followed by ! Karas and Omaheke regions (45.8% and 41.5%). In !Karas the percentage advertising by location was 49.4% and 31.8%, in urban and rural areas respectively, while in Omaheke region, those in urban areas reporting advertising were 44.1% and 35.8% in rural areas. The least advertising regions were Kavango East (13.2%), Ohangwena (16.2%) and Oshana (16.7%). In Kavango East, it was observed that more businesses were advertising in rural areas (17.0%) compared to urban areas (10.3%).

Figure 3.9: Percentage who advertised their business activities by region and location (urban/rural).

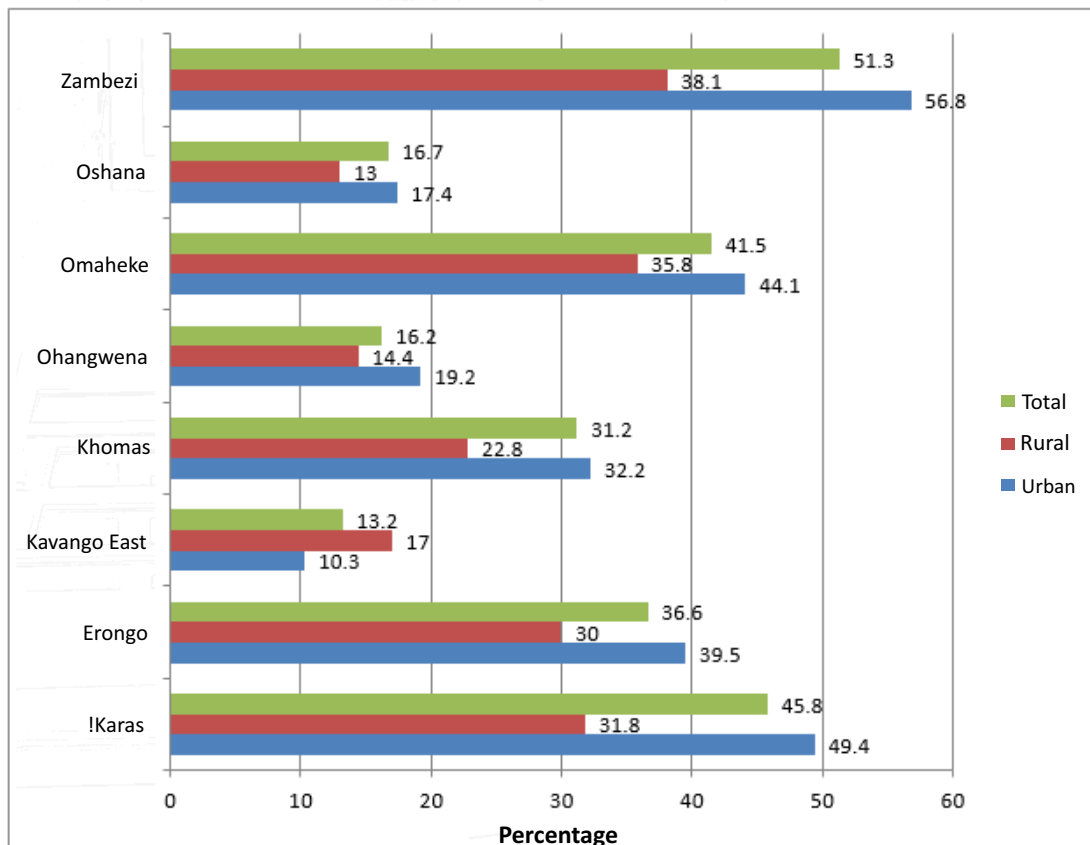


Figure 3.10 displays the number of times, by location, the businesses were advertised. Over half of businesses (50.4%) advertised their activities on a daily basis, followed by those who do so “on ad-hoc” basis (18.3%) or monthly (11.2%). Only 5.2% do so annually. Daily advertising was dominant in urban areas (53.3%) than in rural areas (36.1%). For all other forms and intensity of advertising, rural areas were dominant, although the difference was not much.

Figure 3.10: Percentage distribution of number of times of business is advertised by location

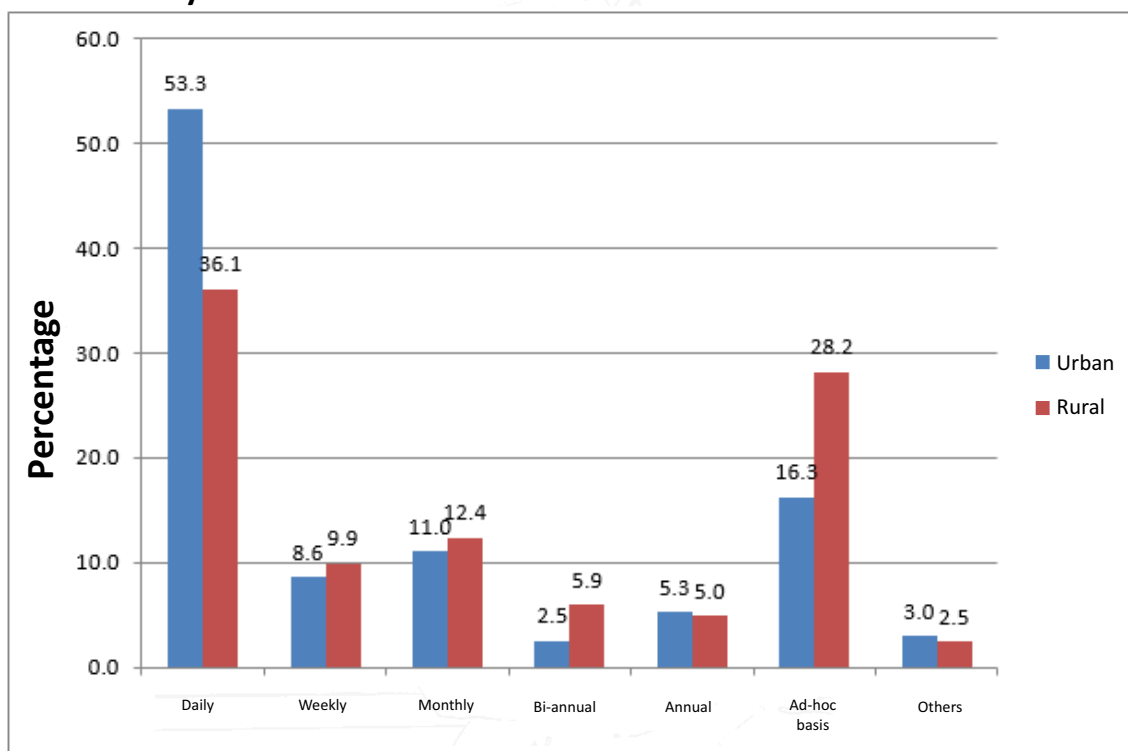


Table 3.20 shows a summary of marketing channels used for advertising business activities. The majority (65.2%) of businesses advertised their products and services through relatives, friends or neighbours. Close to 12% used billboards whereas, others used social media (11.8%), pamphlets/brochures (4.6%), radio (4.1%) and newspapers (3.2%). The least used channel was Television (0.4%).

Among those who advertised their products and services, about 68.8% (n=999), did not pay for advertising. Table 3.20 shows the distribution of channels they paid for. Channels such as the social media, billboards, and radio were three most common channels paid for. All those who used Television, they paid for it.

Table 3.20: Marketing channels used and paid for

Marketing Channels used	Number	Percent
Relatives/friends/neighbours	981	65.2
Newspaper	50	3.2
Pamphlets/brochure	72	4.6
Television	7	0.4
Radio	65	4.1
Social media	170	10.8
Billboards	151	11.8
Others	58	3.7
Total	1,569	100
Marketing channels paid	Number	Percent
Relatives/friends/neighbours	21	1.4
Newspaper	43	3
Pamphlets/brochure	51	3.5
Television	8	0.5
Radio	71	4.8
Social media	153	10.5
Billboards	87	6.1
None	999	68.8
Others	15	0.1
Total	1452	100

Figure 3.11 presents the distribution of five widely used marketing channels by region. As expected, in all regions advertising through relatives, friends and neighbours was common in all regions. Use of billboards for advertising was widely used in Erongo region (27.1%) while social media was widely used in Oshana (16.7%) and Erongo (15.4%). The use of radio was the highest in Kavango East (8.2%) followed by Ohangwena (7.0%), whereas uses of pamphlets/brochures were popular in Oshana (11.1%) and Erongo regions (7.1%).

Figure 3.11: Widely used marketing channels by region

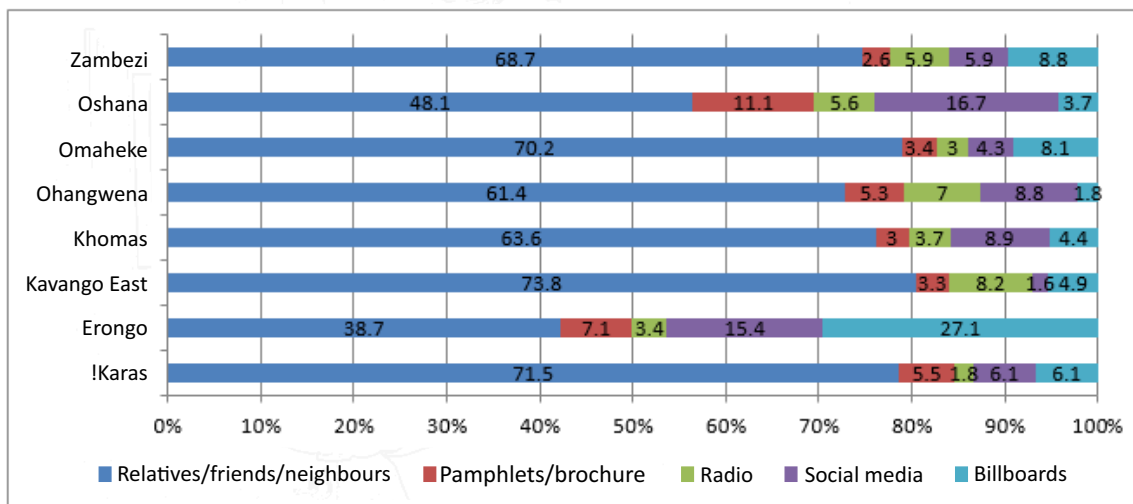
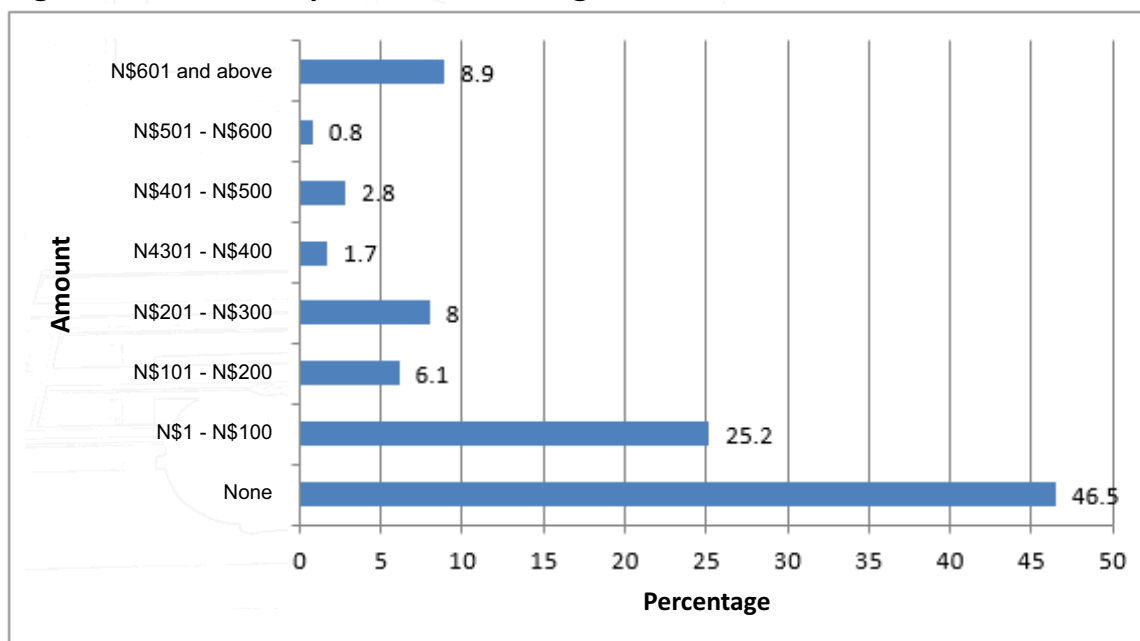


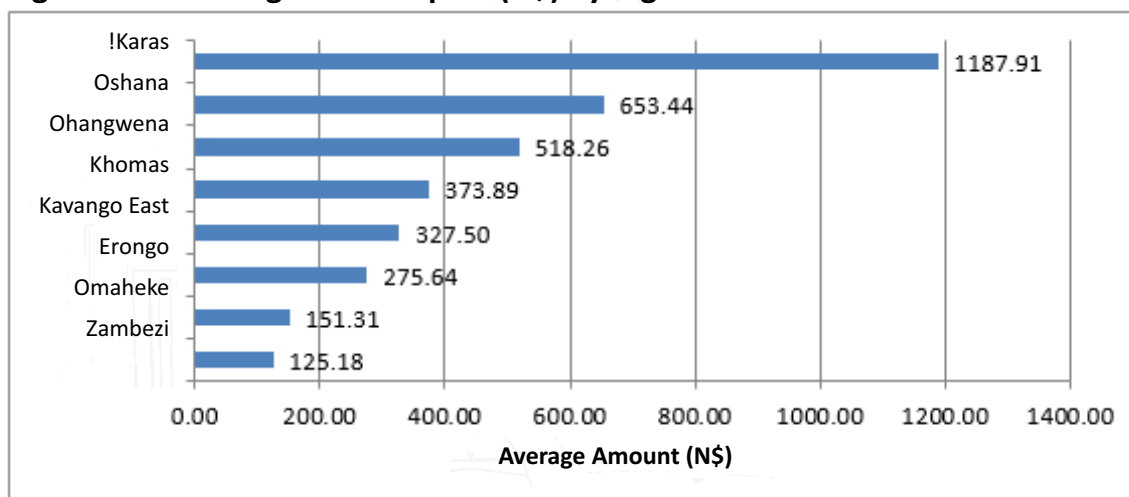
Figure 3.12 shows the percentage of amount paid for advertising. Close to half (46.5%) of advertising was not paid for, while about 25.2% paid between N\$1 and N\$100, followed by those who paid N\$201 - N\$300 (8.0%). Those who paid the highest amount (N\$601 and above) for marketing constituted a proportion of about 8.9%.

Figure 3.12: Amount paid for advertising



In Figure 3.13, displays the average amount paid for advertising in each region. The highest average amount paid (N\$1,187.91) was reported in! Karas region, while the lowest amount paid (N\$125.18) was recorded in Zambezi region. For the predominantly urban regions, Khomas and Erongo, the average amount paid for advertising was N\$373.89 and N\$275.64 respectively.

Figure 3.13: Average amount paid (N\$) by region



The impact of marketing on business is summarized in Table 3.21. The majority (47.7%) reported that advertising increased the volume of production, while others said it improved the competitiveness and profitability of their businesses (37.1%). About 8.0% suggested that advertising permitted them to diversify the production. On the other hand, a small percentage of less than 5 %, reported that advertising allowed them to recruit additional staff (3.4 %), working less time (2.4 %) and utilization of less staff (0.5%). However, less than 1 % of respondents suggested that there was no change brought about due to advertising.

Table 3.21: Impact of marketing on business

<i>Impact of marketing on business</i>	<i>Number</i>	<i>Percent</i>
Increase volume of production	762	47.7
Diversification of production	128	8.0
Improvement of competitiveness/profitability	594	37.1
Recruitment of additional staff	55	3.4
working less time	39	2.4
Utilization of less staff	8	0.5
No change	11	0.7
Others	2	0.1
Total	1,599	100

3.6 Challenges and Prospects

This survey also asked respondents to indicate the challenges or difficulties they experience. HUEMs face diverse problems and difficulties in operating their business, which are summarized in Table 3.22. The majority of respondents indicated financial difficulties as one of the major challenges impacting their businesses. More than half of informal operators interviewed also mentioned limited/lack of customers as some of the challenges. Other challenges mentioned were lack of space (41.9%), too much competition (32.5%), limited supply of raw materials (28%) and lack of machines and equipment (22.5%). Other challenges identified by respondents were difficulties in organization or management of business; too much control, taxes and law.

Table 3.22: Challenges/difficulties experienced in running business

<i>Challenges/difficulties</i>	<i>Frequency</i>	<i>Percent</i>
Supply of raw materials	1,262	28.0
Sale of products-lack of customers	2,293	50.9
Sales of products-too much competition	1,464	32.5
Financial difficulties	3,128	70.6
Lack of space	1,889	41.9
Lack of machines or equipment	1,013	22.5
Organisation, management difficulty	197	4.4
Too much control, taxes, law	319	7.1
Limited product variety	128	2.8
Customers taking things on credit	65	1.4
Lack of electricity	48	1.1
Crime	14	0.3
Transport cost	24	0.5

Note: multiple response variables



Chapter 4: Employment in the Informal Sector

This chapter profiles employment characteristics in the informal sector. The chapter also reports on individual characteristics of the employed population and nature of employment based on responses from both own-account employees and other employees in the sector.

4.1 Size of the establishment

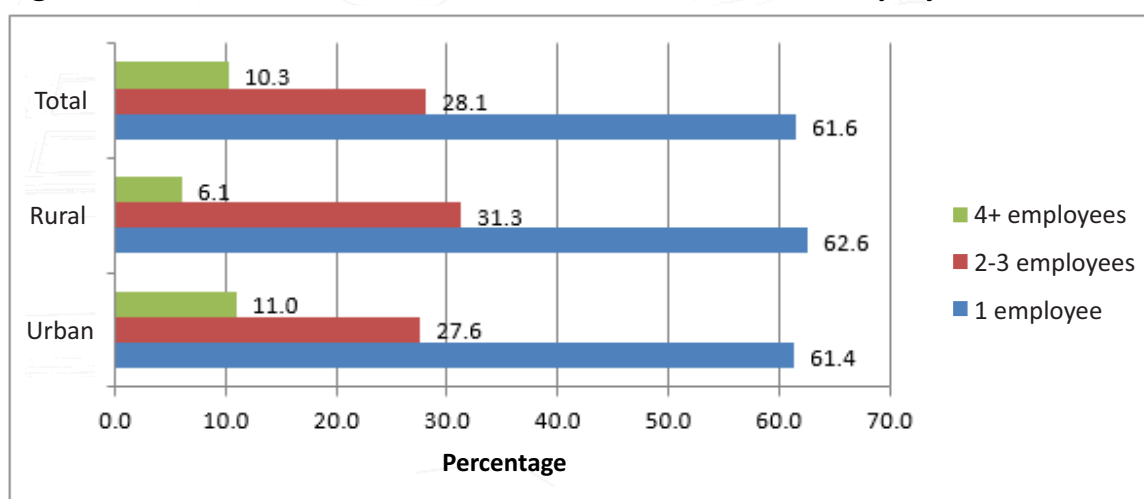
Table 4.1 illuminates the distribution of employees per operator. The majority of establishments (76.8%) did not have an employee, in other words, there were 76.8% own-account operators. About 23.2% had one or more employees, with a maximum of 10 employees.

Table 4.1: Number employees

<i>Number of employees</i>	<i>Number</i>	<i>Percent</i>
0 (None)*	4,517	76.8
1	838	14.2
2	289	4.9
3	114	1.9
4	61	1.0
5	28	0.5
6	18	0.3
7	10	0.2
8	4	0.1
9	3	0.1
10	2	0.03
Total	5,884	100.0

Figure 4.1 presents the size of enterprise based on the number of employees, for those 23.2% who had employees. Most enterprises (61.6%) had one employee, while about 28% had 2 to 3 employees, and those with 4 or more were only 10.3%. The percentage distribution between rural and urban areas were similar for those having 1 employee (62.6% in rural areas and 61.4% in urban areas), and those employing 2 to 3 employees (31.3% in rural areas and 27.6% in urban areas). Enterprises with 4 or more employees were more in the urban areas (11.0%) compared to rural areas (6.1%).

Figure 4.1: Size of establishment based on the number of employees



The majority of employees were female (59.2%, n=809), while males constitute 40.8% (n=809). Figure 4.2 shows the percentage distribution employees by sex. There were more female employees (70.0%), compared to males (51.0%), in those businesses employing only 1 employee. In enterprises which had more than 1 person, males constituted about 35.0% and 23.5% females in those enterprises with 2-3 employees, and there were 9.6% of males and 4.8% males where 4-5 employees were employed. Similarly, where there were 6 or more employees, males were about 4.4% and only 1.7% of females.

Figure 4.2: Percentage distribution employees by sex

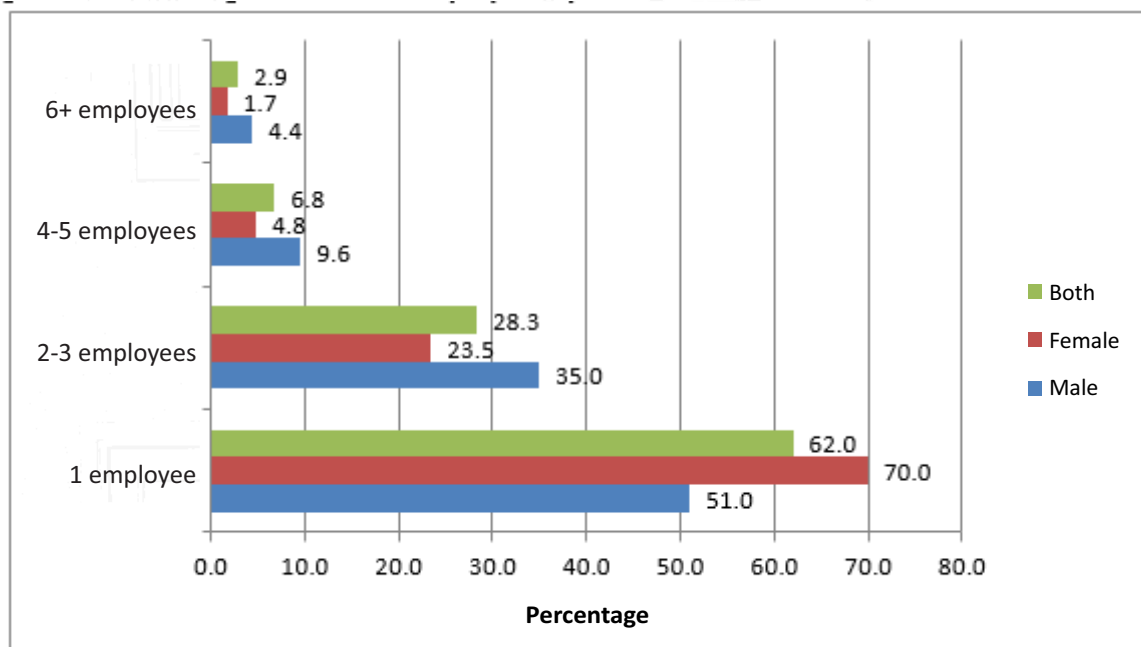
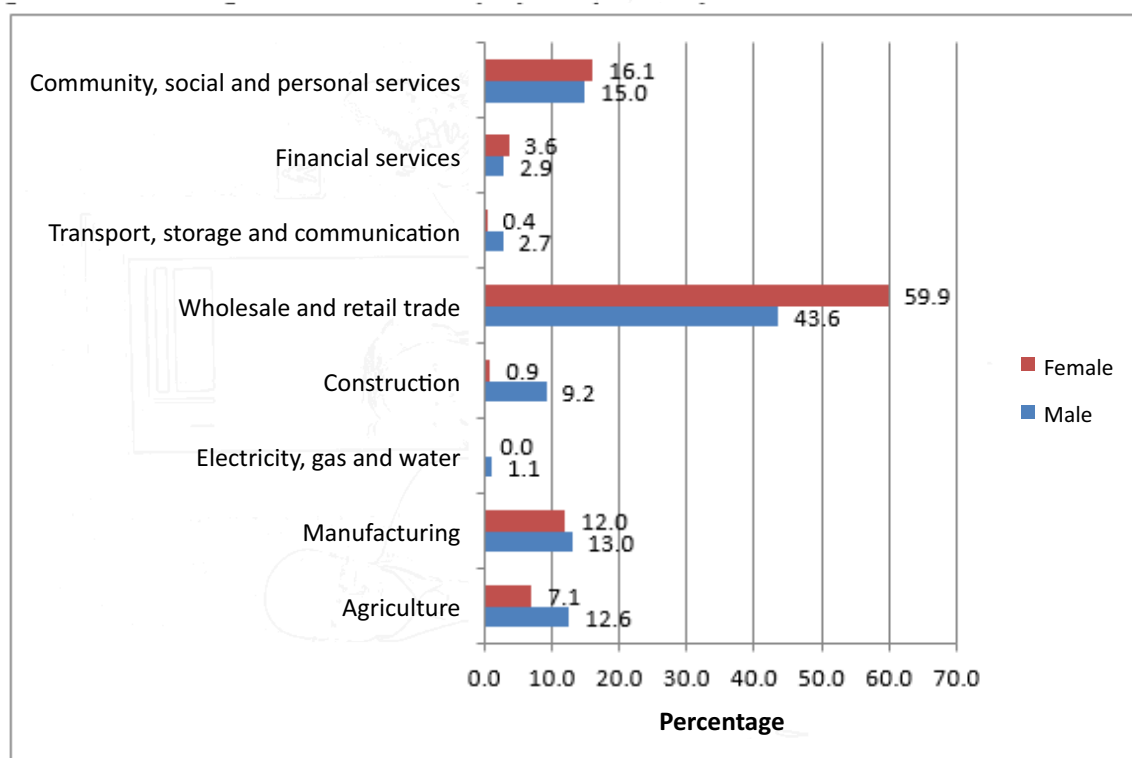


Figure 4.3 depicts a percentage distribution of employees by industry and sex. There were more people employed in the wholesale and retail trade industry, with about 60% female and 44% males. This was followed by community, social and personal services industry, where females were also relatively more than males (16.1% females and 16.0% male respectively). Similarly the financial services industry had more female (3.6%) compared to males (2.9%). Other industries were dominated by males. In construction industry, males constituted 9.2% of the workforce compared to 0.9% females, and in agriculture industry about 13% were males while 7.1% were females. Similar patterns were observed in transport, storage and communication; and manufacturing industry. In the TSC industry, the case study registered 2.7% males and 0.4% females. On the other hand manufacturing industry reported 13% males and 12.0% females. In the electricity, gas and water industry there were no females (0%) while 1.1% of males were present.

Figure 4.3: Percentage distribution of employees by industry and sex



4.2 Paid Employees and Type of Remuneration in the sector

The characterization of workers into paid employees and type of remuneration provides an oversight of how many workers are in gainful employment. Table 4.1 shows the number and percentage distribution of employees. The majority (93.2%) were paid workers. In Table 4.2, findings show that the majority (84.3%) respondents had a fixed monthly salary, followed by those paid as per job/task based (6.9%) and daily or per hours worked (3.5%). A small number were paid on a fixed weekly wage (1.4%) or other profit-based income (2.4%). Only a small percentage of employees were paid in kind (1.5%).

Table 4.2: Number and percentage distribution of paid employees

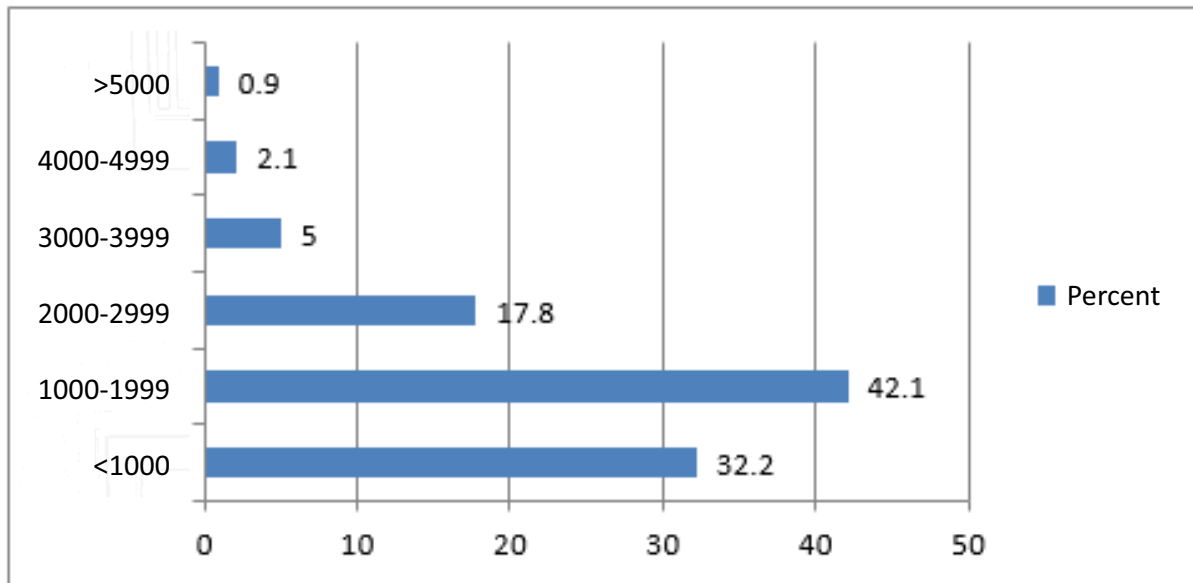
<i>Paid</i>	<i>Number</i>	<i>Percent</i>
Yes	1,224	93.2
No	89	6.8
Total	1,313	100

Table 4.3: Type of remunerations

<i>Remuneration</i>	<i>Number</i>	<i>Percent</i>
Fixed monthly salary	1,053	84.3
Fixed weekly wage	17	1.4
Daily or per hours worked	44	3.5
Per job/task based	86	6.9
In kind	19	1.5
Others, includes profit income	30	2.4
Total	1,249	100

For those who were paid, the study explored amounts which they were paid. Figure 4.4 presents percentage distribution of employees by the amount paid. The highest percentage (42.1%) of employees were paid between N\$1,000 and N\$1,999, followed by those earning less than N\$1000 (32.2%), and those earning between N\$2,000 and N\$2,999 (17.8%). Employees earning between N\$3,000 and N\$3,999 were about 5.0%, while employees earning between N\$4,000 and N\$4,999 constituted 2.1%. Only a small percentage of employees earned more than N\$5,000 or higher (0.9%). The mean amount paid was N\$1,554.95 with a minimum of N\$500 and maximum of N\$7,000.

Figure 4.4: Amount paid (N\$) to workers in the informal sector



The study further explored why the small percentage of 6.8% were not paid for work input. Table 4.4 shows reasons why an employee was not paid. Most respondents reported that they are not paid because they were own account workers (39.2%), while about 23.5% said that they were contributing family workers. Other employees reported that they were not paid because they were under training and or volunteering (13.7% each).

Table 4.4: Reasons why employees were not paid

<i>Reason</i>	<i>Number</i>	<i>Percent</i>
Under training	7	13.7
Assisting family business	12	23.5
Volunteering	7	13.7
Own worker	20	39.2
Other	6	11.8
Total	51	100

4.3 Status in Employment in the informal sector

During data collection, questions were asked on status of employment, length of employment and type of contract in the informal sector. Table 4.5 below displays, the status of employment among employees. The majority (77.3%) were in permanent position, followed by 16.9% working as temporary workers, and occasional workers (4.9%) or seasonal workers (0.9%). Table 4.6 shows that about 35.7% have been in such employment for more than 1 year but not more than 3 years. However, over a quarter of workers (27.4%) have been employed in informal sector for more than 3 years. More than a third of employees (36.5%) have been employed in the informal sector for up to one year or less (19.3% have worked for only 6 months or less, and 17.2% have worked between 6 months and less than a year).

Table 4.5: Status of employment

<i>Status</i>	<i>Number</i>	<i>Percent</i>
Permanent	1,029	77.3
Temporary	225	16.9
Occasional	65	4.9
Seasonal	12	0.9
Total	1,331	100

Table 4.6: Duration of employment

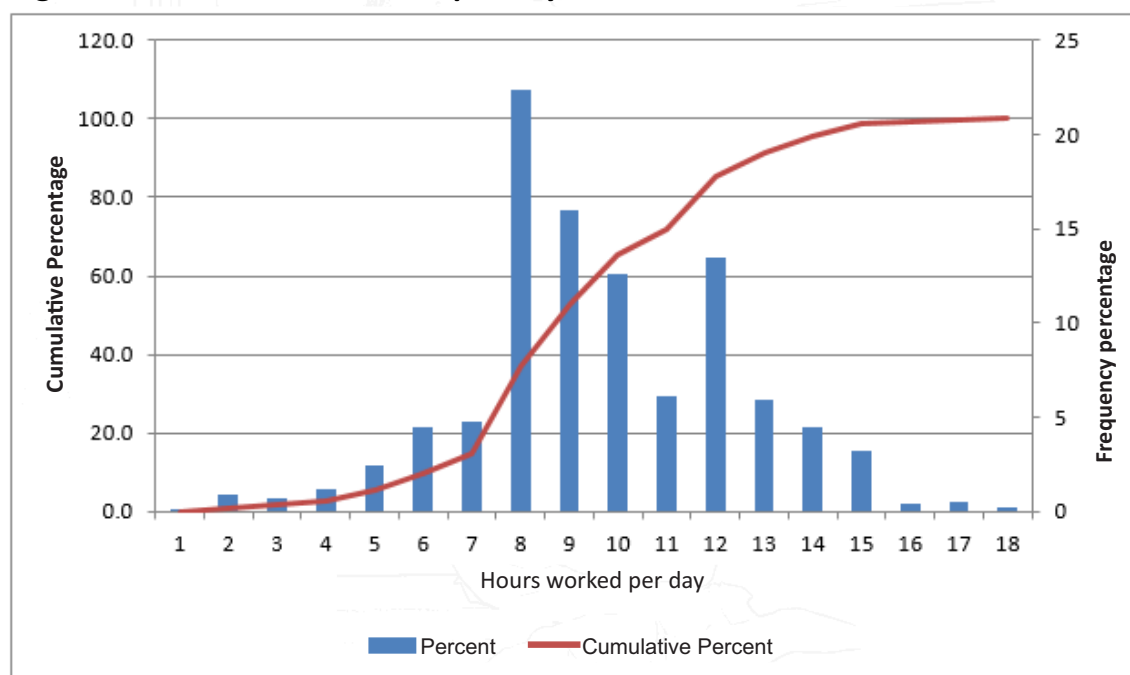
<i>Length</i>	<i>Number</i>	<i>Percent</i>
<6 months	249	19.3
6 - 12 months	222	17.2
1yr - 3yr	463	35.9
>3yrs	357	27.7
Total	1,291	100

With regards to types of contracts in which workers are engaged in the informal sector, Table 4.7 shows the percentage distribution of employees by the type of contract. Over half of employees (52.1 %) operated without a formal contract. Other have contacts but most of these are verbal contracts (29.6%), while those with written contracts without fixed duration were 14.9%, and those with written contract with fixed duration were only 2.8%. About 0.6% had other forms of contracts based on family agreement and nature of job that they are doing.



Table 4.7: Type of contract

<i>Contract</i>	<i>Number</i>	<i>Percent</i>
Written contract without fixed duration	191	14.9
Written contract with fixed duration	36	2.8
Verbal contract	381	29.6
No contract	669	52.1
Others	8	0.6
Total	1,285	100

Figure 4.5: Total hours worked per day

Further, the study examined precariousness of employment in the informal sector by considering the number of hours worked per day or week. Figure 4.5 shows the frequency percentage and cumulative percentage of workers who worked more than 48 hours a week or more than 8 hours a day. From Figure 4.5, a cumulative total of 36.9% worked for 8 hours or less per day in the informal sectors, with 22.3% working exactly 8 hours a day. A total of 54.2% worked between 9 hours and 13 hours per day. About 5 percent of the employees exceeded 13 hours of work per day.

4.4 Benefits in employment

The quality of employment can be measured by type of benefits that an employee receives at the work place. This section explores two types of benefits, namely: the mandatory and non-mandatory benefits. Table 4.8 shows the distribution of type of mandatory leave granted. The highest percentage (38.3%) of employees was granted a sick leave, followed by an annual leave (27.8%) and maternity or paternity leave (19.9%). Compassionate leave was reported by 13.9%.

Figure 4.6 provides the analysis of benefits received by sex. The men's top three benefits are sick leaves (39.0%), annual leaves (29.3%) and compassionate leave (17.7%). On the other hand, the usual benefits provided to female wage workers in are sick, annual and maternity leaves, at 34.4%, 27.6% and 24.6% respectively. The least common benefit received for female is the compassionate leave (13.3%) and maternity/paternity leave for male (14.0%).

Figure 4.6: Percentage of workers who received mandatory benefits by sex

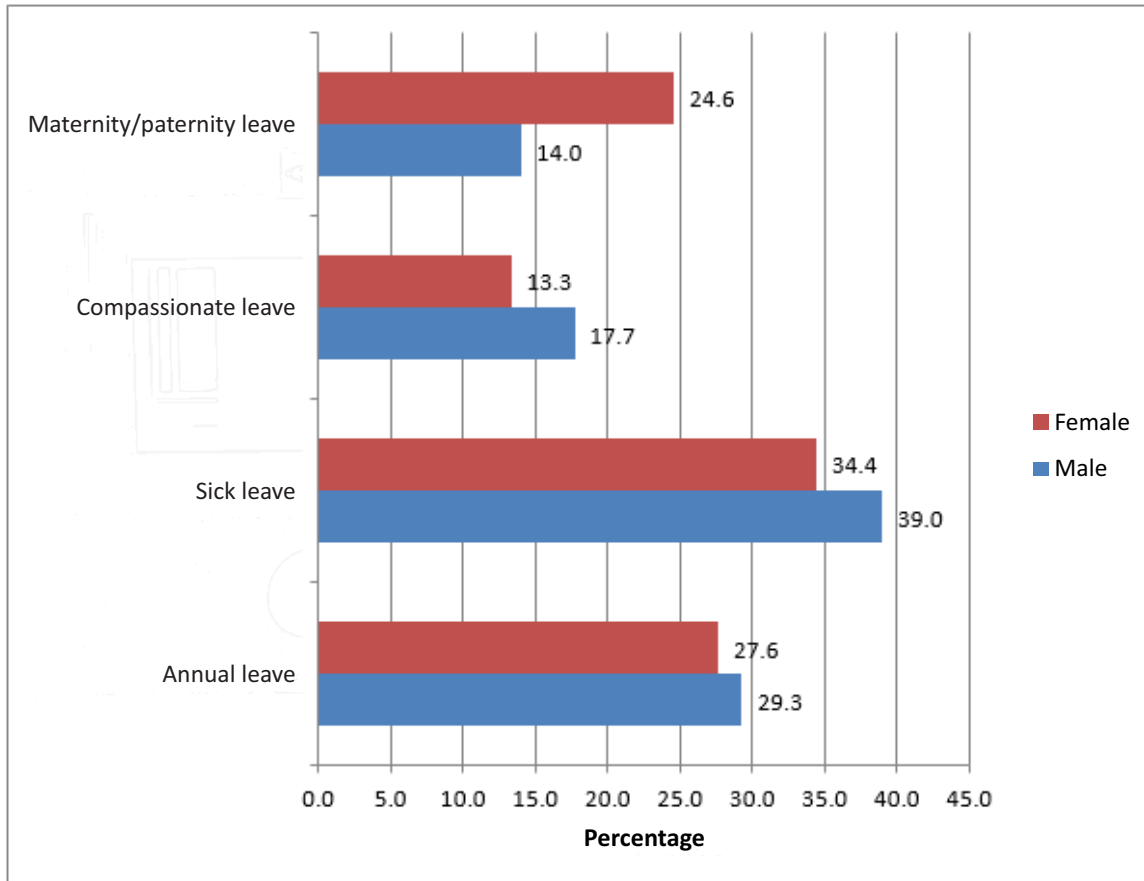


Table 4.7: Mandatory benefits of employment

<i>Benefit</i>	<i>Number</i>	<i>Percent</i>
Annual leave	302	27.8
Sick leave	416	38.3
Compassionate leave	151	13.9
Maternity/ paternity leave	216	19.9
Total	1,085	100

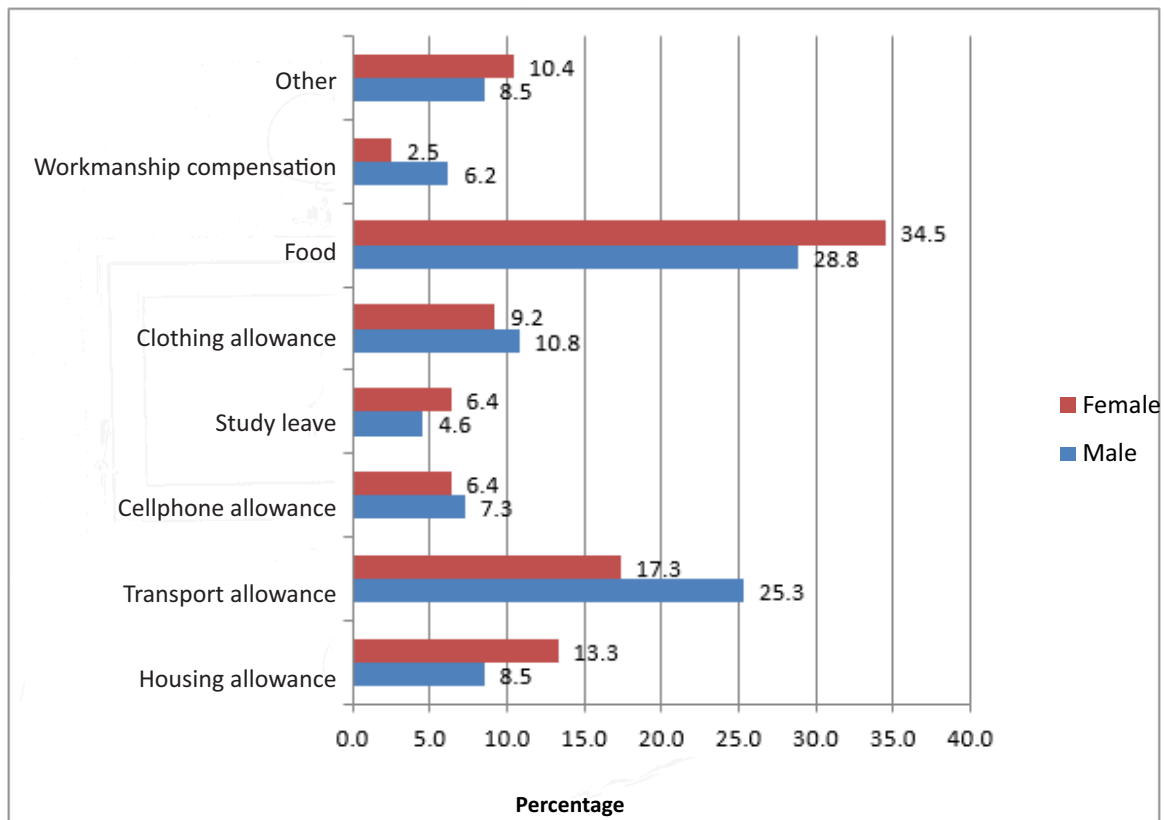
With regards to non-mandatory benefits, only 529 reported some form of non-mandatory benefits. Table 4.8 indicates that most workers were offered food allowances (32.1%). Other common benefits reported were transport allowance (18.2%), housing allowance (12.5%) and clothing allowance (9.1%). The least reported type of non-mandatory leave was workmanship compensation (3.8%) while others were offered study leave (4.9%).

Table 4.8: Non-mandatory benefits

Benefits	Number	Percent
Housing allowance	66	12.5
Transport allowance	96	18.2
Cellphone allowance	41	7.8
Study leave	26	4.9
Clothing allowance	48	9.1
Food	170	32.1
Workmanship compensation	20	3.8
Other	58	11.0
Total	529	100

Note: Refers only to employees

Figure 4.7: Non-mandatory benefits by sex



Chapter 5: Registration and Social Protection

The informal sector contributes significantly to GDP, Although most people in the informal sector are exposed to various risks than their counterparts in the formal sector because of relatively less or absolute lack of social protection. Due to ever changing global markets and concentration of socio-economic hazards, the informal sector is more exposed to vulnerabilities. This section will examine registration of informal businesses and SSC registration as a proxy for social protection.

5.1 Registration of enterprises

Registration of an enterprise is seen to be one of the many ways to ensure legitimacy or formalization of enterprises but also to provide social protection to the employees. While the focus here is not whether informal enterprises should be formalized, own account workers were asked about registration with various authorities. Employees were asked whether their employer deducted income tax or any other deductions and whether they were registered with SSC. Table 5.1 presents the results on percentage of status of registration by businesses. Only 29.7% of the businesses were registered. Table 5.2 shows that Oshana region had the highest number of enterprises registered (44.9%) followed by Ohangwena (37.7%). Zambezi and Khomas regions had the least number of enterprises registered (21.3%, respectively). Based on the case study, about 70.2% of businesses were registered since 2010 (Table 5.3). Most of the businesses that were registered were in urban areas.

Table 5.1: Status of registration of business

<i>Registration</i>	<i>Number</i>	<i>Percent</i>
Yes	1,337	29.7
No	3,170	70.3
Total	4,507	100

Table 5.2: Registration of enterprises by region

<i>Region</i>	<i>Yes</i>		<i>No</i>		<i>Total</i>	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
!Karas	114	34.9	213	65.1	327	100
Erongo	147	29.1	358	70.9	505	100
Kavango East	146	33.6	289	66.4	435	100
Khomas	260	21.3	961	78.7	1,221	100
Ohangwena	117	37.7	193	62.3	310	100
Omaheke	136	25.8	391	74.2	527	100
Oshana	315	44.9	387	55.1	702	100
Zambezi	102	21.3	378	78.8	480	100
Total	1,337	29.7	3170	70.3	4,507	100

When compared to the year when business was established (see Table 3.10), it was found that 86.1% of the businesses registered between 2010 and 2016, were established in the same period.

Table 5.3: Year of registration

<i>Year</i>	<i>Number</i>	<i>Percent</i>
<1990	12	1.0
1990 - 1999	62	5.1
2000 - 2009	292	23.8
2010 and above	861	70.2
Total	1,227	100

Respondents were asked to provide reasons why businesses were not registered. Table 5.4 shows that most of enterprises were not registered because the owners had no money (43.4%). Other reasons given were lack of knowledge of where to go for registration (18.6%); did not know about registration (15.1%) and long cumbersome procedures (7.2%). For those who indicated that they did not have time and do not need their businesses to be registered the percentages were less than five percent.

Table 5.4: Reasons businesses in the informal sector was not registered

<i>Reasons</i>	<i>Number</i>	<i>Percent</i>
No money	1,418	43.4
Long procedures	235	7.2
Don't know where to go	607	18.6
Don't have time	90	2.8
I don't need it	124	3.8
Don't know about registration	494	15.1
Others	303	9.3
Total	3,271	100

Note: This is a multiple response question

Own account workers whose businesses are registered, were asked to indicate institutions with, which their businesses were registered. Emphasis was on whether they registered with the SSC or any other institutions. Table 5.5 shows the name of institutions that businesses registered with other than the SSC. Hence the total reflects for other institutions of registration. Table 5.5 shows that most businesses (12.2%) were registered with the Ministry of Trade, followed by those registered with the Traditional Authority (5%); Ministry of Finance (1.6%) and Equity Commission (0.4%) and others (2.8%) respectively.

Table 5.5: Name of institutions with which informal businesses are registered⁸

<i>Institution</i>	<i>Number</i>	<i>Percent</i>
Equity Commission	18	0.4
Ministry of Trade	548	12.2
Ministry of Finance	73	1.6
Traditional Authority	226	5.0
Local Authority	452	10.0
Others*	127	2.8
Total	1,444	100.0

5.2 Social Security Registration and Social Protection

Social protection is a right for all workers. This right include healthy and safe working conditions and to have access to social protection. Provision of these social benefits is a responsibility of employers to workers who work for them in order to produce goods and services.

This case study assessed registration of businesses with the SSC for access to social protection. Table 5.6 indicates that majority (88.9%) of informal businesses were not registered with SSC, only 11.1% of businesses were registered with the Social Security Commission. Figure 5.1 further shows that! Karas was the region with highest number of registered informal businesses with SSC followed by Omaheke region (13.4%); Oshana region (11.9%); Erongo and Khomas regions (11.4% respectively). Kavango East region had the least number of informal businesses registered with SSC. Except for Omaheke, Kavango East and Zambezi regions proportions of registration was significantly high in urban areas in other regions (Figure 5.2).

Table 5.6: Status of informal business registration with SSC

<i>Registration with Social Security Commission</i>	<i>Number</i>	<i>Percent</i>
Yes	458	11.1
No	3,663	88.9
Total	4,121	100.0

Figure 5.1: Status of informal business registration with SSC by regions

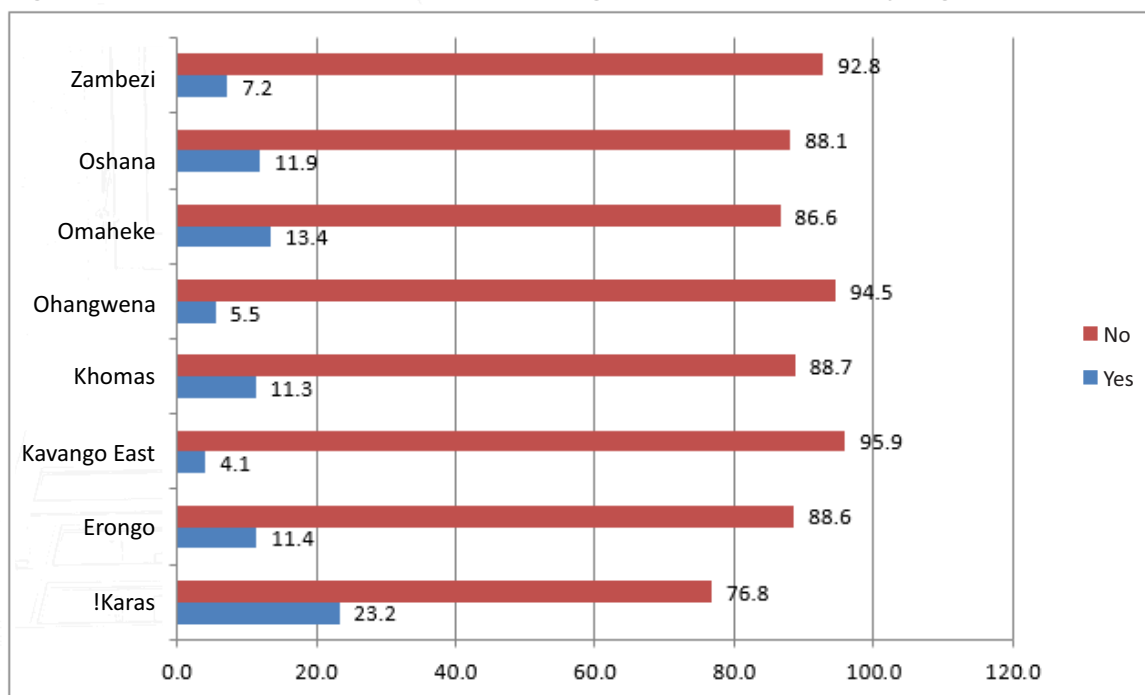


Figure 5.2: Informal businesses registered with SSC by region and areas

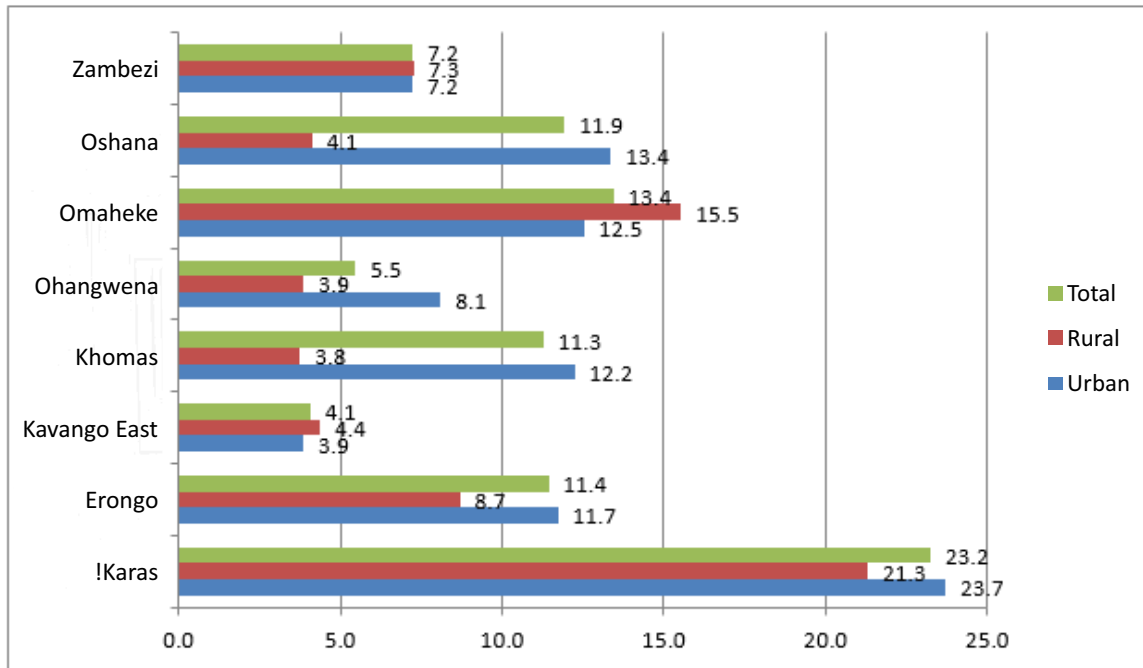


Figure 5.3: Registration with SSC by type of industry

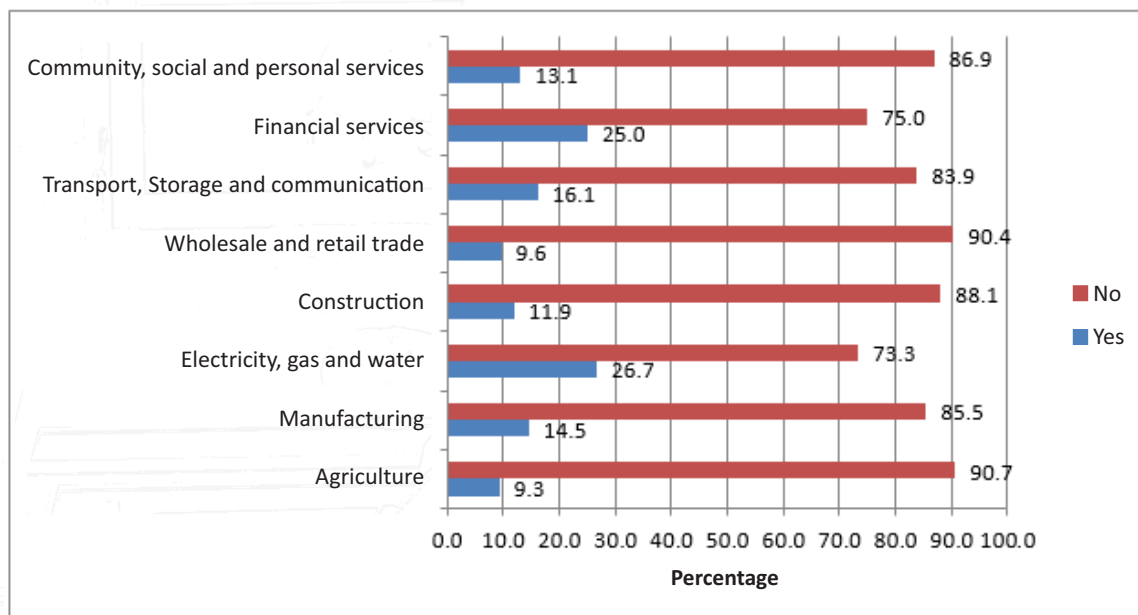


Figure 5.3 shows the percentage distribution of employers registered by industry. The highest registration was in electricity, gas and water (26.7%), followed by financial services industries (25.0%). The least registered were in agriculture (9.3%) followed by wholesale and retail trade (9.6%).

Table 5.7 shows that only a small percentage (15.7%) of employees' knew that they were registered with SSC, while the majority were not (77.2%), and others did not know whether they were registered (7.1%).

Table 5.7: Employees registered with SSC

<i>Employees registered</i>	<i>Number</i>	<i>Percent</i>
Yes	210	15.7
No	1,032	77.2
Don't know	95	7.1
Total	1,337	100

Figure 5.4 presents the regional distribution on registration status with SSC among employees. Across all regions, employees registered with SSC were less than 20%. Employees in Kavango East, Khomas and Omaheke regions reported a highest registration of 19.5%, 18.1% and 17.5% respectively. The lowest employee registration was recorded in Ohangwena (11.5%) and Zambezi region (13.1%).

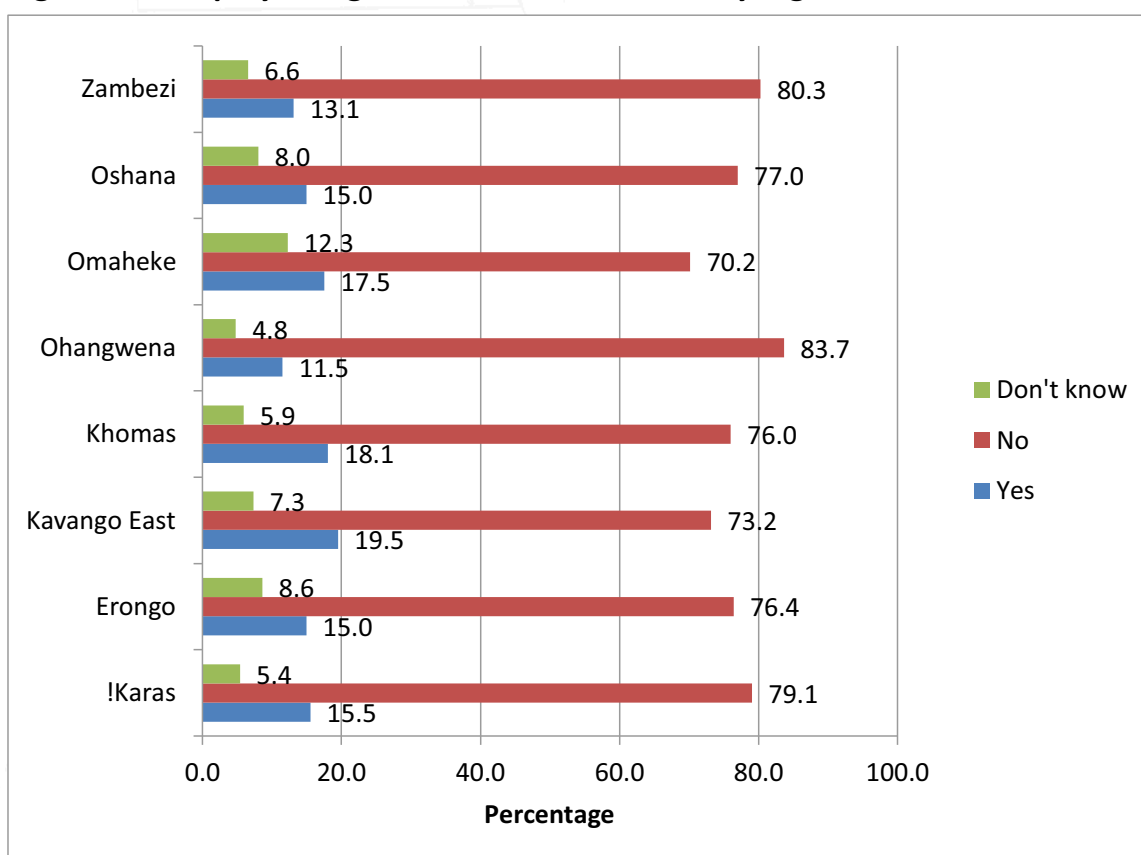
Figure 5.4: Employee registration status with SSC by region

Table 5.8 presents reasons for registration with SSC. Nearly half (48%) of the businesses were registered with SSC to comply with the law. Other reasons reported are to ensure that employees were covered (13.9%); the benefits received were good (13.1 percent). Surprisingly, 9.6% indicated that social security is a human right; while 6.4% respondent that registering with SSC will ensure that the employers will not be the one paying for claims.

Table 5.8: Reasons why informal business are registered with SSC

<i>Reason</i>	<i>Number</i>	<i>Percent</i>
To comply with the law	286	48.0
To ensure my employees are covered	83	13.9
To ensure not the one paying when the employees are covered	38	6.4
Because access to social security is a human right	57	9.6
The benefits are good	78	13.1
Others	54	9.1
Total	596	100

Note: Multiple responses allowed

Own account workers were further asked to provide reasons why their businesses were not registered with SSC. About a fifth (20%) indicated that they have never heard about SSC, while a further 42.8% indicated that they do not know why they needed to register (Table 5.9). Other reasons provided were based on physical location of the SSC offices which were seen to be out of reach (3.3%). Reasons that were related to the registration process were such as the cumbersome process for registration (3.3%) and registration forms that were complicated for grasp (1.9%). Some own account workers saw registration to benefit women only and indicated that the reasons for nonregistration is because SSC was for women only (0.6%), while 14.3% indicated that it was only formal businesses that were required to register with SSC.

Table 5.9: Reasons why informal businesses are not registered with SSC

<i>Reasons</i>	<i>Number</i>	<i>Percent</i>
I have never heard about SSC	672	19.9
I don't know why to register	1,446	42.8
SSC offices are too far	113	3.3
Only formal businesses are required to register	483	14.3
It is only for women	19	0.6
The registration forms are complicated	63	1.9
The registration process is cumbersome	110	3.3
Other	470	13.9
Total	3,376	100

The study further established whether respondents have ever claimed benefits from SSC and the frequency of claiming. Table 5.10 reveals that 81.0% have never claimed benefits from SSC, those who did claim, 11.6% claimed more than a year ago (preceding the survey date) and 5.7% claimed in the last 12 months (preceding the survey date). The highest percentage of claiming in both the last 12 months and more than a year ago were in the wholesale and retail trade industry (Table A4 and Figure A1 in the Appendix).

Table 5.10: Status and frequency of claims from SSC

<i>Did Claim</i>	<i>Number</i>	<i>Percent</i>
Yes, in the last 12 months	24	5.7
Yes, more than 1 year ago	49	11.6
No	342	81.0
Don't know	7	1.9
Total	422	100

Table 5.11 presents participants' reasons for not claiming from SSC. More than two-thirds (68.7%) indicated that there was no need to claim, 20.8% said they do not know when to claim. A further 1.0% suggested that their claim was rejected and 2.3% had no SSC certificate for them to support their claim.

Table 5.11: Reasons for not claiming from SSC

<i>Reason</i>	<i>Number</i>	<i>Percent</i>
There was no need to claim	211	68.7
Don't know when to claim	64	20.8
I am too far from SSC offices	4	1.3
The claiming process is too complicated	1	0.3
I do not have my SSC certificate	7	2.3
My claim was rejected	3	1.0
Others	17	5.5
Total	307	100

This case study also sought to establish the frequency of making contributions to SSC by employers (including own-account workers) and employees. Results are given in Table 5.12. Among employers, more than half (64.2%) were paying on a monthly basis; 19.7% annually. The proportion for those that made making quarterly and bi-annual contributions was 6.8 and 4.6% respectively (Table 5.12). Among those employees who know that they were registered with SSC, Table 5.12 shows that the majority (72.7%) indicated that they made monthly contributions to SSC, followed by the 24.0% who reported they did not know the frequency at which contribution are made to SSC.

Table 5.12: Frequency of SSC contributions by employers and employees

<i>Frequency</i>	<i>Employers</i>		<i>Employees</i>	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
Monthly	253	64.2	125	72.7
Quarterly	27	6.8	2	1.2
Bi-annually	18	4.6	2	1.2
Annually	78	19.7	3	1.7
Don't know	19	4.8	40	24.0
Total	395	100	172	100.0

The case study also assessed payment method for making contributions to SSC. Table 5.13 shows that 61.6% used cash or cheques that are paid directly at SSC offices; 6.8% were making bank deposits and 15.8% using Electronic Funds Transfers (EFTs). On the question of preferred payment method, 60.4% preferred to make cash or cheque payments directly at SSC offices, 17.5% preferred to make bank deposits, 15.1 percent EFTs and 2.2% prefer to make payments through cell phone banking (Table 5.14).

Table 5.13: Methods of SSC contributions

<i>Method</i>	<i>Number</i>	<i>Percent</i>
Cash/cheques at SSC offices	417	61.6
Bank Deposits	46	6.8
Electronic Funds Transfer (EFT)	107	15.8
Others	107	15.8
Total	677	100

Note: Number includes both employers and employees

Table 5.14: Payment method most convenient for transmitting SSC contributions

<i>Convenient method</i>	<i>Number</i>	<i>Percent</i>
Cash/cheques at SSC offices	706	60.4
Bank Deposits	204	17.5
Electronic Funds Transfer (EFT)	176	15.1
Cellphone Banking	26	2.2
Others	56	4.8
Total	1,168	100

Social protection is concerned with prevention, management and overcome situations that may adversely affect working people's well-being. Social protection should aim at reducing poverty, vulnerability and promote reduction in exposure to unemployment, sickness, disability and exclusion. This study also established the type of products/social protection benefit which own account workers found most suitable. The results as depicted in Table 5.15 shows that pension/retirement benefits is the most preferred (16.8%), followed by funeral benefits (12.6%), medical insurance (10.3%) and savings scheme (10%). Other suitable products were injury cover (8.4%), sick leave (8.9%), maternity leave (8.8%), death benefit (7.6%) and unemployment insurance (6.9%) respectively. The proportion of those who mentioned disability cover and rehabilitation service for injured workers were 5.2 and 2.6% accordingly.

Table 5.15: Products participants found to be more suitable for their needs

Product	Number	Percent
Pension/Retirement	573	16.8
Medical insurance	352	10.3
Funeral cover	429	12.6
Unemployment insurance	236	6.9
Injury cover	286	8.4
Disability cover	178	5.2
Sick leave	302	8.9
Maternity leave	301	8.8
Death benefits	259	7.6
Rehabilitation service for injured workers	90	2.6
Savings scheme	342	10.0
Others	58	1.7
Total	3,406	100

5.3 Informality and social protection: the coverage gap

5.3.1 Extent of coverage gap

According to ILO estimates, half of the world's population has no social security coverage and only one-quarter of the global population has adequate social security coverage. In most sub-Saharan and South Asian countries, less than 10% of the population is covered. This is because more than 90% of the workforces in those countries Dimensions of Globalisation for example asks for "a minimum amount of Social Protection for individuals and families". In the 2004 "Peking Declaration", social security officials from more than 150 countries endorsed the idea of "extending social security coverage", and in its "Extending social protection" campaign, the central strategy and focus is to extend benefits to those previously excluded. Understanding why informal workers lack social protection is essential to develop solutions to extend coverage. Firstly, there is great diversity in conditions of access to social security benefits. Recipients may be in a position to receive such transfers from a specific social security scheme because: (i) they have contributed to such a scheme (contributory scheme); (ii) they are residents of the country (universal scheme); (iii) they experience specific resource conditions (social assistance schemes) or (iv) because they fulfil several of these conditions at the same time.

5.3.2 Strategies to Extend Social Protection in the Informal Sector

The existing social security framework is by and large modelled in the ILO traditional concept of social security which exclusively affords protection to workers in the informal sector'. This section provides a brief outline of social protection programmes in selected developing countries and how they protect informal workers.

In Tanzania, the National Social Security Fund (NSSF) established under the National Social Security Fund Act of 1997, covers employees in the private sector, government ministries and departments employing non-pensionable employees, parastatal organizations employing non-pensionable employees, and ministers of religion, the self-employed or any other employed person not covered by any other social security scheme. Temporary employees and the majority of those in the informal sector are excluded. However, section 8(1) of the National Social Security Fund Act of 1997, empowers the Minister to declare any category of temporary employees as registrable under the NSSF. Also, the NSSF albeit minimally has been registering informal sector workers who apply to join the scheme.

In Kenya, two types of contributory schemes stand out. The first is National Hospital Insurance Fund (NHIF), which targets both the formal and informal sector workers. As of 2010, there were 367,886 contributing members. The second is National Social Security Fund (NSSF), also targeted at the formal and informal sector workers. Other forms of protection include micro-financing. Micro-Finance Institutions (MFI) was formally recognized as an integral part of the financial sector in 1991. The recognition came as a result of the financial policy reforms.

Examples include: Savings and Credit Cooperative Societies; Savings and Credit Cooperative Societies (SACCOs) comprise of formal mechanism whereby financial resources are mobilized from members. Specific informal financial services providers emerged and they include Rotating Savings and Credit Associations (ROSCA's), accumulated savings credit associations, burial associations (micro insurance services), money lenders and traders, Self Help Group (SHGs) and Village Community Banks (VICOBA/VSLA). These are neither legally constituted nor regulated by any institution. They provide savings, credit and micro insurance services.

In Ghana, the National Social Protection Strategy was first drafted in 2012 and formed the basis for development of National Social Protection Policy (NSPP). The programme established three-tier scheme:

1. A mandatory basic national security system, which was a benefit scheme;
2. A mandatory fully funded and privately managed occupational pension scheme, which was defined as a contribution scheme and
3. A voluntary fully funded and privately managed provident fund and personal pension scheme.

The third tier was newly established in 2010 to benefit people working in the informal sector because they were not covered by national security system and by the Private Mandatory second-tier. The introduction of the third-tier is highly important for Ghanaian Social Protection System because over 80% of workers work in the informal sector. Those workers who want to be covered from the third-tier have to contribute 16.5% of their monthly salaries. The informal workers have two different accounts:

1. The retirement account
2. The personal savings account

Due to the second account, informal workers are able to receive benefits before their retirement. Currently the national security system has an active membership of 1 million people, amongst them there are over 100,000 pensioners and 90,000 contributors from the informal sector.

Several governments in developing countries have set up social assistance schemes that are aimed at people that are in need and cannot be reached by policies for productive employment. Such schemes pendent self-employed and therefore, are not eligible for employer-based schemes.

provide benefits in cash or in kind and may either apply to wide societal groups — children, disabled and retired people — or be limited to certain occupational groups. The advantages of social assistance benefits are that they can be targeted to those who need them most but it requires a sophisticated administration to determine who really deserve and whether benefits are effectively reaching those targeted.

Even where efforts are being made to extend social protection to informal workers coverage has not expanded significantly. This is so because of unwillingness or inability of various stakeholders to contribute to the schemes that are being introduced as follows:

Even where efforts are being made to extend social protection to informal workers coverage has not expanded significantly. This is so because of unwillingness or inability of various stakeholders to contribute to the schemes that are being introduced as follows:

1. Employment-linked schemes to which employers are expected to make contributions:
 - (a) Many employers seek to avoid contributions and other obligations by disguising their employees in various ways: maintaining a small core and a large temporary workforce; hiring employees on short-term contracts and subcontracting out production and contracting in services.
 - (b) Many informal workers are independent self-employed and therefore, are not eligible for employer-based schemes.
2. Commercial schemes based on premiums paid or savings made by workers. Informal workers often earn too little to afford premiums for health insurance or to save in pension funds.
3. Private voluntary schemes:
 - (a) Non-Governmental Organisations (NGOs)-run schemes: these are mostly pilot schemes targeted at selected contingencies, with a low level of benefits and low coverage.
 - (b) 'Mutual' schemes: these typically target only selected contingencies (notably, illness) with a low level of benefits (as the non-poor are not willing to enter schemes with the poor and the poor cannot make significant contributions); have low coverage and are found in only some regions (e.g. Francophone Africa).
 - (c) Traditional 'informal' systems: these typically cover only selected contingencies (notably, death); are based on reciprocal contributions; provide only a minimum of benefits (as the non-poor are not willing to enter schemes with the poor and the poor cannot make significant contributions) and have declining coverage.
4. Means-tested schemes. These are often geared to households or to individuals as citizens, not as workers and they often provide low levels of benefits because they are financed by governments from general revenues.
5. Universal schemes. These are often geared to households or to individuals as citizens, not as workers and they often provide low levels of benefits because they are financed by governments from general revenues.

World Bank (1994) argues for scrapping existing social insurance systems and replaces them with mandatory saving-for-retirement schemes, switching from pay-as-you-go to fully funded benefits in the process. The World Bank approach has been particularly influential in Latin America. Argentina (1993), Bolivia (1996), Chile (1981), Colombia (1993), Costa Rica (2001), El Salvador (1996), Mexico (1995/6), Nicaragua (2003), Peru (1992) and Uruguay (1995) have reformed their social insurance systems along World Bank lines. The new schemes in this context are somewhat more accommodating with regard to part-time and temporary workers than are the older schemes, to the extent that they stipulate shorter minimum contributory periods to be eligible for a partial benefit.

Chapter 6: Legislative and Policy Framework

6.1 Introduction

This chapter ascertains how the current legislative environment supports or detracts from the extension/provision of social security benefits to the informal sector in Namibia. Underpinning this legal analysis is a need to align the current legal framework with realities of social change in Namibia. The chapter starts with a legal analysis at international law level, followed by the Namibian Constitution of 1990 and the panacea of statutory frameworks.

6.2 The International Law Context

The right to social security constitutes a basic human right and is enshrined in various international conventions, treaties and other legal instruments which is crucial to fight against poverty. The first of these is the Universal Declaration of Human Rights (UDHR) 1948. In terms of Article 22 of the UDHR every person as a member of society has a right to social security. It further reads (article 23(3)):

Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity and supplemented if necessary, by other means of social protection.

Secondly, 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 decent work.

Thirdly, the International Covenant on Economic, Social and Cultural Rights (ICESR) 1966, provides in Article 9 as follows:

The States Parties to the present Covenant recognize the right of everyone to social security, including social insurance.

Article 9 is reinforced by Article 10(2), which requires that working mothers should be accorded paid leave or leave with adequate social security benefits.

Fourthly, the Convention on Elimination of All Forms of Racial Discrimination (CEDAW) 1979, puts an obligation on the state to afford everyone a right to social security and prohibits racial discrimination in all its forms. Article 5(e) (iv) of the Convention provides that:

State Parties undertake to prohibit and eliminate racial discrimination in all its forms and to guarantee the right of everyone without distinction as to race, colour or national or ethnic origin to equality before the law, notably in the enjoyment of the right to public health, medical care, social security and social services.

Fifthly, the Charter of Fundamental Social Rights in SADC (2003) obliges member states in article 10(1) to create an enabling environment so that every worker in SADC region shall have a right to adequate social protection and shall regardless of status and the type of employment, enjoy adequate social security benefits.

Lastly, the Regional Strategic Plan of International Trade Union Confederation (ITUC) Africa Region, 2009 has also identified social security and social protection as key areas, which labour movements in Africa must focus in order to improve the welfare of the labour force.

Thus, as far as international and regional standards are concerned, it is evident that prevailing standard is for employees to be entitled to social security protection and or benefits, irrespective of whether they are in the formal or informal sector. Stands in sharp contrast to the Constitution of the Republic of South Africa in which social security is a right.

6.3 The National Context

6.3.1 The Namibian Constitution of 1990

The Constitution of Namibia of 1990 is the supreme law in the Republic. Put differently, the Constitution of Namibia is the highest law in the land and it incorporates rights, aspirations and values of all Namibian people. The Constitution therefore prevails over any other law, for example dealing with social security in Namibia. Obviously, the Workmen's' Compensation Act, 1941, the Labour Act, 2007 and the Social Security Act, 1994 have to be read in conjunction with the supreme Constitution. The Constitution gives necessary guarantee for enjoyment of fundamental rights and freedoms under its Chapter 3. Social security is not a right under the Namibian Constitution, as it is not part of Chapter 3 of the Constitution. It is a privilege. For what it is worth, it is an obligation that is impliedly imposed on the State by Article 95 of the Constitution titled "*Principles of State Policy*".

Article 95 contains four multi-coloured provisions of, which weaved together are tilted towards the provision of social security by the State. In the context of social security, the first relevant provision of this article provides that the State shall actively promote and maintain the welfare of the people by adopting, appropriate legislation, to provide maternity and related benefits for women. The second provision also enjoins the State to actively encourage the formation of trade unions to protect workers' rights and interests and to promote sound labour relations and fair employment practices.

The third provision dictates that the State must actively promote and maintain welfare of the people by adopting, policies aimed at adherence to and action in accordance with the international Conventions and Recommendations of the ILO. The fourth provision requires the State to promote and maintain welfare of the people by enacting legislation to ensure that disadvantaged are accorded such social benefits and amenities and in all and much closer to social security. The State is obliged to promote and maintain welfare of the people by ensuring that workers are paid a living wage adequate for maintenance of a decent standard of living.

Even though there is a constitutional obligation anchored in Article 95 of the Namibian Constitution for provision of social security by the State as indicated above, that obligation is not binding on the State, which makes social security a privilege in Namibia. Similarly, persons whose right to social security has been violated cannot avail themselves automatically the substantive and procedural protections afforded by the Constitution in Article 25 of the Namibian Constitution by approaching a court of law in Namibia. This is because Article 101 of the Namibian Constitution says so. It states:

The principles of state policy contained in this Chapter shall not of and by themselves be legally enforceable by any Court but shall nevertheless guide the Government in making and applying laws to give effect to the fundamental objectives of the said principles. The Courts are entitled to have regard to the said principles in interpreting any laws based on them.

It is evident that social security is one of the principles of State Policy as explicated above. The social protection is not regarded as a right. There is no constitutional provision in relation to social security benefits and/or protection that measures as a right. Constitutional grounding as a right, though not exclusively, can create opportunities for challenging inadequacy of social protection or even violation of social security protection. Moreover, the Namibian Constitution of 1990 provides in Article 25 for the enforcement of fundamental rights and freedoms. More specifically Article 25 (2) of the Namibian Constitution provides that:

Aggrieved persons who claim that a fundamental right or freedom guaranteed by this Constitution has been infringed or threatened shall be entitled to approach a competent Court to enforce or protect such a right or freedom and may approach the Ombudsman to provide them with such legal assistance or advice as they require and the Ombudsman shall have the discretion in response thereto to provide such legal or other assistance as he or she may consider expedient.

Social security is not a right or freedom guaranteed in the Namibian Constitution and therefore cannot be enforced. This applies irrespective of the consideration of whether one is in the informal sector or formal sector. Put another way, the Constitution as it is does not allow for a successful challenge in a competent Court of law on failure to provide for social security or failure to provide adequate social security. This legal position

6.4 The statutory framework

6.4.1 General

The current context of the social protection in Namibia is one based largely on the so-called insurance model and is limited to provisions of protection against the loss or reduction of income resulting from retirement, disability and death. Holistically viewed within this context, coverage is restricted to workers in the formal sector. This exclusion has significant ramifications for a significant number of the Namibian population. This is, because the regime is tilted towards formal employment related benefits, which are restricted to the formal sector only.

6.4.2 The Labour Act, 2007

When it comes to statutory framework, the point of departure is Labour Act 11 of 2007 (hereinafter “Labour Act” or “the Act”). The Labour Act has left the informal sector in a laissez-faire limbo because it excludes it and has not legalised it.

Vfg fd

The Labour Act covers issues, which definitely affect the Death Sick Maternity (DSM) Fund, which is managed by the SSC. Under section 27(4) of the Labour Act, the SSC must, during the period that an employee is on maternity leave, pay to that employee such portion of that employee's basic wage as may be prescribed in terms of that Act.

6.4.3 Workmen's Compensation Act, 1941

This Act is now called the Employees' Compensation Act, 1941. The purpose of the Act is to provide compensation for disability caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment. The Act provides for a system of compensation, which differs substantially from the rights of an employee to claim damages at common law.

Under sections 38, 39 and 40 of the Act the Minister passed regulations showing the maximum amounts, which may be paid in cases of inter alia, disablement and occupational injury death. Indeed, the Act has a close connection to Social Security Act, 1994 as it provides a comprehensive regulation of compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment.

This Act clearly excludes those who are self-employed or generally in the informal sector. It defines an employee as any person who has entered into a contract of service with an employer, including domestic employees employed as such in a private household. The term “employee” is defined in section three of the Act.

There should be a contract between two parties. So there is no inclusion of self-employed people in this Act. Based on this Act, in the landmark case of *Smit v Workmen's Compensation Commissioner* it was held as follows:

This was a consensual contract whereby a labourer, workman or servant as employee (location operarum) undertook to place his personal services (operae suae) for a certain period of time at the disposal of an employer (conductor operarum) who in turn undertook to pay him the wages or salary (merces) agreed upon in consideration of his services.

In *African Personnel Services v Government of Namibia and Others* Parker J endorsed this definition of a contract of employment. Among the persons excluded from the scope of the Act are persons earning more than N\$72 000 per annum; and a person who contracts for the carrying out of work and himself engages other persons to perform such work and persons who work solely for a commission or a share in the takings. Persons earning more than N\$72 000 may, however be covered provided that their employer has a special agreement with the Commission. These figures are flexible thus are changed from time to time.

6.4.4 The Social Security Act, 1994

This Act is the formidable and the pinnacle of social security benefits legislation in Namibia occupies 47 pages and is divided into 9 parts. Three questions can be raised in regard to the SSA analysis under this part. What is the purpose and scope of application of the Act? What kind of people who cannot obtain the social security benefits under the Act? And lastly to what extent can the SSA be amended?

A brief glance at the SSA explains the importance of the second question above. The Act viewed holistically seem to exclude people in the informal sector from taking social security benefits under the Act.

The SSA has been passed with the object to lessen insecurity as a result of illness, pregnancy, retirement and death. It has been hailed as affording protection against the loss of income due to unemployment, old age and the death of the breadwinner. The preamble to the SSA is hinged on provision of several identified benefits to employees, such as sick leave, maternity leave, pension benefits and medical benefits. Death benefits also apply to dependents of the deceased employees. The application of the Act is sharply defined and limited to employees and employers. Section 2 of the SSA provides:

This Act shall apply in relation to every employer, including the State and every employee.

It is therefore pertinent to construe the meaning of the word 'employee' as used in the SSA. An employee is defined in section 1 of the SSA as:

"Employee" means any person younger than 65 years, who -

- (a) Is employed by or working for any employer; or*
- (b) in any manner assists in the carrying on or the conducting of the business of an employer, for more than two days in any week, and who is receiving or is entitled to receive any remuneration in respect thereof, and includes, in the case of an employer who carries on or conducts business mainly within Namibia, any such natural person so employed by, or working for, such employer outside Namibia or assisting such employer in the carrying on or conducting of such business outside Namibia, if such person is a Namibian citizen or lawfully admitted to Namibia for permanent residence therein, and "employed" and "employment" shall have corresponding meanings;*

The age requirement of 65 years excludes employees who are above the age 65 in the informal sector and formal sector from being regarded as employees under the SSA and to acquire benefits contemplated in the Act.

There are further a myriad of problems in regard to the SSA for the informal sector. In this regard there is a provision for registration and membership of the Funds. Section 20 of the SSA reads:

Registration and membership of funds

20. (1) Subject to subsection (3), every employer shall, in the prescribed manner and within the prescribed period, register -

(a) Himself or herself with the Commission as an employer and

(b) Every employee employed by him or her, as an employee,

For the purposes of this Act.

(2) Notwithstanding subsection (1), a self-employed person who does not employ any other person may, in the prescribed manner, voluntarily register himself or herself under that subsection as an employer and employee for the purposes of this Act.

(3) The name and such other prescribed particulars of every employer and employee registered under this section shall be recorded in a prescribed register to be kept by the Commission and a prescribed certificate of registration, which shall, in the case of an employee, be known as a social security card, shall be issued to every employer and employee so registered.

(4) Any person who fails to comply with subsection (1) shall be guilty of an offence.

Section 20 of the SSA generally imposes certain formalities that need to be complied with, such as registration. This provision makes the Act virtually beyond the reach of the employers in the informal sector and consequently employees of those employers. This is simply because atypical employers and atypical employees are not registered or regulated under the SSA. By virtue of the section no unregistered worker will receive any payment from the Social Security Commission.

Furthermore, Section 21 of the SSA governs membership of funds and payments of contributions. It states

21. (1) every employee registered under section 20 shall be a member of: _

(a) The Maternity Leave, Sick Leave and Death Benefit Fund;

(b) The National Medical Benefit Fund, except if he or she is a member of any other medical fund or scheme approved by the Minister on recommendation of the Commission and

(c) The National Pension Fund, except if he or she is a member of any other pension fund or scheme approved by the Minister on recommendation of the Commission.

(2) Subject to the provisions of this section, every employer and employee contemplated in subsection (1) shall be liable in respect of the prescribed contributions payable by every such employer and employee to every fund of which the employee is a member.

(3) Different contributions contemplated in subsection (2) may be prescribed in respect of different categories of employers or employees. (4) An employer shall, subject to the regulations contemplated in subsection (2), deduct the contributions payable by his or her employee from such employee's remuneration and pay it, together with the contributions payable by him or her as employer, over to the Commission within the prescribed period.

(5) A self-employed person registered as an employee in terms of section 20 shall pay both the contributions payable by an employer and an employee as contemplated in subsection (2).

(6) Subject to the provisions of this section, no claim for any benefit payable under this Act shall be considered by the Commission unless -

(a) 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

(b) All contributions payable in respect of his or her membership of such fund have been paid in full.

SSA requires a self-employed person to pay contribution twice. Informal sector employees have low income or unstable income to pay the contributions required, more so for those self-employed required to pay twice.

There are other legal restrictions. Broadly construed benefits such as sick leave, maternity leave, medical benefits and death benefits contemplated in the SSA are portable if an employee is a member of a Sick leave, Maternity leave and Death benefits Fund. More succinctly put, in case of sick leave, maternity leave, death benefits; a member of National Medical Benefit Fund, in case of medical benefits, a member of National Pensions Fund, in case of pension benefits.

Moreover an employee should comply with two conditions precedent contemplated in section 21(6) of the SSA.

The first condition is that an employee should have been a member of the Fund concerned for a continuous period of at least six months before the date such a claim arose. The second condition is that that all contributions payable in respect of membership of the Fund has been paid in full.

The qualification period of six months and full payment is unfriendly towards those in the informal sector whose working circumstances might differ from an individual to an individual. For example, not all persons in the informal sector might be employed for six months continuous. The six months long period of contributions required to be entitled to take a benefit from any of the concerned Fund can serve as a disincentive to many informal sector employees who often have insecure jobs and unpredictable employment paths.

The second requirement that dictates full membership contributions is inflexible and disregards different employment status especially for those in the informal sector.

Another legal concern is that the SSA prescribes different contributions in regard to different categories of employers and employees (*section 21(3)*) and this does not explicitly extends to those in the informal sector. The SSA has not devised tailor made schemes to those excluded and more so marginalized people.

The SSA should largely be read together with the Labour Act explained below as its provisions are dependent on provisions of the Labour Act, 2007. For example, Maternity leave benefits to female members equal 100 percent of basic wage up to a ceiling of N\$13 000 for a maximum period of 12 weeks (3 months), with a minimum of N\$300.00 per month and maximum of N\$13 000 per month. All claims must be submitted to the Commission not later than 7 days before the expected date of birth. The Commission does not pay the final maternity leave benefits due unless a declaration with regard to employment status has been submitted. This Act shows quite clearly that to qualify for maternity leave one should be under the employment of another or they should prove their voluntary registration as a self-employed person. Those who are in the informal sector and not registered are thus not recognized and cannot 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. Furthermore, the Commission does not pay for final sick leave benefits due unless a declaration regarding employment status has been submitted. Form 15, which require a declaration of employment status does not distinguish between the self-employed who voluntarily register and those who are in informal employment. It seems the primary consideration would be the determination of contributions made by claimants, followed by an enquiry whether the claimant indeed made requisite contributions.

The SSA contains 9 (nine) offence sections. The use of criminal law in the context of social security law remains an important element in the enforcement of key provisions of the SSA. This is important for recalcitrant employers. Given pressures to introduce social security benefits to the informal sector, it is questionable whether criminal sanctions or monetary fines should be imposed on recalcitrant employers in the informal sector?

Firstly, the SSA makes it an offence for an employer who fails to register within prescribed manner and prescribed period. This provision already deters atypical employers from associating themselves with the Social Security Commission in fear of flouting the provisions of the SSA, if not registered and or even when registered.

It can be argued that some criminal offences provisions in the SSA be decriminalized. There are too many criminal penalties in aspects where there should not be. To be sure, criminal sanctions hold their own problems. A criminal prosecution triggers off the possibility of a range of constitutional challenges by an accused. In turn this can prolong trials and cause proceedings to be even more complex.

6.5 Conclusion and Recommendations

6.5.1 Flaws in the current constitutional framework of the Namibian Constitution of 1990

The Namibian Constitution of 1990 knows no informal sector. The informal sector is not referred to in any of the 148 Articles provided for in the Namibian Constitution. More so, the Namibian Constitution does not acknowledge social security as a human right. It is omitted from Chapter 3 on “the Fundamental Rights and Freedoms”, which has catalogued 14 fundamental rights and 11 fundamental freedoms.

The Namibian Constitution guarantees equality and freedom from discrimination in Article 10 and the right to dignity in Article 8. The extension of social security to the informal sector prevents discrimination on grounds of economic status (i.e. employment in the informal sector) and will also promote respect for human dignity for employees in the informal sector.

6.5.2 Flaws in the current legislative framework of the Social Security Act (SSA), 1994

The regime under, which the SSA was enacted did not give attention or considered the informal sector. This is evident from the following observations:

1. The words “informal sector or informal economy” is alien to the SSA. The SSA holistically viewed and restrictively interpreted does not acknowledge in explicit terms existence of the informal sector or informal economy in Namibia. The words “informal sector or informal economy” are conspicuous lacking from its long title (the preamble and its 50 sections).

2. The definitions of the words “employer” and “employee” in section 1 of the SSA are informal sector biased. These definitions do not envisage employees in the informal sector whose circumstances of employment might differ. This is because the definition of “employee” requires a person to work more than two days a week. And further, the definition does not contemplate other rebuttable presumptions to employment as may be found in the informal sector.

The definition of an “employee” in the SSA does not include the self-employed, yet self-employed is referred to in section 20(2) and section 21(5) refers to the self-employed.

3. Section 2 of the SSA limits its scope of application to employers and employees, yet it remains unclear as to the status of the self-employed, who are not included in the definition of an “employee”. Section 2 of the SSA does not expressly state in unequivocal terms that the SSA applies to the employees and the employers in the informal sector.

4. Section 20(2) of the SSA makes provision for voluntary registration of self-employed as an employer and as an employee. There are at least two problems associated with this provision. The first is that section 28(4) of the SSA contemplates that maternity leave benefits, sick leave benefits, death benefits contemplated in sections 29, 30 and 31 under its Part V are only payable to employees and dependants of the employees in case of section 31. This provision is complemented by section 21(1) of the SSA, which refers to employee. The benefits are not extended to the self-employed despite being required to register as self-employed and they are not regarded as employees but employers respectively. In consequence self-employed persons deemed as employers cannot take a benefit under the SSA.

The second flaw in section 20(2) is that the self-employed persons can register on voluntary basis. This provision gives discretion to the self-employed and many who prefer not to spend on monetary contribution will be deterred to register. This is supported by the survey findings on p.46, which indicates that 80.5 percent of the informal businesses were not registered.

5. The other anomaly in the SSA is its section 21(5). Section 21(5) requires a double monetary contribution for self-employed to register as employees and employers. The lack of financial resources in Namibia as demonstrated in this report at page 46 that 43.4 percent had no money to register can only interpret to mean that provision only serves as a disincentive for the self-employed in the informal sector to register to qualify for benefits under the SSA.

6. Furthermore the length of monetary contribution required in section 21(6) of the SSA for six months continuously might not be accommodative of employees in the informal sector whose employment circumstances and remuneration conditions differ.

6.5.3 Recommendations

The first over-arching reform is to include the right to social security as a human right in the Namibian Constitution to give it constitutional grounding. This is because; a question might be asked in the first place as to why social security should be extended to the informal sector if it is not a guaranteed human right in the Constitution which is the supreme law.

In terms of Article 95(1) (b) of the Constitution, Namibia is obligated to ensure compliance with recommendations of the ILO. Constitutional amendment ensures that Namibia complies with the recommendations of the ILO.

The second recommendation is to introduce a new Act altogether that caters for the informal sector. The recommendation is premised on the following reasons:

1. There are plenty sections in SSA, which are red-flags to the informal sector employees and or the self-employed persons. In other words, it detracts from accommodating the informal -sector. These very sections are the essence of the SSA forming the basis for provision of social security to the formal sector which if interfered with will make the SSA redundant.

2. The enactment of a new Act altogether will enable specific flaws as identified above and innovative concepts to be introduced which are only suited for the informal sector. For example, the introduction of the buzz words “informal sector” and a proper comprehensive definition of the informal sector to, which the new Act will apply can be possible. This will give considerations to a host of factors as those revealed by the survey and most importantly adopted to the Namibian situation.

3. In the new Act, provision for self-employed and the dilemma associated it will be addressed. For example, the new Act will explicitly have to make provision for the benefits to be applicable to the self-employed. In this regard ensuring that the self-employed are regarded also as employees.

4. Since the definition employee is restricted as discussed above, the new Act should adopt a wide definition of employee, which is informal sector specific and suited. This will entail including rebuttable presumptions as to who is an employee as has happened with the Labour Act 11 of 2007 amendment.

5. Incorporating amendments into the current SSA will come with insurmountable challenges as it results into surgical reform of its main provisions.

6. Incorporating amendments instead of a new Act may make the SSA too clogged and too cumbersome with clauses overlapping each other as the Act tries to cater for two different sectors in different aspects. This may cause confusion as one goes through generic and specific sections.



Chapter 7: Summary Conclusions and Recommendations

7.1 Summary of Main Results

The Results of the Informal Sector Case-Study shows that most of own-account workers are in urban areas with coverage of high as 90%, nevertheless regional variations were evident. Most of them were young adults, predominantly female who have completed junior secondary education. Close to 85% had access to cell-phones. Predominantly, those who have received no formal training in running a business (70.0%). Others have received vocational training (8.5%). This suggests either lack of training in operating business might impact sustainability of their businesses.

The majority of businesses were sole-ownership (92.1%) and about 7% are in partnerships. Most of these are relatively new having been established during the last 5 years preceding the survey date. Notable was that about 12% of respondents have been operating for less than 6 months. Results also show that over half of the businesses were in wholesale and retail trade with slightly equal distribution in urban and rural areas. Predominantly, 85% of businesses were in non-agriculture sector. As expected close to 60% of businesses operated at home. Only 19% had business premises with fixed location independent from home.

Further finding provide evidence that access to credit and micro-finance is limited in the informal sector, mostly because of lack of awareness of bank and micro-finance services. In fact, financial difficulty was the most stated challenge faced with running businesses in the informal sector. Start-up capital for informal sector businesses were sourced from either own savings or relatives, friends and neighbours. Advertising of business activities seem to be known to about a third of those interviewed however, most stated method of advertisement, is through relatives, friends or neighbours.

A sizable percentage of enterprises (62%) had only one employee. The majority were permanent employees with a fixed monthly salary, with close to half paid between N\$1000 and N\$2000, and a third paid less than N\$1000. Employment in the sector was without contracts for most employees, and also working excessive hours of between 9 to 13 hours for most employees. The sick leave benefit was accessible to less than 40 percent of the employees, and less than 30% enjoyed annual leave. Non-mandatory leave was mostly confined to food and transport allowances.

A high number of informal enterprises were not registered (88.9%) with the SSC and lack of money was cited as primary reason for non-registration. While 84.3% of employees also indicated they were not registered with SSC. Physical inaccessibility of social security offices and lack of knowledge on part of own account workers were other reasons given for non-registration. Although most own-account workers did not see the benefit to register their business with the SSC, on the contrary they indicated a number of benefits that would help mitigate exposure to vulnerability.

For an enhanced or extended social protection in the informal sector, there is need to incorporate reforms on the SSA, and or amend the Constitution so that access to social security employment is regarded as a right and not a privilege.

7.2 Conclusion

These results show that in terms of economic production as measured by the contribution to the GDP, the share of the informal sector is much less than that of the formal sector. However, with regard to jobs, informal employment is a vital source of income to the employed population. This study has provided concrete evidence that the informal sector contributes substantially to the nation's outputs and that informal employment is an integral part of the labour market. The analysis in the report provides policy makers and the development community with a clearer picture of the state of the labour market, access of workers to various social protection instruments, conditions of informal enterprises and status of employment in the informal sector.

7.3 Recommendations

Based on the findings of this study a few policy instruments are highlighted:

- There is a need to train own account workers in various businesses as lack of training impacts on sustainability of business and profitability.
- Provide opportunities that encourage partnership or more concretized business enterprises that may increase profitability and sustenance. Acquisition of machines or equipment might be possible through co-operatives, which may attract more resources than sole-ownership type of ventures.
- Increase awareness of micro-finance services to enhance volume of production, and improve competitiveness or profitability.
- Train informal sector entrepreneurs in financial literacy so that applications for credit or finance assistance are not rejected. At the same time, training should educate the entrepreneurs of the need to keep records.
- Sensitize own-account workers on benefits derived from social security for both genders.
- It is important that measures be put in place that raise productivity of informal workers and equally provide them with basic social protection. Social security can be provided through three basic options in order to increase people's control over their lives and extend coverage to informal sector workers and other vulnerable groups in society: (1) Through specially designed and self-financed social insurance schemes; (2) through social assistance and (3) through extension and reform of formal sector social insurance.
- Invest in training and skills development tailored to needs of the formal sector, which requires market-driven and market- recognized certification of skills.
- Use new information and telecommunications technologies to formalize employment and support enterprise.
- Simplify labour laws and tax legislation without sacrificing basic social standards.
- Where there is wage discrimination, give informal workers a stronger voice and remove the stigma attached to informal employment.
- Amend the Constitution and reform the SSA to enable extension of social protection to the informal sector, since as it currently stands at the moment it may be a burden for the employers in the informal sector.



Appendix

Table A.1: Training received.

<i>Kind of training received</i>	Frequency	Percent
Administration	54	1.2
Agricultural training	31	0.7
Art and craft	1	0
Beauty care	20	0.4
Book keeping	8	0.2
Business	139	3.1
Construction	26	0.6
Culinary	1	0
Domestic worker training	9	0.2
Driving	5	0.1
ECD	35	0.8
Education	7	0.2
Emergency and first aid	14	0.3
Entrepreneurship	8	0.2
Fabrication	3	0.1
Financial literacy	11	0.2
Health	34	0.8
Hospitality	136	3
Hygiene	3	0.1
ICT	7	0.2
Literacy	16	0.4
Maintenance	3	0.1
Marketing	10	0.2
Mechanic	8	0.2
National Youth Service Training	26	0.6
NDF training	27	0.6
On the job training	2	0
Paralegal	1	0
Production	1	0
Safety and security	52	1.2
Secretarial training	10	0.2
Self- training	12	0.3
SME Training	16	0.4
Social welfare	8	0.2
Sport	6	0.1
Tailoring Training	129	2.9
Teaching training	21	0.5
Textile	19	0.4
Theology	4	0.1
Training on HIV	31	0.7
Vocational training	381	8.5
Welding	18	0.4
Wood work	3	0.1
None	3,151	69.9
Total	4,507	100

Table A2: Type of business activity by place of residence (rural/ urban)

Activity	Urban	Rural	Total
Abattoir	1	1	2
Accessories	2	0	2
Accommodation	12	1	13
Accommodation (renting)	13	3	16
Accommodation and Hospitality	4	0	4
Administration	1	0	1
Agricultural business	45	16	61
Arts and Craft	19	16	35
Bar	259	89	348
Blacksmith	0	1	1
Bottle collecting	7	0	7
Building and Construction	31	9	40
Building materials	6	2	8
Butchery	88	28	116
Carpentry	8	1	9
Car fixing and repairing	34	6	40
Car hire	1	0	1
Car wash	23	0	23
Clothing	134	26	160
Confectionery	159	96	255
Copy and Printing services	25	1	26
Cosmetic and Beauty	349	32	381
Crushing Mahangu	2	1	3
Cup soup	1	0	1
Cutting meat	6	1	7
Day Care	34	1	35
Electrician	7	0	7
Events and Management	7	0	7
Farming	14	18	32
Financial services	6	2	8
Firewood	60	9	69
Fish	79	40	119
Fishing	2	2	4
Fixing and repairing cars	14	2	16
Fleet Management	1	0	1
Fruits and Vegetables	206	51	257
Furniture and joinery	17	8	25
Gambling	1	1	2
General dealer	0	5	5

Herbal products	5	1	6
Home brewing	145	128	273
Hospitality	8	1	9
Import and export cars	1	0	1
Installation Dstv	1	0	1
IT	7	0	7
Jewellery	10	0	10
Kapana	210	56	266
Key holder	1	0	1
Keys duplication	1	0	1
Kitchen utensils	3	0	3
Laundry and dry cleaner	3	0	3
Leather crafting	3	0	3
Making trailers	1	0	1
Manufacturing silo	0	1	1
Medication	1	0	1
Music production	2	0	2
Office Administration	2	0	2
Philanthropy	1	0	1
Repairs	17	2	19
Restaurant	155	30	185
Retail	918	294	1212
Seafood	1	0	1
Selling Bathtubs	1	0	1
Selling devil claw	0	2	2
Selling pangas and wooden pounding materials	1	0	1
Selling paraffin	5	0	5
Selling silo	1	0	1
Shoe fixing	1	1	2
Shoe repair	4	0	4
Shoes	10	1	11
Solar lights	1	0	1
SSH/Training enterprise cc	1	0	1
Stock	1	0	1
Stock taking	1	0	1
Supervising	1	0	1
Tailoring	149	33	182
Teach people how to fly	1	0	1
Tobacco products	8	4	12
Tourism	2	0	2
Traditional food	55	12	67
Transport	22	1	23
Water Purify	1	0	1
Welding	18	5	23
Wild Fruits	3	4	7
Working as a boss	0	1	1
Total	3461	1046	4507

Industry	Loan successful	
	Number	Percent
Agriculture	39	63.9
Manufacturing	45	73.8
Electricity, gas and water	0	0.0
Construction	4	50.0
Wholesale and retail trade	139	76.0
Transport, storage and communication	1	100.0
Financial services	3	50.0
Community, social and personal services	18	41.9
Total	249	68.4

Main Industry	Claims from SSC				Total
	Yes, in the last 12 months	Yes, more than 1 year ago	No	Don't know	
Agriculture	5	16	276	3	300
Manufacturing	4	24	301	5	334
Electricity, gas and water	1	0	11	0	12
Construction	0	2	25	1	28
Wholesale and retail trade	22	79	1,193	26	1,320
Transport, storage and communication	0	1	19	0	20
Financial services	2	6	36	0	44
Community, social and personal services	4	16	222	8	250
Total	38	144	2,083	43	2,308



Figure A1: Percentage distribution of frequency of claims from SSC by type of industry

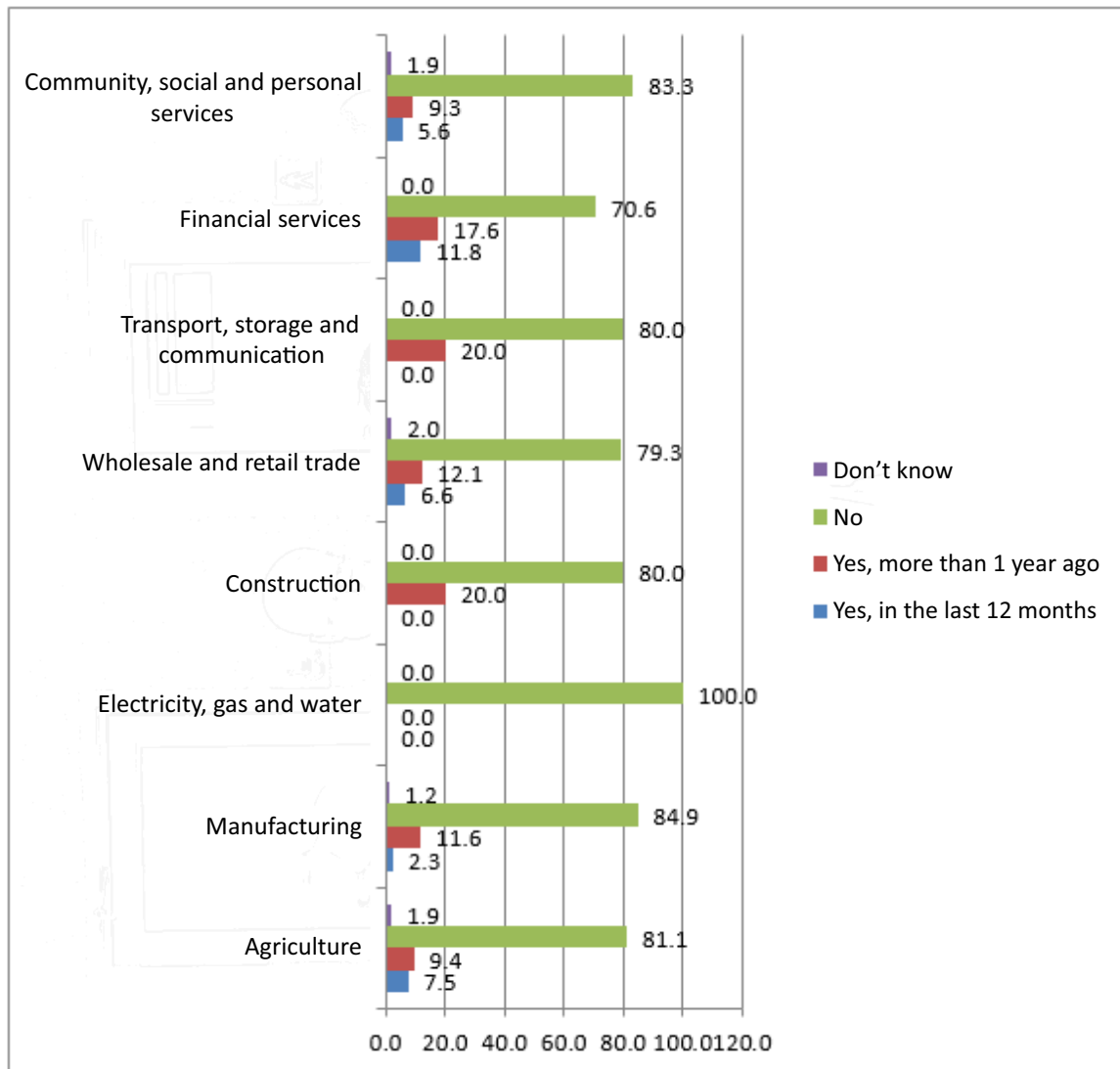


Table A4: Size of the informal sector (percentage employment) for the eight regions under focus. Data extracted from the 2001 Namibia Informal Sector Survey, and Annual Labour Force Surveys (2012 - 2014)

	Year 2001	Year 2012	Year 2013	Year 2014
Zambezi	76.9	21.8	62.7	64.7
Erongo	70.1	26.9	20.5	83.8
!Karas	53.6	60.4	21.2	77.8
Kavango	31.9	20.3	71.1	74.9
Khomas	69.9	56.5	21.9	66.7
Ohangwena	44.5	44.2	75.5	62.8
Omaheke	74.3	67.7	54.6	80.6
Oshana	72.6	70.1	49.2	72.6

Table A.5: Size of the informal sector employment based on the Annual Labour Force Surveys

<i>Industry</i>	<i>Year 2012</i>	<i>Year 2013</i>	<i>Year 2014</i>
Agriculture forestry & fishing	76.4	83.5	89.5
Mining & quarrying	3.9	5.3	83.2
Manufacturing	23.0	23.6	86.2
Electricity & related industries	3.9	0.0	50.8
Water supply & related industries	8.2	19.1	24.4
Construction	20.3	23.1	90.3
Wholesale & retail trade	34.0	46.0	88.6
Transport & storage	20.4	17.8	67.6
Accommodation & food service activities	48.6	40.1	87.2
Information & communication	3.8	4.3	33.6
Financial and insurance activities	2.7	3.2	67.5
Real estate activities	11.1	46.0	57.9
Professional, scientific and technical activities	11.5	10.3	58.3
Administrative & support service activities	6.7	8.0	71.0
Public administration, defence, compulsory social security	2.5	0.6	17.1
Education	4.0	1.5	13.6
Human health & social work activities	3.4	3.6	30.7
Art, entertainment & recreation	9.2	35.9	73.1
Other services activities	37.3	51.4	94.0
Private households	86.7	93.0	98.7
Extraterritorial organisation & bodies	0.0	0.0	40.3
Total	42.8	47.3	72.9

Table A6: Registration with Social Security Commission in 2012 and 2013, based on the annual labour force surveys of 2012 and 2013.

<i>Region</i>	<i>Year 2012</i>		<i>Year 2013</i>	
	<i>Formal employment</i>	<i>Informal employment</i>	<i>Formal employment</i>	<i>Informal employment</i>
Zambezi	5702	1523	-	100
Erongo	23961	13815	2461	574
Hardap	7461	4568	458	219
!Karas	10974	7488	927	-
Kavango	9880	1868	714	-
Khomas	72233	23453	3073	525
Kunene	3607	2663	447	56
Ohangwena	5313	2001	204	87
Omaheke	3190	3630	309	27
Omusati	6332	1948	412	423
Oshana	13787	5499	1287	268
Oshikoto	6454	3382	332	-
Otjozondjupa	12297	11483	922	-
Total	181191	83321	11546	2279

Note: The definition or classification of informality used differed for the two survey years.



