



# **SOCIAL SECURITY IN THE INFORMAL SECTOR IN RWANDA**

Rwanda Civil Society Platform

*Kigali, November 2013*

## **ACRONYMS**

- AIDS: Acquired Immune Deficiency Syndrome
- CEDAW: Convention on the Elimination of Discrimination Against Women
- CRC: Convention on the Rights of the Child ();
- HIV: Human Immune Virus
- ICESCR: International Covenant on Economic, Social and Cultural Rights
- ICLS: International Conference of Labor Statistics
- IDI: In- Depth Interviews
- ILO: International Labor Organization
- MMI: Military Medical Insurance
- NISR: National Institute of Statistics for Rwanda
- RAMA: La Rwandaise d'assurance Maladie
- RCA: Rwanda Cooperatives Agency
- RDB: Rwanda Development Board
- RRA: Rwanda Revenue Authority
- RSSB: Rwanda Social Security Board
- SNA: System of National Accounting
- SSFR: Social Security Fund of Rwanda
- VUP: Vision2020 Umurenge Program

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## **Executive Summary**

Investing in social security is empowering people to work towards their self-reliance, making them more productive and contributing to economic development. However, the availability of social security programmes mostly in developing countries is limited to only individuals working in the formal sector and leaving out the largest part of the population in the informal sector who are most vulnerable and exposed to socio-economic risks. The impact of this insufficiency largely affects elderly people, children, women and disabled people.

A large and growing number of people are doing work in informal places of work that are associated with specific risks not commonly found in formal types and formal places of work. The regulation of conditions of work, in order to secure decent and safe conditions, is restricted to formal places of work such as shops, offices and factories. In Rwanda, specific evidence exists about bottlenecks that people in the informal sector face in having social security coverage and the challenges in providing social security services by informal employers. This has had huge effects on the vulnerability of households and employees working in the informal sector.

Rwanda civil society platform therefore launched a survey in Rwanda informal sector with the basic objective of investigating and highlighting the risks faced by the working poor in the informal economy, and particularly the risks faced by women and children by investigating how common contingencies affect informal workers in particular, how systemic shocks affect informal workers in particular, and how the nature of informal work creates shocks and risks specific to informal workers and the impacts on family and children.

The findings of the survey indicate that the informal sector system undermines implementation of the social security protection to employees due to the set up of the informal sector and how the sector operates. Informal sector employees are paid lower salaries and do not have formal contracts that guarantee them accessing social security services/ protection of any kind.

Findings further indicate that employees in the informal sector have dependants including children, the aged and the disabled who need specific attention through the provision of basic needs and these are not available as required due to the nature of the employment of these employees.

Findings show that employees in the informal sector are aware of the social security services and are willing to contribute to the services if better mechanisms are established in the informal sector. This will definitely improve their livelihoods of the employees and their families/ households as well as increase productivity of the informal sector.

In addition, Informal sector employees are aware of the sudden shocks that may hamper their working and have plans for future regarding social security protection. They mainly focus on being members a formal organization, increase their savings and possess investment assets, and engage in off farm activities in the near future. This will need support from policy level and place mechanisms for efficient social security protection programs, oriented towards the informal sector that employs many people in the country. The same people working in the informal sector support many households that are classified vulnerable.

With these findings ascertained from the study, recommendations have been pointed and set clearly for the establishment of a well coordinated social security protection in the informal sector in Rwanda. The failure to address the social protection gaps in the informal sector could worsen inequalities and have a negative impact on the social and political conditions conducive to economic growth. Therefore, there is a need for innovative approaches to tackle inequalities and promote inclusive growth through effective and sustainable social protection policies.

## **CHAPTER ONE: GENERAL INTRODUCTION AND BACKGROUND**

### **1.1 Introduction**

Social security is an important tool in preventing and reducing poverty, inequality, social exclusion, and social insecurity. It acts as an economic stabilizer and helps stimulate aggregate demand in times of economic crisis and beyond<sup>1</sup>. Investing in social security is empowering people to work towards their self-reliance, making them more productive and contributing to economic development.

However, the availability of social security programmes mostly in developing countries is limited to only individuals working in the formal sector and leaving out the largest part of the population in the informal sector who are most vulnerable and exposed to socio-economic risks. The impact of this insufficiency largely affects the people in old ages, children, women and disabled people. Governments have always strived to put in place social security programmes and other necessary infrastructures to ensure social justice, equitable development and social cohesion is provided to its citizens. However, despite the social security being a human right<sup>2</sup> and the political will, the issue which is yet to be resolved is how to extend social security to informal sector especially in developing countries.

The challenge is partly in the tracking and keeping record of the people working in the informal sector, and partly due to the traditional role of family support and the limited policy initiatives, thus frustrating all efforts aimed at extending social security systems to those involved.

In modern times, governments have increasingly put efforts in improving social security coverage to informal workers. Rwanda like other developing countries recognizes the following population groups as vulnerable - Genocide survivors; orphans; minors in difficult situation; widows; people living with HIV/AIDS; youth from poor families; demobilized soldiers; disabled people; repatriates; refugees; the elderly; victims of catastrophes and underdeveloped and marginalized victims of socio-cultural history; etc.

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<sup>1</sup> International labour conference: recommendation 202

<sup>2</sup> ILO World Social Security Report 2010-2011

The government of Rwanda has made a number of commitments to protect the vulnerable and poor over the years. Some of the related programmes include educational grants and shelter for survivors of genocide, Vision 2020 Umurenge programme, one cow per poor household (girinka), Mutual Health Insurance Scheme (Mutuelle de santé), Ubudehe, medical insurance scheme for public employees, military medical insurance scheme and Pension insurance scheme for people working in the formal sector among others. The implementation of these programmes is a responsibility of several ministries and government agencies.

In terms of health, infant motility in Rwanda was reduced from 152/1000 live births to 103/1000 live births between 2005 and 2008. Maternal mortality rates per 100,000 stood at 750 in 2009 from 1052 in 2005<sup>3</sup>. Health insurance scheme has coverage of 95 %<sup>4</sup> while HIV prevalence rate has been stable at 3 % since 2005<sup>5</sup>. Education statistical estimates in Rwanda indicate that 37.50% have never been to school, 55.56% received primary school education, and 2.03% have post primary level of education, 4.40% received secondary school education and about 0.51% has university education.

Despite the progress registered in informal sector, low coverage pension schemes, limited access to medical insurance, limited coverage of one cow per poor household, limited coverage of VUP Umurenge (currently in 90 sectors out of 416, representing 21%) among others have remained a challenge and lack of tangible strategies to extend social security coverage to informal sector.

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<sup>3</sup> Rwanda Statistical Year Book 2010

<sup>4</sup> RAMA, which means Mutual Health Insurance and other private operators put together

<sup>5</sup> MoH Annual Report 2009-10 and the Rwanda National Strategic Plan on HIV/AIDS 2009-2012, 2009.

## 1.2 Background

A large number of Rwandans work in the informal sector, where their lives are defined by instability, poverty, and risk. A new study attempts to shed light on this vital facet of the Rwandan economy. Informal workers are present in every sector of the Rwandan economy, ranging from construction site workers to housekeepers, from agricultural laborers to office workers, from street vendors to mine workers.

A large and growing number of people are working in informal places of work that are associated with specific risks not commonly found in formal types and formal places of work<sup>6</sup>. The regulation of conditions of work, in order to secure decent and safe conditions, is restricted to formal places of work such as shops, offices and factories. However, the majority of the world's workers now work elsewhere – whether on street corners, informal markets, or public parks (street and market vendors), on waste dumps (waste pickers), in their own homes (industrial outworkers), or the private homes of others (domestic workers). But the conventional institutions covering occupational health and safety do not cover informal places of work, nor do they include some of the occupational hazards associated with informal work<sup>7</sup>.

The notion of social security discussed in this report covers all measures of providing benefits whether in cash or in kind to ensure protection of people from;

- Lack of work-related income or insufficient income caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member;
- Lack of access or unaffordable access to health care;
- Insufficient family support, particularly for children and adult dependants;
- General poverty and social exclusion

It is clear that every person and every family needs protection from risks and the resulting insecurities. According to the Universal declaration of Human Rights articles 22 says that 'everyone as a member of society, has the right to social security....'and 25 states that everyone

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<sup>6</sup> Van Ginneken, W., (2003), Extending social security: policies for developing countries, ESS-Paper No. 13, ILO, Geneva.

<sup>7</sup> S.V. Sethuraman, Gender, Informality and Poverty, (paper prepared for the World Bank, 1998)

has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing, unemployment, sickness, disability, old age and medical care and necessary social services.....’

The state therefore, has the primary responsibility of ensuring the rights of its citizens are protected. The International Labour Organization (ILO) emphasizes on the following four minimum guarantees that every member state must give priority when designing its National Social Protection Floor (SPF).

- Access to a set of goods and services constituting essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability and quality,
- Basic income security for children at least at national defined minimum level, providing access to nutrition, education, care and any other necessary goods and services,
- Basic income security, at least at a national defined minimum level, for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity, and disability, and
- Basic income security, at least at a national defined minimum level for persons in old age.

The purpose of such social security programmes is to ensure protection aimed at preventing and alleviating poverty, vulnerability and social exclusion both in formal and informal working areas.

For many years, diverse social security programs have been developed in Rwanda. But although Rwanda already has the core elements of a comprehensive social security program in place, substantial gaps remain.

### **1.2.1 Major issues in social security programs in Rwanda**

Most of the social security programmes in Rwanda cover a small portion of the population leaving the largest part unsecured. Take an example of the retirement and professional risks programmes in Rwanda that covers around 8% of the active population according to the officials from Rwanda Social Security Board. Some gaps originate from the policy framework in place

that excludes non salaried works that are mostly seen in agricultural work and other informal areas of work. It is not acceptable to have more than 90% of the active population excluded from benefiting part of their fundamental rights. However the recent development in health insurance is a positive exception to this.

For existing branches, the benefits are not sufficient given that the prime purpose of social security is to alleviate people from poverty. Therefore important adjustments on major parameters will be needed in order to guarantee sufficient benefits at least based on the national defined poverty line.

The management of different schemes in scattered institutions is not an appropriate way to develop professionalism, effectiveness and efficiency for better services at minimum cost and maximum contribution to national socio-economic development. Streamlining the management of social security institutions will require maximum integration for better service delivery, synergy, and economies of scale for more efficiency (National social Security, 2009)

### **1.2.2 Rwanda's vision for social security**

In line with the vision to make Rwanda a country of development and better life for all; Considering the importance of protection of social risks as a major component of inclusive social economic development; The Government of Rwanda is committed to develop all necessary programs and mechanisms aimed at attaining the ideal situation of «*Social security coverage for all*», rooted in the universal declaration of human rights which consecrates social security among fundamental social rights.

The coverage of social security expected by the year 2020 is in form of vertical (branches) and horizontal (population) coverage. A lot of commitments for improving social protection in coverage and in depth are seen in the EDPRS 2 and in the National Social Protection Strategy 2011. All the existing social security programmes are intended to be strengthened and extended to cover as many people as possible and new programmes be introduced to comply with the international conventions that establish the right to social security and protection rectified like

The International Covenant on Economic, Social and Cultural Rights (ICESCR); the Convention on the Elimination of Discrimination Against Women (CEDAW); the Convention on the Rights of the Child (CRC); and, the Convention on the Rights of Persons with Disabilities. At the heart of all of these conventions are the entitlements set out in the Universal Declaration of Human Rights<sup>8</sup>

Also efforts to sensitize people to work under associations/ cooperatives are in place and will continue to be strengthened. This will ease accessibility to the people working in informal sector and social security programmes to address their needs be identified.

The Civil Society Platform of Rwanda sees the lack of access to social security as a long term structural problem that will have especially harsh consequences for the working poor, especially women and children, in the informal economy. What is needed is a system-wide approach to social security that is designed to handle a wide range of contingencies or shocks for all strata of the population and workforce, through a range of financing mechanisms.

The approach should be based on the fact that the informal workforce contributes to the overall economy, that social security for the informal workforce is an investment, not just a cost, and that the risks of the informal workforce cannot be addressed solely through short-term safety nets or targeted social assistance. Policymakers should recognize that, as one important plank of formalization, the informal workforce needs to be integrated into social insurance, in addition to social assistance, schemes. In Rwanda 88.6 percent of all total establishments can be classified as informal sector according to the Establishments census (*NISR 2011*).

The 15th ICLS (*ILO 2000*) defined *informal sector enterprises* on the basis of 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 for which no complete accounts are available that would permit a financial separation of the production activities of the enterprise from the other activities of its owner(s). Private unincorporated enterprises include

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<sup>8</sup> Rwanda National Social Protection Strategy 2011

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 the 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 nonagricultural activities of enterprises in the agricultural sector.

The meaning of the term '*sector*' follows the SNA 1993. For national accounting purposes, a sector (institutional sector) is different from a branch of economic activity (industry). It simply groups together similar kinds of production units, which in terms of economic objectives, functions and behavior have certain characteristics in common. The result is not necessarily a homogeneous set of production units. For the purposes of analysis and policy-making, it may thus be useful to divide a sector into more homogeneous sub-sectors. Informal sector enterprises as defined by the 15th ICLS are a sub-sector of the SNA institutional sector '*households*'.

The term '*enterprise*' is used here in a broad sense, referring to any unit engaged in the production of goods or services for sale or barter. It covers not only production units, which employ hired labor, but also production units that are owned and operated by single individuals working on own account as self-employed persons, either alone or with the help of unpaid family members. The activities may be undertaken inside or outside the enterprise owner's home, and they may be carried out in identifiable premises, unidentifiable premises or without fixed location.

The national institute of statistics for Rwanda defines informal sector in accordance to the following criteria;

- a. They have no regular operational accounts
- b. They employment size is 1-3 persons
- c. They are not registered by either RSSB, RRA, RDB, RCA
- d. They produce goods/services for sale or barter in non-agricultural activities

The defining aspect of a typical informal worker's life is a lack of security and stability. Work in the informal sector implies a much higher likelihood of poverty, underemployment and social instability. It is a denial of basic social rights according to international labor organization. However, the problem of dignity is the most recurrent as most of the informal workers feel that despite having income, their dignity is incomplete because of the constant threats to their social stability.

According to the study conducted by the national institute of statistics of Rwanda survey on the informal sector 2007, the sector has not been actively contributing to the social security including pension insurance scheme. The challenges remain for provision of social security on various forms for the informal sector in order to prevent shocks that could potentially affect employees in the informal sector during their life time and expose them to extreme poverty. In Rwanda, specific evidence exists about bottlenecks that people in the informal sector face in having social security coverage and the challenges in providing social security services by informal employers. This has had huge effects on the vulnerability of households and employees working in the informal sector.

### **1.3 Objectives**

The study aimed to investigate and highlight the risks faced by the working poor in the informal economy, and particularly the risks faced by women and children by investigating how common contingencies affect informal workers in particular, how systemic shocks affect informal workers in particular, and how the nature of informal work creates shocks and risks specific to informal workers and the impacts on family and children. Some of the main social security schemes looked at includes; health insurance, maternity benefits, informal responses and extended family support for coping with shocks. In the short and medium term, the study aimed at identifying, proposing and promoting innovative policy approaches to providing social security to informal workers, extending the coverage of existing schemes or developing new schemes. For the long term, it seeks to promote a new approach to social security that provides protection for systemic shocks and common contingencies the informal workers, and that integrates informal workers into social insurance schemes.

## **CHAPTER TWO: METHODOLOGY OF THE STUDY**

### **2.1 Introduction**

The methodology part describes the general approach, description of instruments of data collection, study design and methods, population of the study, sample frame, data analysis, for undertaking the research study. In line with objectives of the assignment, the study used both qualitative and quantitative approach. The quantitative research generated tendencies on various indicators on the situation related to social security and existing gaps in the informal sector by different categories of informal sector respondents at sector level considered to be the lowest administrative level for this study.

The qualitative research approach shared the theoretical assumptions of the interpretative paradigm, which is based on the notion that social reality is created and sustained through the subjective experience of people involved in communication (Morgan, 1980). Qualitative concern attempts to accurately describe, decode, and interpret the meanings of phenomena occurring in their normal social contexts.

#### **2.1.1 Study Design and Methods**

##### **2.1.1.1 Study Design**

Pursuing on how to extend social security coverage within the informal sector in Rwanda, the study focused on cross sectional to be conducted in the informal sector under three categories identified by the National institute of statistics that is; (Mines, Manufacturing and non-manufacturing). The purpose of study was to highlight issues and problems of the insufficiency of social security for the informal sector on the family and children, the challenges and proposed policy action for extending pension schemes to the informal sector.

##### **2.1.1.2 Study Methods**

The study employed a descriptive and correlation research designs. On the other hand, correlation research design helped to determine whether and to what degree a relationship exists between two or more variables. Descriptive design concerns itself with the describing the situation as it is (Khotari 2004), and hence, aimed at providing a description that is as factual and as accurate as possible.

### 2.1.2. Population of the Study

The Population of the study was 1000 (representative sample in all categories of the informal sector in Rwanda), defined as 8 Mines, 128 Manufacturing and 864 non manufacturing. The participants of the research were both men and women individuals/household heads of enterprises.

### 2.1.3. Sample Frame/Technique

Rwanda is divided into 5 administrative-based provinces North, South, East, and West and the City of Kigali, with the provinces being further subdivided into 30 districts, 417 sectors, 2148 cells, and 14837 villages (Imidugudu). Stratified sampling technique was employed to select strata on provincial level and the Primary sampling units were chosen from the existing establishments under each sector of activity, then later systematic sampling applied to chose participants in the exercise at national level based on the data set/sample of 2007 from the National Institute of Statistics.

### 2.1.4 Sample size

The survey was designed to produce representative estimates of pension systems in the informal sector for country as a whole, and for each of the five provinces. Assuming 95% CI, Prevalence of 0.5, 90% power, DEFF of 1, domains of 5 and 95% response rate, a national representative sample of 1000 was obtained using sample calculation formula. The formula used use to compute sample size considered the high prevalence 0.5 to maximize the sample size due to fact that informal sector by activity produced by available studies (Informal Sector Survey in Rwanda, 2007) varies accordingly so we decided to use the indicator to provide the maximum sample which is 0.5 for not defined sectors.

$$n = Deff \frac{(z)^2 p(1-p)}{d^2}$$

Where :

D= Design effect of 2

p= The estimated proportion 0.5 (For unknown proportion )

$z_{\alpha/2}$ = the z-score corresponding to desired level of significance(1.96)

d= desired precision of power (0.10)

## **2.1.5 Data Collection Techniques**

### **2.1.5.1 Questionnaire**

The assessment of social security for the informal sector in Rwanda took a mixed approach of both quantitative and qualitative methods. Therefore, a general questionnaire developed was administered to participants in the informal sector belonging to their respective activities by sector. The questionnaire gathered information set in line with the objective of the study which included highlighting issues and problems of the insufficiency of social security for the informal sector and its impact on the family and children, the challenges and proposes policy action for extending pension schemes to the informal sector. The other relevant indicators related to the study have been taken into account.

### **2.1.5.2 Key Informants' Interviews**

In order to gain some elements of explanation, we identified a number of resource persons. These people, also called 'privileged witnesses', have been chosen because of their expertise, their daily experience and their contact with the subject of the study, namely pension system and the informal sector. In-depth interviews (IDI) were conducted with responsible persons on pension at public institutions level, civil society and private sector, non-governmental organizations representatives, Partners, local and central government's official from the central government.

### **2.1.6. Data Analysis**

A specific qualitative data analysis was done using Statistical Package for Social Sciences (SPSS). Qualitative data analysis is the range of processes and procedures whereby the researchers move from the qualitative data that have been collected into some form of explanation, understanding or interpretation of the people and situations they are investigating. Under quantitative data analysis, the first two components were subjected to statistical tests.

### **1.4.7 Quality Control**

Conducting such a sensitive study requires a set of measures to ensure quality data and information. For this purpose, cumulatively, the following activities and measures have been used to further enforce the quality and integrity of the data collection process:

- ✓ The use of a participatory approach in developing research instruments;
- ✓ The research protocol and instruments were validated in a meeting with Civil Society Platform and UNICEF
- ✓ A training of enumerators on research instruments was done
- ✓ A pilot survey conducted to test the quality of research tools, mainly the questionnaire as well as study knowledge by data collectors. Pilot survey was conducted in areas other than those that were to be covered by the sample
- ✓ A supervision team recruited and conducted a daily follow up of field research activities and cross-checked the questionnaire on field
- ✓ Continuous meeting between the consultants, the enumerators and supervisors organized to identify emerging problems and developed timely solutions
- ✓ Anonymous questionnaire was administered as a way of encouraging free and open expression by respondents.
- ✓ Double data entry

## CHAPTER THREE: FINDINGS AND ANALYSIS

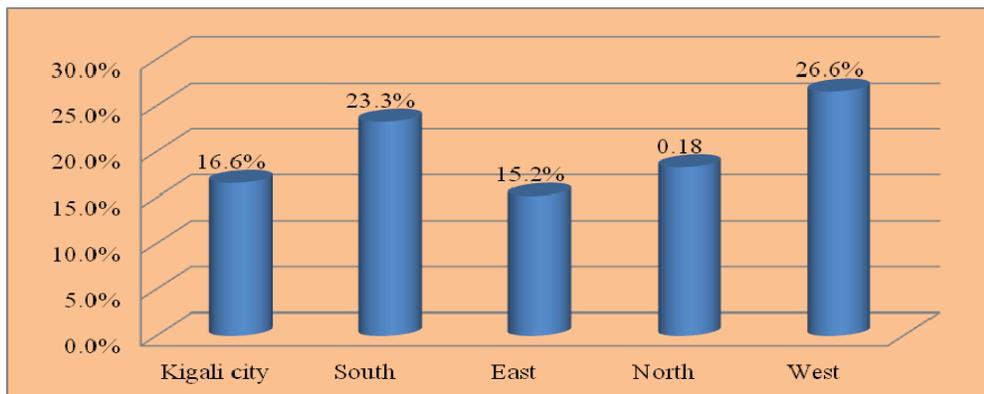
### 3.0 Introduction

The overall findings in this report are limited to persons working in the informal sector as grouped in three economic categories; mining, manufacturing and non-manufacturing and also covers a number of social security programmes availed to these persons. The purpose of this study is to give an insight on the empirical evidence of the insufficiency of social security to the persons working in the informal sector and problems facing their families especially women and children. The findings further focus on proposed policy actions that are meant to extend social security coverage.

### 3.1 Respondents' background

The respondents' background gives an insight on their location, age, sex, education levels, marital status and occupation; Ubudehe category and household composition to help understand the social, demographic and economic risks associated with the population under study and the social security programs needed to address the challenges.

*Figure 1: Showing distribution of respondents by province*



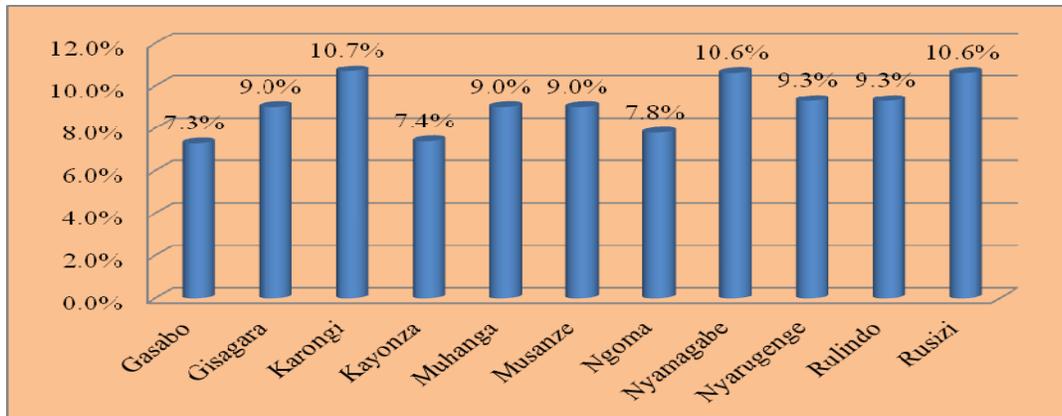
**Source: Primary data.**

As shown in the figure one above, Western province has the highest number of respondents followed by the Southern, Kigali city, Eastern and Northern Province respectively. This distribution responds to the sampling criteria used and fits into the informal sector distribution at

national level as put forward by the survey on informal sector conducted in 2007 by the national institute of statistics for Rwanda.

The distribution of respondents by province was further descended into districts as depicted in figure two below. Western province still covers a bigger number of respondents and districts to ensure balanced opinions.

**Figure 2: Showing distribution of respondents by district**



**Source: Primary data.**

In all districts where the study was conducted, it the sample study was composed of 62% male and 38% female respondents respectively. It evidenced in the study that the majority of the employees in the informal sector are men as indicated in table 1 below. Although the number of the respondents was largely men, their age distribution rotated mainly around the age bracket of 18-30 years and covered approximately 57.8% of all respondents. This indicates that informal employees are mainly composed of the youth.

**Table 1: Showing distribution of respondents by sex in respect to age distribution**

Age	Male	Female	Total
18-30	35.60%	22.20%	<b>57.8%</b>
31-40	18.50%	10.60%	<b>29.1%</b>
41-50	5.90%	3.40%	<b>9.3%</b>
51-60	2.00%	1.40%	<b>3.4%</b>
<b>Total</b>	<b>62.00%</b>	<b>38%</b>	<b>100%</b>

**Source: Primary data**

From the research study, statistics shows that 86.90% of respondents are in the active age (18-40) and their pick periods of production but lack formal skills, adequate and stable income and

other basic social security guarantees of their lives. Such conditions undermines their production capacities, self-confidence, the social cohesion diminishes and exposes them to violent acts.

Such population characteristics consequently affect the general performance of the Rwandan economy in different ways. At least we all agree that sustainable economic development cannot be achieved if the biggest workforce is underutilized, uncoordinated, have poor health conditions and so on. This means that such population will always be a burden to the government in various ways.

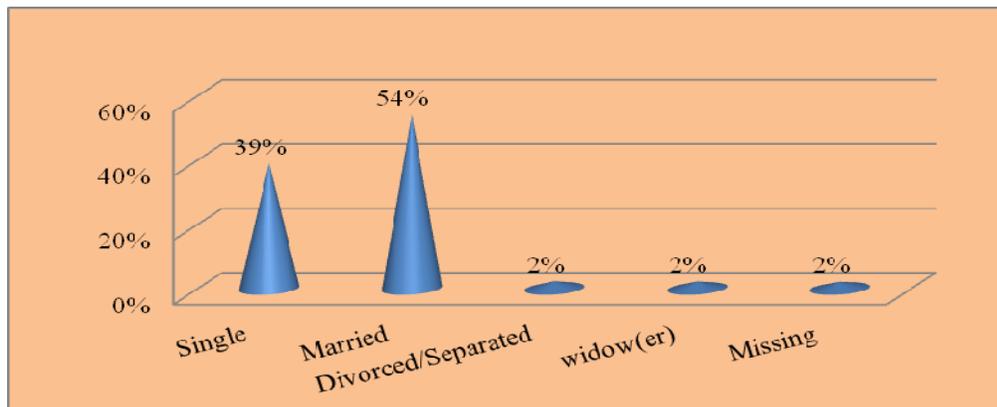
**Table 2: Showing distribution of respondents by education levels in relation to sex**

<b>Education Background</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
No formal education	10%	5%	<b>16%</b>
Primary	30%	16%	<b>46%</b>
Vocational training	6%	2%	<b>8%</b>
Secondary	13%	12%	<b>25%</b>
Higher education	3%	2%	<b>5%</b>
<b>Total</b>	<b>62%</b>	<b>37%</b>	<b>100%</b>

**Source: Primary data.**

The findings indicate that most people in the informal sector have low levels of education with 70% of them stressing that they have not attended secondary school. This is distributed in the no formal education category with 16%, primary education settling for 46% where men take the highest percentage share with 30% while women only have a representation of 16% while vocational training has 8%. It was realized in the study that on 5% of the respondents had attained higher education with 3% being men while 2% being women and this stipulates the reasons as to why the informal sector does not develop in terms of human capacity. Further analysis indicates that men are still in the lead in the aspect of education levels while women are still struggling in the informal sector with low education levels

**Figure 3: Showing distribution of respondents by marital status**



**Source: Primary data.**

From figure 3 above, it is observed that the large number of households working in the informal sector in Rwanda is married (54%) and with the family composition as will be seen in the sections below, the figure is high. This implies that family members in this category are faced with numerous risks ranging from; Access to minimum nutritional requirements, education and health care for children and basic social security for persons in active age who earn insufficient and inconsistent income, in particular in cases of sickness, unemployment, maternity leave and disability. The household/ respondents with married marital status are likely to be more vulnerable to poverty and hit hard by the absence of social security services from their employers. There are risks to old aged people as well that have worked in the informal sector, especially when the retirement ages have approached and weren't accessing social security services including pension thus becoming more dependent to their families that may not well be composed to support. Given the levels of education for the people working in the informal sector as seen in the table 2 above, the possibility of people working in the informal marrying within the same sector is high and this lead them to the vicious circle of poverty and exposing them to the same social, economic and demographic risks with incomes being stagnant

**Table 3: Showing distribution of respondents by occupation in relation to poverty categories**

Occupation by Type	None	Category1	Category2	Category3	Category4	Category5	Category6	Total
None	3%		1%	2%	0%		0%	6%
Agriculture	3%	1%	4%	10%	2%			20%
Public	2%	0%	2%	3%	0%	0%		7%
Private Companies	2%	1%	2%	12%	2%	1%		21%
Non-governmental organization	0%		0%	3%	1%	0%		4%
Self employed(Business)	6%	2%	4%	20%	3%	0%		36%
Retired		0%	0%	0%				1%
Others specify	2%	0%	1%	3%	0%		0%	6%
<b>Total</b>	<b>18%</b>	<b>5%</b>	<b>15%</b>	<b>52%</b>	<b>8%</b>	<b>2%</b>	<b>0%</b>	<b>100%</b>

**Source: Field data.**

It is observed that most people in the informal sector are self-employed (36%) running their own business and therefore not conditioned to join the mandatory government social security services like pension and health insurance schemes. Of the number of respondents who are self employed, the majority are in category three of the poverty levels as per the *Ubudehe* classification in Rwanda. The percentage of 21% working in the private companies is also worrying to the extent that they social security services could improve their livelihoods especially those with household responsibilities. In the classification of poverty categories, 18% did not respond to belong to any category, of which 6% are self employed, which means they struggle in attaining and maintaining social security coverage.

Furthermore, some sectors are not covered by the existing pension laws like agricultural sector since it is not modernized and this limits the workers in the sector (20%) to join the pension scheme as one of the social security service. In addition, their income is seasonal and cannot allow for continuous contribution to the pension and health services schemes which imply that specific social security schemes are required to address specific needs of people in the informal sector. The families belonging to workers in informal sector require government proactive programmes that could lift them out of this pool of risks considering that the members appearing in the figure below comprise the state's human capital.

**Table 4: Showing distribution of respondents by size of the household and poverty categories**

Household Composition	Poverty Categories							Total
	None	Category1	Category2	Category3	Category4	Category5	Category6	
(1-3)	5.10%	2.70%	5.10%	22.00%	2.70%	0.40%		<b>37.90%</b>
(4-6)	5.70%	1.20%	6.50%	23.10%	4.30%	1.10%	0.10%	<b>42.00%</b>
>6	4.70%	1.10%	3.60%	8.80%	1.30%	0.50%	0.20%	<b>20.10%</b>
<b>Total</b>	<b>15.50%</b>	<b>4.90%</b>	<b>15.20%</b>	<b>53.90%</b>	<b>8.30%</b>	<b>2.00%</b>	<b>0.30%</b>	<b>100.00%</b>

**Source: Field data.**

The illustration on the households' family composition/size points out that 62.1% of the surveyed respondents in the informal sector have family members ranging from four and above, and 23.1% of these family households are in the poverty category 3 while 8.8% are in category 3 with more than 6 household members. This has an implication on the capacity to sustain the family demands of life considering the nature of jobs in the informal sector, salaries paid, educational background and the availability of social security programmes. The family households with more than 4 members may require more of the basic needs of life including food, shelter, clothes and medical facilitation. These are expensive basing on the incomes of the employees in the informal sector, and with social security coverage from their employees. Some of the household members are students who need education facilities including materials like books, and school fees. The huge demands of the household members makes it hard for these families working in the informal sector to develop since they may not be capable saving eany amounts for the future investment. Thus the overall livelihoods of these families may spillover to their kids and future relatives, forcing them to be in total poverty for the largest part of their lives.

**Table 5: Showing distribution of respondents by number of children in household composition**

Household composition	Number of Children				
	No kids	(1-3)	(4-6)	7+	Total
(1-3)	20.10%	15.10%	1.40%	0.40%	<b>37.10%</b>
(4-6)	6.50%	26.80%	8.30%	0.90%	<b>42.50%</b>
>6	2.10%	4.60%	11.00%	2.70%	<b>20.40%</b>
<b>Total</b>	<b>28.60%</b>	<b>46.50%</b>	<b>20.70%</b>	<b>4.10%</b>	<b>100.00%</b>

**Source: Primary data.**

In regard to the number of children in the households, findings from the respondents indicate that 46.5% of the surveyed households have children ranging from one to three, with the majority of respondents (26.8%) admitting to having a household composition of 4-6 members. Only 28.6% put it that they have no children in their households, with household composition 1-3 members taking the largest proportion of the percentage (20.1%). Factors influencing child health can both impair human capital formation and diminish human capital already formed due to poverty and food insecurity<sup>9</sup>. Experience shows that children from poor households are characterized by absenteeism, school dropout, frequent sickness and poor performance in schools among others.

The households with more children are likely to be more affected without social security than families with few children in the households. Children take the huge amounts of the earning from their parents/guardians and this affects their well being when their parents/ guardian’s incomes are relatively low. As a result, governments should design ways of extending social security coverage to informal sector not only due to ensure human rights are respected but also to provide for a sustainable development of human capital.

### **3.2 Respondents and their poverty (UBUDEHE) levels**

Poverty levels in Rwanda are into six categories according to the economic status of each individual household and these are;

- **Category one;** those in abject poverty locally referred to as ‘abatindi nyakuja’ own no property, live on begging and help from others, and consider it lucky if they died.

<sup>9</sup> Feeding America (2009), Child food insecurity: The economic impact on our nation

- **Category two;** is the very poor and these have no house, live on poor diet which they can afford with difficulty, work every day for others for their survival, have tattered clothes, own no portion of land, and do not own cattle.
- **Category three;** this category is called the poor. These depend on food deficit in nutrients, own small portion of land, have low production and their children cannot afford secondary education.
- **Category four;** this comprises the resourceful poor who own some land , cattle, a bicycle, have average production, their children can afford secondary education, and have less difficulties in accessing health care
- **Category five;** in the fifth category lie the food rich people who basically own big lands, eat balanced food diet and live in decent houses. They employ others, own cattle, and their children easily afford university education
- **Category six;** the six category is the money rich, who comprise of people with money in banks, receive bank loans, own a beautiful house, a car, cattle, fertile lands, sufficient food and are permanent employers.

The figure below therefore presents the respondents distribution according to the above poverty levels.

**Table 6: Showing distribution of respondents by category of Ubudehe, in relation to household composition and sex**

Household composition		Ubudehe/Poverty Categories								Total
		No Response	Category1	Category2	Category3	Category4	Category5	Category6		
(1-3)	Sex	Male	10.10%	5.00%	8.40%	37.80%	3.90%	1.10%		<b>66.60%</b>
		Female	3.40%	2.00%	5.00%	19.90%	3.10%			<b>33.40%</b>
	<b>Total</b>		<b>13.40%</b>	<b>7.00%</b>	<b>13.40%</b>	<b>58.00%</b>	<b>7.00%</b>	<b>1.20%</b>		<b>100.00%</b>
(4-6)	Sex	Male	8.10%	1.00%	10.40%	32.60%	6.80%	1.50%	0.30%	<b>60.50%</b>
		Female	5.60%	1.80%	5.10%	22.50%	3.50%	1.00%		<b>39.50%</b>
	<b>Total</b>		<b>13.60%</b>	<b>2.00%</b>	<b>15.40%</b>	<b>55.10%</b>	<b>10.40%</b>	<b>2.50%</b>	<b>1.00%</b>	<b>100.00%</b>
>6	Sex	Male	10.50%	2.60%	12.10%	28.90%	4.70%	2.10%	1.10%	<b>60.90%</b>
		Female	12.60%	2.60%	5.80%	14.70%	1.60%	0.50%		<b>37.80%</b>
	<b>Total</b>		<b>23.20%</b>	<b>5.30%</b>	<b>17.90%</b>	<b>43.70%</b>	<b>6.30%</b>	<b>2.60%</b>	<b>1.00%</b>	<b>100.00%</b>

**Source: Primary data.**

In an a bid to understand the categories of poverty levels for all respondents, out of 1000 households interviewed, results indicate that 58% of them were categorized in category three where the house composition is 1-3 members and with 37.8% of category three being men implying that they depend on food deficit in nutrients, own small portion of land, have low production and their children cannot afford secondary education. Categories one, two and three that make more than 72% of the respondents lie below the national definition of the poverty line with the majority being men in all household composition settings. This gives a clear picture of the people working in the informal sector, their exposure to the socio-economic shocks and the type of life their children and families live within. Therefore, the majority of the respondents working in the informal sector lie in three implying that their poverty status are worrying and if not attended to with appropriate social security services, their livelihoods may deteriorate.

During this survey, 18% of the respondents indicated that they are not aware of their ‘ubudehe’ categories. According to the discussions held with the respondents, some of them commented that they were categorized wrongly and proposed their actual poverty levels as they appear in the figure below.

**Table 7: Showing Actual poverty levels according to respondents' views as per Province**

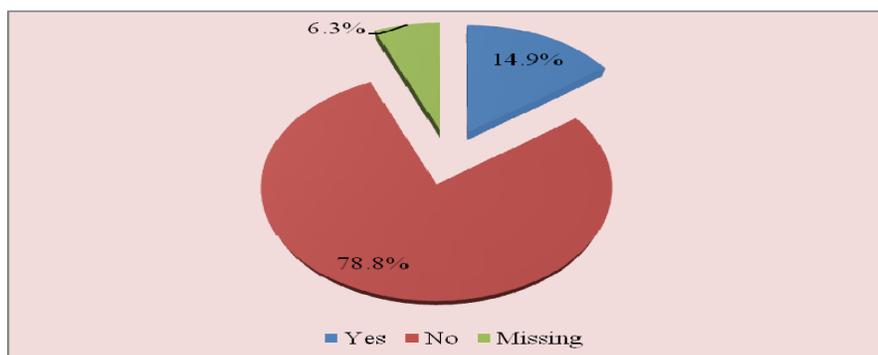
Province	Category/Poverty Levels							Total
	No Response	Category1	Category2	Category3	Category4	Category5	Category6	
<b>Kigali city</b>	2.00%	1.00%	1.90%	11.10%	0.50%	0.10%		<b>16.60%</b>
<b>South</b>	1.40%	0.70%	1.70%	17.20%	2.30%			<b>23.30%</b>
<b>East</b>	0.50%	0.80%	5.50%	7.90%	0.50%			<b>15.20%</b>
<b>North</b>	4.40%	0.90%	1.80%	8.50%	2.40%	0.30%		<b>18.30%</b>
<b>West</b>	9.40%	1.70%	3.60%	7.40%	2.60%	1.60%	0.30%	<b>26.60%</b>
<b>Total</b>	<b>17.70%</b>	<b>5.10%</b>	<b>14.50%</b>	<b>52.10%</b>	<b>8.30%</b>	<b>2.00%</b>	<b>0.30%</b>	<b>100.00%</b>

*Source: Field data.*

From the respondents' perspective, most households grouped in category three preferred to be in categories one and two and some even went further to say that their status should be anything below category one as proved by the significant increase in the percent of respondents who refused to rank any of the six categories. Households in categories five and six maintained their poverty status in terms of percentages while category four slightly reduced from eight percent to five percent. This indicates variances in the categorization of the poverty levels between the government and the population. The categorization needs to be given clear characteristics agreed on by the population and clearly illustrating the living conditions.

Therefore, the depth of the poverty levels in the informal sector appears to be significant and requires agent actions to ensure the households in the sector are protected from poverty and its related risks. As observed in the above section, poverty levels have significant impact on the households in informal sector but the situation becomes worse if some of the people in such households live with disabilities as demonstrated in the figure 4 below. Statistics show that out of the households surveyed, 14.9% of them have disabled members in their families and consequently find difficult to earn the living.

**Figure 4: Respondents views on disabilities in the household**



**Source: Primary data.**

From the figure above, 'yes' stands for the households that have members in the family with disabilities while 'no' indicates those without any member in the household living with disabilities. So, 78.8% of the respondents are households with no disabilities in their families. Households with disabled members specified that the number of disabilities and its form or nature varies from household to household. The numbers ranges from one disabled person/member to three in the household according to the respondents. This highlights the challenge of these households having a large numbers of dependants who need support from a small number family members working. Under normal circumstances social security programmes designed to address issues of the disabilities are designed with specific problems to deal with. As a result government should devise ways of helping such families and members accordingly.

### **3.3 Respondents distribution by the economic activity**

Classification of respondents' economic activities is mainly in three categories (mining, manufacturing and non manufacturing) respecting the sample selection by the researcher and the national recognized definitions by the national institute of statistics for Rwanda.

- Mining sector involves mining and quarrying
- Manufacturing comprises of manufacturing; Electricity, Gas, Steam and Air Conditioning; Supply; Water supply; and Sewerage
- Non manufacturing includes: Agriculture, Forestry and Fishing; Wholesale and Retail trade; Repair of motor; Construction; Vehicles and Motorcycles; Transportation and

Storage; Information and Communication; Accommodation and Food service activities; Financial and insurance activities; Real Estate Activities; Administrative and Support Service Activities; Education; Human Health and Social Work Activities; and Arts, entertainment and Recreation.

**Table 8: Showing responses on categories of informal sector by economic sector and Gender**

<b>Informal Sector by type</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
No response	5%	3%	<b>8%</b>
Local administrative authority	5%	3%	<b>8%</b>
Transportation and storage	8%	4%	<b>12%</b>
Accommodation and food service activities	5%	6%	<b>11%</b>
Education	1%	1%	<b>2%</b>
Human health and social work activities	1%	1%	<b>2%</b>
Arts, entertainment and recreation	2%	1%	<b>3%</b>
Information and communication	2%	1%	<b>3%</b>
Others, specify	3%	3%	<b>5%</b>
Agriculture, forestry and fishing	8%	4%	<b>12%</b>
Mining and quarrying	3%	2%	<b>5%</b>
Manufacturing	4%	2%	<b>5%</b>
Water supply, sewage and waste	1%	0%	<b>1%</b>
Electricity, gas, steam and air conditioning supply	1%	1%	<b>2%</b>
Construction	4%	2%	<b>6%</b>
Whole sale and retail trade	7%	5%	<b>12%</b>
Repair of motors and vehicles	2%	0%	<b>2%</b>
<b>Total</b>	<b>62%</b>	<b>38%</b>	<b>100%</b>

**Source: Primary data.**

It is highlighted that most of the households surveyed in the informal sector belong to non-manufacturing specifically, wholesale and retail trade (12%), agriculture, forestry and fishing (12%), transportation and storage (12%). The dominance of the non manufacturing in creation of employment opportunities within the informal sector is due to the start-up capital required as opposed to the investment capital required in other sectors. Secondly the non manufacturing sector comprises of many sub sectors including but not limited to; agriculture, forestry and fishing, wholesale and retail trade, repair of motor and vehicles, construction, transportation and storage, information and communication, accommodation and food service activities etc. These sub sectors require a small amount of capital and employs many people compared to other economic sectors of the informal sector.

### 3.4 Informal sector and employment status

This section sheds light on the nature and characteristics of employment in the informal sector. It brings to attention the likelihood of changing jobs in the sector as opposed to the formal sector and the reasons behind it.

*Table 9: Showing responses on type of employment in relation to gender*

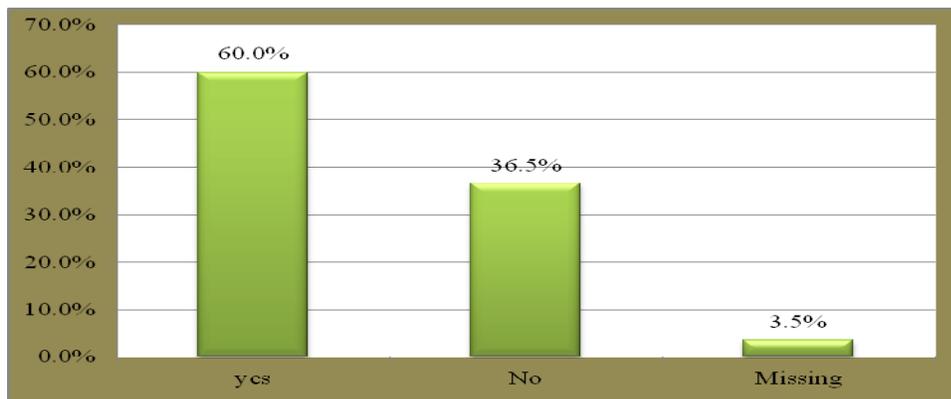
<b>Employment Type</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Casual work	42.3	24.7	<b>67</b>
Contractual	17.0	12.1	<b>29.1</b>
Permanent	2.7	1.2	<b>3.9</b>
<b>Total</b>	<b>62.</b>	<b>38</b>	<b>100</b>

**Source: Primary data**

Employment in the informal sector is dominated by short term contracts (casual work and contractual) registering 96.1% of the total surveyed households of which 59.3% are male while 36.9% are female, with the highest percentage of 67 found in casual work. This signifies that the employees aren't capable of securing employment on a permanent basis. Based on the results, the nature of jobs that aren't permanent do not facilitate employees to secure social security services therefore, the workforce is always at high risk of losing their jobs, failing to meet health care costs, unable to pay for education of their children and other necessities of life.

The percentage of respondents (3.9%) that do fall in the permanent category as shown in the table 9 above, are the only informal employees likely to access social security services from their employers due to the fact they possess contracts. The majority of the respondents who are casual or contractual employees work in the agricultural sector and others run their small retail shops as an off farm activity supplementing their main agricultural activity. Because most of workers have short term contracts, it increases the frequency of shifting from one job to another. There are also cases of employment based on seasonal variation depending on the engagement. Normally informal sector employers have no clear procedures of recruitment, no well defined and documented job descriptions, no well planned trainings or any clear staff management and retention strategies and this leads to staff turnovers as indicated in the figure below.

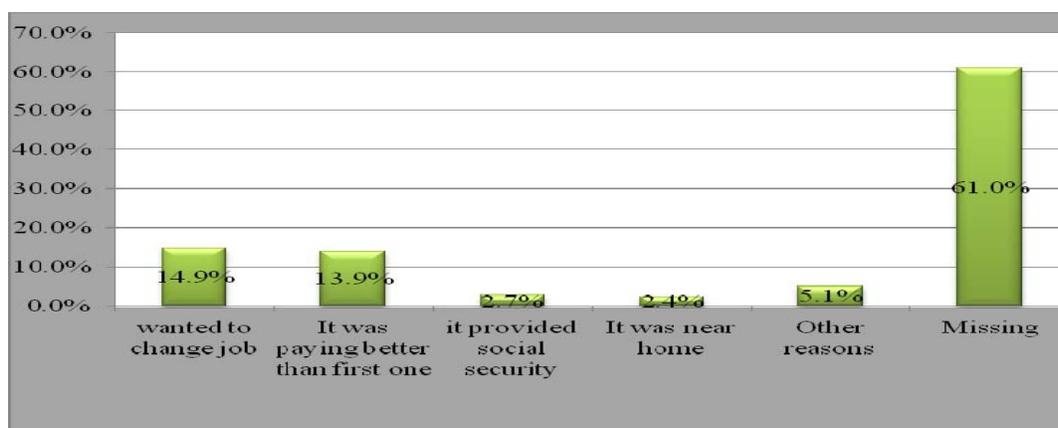
**Figure 5: Showing distribution of respondents by first job employment**



**Source: Primary data.**

It is seen that 36.5% of the respondents have changed their first jobs indicating different reasons as they appear in the figure below. ‘Yes’ stands for those respondents that are still in their first employment while the notation ‘no’ shows the percent of respondents that have moved from their first job. Missing in this case is for the respondents who refused to give information on the status of their jobs. The reasons that motivated workers in the informal sector are indicated in the graph below.

**Figure 6: Showing respondents’ views on reasons for leaving the first employment**



**Source: Primary data**

The figure indicates that out of the 36.5% of the respondents who changed jobs, 14.9% indicate the reason for changing jobs as only a need to change to an alternative job while 13.9% low suggest the change was due to a higher payment. It’s only a low percentage of 2.7% that changed jobs based on the provision of social security services like maternity leave, sick leave and others.

The majority of the respondents did not divulge their reasons for quitting the first employment; they only got employed on the second job with no reasons.

**Table 10: Showing distribution of respondents by income and poverty categories**

Salary Category	Ubudehe Categories/Poverty levels							Total
	No response	Category1	Category2	Category3	Category4	Category5	Category6	
<=50000	11%	4%	13%	42%	5%	2%	0%	<b>76%</b>
50001-100000	3%	0%	2%	11%	2%	0%	0%	<b>18%</b>
100001-150000	1%	0%	0%	1%	0%			<b>3%</b>
150001-200000	0%	0%		1%	0%	0%		<b>1%</b>
200,001-250,000	0%	0%			0%	0%		<b>1%</b>
250,001-300,000			0%	0%	0%			<b>1%</b>
250,001-300,000				0%				<b>0%</b>
>300,000				0%				<b>0%</b>
Not paid				0%				<b>0%</b>
<b>Total</b>	<b>16%</b>	<b>4%</b>	<b>15%</b>	<b>55%</b>	<b>8%</b>	<b>2%</b>	<b>0%</b>	<b>100%</b>

**Source: Primary data.**

The biggest number of respondents (76%) stressed that their monthly salary does not exceed 50,000frw and majority of these respondents (42%) are in category 3 of the poverty classification while 18% fall in the category of 50,000-100,000frw, still with a highest number in category 3 of the poverty classification. Summing the two first categories gives almost 94% percent of the household interviewed and this is a clear indication of difficulties by families in informal sector to cope up with high household demands at their hands. Considering the cost of living in Rwanda and the availability of the social security programmes in the country that deal with issues of poverty, the sector deserves special attention. With no doubt, employees in the informal sector are paid less than the standard payments set by the government while the same people are the majority of the labor force in the economy. The informal sector need to restructure based on government support their payment systems and procedures to enhance facilitation of employees access banking services.

The situation becomes worse as some of the employees are paid their salaries on a daily or weekly basis, and this does not facilitate payments through banks and consequently no access to bank services like short term loans and salary advances. The details of the distribution of respondents based on periodic payments are given in the table below.

**Table 11: Showing salary and payment based period**

Payment based period		Weekly	Monthly	Daily	Others	Total
<b>Income</b>	<=50000	6.4%	33.0%	33.4%	4.6%	77.4%
	50001-100000	2.0%	10.2%	2.7%	1.6%	16.5%
	100001-150000	0.1%	1.9%	0.5%	0.6%	3.2%
	150001-200000		0.9%	0.1%	0.3%	1.3%
	200,001-250,000	0.1%	0.5%			0.6%
	250,001-300,000		0.4%	0.1%		0.5%
	250,001-300,000		0.1%	0.1%		0.2%
	>300,000				0.1%	0.1%
	NA			0.1%		0.1%
<b>Total</b>		<b>8.6%</b>	<b>47.1%</b>	<b>37.0%</b>	<b>7.3%</b>	<b>100.0%</b>

**Source: Primary data**

The payment of salaries to employees in the inform sector varies from period to period. The majority are paid on a monthly basis with 47.1% percent of the respondents confirm payment on monthly basis while 37% are paid on a daily basis. Only 8.6 % are paid on a weekly basis reflecting the kind /nature employment, mainly the non contractual or casual employment. 7.3% stress that they are paid on other terms including payments based on an hourly rate. Salaries paid on weekly or daily basis do not provide guarantee to financial institutions if at all employees in the informal sector need to apply for loans of advance salary payments.

**Table 12: Showing Income tax deductions from respondents**

Income tax deduction	Frequency	Percent
Yes	300	30.0
No	526	52.6
Don't know	91	9.1
Missing	83	8.3
<b>Total</b>	<b>1000</b>	<b>100.0</b>

**Source: Primary data**

Based on the employment status of respondents and the salary payments, 52.6% of the respondents indicated that they do not pay income tax while only 30% agreed they pay income tax. 9.1 % of the respondents do not know whether they pay income tax or not. This reflects how employees do not have contracts for their employment. The majority being paid on monthly, weekly and daily basis, their salaries do not provide a basis for income tax deduction.

### 3.5 Social security extension in the Informal sector

The analysis of the findings on social security extension in the informal sector is the main section of the report highlighting the main social security services accessible, challenges of the informal sector and plans for accessibility. In Rwanda various social security programs are available, however their accessibility by the different people vary from person to person and from sector to sector.

**Table 13: Showing types of social security accessed by respondents**

Type of Social security entitlement	Yes	No	Don't know	Missing	Total
Annual leave	1.3%	0.5%		0.9%	2.7%
Paid sick leave	4.5%	0.5%	0.2%	1.0%	6.2%
Maternity /Paternity leave	0.9%				0.9%
Overtime work	2.0%		0.1%		2.1%
Medical care	6.4%	1.1%	0.1%	0.1%	7.7%
Risk Insurance	5.5%	0.1%		0.3%	5.9%
Other	0.5%	0.7%		0.5%	1.2%
None	5.2%	55.8%	7.3%	5.0%	73.3%
Total	26.3%	58.7%	7.7%	7.3%	100.0%

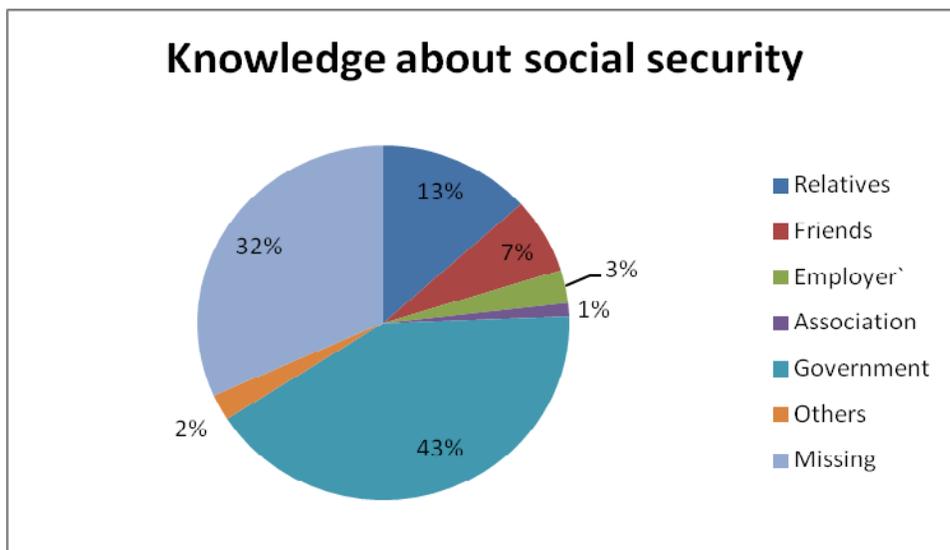
**Source: Primary data**

From the field study, the majority of respondents access medical care (7.7%) as a social security entitlement. This is due to the fact that medical care in Rwanda is compulsory at all levels. However, in the informal sector this is not provided by the employ but only the individuals try to find a way out to have medical coverage. Paid sick leave is also granted by the informal sector

employers and this may be only to employees with defined terms of employment, while risk insurance covers for only 5.9% of the respondents.

The limitation in accessing social security in the informal sector by employees highlights risks within households on the protection of family members and their dependants to social attacks and vulnerability. Lack of social security by an employee in the informal sector, link to risk in the household specifically the married couples that have been identified to be the majority working in the same sector. Children are also affected largely by the lack of the social security especially when their parents fail to provide the basis needs.

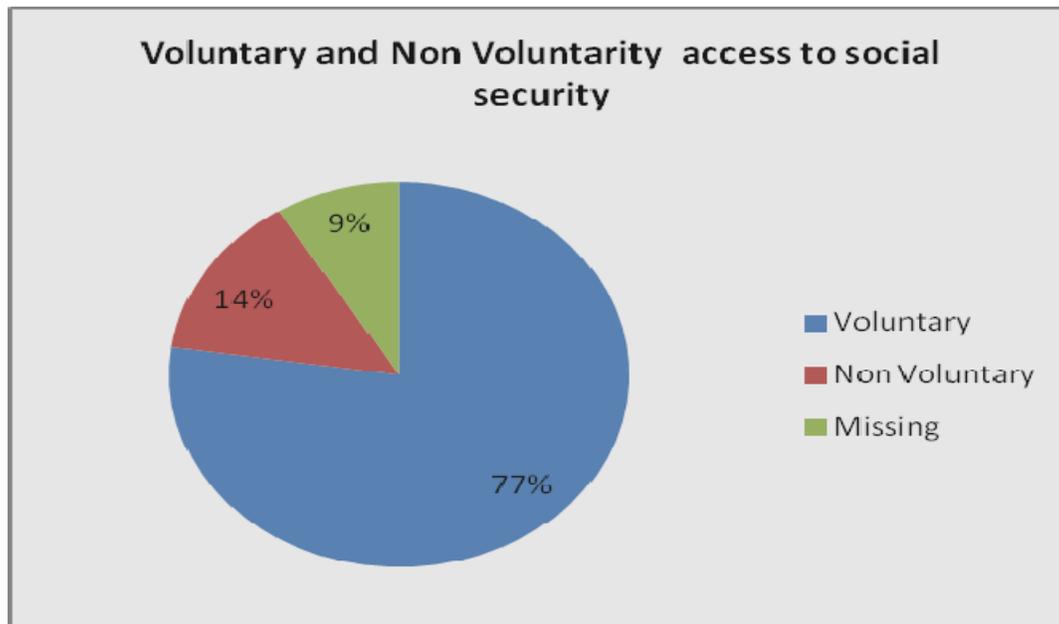
**Figure 7: Showing knowledge about social security**



**Source: Primary data.**

Respondents' knowledge about social security protection among the informal sector employees tend to be positive. The majority of the respondents (43%) agreed to know the social security through the government, which stipulates that government policy on social security may be prevailing to citizens with only concerns on the implementation and coverage. The total percentage of 68 possesses knowledge on social security but the only challenge is limitation in accessing many kinds of them in the informal sector. Efforts are therefore required in supporting informal sector employers to at least provide basic social security protection like annual leave, medical care, insurance and other. This shall ultimately increase the production and productivity thus leading to inclusive growth in the sector.

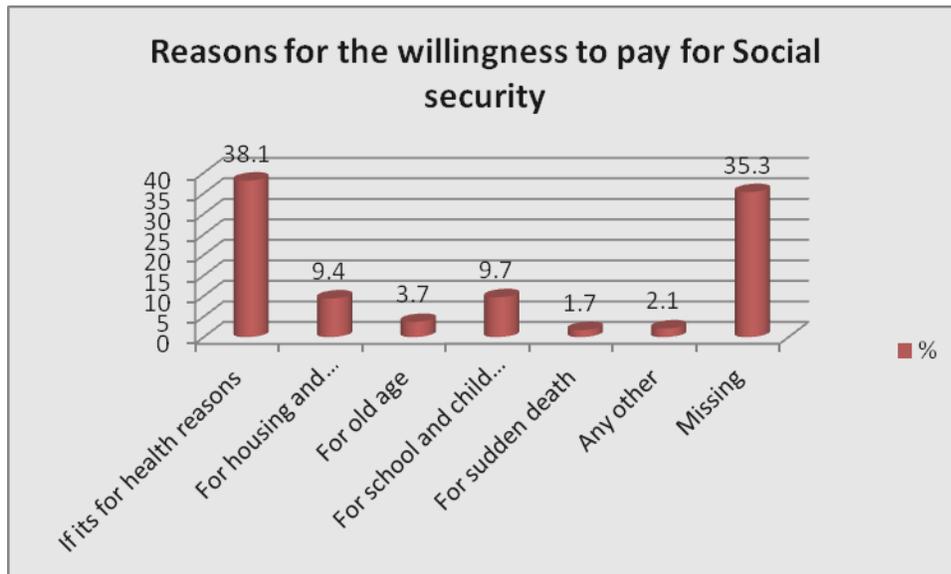
**Figure 8: Showing accessibility to social security**



**Source: Primary data.**

The accessibility of social security services in the informal sector provides a fundamental assurance that the lives of the population are in safe hands. The formal sector provides many forms of social security protection to its employees and that's why the performance is always rated high compared to the informal sector. In the informal sector, social security coverage is limited and may only be accessed by those with formal contracts. 77% of the respondents agree to voluntary access to social security services. Respondents argue that they really know the importance of having social security protection but they do not have the protection as it is not covered in their employment. They further argue that employment opportunities that provide full coverage of social security services are limited only to employees with higher education levels and with prescribed jobs. Nearly all the respondents would voluntarily access social security services if at all they are provided in the informal sector.

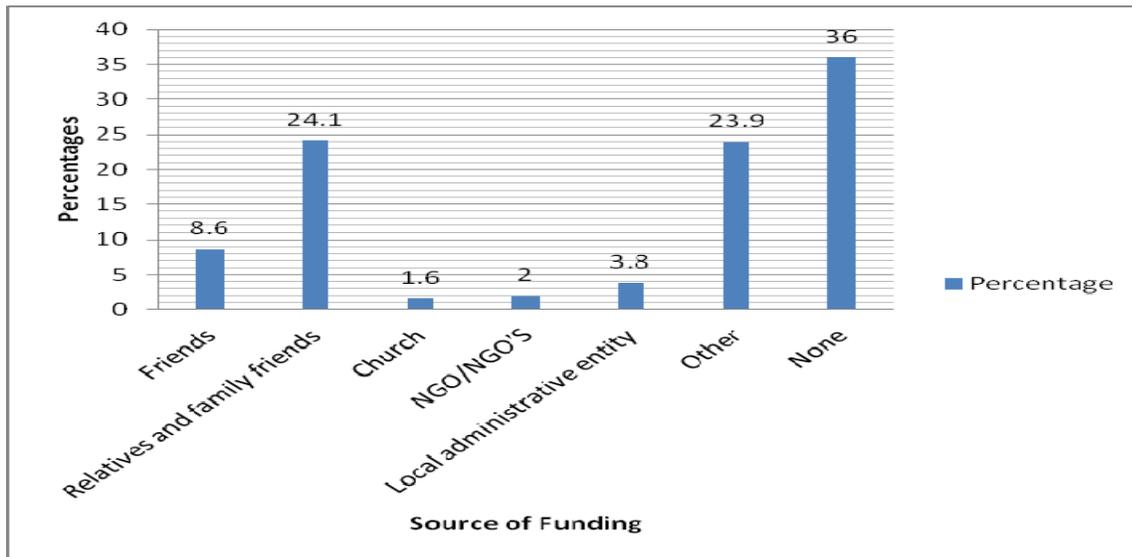
**Figure 9: Showing respondents willingness to pay for social security**



**Source: Primary data.**

With the majority of the respondents voluntarily accepting to access social security, many of them are willing to pay for various essential services. From the respondents' views, 64.7% show their willingness to pay for social security in various ways. Many of the respondents would be willing to pay for social security if it is mainly for health reasons, while others would wish to pay for housing, school fees and child care and sudden death. This indicates that employees in the informal sector know and are aware of the social security services and they are willing to access them through their personal contributions. Indeed, social security coverage would mean better livelihood in their households and as well as for the children as stipulated by their willingness to pay as partial contribution. Systematic channels need to be put in place to avail accessibility of social security through partial contributions.

**Figure 10: Showing source of informal social security support**



**Source: Primary data.**

The survey indicates that the respondents' have no access to social security in the informal sector and therefore are supported in one way or the other. Respondents reveal that they attain support from friends (8.6%), relative and family (24.1%), church (1.6%), Non-governmental organizations (2%) and from local administrative entities like vision 2020 umurenge program (3.8%). Support from the various sources supplements the little income they earn from the jobs, though the support is argued to be small as well. Many of the respondents argued that they are supported with health insurance (Mutuelle), and with school fees support from non-governmental organizations. However, the continued support may not be ascertained for a long period of time. Mechanisms should be really set up to improve social security coverage among the informal sector employees and specifically to certain important areas like health and child care as well as maternity leave and sick leave.

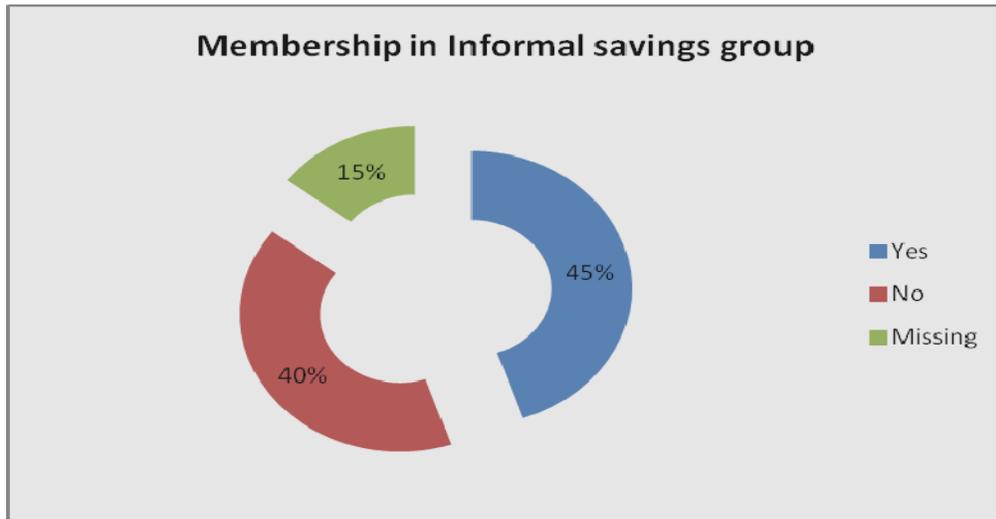
**Table 14: Showing contributions to social security among the respondents**

<b>Response</b>	<b>Number of Respondents</b>	<b>Percentage</b>
Yes	479	47.9
No	366	36.6
Missing	155	15.5
<b>Total</b>	<b>1000</b>	<b>100.0</b>
<b>Amount/Frw</b>	<b>Number of Respondents</b>	<b>Percentage</b>
100-5000	434	90.6
5100-50000	42	8.8
51000-150000	3	0.6
<b>Total</b>	<b>479</b>	<b>100.00</b>

**Source: Primary data/Field survey.**

Although social security coverage in the informal sector is still limited, employees in the sector have managed to make tangible contributions though still limited. 47.9% of the respondents make contributions to social security services but in-depth analysis found out that they only contribute for health as its mandatory. Those contributing to the services are mainly capable of providing five thousand francs and below as their contribution. A lower contribution ultimately signifies a low access to services of any kind, and may not significantly improve the welfare of individuals or members of the household.

**Figure 11: Showing membership in informal savings group**



**Source: Primaty data.**

Even though many respondents do not have access to social security, they are members of the informal savings groups developed by groups to facilitate their own needs. Out of the total respondents, 45% own membership in one of the informal groups in their area. These informal groups provide support to members in various ways like sudden death of members relative, borrow for school fees, borrow for medical and others like weddings. Respondents are willing to continue their contribution in the informal groups and argue that significant changes in their livelihood have been realised as a result of informal groups to which they are members. For those not in the informal savings groups reveal that the requirements are sometimes hard especially the weekly or monthly contributions to the group. They further argue that due to the fact that their employment/ jobs are temporary they are not paid on a monthly basis and may not afford to join the savings group. Therefore in case of sudden shocks, they use alternative methods of overcome the shocks as indicated in table 6 below.

**Table15: Showing ways through which households overcome sudden shocks**

<b>Borrowing Channel</b>	<b>Number of respondents</b>	<b>Percentages</b>
Use saving	407	40.7
Borrow from Relatives & families	247	24.7
Borrow from friend	156	15.6
Sale available assets	1	0.1
Acquire a loan from Saving groups	16	1.6
Others	30	3.0
No response	143	14.3
<b>Total</b>	<b>1000</b>	<b>100</b>

**Source: Primary/Field data.**

In the analysis of the ways how the respondents overcome sudden shocks, focus was not mainly placed on those who are not in any form of informal savings group but all respondents. Even though some respondents are in the informal savings, they have an advantage of accessing their own savings either from their informal savings groups or other savings but also borrow from friends and relatives. Savings take the largest portion of the household's sudden shock with 40.7% while borrowing from relatives and family cover up sudden shocks with 24.7%. The main issue is that households understand the extent of sudden shocks and are aware of the possibilities these shocks causing more harm to their families. Therefore, there is an urgent need in the informal sector to provide social security protection among their employees to cover up for sudden shocks that may hinder production in different fields.

**Table 16: Showing respondents' formal membership of an Association**

Response	Number of respondents	%
Yes	362	36.2
No	560	56.0
No response	78	7.8
<b>Total</b>	<b>1000</b>	<b>100.0</b>

**Source: Primary data.**

The research study reveals that there are no significant results indicating formal membership of informal employees in any association. Only 36.2% of the respondents are affiliated formally to an association which stipulates the low capacity by the informal employees to access social security service. Formal membership would guarantee some sort of social security services/protection to members. The lower the numbers of members, the higher the risks of falling out of social security services accessibility like health, pension or any other. The ultimate outcome is increased cases of vulnerability and poverty among the household members and this is likely to affect more the children and the old. Membership in the formal organization/ association provides protection to the family according to the respondents. The formal membership in an association is mainly in the local association with 28% out of 36.2 % respondents confirming their membership. Other respondents are formally members in the church or religious based while 62.9% do not belong to any association as indicated by the survey results in the table below.

**Table 17: Showing respondent's active membership in an association**

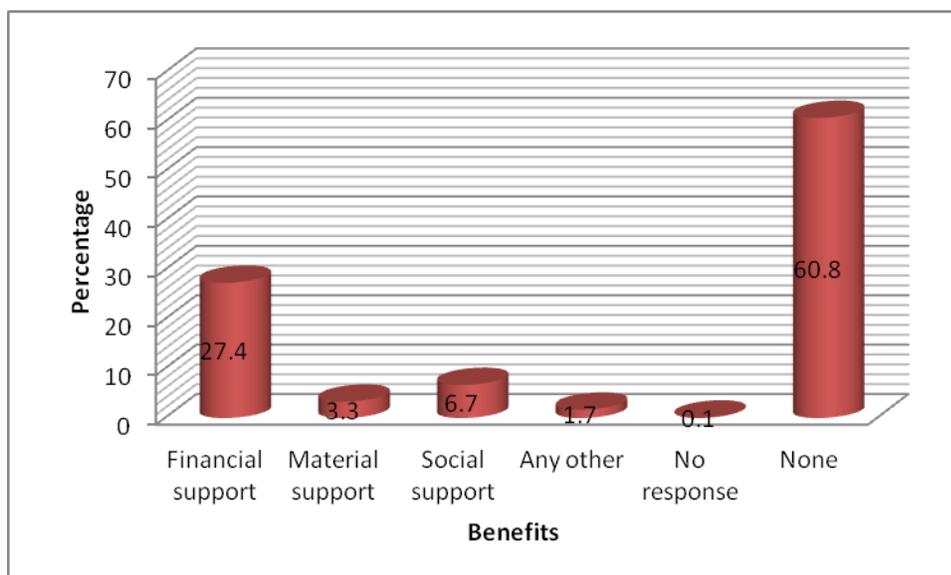
Active/formal member of an Association	Yes	No	No Response	Total
Local association	28.0%	0.8%	0.2%	29.0%
Church/religious based	3.7%	0.8%		4.5%
Any other	3.1%	0.4%		3.5%
No Response		0.1%		0.1%
None	1.4%	53.9%	7.6%	62.9%

Active/formal member of an Association	Yes	No	No Response	Total
Local association	28.0%	0.8%	0.2%	29.0%
Church/religious based	3.7%	0.8%		4.5%
Any other	3.1%	0.4%		3.5%
No Response		0.1%		0.1%
<b>Total</b>	<b>36.2%</b>	<b>56.0%</b>	<b>7.8%</b>	<b>100.0%</b>

**Source: Primary data**

Being a member of a formal association does not only guarantee social security support but also provides social support of other forms. Associations support members both financially, through borrowing at a lowest rates, as well as material support for varying reasons. Of the total respondents who are members of a formal association, 6.7% benefit from social support and these include support on death and burial of household members or relatives, financial support covers 27.4% and this mainly goes to payment of education for the children and buying of domestic animals that support to provide manure for agricultural activities as indicated in the table below.

**Figure 12: Showing benefits attained from being a member of an association**



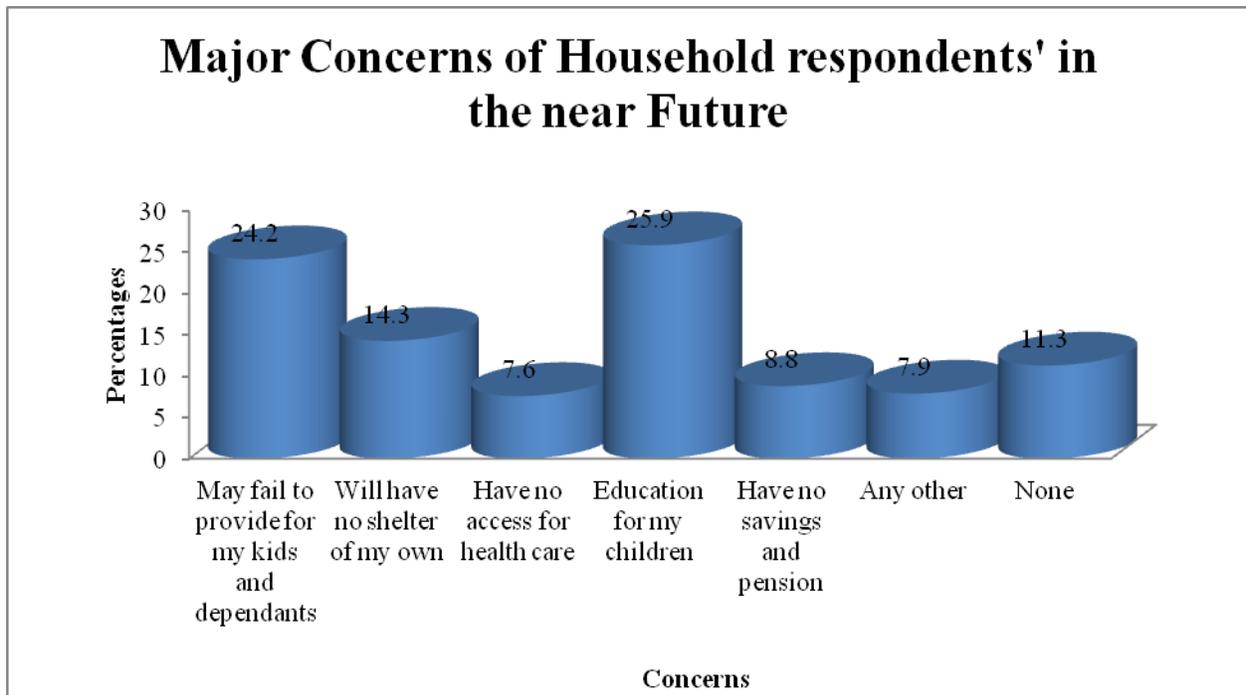
**Source: Primary data**

### 3.6 Policy Orientations to Social security coverage

In this sub section, the survey provides policy orientations from the employees in the informal sector regarding social security protection and coverage. Respondents suggest mechanisms should be put into place to ensure social security coverage as employees in the informal sector. A significant number of respondents (87%) argue the government to ensure low cost sharing contribution is initiated in the informal sector so that both the employee and employer incur cost on social security protection.

Furthermore, more than 96% of the respondents argue the government to keep contribution rates low so that employees can afford a portion based on their salaries. The majority lies in the category of poor people and therefore cannot afford to make huge contribution on various social security schemes. They therefore opt to take social security protection services that are seen as important and essential. But still all social security protection services are arguably important and are essential to the livelihood of the majority of the households.

*Figure 13: Showing respondents' major household concerns*

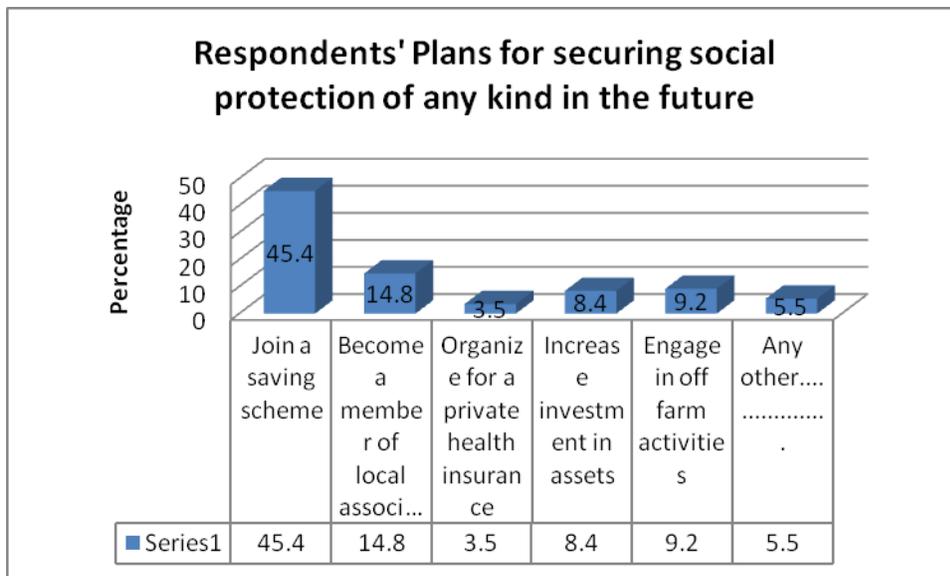


**Source: Primary data**

Although some of the informal sector employees are accessing social security services at a minimal range, many still have worries and concerns regarding social security and this is evidenced by the low accessibility as well as limited financial earnings from their jobs. More than 88% of the respondents have social security concerns including failure to provide for kids and dependants, doubts over possessing own shelter, failure to access health care, education for the children and savings and pension after the retirement age approaches. All these concerns vary from household to household depending on the status of the informal sector employee that is; married or single or divorced.

With more than 88% of the respondents burdened with social security concerns, it knocks for certain measures and signifies the need for the provision of social security protection/ services in Rwanda. Informal sector employees in a bid to overcome these concerns and as they wait for the government to streamline social security services in the informal sector, they are willing to secure social protection services through various schemes and different plans as figure 24 illustrates.

**Figure 14: Showing respondents plans for securing social protection**



**Source: Primary data.**

In the future, informal sector employees plan to access socila security protection by joining a savings group/scheme which may partially solve socila insecurity concers but still worry about their payments and gurantee of jobs. Other employees in the informal sector plan to increase ther

investment assets, become members of a local association, organize for private health insurance scheme and engage in off farm activities that would add additional income to what they already earn. The only worrying issue is the amount of savings compared to their earnings, and the capacity to increase investments with a high number of dependants in most of the households. The total earnings may not be enough to support household members with basic life needs and guarantee savings. Alternatively, the savings may be too little to accumulate and generate an asset that could provide income to the household.

### **3.7 Summary of key findings**

The survey study reveals that;

- Informal sector system undermines implementation of the social security protection to employees due to the set up of the informal sector and how the sector operates.
- Informal sector employees are paid lower salaries and do not have formal contracts that guarantee them accessing social security services/ protection of any kind.
- Employees in the informal sector have dependants including children, the aged and the disabled who need specific attention through the provision of basic needs and these aren't available as required due to the nature of the employment of these employees.
- Employees in the informal sector are aware of the social security services and are willing to contribute to the services if the better mechanisms are established in the informal sector. This will definitely improve their livelihoods of the employees and their families/ households as well as increase productivity of the informal sector.
- Informal sector employees are aware of the sudden shocks that may hamper their working and have plans for future regarding social security protection. They mainly focus on being members of a formal organization, increase their savings and possess investment assets, and engage in off farm activities in the near future. This will need support from policy level and place mechanisms for efficient social security protection programs, oriented towards the informal sector that employs many people in the country. The same people working in the informal sector support many households that are classified vulnerable.

## **CHAPTER FOUR: CONCLUSIONS AND RECOMMENDATIONS**

### **4.1 Conclusion**

Although social protection services in Rwanda have improved growth and performance more than respectable over recent years, policymakers have fixed more ambitious goals, with a number of people explicitly benefiting from social security services and protection in the informal sector still low than expected. Despite many of the up-beat messages included in this report, the informal sector employees and the sector in the general faces a long list of bottlenecks and potential constraints on social security protection and sustainable development in general. The report therefore provides insights on the different social protection challenges and highlights priorities that have been discussed to be considered by the policy makers.

The informal sector is growing and employing many people at a rapid rate. The most important characteristic of the informal sector is employment of the youth and household members the majority of whom are married and paid less. Many of the employees are not educated to the secondary level and are not provided by their employers with basic social protection services like annual leave, sick leave or pension. With increased informal sector establishments, the pressure on employees will intensify further. One clear indicator is the rate at which the sector employs people without formal contracts and agreements. This ultimately reduces the chances of employees accessing financial services and reduces their chances of being covered with any forms of social security leading to more misery and vulnerability.

The informal sector is challenged by the issue of employment packages including payments for all employees, with inadequate levels in salary and social security coverage, both quantity and quality wise. For this to turn around, employees will be encouraged and supported to rely more on being members of formal associations and make personal contributions to ascertain access to social security services and protection.

The informal sector is heavily affected by insufficient qualified employees, which the majority of whom do not have formal training of what they are employed in. Employees use their own skills to work and be productive in the informal sector. The impact is huge as it limits increased

productivity and at the same time does not guarantee improved welfare to employees. This further deteriorates the access to social security and impacts negatively on the households causing misery, vulnerability and to some extent loss of lives.

The survey report has therefore analyzed and provided insights on the different social security protection priorities that need to be pursued in order to achieve the laudable national development objectives and overall sustainable development.

## **4.2 Recommendations**

In order to translate the proposed social security protection targets into concrete sustainable outcomes, the following are recommended;

- (i) The government need to commit itself to increase, mobilize and allocate increased share of public financial resources to social security development especially to the more vulnerable households
- (ii) Social security should be effectively mainstreamed into national development policies, strategies and programs. This should entail establishing mechanisms to ensure the balanced integration of all forms of employment into provision of social security protection to employees of all categories
- (iii) Mechanisms should be strengthened to enable effective engagement and involvement of informal sector employers and local communities, as well as employees in formulation, implementation and monitoring of social security protection services
- (iv) Formal and non-formal education and sensitization on social security in the informal sector should be strengthened in order to enhance wider and especially owners of the informal sector businesses and employees the implementation of social security
- (v) The government should establish social security protection training centers where different actors can acquire adequate and exchange knowledge and skills on social security protection
- (vi) Policy and incentive schemes should be established and promoted to enable the private sector to actively participate in social security protection including to fulfill its corporate social responsibilities in the social security protection development agenda

- (vii) Collaboration and coordination among various institutions both government and private within the country should be strengthened to harmonize interventions, and foster exchange of best practices to improve the informal sector settings.
- (viii) The government should institute mechanisms of monitoring the informal sector to ensure contribution to specific social security protection services rendered to employees and also ensure established employment structures in the informal sector.

The failure to address the social protection gaps in the informal sector could worsen inequalities and have a negative impact on the social and political conditions conducive to economic growth. Therefore, there is a need for innovative approaches to tackle inequalities and promote inclusive growth through effective and sustainable social protection policies.

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## **Annexes**

## Annex 1: Questionnaire

### SOCIAL SECURITY IN THE INFORMAL SECTOR IN RWANDA

Civil Society Platform is studying issues and problems of the insufficiency of social security for the informal sector on the family and children and what are the challenges and proposed policy action for extending social security schemes to the informal sector. To meet this request, you are kindly requested to respond to this questionnaire precisely and honestly because the result will influence policy decisions. Responses to this questionnaire will be used as input in assessing the expansion of social security in Rwanda. The information provided by you will be treated with a high level of confidence and will inform policy decisions by CSP, Ministries and other stakeholders. Your contributions and participation is acknowledged and highly appreciated.

#### Section 1: General Information

O. Enumerator's Information												
<b>Names of the Enumerator</b>												
<b>Enumerator's Code</b>								<b>Number of List of Questions</b>				
<b>Interview Dates</b>								<b>Starting Time</b>				
<b>Signature</b>								<b>Ending Time</b>				

1.1. Region				
Province	Code		1. District	
Kigali City	01		2. Sector	
South	02		3. Cell	
East	03		4. Village	
North	04			
West	05			

1.2. Respondent's General Information						
<b>1.2.1 Place of Residence</b>	Urban	01		<b>1.2.2 Sex</b>	Male	01
	Rural	02			Female	02
<b>1.2.4 Age</b>						

1.3. Occupation		1.4. Education Level	
Agriculture	01	No formal education	01
Public	02	Primary	02
Private companies	03	Vocational training	03
Non-governmental organization	04	Secondary	04
Self employed (Business)	05	Higher Education	05
Retired	06	1.5 Marital Status	
Others specify.....	07	Single	01
		Married	02
		Divorced/Separated	03
		Widow (er)	04
1.6 Which category of UBUDEHE do you belong to?		1. Category 1 2. Category 2 3. Category 3 4. Category 4 5. Category 5 6. Category 6	1.6.1 Which category of UBUDEHE do you think you should in? 1. Category 1 2. Category 2 3. Category 3 4. Category 4 5. Category 5 6. Category 6
1.7 Household Composition		01	1-3
		02	4-6
		03	>6
1.7.1 How many children in the Household?		10	No Kids
		02	1-3
		03	4-6
		04	7+
1.7.2 How many elderly people do you have in the household?			
1.7.3 Are there any members of the household who are living with disabilities?		01	Yes
		02	No
If yes, how many are they?			
<b>Section 2: Economic Activity</b>			
2.1 Name of Establishment you work for			

2.2 Address of the Establishment?			
2.3 Informal sector by type of activity	02	Local administrative authority	
	01	Agriculture, Forestry and Fishing	
	02	Mining and Quarrying	
	03	Manufacturing	
	04	Water supply; Sewerage, Waste	
	05	Electricity, Gas, Steam and Air Conditioning Supply	
	06	Construction	
	07	Wholesale and Retail trade; Repair of motor	
	08	vehicles and Motorcycles	
	09	Transportation and Storage	
	010	Accommodation and Food service activities	
	011	Financial and insurance activities	
	012	Real Estate Activities	
	013	Administrative and Support Service Activities	
	014	Education	
	015	Human Health and Social Work Activities	
	016	Arts, Entertainment and Recreation	
	017	Information and Communication	
018	Others, specify: .....		

**Employment Status**

2.4 What type of employment do you have from your employer?	Job Title:	
		2.4.1 Is the employment the first one? 1. Yes 2. No
	01 Casual Work 02 Contractual 03 Permanent	
	2.4.2 If No, what were the reasons for leaving the first one? 1. Wanted to change jobs 2. It was paying better than first one 3. It provided social security 4. It was near home 5. Other reason .....	

2.5 Why did you decide to take the job offered?	01	The one I wanted	
	02	Wanted to be paid and get money	
	03	Was the only available	
	04	Other, Specify .....	
2.6. How long have you been on this work? .....			
2.8. Do you work on your job as an off farm activity? 1. Yes 2. No			
2.8.1 If yes, what is your main employment? 1. Farming 2. Art crafts 3. Small business 4. Beekeeping 5. Other.....			
2.9. How many hours do you spend on work a week? .....			
2.10.1 What is the Income received from the employment in RwF?	2.10. Your salary is paid based on what period?		1. Weekly 2. Monthly 3. Daily
	01	<= 50,000	
	02	50,001-100,000	
	03	100,001-150,000	
	04	150,001-200,000	
	05	200,001-250,000	
	06	250,001-300,000	
	07	>300,000	
	Not paid		
2. 10.2 Are there tax deductions taken from your wages?	01	Yes	
	02	No	
	03	Don't Know	
2. 11 Are you entitled to any of the social benefits at your work?	01	Yes	
	02	No	
	03	I don't know	
2. 11.1If yes, which one among the following are you entitled to?	01	Annual leave	
	02	Paid sick leave	
	03	Maternity /Paternity leave	
	04	Overtime work	
	05	Medical care	
	06	Risk Insurance	
	07	Other,.....	
12 Have you faced periods of unemployment in the last one year?	01	Yes	
	02	No	

2. 12.1 If yes, how did you manage to support your daily needs?	01 02 03 04 05	Own savings From Friends Family suport Church/organization/association Other,.....	
2. 13 Have you ever experienced any form of discrimination at your working place?	01 02	Yes No	
2. 13.1 If Yes, what were you discriminated against?	01 02 03 04	Sex Old age/ young age Education level Other, .....	

### SOCIAL SECURITY SCHEMES

#	Questions	Answers	Skip
Q101	Are you aware of any social security schemes in Rwanda?	1. Yes 2. No	
Q102	Do you receive any form of formal, state-provided social security?	1. Yes 2. No	
Q103	If yes, what form of social security are you benefiting from?	1. Old age grants 2. Health Care/Mutuelle de Sante 3. Disability grants 4. Maternity leave 5. VUP direct support 6. Unemployment benefit 7. Occupational hazards 8. Insurance forms 9. FARG	
Q103.1	How long have you been benefiting from any of the social security forms below? 1. Old age grants..... 2. Health Care/Mutuelle de Sante..... 3. Disability grants..... 4. Maternity leave..... 5. VUP direct support..... 6. Unemployment benefit..... 7. Occupational hazards..... 8. Insurance forms..... 9. FARG.....		

Q103.2	Which forms of social security below are you contributing to? (Tick more than one where necessary) 1. Old age grants 2. Health Care/Mutuelle de Sante 3. Disability grants 4. Maternity leave 5. VUP direct support 6. Unemployment benefit 7. Occupational hazards 8. Insurance forms 9. FARG		
Q104	How did you know of the available social security schemes in Rwanda	01 Relatives 02 Friends 03 Employer 04 My Association/Church 05 Government official 06 Other, .....	
Q105	For the social security you are currently benefiting from, Is it voluntary or non voluntary? 1. Old age grants..... 2. Health Care/Mutuelle de Sante..... 3. Disability grants..... 4. Maternity leave..... 5. VUP direct support..... 6. Unemployment benefit..... 7. Occupational hazards..... 8. Insurance forms..... 9. FARG.....	01 Voluntary 02 Non Voluntary	
Q106	If no, What are the reasons for not being affiliated?	01 Do not need it 02 Expensive 03 Not Accessible 04 Have no Information on it 05 Any other.....	
Q106.1	Under what conditions would you be willing to pay for social security schemes of different types?	01 If it's for health reasons 02 For housing and accommodation 03 For old age 04 For School and child care 05 For sudden deaths 06 Any other .....	
Q107	What Informal social security support do you benefit from?	01 Support on generating income 02 Financial support from family and relatives 03 Childcare	

		04 Food 05 Any other..... 06 None	
Q107.1	From where do you get the informal social security support	01 Friends 02 Relatives and Family Members 03 Church 04 NGO/NGO's 05 Local administrative entity 06 Other.....	
Q107.2	Do you make contributions to social support?	01 Yes 02 No	
Q107.3	If yes, how much is the contribution per month in Rwandan Francs? .....		
Q107.4	Are you a member of informal savings group?	(1) Yes (2) No	
Q108	In case of sudden shocks like illness, absence schools fees, loss of a relative, how do your family /household overcome these shocks?	01 Use savings 02 Borrow from Relatives/family members 03 Borrow from friends 04 Borrow from Tontines/ associations 05 Sell available assets 06 Acquire a loan from MFI 07 Other.....	
Q109	Do you have an association where you are a formal member that helps you access certain benefits?	01 Yes 02 No	
Q109.1	If yes, Which one among the following are you an active/formal member?	01 Local association 02 Church/Religious based 03 Any other .....	
Q109.2	What are the types of benefits/ assistance do you attain from being a member of the association?	01 Financial support 02 Material support 03 Social support 04 Any other .....	
Q109.3	Are there financial contributions required from being a member of the association?	01 Yes 02 No	
Q109.4	If yes, how much is paid on a monthly basis in Rwandan Francs? .....		

**POLICY ORIENTATIONS**

Q1010	What do you think should be done to increase social security coverage?	<ol style="list-style-type: none"> <li>1. Make cost sharing contributions</li> <li>2. Keep contribution rates low</li> <li>3. Choose a modest replacement rate that keeps contribution rates low</li> <li>4. Provide social security for free to poor</li> <li>5. Any other .....</li> </ol>	
Q1011	What are the concerns for your household in the near future?	<ol style="list-style-type: none"> <li>1. May fail to provide for my Kids and dependants</li> <li>2. Will have no shelter of my own</li> <li>3. Have no access to health care</li> <li>4. Education for my children</li> <li>5. Have no savings and no pension</li> <li>6. Any other.....</li> </ol>	
Q1012	What do you plan to do in order to have social security coverage of any kind in the future?	<ol style="list-style-type: none"> <li>1 Start savings scheme</li> <li>2 Become a member of local association</li> <li>3 Organize for a private health Insurance</li> <li>4 Increase investments in assets</li> <li>5 Engage in off farm activities</li> <li>6 Any other.....</li> </ol>	
Q1013	In your opinion, what do you suggest to the government in order to transform the informal sector?	<ol style="list-style-type: none"> <li>1. ....</li> <li>2. ....</li> <li>3. ....</li> <li>4. ....</li> <li>5. ....</li> </ol>	