

International
Labour
Organization

PRATICAL OPTIONS FOR
THE EXTENSION OF
SOCIAL PROTECTION
COVERAGE IN ZAMBIA
**CASUAL SAW
MILL WORKERS**



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¹ Commissioned by the ILO Lusaka Country Office, 2015, *Practical Options for the Extension of Social Protection Coverage in Zambia: Small Scale Farmers*

² Commissioned by the ILO Lusaka Country Office, 2015, *Practical Options for Extension of Social Protection Coverage in Zambia: Domestic Workers*

³ Commissioned by the ILO Lusaka Country Office, 2015, *Practical Options for the Extension of Social Protection Coverage in Zambia: Casual Saw Mill Workers*

⁴ Commissioned by the ILO Lusaka Country Office, 2016, *MORE THAN BUSINESS ALONE: Extending and promoting social protection amongst MSMEs and informal workers in Zambia's building construction industry*

⁵ Commissioned by the ILO Lusaka Country Office,, 2016, *Extension of Social Protection to Workers in the Economy in Zambia: Lessons Learnt from Field Research on Domestic Workers, Small Scale Farmers and Construction*

Acronyms and Abbreviations

ABCEC	Association of Building and Civil Engineering Contractors
CSO	Central Statistical Office
COSTIGA	Copperbelt Saw Millers and Timber Growers Association
FGD	Focus Group Discussion
GDP	Gross Domestic Product
GRZ	Government of the Republic of Zambia
ILO	International Labor Organization
MLSS	Ministry of Labor and Social Security
MoH	Ministry of Health
MT	Metric tons
NAPSA	National Pension Scheme Authority
SHI	Social Health Insurance
SNSP	Sixth National Strategic Plan
SPF	Social Protection Floors
UHC	Universal Health Coverage
WCFB	Worker's Compensation Fund Control Board
ZAFFICO	Zambia Forestry and Forest Industries Corporation
ZNAS	Zambia National Association for Sawmillers
ZDHS	Zambia Demographic and Health Survey
ZMW	Zambian Kwacha

Executive Summary

The construction sector has been playing a central role in Zambia's growth over the past years and presently makes up approximately 29 per cent of the GDP. The construction sector accounts for 187,906 employees, or 3.4% of the total employed population. Saw mill workers are estimated to be around 10,000 or 5% of the employees in the construction industry. Employment arrangements in the saw milling industry are characterized by high casualization and specialization of work. Casual saw mill workers present atypical employment arrangement and income patterns, which key features includes absence of written contracts, irregular period of employment due to seasonal and temporary activity and multiple employers. Casual workers' income are low, irregular and unpredictable. There is no single payment mechanism but rather a multiplicity of arrangements across occupations and within the same occupation. The way earnings are computed and the frequency at which workers are paid depend on the employer's preference. This is further complicated by the absence of pay slip or of any income payment record. These features make registration with Social security systems challenging and severely impact the workers contributive capacity.

Informal workers including the saw mill workers generally speaking have a poor knowledge on social security rights, benefits and processes to access services. There is no organization of saw mill workers which could facilitate conveying messages on the need for social protection, and support workers raising their voice on their rights for social security. This results into low demand for Social security.

Financial sustainability of small and medium scale saw millers is challenged by the meagre round wood allocations purchased from the Zambia Forest and Forestry Industries Corporation Limited (ZAFFICO), due to a growing number of saw millers on the market in a context of reduced allowable cuts. Business is also affected by lack of access to capital and loans and to a lack of skills for value addition to timber products which leads to significant wastage. Moreover MSMEs who comprise the majority of employers in the sector have limited capacity to contribute towards Social security schemes due to the cost attached to compliance. Only 62 percent of interviewed employers stated they could afford to contribute to the three schemes for their workers. However, 86 percent of casual workers declared that the total contributions amount – calculated on average earnings - would be affordable.

However, the saw millers are organized in two strong and trusted employers' associations with significant membership, namely COSTIGA and ZNAS. Together with the strong commitment of the employers to extend social protection to their workers, they set a sound ground for the development and the implementation of specific measures to provide old-age pension, workers benefits and health insurance benefits.

NAPSA and the WCFCB are also particularly committed to extend social protection coverage to the saw milling industry and have undertaken a series of common activities including common sensitization and registration campaigns, in coordination with COSTIGA and ZNAS. Both

institutions are open to innovative strategies that would allow for efficiency gains and promotion of social security.

Proposed solutions to extend social security coverage to saw mill workers include creating enabling registration and contribution collection mechanisms. Recognizing the need to design innovative solutions –as opposed to applying the existing social security model which does not address atypical employment arrangements - it is suggested to consider placing a single social security levy on the value of ZAFFICO allocation. The levy would replace the existing payroll based system and would provide social protection coverage to all workers, irrespective of their contractual arrangements (casual or permanent, formal or informal, employed or self-employed). The three schemes - NAPSA, WCFCB and SHI - should be factored in the levy, with coverage of workers and dependents. The levy would be payable at once by the saw millers, together with the allocation purchase. Registration of workers would remain the employer's liability. This would also enhance workers organization and representation in the sector.

Proposed measures to foster demand for social security among workers – including awareness campaigns and initiatives to create workers movements – as well as measures to generate efficiency gains, simplified administrative procedures and incentivizing employers to contribute would constitute additional measures susceptible to contribute to extension of coverage to casual saw mill workers in Zambia.

Introduction

Social Protection

The right to Social Protection is a human right, which “ *along with promoting employment, [is] an economic and social necessity for development and progress, and [...] an important tool to prevent and reduce poverty, inequality, social exclusion and social insecurity, to promote equal opportunity and gender and racial equality, and to support the transition from informal to formal employment.*” “*Social security systems act as automatic social and economic stabilizers, help stimulate aggregate demand in times of crisis and beyond, and help support a transition to a more sustainable economy*”⁶ therefore leading to sustainable long-term growth associated with social inclusion which helps overcome extreme poverty. The Social Protection Floors Recommendation, 2012 (No. 202) calls for the progressive implementation of comprehensive social protection systems, starting with the establishment of a basic set of social protection guarantees to all in need. It calls for access to essential health care and basic income security throughout the life cycle, as a first step toward achievement of higher level of protection. Essential health care – including maternal care – must meet the criteria of availability, accessibility, acceptability and quality.

The Social Security (Minimum Standards) Convention, 1952 (No. 102) is the flagship of all ILO Conventions on Social Security as it is the only international instrument that establishes worldwide-agreed minimum standards for all nine branches of social security. It defines the nine classical social security contingencies (medical care, sickness, old age, unemployment, employment injury, maternity, family, invalidity and survivors) and establishes a minimum set of qualitative and quantitative parameters including: definition of the contingency, persons protected, type and rate of benefit, length of the qualifying period, duration of benefit and waiting period. This Convention provides a benchmark for the progressive extension of comprehensive social security systems.

Recommendations no. 204 concerning the transition from the informal to the formal economy adopted in June 2015 provides guidance on rights and social protection for the informal workers within the transition to the formal economy. It calls among other for the progressive extension of social security, maternity protection, decent working conditions and a minimum wage” in law and practice to all workers in the informal economy. The Convention 102 as well as the Recommendations 202 and 204 are yet to be ratified by Zambia.

Extension of Social Protection to the construction sector in Zambia

With the support of the Zambia Green Jobs Programme “Enhancing competitiveness and sustainable business among MSMEs in the building construction industry”, the Government of Zambia (Ministry of Health, Ministry of Labor and Social Security) and the institutions in charge of providing social security benefits (National Pension Scheme Authority, Worker’s Compensation

⁶ ILO, 2012, *Social Protection Floors Recommendation (No. 202)*

Fund Control Board) has started exploring potential for extension of Social Protection to the construction sector workers in atypical forms of work. The ZGJP aims at promoting green growth and to create more and better jobs in the building construction sector. The programme includes a Social Protection Component, in which the main expected outcome is to increase access to Social Protection benefits among workers in the building industry. The Green Jobs Programme is implemented within the One UN-programme framework and the ILO is the lead agency. Through the ZGJP, the ILO is supporting the extension of Social Protection to the saw milling industry.

Within this framework, support was provided for sector dialogue at national level and within the saw milling industry. The joint search for practical solutions led to the development of a roadmap for long and short term strategies to promote extension of social protection coverage to the saw milling industry. This includes extension of NAPSA and WCFCB benefits as well as Social Health Insurance. One of the elements of the roadmap was to carry-out a rapid assessment to deepen the understanding of the sawmilling industry patterns of works in order to propose adequate innovative solutions to provide Social Protection coverage to saw mill workers.

The construction sector and the saw milling industry in Zambia

The construction sector has been playing a central role in Zambia's growth over the past years and presently makes up approximately 29 per cent of the GDP⁷. The construction sector accounts for 182,806 employees, or 3.1% of the total employed population⁸.

The dynamism of the sector, the high labor intensity, low skills required in the sector and the high concentration of SMEs provide significant job creation opportunities for the poor and vulnerable. Despite its potential in terms of employment creation, the construction sector is characterized by precarious work conditions. The construction sector is indeed essentially made of a multitude of Small and Medium Enterprises (SMEs). Systemic constraints including limited capital and limited access to credit maintain most SMEs in stagnant growth. Most of them operates at low margin, providing little room for investing in labor force and working conditions. The larger number of workers (67.7%) in the construction sector is informally employed⁹ and mostly hired on a casual basis. The vast majority of construction workers lack any form of social security coverage. Despite the risk of occupational injury and diseases, occupational safety and health measures are rarely observed. The labor force is essentially unskilled and receive low earnings.

The construction sector is heterogeneous and reasons for lack of social protection coverage are many. Some sub-sectors might face higher challenges and others, due to the existing organizations and place within the value-chain, might offer more opportunities to reduce the coverage deficits. In previous researches under the UN Green Job Program the saw millers have shown a particular level of organization that constitutes an opportunity for extension of social protection. According to COSTIGA and ZNAS, there are about 1,000 small and medium scale saw millers operates in Zambia and hire on average 10,000 workers, essentially on a casual basis.

⁷ ILO, "Good working condition, Good business? An analysis of Zambia's building Construction market system" 2014

⁸ Zambian Central Statistical Office, 2014, Labor Force Survey 2014

⁹ Zambian Central Statistical Office, 2014, Labor Force Survey 2014

Objectives and Methodology

Objectives

The general objective of the study is to identify strategies to extend Social Protection to casual saw mill workers, in the context of extension of Social security in the construction industry.

It aims at answering the following question: How to deal with collecting regular contributions from workers with uncertain, low and variable income?

The specific objectives of the assessment are the following:

- Gain understanding on the industry through actors mapping in the saw mill value chain and collection of basic demographic data from the saw mill workers
- Gain understanding on the income patterns and employment arrangements of casual saw mill workers
- Assess the saw millers and their workers' interests in Social Protection benefits
- Explore and propose solutions to enroll and collect contributions from the saw millers and their employees, as well as to raise awareness on Social Protection benefits

The report focuses on casual workers. A casual worker is defined as a person who works on an irregular basis as needed, works variable working hours, has no guarantee of on-going work, has no entitlement to annual and sick leave and is free to refuse work. On the opposite a permanent worker works regular hours each week/month, has a predictable salary, is entitled to annual and sick leave, has predictable start and finish time and expect on-going work.

Methodology

The study methodology followed a participatory approach, involving from the beginning the key stakeholders involved in provision of social protection, i.e. the Ministry of Labour and Social Security, the Ministry of Health, the National Pension Scheme (NAPSA) and the Worker Compensation Fund Control Board (WCFCB) through an introduction meeting. The introduction meeting facilitated information sharing on the scope of the research as well as understanding of the stakeholders' expectations regarding the expected outputs and strategies to be explored through the research.

The methodology for data collection comprised secondary data analysis and collection of primary data. Secondary data were sourced from documentation produced by the ZGJP as well as reports and international publications relevant to the sector.

The field work allowed for primary data collection. Data were collected through in-depth interviews with key informants, focus group discussions with casual saw mill workers, and a meeting with the saw millers, where a questionnaire was administered.

The key informants included representatives from the Government (Ministry of Labor and Social Security, Ministry of Health), Social Security institutions (National Pension Scheme Authority, Worker Compensation Fund Control Board), the two associations of saw millers (COSTIGA, ZNAS) and the association of building & civil engineering contract (ABCEC). ZAFFICO and the Ministry of Land were not available for a meeting.

Information on employers' interests in Social protection, existing challenges and possible strategies were collected through semi-guided discussion. Two meetings took place: one with ZNAS members in Kitwe and one with COSTIGA members in Ndola. A questionnaire was administered during the meeting. In total, sixty six employers participated to the meetings and filled-up the questionnaire. The employers were randomly selected within COSTIGA and ZNAS membership.

Focus group discussions with casual saw mill workers were undertaken to further inform challenges related to employment arrangements and remuneration mechanisms. It also informed on interest and willingness to contribute towards social protection schemes (Pension, Workers injury and diseases and Health) and possible mechanisms. Twelve focus group discussions were held in total; six in Kitwe (48 participants) and six in Ndola (48 participants). An average of eight participants attended each discussion to allow for fruitful exchange and free expression of various ideas and opinions from the respondents. Saw mill sites and plantations sites were purposively selected by the saw millers associations based on criteria of accessibility and representatively in terms of business scale. Participants to the focus group discussion were randomly selected on sites. Focus group discussions were held from the sawmill site and ZAFFICO plantations.

The primary data collected were consolidated in a data consolidation matrix elaborated for the purpose of the research.

Limitations

It should be noted that results from the FGDs and in-depth interviews are only representative of saw mill workers and their employers from Ndola and Kitwe. Other plantations and saw mill sites were not covered by the study. The small sample does not allow for a generalization of results but we are confident that the findings provide a good picture of employment arrangement and income patterns in the industry, challenges to extend social protection, interests and willingness to contribute to social protection schemes and possible strategies.

The findings of the research are presented in six sections. The first part provides an overview of the saw milling industry. The second and third part respectively informs on the employment arrangements and income patterns in the industry and the provision of social security benefits against legal provisions. The interests in Social protection and willingness to contribute towards Social Security are analysed in the fifth section. Challenges and opportunities are summarized in the sixth part. Finally, the recommendations follow the presentation of the findings.

Findings

1.

2. The Saw Milling Industry in Zambia

The forestry industry is essentially located in the Copperbelt. The first large scale plantations of exotic trees were commenced in 1965 with the objectives of supplementing the limited supply of timber from the low-yielding indigenous forests and establishing timber resources for the mining industry in the region. The network of actors in the industry is made of a mix of public and private institutions and companies.

2.1.

1.1. Main Actors

Zambia Forest and Forestry Industries Corporation Limited

The Zambia Forest and Forestry Industries Company Limited (ZAFFICO) is a Government Parastatal created under the Companies Act, Chapter 388 of the Laws of Zambia as a private Limited Company limited by shares. The Corporation is wholly owned by the Government of the Republic of Zambia through the Ministry of Finance and National Planning. The mandate of ZAFFICO is to ensure sustainable management of the plantations, to progressively replant the harvested areas and to expand the plantations area covered.

The main role of the corporation is now limited to the production of raw materials. Currently ZAFFICO plantations cover an area of approximately 48,000 hectares spread over the Copperbelt Province. The plantations are located in Ndola, Mufulira, Kitwe, Kalulushi, Lufwanyama and Chingola districts and are divided into four administrative plantation groups (Ndola, Chati, Ichimpe and Lamba). The plantations are essentially made of pine and eucalyptus (respectively 79 percent and 20 percent) which are fast growing species as compared to indigenous trees. ZAFFICO issues permits for timber harvesting, and regulates quota size and sale price.

Small and Medium Scale Saw millers

According to ZNAS and COSTIGA, there are about 980 small and medium scale saw milling companies in Zambia. They are all concentrated in the Copperbelt. They operate in “saw milling compound” disseminated across the cities – Kitwe and Ndola essentially. One compound can gather from five to twenty different saw millers on the same site. The work is exclusively carried-out outdoors. One saw mill company site is usually simply made of one to two saw mill machines, piles of woods, mounts of saw dusts and one small office for the director.

The small and medium scale saw millers hire about ten workers when a contract with ZAFFICO is secured. The majority of saw millers operates at low capacity, due to the abundance of saw millers as opposed to the limited availability of trees to harvest. Indeed, the recent increase in the number of authorized small and medium saw millers led to reduced quota allocations per saw miller.

Because of a lack of skills, saw millers do not produce any value addition to timber products. These SMEs produce at low cost, with unskilled work force mostly hired on a casual basis¹⁰. As stated in the “*Good working condition, Good business? An analysis of Zambia’s building Construction market system*” research report in reference to SMES in the building construction sector, “*with such narrow margins, labour quality, wages, staff training, social protection and safety are ultimately compromised*”. This specifically applies to the saw millers, where most of the time, occupational safety and health practices are not enforced and protective equipment are not provided to the workers. Social protection provisions are kept to the bare minimum requirements, which is to be registered with NAPSA and WCFCB to be licensed and awarded allocations by ZAFFICOZAFFICO.

Associations of Saw Millers

Saw millers are organized into employers’ associations. The Copperbelt saw millers and Timbers Grower Association (COSTIGA) covers Ndola area and the Zambia National Association of Saw millers (ZNAS) is located in Kitwe. ZNAS and COSTIGA count a membership of 500 and 250 employers respectively. Their mandate is to promote and protect business interests of the saw millers, find new markets and provide good practices in the industry. It is estimated that about 230 saw millers are not affiliated to any of the two saw millers associations.

National Council for Construction

The National Council for Construction (NCC) is the regulatory authority which mission is to promote, develop, train and regulate the Zambian Construction Industry. The NCC is also in charge of registering contractors, and affiliating professional bodies or organizations whose members are engaged in activities related to the construction industry. The NCC is a statutory body established under the National Council for Construction Act No. 13 of 2003. One of its core objectives is to “*unify the construction industry, to promote its well-being, to strive to create a profitable environment for its constituents, and to establish a united national platform encompassing formal and informal sectors of the industry and its professions*”

1.2. Saw mill workers: selected socio-demographic indicators

The socio demographic data presented in this report are based on the findings from the focus group discussions and interviews with key stakeholders.

Saw mill workers are estimated to number around 10,000¹¹. The interviewed casual saw mill workers were all male. The tasks saw mill workers are performing require significant physical strengths and female are therefore absent from this occupation, although they may occupy other functions at management level. For the same reason, the interviewed workers were relatively

¹⁰ Out of an average of ten workers, three or four only are on formal and permanent contract, according to interviewed saw mill companies. Usually only administrative or supervision positions (such as secretaries, supervisors) are engaged with formal long-term contracts.

¹¹ Based on an estimates of 980 saw millers and an average of 10 to 12 workers per saw mill (source: COSTIGA and ZNAS)

young, aged 29 on average, with age ranging from 18 to 45. Only 15% were older than 35 years. Most respondents started in the industry when they were 24 year old on average and have been working in the sector for an average of 5 years.

They have on average reached Grade 9 in level of education. Thirty two percent has graduated from Grade 12. Many workers turned to the saw milling industry for a lack of better paid job opportunities that their education level would normally entitle them to. Some of the interviewed workers stated this job was a temporary way to raise money for their family or to further their College education. The average family size stands at 5.1, which is equal to the national average¹². None of the interviewed workers belong to a worker association and none of them had heard of any existing saw mill workers organizations. In some instances, workers do organize themselves in ad-hoc committees to negotiate their conditions of employment.

1.3. Saw milling value chain

Saw millers play a role of inputs suppliers – as producer of building material - within the building construction sector value chain (see in Appendix 2 the place of the saw millers in the building construction value chain). The simplified value chain of the saw milling sector is illustrated in the graph below.

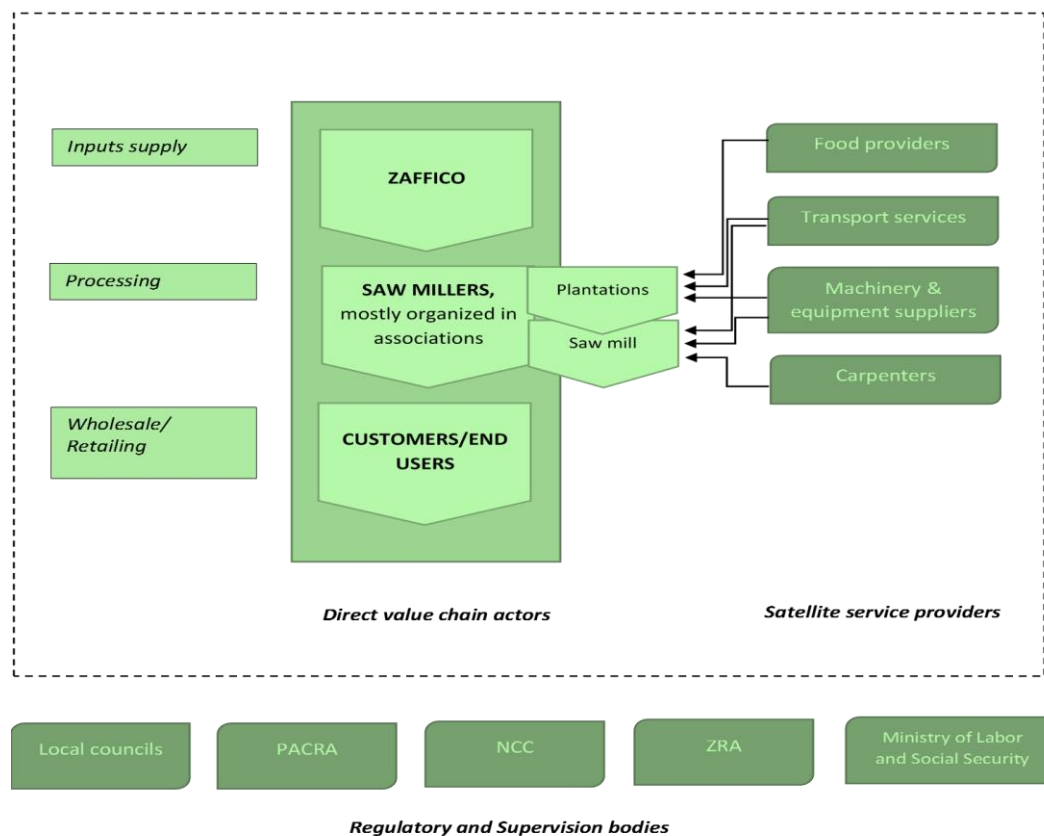


Figure 1: Simplified saw milling value chain in Zambia

¹² Central Statistical Office of Zambia, 2015, Zambia Health Demographic and Health Survey 2013-2014

The saw mill production chain is characterized by specialization and fragmentation. Each task of the value chain is carried- out by a specific group of workers. The graph below illustrates the tasks involved in the production chain.

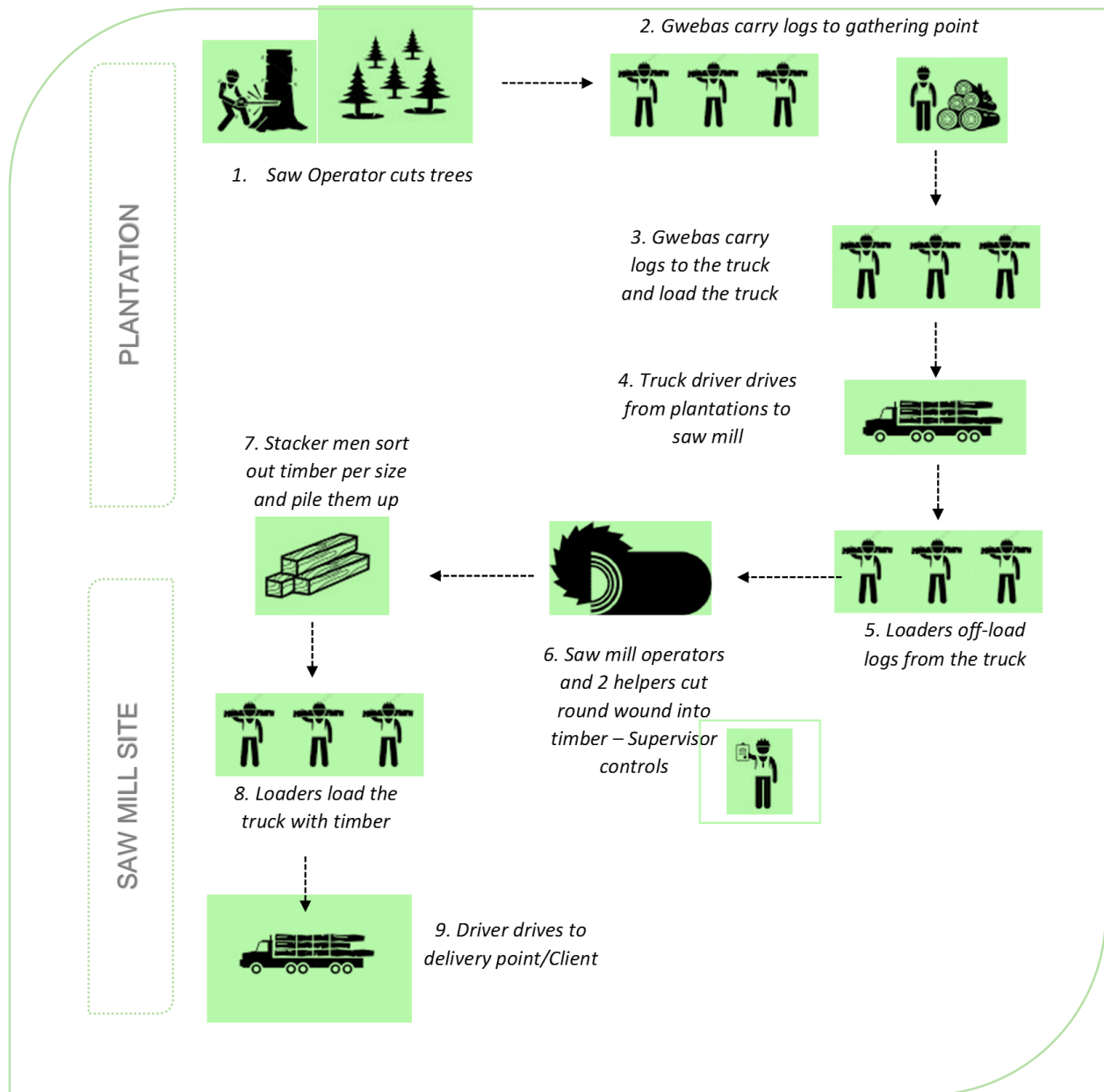


Figure 2: Saw milling production chain

1.4. ZAFFICO allocations to saw millers

The way ZAFFICO awards allocations to the saw millers is crucial to understand employment arrangements and income patterns in the saw milling industry.

Saw millers must register with ZAFFICO to be allowed to purchase round wood. Registration is conditioned by compliance with pre-defined criteria such as owning a business license and a bank account, having knowledge on forestry, owning a saw milling machine in working conditions and premises to work.

The allocation process was that at year's end, ZAFFICO conducts an inventory count of the trees in its possession, based on which it establishes an annual allowable cut of mature trees. The maximum was usually set around 500,000 cubic meters per year. ZAFFICO advertised in newspapers for saw millers companies to make offers. Up to March 2015, ZAFFICO would allocate a certain volume of wood based on the saw miller's production capacity and in the total limit of mature trees stock. The saw miller could proceed to the trees harvesting at his own pace within the year.

However, since March 2015, ZAFFICO is allocating a fixed standard allocation every quarter to each saw miller who complies with the pre-defined conditions. There is no differentiation of volume allocation among saw millers based on their production capacities. The volume allocated (105 cubic meters) per quarter keeps the saw millers and their workers busy for a period of two to three weeks in the quarter only. Saw millers are given a limited period of two weeks to harvest the trees. The reasons for decreasing round wood allocations are twofold: (i) the depletion of round wood reserves caused by decades-delayed re plantations and (ii) the arrival of many new saw millers in the market, which number doubled between 2014 and 2015, after the intervention of the Competition and Consumers Protection Commission. The total allowable cut is now basically divided among the number of registered saw millers and allocated on a rotating basis to each company. In addition to the reduced volume of work, saw millers are now evolving in an unpredictable environment: they are now going through the ZAFFICO allocation process on a yearly basis, as opposed to every three years before. In 2015 saw millers received allocations without signing any contract with ZAFFICO, putting them at risk of losing business over night.

The consequences of ZAFFICO new allocations processes on business and employment are severe:

- The financial sustainability of saw milling companies is seriously at risk as fixed costs are hardly covered by the low earnings saw millers are making.
- This is worsened by the unexpected increase of certain costs. For instance, the same number of rented trucks is servicing an increased number of saw millers who have to rush to harvest and get the trees out of the plantations all at the same time. As a consequence, the cost of hiring a truck has increased by 53%.
- In addition, saw millers have a very short-term visibility: they are constantly exposed to the risk of being pushed out of business (absence of contract) and cannot make any investment plan (no visibility beyond a year).

The way ZAFFICO operates, the markedly reduced income and the lack of business visibility directly impact on job opportunities in the sector, employment arrangements and income patterns:

- At the individual saw miller level: a lower workload entails lower earnings for all workers all along the production chain.
- At the sector level: although the total number of saw millers – and consequently the number of saw mill workers - has increased, the total workload has remained the same. This means that the same amount of work is being divided among a larger number of workers, reducing significantly income for each worker
- This is exacerbated at the plantation level where the time to harvest trees is limited to two weeks. Saw millers are recruiting more gwebas for harvesting trees in the plantation in the given time. This means that a lower volume of round wood is being cut by a larger number of workers. Although it provides work opportunity for more workers, this actually translates into lower earnings for each worker. For many, earnings are not sufficient to make a living anymore.
- Casualization of work is a direct consequence. Many permanent positions have been converted to casual employment, as there is not enough work to keep workers busy on a full time basis.

2. Employment arrangements and Remuneration Practices

3.

2.1. Employment arrangement

Casual versus Permanent employment

Employment arrangements in the saw milling industry are characterized by high casualization and fragmentation of work.

When allocated round wood from ZAFFICO, saw millers hire from 3 to 5 long-term permanent workers and from 4 to 6 casual workers¹³. Casualization of work in the saw milling industry is essentially driven by uncertainties and workload limitations arising from ZAFFICO allocations system. Most saw millers cannot afford to hire permanent workers, as the workload would not be sufficient to keep them busy on a full time basis. Casualization is preferred by employers to provide flexibility to adjust work force for peak periods and seasonal production period.

Casualization is also the results of high work specialization and fragmentation, which is led by the willingness to produce fast. The vast majority of saw millers choose to have many casual workers carrying out specific tasks along the production chain at the same time, rather than employing a smaller number of multi-tasking and full time workers to carry out the work involved all along the chain. The skills level required to perform each task is low – except for operating the saw mill – most tasks could technically be performed by the same workers.

¹³ Questionnaire administered to 63 saw millers (100% response rate)

Oral versus written contracts

Oral contract or absence of contract is the norm. Among the interviewed casual workers, 44% had an oral contract, 56% had no contract at all (no discussion with the employer on conditions of employment at the start of employment) and none had a written contract. Oral contract was said by the interviewees to be limited to an agreement on income level and payment mechanism, and in some cases on working hours.

Permanent workers have higher chance to get a written contract signed. When a contract is signed with the employee, it mainly contains provisions for working hours, remuneration, compensation for extra time and provisions on protective clothing. The graph below illustrates the proportion of written contracts containing provision on working hours, protective clothing, remuneration, compensation for extra time, scope of work, paid leaves, social security, medical and maternity leaves, termination and dismissals – based on the interviewed employers' statement.

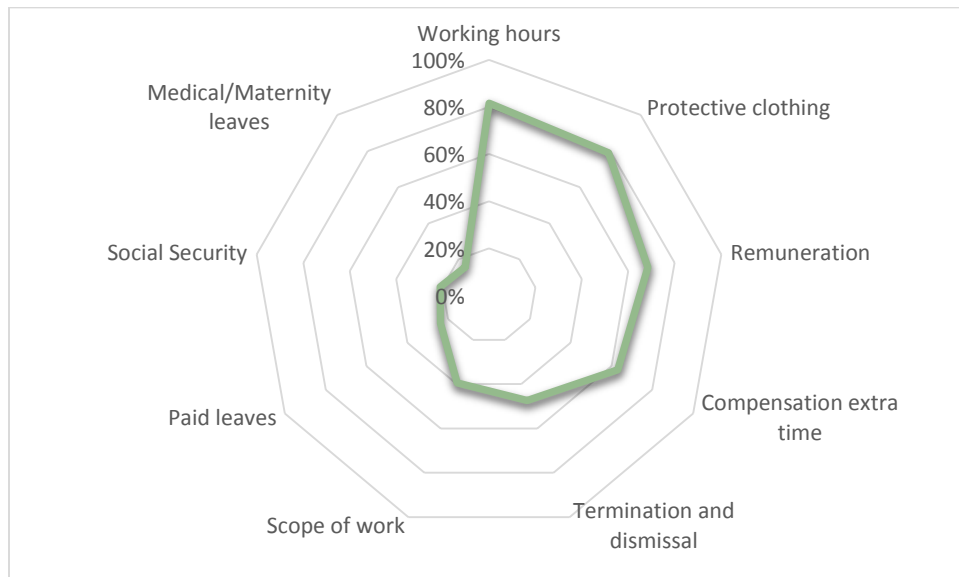


Figure 3: Contract's provision for permanent workers in the saw milling industry workers' contracts

According to the interviewed employers, provisions on social security are inexistent in permanent workers' contracts.

Turn over

Casual workers working at the saw mill are usually faithful to one employer across the years. The interviewed casual workers reported they have been working for three years on average for the same employer, out of an average total employment period of five years in the saw milling industry. However, they do complement their earnings by working for additional employers when the main employer does not have enough work for them. Interviewed casual workers reported that it is rare to find additional piece work though. At the plantations, the practice is to work for multiple employers. Gwebas reported to have up to 12 employers in a year.

2.2. Remuneration practices

There is no single payment mechanism but rather a multiplicity of arrangements across occupations and within a same occupation. The way earnings are computed and the frequency at which workers are paid depend on the employer's preference.

Computation of earnings

Earnings may be calculated by standing trees cuts, trucks loaded, logs loaded, number of timbers cut, number of timbers sorted by or per day or week of work. The table below illustrates the diversity of income arrangements.

Work place	Occupation	Frequency of payment (options)	Calculations of payment (options)
Plantation	Saw operators	Per day Sometimes per month (be they permanent or casual)	Per standing tree cut
Plantation	Gwebas (workers who drag the logs, pile them up and load them onto trucks)	Per day	Based on the number of truck loads Employer pays a group of 6 to 7 workers (for the group to divide among workers), not the individuals.
From Plantation to sawmill	Truck drivers – most of the time sub contracted	Per day, per week or per month	Per trip or per month
Sawmill	Off loaders	Immediately after truck is offloaded	Per truck load or per number of offloaded logs

			Paid to the group of workers not to individuals
Sawmill	Saw mill machine Operator	Per day, per week or per month Some are permanent workers	Per log Sometimes fix amount paid per day or week or month (be they casual or permanent)
Sawmill	Helpers	Per day or per week, sometimes per month (rare) Or when allocated work is finished	Per log Sometimes a fix amount is paid per day, per week or per month no matter the volume of work done The money is given to the group of workers (usually 2 helpers and the machine operator; the machine operator is paid double)
Sawmill	Stacker man (sorting out and piling timbers)	Per day, per week or per month	Fix amount at month end or Per piece. Price varies according to the size of the planks
Sawmill	Loaders	Per day or per week, sometimes per month (rare) Or when allocated work is finished	Per truck loads Sometimes per number of timbers loaded

Table 1: Summary of income patterns and arrangements for casual saw mill workers in Zambia

Frequency of payment

As illustrated by the graph below, casual workers may be paid on a daily basis (48%), on a weekly basis (24%) or less commonly on a monthly basis (21%) depending on the employer's preference. In some rare instances, workers are paid when the pre-determined work is achieved or when a certain amount of money - equivalent to the value of the work done - has been reached.

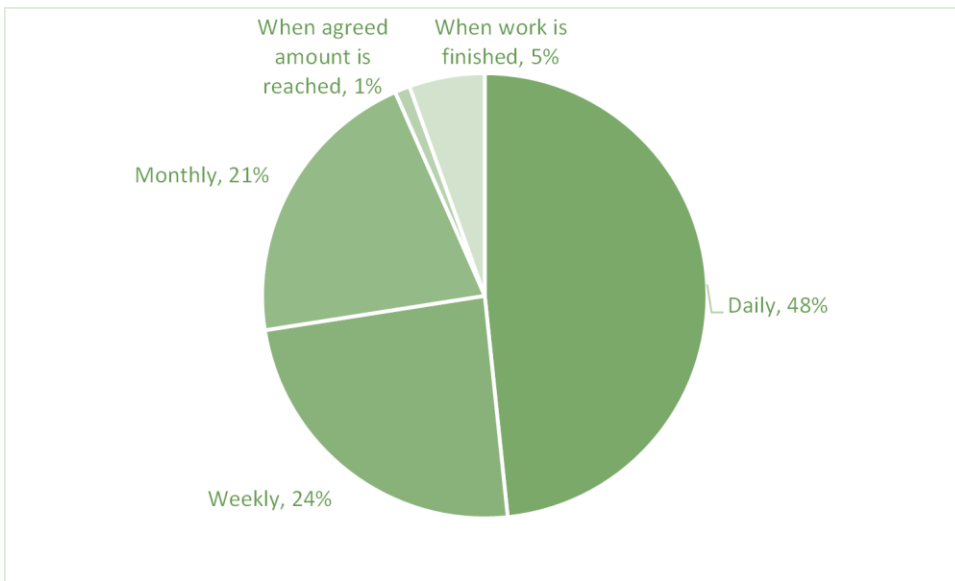


Figure 4: Frequency of income payment for casual workers in the saw milling industry in Zambia

Mode of payment

All casual workers reported to be paid in cash exclusively. Only one group of workers working for the same employer reported to be given small pieces of wood as in-kind advantages, on the top of their earnings paid in cash. These pieces of wood are sold by the workers to generate extra income.

All workers but a few stated that they are paid on time by their employers and at the conditions agreed-upon at the start of employment. In some rare cases, advances are paid to casual workers.

Periodicity of income

Casual workers – be they at the sawmill site or at the plantations – usually work from February/March to December. This corresponds to the period ZAFFICO is authorizing tree harvesting.

Within a quarter, most workers do work for two to three weeks. The vast majority of workers stated that they do look for additional piece work at other saw mills but rarely find job opportunities. They do not engage into additional work or business out of the saw milling sector.

Average income

It is particularly difficult for both employers and workers to determine a casual worker average earnings due to the absence of record from both employer and employee's and the variability of workload along the quarter and the year. However, most casual workers reported to earn from 600 to 800 kwachas on average per month when in employment. This is confirmed by the employers.

3. Nature and Extent of Social Protection for Saw Mill Workers in Zambia

Social Protection provisions are essentially enounced in the National Pension Scheme Act Chapter 256 of the Laws of Zambia, No. 40 of 1996 and the Workers Compensation Act, No 10. of 1999 Specific measures have been set up through Memorandum of Understanding to incentivize registration to NAPSA and WCFCB by the saw millers. For instance, saw millers must bring evidence of their registration to NAPSA and WCFCB to be licensed by, and get an allocation from ZAFFICO. Registration with the two Social security institutions is also mandatory to join COSTIGA and ZNAS membership. Flexible payment plans, mobile office operations also make registration to social security schemes easier for the employers.

3.1. Old-age, Invalidity and Survivors' pensions

Legal coverage

Registration with the National Pensions Scheme (NPS) is mandatory to all regularly employed persons working in the private sector, quasi government and parastatal organizations, the civil service as well as to the local authorities' employees that joined after the 1st of February 2000. The National Pension Scheme is governed and administered by the National Pension Scheme Authority (NAPSA), established by the National Pension Scheme Act No.40 of 1996.

The employers¹⁴ in the saw milling industry as well as their workers are required to contribute to the National Pension scheme, as long as the worker's monthly income is not less than ZMW 15. This threshold would not exclude saw mill workers, regardless of whether they are formal or informal. However, casual workers are not considered as employees under the Employment Act and therefore the National Pensions Scheme Act does not apply to them

Complementary pension is possible through voluntary contributions to private insurance funds.

Benefits and qualifying conditions

The National Pension Scheme (NPS) provides Old-age benefits, invalidity benefits, survivors' benefit and funeral grants through the National Pension Scheme Authority (NAPSA). The monthly contribution rate is set at 10 percent of a worker's gross monthly earnings subject to the prevailing contribution ceiling in the calendar year in which the worker earned the income. The contributions to NAPSA are shared equally between employer (5 percent) and employee (5 percent). Gross earnings are defined as the addition of basic salary, leave pay, commuted days, overtime, bonus and all allowances (house, transport, uniform etc.).

¹⁴ . A "contributing employer" is defined by the National Pension Scheme Act as "a taxpayer with a contract of service with an employee."

A worker must have contributed to NAPSA for 180 months or 15 years to be entitled to old-age pension benefits¹⁵. The retirement age is sixty. Early retirement pension is possible at the reach of the age of fifty. The payment of the pension is then applicable if the member's early retirement pension exceed the minimum pension applicable at the time of retirement, and if the member has met the number of months of contributions required.

NAPSA provides for a 40 percent Income Replacement Rate. The rate is applied on the average salary over the entire contributory period. Contributing members who would have not met the required months of contributions at retirement age are eligible to lump sum payment. The lump sum is calculated based on the employer contribution, employee contribution, interest amount and index amount (compensation for loss of value).

NAPSA also provides for a minimum pension for the members whose contributions were significantly too low to receive a meaningful pension. The minimum pension is the lowest monthly pension payable at a particular period in time. The minimum pension is computed as of 20 percent of the National Average Earnings (NAE) applicable in that year as obtained from the Central Statistical Office.

Invalidity pension is paid upon compliance with eligibility conditions i.e. the member has not reached pensionable age, has less than 180 contributions or 15 years but at least 60 monthly contributions, and NAPSA has determined that he/she is disabled through a competent medical board set up to examine the member in question.

NAPSA member's dependents are also entitled to funeral grants in case of death of the contributing/pensioned member. The payment of the funeral grants is conditioned to the payment of 12 monthly contributions during the last 36 months immediately preceding member's death. The amount is equal to ten times the Minimum Pension in the year of the member's death.

Survivors of a deceased member are eligible for a pension (survivor benefits) if the member has been receiving either an Invalidity Pension or Retirement Pension or if the member was currently contributing to NAPSA or had met the 180 months of contributions. Survivors are defined as a spouse, a child under 18 years or under 25 years if in full time education, unborn child (in utero at the time of the member's death), child of any age disabled by age 18 and at death of the member. Where there are no children or spouse(s), the next of kin will be eligible to receive a survivors' lump sum.

¹⁵ However NAPSA also applies a sliding scale which was designed to enable members who would not have met the 180 months of contributions to qualify for a pension subject to their age as at 1st February 2000. For instance, someone aged 45 as at the 1st February 2000 would have to contribute 96 months only to be eligible to pension benefits.

Actual coverage in the saw milling industry

Only 3% (3 respondents) of the interviewed casual workers reported contributing to NAPSA. Despite the obligation to register workers to NAPSA to be authorized to purchase from ZAFFICO, very few saw millers and their employees are contributing towards the Pension scheme. Under reporting on number of staff is the norm.

3.2. Work Injury

Legal coverage

The Workers' compensation Fund (WCF) is administered by the Workers Compensation Fund Control Board (WCFCB). The WCFCB is established by the Workers' Compensation Act, No. 10 of 1999. The applicable assessment rates are prescribed by the Minister of Labor and Social Security. The saw milling industry falls under the Building and Construction category to which a 7.63% rate is applied.

The Act defines a worker as “ *any person who has entered into, or works under, a contract of service or of apprenticeship or of internship with an employer, whether the contract is expressed or implied, is oral or in writing, and whether the remuneration is calculated by time or by work done, or is in cash or in kind;*” Article 5 (1) of the Act assigns the following meaning to “employer”: *The government and any person or anybody of persons, corporate or incorporate, having a contract of service or apprenticeship with a worker shall be regarded, for the purposes of this Act, as the employer of that worker, whether the contract was entered into before the commencement of this Act.*” As specified in the definition of a worker, the contract of service can be expressed or implied, oral or in writing.

The saw mill workers, permanent and casual¹⁶ do not fall under the category of excepted workers defined in the preliminary section of the Act. Therefore, and although the saw mill workers are not explicitly mentioned in the Act, the Worker Compensation Act is applicable to them. An employer of a saw mill worker is therefore liable to register his/her worker and to contribute to the Worker Compensation Fund, as long at the worker is hired on a permanent basis. Causal worker are however excluded from the scope of application of the Employment Act and their employers are therefore not liable for their registration to the WCFCB.

The assessments are based on earnings estimate provided by the employer. The employer is responsible for declaring annual earnings of each employee for the past financial year, as well as estimate of earnings the employer expect to become liable for during the coming financial year (article 112). The total amount of contributions is calculated based on the estimate of earnings, which basis the sector's assessment rate with apply on Penalties apply for under-estimates of earnings, false statement and failure to pay assessments (respectively articles 112, 137 138). In the case an injured worker complains to the WCFCB that his employer did not contribute to the

¹⁶ Casual workers are only exempted from the definition of a worker under the Act if the casual workers is not hired in connection to the employer's trade or business.

WCF on his behalf, the WCFCB will compensate the worker and pursue the employer for reimbursement.¹⁷

The WCFCB functions on the principle of a blanket coverage. Coverage is determined by the number of workers declared by the employer and identity details of workers are not provided to the WCFCB.

Provision of benefits for occupational diseases is conditioned by the results of the pre-employment medical examination at the start of employment.

Benefits and qualifying conditions

The WCF members are eligible to a set of cash and in-kind benefits. This includes life pension, widow pension, child allowances, reimbursement of medical expenses and periodical payments, funeral grant as well as rehabilitation services and vocational training.

Life pension is paid on a monthly basis until death to workers with static or permanent injuries or diseases at more than 10 percent degree of disability, assessed by a Medical Assessment Board. The life pension amount depends on assessable earnings (subject to a ceiling of ZMW 800) and to the degree of disability. Member with permanent injuries assessed by a Medical Assessment Board at 10 percent or less degree of disability is granted a lump sum payment.

The WCF reimburses medical expenses (at 100%) incurred by employers on treatment and hospitalization of injured or disabled workers subject to provision of medical receipts. The injured workers receive periodical payments, paid in cash or in-kind, to a maximum of 18 months, in case of hospitalization or incapacity to work. Funeral grant is provided to survivors of the deceased member, in case of occupation related death.

The WCF also provides surviving spouses of workers who die as a result of occupational accidents and diseases with a widow's or widower's monthly pension. The pension - equivalent to 80 percent of the amount payable to the deceased worker - is paid until death or remarriage of the surviving spouse. Children below the age of eighteen years of the deceased member are paid child allowances. The amount of children allowance is equivalent to 15% of the life pension for the youngest child and 5% to the other children, to the maximum of eight children.

Non cash benefits include rehabilitation, which is defined as "*the restoration of the disabled worker to the fullest physical, mental, social, vocational and economic usefulness of which he is capable*" (WCF). Rehabilitation services are comprised of post-accident counselling; medical aid (mobility aid); vocational training; constant attendance allowance to persons taking care of paraplegic pensioners and periodical medical examinations in specific cases.

¹⁷ Workers' Compensation Act, Article 138 (2) – failure to pay assessment “ *any employer who fails pay the assessment or to render within the prescribed period the returns referred to in section one hundred and twelve shall, in addition to any other penalty, pay the Board a penalty, as determined by the Board not exceeding the full amount of compensation payable in respect of any accident or incidence of the disease, to worker in that employer's employment during the period of default*” and Article 138 (5) “*Whenever an employer fails to pay to the Board any money due, the Board may recover that money from the employer as a civil debt.*”

The contribution rate for construction workers is set up at 7.63% of a worker's gross monthly earnings subject to the prevailing contribution ceiling in the calendar year in which the worker earned the income. The contribution is paid on an annual basis.

Actual coverage

Only nine percent of the interviewed casual workers reported they are covered by the WCFCB. It is possible that the actual proportion of covered workers is higher: as employers only are contributing to the fund, workers may not be aware of their coverage. The great majority of casual workers are unaware that they can lodge a complaint to the WCFCB in case they are uncovered and got injured at the workplace.

Worker Compensation Fund Certificate is compulsory for saw millers to be allocated woods from ZAFFICO. However, ZAFFICO does not control the number of workers registered and under registration is likely. Under declaration of the number of workers does not affect coverage of workers though since workers' names are not recorded by the WCFCB – but it does affect WCFCB financial sustainability.

Coverage is expected to increase in the coming weeks with the recent NAPSA-WCFCB joint campaigns implemented towards saw millers and their workers.

3.3. Social Health Protection

Legal Coverage

The payment of medical care of workers is not an employer's liability in Zambia. Under the Employment Act "*employers may agree to provide medical care, medicine and transport to a medical institution during the illness of an employee, under a collective agreement or contract of employment or the general conditions of service*". (Employment Act, article 43 (1)). Moreover, casual workers do not fall under the application of the Employment Act.

A collective agreement specific to the construction industry makes employers liable for the payment of contribution towards a medical scheme for their workers' medical care. The joint industrial council collective agreement between the Association of Building & Civil Engineering Contractors (ABCEC) and the National Union of Building, Engineering & General Workers (NUBEGW) for the period effective 1st January 2014 to 31st December 2015 specifies that "*The parties have agreed that the employer shall contribute fifty percent on a monthly basis towards the Government Medical Scheme to include employee, spouse and up to five registered children under the age of eighteen years and not working*." (Provision 18.2 of the agreement). Although the Government Medical Scheme does not exist and the collective agreement only applies to ABCEC and NUBEGW members, it shows an interest within the industry to provide health protection to their workers.

Under the current policy, saw mill workers are entitled, as any other person living in Zambia, to free primary health care. This includes consultation, diagnosis tests and treatments delivered by public health posts, health centers and district hospitals. In order to complement existing primary health care free-of-charge policy and improve the quality of services in Government facilities, the Government of Zambia is proposing to introduce a mandatory and contributory Social Health Insurance scheme. The Social Health Insurance (SHI) scheme has been included in the 6th National Strategic Plan for 2011-2015, the National Strategic Plan for 2011-2015, the National Health Policy, the National Social Protection Policy and the Medium Term Expenditure Framework (2015-2017). The design of the SHI scheme is based on the principles of equity, solidarity, fair-financing, efficiency and universality. The scheme aims at covering the whole population of Zambia, in a phased approach. Registration would be mandatory for all, including the saw mill workers, whether in formal employment or not. A Social Health Insurance Bill has been drafted and significant progress have been made on the preparation of the scheme.

The objectives of the SHI Scheme are (i) to provide improved access to quality health services to all citizens of Zambia on a timely manner and without financial hardship (ii) to mobilize equitable, efficient and sustainable financial resources for improving health systems performance and (iii) to pool risks and funds through creation of a single fund, contribute to reducing inequities, sustain social cohesion and build a healthy workforce, thus leading to improved economic growth.

The establishment of the Social Health Insurance Scheme is expected following the enactment of a Bill by the Parliament of the Government of Zambia (GRZ) and finalization of regulations. A two-phase approach has been identified as the design framework to reach universal coverage. In the Phase 1, public and private sector workers and their dependents, as well as the vulnerable will be covered. During this phase, the GRZ will gain experience and build capacities in managing the fund, making it easier to then enroll the informal sector workers in Phase 2. Preparations for the launch have begun and follow a Project Plan to cover the major tasks. Within this Plan, the Ministry of Health started a process to develop solutions to cover workers in the informal economy.

Benefits and qualifying conditions

The proposed Social Health Insurance scheme would provide a comprehensive package of primary, secondary and tertiary health services delivered at accredited public and private health facilities. The benefits will be comprised of promotive, preventative, curative and rehabilitative services, including diagnostic tests and medicines. Although contribution rates are still to be set-up, there is consensus on the principle of a progressive contribution. There will be a unique benefit package provided to all SHI members, no matter the amount of contribution paid, following the principle “pay according to means, access according to needs”. The proposed scheme would work on a cashless system at the point of service, removing financial barriers to accessing health care.

Access to benefits will be conditioned by compliance to contribution payment and to an initial three-month waiting period. The access to higher level health facility will follow the existing referral system.

Actual coverage

The implementation of the Social Health Insurance is pending upon passage of the Bill in Parliament, and coverage is therefore non-existent.

The actual provision of “free” health care at primary level is limited to what the Government can afford. Long waiting time, limited availability of qualified health workers, frequent stock-out of essential medicines are reported across the country. Although no figures are available on the extent of the phenomenon, distance to health facilities, allied to the cost and frequent unavailability of transport lead many people to avoiding care¹⁸. This is worsened by the belief that quality of services is poor.

In the absence of social health insurance and limited private insurance coverage, out-of-pocket payments (through direct payment, loan or grant) are therefore the only options to meet health expenditure beyond the available primary care services. At national level, out-of-pocket expenditures are reported at 9% only of Total Health Expenditures¹⁹ : care avoidance is likely to play a large role in the reported low level of out of pocket expenditures. None mentioned having subscribed their workers to a private health insurance policy.

Out of the interviewed saw mill workers, 65 percent declared meeting the cost of health expenditures on their own exclusively. Among them, 4 percent are used to borrow from the employers. In 35 percent of cases, employers paid either the whole cost (19 percent) or the partial costs (16 percent) of health expenditures. None mentioned having subscribed a private health insurance policy. A higher proportion of employers (53 percent) declared bearing the total cost of their employees' health expenses.

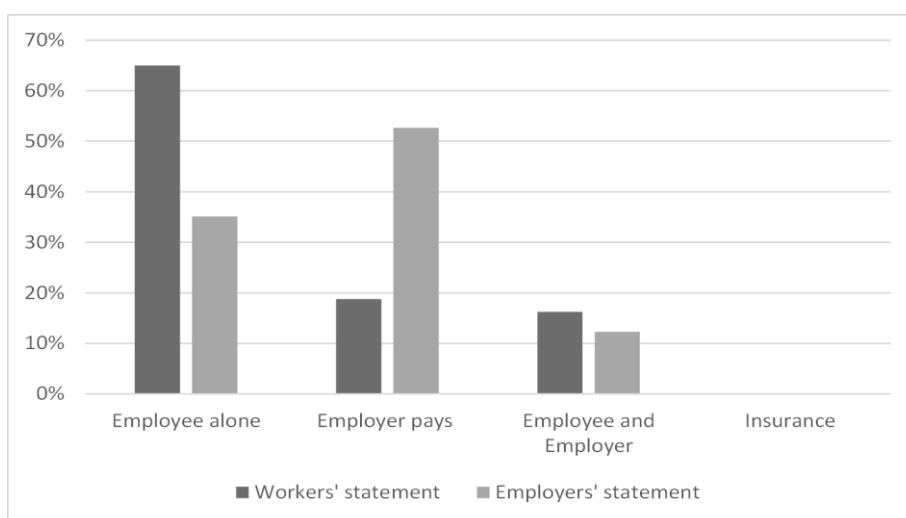


Figure 5: Sources of payment for health expenditures, based on saw millers and casual saw mill worker's statement

¹⁸ Ministry of Health, 2013 Informal Sector rapid Assessment; Phe Goursat M., 2015 Research on strategies to extend Social Protection to domestic workers in Zambia; Phe Goursat M., 2015, Strategic options to provide Social Protection to the saw mill workers in Zambia; Phe Goursat M, 2015, Strategic options to provide Social Protection to small scale farmers in Zambia

¹⁹ Ministry of Health, 2014, Mid Term Review of the Health sector, unpublished.

4. Interests in Social Protection and Willingness to Contribute

4.1. Interests and expectations

COSTIGA and ZNAS members are both committed to extend social protection to their workers – regardless of working on a permanent or on a casual basis. The two employers' associations have been actively engaged with the International Labor Organization through the UN Green Jobs Program to identify challenges and possible ways of registering their workers to NAPSA and the WCBCF. Both associations worked hand in hand with the two social security institutions to carry out registration campaigns in August 2015 and facilitated the present study. The interviewed saw millers also expressed their interests towards the GRZ's proposal to introduce Social Health Insurance. Saw millers recognize workers' overall need for social protection and are ready to make efforts to comply with the associated contribution requirements.

*“In this country, we have good plan, but when it comes to implementation we do something else. If the SHI is going to increase quality, it is welcome” (ZNAS) “the intentions are good, but we fear digressions”
COSTIGA*

They however fear mismanagement of funds and expressed concerns on the capacity of the Government to effectively provide pensions and workers compensation benefits and to increase the quality of services provided at public facilities.

According to the employers, the major obstacle to provide Social security benefits to their workers is the vulnerabilities of saw milling businesses. Saw millers have no guarantee to be awarded wood allocations from ZAFFICO and can be out of business if ZAFFICO decides to de-register them.

“We have no guarantee we are getting business. We are working without contract since March 15. We can be de registered if ZAFFICO decides to”.
ZNAS

Workers also expressed a deep interest towards the benefits the pension scheme, Worker Compensation Fund and Social Health Insurance would procure. Old-age benefits are essentially expected to reduce dependency of family relatives when the age of retirement comes while still being able to meet basic needs.

- *“If we get a pension, at least we feel we still have our own dignity even if we are too old to work”*
- *“These [pension, worker compensation fund, social health insurance] benefits will bring us peace of mind.”*
- *“It would force us to use money for a good purpose, and not to waste it.”*
- *“If we fall sick when we don’t work, we have no money for the clinic. Social Health Insurance is the solution”*

Regarding SHI, the main motivation is the promise that the contributions to the scheme will be channelled towards improvement of the quality of health services. Although primary health care services are free of charge at the point of services, the poor quality of the services is a major obstacles to actually accessing care and treatment. The most frequent complaints are related to the health workers’ poor work ethics, drugs stock-out, waiting time and bribes.

In the Copperbelt, distance to facilities seems to be less of a problem than in other provinces.

- *“In case of accident, we go to the hospital but there is no selection of emergency cases. We are just waiting. Unless the boss talks to the personnel, no one is taking care of us”.*
- *“You wait for so long that sometimes you may even collapse in the queue”.*
- *“Drugs are not there. In most cases, we are not given medicine”.*
- *“At the hospital, we are asked to pay before being treated. But most of the time we don’t have the money”.*
- *“Bribes are very common. And you end up bribing the wrong person, and you just get the pain killers”.*
- *“The way they attend to you is low standards. The general wards are not clean, all patients are together, and the hygiene is very poor”.*

4.2. Willingness to contribute and affordability of the contributions

The total Social security contribution rate to be borne by the employers would amount to 15.13 percent of worker's earnings – respectively 7.63%, 5% and 2.5% for Worker Compensation Fund, Pension benefits and Social Health Insurance. Only 62 percent of interviewed employers stated they could afford to contribute to the three schemes for their workers, given the current timber quota.

On the worker's side, contributions would amount to 7.5% of their earnings (5% for pension and 2.5% for social health insurance). When computed on the declared average monthly income of 600 kwachas, 86 percent of casual workers stated the total contributions amount would be affordable.

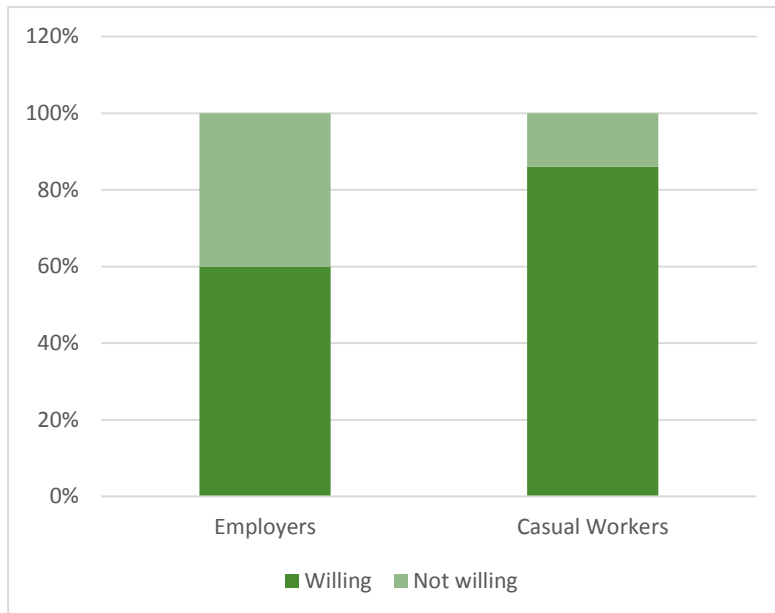


Figure 6: Saw millers' and casual workers' willingness to contribute to Social Security

5. Challenges and Opportunities to Expand Social Protection to the Construction Sector

5.1. Challenges

As evoked in the previous parts of the report, extension of Social Protection is hampered by a multitude of socio-economic, financial and technical challenges. These challenges are summarized in the graph below.

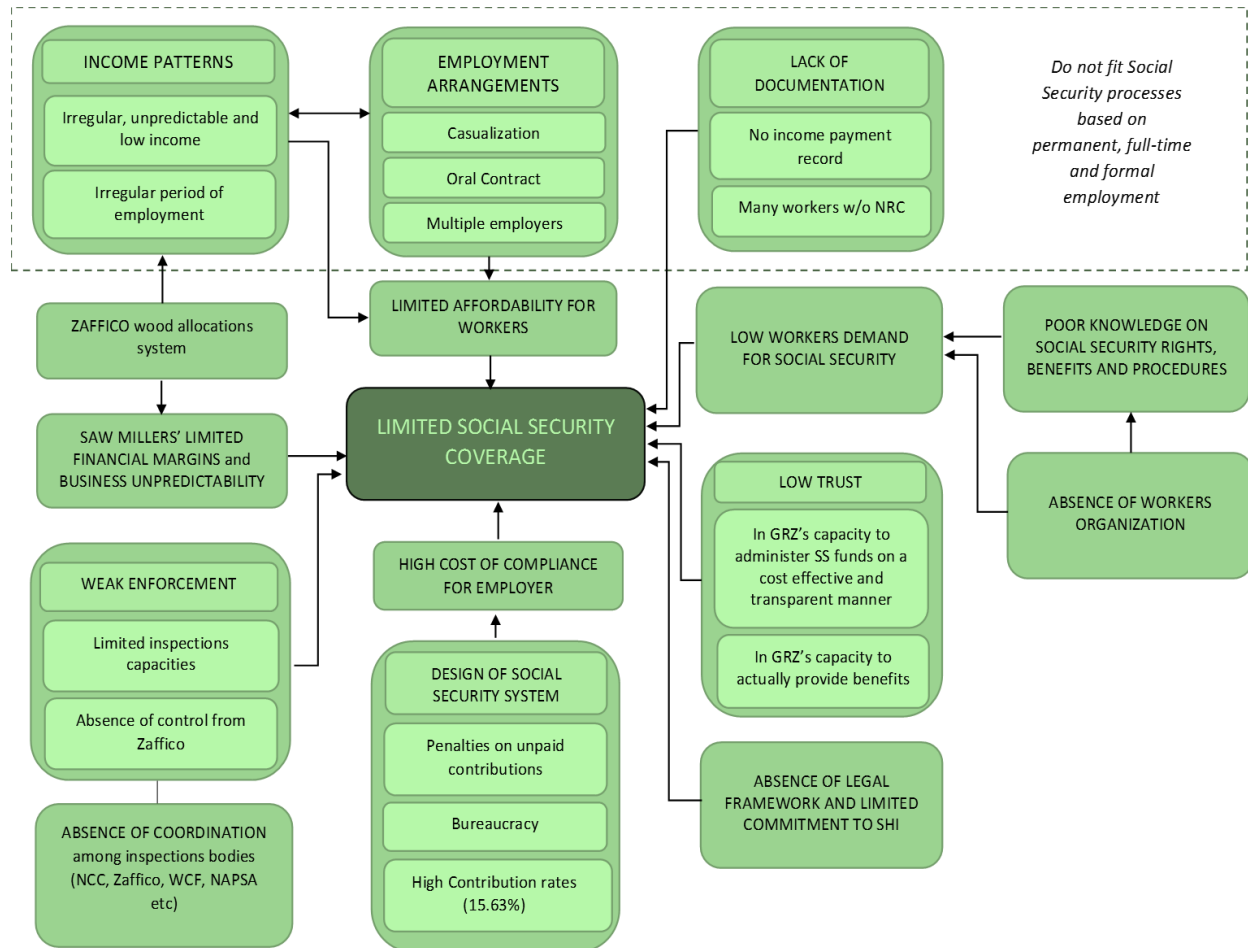


Figure 7: Challenges to extend Social Protection to saw mill workers in casual employment

Patterns of income and employment arrangements - As described above, casual saw mill workers present atypical employment arrangement and income patterns, which key features includes absence of written contracts, irregular period of employment due to seasonal and temporary activity and multiple employers. Casualization is resulting from a high work specialization along the saw milling production chain. Casual workers' income are low, irregular and unpredictable. The exact total monthly earnings per casual worker are unknown. Workers work from multiple sites. Although part of workers are working on the same site, Gwebas only work at ZAFFICO's plantations, which are mostly located in distant and remote places. The relationship between saw millers and Gwebas is usually more distant than the relation with saw mill workers.

These features make registration with Social security systems (NAPSA and SHI essentially) challenging and severely impact the workers contributive capacity: in time of unemployment, contributions to Social security would conflict with other immediate priorities such as food, housing and education and would result in a break in contribution continuity

Informal workers including the saw mill workers have generally speaking poor knowledge on social security rights, benefits and processes to access services. There is no organization of saw mill workers which could facilitate conveying messages on the need for social protection, and support workers raising their voice on their rights for social security. This entails into low demand for Social security.

Design of Social Security systems - Procedures to register and to contribute to the existing social security schemes were designed to address the need for protection of the formal working population. It was assumed that the informal sector would progressively shrink and come under social security coverage, and this did not happen. In Zambia as in many developing countries Social Security mechanisms design followed a Western model of employment i.e. a standard employment relationship based on permanent and full time employment, usually at a workplace controlled by the employer, and where salaries are recorded and paid monthly – or at least on a regular manner. Labour and Social Security Laws work mainly within the framework of an identifiable working relationship. These purely formal employment -based social security mechanisms do not take into consideration the various employment arrangements and atypical form of work of the informal sector. While registration under WCFCB is relatively easy – thanks to the blanket coverage and self-assessment – registration to NAPSA is particularly challenging because of individual enrolment and the monthly contributions requirement.

Registration and payment of contributions are complicated by the absence of pay slip or of any employment record. Saw millers pay on a daily, weekly or monthly basis their workers or a group of casual saw mill workers in some instances for a certain quantity of work done. Despite legal requirements²⁰, the employer does not record the amount of money paid and the workers do not keep track of their earnings. Most casual saw millers have no evidence of employment history. The failure to produce such documents – and including identity papers – bars access to Social security benefits.

Affordability and cost of compliance - Financial sustainability of small and medium scale saw millers is challenged by the meagre round wood allocations purchased from ZAFFICO, due to a growing number of saw millers on the market in a context of reduced allowable cuts. MSMEs who comprise the majority of employers in the sector have limited capacity to contribute towards Social security schemes due to the cost attached to compliance. Contributions rates are considered on the high side and employers fear over-night increase of WCF assessment rate²¹ Provision of benefits for occupational diseases is conditioned by the results of the pre-employment medical examination at the start of employment. In most cases, the medical examination does not happen, because of the cost involved (employer's liability) and because of the workers' reluctance to go

²⁰ For instance, the Workers' Compensation Act requires the employer to "keep record of wages paid, time worked and payment made for piece work and overtime in respect of all workers" (article 135 (1))

²¹ Assessment rate for construction industry has increased by 45% between 2014 and 2015. Assessment rates are prescribed by the Minister of Labor and Social Security.

through a series of medical tests, including the HIV test. Last but not least, most saw millers fear the costs of the penalties for non-payment of contributions. Penalties are a major deterrent in the industry where income do not fall on a monthly basis. “*Penalties are too high, so it is better to avoid to start contributing*” (employer).

Heavy bureaucracy to register, pay contribution and claim benefits – is another barrier to compliance which is often raised by the employers. This is worsened by the non-harmonization of processes and forms between NAPSA and WCFCB. Procedures may be time consuming and costly, leading to competitive disadvantages.

Low trust in the Government’s capacity to administer Social Security funds on a cost effective and transparent manner is another major deterrent for employers to register with the institutions. There is a fear that the bureaucracy and mismanagement prevents contribution collected to actually translate into delivery of services and promised benefits. On Social Health Insurance, employers and partners questions the capacity of the GRZ to improve the quality of health services.

NAPSA and Worker Compensation Fund have limited inspection capacity to control the registration of saw millers and to ensure that all workers have been accounted for. ZAFFICO is only requiring a certificate of registration and does not control the accuracy of the number of workers declared. Registration to NAPSA and WCF is also mandatory to register with NCC. However, it is possible to register a few workers at the start of the business and to hire more workers when awarded a contract without NCC requiring an update. Inspections can be cumbersome for employers due to the number of institutions carrying-out inspections: local city council, NCC (OSH), MLSS, NAPSA, WCF are all mandated to inspect premises. Employers reported that inspections are partially done or with overlaps due to the lack of coordination between agencies.

Absence of legal framework and poor political commitment to move the SHI agenda forward is delaying the implementation of the Social Health Insurance scheme and of the pension reform.

5.2. Opportunities

Direct employment relationship - The employer-employee relationship is direct, contrary to what is usually observed among contractors where multiple layers of sub-contractors and labour intermediaries is the norm²². It implies that the employer knows the identity – or at least is able to capture the identity of all workers working on the saw mill site.

Oral and written contracts have the same value in the Zambian labor law. Employers are therefore liable to register and contribute towards social security for all their workers, whether they have been engaged with a written contract or not.

²² Newitt K., Usher A., Mc Leish S, 2014, Extending Social Protection to the construction sector, international experiences, ILO

Strong and well organized associations of employers. COSTIGA and ZNAS are two well organized and trusted associations with significant membership. Together with the strong commitment of the employers to extend social protection to their workers, they set a sound ground for the development and the implementation of specific measures to provide old-age pension, workers injury protection and health insurance benefits.

COSTIGA and ZNAS demonstrate strong commitment to undertake collective actions to obtain changes in ZAFFICO allocation system. The monthly allocation the two associations are requesting would enable saw millers to reduce casual employment and reach their financial break-even point. With a healthier financial situation, saw millers would be in a better position to comply with payment of contributions to social security schemes.

NAPSA and the WCFCB have undertaken a series of common activities to facilitate enrolment of workers in the saw milling industry including common sensitization and registration campaigns, in coordination with COSTIGA and ZNAS. Both institutions are open to innovative strategies that would allow for efficiency gains and promotion of social security.

To obtain a license by ZAFFICO, saw millers must be registered with WCFCB, NAPSA and with one of the two association of saw millers.

Worker compensation fund coverage is relatively easy, including for casual workers. The blanket coverage enables to deal with staff turn-over while the assessment integrates the aspect of income fluctuations. Providing work disease and injury protection to workers depends essentially on the saw millers' good will to report the accurate number of workers and fairly estimated payroll. There is no risk of over-payment of contributions, as this would be compensated the following year by deducting the payable contributions by the amount overpaid in the previous year. Moreover, in the case a worker get injured at the work place but was not registered with WCFCB, the worker is allowed to lodge a complaint to the WCFCB. Associated health expenditures will be paid by the WCFCB, which will be responsible to obtain reimbursement from the faulty employer.

Possibility to record income payment. Although cumbersome, the record keeping of payment made to workers is possible with simple book keeping procedures.

Casual workers are very sensitive to Social security benefits, once the latter have been explained to them. The contributive aspect appears not to be a deterrent in itself provided the amount of contribution remains affordable and as long as social security institutions do deliver the promised benefits.

Recommendations

Recommendation #1. Further explore the feasibility of applying a levy on ZAFFICO wood allocation value.

It is suggested to consider placing a single social security levy on the value of ZAFFICO allocation. The levy would replace the existing payroll based system and would provide social protection coverage to all workers, irrespective of their contractual arrangements (casual or permanent, formal or informal, employed or self-employed). The three schemes - NAPSA, WCFCB and SHI - should be factored in the levy. The levy would be payable at once by the saw millers, together with the allocation purchase. Registration of workers will remain the employer's or the employers association liability.

The advantages for both saw millers and Social Security institutions are substantial. The implementation of a levy would allow to move away from the administrative hassle for the employer to record daily income payment and would address their fear of paying contributions and penalties when they are out-of- business. On the Social security side, it is expected to contribute to reducing under declaration of workers and earnings and to reduce administrative costs of collecting contributions. Last but not least, on the workers' side, it would overcome the challenges related to their income patterns and employment arrangements and therefore increase coverage.

The amount of the levy should be variable according to the allocation volume conceded to the saw millers. The levy should be computed based on the following:

- Social security contribution rates
- Agreed standards on the number of workers required for each position along the production chain, and per volume allocated
- Agreed standards on average earnings for each position along the production chain

Consultations through sector dialogue will be required to debate on the proposal to introduce a levy and build consensus on the standards to compute the levy.

Placing a Social security levy on the overall value of construction projects is the approach applied in Indonesia (Jaminan Sosial TenagaKerja, Pekerja Konstruksi) and in India (Workers Welfare Fund). In both cases, the principal contractor pays a percentage of the total costs of the project to a dedicated fund. In Indonesia, the fund covers occupational injury and life insurance for all workers on site. In India, benefits include pension, occupational accident, health insurance and maternity benefits. Workers' co contributions are required by the WWF in India while the main contractor only is contributing to the Fund in Indonesia²³.

²³ Newitt, K. Usher A., McLeish S. 2014, Extending Social Protection Coverage in the Construction Industry, International Experiences.

Recommendation #2. Use mobile enrolment stations

It is suggested to implement registration campaigns on the work sites – at both saw mill and plantations. The registration can be done using mobile enrolment stations, equipped with the necessary hardware to collect basic data, pictures and biometric information of the household's members. Enrolment stations should be connected to the Internet for accessing the institutions' information systems in real time. The printing and distribution of membership card should be done on the spot using portable printing machines. Mobile enrolment offices are successfully used by the Government of India for the RSBY programme.²⁴

Recommendation #3: Create mobile platforms

Mobile platforms have the potential to significantly change how transactions and informations are exchanged between social security schemes and their contributing members, making implementation more efficient and transparent. Employers may make significant time gain by paying contributions through mobile money. Mobile phone platform can also be used to confirm remittance of contributions to the workers, reminding date of payment or sending information and updates messages on benefits and process. By doing so, social security schemes would maintain a close link with their members, contributing to build trust in their institutions.

1. Generate Efficiency Gains, Simplify Administrative Procedures and Motivate Employers to Contribute

Recommendation #3. Create synergies between social security institutions.

In the short term, and while a levy is being given consideration, it is suggested to streamlining procedures and implementing common actions in term of registration, grievance mechanisms, awareness raising and inspections. The issuance of a single Social Security card per member should also be given consideration. These measures would generate efficiency gains for institutions and simplify procedures for employers, therefore motivating compliance.

Recommendation #4. Waive penalties on past unpaid contributions

It is suggested to grant a once-off penalties waiver on past unpaid contributions for both already registered MSMEs and newly registered MSMEs. However, accrued contributions for already registered members must be paid by the employer to avoid disadvantaging already registered workers. In order to facilitate the payment, it is recommended to set flexible payment plans. It is recommended to grant MSMEs registering for the first time with NAPSA and WCFCB a fresh start, i.e. without requiring from them payment of past contributions and penalties.

²⁴ Rashtriya Swasthya Bima Yojana (RSBY) is a health insurance scheme for families living under the Poverty line in India. It is managed by the Ministry of Labour and Employment, Government of India. Implementation is carried-out by contracted insurance companies. AS part of their contractual duties, the insurance companies in charge of enrolling members who are on the official poverty list. Enrolment is done using mobile enrolment offices, where household members' data, photograph taking and printing of the card are done on the spot, upon payment of registration fees by the member.

2. Foster Demand for Social Protection among Workers

Recommendation #5. Sensitization of employers and workers on social protection benefits, conditions and procedures to access benefits, regardless of registration.

Awareness meetings should be held within saw milling sites and at the plantations after working hours. Awareness education programmes could be facilitated by ZNAS and COSTIGA. The Zambia Federation of Employers could also be involved in marketing Social Protection.

Recommendation #6. Support the creation of saw mill workers' organizations

It is recommended to mobilize cooperating partners to support the creation of grass root movements to encourage self-organization of saw mill workers in association. The association would increase visibility of the workers, create a space to organize mutual support and allow workers to raise their voice.

Sensitization events would also contribute to build confidence between workers and employers, especially by explaining salary deductions for social security contributions. This has been stressed by employers as an important component, as many fear of being accused of unlawfully deductions on their workers' income.

3. Implement Social Security Reforms to Deliver Benefits and Restore Public's Confidence

Recommendation #7. Lobby for the passage of the Social Protection Bill.

In mid-2014, the Secretary of Cabinet requested the preparation and drafting of a combined Social Protection Bill under a single national institutional framework. The proposed Social Protection Bill covers Pension, Worker Compensation Fund, Social Health Insurance and Social Assistance programmes.. The Social Protection Bill is expected to bring coherence and lead to significant efficiency gains in the development and the implementation of Social Protection in Zambia. It is recommended to finalize the Social Protection Bill, in close consultations with social partners and other key stakeholders to ensure enactment of the Bill as soon as possible.

Recommendation #8. Push the necessary pension scheme reform forward to ensure financial sustainability and timely payment of pension benefits.

Rebuilding confidence of the public in the capacity of the Government to deliver pension benefits is crucial to increase coverage.

Recommendation #9. Build trust between employers and workers on social security contributions

NAPSA has recently launched a mobile service to check on information of contributions remitted to NAPSA at no cost and on real time. This system is believed to significantly reassure workers, as they are able to detect at any time whether their employer has remitted the contribution or not. A similar system is not possible for WCF (WCF does not collect information on workers), but can be set up for the future Social health insurance scheme. This mobile service could also be further

developed, by sending alerts to the workers in coverage has stopped, or by sending health promotion and prevention messages, consultations reminder etc.

Recommendation #10. Identify bottlenecks for WCF benefits pay-outs.

It has been consistently reported by employers and representative of contractors that reimbursement of medical expenses and payment of other WCF benefits are cumbersome and extremely time-consuming. This leads employers to give-up on claiming or- for those who can afford - to subscribe additional insurance covering the same risks. It is recommended to conduct an analysis to identify the obstacles to claims pay-out all along the claiming process and to define strategies to address them.

Recommendation #11. Design short and medium term solutions to improve the quality of service for the SHI members on specific areas of health care.

It is recommended to identify and select critical areas where quality improvement is required - focusing on but not limited to long waiting time, drugs stocks out, poor staff behavior and distance to access and to propose specific and affordable solutions which will contribute to address these challenges in the short and medium terms. Significant improvement of health services will be the cornerstone of compliance with registration and contribution payment to Social Health Insurance in the informal sector.

Conclusion

The research on the saw milling industry demonstrates the complexity and the limits of extending social protection of applying the existing social security systems to a sector where income patterns and employment arrangements are predominantly informal and atypical. Designing innovative mechanisms overcoming the barriers such as casual work, multiplicity of employers, irregularity and unpredictability of income will be the cornerstone of the extension of social protection to the informal sector. It calls for a diversification of coherent and integrated strategies and tailored approaches which will contribute to close the coverage gaps and ultimately to achieve universal social protection coverage within a comprehensive social security system.

Transitioning from the informal to the formal economy requires the adaption of administrative procedures, benefits and contributions. The latter must be adapted to informal workers' contributory capacity. With the progressive extension of coverage to the informal sector, affordability and financing of social protection will therefore come at the fore of Government' agenda, as the Government has the primary responsibility to build and maintain adequate social security systems for ensuring effective access to social security to all.

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Appendixes

Appendix 1: List of key informants interviewed

NAME	INSTITUTION	CONTACT
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Mr Victor Chikalanga	Ministry of Labor and Social Security, Social Security, Principal Officer	097 786 1180 096 890 3827
Mrs Tamara Lungu Membele	Ministry of Labor and Social Security, Social Security Officer	-
Mrs Nakubiana Mooto – Mukuwa	Ministry of Labor and Social Security, Social Security Officer	-
Mrs Chipandu Mwengwe Kapata	Ministry of Labor and Social Security, Acting Social Security Officer	-
Ms. Mwenya Kapasa	ILO, National Project Coordinator	097 730 8337
Ms. Patience Matandiko	ILO, National Social Security Officer	096 295 8504
Mr William Bwalya	ZNAS, President	097 799 5351
Mr Chris Mhango	COSTIGA, National Secretary	096 731 6290
Mr Nyanga	ABCEC, Executive Secretary	095 307 0079

Table 2: List of key informants interviewed

APPENDIX 2. PLACE OF THE SAW MILLERS WITHIN THE SIMPLIFIED BUILDING CONSTRUCTION SECTOR VALUE CHAIN MAP IN ZAMBIA

Source: The Lab, Market Systems Development for Decent Work, *Good working condition, Good business? An analysis of Zambia's building Construction market system*, November 2014

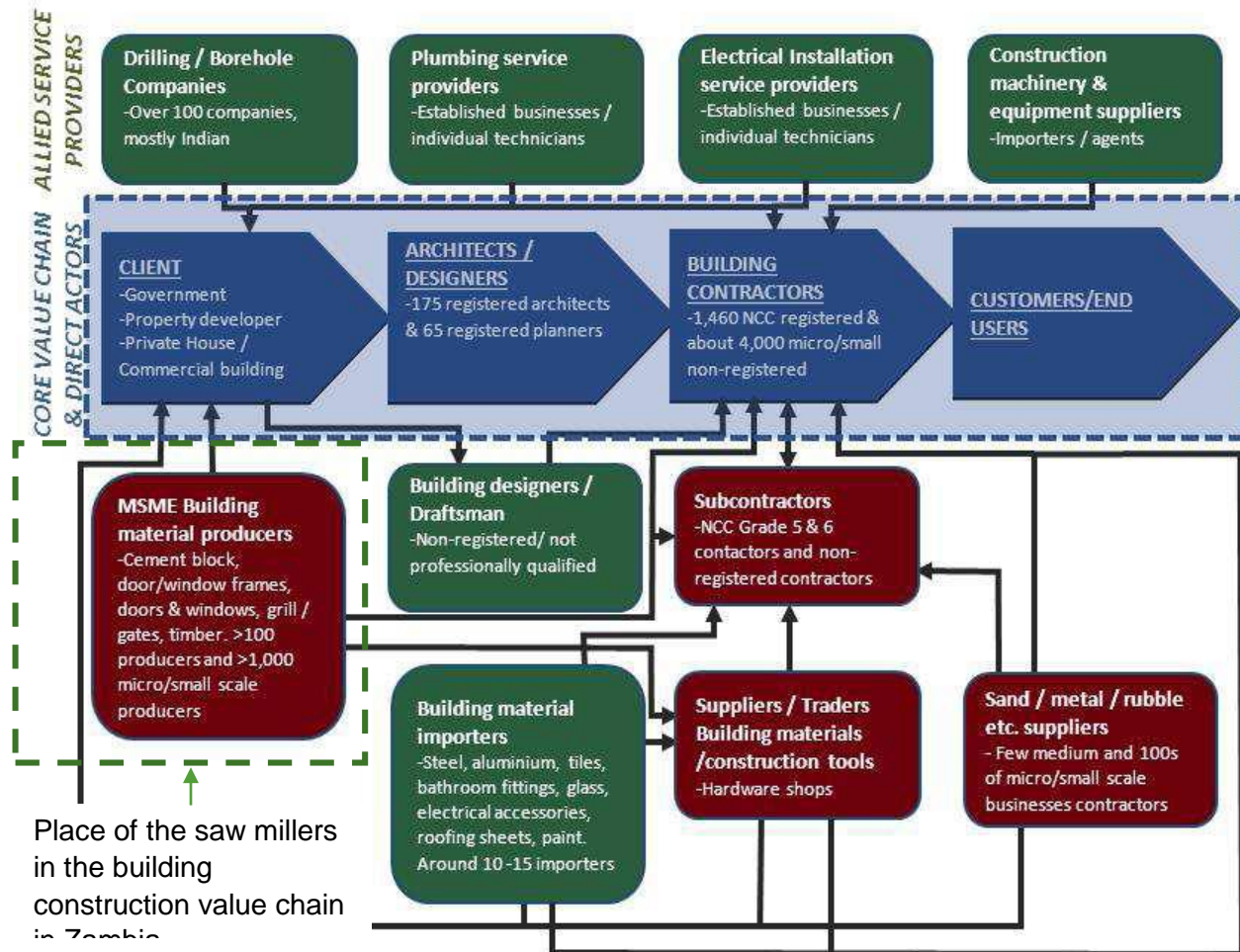


Figure 8: Place of the saw millers within the simplified building construction sector value chain map in Zambia

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