Chapter 1

Social Protection of Informal Economy Workers in Angola: Past and Present Challenges

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Introduction

Informal economy workers in Angola, like in many parts of the world and specifically the African continent, are among the most vulnerable when it comes to jobs, economical safety, and protection. Not only because the informal economy is characterised by higher levels of uncertainty about integration; profits and income; protection from job performance threats; but because the systems in place do not respond to specific features and conditions of informal work and do not consider the significance of the informal economy today. Particularly, in a context of accelerated urbanisation, the informal economy does not require much initial capital; implies less investment in infrastructure, schooling and professional qualifications; and is, therefore, adapted to both the conditions of poor families and urban migrants. In Sub-Saharan Africa, 66 per cent of employment is in the informal economy, with a predominance of self-employment.\(^1\) However, incomes are generally, low, irregular and insufficient.\(^2\)

Work-related uncertainty and vulnerability have for years been the ordinary conditions and context for urban livelihoods. Organisations, like the World Bank, have been devoting substantial work to address social protection and include in it informal workers, especially those of the global south.\(^3\) The effort leading to more inclusive systems has been central in the work of the International Labour Organisation. However, worldwide the social protection coverage of informal workers in developing countries is still low. In Angola, with important economic transformations taking place, such as the acute decrease in oil price crisis starting in 2014, consequently limiting access to foreign currency, important new challenges add up to the already unfavourable situation of informal economy workers. Therefore, a bigger response from social protection mechanisms is needed. This chapter analyses social protection mechanisms in Angola, particularly those related to the informal economy and argues that this sector still relies largely on informal,

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1 Vanek, Chen, Carré, Heintz & Hussmanns, 2014.
3 Kabeer, 2014.
traditional systems and mechanisms, confirming the low significance of existing formal private or public alternatives.

Significant percentages of the Angolan population live in poverty and are dependent on the informal economy. With a population of about 25.8 million, unequally distributed between rural and urban areas (62.6 per cent urban), the Angolan economically active population over 15 years old – working both in the informal and formal economy – represents 40 per cent of the total, according to the last 2014 General Census.⁴ According to the Survey on the Population Wellbeing (Inquérito Integrado sobre o Bem-Estar da População), 37 per cent of the population lives below the national poverty line.⁵ In rural areas, this is as high as 58 per cent. The informal economy in Angola is an important source of security and livelihoods, but it:

… triggers perverse effects on the structure and coverage levels of social protection, the standards of decent work, the effectiveness of public policies and can, potentially, give rise to poverty and forms of social exclusion among its actors.⁶

Social protection may include national schemes and modalities of social security or social insurance aimed at protecting both those exposed to risks and generally everyone in situations of vulnerability. Broadly, it includes interventions of public, private and voluntary organisations and informal networks to support individuals and communities in their efforts to prevent, manage and overcome risks and vulnerabilities.⁷ While workers in Angola over the years have relied on protection systems based on social or traditional dispositions and mechanisms, a small number of workers relied on systems that the colonial system developed for a short period. Later, a limited number of workers were covered by social systems under the pro-socialist state. The post-colonial post-war context of today’s Angola has inherited few prerogatives of the colonial and post-independence schemes and, given the levels of poverty and precarity, calls for profound revisions of available and functioning systems.

Public social protection has very limited coverage because of the small proportion of the active population working in the formal sector and also due to the many institutional and organisational problems resulting from the relatively rapid changes which took place in political and economic management in these countries over the last few decades.⁸

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⁴ UNFPA Angola, 2016.
⁵ INE, 2010.
⁶ Udelsmann Rodrigues et al., 2006:150.
Formal social protection, involving regular formal contributions, covers a limited number of people. Over the years, the available formal and informal systems have changed, from traditional family-based pre-colonial mechanisms to colonial exclusion of non-formal workers from protection systems.

After independence, attempts to implement an egalitarian distributive system was ineffective. After the war, redefinition of social protection faced several challenges: the extent of the informal economy; the need to address poverty and vulnerability; and a changing economy that could no longer rely on the wealth of oil. Angola did not build a welfare state like other post-World War countries started to, during the colonial period. The unified management of insurance, benefits and social services was never achieved nor the universalisation of coverage or the prevention of future risks and compensations. In fact, by absence, the Angolan system is based on reduced social expenditures; absence of universal social protection schemes; and the reliance on alternative compensation schemes, making it closer to a neoliberal model. After independence, Angola opted for a development line based on socialist models, with a state economy of central planning and a single party-political regime. During the long 30 years’ civil war, Angola channelled a substantial part of its financial efforts to warfare, leaving all social protection areas practically uncovered. During this period, the country relied on non-governmental and emergency aid to cover important sectors of social protection and provide security to the population.

Several programmes addressing poverty and the vulnerable were developed in Angola after independence. The most central, focusing on fighting poverty, were consecutively reviewed to address the changing conditions of the country in terms of the prevalence of war and emergencies, available national budgets and variable international support. The Social Action Fund (Fundo de Apoio Social), a government programme that the World Bank and the Government of Angola funded and established in 1994, aims to support communities through the creation of social and economic infrastructure. Other prominent funds that the two major state companies created over the years are the Sonangol oil company’s fund and the Endiama diamond company’s Brilhante fund. Other domestic and private Angolan social funds are the Eduardo dos Santos Foundation (Fundação Eduardo dos Santos) and the Lwini Fund (Fundo de Solidariedade Social).

The main government strategy for poverty reduction is the National Poverty Strategy (Estratégia de Combate à Pobreza, Crescimento e Estabilização Económica) of 2010. Its key objectives are promoting the rapid and sustained reduction of poverty, focusing on ten main sectors including social reintegration; civil security and protection; food security; rural development; education; health; basic infrastructure; employment; vocational training; governance and macroeconomic management. The National Development Plan for 2013-2017 establishes a commitment towards strengthening social assistance and in this sense, identifies several objectives, such as implementing cash transfer programmes and, more broadly, improve the social protection system. It indicated an intention to create an Institute for Social Services. The
National Development Plan 2018-2022 places Social Assistance and Protection as one of the key policies of Human Development and Well-being. Despite the existence of these programmes and a series of other sectoral, bilateral, private programmes and projects, social protection has not been comprehensively addressed in Angola.

An assessment of the existing social assistance policy that the World Bank and the United Nations International Children’s Fund (UNICEF) Angola conducted in 2012, showed that:

… social assistance has mainly consisted of small scale social transfers programmes targeting war-veterans, basic food packages for the most vulnerable, items to support people with disabilities, occupational therapy for the elderly and professional training and reintegration of the poor and unemployed.⁹

Recently, the European Union and UNICEF launched a project, the Support Project for Assistance and Social Protection Interventions (Projecto de Apoio às intervenções de Assistência e Proteção Social), in line with the government’s intentions to expand the social protection of the poorest. The Ministry of Public Administration and Social Security (Ministério da Administração Pública, Trabalho e Segurança Social) is currently responsible for the national social security system of public sector workers through the National Institute of Social Security. This institute manages, among others, contributory insurance schemes and coverage of retirement pensions; maternity subsidies; funeral subsidies; family subsidies; subsidy for deaths; and survival pensions. The Ministry of Social Assistance and Reintegration (Ministério da Assistência e Reinserção Social), in turn, manages the bulk of social protection under non-contributive schemes. Main target groups include vulnerable populations, including the elderly; children; adolescents; disabled not covered by social security; families in need; and a broad scope of community development actions. The Institute of Reintegration of Social Combatants (Instituto de Reintegração Social dos Ex-Militares), within the Angolan context, is one of the main branches of the Ministry of Social Assistance.

In August 2001, the draft of the Basic Law on Social Protection was sent out for public discussion. The document structured social protection at three levels, namely, basic social protection; compulsory social protection, covering both employed and self-employed workers; and supplementary social protection. It stipulated the following social protection objectives:

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⁹ EU, 2013-3.
• To mitigate the effects of reducing the income of workers in situations of shortage or loss of work capacity, maternity, unemployment, and old age and ensuring the survival of their family members in the event of death.
• To compensate, at least partially, the increase in the burdens inherent in family situations of special fragility or dependency.
• To ensure the means of subsistence for the needy resident population, as far as the economic and social development of the country is concerned, and promote, together with individuals and families, their insertion in the community, in the full guarantee of their responsible citizenship.

The Social Protection Law 7/04 of October 15 was approved in 2014 and based on the drafted objectives established three modalities of assuring social protection:

• Basic social protection: funded by taxation, it covers situations of deprivation and is targeted to the most vulnerable by providing the minimums of subsistence.
• Compulsory social protection: based on a logic of insurance and funded by contributions of employers and employees, it covers employees and self-employed in situations of lack or decrease of working capacity, maternity, work accidents and professional disease, unemployment, old age and death, aggravation of family expenses.
• Complementary social protection: based on optional membership and in a logic of insurance, it covers those with an active compulsory social protection plan and is based on specific private accords between workers and providing entities.

Public expenses with social protection constitute 0.61 per cent of the Gross Domestic Product. According to the Ministry of Finance, taxpayer numbers for the social security system was 123,685 in 2016, and the number of people the compulsory social protection schemes covered 1,147,471, according to the CIP.10

Along with the new law, Angola currently has a range of structures and mechanisms addressing social protection, including public social security and various private, community and family social protection mechanisms. The public systems include a contributory component, to which citizens/workers contribute a percentage of their formal income and social assistance; and non-contributory, essentially providing more vulnerable groups minimum levels of basic social needs. These mechanisms of basic social protection and eventually voluntary complementary social protection schemes, covers the social protection of informal

10 CIP, 2017.
economy workers in case of vulnerability. In practice, however, these formal mechanisms do not cover the population whose livelihoods depend on the informal economy.

**Origins and Evolution of Social Protection**

Overall, the Angolan social protection reality today is substantially defined by its colonial legacy of an economy based on the primary sector with low investment in human capital and markedly unequal regional development. There are few references or studies about internal mechanisms of social protection before the colonial regime started to control all aspects of the economy and work. However, dispositions of the socio-cultural and economic matrices still inform the informal economy and its structures, how it works, as well as associated social mechanisms with safety functions.\(^{11}\) *Kixiquila*, an Angolan expression that identifies rotating savings and credit associations, is a mechanism based on traditional mutual aid institutions that allow traders to raise funds to increase their level of business. Simultaneously, it is related to social functions, like, among others, financing family events and religious ceremonies. The groups’ sizes vary, members participate voluntarily and mutually, defining the frequency and value of their respective contributions and how these funds are used, in turn, by each member. Its functioning is based on the principles of trust and solidarity, and the control mechanism is based on social peer pressure. *Kilapi*, which refers to loans, is an expression of unknown origin but widespread as a concept and mechanism of economic support. The term is used to identify credit transactions, based on trust and consensus, between sellers and consumers. In the informal trade, it has become common practice in situations where someone does not have the capital needed for investment or to cover unexpected expenses and resorts to a loan. It is assumed to be a compromise between individuals, with delayed re-payments dependent on the possibilities of the borrower. *Kilapi* has become an alternative for many due to possible delayed re-payment and as a way to support unexpected expenses. Both mechanisms have a historical social and economic background that, with modifications, subsisted through the colonial times. There is, however, not much knowledge of how they were structured and worked before.

During the centuries of Portuguese colonial rule, the primary sector was the basis of the Angolan economy, with emphasis on commercial agriculture. Although the economy grew impressively during the colonial period, the social benefits were not evenly distributed across the population, with a clear detriment to the indigenous population; not counting the slave trade and the terrible impacts on forms of work and work relations. For an extended period of colonial rule, most of the population lived and worked within systems, not formally protected, with only a few social benefits associated with their work. Moreover, poverty and

\(^{11}\) Ducados & Ferreira, 1998; Lopes, 2010.
vulnerability issues were not included in social policies, except for a few charity institutions. Labour-intensive agriculture, absorbing most of the population for many years, did not have an associated system of social protection. In addition to the conditions of a society where access to resources and opportunities was discriminatory, there was the marginalisation of most of the population from the few formal labour protective systems. The establishment of a general social protection system that would meet the needs of an overwhelming minority was never even pondered at the policy level.

In the last decades of the colonial period, between the 1940s and 1970s, some initiatives and systems aimed at the protection and mitigation of economic and social risks were constituted, for instance, the cooperative *Lar Do Namibe*, created in the 1940s in the Namibe province. It was a mutualist agreement focusing on financing housing. The funds came from the contributions of members, and every month one or two associates would be allocated funds to build a house through a system of a lottery. Charities and religion-related institutions mainly carried out social work. Specialised entities and systems, like the *Casa-do-Gaiato*, for instance, supported abandoned children. Angola had two such homes in the 1960s and 1970s, one founded in Benguela in 1962 and another in Malange the next year. The colonial government’s Institute of Social Assistance and Integration (*Instituto de Asistencia e Integración Social*) of Luanda created the third old-age home, *Lar Beiral* in 1953, to host former Portuguese civil servant pensioners. Formal training of social assistants, however, only began in 1962 and social services remained an area of both the State and the Catholic Church. Social protection, under the designation of social providence (*previdência social*), was linked to formal work. In the 1960s, when social providence started to be implemented in a few organisations and firms as mutualist schemes, it only reached the urban workers. It did not cover unemployment, old-age pensions, or disability. Support was only granted to sickness, maternity (up to three months), work accidents and disease. These institutions, with a vocation for social protection of vulnerable groups, functioned more as charities and were dependent on voluntary contributions; however, mostly targeting the colonial state staff and, at a much smaller scale, the African communities. Social Action at Work (*Acção Social no Trabalho*) was created in 1962 by decree together with the Social Action Fund at Work (*Fundo de Acção Social no Trabalho*) dedicated to the maintenance of kindergartens and similar institutions for the protection of vulnerable children through orphanages and asylums. With it, the Institute of Education and Social Service Pio XII (*Instituto de Educação e Serviço Social Pio XII*) was created, a private entity that the government, the Church and private contributions funds, and in 1963 the first social assistants concluded the course. The institute continued to train assistants until after independence but in 1977 ceased its work.¹²

¹² Monteiro, 2015.
After independence, some social structures from the colonial era were kept functioning. The secretary of the assistance of social services (afterwards, the Ministry of Assistance and Social Reinsertion) started to assist the Lar Beiral home, for instance. However, few remained active and, with the cumulative impact of war affecting a large percentage of the population, their work became increasingly narrow. In the post-independence period, the effects of a long-armed conflict and the leadership of a single-party regime with a Marxist orientation dictated the way the social protection systems (did not) evolve. In 1975, Angola attained independence after an unprecedented war of devastating proportions. The newly independent country followed (by then) a line of socialist redistribution and equality aimed at social and economic protection for all but only catering for a few, absorbed by the expansion of the public sector with its associated welfare system. Again, this system touched only a small number of urban dwellers. In rural areas, the population was increasingly affected by civil conflict and the dismantlement of economic and social structures. The current state of social protection development institutions still leaves many unprotected, as mentioned. The limited scope of the formal economy geographically, with an advantage to urban areas with higher numbers of people, leads to the conclusion that the number of those protected by formal systems and mechanisms is low in national terms. Even among those covered by formal social protection within the national fighting poverty programme and several increased social protection of the most vulnerable initiatives, the benefits are limited, in real terms, not covering individuals’ exposition to risks.

The Kikuia Card (Cartão Kikuia) programme started in 2013 and later expanded to address the negative impacts of other reforms such as the existing fuel subsidies reform. The programme prioritises widows with orphans or relatives with disabilities, chronically ill persons, and ex-combatants. With the card, beneficiaries can monthly buy basic goods (food, school materials and farming tools) in adhering stores up to 5 000 Kwanzas, the amount reduced in 2016. Private companies are spending significant resources on social projects in Angola for the benefit of the poor and general development. Social work has only recently become an area of specific training again. The Higher Institute of Social Services (Instituto Superior de Serviço Social de Angola) is since 2009 training social assistants and childhood educators with the first graduates concluding their courses in Luanda in 2013. The mentioned UNICEF and World Bank funded programmes have also started to enrol a number of vulnerable populations in social protection schemes.

Social Protection in the Informal Economy

Before independence, informal activities played a strictly subsidiary role in the dominant formal sector of the economy, structured and equipped with the necessary control and regulation mechanisms. The informal economy of the capital city, Luanda, and other cities was restricted to traditional artisanal activities from the provision of services – in particular, domestic services – to street vending, small local markets and construction activities, particularly in the peripheries of cities. The informal economy as is now known began to grow a couple of years after independence in 1975 still under the socialist system and quickly informal practices – then called ‘schemes’, candonga – spread to different sectors of the economy. Economic centralism and the process of transition to a market economy (1987-1991), did not produce substantial changes in the fast-growing dynamics of the informal sector. Sectors such as transport, urban markets and the exchange market became more complex and gradually involved more individuals and families. The informal economy has not, however, developed systems to protect the workers from risks and vulnerability. There are today some informal associations connected to the informal economy that manage common funds to cover certain risks and provide investment funding. Most of these associations organise informally, and they are based on relations of personal trust, involving a group of individuals connected by professional and economic relations, family and neighbourhood ties, friendship or long-term relations. In some cases, sectors of specific activities in the informal economy have created organisations – some of them informal too – that, among others, focus on social and professional protection.\textsuperscript{14} Some of these associations support members on legal matters.

References to a long African tradition of mutual aid schemes, namely the rotating use of savings and credit – known as Rotating Savings and Credit Associations – are frequent in specialised literature. In Angola, such schemes have been documented, particularly among women in the informal economy.\textsuperscript{15} Over the years, there have been some initiatives to organise and empower these networks. Non-government actors are usually the key actors responsible for these initiatives, acting essentially around microcredit. The projects and programmes are varied, from long-term well-established organisations to smaller and shorter-term organisations. They usually manage participants’ contributions to supply renewable credit, manage a common fund used in special circumstances, like, among others, the loss of merchandise, illness, family obligations, and the rebuilding of housing. Microcredit, in these cases, functions as a social protection mechanism. In the Angolan context, there is an accelerated growth of micro-credit institutions, becoming an increasingly important resource for the people involved in the informal economy, and even for those

\textsuperscript{14} Lopes, 2010.

\textsuperscript{15} Ducados & Ferreira, 1998.
with formal occupations, to have access to income. Credit not only guarantees the ability to meet basic needs but also access to funds to meet unexpected situations.

Vulnerability in the Informal Economy

While poverty and developmental challenges are a central concern in Africa in general and in Angola in particular, the informal economy workers are among the most vulnerable and exposed to changing situations in their social and domestic lives and the economy. It can be argued that access to resources and income through the informal economy is many families’ solution to unemployment and lack of opportunity in the formal economy and therefore represents a form of mitigation of vulnerability. The conditions that informal workers develop their activities in, mostly do not have protection mechanisms. Considering the Angolan population, and particularly the urban population, groups constituting the bulk of the informal economy, are by nature and condition highly exposed to risks. The youth, unprepared for the labour market, with low levels of education and significantly coming from the rural areas to the cities in search of opportunities, constitute one such group most dependent on resources generated in the informal economy. According to the last General Census of 2014, 76.63 per cent of the urban population in Angola is unemployed, and over 30 per cent of them are youth and young adults between 15 and 29 years old. Of significance, is the fact that youth and young adults under 24 years old head around 14 per cent of Angolan households. A second group includes women, to whom the informal economy constitutes the principal means of livelihood. The percentage of households headed by single women are, according to the 2014 census, 58 per cent. Typically, given the socio-cultural matrix of the country, these women heading households constitute those separated, divorced or widowed or involved in polygamous relationships, placing them in an increasingly vulnerable position. A third group includes those households headed by elderly people (60 and older). Of the Angolan households, as the 2014 census indicated, more than seven per cent are headed by individuals of 65 years old or older. These three groups together represent a large proportion of potentially vulnerable individuals in the population and a high number of individuals in vulnerable positions in a population of almost 26 million in 2014.

Among the risks and vulnerable situations workers are exposed to, informal economy workers in Angola face challenges of illness; access to subsistence, funerals or marriages; risk of unemployment; lack of old-age pension; lack of proper housing; and access to credit or education. In the absence of institutions dedicated to mitigating or alleviating the vulnerability of families that depend almost entirely on informal activities, solidarity networks, both intra-family and inter-family networks are frequently mobilised as

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16 EU, 2013.
17 Udelsmann Rodrigues et al., 2006.
means of social protection. However, in contexts of poverty and vulnerability and especially in the urban centres where family and social networks are challenged, there is a tendency for decreased reliability on these systems.\(^{18}\) Family support is a crucial mechanism in providing protection. While other networks, like churches, or neighbourhood solidarities, can play an important role, family-based relations remain in the centre of the economic and social life of many, both in the rural areas and in the cities.

**Conclusion**

The first conclusion is that in the context of Angola, the phenomena of poverty, social exclusion and the informal economy are intimately linked to a series of socio-economic processes that, throughout history, interact dynamically and whose contours can be linked to three important periods. First, the legacy of about five centuries of Portuguese colonial rule, characterised by restricted and exclusionary systems of social protection. Secondly, the post-independence period, marked by a long-armed conflict with deep socio-economic repercussions and an incipient development of social protection mechanisms, with few workers in the formal economy benefiting from these mechanisms. Currently, there are transformations taking place in the panorama of social protection systems, with a line of development addressing poverty and most of the population depending on the informal economy. Coverage, however, is still limited and in this context, the informal workers continue to be the most vulnerable, exposed to several risks that workers are generally exposed to but with the additional burden of having to depend on fluctuating, uncertain and increasingly reduced income opportunities. The large sector of informal economy activities represents a vast proportion of uncovered workers.

\(^{18}\) Robson & Roque, 2002.
References


