
Tanzania Mainland

Degrees of informality: prevailing patterns at the
Tanzanian labour market and social security
coverage¹

F. Bonnet

Social Security Department
International Labour Office – Geneva
October 2008

¹ Published in *Social Protection Expenditure and Performance Review and Social Budget*

Table of content

Degrees of informality: prevailing patterns at the Tanzanian labour market and social security coverage	3
1. How people work: The employment status of the population	5
2. Where people work: Employment by legal form of establishment	6
3. Where people work: Formal sector activities and employment in the informal sector	12
4. Paid employees	14
5. Informality of employment	17
Employed in the formal sector	17
Formal employment	17
Formal economy	18

Figures

Figure 1.	Distribution of persons in employment in or outside agriculture, by status in employment and by sex (percentage)	4
Figure 1-1.	Employment to population ratio by sex and employment status (population 15 and older)	5
Figure 1-2.	Employment to population ratio by sex and employment status (population 60 and older)	6
Figure 2-1.	Persons in employment by type of establishment by age range and sex (percentage)	7
Figure 2-2.	Employment distribution by employment status and type of establishment	8
Figure 2-3.	Employment distribution by employment status and type of establishment	9
Figure 2-4.	Employment distribution by employment status and type of establishment 10	
Figure 2-5.	Employment distribution by employment status and type of establishment 11	
Figure 3-1	Persons employed in the informal and formal sector in total employment including and excluding agriculture and composition according to status in employment	13
Figure 4-1.	Gross cash income from paid employment in the last month (all paid) according to the formal or informal nature of the enterprise/activity and gender (in TZS)	16
Figure 4-2.	Gross cash income from paid employment in the last month (all paid) according to the main sector of economic activity (public and corporate organizations, private and households) and gender (in TZS)	16
Figure 5-1	Distribution of employment along the scale of informality excluding and including agriculture for both main and secondary activities (percentage of total employment)	18
Table 5-1.	Degrees of informality for all employed persons (main employment)	19
Table 5-2	Degree of informality for paid employees	19
Figure 5-2	Distribution of employment along the scale of informality by status in employment (excluding and including agriculture)	20
Table 5-3.	Degree of informality for paid employees by type of employer	21
Figure 5-3	Gross cash income from paid employment last month (all paid) by degree of informality of employment and by gender (paid employees only)	21

Degrees of informality: prevailing patterns at the Tanzanian labour market and social security coverage

To complement the general overview of the labour market in Tanzania Mainland, based mainly on the results of 2000/2001 ILFS and earlier surveys, we also present a preliminary analysis based on recently released results of the 2005/2006 ILFS.² We focus on looking at levels of economic activity and the types of employment people are involved in – how many of the economically active are employees – with a more or less formalized contractual relationship – for an employer, how many are self-employed, etc. Experience in other countries shows that groups with different employment status (with or without employer, with or without contract, etc.) need different institutional solutions to provide affordable access to health care and basic income security benefits in case of sickness, disability, old-age or other contingencies. Thus, such analysis may help to decide what institutional forms of social protection would be the most desirable and feasible.

Everyone's income security is endangered in cases of sickness, disability, old age, and unemployment, death in the family, maternity or other family obligations such as the need to provide care to children or sick. But the need for specific forms of social protection differs depending on employment status. For example, for those who are contract workers for an employer, with earnings from that employment as their only source of income and wealth and with no degree of flexibility in when and how long they have to be available to work; and for the self-employed whose incomes are usually less regular and predictable but who sometimes have more flexibility in planning their working hours and who may own certain productive assets.

Moreover, with respect to the design of entitlements to social protection and to deciding on its financing sources, what is desirable and feasible and for what groups depends on prevailing employment patterns in the labour market.

Mandatory contributory social insurance programmes providing income replacement (or supplements) in case of sickness, employment injury, disability, old-age, unemployment or maternity and other family obligations are administratively feasible to implement and enforce when employees have legally binding contracts with their employers. However, they are a challenge in every sense when it comes to covering the self-employed or employees whose employment is not formalized in any legal sense. In Tanzania Mainland, employees and their employers in the public and the private sectors are obliged to contribute to different social security pension funds, but – as we will see – this obligation is not effectively enforced to cover all the employees.

Similarly, in many countries labour codes or employment acts oblige employers to provide and finance certain types of social security benefits directly to their employees. In Tanzania Mainland³ employers are obliged by the Employment and Labour Relation Act to provide paid maternity leave, paid paternity leave or other forms of leave (notably in case of death of a child) and paid salary in case of sickness up to a certain maximum number of days during the year.

² Thus, some absolute number and rates presented here may differ from those presented in other parts of the report, as they are based on surveys conducted on different dates – 2005/2006 and 2000/2001.

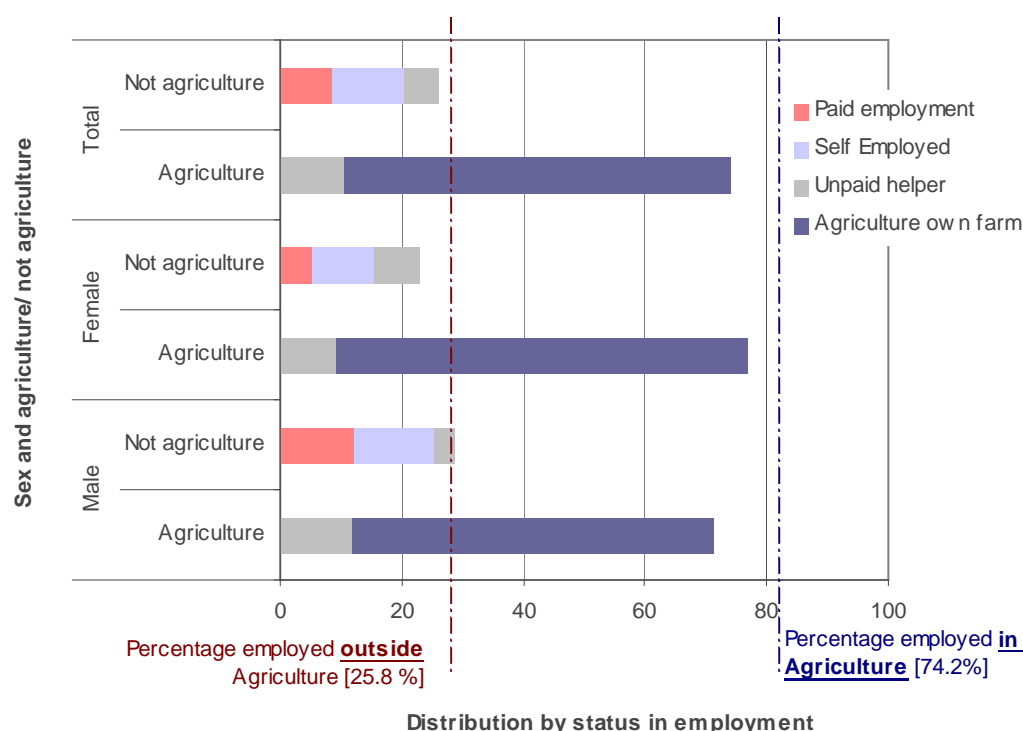
³ Employment and Labour Relations Act, 2004.

Employees who are in the unionized sectors are often also covered – as are some in Tanzania Mainland – for additional social benefits specified in collective agreements. Some employers also offer supplementary benefits such as health insurance or direct provision of health-care services, occupational pensions, housing allowances, family allowances or funeral benefits. No data exist but judging from the large degree of informality of employment even in the case of paid employees (as shown by the LFS 2005 results) and the low degree of unionization, coverage by such benefits must be low.

In Tanzania Mainland, as in many other low-income countries, especially in sub-Saharan Africa, most of the employed work in traditional subsistence agriculture on their own farm or shamba, or they are either self-employed or helping (unpaid) family members. Their economic activities are not formally registered, the nature of their activity makes it difficult to collect contributions, their incomes are irregular, and, significantly, are not regular monetary incomes.

According to ILFS 2005/2006, the agricultural sector is by far the main sector of employment as it represents 74.2 per cent of total employment (71.3 per cent among men employed and 77.1 per cent of women in employment). The majority of those in agriculture (86 per cent) work on their own farm, mostly in subsistence agriculture; the remaining 14 per cent are unpaid family workers.

Figure 1. Distribution of persons in employment in or outside agriculture, by status in employment and by sex (percentage)



Source: ILFS Tanzania 2005/2006

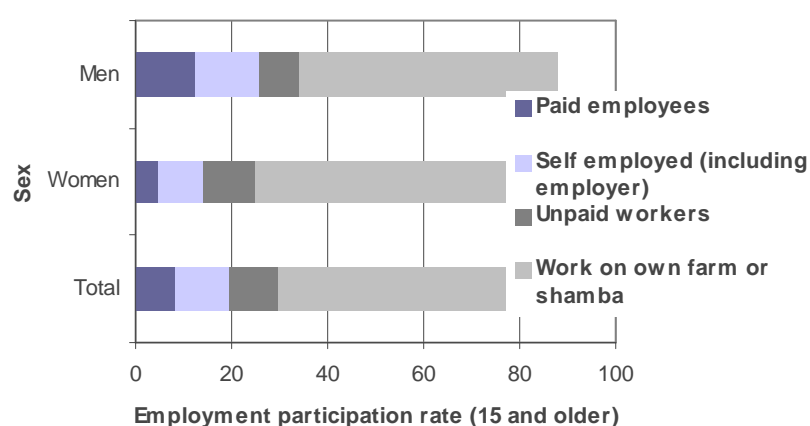
Experience in some countries shows that even in such situations it is possible to build an effective universal social health protection system through a pluralistic combination of free basic public health-care provision with contributory social health insurance linked with community-based micro-insurance schemes, where the participation of the poorest is subsidized by the State from general revenue. However, to provide at least minimum income security one would also need to rely on a combination of universal minimum basic

income guarantees (such as social pensions for the elderly) and social assistance benefits targeting the most vulnerable.

1. How people work: The employment status of the population

The employment to population ratio measures the percentage of the population in a given age group who were involved in any gainful economic activity during the seven days period preceding the survey. In Tanzania Mainland, according to ILFS 2005/2006, overall employment-to-population ratios are high: more than 85 per cent of all those aged 15 and older were employed (83 per cent of all women at this age and 88 per cent of all men - see Figure 1-1). Employment-to-population ratios were substantially higher in rural areas (89 per cent) than in urban areas (52 per cent).

Figure 1-1. Employment to population ratio by sex and employment status (population 15 and older)



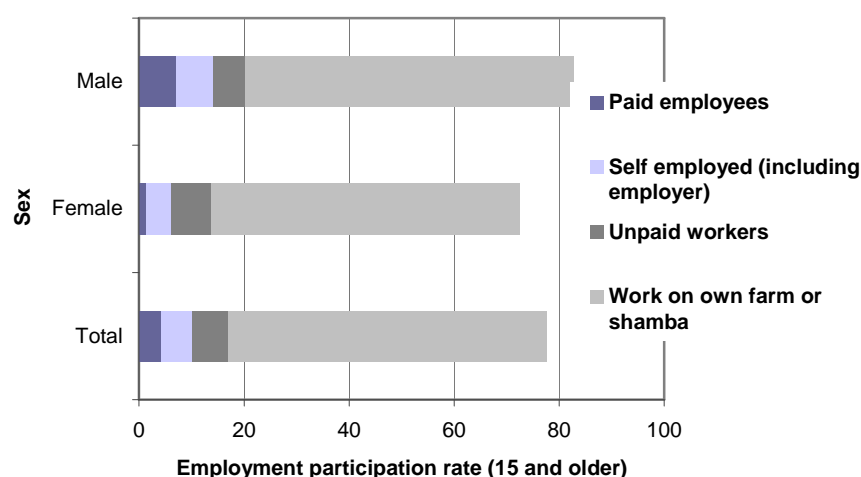
Source: CSO ILFS 2005/2006

However, over 65 per cent of all those 17.9 million people employed (aged 15 and over) were employed on their own farm or shamba (nearly 70 per cent of employed women and 61 per cent of employed men). About 11 per cent are employed as unpaid workers (9 per cent of all employed men and 13 per cent of all employed women); 13 per cent were self-employed or employers outside agriculture (15 per cent of all employed men and 11 per cent of all employed women), while less than 10 per cent were employed as paid employees (less than 6 per cent of employed women and 14 per cent of employed men).

Twenty-eight per cent of children under 15 years old (25 per cent of girls and 31 per cent of boys) were recorded in the survey as employed, but the large majority of them are unpaid helping family workers in agriculture or in domestic and other household activities.

The lack of provision for income security in old age (except for a small minority) results in the employment rates of older people (at age 60+ corresponding to the legal retirement age) being high compared with those of the working age population 15-59 (see Figure 1.2). Nearly 73 per cent of older people were employed: 67 per cent for all older women and 79 per cent of all older men. The large majority (80 per cent of all, 79 per cent of all men, 82 per cent of all women) of the employed elderly are reported as working on their own farm, nearly 10 per cent are unpaid workers and less than 7 per cent are self-employed (or employers) outside agriculture. Very few older people are employed as paid employees: only 3 per cent of both sexes, 5 per cent of older men but less than 1 per cent of older women.

Figure 1-2. Employment to population ratio by sex and employment status (population 60 and older)



Source: Tanzania, ILFS 2005/2006

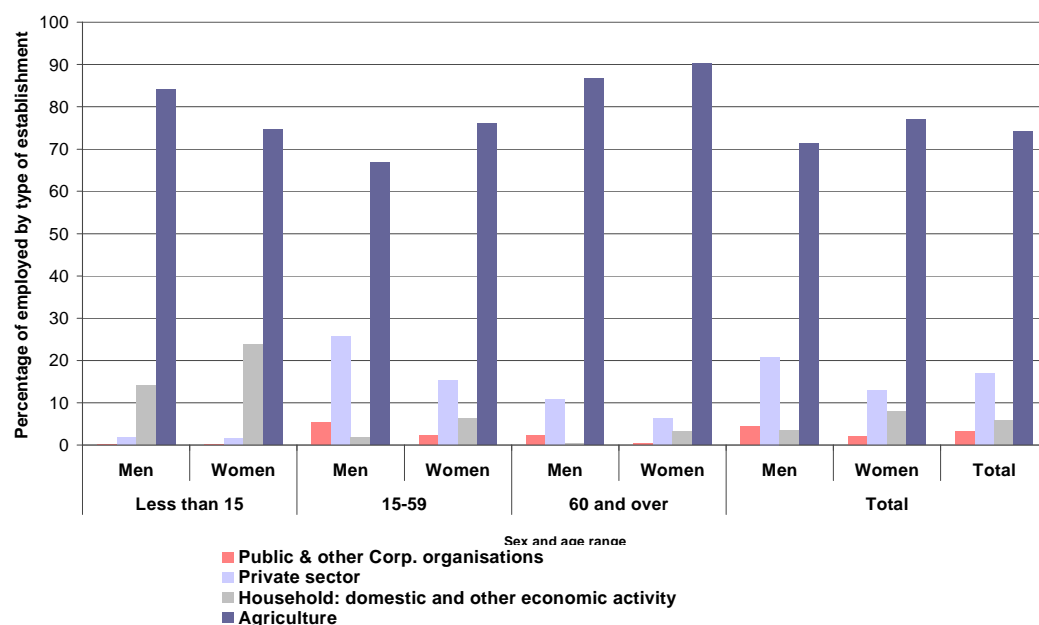
2. Where people work: Employment by legal form of establishment

From the point of view of potential social security coverage, two important factors are *status of employment* (e.g., employees versus self-employed), and *where* a person is employed. Social security legal coverage and entitlements differ (also in Tanzania Mainland) depending on whether someone works for central government, local government, parastatal company, private business, NGO or international organization, or simply in the household.

As shown in Figure 2.1 and regarding main employment, 3.1 per cent of all employed persons (more than 4 per cent of working men and less than 2 per cent of working women) were employed by central or local government bodies, a parastatal or other corporate organization (political party, registered partnership or cooperative, NGO or international organization). Slightly above 17 per cent worked in private businesses (13 per cent of all working women and 21 per cent of all working men). Most simply use their own household as a business environment either by working in agriculture on their own farm or as an unpaid worker (74 per cent) or, outside agriculture, doing domestic or some other economic household activity (6 per cent for all, 8 per cent of working women and 3 per cent of working men).

Figure 2-1. Persons in employment by type of establishment by age range and sex (percentage)

Figures 2-2 to 2-5 show the patterns of employment when we combine employment status



(being employee, self-employed outside agriculture, own farm or shamba in agriculture or unpaid family worker either in or outside agriculture) with type of business establishment or work: public or corporate organization, private or just household outside agriculture, own farm in the agricultural sector. One can see that these patterns are very different for men and women and also for urban and rural populations.

Considering all persons in employment including agriculture, most employed persons work on their own farm or shamba. The only exception concerns people in urban areas, where self-employment covers over one-third of total urban employment. If we consider working on own farm as working in households (as type of establishment) and being self-employed (as status in employment), then the majority work in households – either as unpaid family workers (just over 2 million people, including nearly 1.4 million working in agriculture) or as self-employed (nearly 2.4 million people working outside agriculture and 11.8 million working and living from their own farm or shamba). Within this whole group working in households, women are over-represented in the sub-group of unpaid family workers, whereas the majority of men are reported as self-employed.

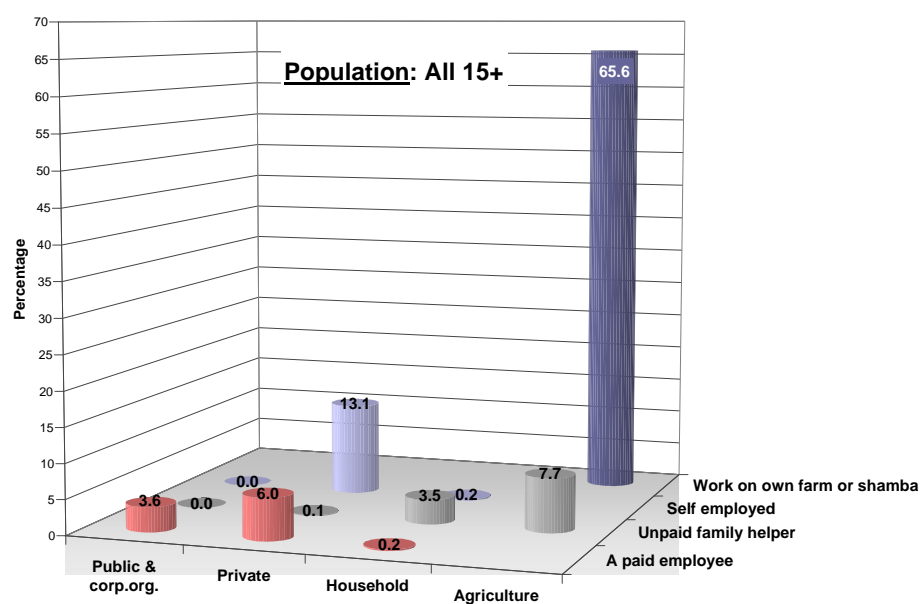
Paid employees are the smallest employed group in the whole country (over 1.7 million people, with just over 1 million working in the private sector)⁴ but they represent more than 25 per cent of total employment in urban areas (nearly 1.2 million). In urban areas, self-employment outside agriculture represents one-third of total employment (15.7 million people 15 years old and over). To this percentage can be added the 27.4 per cent working on their own farm. Unpaid family workers represent the lowest proportion, with just over 10 per cent of total employed (aged 15 and over).

Older workers, predominantly work as self-employed on their own farm. Of workers aged 60 and over, 80.4 per cent work in agriculture on their own farm. The proportion among women aged 60 and over is even higher (82.4 per cent of all employed women aged 60 and over). The second largest group is composed of unpaid family helpers, particularly women.

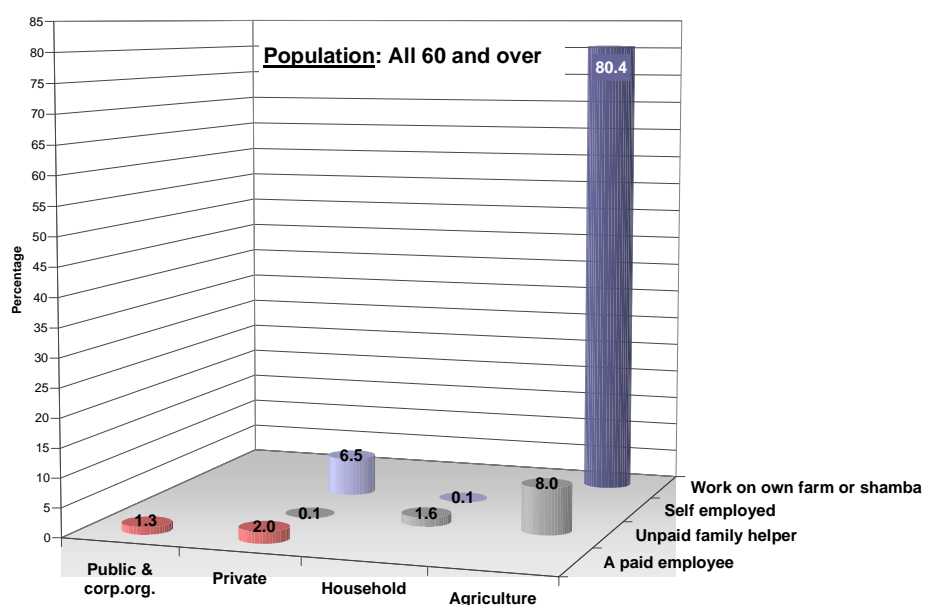
⁴ Employment in the private sector does not include household work.

Figure 2-2. Employment distribution by employment status and type of establishment ⁵

a) All population 15 years and older



b) All population 60 years and older

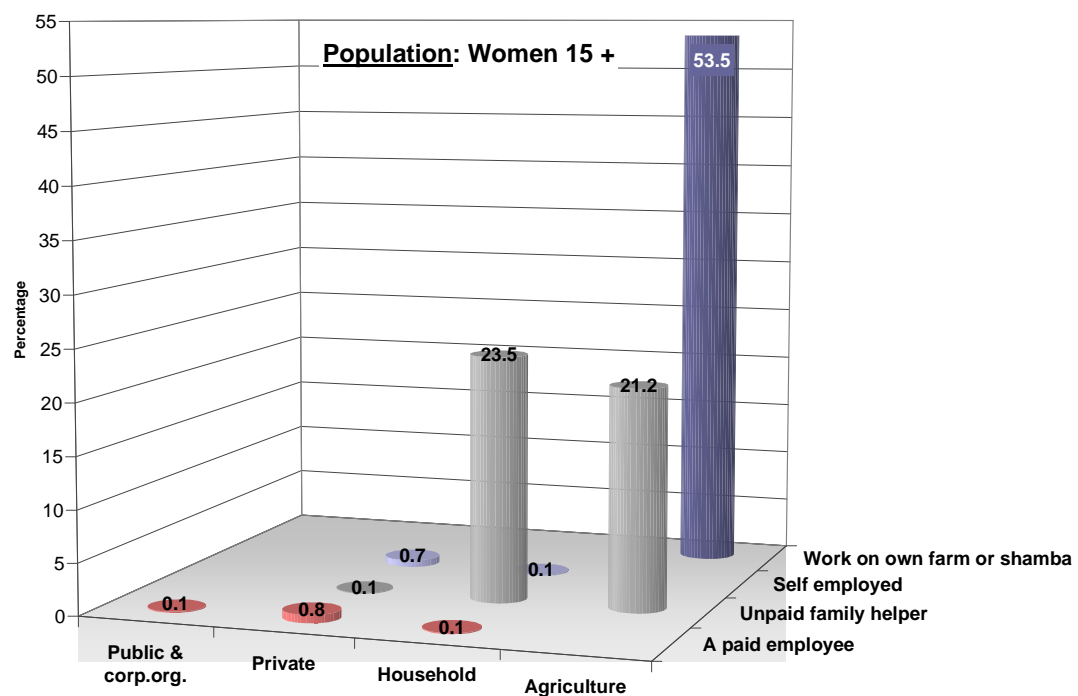
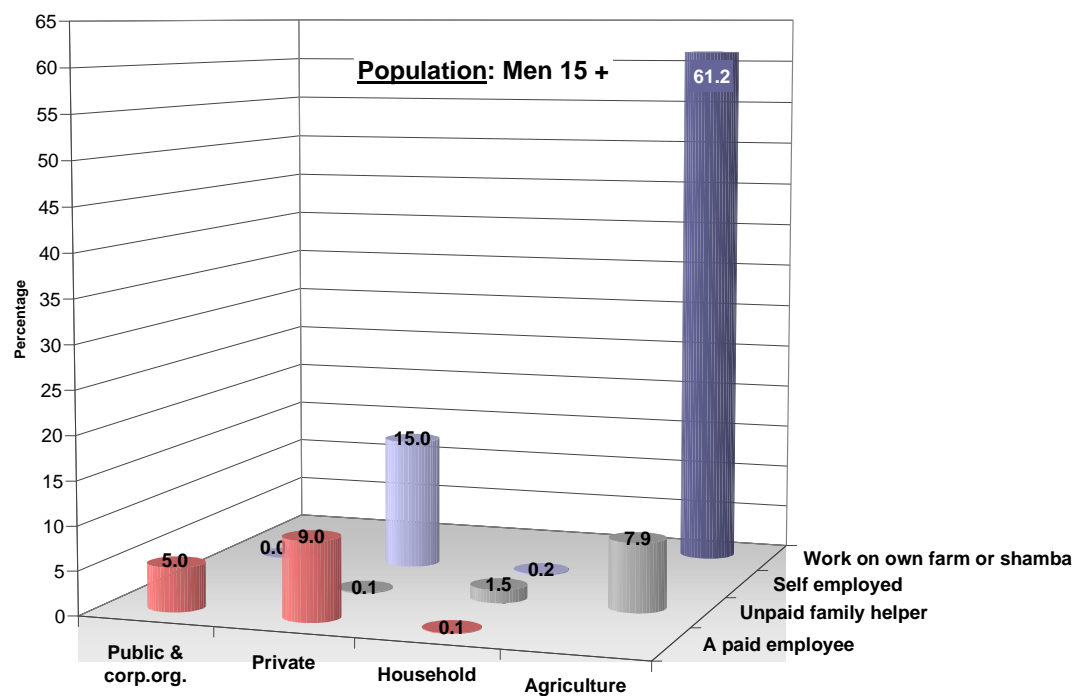


Source: ILFS Tanzania 2005/2006

⁵ Figures 2-2 to 2-5 show the percentage of employed people who fall under each category (e.g., paid employees in public establishments, self-employed in private establishments, unpaid workers in households, etc.).

Figure 2-3. Employment distribution by employment status and type of establishment

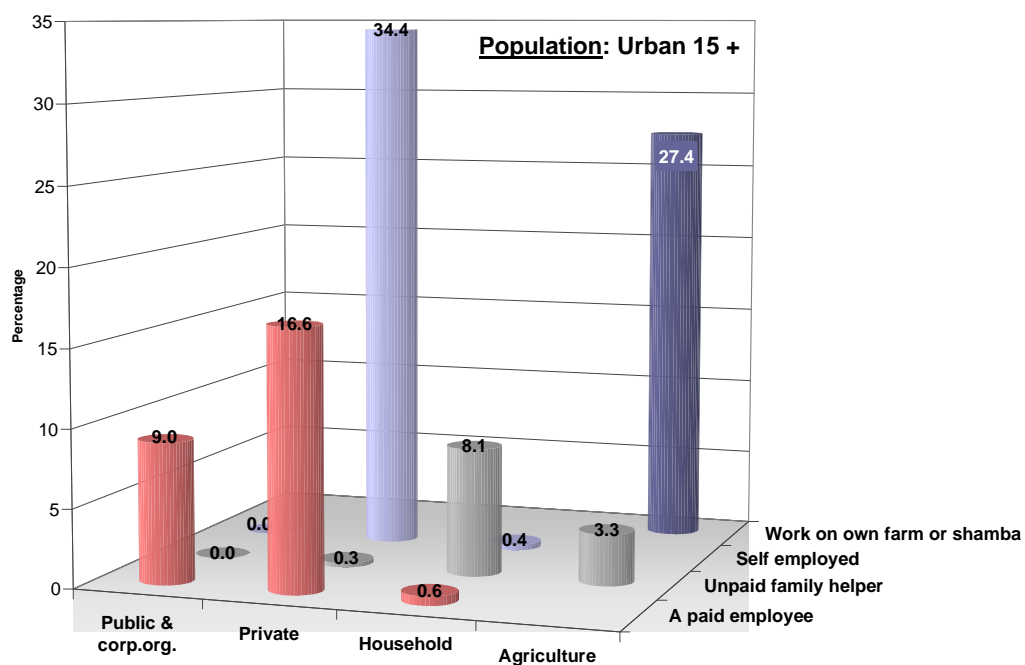
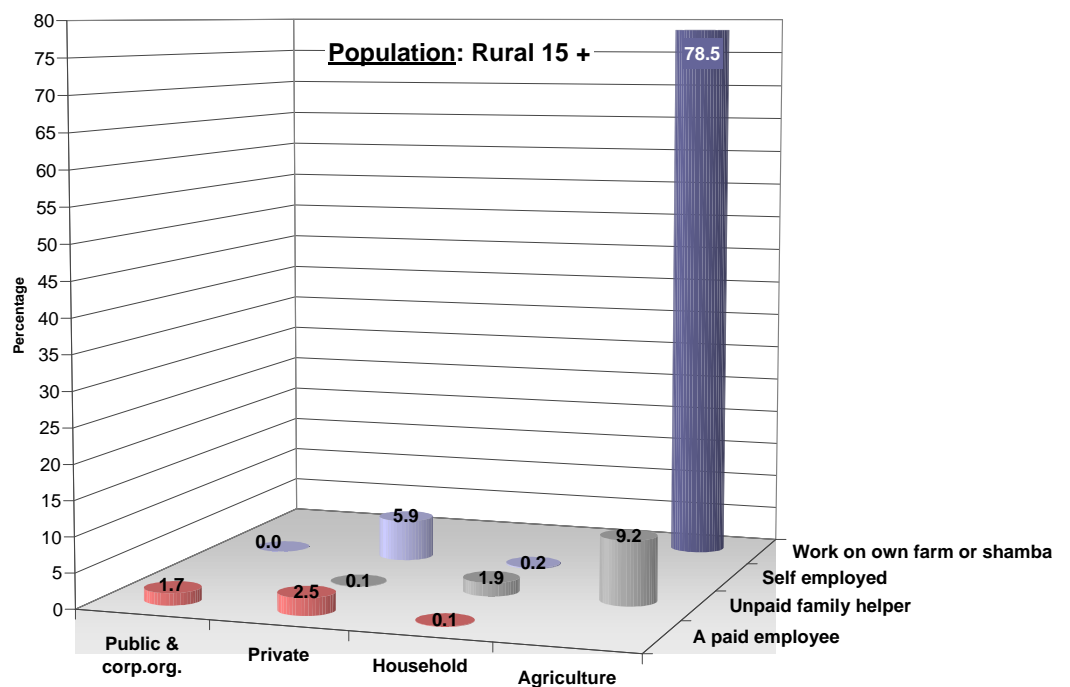
a) Population 15 years and older by gender



Source: ILFS Tanzania 2005/2006

Figure 2-4: Employment distribution by employment status and type of establishment

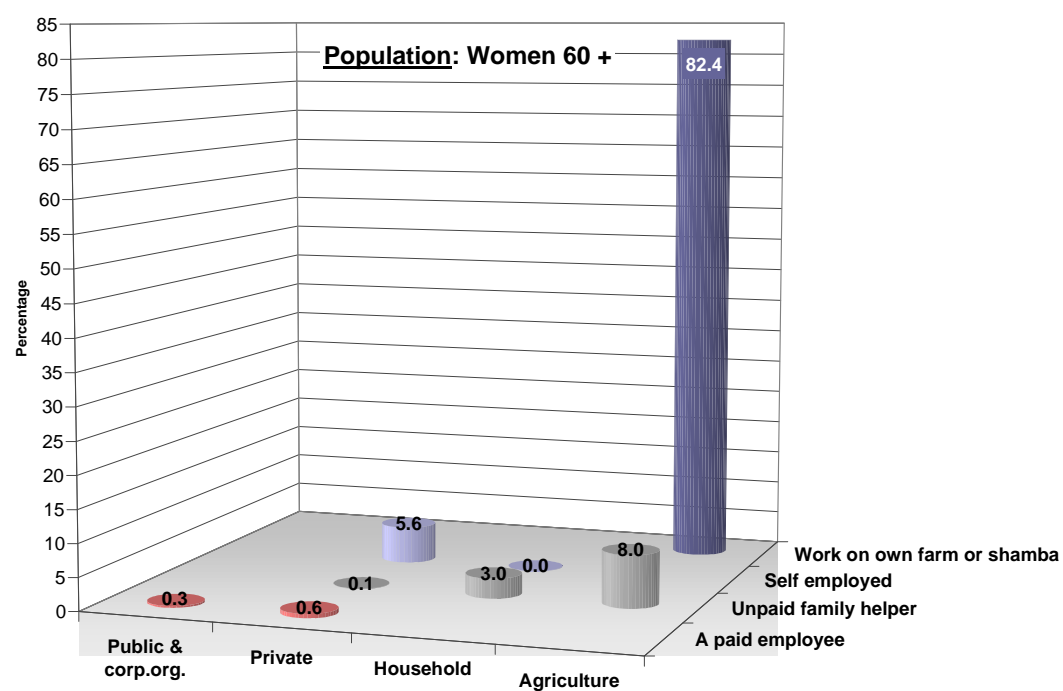
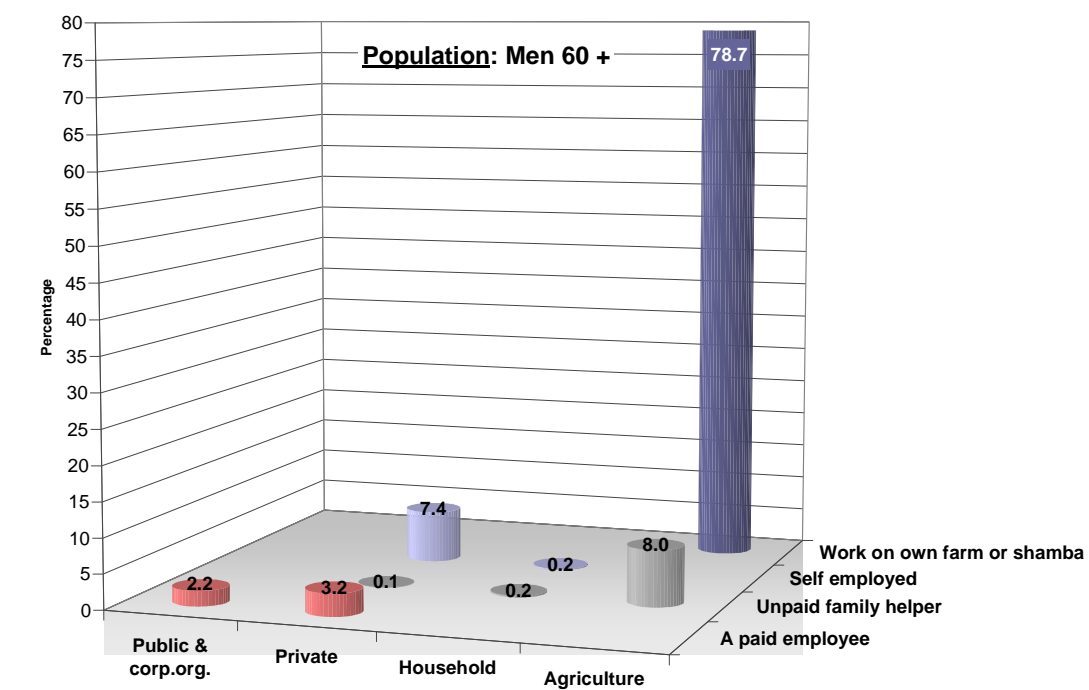
b) Population 15 years and older by rural or urban area



Source: ILFS Tanzania 2005/2006

Figure 2-5: Employment distribution by employment status and type of establishment

Population 60 years and older by gender



Source: ILFS Tanzania 2005/2006

3. Where people work: Formal sector activities and employment in the informal sector

More generally, the legal form of the establishment is one⁶ of the criteria used to determine whether an activity is part of the so-called “informal sector” or “formal sector”. The formality or informality of the enterprise will be one of the factors determining the extent of informality of employment.

The definition of employment in the informal sector includes all jobs in informal-sector enterprises or all persons who, during a given reference period, were employed in at least one informal-sector enterprise, irrespective of their status in employment and whether it was the main or secondary job (ILO, 1993). Informal sector – and the related concept of employment in the informal sector – are enterprise-based concepts. Working in the informal sector may mean working in an enterprise where its size (the number of employed) is below a certain threshold; or one that is not registered. It can also mean working in a household, home, or in the street

In the context of the analysis of ILFS data, any employee, employer or own-account worker whose activity takes place in the public sector or other corporate organizations is considered as working in the formal sector.⁷

If the activities take place in an unregistered cooperative, a private own-account unit, a private-sector enterprise with employees, an unregistered partnership or any other private unit, then the activities of enterprises of more than ten employees or, in smaller enterprises and for own-account workers, units with clear, comprehensive records or accounts⁸ with which to monitor the enterprise’s activities are considered formal sector activities.

Based on these three criteria (type of enterprise, size and record keeping) and taking into consideration the main activity, according to the ILFS data, 22.9 per cent of the total employed outside agriculture work in the formal sector and 77.1 per cent in the informal sector (85.2 per cent of all women in employment and 70.7 per cent of all men in employment).

If agriculture is included, the percentage of people working in the informal sector is significantly higher, representing 94.1 per cent of total employment (taking into consideration only the main activity). The previous estimate from the 2000/2001 ILFS was 93.5 per cent. Figure 3.1 presents the overall proportion of employment in the formal and informal sectors and the composition by status for the total and by sex.

The main results emerging from this figure are not only that most people in employment work in informal-sector enterprises and that women appear to be more exposed than men,

⁶ The legal form of the activity allows one to distinguish between corporate and non-corporate enterprises. The additional indicators used on the Tanzania ILFS survey to make the distinction between formal and informal enterprises are: enterprise size, record keeping and comprehensiveness and nature of those records).

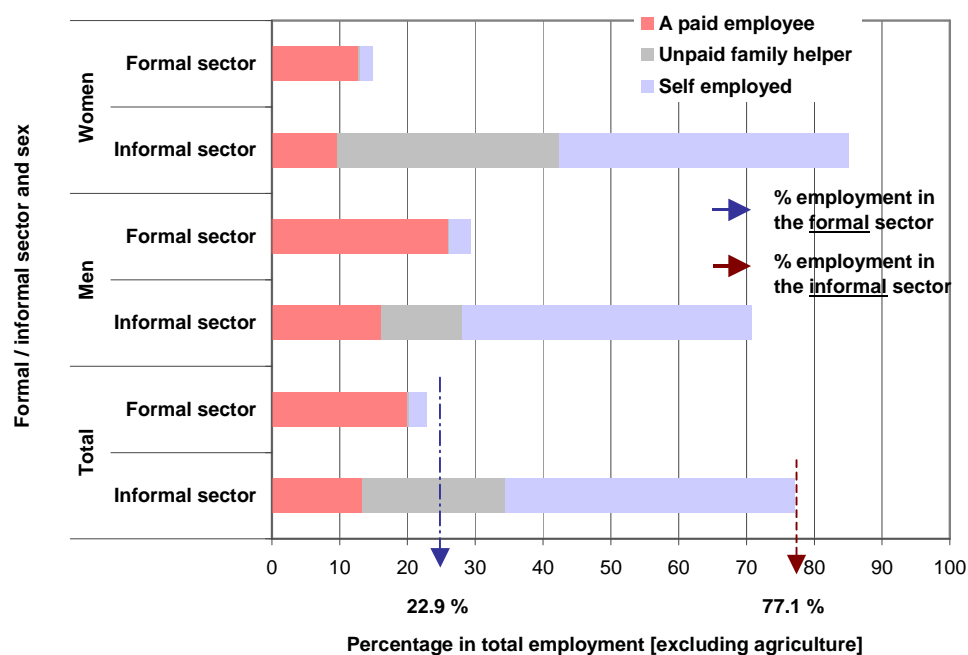
⁷ This category includes central government, local government, parastatal, political party, partnership registered, non-governmental organization, religion organization, registered cooperative and international/regional organization.

⁸ By comprehensive records or accounts is understood any written records or accounts showing all of the following: balance sheets of assets and liabilities, investment/withdrawal of capital by the business owner(s), withdrawals of income by the business owner(s), earnings retained within the Business as saving.

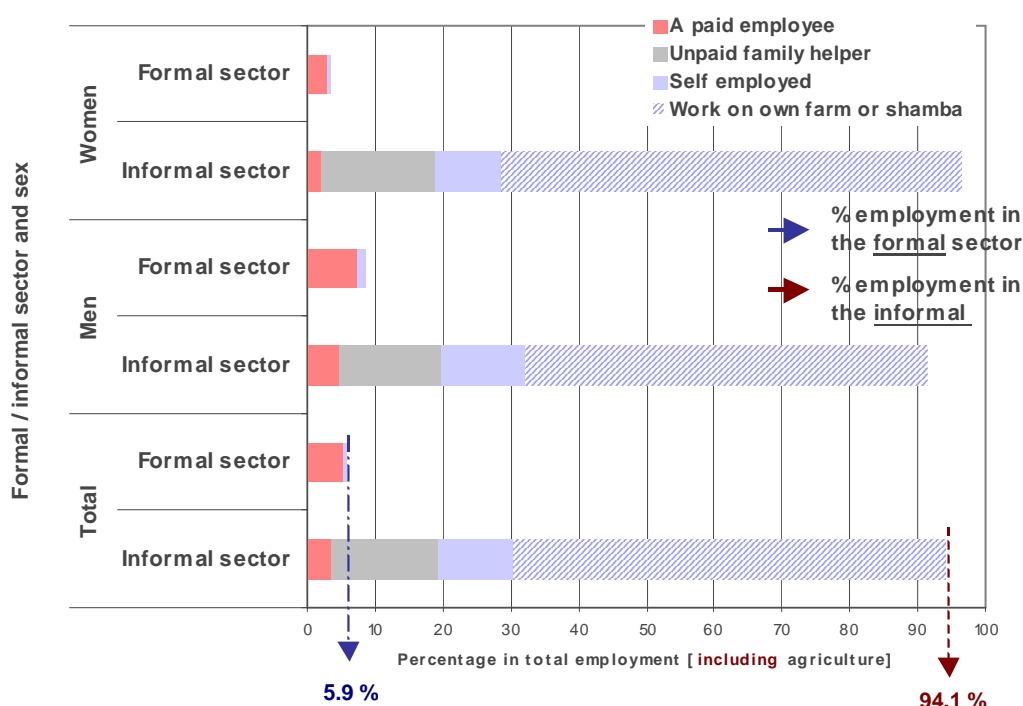
but also that all the forms of employment status are represented in informal-sector enterprises, including a significant proportion of paid employees. The following sections, 4 and 5 in particular, will identify, from among paid employees, the groups of employed with different degrees of formality, according to the selected criteria.

Figure 3-1 Persons employed in the informal and formal sector in total employment including and excluding agriculture and composition according to status in employment

a) Excluding agriculture



b) Including agriculture



Source: ILFS Tanzania 2005/2006

4. Paid employees

As most of the existing social security provision in Tanzania Mainland is specifically directed at employees, it is important to look in greater detail at the characteristics of their employment relationship and why, apparently, not all of them are reached by the existing social security provisions.⁹

- In Tanzania Mainland, according to 2005/2006 ILFS, 8.6 per cent of all employed persons are in paid employment, with 10.5 per cent in the 15-59 age group, 3.3 per cent in the group over 59 (60 being the legal retirement age within the formal social security schemes) and less than 1 per cent among children aged under 15 years. In all cases, these proportions are lower among women in employment. In the age group 15-59, the proportion of women in paid employment is 6.1 per cent against a proportion of 15.1 per cent for men. The corresponding proportions among those aged 60+ are 0.9 per cent and 5.4 per cent for women and men, respectively).
- Among those aged 15+, 96.7 per cent of employees are in the 15-59 age group and only 3.3 per cent are in the 60+ age group. Less than 30 per cent of all employees are women. Less than one employee out of three is in the rural areas.
- 36.5 per cent of paid employees work in public-sector enterprises or corporate organizations without any significant sex and age group differences.

⁹ Though over 1.7 million persons are reported by the survey as being employees, overall coverage (in terms of active membership status) of all existing social security pension schemes seems to be not more than 700,000. The latter figure is still uncertain because of problems with record keeping in the existing social security institutions and difficulties in establishing how many members and regular contributors they actually have.

- 58 per cent of paid employees work in relatively larger establishments, employing 10 or more employees.
- 39.1 per cent of paid employees (38 per cent of men and 42.2 per cent of women) work in the informal sector (as defined above). Among them, a minority work in a permanent building other than home, 8 per cent in total. Most of them work at home, either their own (21 per cent) or at the customer's or employer's home (8 per cent); 19 are working in a fixed stall or kiosk in the market place or in the street, 16 per cent in a temporary stall, 10 per cent in construction site (only men) and 17.7 per cent have no fixed location.

One of the obstacles to enforcing effective social security coverage may be the fact, revealed by the survey, that only 49 per cent of paid employees (with practically no gender difference) say they have a written contract (38.9 per cent a permanent contract and 10.7 per cent a casual written contract). One-third of paid employees have an oral contract and just over 17 per cent do not have a contract at all or do not know whether they have one. Considering only paid employees working in formal-sector enterprises, 70 per cent have a written contract and 15 per cent an oral contract. The corresponding shares among employees working in informal-sector enterprises show a completely opposite situation, with the majority (61 per cent) having an oral contract and only 15 per cent a written contract, in most cases on a casual basis. According to the Employment and Labour Relations Act, 2004 (section 15), the contract should be in writing.¹⁰ The only exception is that the provisions of this section shall not apply to an employee who works fewer than six days in a month for an employer.

It is thus not surprising that more than 63 per cent of all paid employees (but only 28 per cent of public and other corporate organizations employees, and 17 per cent of paid employees with a permanent written contract) say their employers do not contribute to social security or that they do not know whether their employer contributes. Only 5 per cent of paid employees working in the informal sector say that their employer contributes to any of the existing formal social security schemes; the corresponding proportion for paid employees working in the formal sector is just over 56 per cent, relatively higher but still low.¹¹

Earnings of female employees – as reported in the Integrated Labour Force Survey 2005/2006 - are on average 75 per cent of those of male employees. This gap is much larger for employees in the private sector: earnings of female employees are only just half the earnings of male ones (55 per cent). The gap is even worse for paid employees working in households (39 per cent). In the public sector and other corporate organizations, this ratio is nearly 85 per cent. Linked to these results and unsurprisingly, the gap between male and female paid employees' earnings is much larger in the informal sector, where female earnings are on average 53 per cent of males' earnings, compared with over 84 per

¹⁰ If in any legal proceedings, an employer fails to produce a written contract or the written particulars prescribed in subsection (1) — (a) name, age, permanent address and sex of the employee; (b) place of recruitment; (c) job description; (d) date of commencement- (e) form and duration of the contract; (f) place of work; (g) hours of work; (h) remuneration, the method of its calculation, and details of any benefits or payments in kind, and (i) any other prescribed matter — the burden of proving or disproving an alleged term of employment stipulated in subsection (1) shall be on the employer.

¹¹ Actually, the number of those reporting in the 2005/2006 ILFS that their employers contribute to any of the formal social security schemes (pension or other risks) is just over 645,000 (including the self-employed, employers and own-account workers), which is very close to the overall number of the active contributors estimated from administrative data — 675,000.

cent in formal-sector enterprises. Figures 4.1 and 4.2 present the mean and median values of gross cash income from paid employment in the last month, according to main sector of economic activity and according to formal or informal sector.

Figure 4-1. Gross cash income from paid employment in the last month (all paid) according to the formal or informal nature of the enterprise/activity and gender (in TZS)

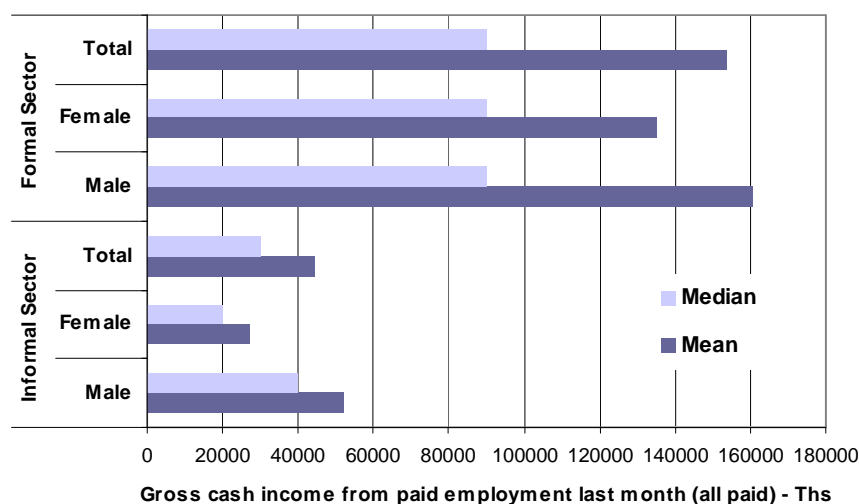
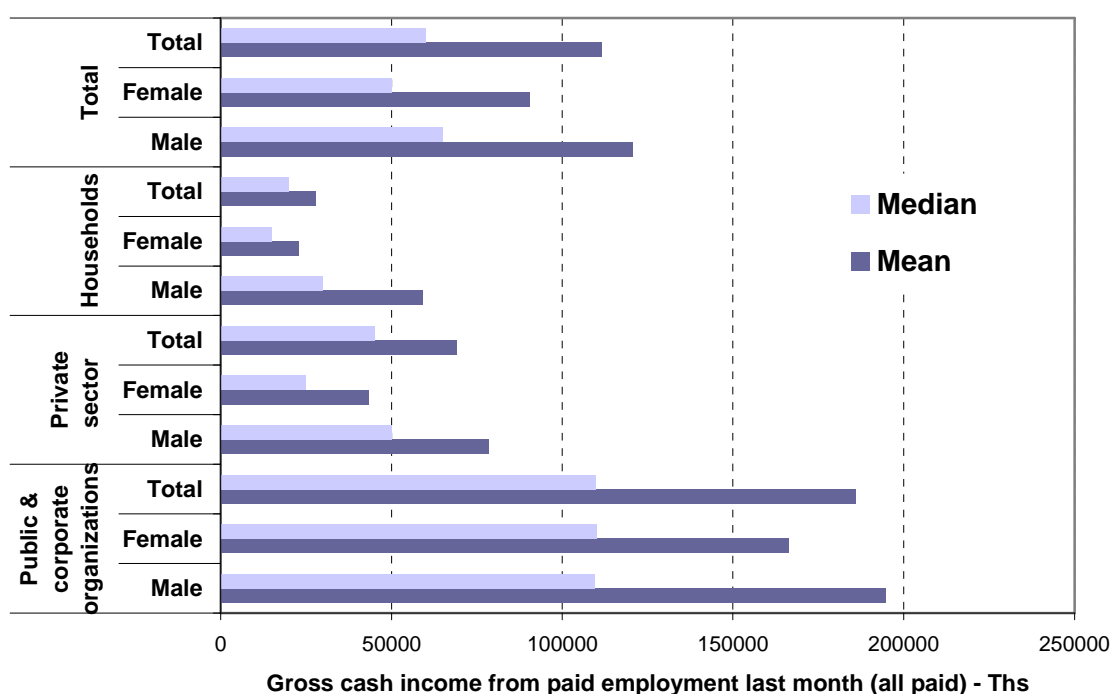


Figure 4-2. Gross cash income from paid employment in the last month (all paid) according to the main sector of economic activity (public and corporate organizations, private and households) and gender (in TZS)



Source: ILFS Tanzania 2005/2006

5. Informality of employment¹²

Informality of employment is a multidimensional concept.¹³ It enlarges the previous concept of informal sector and seeks to take into account the precarious unprotected forms of employment, including that of employees in formal enterprises.

The concept of informal employment is a job-based concept, directly linked to employment conditions of the worker. It covers situations in which employees who in theory are protected by labour legislation – and covered by social security, entitled to employment benefits, and so on – in practice are not in a position to claim their rights because mechanisms to enforce the existing regulations are lacking or deficient. Informal employment may be determined by the existence of a formal contract, the type of contract it is, the character of the job (temporary or not), and the actual entitlements to various benefits envisaged by the law (e.g., paid leave). Even within the formal sector, there are persons who are informally employed (as well as one can imagine that even in the informal sector there may be persons formally employed).

The scale presented below seeks to propose different degrees of employment formality, in the formal and outside it. For the purpose of this analysis based on the ILFS 2005/2006 dataset, we adopted the following criteria of formality/informality of employment.

Employed in the formal sector

As describe above (section 3), “Employed in the formal sector” applies to all those in the public employment service and all those employed elsewhere if establishments employ more than nine persons or, for smaller enterprises, if the employer keeps comprehensive records. These two proxy indicators (establishment size and comprehensive record-keeping) are used in the absence of any information about registration of the enterprise or its compliance with fiscal legislation. All the others are treated as employed in the informal sector.

Formal employment

In this case, on the basis of the only information available we measure degree of formality of employment using two criteria:

- for employees, (i) the existence (or awareness) of a formal written contract (permanent or casual) with an employer; and (ii) that the employer contributes to any of the formal social security schemes;
- for the self-employed, (i) as an indicator of employment security, a self-employed person fills this first criterion if the enterprise operates all year around, in a fixed location outside home, for a total of at least 40 hours per week;¹⁴ and (ii) that the self-employed (employer or own-account worker) contributes to any of the social security schemes.

Unfortunately, the ILFS survey did not include a question on the existence (or awareness) of entitlement to paid leave or to other entitlements as established in the Employment and

¹² This section contains our original analysis about informality, based on the Tanzanian labour force survey.

¹³ See Hussmans (2004), and ILO (2003), section 3.1 on Statistics of informal employment, p. 47).

¹⁴ Working less than 40 hours a week being considered as under-employment.

Labour Relations Act. We use a three-degree scale: if all criteria are met, we classify employment as totally formal (value 2); if none of the two criteria is met, employment is totally informal (value 0).

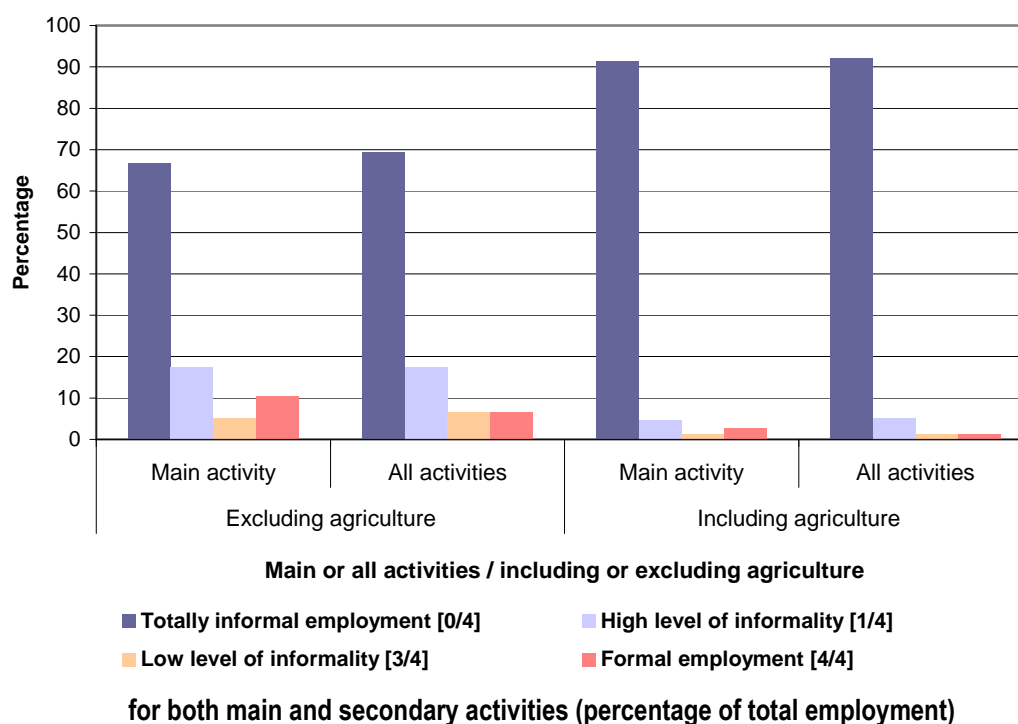
Formal economy

We also introduced a four-degree scale for the informal economy, which is a combination of the 0-1 scale for informal sector and the three-degree scale for informal employment. Totally informally employed in the informal sector are in totally informal economy; those fully formally employed in the formal sector are in totally formal economy. In between, however, there are degrees of informality of the economy depending on the number of the four criteria met.

Figure 5-1 presents the distribution of employment along the scale of informality both excluding agriculture and including agriculture and considering the main employment activity or all current employment activities. This graph gives a global picture of a majority of employed persons concentrated at the bottom end of the scale in totally informal employment. The situation is even worse when considering employment in agriculture and all activities (not just the main one) are considered.

Tables 5-1 and 5-2 present in figures the results for total employment and for all employees, considering their main employment activity, first excluding agriculture and then including agriculture.

Figure 5-1 Distribution of employment along the scale of informality excluding and including agriculture



Source: ILFS Tanzania 2005/2006

Table 5-1. Degrees of informality for all employed persons (main employment)

Degree of informality		Male	Female	Total
Excluding agriculture				
Totally informal	Gender composition	48%	52%	100%
	<i>Share of group in total</i>	58%	77%	67%
High informality	Gender composition	70%	30%	100%
	<i>Share of group in total</i>	19%	10%	15%
Low informality	Gender composition	71%	29%	100%
	<i>Share of group in total</i>	9%	5%	7%
Totally formal	Gender composition	69%	31%	100%
	<i>Share of group in total</i>	13%	7%	11%
All	Gender composition	56%	44%	100%
	<i>Share of group in total</i>	100%	100%	100%
Including agriculture				
Totally informal	Gender composition	48%	52%	100%
	<i>Share of group in total</i>	88%	95%	91%
High informality	Gender composition	70%	30%	100%
	<i>Share of group in total</i>	6%	3%	4%
Low informality	Gender composition	71%	29%	100%
	<i>Share of group in total</i>	3%	1%	2%
Totally formal	Gender composition	69%	31%	100%
	<i>Share of group in total</i>	4%	2%	3%
All	Gender composition	50%	50%	100%
	<i>Share of group in total</i>	100%	100%	100%

Source: ILFS 2005/2006

Table 5-2 Degree of informality for paid employees

Degree of informality		Male	Female	Total
Totally informal	Gender composition	66%	34%	100%
	<i>Share of group in total</i>	31%	38%	33%
High informality	Gender composition	77%	23%	100%
	<i>Share of group in total</i>	22%	16%	20%
Low informality	Gender composition	72%	28%	100%
	<i>Share of group in total</i>	15%	14%	15%
Totally formal	Gender composition	70%	30%	100%
	<i>Share of group in total</i>	31%	32%	32%
All	Gender composition	70%	30%	100%
	<i>Share of group in total</i>	100%	100%	100%

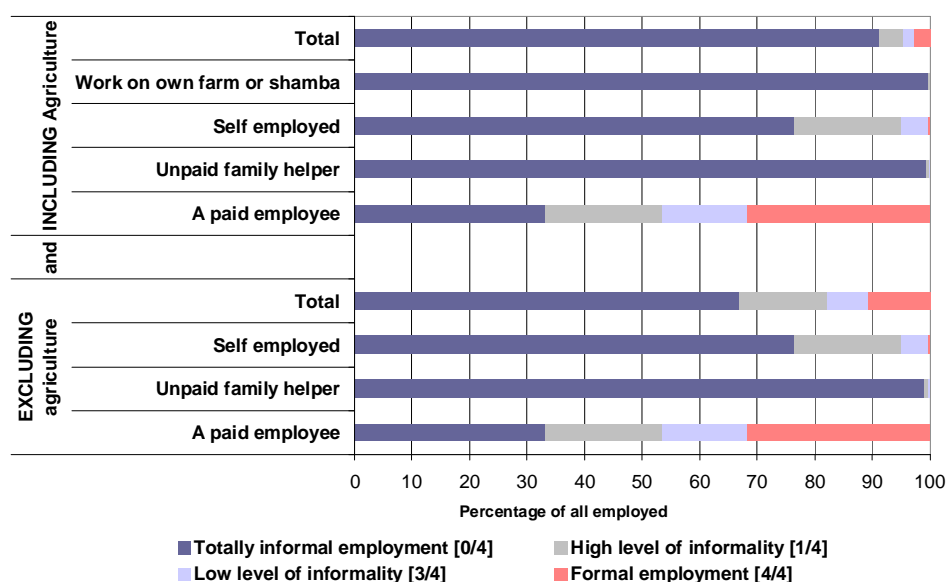
Source: ILFS 2005/2006

Ninety-one per cent of all employed (but 95 per cent of all employed women) in Tanzania Mainland work in the totally informal economy, which means they are deprived of most of the rights and entitlements – including social security - associated with formal employment. Only 3 per cent of all employed work in an environment that could be called fully formal – at least according to the criteria adopted.

Excluding agriculture, the proportion of employed in totally informal employment is lower but still very high, (67 per cent of the total employed outside agriculture, and 77 per cent of employed women). The proportion of those in total formal employment is just over 10 per cent (11 per cent of all employed outside agriculture, 13 per cent of all employed men and 7 per cent of all employed women).

As shown in Table 5-3 and in Figure 5-2, the degree of formality among paid employees is obviously much higher but still only just under a third works in the totally formal economy, while another third works in the fully informal economy and thus is totally deprived of all the rights and entitlements which Tanzanian law confers on employees.

Figure 5-2 Distribution of employment along the scale of informality by status in employment (excluding and including agriculture)



Source: ILFS Tanzania 2005/2006

Thirty-five per cent of paid employees are in intermediate situations, the majority having a proper written contract (either permanent or casual) but no affiliation to any of the existing formal social security schemes.

- 15 per cent of employees belong to the low informality group: 42 per cent have a permanent written contract of employment and 39 per cent a casual written contract but only 27 per cent of them say their employers contribute to social security; and
- 20 per cent belongs to the high informality group where less than 4 per cent of employees say that employers contribute to social security; in this group, less than a quarter of employees have a written contract, with 7 per cent only having a permanent contract.

As Table 5-3 shows, most of the employees in the private sector and in households are in the informal economy (50 per cent of employees in the private sector and 92 per cent of those working in households are totally informal), while only 12 per cent of the employees in the private sector work in a totally formal environment with fully formal employment conditions (as defined here). However, even in public-sector employment one can find a relatively high degree of informality (by our adopted definition, employment in the public sector cannot be fully informal): 10 per cent of employees in local governments, 8 per cent in parastatals and 5 per cent in central government were employed in conditions of high informality and – respectively – 16 per cent, 21 per cent and 14 per cent in conditions of low informality. In corporate organizations (political parties, NGOs, registered cooperatives and international organizations), 32 per cent of the workers are in situations of high informality and 34 per cent in situations of low informality.

Table 5-3. Degree of informality for paid employees by type of employer

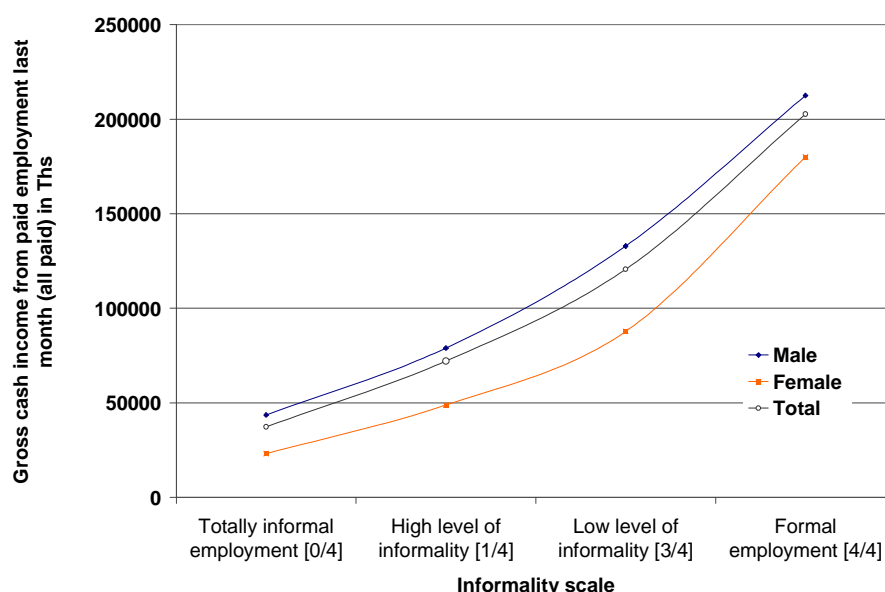
	Totally informal	High informality	Low informality	Totally formal	Total
Central government	0%	5%	14%	81%	100%
Local government	0%	10%	16%	74%	100%
Parastatals	0%	8%	21%	71%	100%
Other corporate organisations	0%	32%	34%	34%	100%
Private sector	50%	25%	13%	12%	100%
Households	92%	7%	1%	0%	100%

Source: ILFS 2005/2006

There is a high correlation between degree of formality and level of education, including ability to read and write. Among employees employed in the totally informal economy, 15 per cent (less than 9 per cent in urban areas and more than 25 per cent in rural areas) cannot read and write compared with under 1 per cent of paid employees in the totally formal economy. Regarding the level of education, in the totally informal economy, 15 per cent have never attended schools and 8 per cent have a secondary school level or above; the majority (64 per cent have completed primary school level). The situation is rather different among employees in the totally formal economy, as 60 per cent have at least a secondary level of education and only 1 per cent has never attended school.

In addition, the higher the degree of formality, the higher the earnings of those employed, as shown in Figure 5-3 for paid employees only; women's earnings are lower than men's whatever the level of informality. Among paid employees, gross cash income from paid employment is 5.4 times higher in the formal economy than in the totally informal economy (7.8 times higher among women and 4.9 times higher among men).

Figure 5-3 Gross cash income from paid employment last month (all paid) by degree of informality of employment and by gender (paid employees only)



Source: ILFS Tanzania 2005/2006

6. Conclusions

A large majority of the employed in Tanzania Mainland are employed in the totally informal economy. In the long run, we expect this situation to change gradually. Effectively extending social security coverage by various means can also be seen as an instrument tending to formalize employment status and the economy. However, that process will take time. In the meantime, it is necessary to look for social security measures that can extend effective coverage to those in informal employment relatively quickly.

The situation is different for those who have paid employee status. However, their share of total employment is very low and still tending to decrease, as indicated by comparison with a previous ILFS survey, which shows that paid employment grows at a much lower rate than overall employment – an indication of an ongoing process of informalization.

Among paid employees, only 33 per cent of them are totally in the informal economy. On the other hand, only 32 per cent of them are in totally formal environment with fully formal employment conditions. The majority works in a higher or lower degree of informality, enjoying some of the entitlements resulting from labour legislation but never all of them, including coverage by contributory social security. With respect to this group, formalization of their status is possible and does not have to take long. It requires institutional efforts to enforce existing legislation and raise awareness of this legislation among employees and employers – apart from introducing new legislation wherever necessary. Some of these efforts are the responsibility of existing social security institutions – more effective enforcement of obligations to register and contribute to social security, but also raising awareness among employees and employers of their social security rights and obligations. It is also important to create stronger incentives to contribute by developing both well-designed social security policies and good governance of social security schemes.