



**CLASSIFICATION OF INFORMAL
SECTOR WORKERS AND
EMPLOYERS FOR APPROPRIATE
PENSION TARGETING**

REPORT

OCTOBER 2020

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LIST OF ABBREVIATIONS AND ACRONYMS

AAIB	Agriculture and Agrarian Insurance Board
APY	Atal Pension Yojana
CBK	Central Bank of Kenya
CMA	Capital Markets Authority
Ejo Heza LTSS	Ejo Heza Long-Term Savings Scheme
EPF	Employees' Provident Fund
FCA	Financial Conduct Authority
FSCA	Financial Sector Conduct Authority
FSD	Financial Sector Deepening
GEPF	Government Employees Pension Fund
IRA	Insurance Regulatory Authority
ISIC	International Standard Industrial Classification
ISSOS	Informal Sectors Skills and Occupations Survey
KACITA	Kampala City Traders Association
KNBS	Kenya National Bureau of Statistics
MSEA	Micro and Small Enterprises Authority
MSMSEs	Micro, Small and Medium Enterprises
MVIRBS	Mazima Voluntary Individual Retirement Benefits Scheme
NI	National Insurance
NPRA	National Pensions Regulatory Authority
NPS	National Pension System
NSSF	National Social Security Fund
PFRDA	Pension Fund Regulatory and Development Authority
PPF	Pension Protection Fund
RBA	Retirement Benefits Authority
SASRA	Sacco Societies Regulatory Authority
SSNIT	Social Security and National Insurance Trust
STP	Segmentation Targeting and Positioning
TPR	The Pensions Regulator
URBRA	Uganda Retirement Benefits Regulatory Authority

EXECUTIVE SUMMARY

Pensions play a key role in ensuring that the elderly persons in the society have an income in post-retirement to ensure that their basic needs are met. Saving for retirement is undertaken during the working age of an individual. Most pension systems are designed to cater mostly for workers in the formal sector resulting in low coverage of the huge population working in the informal sector. The informal sector generated 91% of new jobs in the Kenya economy in 2019. Pension coverage in Kenya increased from 19.5% in 2014 to 20.5% in 2019. However, pension coverage in the informal sector has remained low at approximately 1.3% in 2019. As contained in RBA's 2019-2024 strategic plan, one of the key strategic objectives is to increase pension coverage to the informal sector workers. RBA's target is to increase overall pension coverage to 30% by 2024. This study is aimed at classifying the informal/Micro, Small and Medium enterprises workers and employers for efficient pension targeting.

The informal/MSME sector in Kenya is heterogeneous in nature. It consists of enterprises (Micro, Small and Medium Enterprises (licensed and unlicensed MSMEs)) and workers (contract, casual workers, seasonal workers and family members). The findings of the study indicate that majority of the enterprises are micro constituting 98.3% while small and medium accounted for 1.5% and 0.2% respectively. The six largest economic activities (wholesale and retail trade - 62%; manufacturing - 12%; accommodation and food services - 9%; agriculture, forestry and fishing - 3%; transportation and storage - 3%; and education - 1%) account for about 90% of the total number of establishments. Workers in informal/MSME sector are majorly employed in micro enterprises, constituting 81.1% while employment in small and medium enterprises was 13.6% and 5.3% respectively. Similarly, workers in the six major economic activity category comprises of more than 87% of the labour workforce in the informal/MSME sector.

The medium enterprises have higher sales and profits on average compared to micro and small enterprises. Most of the medium enterprises indicated that generate monthly sales of more than Ksh 500,000 per month and profits of more than Ksh 100,000 per month while majority of small and micro enterprises generate monthly sales ranging between Ksh 100,001 and Ksh 500,000 and Ksh 10,001 and Ksh 50,000 respectively. Workers in the informal/MSME sector indicated that they are employed under contract and casual terms. Contribution to pension by enterprises was highest in medium enterprises at 60% followed by small and micro enterprises at 38% and 18% respectively. Contribution by workers to pension schemes was highest in medium enterprise firms. Willingness by enterprises to enrol workers to retirement benefits was 20% while 31% of workers indicated they were willing to contribute to pension. There are alternative channels being used by workers to plan for their retirement such as investing in chamas, buying land and saving in Saccos. Lack of resources was the most common reason preventing workers to contribute to pension.

The study findings revealed areas that need improvement as captured in chapter four of this report. Based on the findings, the proposed recommendations are as follows:

- i. Pension products for the informal/MSME sector should be developed considering the unique characteristics of the informal sector. For example, contributions and access to benefits should be more flexible;*
- ii. Creation of awareness to target homogenous groups that ensure that large numbers are enrolled. This will reduce the per unit cost of pension scheme administration and benefit from economies of scale;*
- iii. Pension products should offer competitive returns which will in turn make them more attractive. This will have an effect on increasing pension coverage;*
- iv. Schemes should leverage on technology in targeting and ensuring access to information. Transparency will be promoted through use of technology;*

- v. *Enhance communication through various channels such as SMS blasts, vernacular radio stations, and television. RBA should continue to facilitate creation of awareness to the workers and employers in the informal/MSME sector;*
- vi. *Collaboration between schemes and professional and organized informal associations is important in success of targeting workers and enterprises;*
- vii. *RBA should lobby the government for possible incentives to encourage informal sector workers to save for retirement. This should only be considered after an appropriate cost benefit analysis study is carried out; and*
- viii. *Enforcement of NSSF Act should be strengthened. This can be undertaken through collaboration with county governments and other government agencies such as Kenya Revenue Authority in order to ensure compliance.*

Following the analysis, the informal sector has been classified as follows:

Enterprises: Degree of Formality of Enterprises

This level of classification of enterprises yields three groups: licensed corporates, licensed non-corporates and unlicensed enterprises. The three classes are specified as:

- i. **Licensed corporates**-This class refers to enterprises that are registered as private companies and have single business permits acquired from county governments where they operate. The firms cut across the size spectrum, medium, small or micro enterprises.
- ii. **Licensed non-corporates**- This class includes enterprises that are not private companies but have single business permits acquired from county governments where they operate.
- iii. **Unlicensed enterprises**- This class is used to define enterprises that do not have an annual single business permit issued by county governments where they conduct operations.

Workers: Level of Income of Workers

The income level is key in targeting the workers who are in a financial position to enrol in retirement benefit schemes. Based on income level, three categories are derived as follows:

- i. **Relatively high income**-This is a category of workers earning above Ksh 50,001 per month. These will mainly be in licensed corporates.
- ii. **Middle income**-This category is of workers earning from Ksh 20,001 up to Ksh 50,000 per month. These will primarily be licensed corporates and non-corporates.
- iii. **Low income**-This is a category of workers earning Ksh 20,000 and less. These workers will mostly be working in licensed non-corporates and unlicensed enterprises.

Based on this classification, targeting strategy was developed targeting workers and employers as presented below.

Key targeting strategy aspects	Strategy	Target	Implementing actor
Product design	Enhance pension product features to accommodate more informal/MSME sector workers and employers	<ul style="list-style-type: none"> • Licensed corporates and non-corporates • Workers with relatively high and middle income 	Pension schemes RBA
Place and customer service	i. Leverage on technology and systems that are easy to use to facilitate remittance/access to benefit of deductions and access to information	<ul style="list-style-type: none"> • Licensed corporates and non-corporates 	Pension schemes
	ii. Utilization of mobile money, applications to remit and access information	<ul style="list-style-type: none"> • Workers with relatively high and middle income 	Pension schemes
	iii. Utilization of organised informal associations/groups to enhance access of information and communication	<ul style="list-style-type: none"> • Licensed corporates and non-corporates • Workers with relatively high and middle income 	Pension schemes
	iv. Ensure transparency of information with respect to remittances and cumulative contributions	<ul style="list-style-type: none"> • Licensed corporates and non-corporates • Workers with relatively high and middle income 	Pension schemes

Key targeting strategy aspects	Strategy	Target	Implementing actor
Rate of return	i. Ensure security of funds to create confidence in contributors	<ul style="list-style-type: none"> • Licensed corporates and non-corporates • Workers with relatively high and middle income 	RBA
	ii. Provide information on performance of pension funds	<ul style="list-style-type: none"> • Licensed corporates and non-corporates • Workers with relatively high and middle income 	Pension Schemes RBA
	iii. Ensure pension funds have competitive returns	<ul style="list-style-type: none"> • Licensed corporates and non-corporates • Workers with relatively high and middle income 	Pension Schemes RBA
Promotion	i. Undertake promotion through SMS blasts, vernacular radio stations, television, social media, professional associations, organised informal associations and opinion leaders	<ul style="list-style-type: none"> • Licensed corporates and non-corporates • Workers with relatively high and middle income 	Pension Schemes RBA
Regulatory framework	i. Strengthening enforcement to ensure all enterprises contribute to NSSF	<ul style="list-style-type: none"> • Licensed corporates and non-corporates 	RBA NSSF
	ii. Collaborate with county governments and other government agencies by enterprises	<ul style="list-style-type: none"> • Licensed corporates and non-corporates 	RBA NSSF

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Retirement Benefits Authority (RBA) was established through the Retirement Benefits Act No. 3 of 1997 as an autonomous body whose mandate is to regulate, supervise and promote the development of the pension industry. Through the efforts of RBA and other stakeholders, the sector has grown in pension coverage from 19.5%, in 2014 to 20.5% in 2019.

Pension systems play a key role in ensuring that elderly persons in the society have an income after retirement to assist meet their basic needs. In addition, pensions contribute to economic growth through mobilising long-term savings. Changes such as globalisation, digitisation and demographics are changing the labour market. This has caused an increase in non-standard workers such as part-time, temporary and self-employed workers. The new forms of work have necessitated governments to rethink ways of organising pension to ensure that non-standard workers are included¹.

Africa's informal sector has been on a growing trajectory and it is predicted to grow in the years to come. The informal sector forms the majority of the labour force. The level of income in the informal sector is lower compared to the formal sector which affects the ability to contribute for retirement. In addition, pension systems are designed to cater mostly for workers in the formal sector resulting in low coverage of the huge population working in the informal sector. Some workers and employers in the informal sector are able to save for retirement; however, the majority are not in a position to forego current consumption to save for the future. Creative solutions are required to increase inclusion of the informal sector in pension systems².

¹ OECD: Pensions at a Glance 2019

² World Bank, Extending Pension Coverage to the Informal Sector in Africa (2019)

According to Kenya National Bureau of Statistics, informal sector generated 91% of new jobs in the Kenya economy in 2019. Jobs created are majorly in micro and small enterprises which are mostly informal. Even with the increase in overall pension coverage in Kenya from 19.5% in 2014 to 20.5% in 2019, pension coverage in the informal sector has remained low at approximately 1.3%. As contained in RBA’s 2019-2024 strategic plan, one of the key strategic objectives is to increase pension coverage for the informal sector workers. RBA’s target is to increase pension coverage in the country to 30% by 2024. The plan to increase the informal/MSME sector pension coverage created a need to understand the sector more and its dynamics. Understanding the heterogeneity of the informal/MSME sector would lead to classification of the sector using homogeneous variables that would help isolate homogeneous subgroups thereby enabling development of effective targeting strategies.

In Kenya, the informal/MSME sector comprises of workers and employers as presented in Figure 1. The employers are from micro³, small and medium enterprises which can be licensed⁴ or unlicensed. The workers in this sector include those on contract, casual basis, seasonal employment and family members.

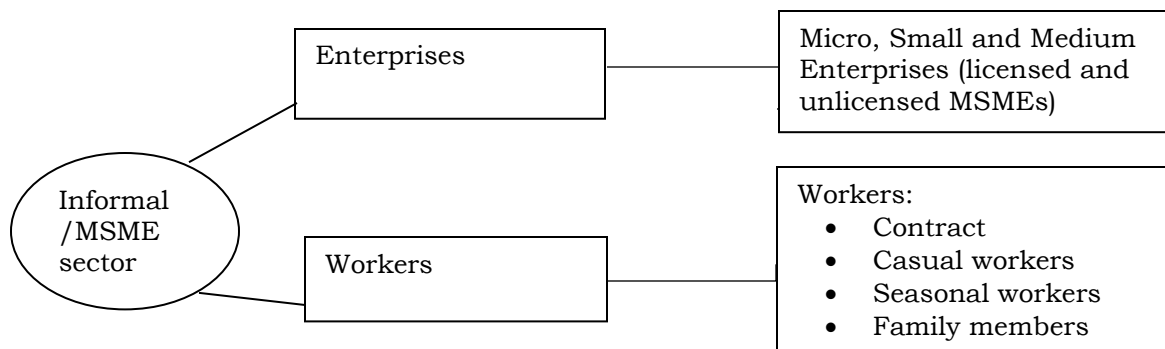


Figure 1: Informal/MSME sector in Kenya
Source: Consultants conceptualization, 2020

³ Micro enterprise category also includes self-employed enterprises that are owner operated, therefore with no employees

⁴ Licensed enterprises are firms with an annual single operating permit obtained from the county government of operation

1.2 OBJECTIVES OF THE STUDY

The study aimed at understanding the dynamics of the labour force engaged in the informal sector in Kenya and the underlying heterogeneity of this group. In addition, a framework was to be proposed for classification of the informal sector workers and employers. Further, an effective and efficient targeting strategy was to be developed in order to encourage the informal sector workers and employers to save for retirement. The specific objectives of the study entailed:

- i. Mapping-out the economic sectors and activities in which the informal sector employers and workers are predominantly engaged;
- ii. Understanding the existing dynamics and exploring the heterogeneity existing among the informal sector workers and employers;
- iii. Proposing a framework for classification of the informal sector workers and employers in the country; and
- iv. Proposing an appropriate strategy for targeting the informal sector workers and employers in pension coverage based on the proposed classification.

CHAPTER TWO

LITERATURE REVIEW

2.1 PENSION AS A FINANCIAL PRODUCT

Financial products broadly serve four needs (payment/transfers, liquidity management, resilience/dealing with shocks, and meeting long term goals). Pension (saving for retirement) is income smoothing whereby one accumulates financial resources during working life and consumes (de-saves) during retirement. Pensions serve a subset of the “meeting long term goals” financial need. It is closely related to liquidity management (where one saves and de-saves over a shorter duration) but with a longer time horizon. It is more probable that a consumer (where he makes the purchase decision) of a pension product is first and foremost a user of short-term saving products, that is, they would be transitioning savings from a short to a longer-term duration. Financial needs include payment/transfer of funds to pay for expenses or buy assets, liquidity management, that is balancing expenses and incomes in a single cycle. In addition, dealing with shocks that are unexpected which have a financial impact such as major sickness, accident or loss of business and meeting long term goals/objectives that require large amounts of money. These financial needs are met through various ways such as funds transfers, borrowing from financial institutions, digital applications, shylocks and family and friends; savings in Saccos, banks and chamas⁵.

The need to have money for use during retirement can be met by contributing in a pension scheme. In addition, there are many other mechanisms that are used for meeting the need, including investing in land, rental property, saving in banks/mobile platforms, cultivating strong family/friendship bonds, etc.

⁵FSD Kenya and CGAP, 2019; Makuvaza, Gray, Hougaard, & Jourdan, 2018

2.2 THEORETICAL FRAMEWORK

The study was underpinned on the life-cycle and segmentation, targeting and positioning (STP) theories.

a) The life-cycle theory

The life-cycle theory developed in early 1960s suggests that the consumption by an individual depends on resources available to them and the age of the individual. The theory argues that a rational consumer plans their consumption based on income earned to maximize their utility over their lifetime. The theory predicts that wealth accumulation will follow a “hump-shaped” pattern indicating that it is low near the beginning of adulthood and in old age, and peaking in the middle as presented in Figure 3. During middle age, an individual is able to save so that they can at least maintain their rate of consumption when they retire.

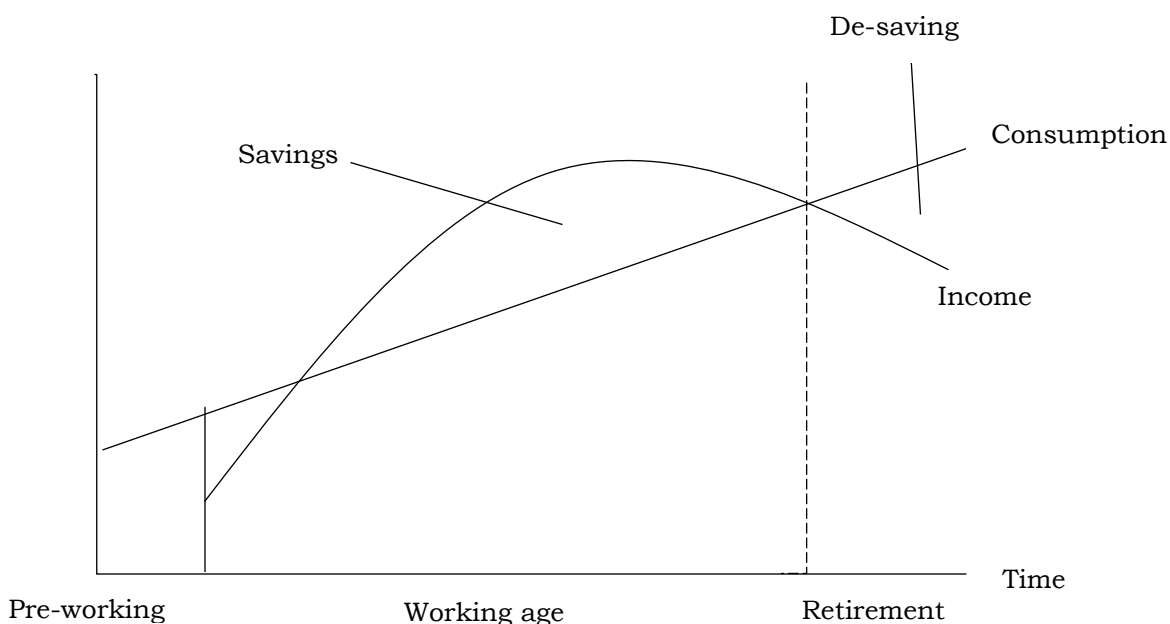


Figure 2: Life cycle theory

Source: www.investopedia.com

In order to save for retirement, the individual should have the willingness and ability to defer consumption during their working life in order to make long term savings which can yield returns to bridge the gap between consumption and income during old age. In the informal sector, there are groups whose consumption is below their

income and those whose income is equal or less than their level of consumption. The group whose income is less than or equal to their consumption (which comprises mainly basic needs) would be unable to forego consumption for savings. `

b) Segmentation, targeting and positioning

STP theory attempts to explain one of the ways firms can gain competitive advantage in the market. The STP approach proposes that even though individuals are heterogeneous, in a market there will be certain groups that are relatively homogenous. The various homogeneous groups may have different levels of attractiveness for commercial purposes. Based on STP theory there is need a for service or product provider to try and pinpoint the relevant segments in the market and direct appropriate marketing activities that promise higher payoffs.

The first step in the application of STP theory is to identify and segment the market into groups that are internally homogenous. Secondly is to determine the needs of each market segment. Thirdly is to undertake an analysis to identify which of these segments are financially viable. Lastly, the organization positions itself in the minds of the target segments so that the product or service is different from those of competitors.

The informal sector in Kenya is heterogeneous in nature which necessitates the need for identification of homogeneous categories from which potential groups that have the ability to save for pension will be identified. The potential groups identified will then be targeted using specific strategies.

2.3 PENSION COVERAGE CASE STUDIES

The following is a discussion of some initiatives to increase coverage of informal/MSME sector workers in selected countries.

I. South Africa

Retirement benefits funds in South Africa may be classified into four namely the Government Employees Pension Fund (GEPF), a defined benefit fund for government employees in South Africa; Transnet/Telkom/Post Office/Foreign Retirement Funds; Privately Administered Funds; and Underwritten Funds.

Apart from GEPF and Transnet/Telkom/PO/Foreign pension funds, retirement benefits funds in South Africa are regulated by the Financial Sector Conduct Authority (FSCA) which came into being on 1 April 2018. As at 31 March 2019, there were 5,140 registered retirement funds in South Africa under FSCA⁶ of which 1,528 (29%) funds were active. In addition, there were a total of 172 pensions benefit administrators.

Workers in the informal sector in South Africa are covered by a public pension fund financed from general government revenues, which provides a non-contributory, means-tested old age pensions. The scheme is the main source of income for approximately 75% of retirees, most of whom receive the full amount of Rand 940 a month. In addition, additional tax-incentivised saving for retirement is available for employees in the informal sector through voluntary savings vehicles. These are mainly in the form of Retirement Annuity fund policies, primarily offered by insurance companies. Although no official statistics are available for pension provisioning in the informal sector, coverage was estimated at 1% in 2009.

II. Ghana

A three-tier pension system exists in Ghana, comprising of two mandatory schemes and a voluntary scheme. The first-tier is a mandatory (for all employees in both the private and public sectors) basic Social Security and National Insurance Trust (SSNIT) pension scheme. The second-tier is a mandatory (for all employees) occupational pension scheme which is privately managed. The scheme is designed to provide contributors higher lump sum benefits than available under SSNIT. The

⁶A number of retirement funds are not subject to regulation and supervision under the PFA, including the Government Employees Pension Fund (GEPF), because they were established by separate statutes. All other funds must be registered in terms of the PFA and are thus regulated and supervised by the FSCA Retirement Fund Supervision Division.

third-tier, comprising of voluntary provident fund and personal pension schemes, supported by tax benefit incentives to provide additional funds for workers who want to make voluntary contributions to enhance their pension benefits and also for workers in the informal sector. The pension industry in Ghana is regulated by the National Pensions Regulatory Authority (NPRA), which was established by the National Pensions Act 2008, (Act 766). The first-tier is administered by SSNIT while 2nd and 3rd tiers are administered by trustees (individuals or corporate entities) who are licensed by the NPRA.

The first pension scheme in Ghana targeting the informal sector, the SSNIT Informal Sector Pension Scheme, was launched in 2005. By 2012, membership had grown to almost 100,000 contributors. Operationalization of the National Pension Act of 2008 resulted in withdrawal of SSNIT from the Scheme. Consequently, in 2012 management of the SSNIT Informal Sector Pension Scheme became the responsibility of the National Trust Holding Company. Currently, the scheme has over 155,000 members.

The SSNIT Informal Sector Pension Scheme is designed to include both a short-term savings account and a long-term retirement account. Members have flexibility on the amount to contribute and the frequency. Each contribution is divided into two equal parts and credited to the short-term savings account and a long-term retirement account. Members are allowed to withdraw the accumulated savings in the short-term accounts after five months of membership. Members may also use their short-term account as collateral to access credit from other financial institutions.

There are also several entities in Ghana offering pension products targeting the informal sector workers under the Tier 3 legal framework. These privately managed informal sector initiatives include United Pension Trustees ('My Own Pension'), the People's Pension Trust, and the Daakye Pension Trust. These initiatives have retained the short-term savings account and retirement account structure of the original SSNIT scheme. They also have additional features such as the use of mobile money,

wallet accounts, short message service reminders and standing orders. Although the initiatives are relatively new, dating from 2016 onward, they seem to be effective in reaching out to the informal sector and the number of participants is estimated to be 160,000.

III. Uganda

The retirement benefits industry is regulated by Uganda Retirement Benefits Regulatory Authority (URBRA). The formal pension sector comprises of contributory schemes targeting the working population in both formal and informal sectors and the non-contributory pay as you go public service pension scheme. The National Social Security Fund (NSSF) is the biggest scheme offering social security and protection to workers mainly within the formal sector. The Fund's limitations include restricting itself to formal sector organizations with more than five employees and not giving adequate platform for members of the informal sector to save for retirement. The other contributory schemes are Voluntary Retirement Benefits Schemes. These are employee owned benefit schemes that are established on provident funds basis by both public and private organizations. As of 2019, there were 63 schemes registered by the URBRA. These schemes are often managed independently of the mother institution, with fund managers being responsible for investment of the funds to obtain the best return for the members.

URBRA has licensed two voluntary non-employer schemes to cover workers in the informal sector or self-employed persons on a voluntary basis. These schemes are Mazima Voluntary Individual Retirement Benefits Scheme (MVIRBS) and Kampala City Traders Association (KACITA) Provident Fund. Membership to MVIRBS is open to anybody with emphasis on low-income earners. On the other hand, enrolment in Kampala City Traders Association (KACITA) Provident Fund is restricted to members of the Association. Additionally, NSSF has also introduced a Voluntary Membership Plan. The Plan targets employers and workers that are not compelled to save by mandatory provisions of the NSSF Act, granting them an opportunity to voluntarily save for their retirement.

Social security coverage for the informal sector workers is hampered by issues of mistrust and uncertainty of the security of retirement benefits as well as lack of flexibility in terms of contributions and access to the benefits. Further, there is inadequate awareness and mobilization of workers to form and/or join existing retirement benefits schemes.

IV. Rwanda

The pension system covers public sector workers and formal private sector employees and is managed by the Rwanda Social Security Board, a pay-as-you-go defined benefit scheme. The Pension sector is regulated by the National Bank of Rwanda. The licensed pension intermediaries include pension schemes (occupational and personal), administrators, investment managers and custodians.

To expand pension coverage, the government of Rwanda launched Ejo Heza Long-Term Savings Scheme (Ejo Heza LTSS) in October 2018. Ejo Heza LTSS is a voluntary defined contribution scheme open to the participation of all Rwandans and foreigners residing in Rwanda and administered by the Rwanda Social Security Board. Employers can also open accounts for employees, including domestic workers. The amount and frequency of contributions depend on the capacity of the participants to pay with daily, weekly, monthly, quarterly or annual contributions allowed. There are no penalties for missed contributions. The scheme provided a special fiscal incentives package for the first three years to encourage mass-scale enrolments. The incentives package includes a matching government contribution of up to RF 18,000 a year, along with free RF 1,000,000 life insurance policy and a RF 250,000 funeral insurance policy.

Members can access up to 40 percent of the accumulated savings for housing and education while 25 percent can be accessed for liquidity needs. Moreover, 40 percent of the total savings can be used as collateral to obtain a loan. Ejo Heza accounts are mapped to each member's unique national identification number and are portable

across jobs, locations, and service providers. Participants use national IDs and mobile phones or computers to activate their Ejo Heza accounts. Contributions are made using mobile wallets, bank accounts, or debit or credit cards. Members enjoy single-window access to services through a nationwide network of thousands of branches and agents of banks, cooperatives, savings and credit cooperative societies, MFIs and mobile money service providers. A web-and telephone-based mechanism has been established through a national toll-free helpline that provides information and complaints resolution support to members.

LTSS benefits are paid as a monthly pension that increases by 5 percent a year in line with inflation. The actual pension value is calculated and calibrated to last for 20 years, subject to a minimum of RF 20,000 per month (at 2017 prices). Subscribers who accumulate sufficiently to achieve a monthly pension of RF 100,000 over 20 years are able to withdraw a part of their savings as a lump sum. By November 2019, over 200,000 members had registered while 65,000 of them had started saving with the scheme.

V. India

Pensions in India encompass mandatory and voluntary components. Mandatory pensions include pensions scheme for civil servants and provident funds for the formal sector. Central and state government employees are enrolled in a defined contribution pension system, the National Pension System (NPS). Employees in the formal sector (firms with 20 or more employees) are obligated to participate in Employees Provident Fund and the Employees' Pension Scheme which are administered by the Employees Provident Fund Organization. Voluntary pensions include pension plans that are managed by mutual funds and insurance companies. In addition, the NPS is open to all citizens on a voluntary basis. The pensions sector is regulated by the Pension Fund Regulatory and Development Authority (PFRDA).

The private sector NPS, include people working in corporates as well as people in the informal sector. It is organized as follows: (1) NPS corporates, that is, companies that

subscribe for their employees; (2) NPS individuals, that is, people who may subscribe themselves; and (3) NPS lite, that is, individuals from low-income backgrounds who subscribe to the NPS.

To further enhance coverage of the low-income workers, the government of India started a co-contribution scheme, the NPS-Swavalamban in 2010. Members were availed a maximum co-contribution of Rs 1,000 every year if they managed to contribute Rs 1,000 to their NPS accounts. The co-contribution was promised for three years after inception. The NPS-Swavalamban did not guarantee a minimum pension and was therefore not popular. The scheme was discontinued in 2015 and replaced by the Atal Pension Yojana (APY), a defined contribution–defined benefit scheme for low-income workers. In the APY, members contribute a fixed sum every month and are then guaranteed a minimum pension amount, which varies between Rs 1,000 and Rs 5,000. The contributor has to choose the desired pension amount, and the contributions are based on this pension amount and the age of the individual. The scheme also offered a co-contribution mechanism whereby the government was to contribute 50 percent of the contribution or Rs 1,000 a year, whichever is lower, to subscribers who joined the APY before December 31, 2015, for the first five years (until 2019–20).

The scheme has three frequencies of payment: monthly, quarterly or semi-annually. A minimum of two contributions are mandatory every year. If subscribers miss a contribution, they can make good on the contribution later by paying a penalty decided by the Pension Fund Regulatory and Development Authority. If contributions are not paid for six months, the account is frozen. The scheme is open to individuals between ages 18 and 40. The member has to contribute for the full period to obtain a pension. For individuals joining at age 40, the minimum number of years is 20, that is, at the retirement age of 60. The APY front end is the savings account in a bank. At the back end, the APY relies on the NPS infrastructure. The banks pass on the contributions to the Central Recordkeeping Agency, the Pension Fund Managers, and the Trustee Bank. Mobile money is not used. All contributions and other transfers

must be routed through the specific bank account. By the end of financial year 2018-19, the total number of APY subscribers were 15,418,285.

VI. Sri Lanka

Government employees are covered by a noncontributory, tax-funded defined benefit pension scheme. Employees in large private sector firms are covered on a mandatory basis by a contributory provident fund arrangement managed by the Employees' Provident Fund (EPF). Under this scheme, employees contribute 8% of wages while employers are mandated to contribute 12% of employees' wages. Benefits are paid out to EPF subscribers at the age of 55 for men and 50 for women. Retirement benefits are paid in lump sum and hence do not adequately address the longevity risks of beneficiaries. There is also a housing loan benefit available to active members (defined as those who contribute actively and regularly); they can pledge up to 75% of their current account balances as collateral against housing loans drawn from certain financial intermediaries. The Commissioner of Labour is in charge of administration of the Employees' Provident Fund including registration of covered employees, collection and dispensing of funds, and ensuring compliance with the EPF regulations. The Monetary Board of the Central Bank of Sri Lanka is responsible for the management of the EPF fund. Formal pension programs in Sri Lanka cover roughly 10% of the workforce while a majority of the remaining workforce is employed in the informal sector and is excluded from formal pension and retirement benefit programs

A range of voluntary, contributory pension schemes are available to the informal sector workers in Sri Lanka. These include the Farmer's Pension Scheme (1987) administered and managed by the Agriculture and Agrarian Insurance Board (AAIB), and the Fisherman's Pension Scheme (1990). Both schemes are regulated by the Agricultural and Agrarian Information Board. These schemes are based on modest contribution amounts either on a regular/periodic manner (biannually for farmers and quarterly for fishermen) or as a yearly one-off payment. The rate of contributions is stipulated by order of government gazette and provides a schedule that specifies

the contribution amount for the year taking into account the age of the contributor, the frequency of payments, and whether payments are one-off or periodic. Payouts begin at the age of 60.

The Farmers' Scheme has enrolled 675,000 members out of an AAIB-estimated eligible 1.2 million farmers (56 per cent coverage) while the Fishermen's Scheme has enrolled 48,000 out of an estimated eligible 115,000 population (42 per cent coverage). However, there are cases of default by members of approximately 30-40 per cent in both schemes. In addition, the pensions provided by the schemes are low (due to low contribution amounts and short investing period) hence not able to provide adequate income in old age.

The self-employed have the option of joining the Self-Employed Persons Pension Scheme that was introduced in 1996. This scheme is managed and regulated by the Social Security Board. The Social Security Board also administers several occupation-based pension schemes for certain categories of the self-employed workforce such as migrant workers, medical doctors, small and medium-sized entrepreneurs, artists, journalists, small scale tea producers and beauticians. Contributions are made either on a regular (installments basis) or lump sum basis. Contributions are made quarterly and amount depends on the age of the contributor. The pension entitlement also varies in accordance with the age at enrolment and corresponding contribution level. As at December 2019, the total number of members enrolled in the Self-Employed Persons Pension Schemes was 715,013.

VII. United Kingdom

The UK has three main types of pension schemes namely public pensions, private pensions: occupational and private pensions: personal. There are two tiers under the public pensions: Tier 1 is an unfunded –pay as you go system that is paid through National Insurance contributions and redistributes money throughout the population to provide all individuals with a minimum standard of living. It includes the basic State Pension and the new State Pension. Tier 2 is also provided by the state as an

additional, earning-related top-up. It operates on an unfunded 'pay-as-you-go' contributory basis, through the National Insurance (NI) system. These are supplemented by a voluntary private pensions sector, comprising DB or DC occupational schemes (run on a trust basis) and personal pension arrangements. Pension coverage is around 40% of the working population.

Public pensions are governed by the UK government while workplace pension schemes are regulated by The Pensions Regulator (TPR). Group and Personal pension schemes (provided by insurance companies) are regulated by the Financial Conduct Authority (FCA). A Pension Protection Fund (PPF) was set up by the Government (2005) to pay compensation to members of eligible defined benefit schemes where there is a qualifying insolvency event in relation to the sponsoring employer and where there are insufficient assets to the levels of compensation payable by the PPF.

Under the current UK pension system, informal sector employees are mainly covered by the Basic State Pension and/or personal pension arrangements. Self-employees are entitled to the Basic State Pension as long as they contribute to the system for a certain period (i.e. 30 years) and reach the state pensionable age which is currently 65. The basic state pension is GBP 122.30 per week, which is adjusted at least in line with inflation. In order to help low-income pensioners, the UK government offers Pensions Credit, consisting of a means-tested Guarantee Credit and a Savings Credit. The Pension Credit amounts to GBP £159.35 a week for a single person or GBP 243.25 for a couple. Self-employed persons with annual profits between GBP 5,035 and GBP 33,540 pay an earnings-related contribution of 8%, plus 1% of any profits above GBP 33,540. 15% of contributions (insured person, employer and self-employed) are allocated to the National Health Service, while the contributions also help finance sickness and maternity benefits, work injury benefits and unemployment benefits. In addition to the above-mentioned public pensions, self-employees can also participate in stakeholder pensions. Stakeholder pensions are available to almost everybody, including people in employment, fixed contract workers, the self-employed and people who are not actually working but can afford to

make contributions. There are no maximum contribution limits. Contributions can be paid on a weekly or monthly basis or can be made as a one-off payment. The stakeholders' schemes are also low cost, with management charges restricted to 1% per annum. Under current legislation, a member can commence drawing retirement benefits from the age of 55 and does not have to stop work to draw benefits. Up to 25% of the accumulated fund can be withdrawn as a tax-free cash lump-sum with the balance used to provide an income. Total membership of occupational pension schemes in the UK was an estimated 45.6 million in 2018 while active membership was 17.3 million (the private sector with 11.0 million and public sector with 6.3 million). Active membership of private sector defined contribution occupational schemes was 9.9 million.

VIII. Kenya

The pension sector in Kenya is supervised by the Retirement Benefits Authority. The main schemes are The National Social Security Fund (a pension/provident that is mandatory for all employers and employees in Kenya), government employee schemes (central government, county government and teachers), occupational schemes (mainly established by employers both in private and public sector), umbrella schemes (drawing membership from several small and medium sized firms) and individual pension schemes. The umbrella and individual pension schemes (presently numbering about 30 and 34 respectively) are mainly established, marketed and managed by insurance companies. It is primarily the individual pension schemes that presently serve informal sector workers and employers.

While the informal sector consists 83% of the working population in Kenya, only 1.3%⁷ belong to a pension scheme. This sector has low and variable incomes and high poverty levels. The absence of formal contracts in this sector causes most workers not to be able to access social security services due to job insecurity. The

⁷ Data from RBA

overall pension coverage in Kenya is estimated to be 20% but very low for the informal sector as shown below.

EMPLOYMENT	
Wage Employees (A)	2,765,100
Self Employed (B)	152,200
Informal Sector (C)	14,865,900
TOTAL EMPLOYEES (A+B+C)	17,783,200

Source: Economic Survey, 2019

Central Government (D)	206,400
Teachers (E)	313,600
County Government (F)	178,700
Individual Pension Schemes (G)	199,024
Umbrella Schemes (H)	112,296
NSSF (I)	2,629,689
Occupational Schemes (J)	540,487
TOTAL MEMBERS (D+E+F+G+H+I+J)	3,639,709

Source: RBA, 2019

$$\text{Overall Pension Coverage} = \frac{D+E+F+G+H+I}{A+B+C} = 20.5\%$$

$$\text{Coverage for the Informal Sector} = \frac{G}{C} = 1.3\% \text{ (Estimate)}$$

The best known and largest of the Individual Pension Plans is the Blue MSMEs Jua Kali Individual Retirement Benefits Scheme (Mbao Pension Plan). According to Kabare (2018), the Mbao Pension Plan was established by the Kenya National Federation of Jua Kali Associations as a voluntary retirement savings scheme and was registered by RBA in 2009. The scheme is managed by Eagle Africa Insurance Brokers (fund administrator), Coop Trust Investment Services (fund manager) and Kenya Commercial Bank Limited (custodian). It is a voluntary savings plan drawing membership mainly from the informal sector. Members contribute a minimum of 20 shillings daily using mobile money platforms such as MPesa (Safaricom) or Airtel Money (Airtel) which are widely accessible to majority of Kenyans. In addition, members use mobile phones to access information on their account balance. In 2019, the number of active mobile subscribers in Kenya was 53.2 million translating to 112%⁸ mobile (SIM) penetration. Use of mobile money accounts have increased due to the convenience and low-cost payment aspects. Adults in Kenya owning mobile

⁸ Communications Authority of Kenya First Quarter Sector Statistics Report for The Financial Year 2019/2020, (2019)

money accounts are approximately 8 in 10⁹. The availability of mobile money services has led to ease of making contributions by members and accessing information.

Mbao pension plan has been able to provide financial services and increase the financial literacy in the informal sector by encouraging members to save for their retirement. The membership of the scheme increased from 80,181 in 2018 to 91,000 in 2019. Some of the reasons why the uptake has been slow are due to lack of knowledge and understanding about retirement savings. In addition, members withdrawal after a very short period of time is common. Other challenges include inadequate communication on how the scheme operates and low levels of public trust in pension.

2.4 KEY LESSONS LEARNT

The following lessons were drawn from practices in other countries as discussed in the earlier sections:

- i. The successful uptake of pension products by the informal sector workers and employers shows that there is a demand for these instruments. Sensitization and more focused targeting of the informal sector could yield more uptake of pension products.
- ii. Appropriate products design can enhance enrolment of the informal sector workers in a pension scheme. For example, a product having both a short term and long-term savings components. In addition, flexibility of amount and frequency of contributions to accommodate potential members with irregular incomes. These can be daily, weekly, monthly, quarterly, biannually or annually.
- iii. Since the average contribution from workers in the informal sector is relatively low, the per shilling unit cost of pension scheme administration costs are also relatively high. Consequently, there is need for pension schemes targeting the sector to be large in order to benefit from economies of

⁹ Financial Sector Deepening, Annual Report (2019)

scale. Adoption of modern ICT solutions can enhance efficiency including information access by members.

- iv. Appropriate incentives, subject to cost benefit considerations, could be inbuilt in the design of pension products to enhance attractiveness and enrolment by the informal sector workers for example co-contribution by the government.

CHAPTER THREE

METHODOLOGY

3.1 STUDY CONCEPTUALIZATION

In the informal sector in Kenya, there are groups that live above and below the poverty line. For households that live below the poverty line, it is difficult to forego consumption in order to save. This is due to low levels of income compared with consumption and irregularity in both income and consumption among other reasons. This study therefore focused on groups within the informal sector with the ability to save for long term purpose which was undertaken purposefully during data collection. The study sought to identify clusters exhibiting similar characteristics within the groups. From these clusters, high potential categories of workers and employers were identified as presented in Figure 2.

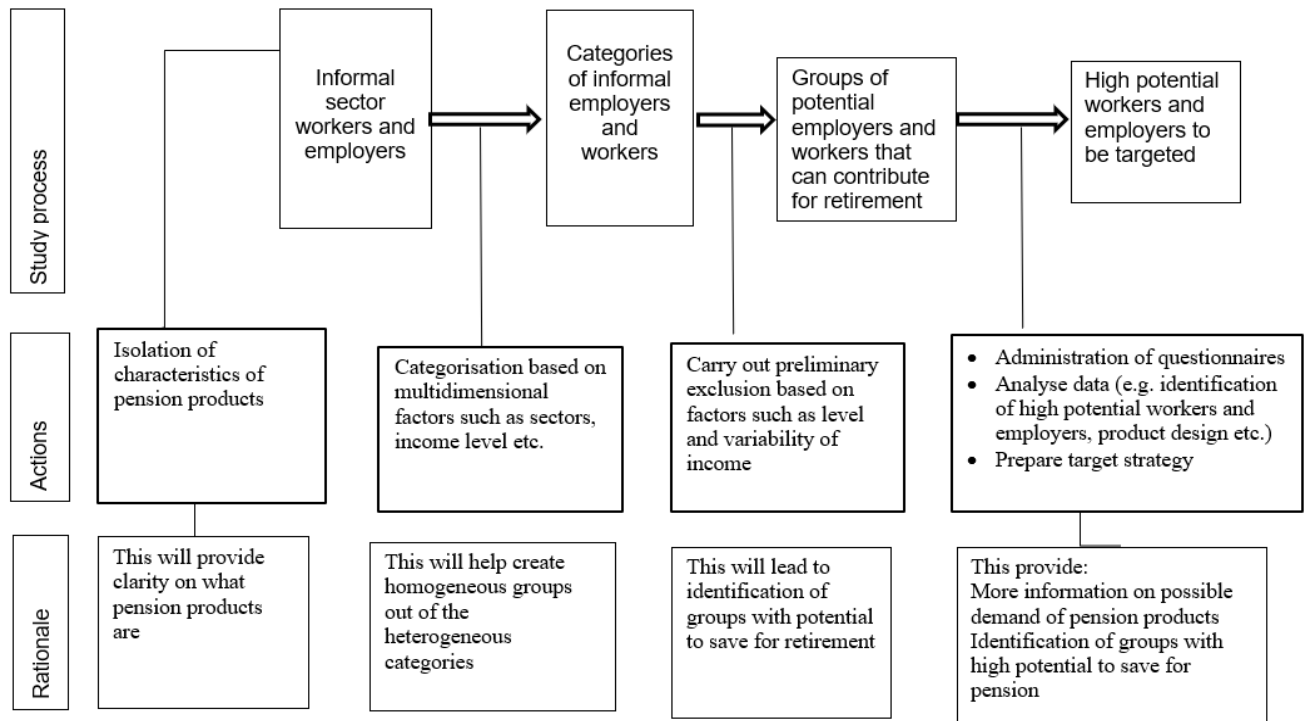


Figure 3: Informal sector in Kenya
Source: Consultants conceptualization, 2020

3.2 STUDY DESIGN

In carrying out the study, a descriptive research design was adopted in which both quantitative and qualitative approaches were used.

3.3 POPULATION AND SAMPLE

The study targeted players in the pension industry as presented in Table 1

Table 1: Sample size

Stakeholder	Population	Sample size
1. Enterprises	7,410,000	700
2. Workers	14,890,000	1,200

The study also targeted other key stakeholders who included: schemes (individual, umbrella and mandatory), professional associations and informal sector trade associations/groups and other stakeholders¹⁰

The study was undertaken in 7 regions covering 13 counties, that is: Central (Kiambu, Nyeri); Coast (Mombasa, Kilifi); Eastern (Meru, Machakos); Nyanza (Kisumu, Kisii); Rift Valley (Nakuru, Uasin Gishu); Western (Kakamega, Bungoma); and Nairobi. The distribution of the sample in various regions and counties is presented in Appendix I.

3.4 DATA COLLECTION METHODS

The study used both primary and secondary data. Primary data was collected using questionnaires and interview guides presented in Appendix II. Questionnaires were administered to the sampled workers and enterprises in the informal/MSME sector in 13 counties. Key informant interviews were held and secondary data was obtained from publications¹¹.

¹⁰Sacco Societies Regulatory Authority (SASRA), Central Bank of Kenya (CBK), Capital Markets Authority (CMA), Insurance Regulatory Authority (IRA), Micro and Small Enterprises Authority (MSEA), World Bank and Financial Sector Deepening)

¹¹Primarily Micro Small and Medium Establishments Basic Report, 2016, Informal Sectors Skills and Occupations Survey (ISSOS), 2020 and Kenya Census of Establishments (COE), 2017

3.5 QUALITY CONTROL

To ensure quality of the study, the consultants used a participatory approach that ensured involvement of RBA. Training of research supervisors and assistants was carried out to ensure a common understanding of the purpose of the study, the kind of data to be collected and the content of data collection tools. Data quality controls were also instituted which included a review of data collection instruments by RBA, serialisation of returned questionnaires for accountability, use of a tailor-made database with safe guards to enhance data accuracy during entry, and undertaking random checks of entered data to verify accuracy.

3.6 DATA ANALYSIS

Data collected was inspected for completeness, coded and the data keyed into Statistical Package for Social Sciences. Descriptive statistics including frequency, percentages and proportions were used in the analysis of the data. Cluster analysis was undertaken to arrive at classes/homogeneous groups. In addition, content analysis was used to analyse qualitative information collected in the study.

CHAPTER FOUR

STUDY FINDINGS

4.1 RESPONSE RATE

The overall response rate was 77% and the response rate for each category was as shown in Table 2. The overall response rate was considered adequate for analysis.

Table 2: Study response rate

Identified Stakeholders	Sample size	No. of respondents	Response rate
1. Enterprises	700	515	74%
2. Workers	1,200	953	79%
Total	1,900	1,468	77%

Key informant interviews were undertaken with schemes and other stakeholders as presented in Appendix III.

4.2 MAPPING OF THE ECONOMIC ACTIVITIES OF THE INFORMAL SECTOR/MSME EMPLOYERS AND WORKERS

The first objective of the study was to map out the economic sectors and activities in which the informal sector employers and workers are predominantly engaged. In order to achieve this, the study relied primarily on secondary data. This was in appreciation of the fact that the best source of such information was comprehensive household-based surveys. The analysis of the 2019 Kenya Population and Housing Census component that deals with the subject is yet to be finalized. The Micro, Small and Medium Enterprises survey that was carried out in 2016 contains detailed information on employees and enterprises in the informal sector. This was a nationwide survey that analysed data collected from 46,000 enterprises and 11,000 households. MSMEs in the study consisted of enterprises, licensed or otherwise, with up to 99 employees. Primary activities, including growing cash crops such as tea, coffee, sugarcane, were excluded. However, agri-businesses were included.

The Informal Sectors Skills and Occupations Survey (ISSOS) was another detailed study carried out in 2019. It was also a nationwide survey that analysed data

collected relating to 7 thousand establishments. The entire agriculture, forestry and fishing sector was excluded. Establishments were defined to be “enterprises not registered by registrar of companies...”.

There are differences, as expected, between the reports, as shown below:

	2016 (MSME Report)	2019 (ISSOS Report)
Enterprises	7,410,485	4,994,787
Workers	14,901,665	11,718,909

Source: Kenya National Bureau of Statistics (2016) and Ministry of Labour and Social Protection, (2020).

However, the general picture conveyed by the two reports is consistent, for example wholesale and retail trade; manufacturing; and accommodation and food services activities are positions one, two and three in 2016 and 2019 with respect to both the number of establishments and workers. Data from the 2016 MSME survey, which was more comprehensive, was used as the main source relating to the first objective. The economic sectors and activities that have been used in this study (by and large in line with what was used in the 2016 and 2020 reports and also the 2020 Economic Survey) are as per the International Standard Industrial Classification of All Economic Activities (ISIC) Rev II.

4.2.1 Informal Sector Enterprises

The numbers of establishments (micro small and medium) within the respective economic activities are shown in Table 3.

Table 3: Distribution of enterprises by economic activity and size category

Economic Activity	Number in each category				Percentage
	Micro	Small	Medium	Total	
Agriculture, forestry and fishing	243,685	307	6	243,998	3.29
Mining and quarrying	19,510	790	-	20,300	0.27
Manufacturing	865,475	6,631	2,094	874,200	11.80
Electricity, gas, steam and air conditioning supply	308	188	4	500	0.01

Economic Activity	Number in each category				Percentage
	Micro	Small	Medium	Total	
Water supply; sewerage, waste management and remediation services	12,438	862	-	13,300	0.18
Construction	10,121	2,090	289	12,500	0.17
Wholesale and retail trade: including repair of motor vehicles and motorcycles	4,535,452	32,083	3,565	4,571,100	61.68
Transportation and storage	229,349	3,648	988	233,985	3.16
Accommodation and food services activities	649,707	19,553	1,377	670,638	9.05
Information and communication	9,660	2,616	124	12,400	0.17
Financial and insurance activities	60,260	4,651	590	65,500	0.88
Real estate activities	50,190	672	238	51,100	0.69
Professional, scientific and technical activities	15,507	3,306	487	19,300	0.26
Administrative and support service activities	22,517	2,606	177	25,300	0.34
Education	42,083	24,683	1,134	67,900	0.92
Human health and social work activities	16,926	1,989	585	19,500	0.26
Arts, entertainment and recreation	57,969	931	-	58,900	0.79
Other service activities	446,687	3,242	135	450,065	6.07
TOTAL	7,287,844	110,849	11,793	7,410,485	100
Percentage	98.3	1.5	0.2	100.0	

Source: Adapted from Kenya National Bureau of Statistics (2016).

Majority of the establishments (98%) are micro, with small and medium sized ones accounting for only 2%. The six largest economic activities (wholesale and retail trade - 62%; manufacturing - 12%; accommodation and food services - 9%; agriculture, forestry and fishing - 3%; transportation and storage - 3%; and education - 1%) account for about 90% of the total number of enterprises.

4.2.2 Employment by Economic Activity

The distribution of the workers in the informal sector by activity and size of enterprises where they are engaged is shown in Table 4.

Table 4: Distribution of workers by economic activity and size of enterprise category

Economic Activity	Number in each category				Percentage
	Micro	Small	Medium	Total	
Agriculture, forestry and fishing	389,930	6,083	788	396,801	2.66
Mining and quarrying	38,930	16,222	-	55,153	0.37
Manufacturing	1,489,321	129,779	139,405	1,758,506	11.80
Electricity, gas, steam and air conditioning supply	3,465	8,111	-	11,576	0.08
Water supply; sewerage, waste management and remediation services	15,065	16,222	-	31,288	0.21
Construction	36,791	42,584	18,902	98,277	0.66
Wholesale and retail trade including repair of motor vehicles and motorcycles	7,241,203	547,506	226,041	8,014,750	53.78
Transportation and storage	282,916	68,945	59,858	411,719	2.76
Accommodation and food services activities	1,192,047	367,032	92,149	1,651,228	11.08
Information and communication	31,186	52,723	6,301	90,210	0.61
Financial and insurance activities	128,209	83,140	44,893	256,242	1.72
Real estate activities	88,956	14,195	12,602	115,752	0.78
Professional, scientific and technical activities	51,311	60,834	43,318	155,463	1.04
Administrative and support service activities	62,372	46,639	11,026	120,038	0.81
Education	171,807	456,255	85,061	713,123	4.79
Human health and social work activities	48,081	42,584	33,867	124,532	0.84
Arts, entertainment and recreation	79,586	14,195	-	93,781	0.63
Other service activities	735,089	54,751	13,389	803,229	5.39
TOTAL	12,086,265	2,027,800	787,600	14,901,665	100
Percentage	81.1	13.6	5.3	100.0	

Source: Adapted from Kenya National Bureau of Statistics (2016).

From the analysis, the top six economic activities (wholesale and retail trade - 54%; manufacturing - 12%; accommodation and food services - 11%; education - 5%; transport and storage - 3%; and agriculture, forestry and fishing - 3%) account for 87% of the labour absorption.

The average (arithmetic mean) number of employees in each enterprise, obtained by dividing the workers by entities is shown in Table 5.

Table 5: Average number of workers per enterprises by economic activity and size category

Economic Activity	Number in each category			
	Micro	Small	Medium	Combined
Agriculture, forestry and fishing	1.6	19.8	125.0	1.6
Mining and quarrying	2.0	20.5		2.7
Manufacturing	1.7	19.6	66.6	2.0
Electricity, gas, steam and air conditioning supply	11.3	43.1	-	23.2
Water supply; sewerage, waste management and remediation services	1.2	18.8		2.4
Construction	3.6	20.4	65.5	7.9
Wholesale and retail trade, including repair of motor vehicles and motorcycles	1.6	17.1	63.4	1.8
Transportation and storage	1.2	18.9	60.6	1.8
Accommodation and food services activities	1.8	18.8	66.9	2.5
Information and communication	3.2	20.2	50.8	7.3
Financial and insurance activities	2.1	17.9	76.2	3.9
Real estate activities	1.8	21.1	52.9	2.3
Professional, scientific and technical activities	3.3	18.4	88.9	8.1
Administrative and support service activities	2.8	17.9	62.3	4.7
Education	4.1	18.5	75.0	10.5
Human health and social work activities	2.8	21.4	57.9	6.4
Arts, entertainment and recreation	1.4	15.2		1.6
Other service activities	1.6	16.9	99.1	1.8
Overall	1.7	18.3	66.8	2.0

Source: Computed from Tables 3 and 4

It is noteworthy that the informal sector workers are relatively widely dispersed in the entire country, with nine counties needed to achieve about 50% (Nairobi - 19%; Machakos - 6%; Nakuru - 5%; Kakamega - 5%; Kiambu - 4%; Bungoma - 3%; Kisumu - 3%; Homabay - 3%; and Mombasa - 3%) as shown in Table 6. Twenty-five counties account for a relatively low share of employment with a cumulative total of about 20%.

Table 6: Employment by county and enterprises size

County	Number in each category '000'				Percentage
	Micro	Small	Medium	Total	
Nairobi	1,848.40	750.7	252.3	2,851.40	19.14
Machakos	778.2	81.9	15.8	875.9	5.88

County	Number in each category '000'				Percentage
	Micro	Small	Medium	Total	
Nakuru	531.8	143.7	81.2	756.7	5.08
Kakamega	629.6	59.2	36.8	725.6	4.87
Kiambu	457.6	138.9	48.3	644.8	4.33
Bungoma	468.7	28.7	7.1	504.5	3.39
Kisumu	351	97	50.4	498.4	3.35
Homa Bay	395.8	49	16.3	461.1	3.09
Mombasa	345.3	77.1	18.8	441.2	2.96
Kilifi	405.2	14.3	14.7	434.2	2.91
Uasin Gishu	362.3	50.9	7.2	420.4	2.82
Meru	347.2	47.8	16.7	411.7	2.76
Kisii	293.9	35.6	13.3	342.8	2.3
Kajiado	232.8	66.9	27	326.7	2.19
Nyeri	279.9	13.9	19.2	313	2.1
Bomet	303.2	8.8	-	312	2.09
Siaya	294.8	5.8	6.2	306.8	2.06
Migori	226.6	57.9	5.4	289.9	1.95
Kwale	217.1	17.8	14.7	249.6	1.68
Kericho	181	45.7	21.4	248.1	1.67
Kirinyaga	207.1	11.7	6.3	225.1	1.51
Narok	159.3	25.4	16.6	201.3	1.35
Nandi	182.3	9.5	3.3	195.1	1.31
Turkana	180.9	8.6	2.3	191.8	1.29
Busia	166	6.2	17.1	189.3	1.27
Makueni	175.9	9.9	1.6	187.4	1.26
Muranga	171.2	8	3.5	182.7	1.23
Nyamira	150.3	20.9	5.6	176.8	1.19
Embu	154.8	15.7	3.9	174.4	1.17
Trans-Nzoia	148.1	11.7	8.2	168	1.13
Baringo	156	11.2	-	167.2	1.12
Taita Taveta	125.5	17.9	21.9	165.3	1.11
Nyandarua	144.8	8.5	10.5	163.8	1.1
Vihiga	127.5	6.4	0.5	134.4	0.9
Laikipia	116.2	13.1	4.4	133.7	0.9
Kitui	115.7	9	-	124.7	0.84
Tharaka	113.8	5	-	118.8	0.8
Mandera	101.2	13.7	-	114.9	0.77
West Pokot	96.2	1.2	-	97.4	0.65
Garissa	63.4	2.9	1.5	67.8	0.46
Lamu	57.2	4.2	1.1	62.5	0.42

County	Number in each category '000'				Percentage
	Micro	Small	Medium	Total	
Samburu	51.6	6.3	1.1	59	0.4
Tana River	46.6	1.6	2.2	50.4	0.34
Marsabit	47.3	2.3	0.5	50.1	0.34
Elgeyo Marakwet	40.4	3.2	-	43.6	0.29
Isiolo	26.8	2.2	1.5	30.5	0.2
Wajir	6.4	0.4	1.1	7.9	0.05
Kenya	12,082.90	2,028.30	787.5	14,898.70	100

Source: Adapted from Kenya National Bureau of Statistics (2016).

It is evident that the top six economic activities account for over 80% by both number of enterprises and number of workers in the informal sector. The relative importance of these economic activity categories in the country were established. Table 7 shows the GDP by economic activity for the year 2019.

Table 7: Gross domestic product by economic activity, 2019

Economic Activity	GDP, Current Prices	
	Shs million	Percentage
Agriculture, forestry and fishing	3,326,299.2	36.52
Transportation and storage	830,582.2	9.12
Wholesale and retail trade including repair of motor vehicles and motorcycles	740,411.2	8.13
Manufacturing	734,609.1	8.06
Real estate activities	675,302.3	7.41
Financial and insurance activities	582,926.1	6.40
Construction	541,760.4	5.95
Education	413,611.4	4.54
Public administration and defense	352,859.0	3.87
Electricity, gas, steam and air conditioning supply	163,642.7	1.80
Human health and social work activities	149,483.2	1.64
Information and communication	116,355.1	1.28
Administrative and support service activities	85,047.8	0.93
Professional, scientific and technical activities	77,869.0	0.85
Accommodation and food services activities	71,811.0	0.79
Mining and quarrying	67,329.6	0.74
Water supply; sewerage, waste management and remediation services	65,377.4	0.72

Economic Activity	GDP, Current Prices	
	Shs million	Percentage
Other service activities	62,126.4	0.68
Activities of households as employers	39,743.3	0.44
Arts, entertainment and recreation	11,734.9	0.13
TOTAL	9,108,881.3¹²	100

Source: Adapted from Kenya National Bureau of Statistics (2020).

At the national level, the categories to which the six economic activities that contribute more than 80% of employment and enterprises in the MSME/informal sector account cumulatively (formal and informal sectors) for about 67% of GDP. These were agriculture, forestry and fishing - 36.52%; transport and storage - 9.12%; wholesale and retail trade - 8.13%; manufacturing - 8.06%; education - 4.54%; and accommodation and food services - 0.79%. In addition, there were three activities that had a relatively large contribution to GDP that were not in the original list of six. These are real estate activities - 7.41%; financial and insurance activities - 6.40%; and construction - 5.95%. There may be need to include these to the initial priority list of six (they shall all cumulatively contribute about 87% of GDP) to derive nine economic activities for further consideration.

In summary the economic activities wherein over 80% of informal sector employers and workers and the types of ventures are shown in Table 8.

Table 8: Predominant economic activities and examples of ventures

Economic activity	Type of venture
Agriculture, forestry and fishing	Crops farming Livestock Fishery Forestry Agricultural inputs and services-agro vets
Transportation and storage	PSVs - matatus and buses Bodaboda Tuktuks

¹²A net of Shs 631 billion relating to Financial intermediation services indirectly measured and taxes on products have been excluded

	Taxis Transporters- lorries, pickups
Wholesale and retail trade	Sellers of household goods-beauty shops Food product market-cereals Clothing and shoes Hawking/ street vendors Hardware, construction materials, motor vehicle/motorcycle spare parts
Manufacturing	Leather and shoe making Tailoring Carpentry Food and beverage Metal work and fabrication
Real estate activities	Property management-agents, caretakers Land agents Security firms
Financial and insurance activities	Mobile banking and agency banking- Mpesa, Airtel money Insurance brokers and agents
Construction	Construction of buildings and roads
Education	Private schools- day care centers, kindergarten, primary, secondary Private colleges
Accommodation and food services activities	Hotels and restaurants (without accommodation) Accommodation-lodgings, motels Food vendors-food kiosks Bars and entertainment places

Source: Adapted from Kenya National Bureau of Statistics (2020, 2016).

4.3 CHARACTERISTICS OF INFORMAL/MSME WORKERS AND EMPLOYERS

4.3.1 ENTERPRISES

4.3.1.1 Distribution of Enterprises by Form of Business

Majority of micro, small and medium enterprises (MSMEs) (76%, 59% and 40%) were sole proprietorships while 9%, 17% and 34% of MSMEs were private companies as presented in Table 9.

Table 9: Distribution of enterprises by form of business and size category

Form of business	Micro Enterprises (n=279)	Small Enterprises (n=174)	Medium Enterprises (n=58)
Sole proprietor ¹³	76%	59%	40%
Partnership	15%	25%	26%
Private company	9%	17%	34%
Overall	55%	34%	11%

4.3.1.2 Size of the MSMEs/Informal Enterprises

The highest proportion of enterprises was from wholesale and retail trade at 19% followed by manufacturing and transport at 13% each as shown in Table 10.

Table 10: Distribution of enterprises by size and economic activity

Activity	Micro Enterprises (n=280)	Small Enterprises (n=174)	Medium Enterprises (n=59)	n	Overall
Wholesale and retail trade	20%	19%	19%	99	19%
Manufacturing	11%	13%	24%	69	13%
Transport	15%	10%	14%	68	13%
Accommodation and food services	7%	9%	10%	40	8%
Human health	7%	7%	5%	34	7%
ICT	8%	6%		31	6%
Agriculture	6%	6%	2%	29	6%
Personal services	6%	6%	3%	29	6%
Professional services	5%	6%	3%	26	5%
Financial services	5%	6%	2%	24	5%
Repairs (motor vehicles and appliances)	5%	3%	3%	21	4%
Mining, quarrying and	2%	3%	7%	15	3%

¹³ Enterprises with sole owners not registered as a company

Activity	Micro Enterprises (n=280)	Small Enterprises (n=174)	Medium Enterprises (n=59)	n	Overall
construction					
Real estate	1%	3%	5%	11	2%
Water and sanitation	3%	1%		11	2%
Education	1%	1%	3%	6	1%
Overall	55%	34%	12%	513	

4.3.1.3 Membership to Professional/Trade Associations

The analysis indicates that 37% of medium of enterprises were registered with a trade association/professional association compared to 19% and 29% of micro and small enterprises respectively as shown in Table 11.

Table 11: Membership to professional/trade associations of enterprises by economic activity and size category

Economic activity	Micro Enterprises		Small Enterprises		Medium Enterprises	
	n	%	n	%	n	%
Manufacturing	32	13%	23	13%	14	50%
Financial services	13	15%	10	40%	1	100%
Mining, quarrying and construction	5	40%	6	17%	4	-
Wholesale and retail trade	55	7%	33	9%	11	18%
Agriculture	17	24%	11	27%	1	100%
Real estate	2	0%	6	50%	3	33%
Education	2	50%	2	50%	2	-
Transport	42	24%	18	33%	8	50%
Repairs (motor vehicles and appliances)	14	14%	5	0%	2	-
Personal services	17	6%	10	0%	2	50%
ICT	21	5%	10	20%	0	
Accommodation and food services	19	16%	15	60%	6	17%
Water and sanitation	9	-	2	-	0	
Professional services	13	69%	11	82%	2	50%
Human health	19	47%	12	58%	3	100%
Overall	280	19%	174	29%	59	37%

4.3.1.4 Income of the MSMEs/Informal Enterprises

a) Monthly sales

Half of micro enterprises (50%) generate between Ksh 10,001 and Ksh 50,000 while 39% of small enterprises generate between Ksh 100,001 and Ksh 500,000. Most (49%) of medium enterprises generate monthly sales of more than Ksh 500,000 as shown in Table 12. The mean of monthly sales was increasing with the size category of enterprise.

Table 12: Distribution of enterprises by sales and size category

Monthly sales (Ksh)	Micro Enterprises- (n=213)	Small Enterprises (n=133)	Medium Enterprises (n=46)	Overall	
				n	Percentage
Less than 10,000	16%	4%	2%	41	10%
10,001 – 30,000	25%	11%	4%	70	18%
30,001-50,000	25%	13%	7%	73	19%
50,001-100,000	18%	17%	9%	64	16%
100,001-200,000	9%	19%	13%	50	13%
200,001-500,000	5%	20%	16%	46	12%
500,001-1,000,000	1%	12%	25%	29	7%
More than 1,000,000	1%	5%	24%	19	5%
Mean monthly sales (Ksh)	82,800	283,850	633,450	392	212,700

b) Profits of MSMEs/Informal Enterprises

Majority (69%) of medium enterprises indicated that they generated more than Ksh 100,000 monthly profit while 64% of small enterprises generated monthly profits of Ksh 40,000 and above. Sixty one percent of micro enterprises generated monthly profits of Ksh 6,000 to Ksh 40,000 as presented in Table 13. In addition, the bigger the enterprise size category the higher the monthly sales.

Table 13: Distribution of enterprises by monthly profits and size category

Monthly profit (Ksh)	Micro Enterprises(n=274)	Small Enterprises(n=170)	Medium Enterprises(n=58)	Overall	
				n	Percentage
Less than 2,000	4%	2%		13	3%

Monthly profit (Ksh)	Micro Enterprises(n=274)	Small Enterprises(n=170)	Medium Enterprises(n=58)	Overall	
				n	Percentage
2,001- 6,000	15%	4%		49	10%
6,001- 10,000	20%	5%	2%	64	13%
10,001- 20,000	19%	11%	5%	74	15%
20,001- 40,000	22%	13%	5%	84	17%
40,001-100,000	11%	28%	19%	89	18%
100,001-200,000	5%	16%	21%	55	11%
More than 200,000	4%	20%	48%	74	15%
Mean monthly profit	36,890	99,730	167,210	502	74,365

4.3.1.5 Employment in the informal/MSMEs sector

a) Distribution of workers by salary and gender

The highest proportion of workers in the informal/MSME sector earn between Ksh 10,000 and Ksh 30,000. Majority of the workers (82%) employed in micro enterprises earn a monthly salary of less than Ksh 20,000 while only 37% of workers in medium enterprises are in that earning category as presented in Table 14.

Table 14: Distribution of workers by earnings level, gender, and enterprises size category

Monthly salaries/wages range	Micro Enterprises(n=297)				Small Enterprises(n=530)				Medium Enterprises(n=232)				Overall (n=1,059)	
	Male	Female	n	Total	Male	Female	n	Total	Male	Female	Total	n	Total	Total %
Less than 10,000	23%	12%	103	35%	11%	9%	107	20%	6%	6%	13%	30	240	23%
10,001-20,000	30%	17%	139	47%	19%	17%	186	36%	12%	12%	24%	55	383	36%
20,001-30,000	7%	4%	34	11%	13%	9%	111	22%	15%	12%	27%	62	214	20%
30,001-50,000	3%	1%	13	4%	7%	4%	59	11%	12%	8%	19%	45	117	11%
50,001-70,000	1%	0.3%	5	2%	3%	2%	28	5%	6%	5%	11%	26	59	6%
70,001-100,000	0.3%	0.3%	2	1%	2%	1%	17	3%	2%	2%	4%	10	29	3%
More than 100,000	0.3%		1	0%	2%	1%	12	2%	1%	1%	2%	4	17	2%
	15,170	14,856		15,060	26,113	23,253		24,877	31,310	30,660		31,013		23,477.16

b) Distribution of workers by earnings level and economic activity

Economic activities that a large proportion of their workers in the lowest earning category of Ksh 10,000 and less include agriculture and repairs (motor vehicles and appliances) at 62.2% and 33.3% respectively, as presented in Table 15.

Table 15: Distribution of workers by earnings and economic activity

Economic activity	n (1,052)	Less than Ksh 10,000	Ksh 10,001- 20,000	Ksh 20,001- 30,000	Ksh 30,001- 50,000	Ksh 50,001- 70,000	Ksh 70,001- 100,000	Ksh More than 100,000
Manufacturing	168	26.2%	33.9%	17.9%	10.7%	6.0%	2.4%	3.0%
Financial services	41	26.8%	34.1%	19.5%	9.8%	2.4%	2.4%	4.9%
Mining, quarrying and construction	47	6.4%	23.4%	31.9%	19.1%	12.8%	4.3%	2.1%
Wholesale and retail trade	173	31.2%	39.9%	16.8%	6.9%	2.3%	2.9%	
Agriculture	45	62.2%	28.9%	4.4%	4.4%			
Real estate	30	20.0%	50.0%	20.0%	10.0%			
Education	33	21.2%	24.2%	24.2%	15.2%	9.1%	6.1%	
Transport	108	14.8%	34.3%	29.6%	13.9%	7.4%		
Repairs (motor vehicles and appliances)	33	33.3%	36.4%	24.2%	6.1%			
Personal services	52	26.9%	50.0%	11.5%	7.7%	3.8%		
ICT	48		60.4%	29.2%	8.3%	0.0%	2.1%	
Accommodation and food services	112	27.7%	33.0%	17.9%	11.6%	5.4%	4.5%	
Water and sanitation	19	31.6%	63.2%	5.3%				
Professional services	65	0.0%	32.3%	21.5%	16.9%	13.8%	7.7%	7.7%
Human health	78	9.0%	30.8%	24.4%	17.9%	10.3%	5.1%	2.6%

c) Distribution of workers according to type of employment and gender

Most of workers in informal/MSME sector (48%) are employed under contract while only 2% comprise of family workers as shown in Table 16.

Table 16: Distribution of workers by type of employment economic activity and gender

Type of employment	Micro Enterprises (n=298)				Small Enterprises (n=397)				Medium Enterprises (n=159)				Total (n=854)			
	Male	Female	n	Sub - total	Male	Female	n	Sub - total	Male	Female	n	Sub - total	Male	Female	n	
On contract	28%	15%	126	42%	28%	24%	207	52%	25%	23%	76	48%	47%	49%	409	48%
Casual staff	27%	16%	129	43%	19%	15%	135	34%	19%	15%	54	34%	38%	37%	318	37%
Seasonal staff	9%	4%	37	12%	7%	5%	47	12%	9%	8%	27	17%	14%	12%	111	13%
Family workers	1%	1%	6	2.0%	1%	1%	8	2.0%	1%	1%	2	1.3%	1%	3%	16	2%

As shown in Table 17, the highest proportion of workers in informal/MSME sector (26%) have a secondary level of education.

Table 17: Distribution of workers by level of education, gender, and size of enterprise

Level of education	Micro Enterprises (n=378)				Small Enterprises (n=633)				Medium Enterprises (n=256)				Overall (n=1,267)			
	Male	Female	n	Sub -total	Male	Female	n	Sub -total	Male	Female	n	Sub -total	Male	Female	n	
None	1.3%	0.3%	6	1.6%	0.3%	0.2%	3	0.5%	0.4%	0.4%	2	0.8%	1%	1%	11	1%

Level of education	Micro Enterprises (n=378)				Small Enterprises (n=633)				Medium Enterprises (n=256)				Overall (n=1,267)			
	Male	Female	n	Sub-total	Male	Female	n	Sub-total	Male	Female	n	Sub-total	Male	Female	n	
Primary	8.5%	1.9%	39	10.3%	5.5%	2.5%	51	8.1%	4.3%	3.9%	21	8.2%	10%	6%	111	9%
Secondary	17.7%	11.1%	109	28.8%	14.4%	11.1%	161	25.4%	13.3%	10.5%	61	23.8%	26%	27%	331	26%
Certificate	16.7%	7.9%	93	24.6%	13.9%	10.4%	154	24.3%	10.5%	12.5%	59	23.0%	24%	25%	306	24%
Diploma	13.5%	9.8%	88	23.3%	13.0%	9.5%	142	22.4%	14.8%	12.9%	71	27.7%	23%	25%	301	24%
Higher diploma	1.6%	1.1%	10	2.6%	5.2%	3.6%	56	8.8%	5.1%	3.5%	22	8.6%	7%	7%	88	7%
Bachelor's degree	5.6%	2.4%	30	7.9%	5.1%	3.8%	56	8.8%	3.9%	3.1%	18	7.0%	8%	8%	104	8%
Post graduate	0.5%	0.3%	3	0.8%	0.9%	0.6%	10	1.6%	0.4%	0.4%	2	0.8%	1%	1%	15	1%

d) Method of Payment of workers in the informal/MSME sector

Cash is the most used mode of payment for wages/salaries in the micro enterprises at 50% and mobile money at 28%. Bank accounts were used the most by medium and small enterprises at 61% and 47% respectively as presented in Figure 4.

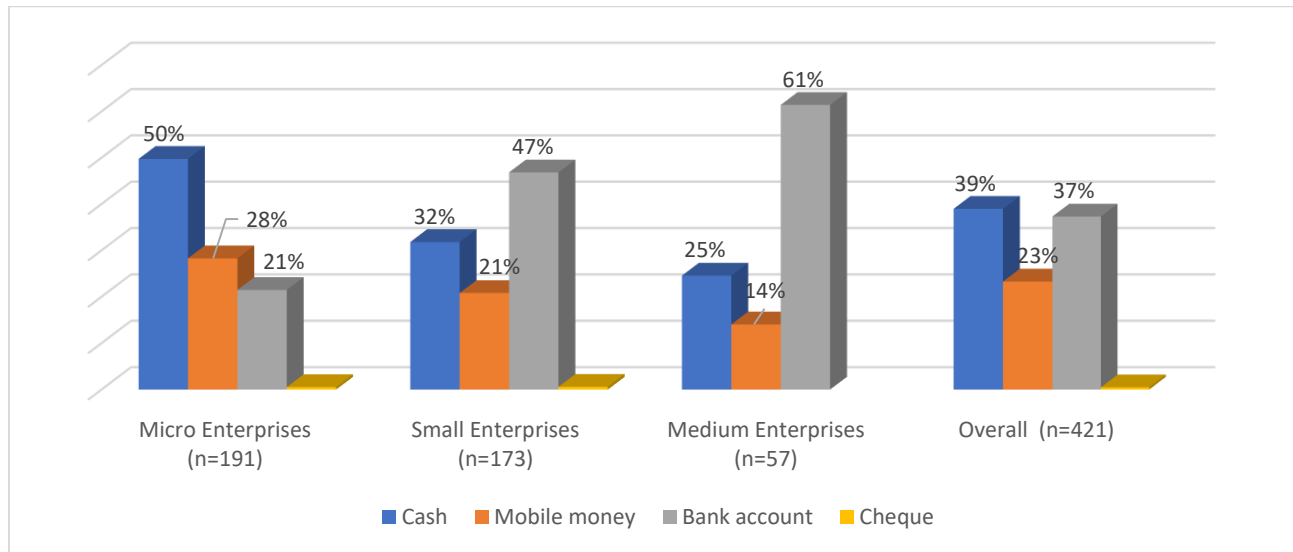


Figure 4: Main method used by enterprises for payment of wages and salaries of workers

Majority of the enterprises pay workers engaged on contract and casual terms on monthly basis as shown in Table 18.

Table 18: Frequency of payment of workers by nature of employment and size of enterprise

Form of employment	Micro Enterprises				Small Enterprises				Medium Enterprises						
	n	Daily	Weekly	Bi weekly	Monthly	n	Daily	Weekly	Bi weekly	Monthly	n	Daily	Weekly	Bi weekly	Monthly
On contract	91	1.1%	1.1%		97.8%	121	0.8%	1.7%	0.8%	96.7%	48	2.1%			97.9%
Casual staff	98	35.7%	14.3%	3.1%	46.9%	87	26.4%	14.9%	6.9%	51.7%	37	10.8%	18.9%	21.6%	48.6%
Seasonal staff	20	75.0%	10.0%		15.0%	27	40.7%	25.9%	7.4%	25.9%	21	52.4%	14.3%	9.5%	23.8%
Family workers	5	40%	40%	20%		5	40%		20%	40%	1	100%			

4.3.1.6 Participation in Pension by Enterprises

4.3.1.6.1 Awareness of Retirement benefits schemes

The overall awareness level of retirement benefit schemes among enterprises was 91%. Majority of the medium enterprises (93%) indicated they were aware of retirement benefit schemes as presented in Figure 5.

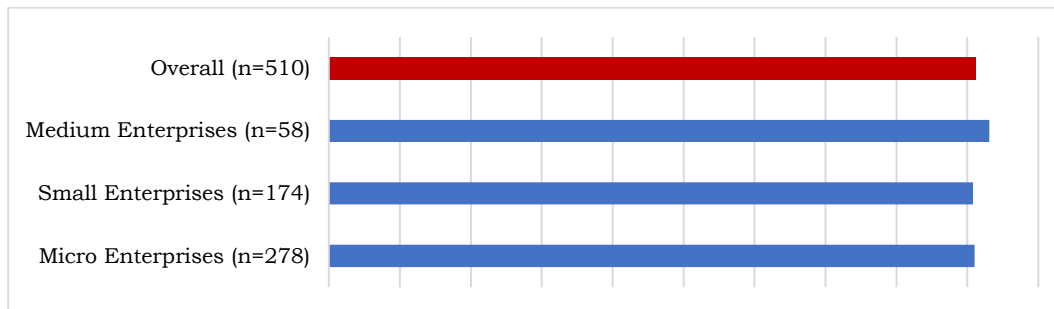


Figure 5: Awareness of retirement schemes by enterprises

Fifty eight percent of the enterprises that knew about pension became aware of retirement benefits schemes through television while 33% was through radio as presented in Table 19.

Table 19: Awareness channels by size of enterprises

Method	Micro Enterprises	Small Enterprises	Medium Enterprises	Overall
n	280	175	60	515
TV	55%	63%	62%	58%
Radio	34%	31%	33%	33%
From my current employer	18%	30%	25%	23%
Print media	23%	30%	28%	26%
Social media	17%	22%	23%	20%
From my former employer	23%	14%	8%	18%
From friends	15%	24%	37%	21%
Through sensitization meetings	8%	12%	10%	10%
My own research	1%	1%	2%	1%

Responses from key informant interviews from professional and informal associations indicated that they are aware of pension and its importance. In addition, they indicated that they have been approached by some pension schemes however, they have not

partnered to enrol their members. However, some professional associations such as Law Society of Kenya indicated that they have a pension scheme.

4.3.1.6.2 Contribution to retirement benefit schemes

As presented in Figure 6, the highest proportion of enterprises contributing to pension for their workers was medium enterprises at 60% followed by small and micro enterprises at 38% and 18%. The overall contribution for MSME/informal sector was 30%.

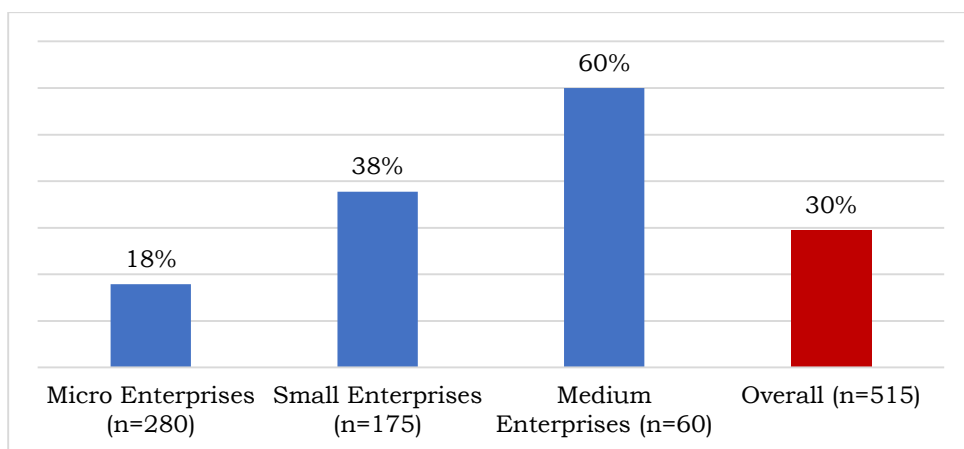


Figure 6: Contribution to retirement benefit schemes for workers by size of enterprise

Majority, 68% of enterprises registered as private companies indicated they contribute to pension for their workers compared to 22% of enterprises that are owned by a sole proprietor as shown in Figure 7.

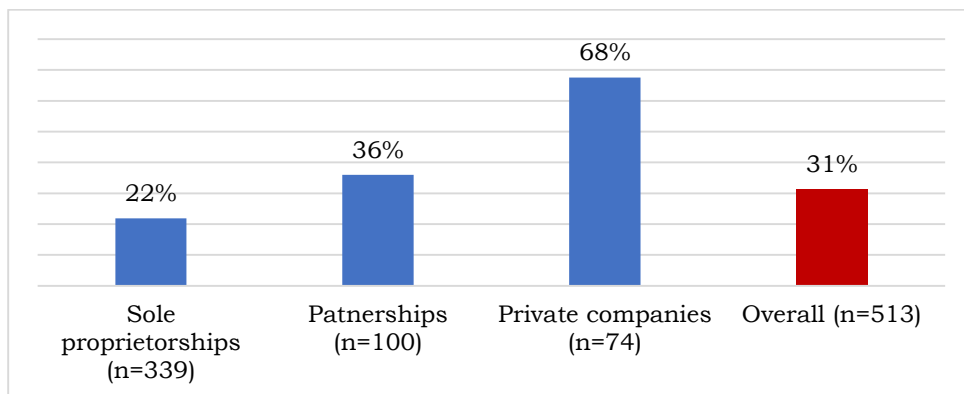


Figure 7: Contribution to retirement benefit schemes for workers by form of enterprise

According to responses from key informant interviews, the schemes that have been engaging the MSME/informal sector have put in place various initiatives to achieve this. The initiatives include use of geographical blocks to target areas with high concentration of informal workers and employers, enhanced communication through use of SMS, radio and television. Simplified process of enrolment and use of technology to avail information and remittance of contribution were identified as key initiatives that have been employed to better serve this sector. In addition, tailor making products for the informal/MSME sector to suit their needs was highlighted as a key success strategy. This is through flexibility in amount and frequency. Access to services have been simplified through adoption of remittance channels such as mobile money which is widely accepted within the informal sector.

Table 20 presents distribution of uptake across various economic activities. The sector with the highest proportion of enterprises contributing to pension was education (at 50%) while the lowest was water and sanitation at 9%.

Table 20: Contribution to retirement benefit schemes for workers by economic activity and size of enterprise category

Economic activity	Micro Enterprises		Small Enterprises		Medium Enterprises		Overall	
	n		n		n		n	Percentage
Manufacturing	32	9%	23	26%	14	57%	69	25%
Financial services	13	15%	10	40%	1		24	25%
Mining, quarrying and construction	5	40%	6	83%	4	25%	15	53%
Wholesale and retail trade	55	7%	33	30%	11	55%	99	20%
Agriculture	17	6%	11	27%	1		29	14%
Real estate	2	50%	6	33%	3	67%	11	45%
Education	2		2	50%	2	100%	6	50%
Transport	42	33%	18	39%	8	50%	68	37%
Repairs (motor vehicles and appliances)	14	7%	5	40%	2	100%	21	24%
Personal services	17	24%	10	30%	2	50%	29	28%
ICT	21	29%	10	60%	0		31	39%
Accommodation and food services	19	16%	15	53%	6	83%	40	40%

Economic activity		Micro		Small		Medium	Overall	
	n	Enterprises	n	Enterprises	n	Enterprises	n	Percentage
Water and sanitation	9	11%	2		0		11	9%
Professional services	13	46%	11	27%	2	50%	26	38%
Human health	19	11%	12	58%	3	100%	34	35%

Medium enterprises indicated they contribute to NSSF which is a mandatory scheme and 7% had employer sponsored schemes. Micro enterprises indicated that they do not have employer sponsored schemes as presented in Table 21. The National Social Security Fund Act, 2013 provides that every employer with one or more employees is required to register his/her employees as members of the Fund. The findings indicate that enterprises have a low contribution rate to the scheme which is contrary to the provision of the Act.

Table 21: Distribution of enterprises by size contributing to retirement benefits schemes for workers

Size of enterprise	n	NSSF	Individual pension	My employer sponsored
Micro Enterprises	280	17%	2%	2%
Small Enterprises	175	38%		1%
Medium Enterprises	60	52%		7%

Most of the enterprises not contributing towards retirement benefits indicated that lack of resources was the main reason for not contributing followed by the perception that pension is only for formally employed workers as presented in Table 22.

Table 22: Reasons for not contributing to retirement benefits schemes for workers

Reasons (n)	Percentage %
Lack of resources	38%
I do not think it is necessary	6%
I do not trust pension schemes	13%
That is for employees in formal employment	44%

The professional and informal associations indicated that key hindering factors include low returns, predominance of micro and small enterprises that engage staff on a contractual basis.

4.3.1.6.3 Willingness to enrol workers to retirement benefit schemes

The overall willingness by enterprises to enrol their workers to retirement benefit schemes was 20%. The highest proportion of enterprises indicating willingness to contribute was micro enterprises at 23% followed by small and medium enterprises at 17% and 13% respectively as shown in Figure 8.

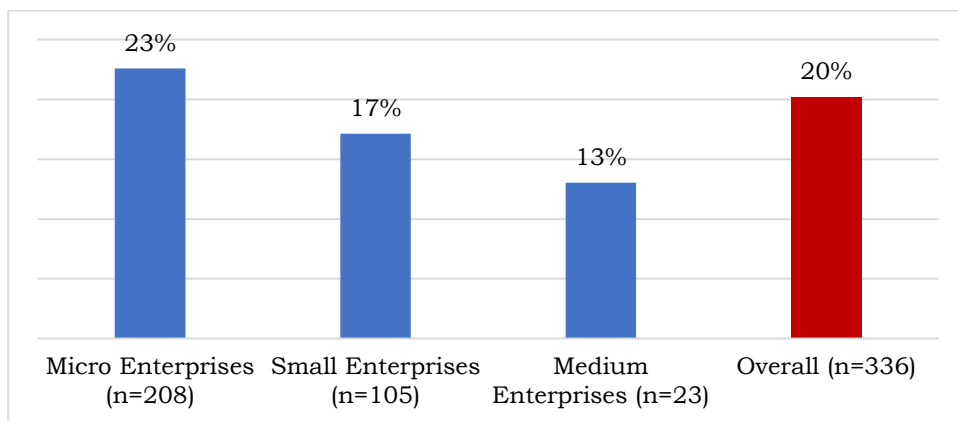


Figure 8: Willingness to enrol workers to retirement benefit schemes

Most of the enterprises that are willing to contribute indicated that they would prefer contributing a specific standard amount towards workers’ pension as depicted in Table 23.

Table 23: Preferred method of deduction by size of enterprise

Nature of enterprise	n	A percentage of worker’s salary	A standard amount per worker
Micro Enterprises	27	22%	78%
Small Enterprises	18	39%	61%
Medium Enterprises	3	67%	33%

The most preferred remittance mode by those who are not contributing but willing to contribute for medium and small enterprises is through bank transfer/deposit however micro enterprises preferred use of mobile money as presented in Table 24.

Table 24: Most preferred mode of remitting deductions to retirement benefit schemes by size of enterprise

Size of enterprise	n=81	Mobile money	Bank transfer/deposit	Cheque	Cash
Micro Enterprises	26	41%	32%	12%	15%
Small Enterprises	33	23%	52%	16%	10%
Medium Enterprises	13	22%	44%	33%	
Overall		32%	41%	16%	11%

4.3.2 WORKERS

4.3.2.1 Distribution of workers by gender

Majority of the workers (50%) were from micro enterprises followed by small and medium enterprises at 36% and 14% respectively as presented in Figure 9.

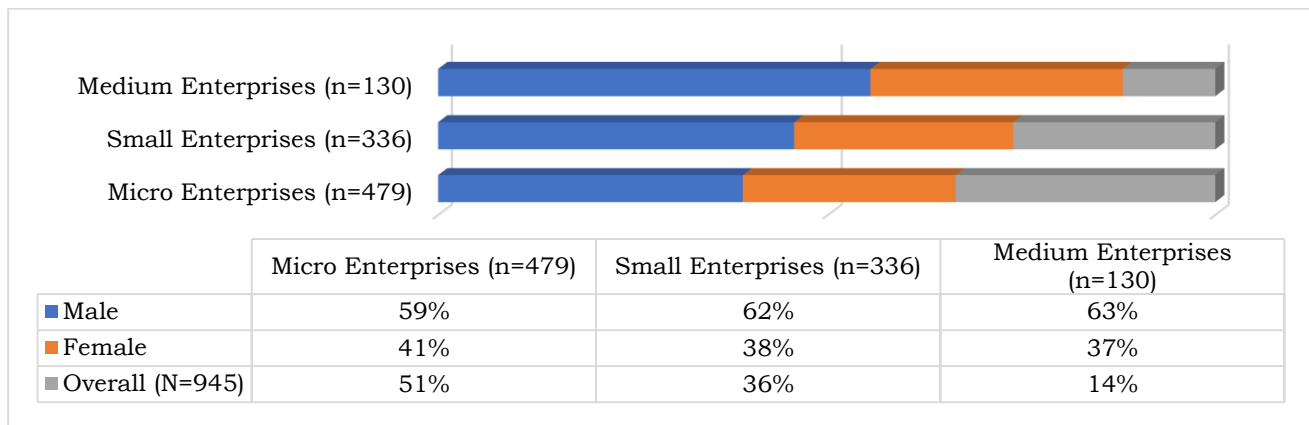


Figure 9: Distribution of workers by size of enterprises and gender

4.3.2.2 Economic Activities

Most of the workers were drawn from wholesale and retail and manufacturing at 19% each as shown in Figure 10.

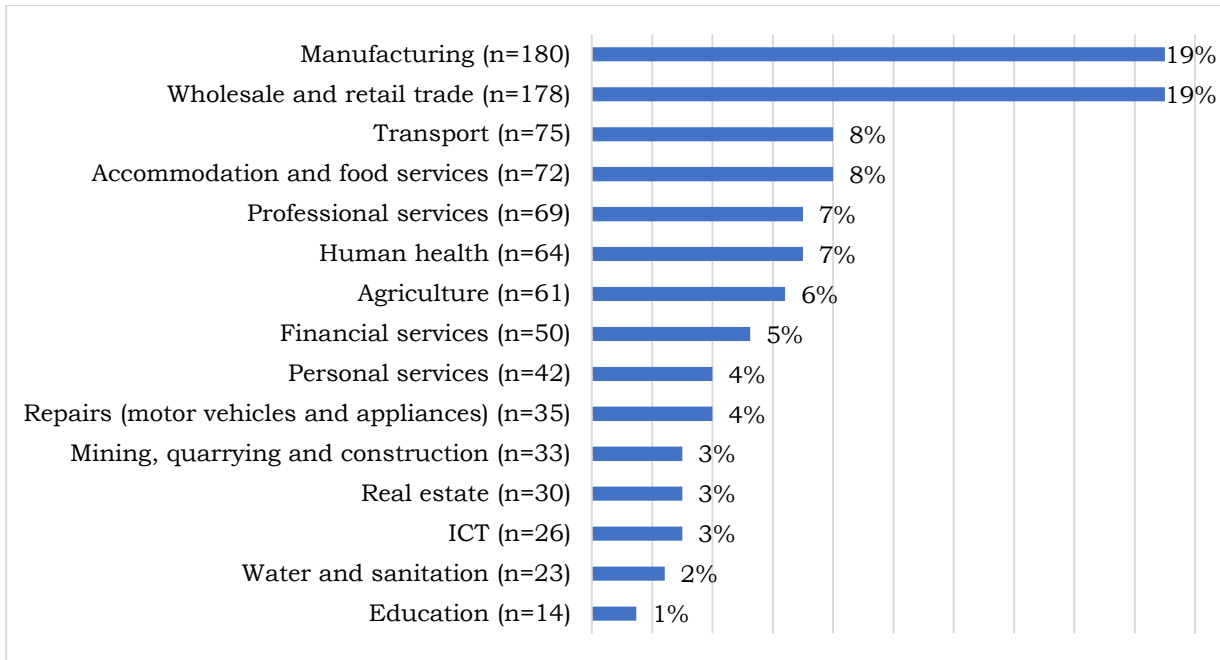


Figure 10: Distribution of workers by enterprises' economic activity

4.3.2.3 Age

Majority of worker respondents under were aged 25 to 35 years at 61% as presented in Figure 11.

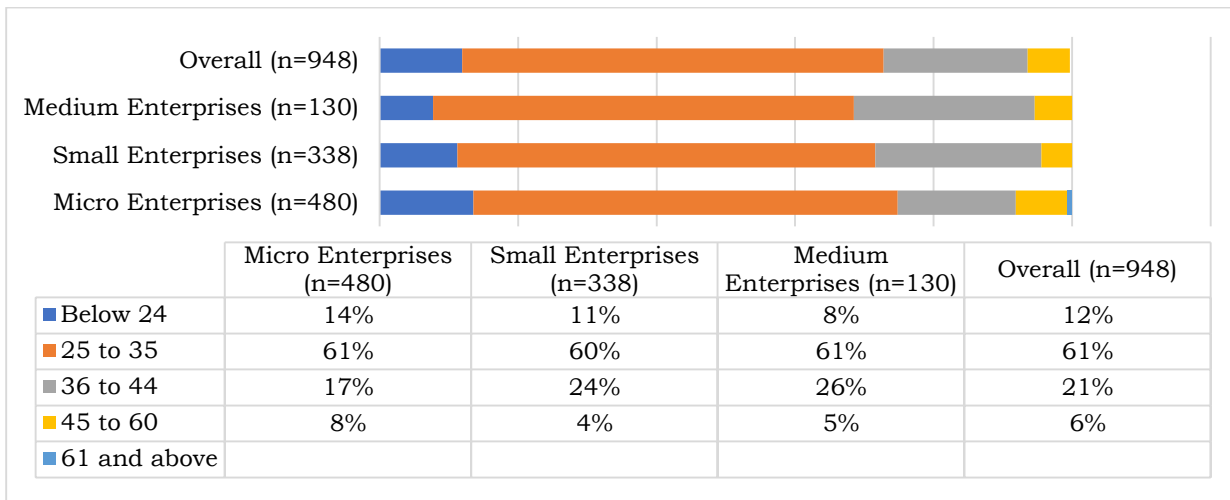


Figure 11: Distribution of workers by age and size of enterprise

4.3.2.4 Level of education

Most of the respondents (31%) were holders of secondary school certificate followed by diploma at 23% for as presented in Table 25.

Table 25: Distribution of workers by level of education and size of enterprise

Level of education	Micro Enterprises (n=480)	Small Enterprises (n=339)	Medium Enterprises (n=131)	Overall (n=950)
None	3%	1%	0%	1%
Primary	13%	8%	3%	9%
Secondary	30%	35%	21%	31%
Certificate	19%	21%	16%	19%
Diploma	23%	19%	27%	23%
Higher diploma	2%	4%	12%	4%
Bachelor's degree	10%	11%	15%	11%
Post graduate	1%	1%	5%	1%

4.3.2.5 Income level of Income Workers

As presented in Table 26, the highest proportion of workers (84%) indicated that they earn Ksh 30,000 and below. The monthly mean salary was lowest in micro enterprises and highest in medium enterprises.

Table 26: Distribution of workers by salary range and size of enterprise

Monthly Income level (Ksh)	Micro Enterprises (n=479)	Small Enterprises (n=330)	Medium Enterprises (n=128)	Overall (n=937)
Less than 10,000	36%	20%	5%	26%
10,001-20,000	41%	42%	30%	39%
20,001-30,000	15%	21%	29%	19%
30,001-50,000	5%	11%	19%	9%
50,001-70,000	3%	4%	8%	4%
70,001-100,000	1%	3%	6%	3%
More than 100,000			2%	0.3%

As presented in Table 27, workers in professional services and health services had the highest monthly mean salary. The lowest was personal services and agriculture.

Table 27: Distribution of workers by salary range and economic activity

Economic activity	n	Less than Ksh 10,000	Ksh 10,001-20,000	Ksh 20,001-30,000	Ksh 30,001-50,000	Ksh 50,001-70,000	Ksh 70,001-100,000
Manufacturing	174	36%	36%	13%	9%	2%	3%
Financial services	49	10%	61%	14%	6%	4%	4%
Mining, quarrying	33	18%	39%	18%	18%	6%	

Economic activity	n	Less than Ksh 10,000	Ksh 10,001- 20,000	Ksh 20,001- 30,000	Ksh 30,001- 50,000	Ksh 50,001- 70,000	Ksh 70,001- 100,000
and construction							
Wholesale and retail trade	177	31%	50%	12%	5%	2%	1%
Agriculture	61	48%	31%	16%	5%		
Real estate	30	20%	37%	30%	10%	3%	
Education	14	21%	21%	36%	7%	7%	7%
Transport	75	31%	39%	23%	5%	1%	1%
Repairs (motor vehicles and appliances)	33	18%	42%	33%	3%	3%	
Personal services	42	40%	43%	14%	2%		
ICT	26	15%	54%	23%	4%		4%
Accommodation and food services	71	32%	42%	15%	7%	1%	1%
Water and sanitation	22	32%	50%	14%	5%		
Professional services	68	0%	13%	24%	22%	26%	15%
Human health	64	0%	28%	44%	20%	5%	3%
Overall	939	26%	39%	19%	9%	4%	3%

4.3.2.6 Nature of employment

The results show that majority of workers in the informal/MSME sector are employed on contract and casual basis. The family workers constituted a small percentage as depicted in Table 28.

Table 28: Distribution of workers by nature of employment and size of enterprises

Nature of employment	Micro Enterprises (n=478)		Small Enterprises (n=334)		Medium Enterprises (n=131)		Overall			
	Written	Verbal	Written	Verbal	Written	Verbal	Written	Verbal	Written	Verbal
On contract	22%	16%	33%	11%	65%	8%	301	31.9%	122	12.9%
Casual staff	4%	45%	3%	41%	7%	10%	41	4.3%	368	39.0%
Seasonal staff	1%	7%	1%	8%	1%	5%	12	1.3%	67	7.1%
Family workers	1%	3%		1%		1%	3	0.3%	17	1.8%

4.3.2.7 Payment terms of workers

a) Frequency of your wages

Majority of respondents employed on contractual basis are paid monthly while seasonal and family workers are paid on a daily basis as presented in Table 29.

Table 29: Frequency of payment of workers by nature of employment

Frequency of your wage/salary payment	n	Daily	Weekly	Bi-weekly	Monthly
On contract	422	4%	2%	1%	93%
Casual staff	409	34%	16%	4%	46%
Seasonal staff	77	56%	10%	1%	32%
Family workers	16	56%	13%	6%	25%
Other	10				100%
Overall	934	22%	9%	2%	66%

b) Mode of payment of workers

Majority of workers who earn Ksh 10,000 and below indicated they were paid by cash while those earning above Ksh 20,000 and above indicated they were paid through electronic transfer as depicted in Table 30.

Table 30: Distribution of workers by salary/wage range and mode of payment

Level of payment (Ksh)	n	Cash	Mobile money	Electronic transfer to my account	Cheque
Less than 10,000	274	87%	8%	5%	
10,001-20,000	396	51%	24%	24%	1%
20,001-30,000	186	23%	19%	55%	3%
30,001-50,000	83	14%	17%	65%	4%
50,001-70,000	37	11%	32%	54%	3%
70,001-100,000	24		38%	63%	
More than 100,000	3			100%	

4.3.2.8 Membership to associations

Membership to professional associations was highest for workers in professional services while Sacco membership was high for workers in professional services, education and transport. Majority of workers in personal services indicated they are members of welfares and chamas as presented in Table 31. Category of workers with the highest membership to organised associations was those in professional services, human health, education, financial services and transport. Manufacturing and wholesale and trade that has the largest proportion of workers had membership rates of 62% and 46% respectively.

Table 31: Distribution of workers membership in associations by economic activity and size of enterprise

Economic activity	Micro enterprises				Small enterprises				Medium enterprises				Overall	
	n	Professional association	Sacco	Welfare and Chamas	n	Professional association	Sacco	Welfare and Chamas	n	Professional association	Sacco	Welfare and Chamas	n	%
Manufacturing	82	1%	10%	39%	57	4%	14%	35%	40	8%	48%	30%	179	62%
Financial services	32	6%	22%	44%	17		29%	35%	1			100%	50	74%
Mining, quarrying and construction	13	8%	8%	23%	11			45%	9	11%	22%	78%	33	64%
Wholesale and retail trade	86		6%	29%	64		9%	31%	28		32%	50%	178	46%
Agriculture	31		13%	35%	27		15%	41%	2			100%	60	53%
Real estate	12		17%	50%	13	8%	38%	31%	5			20%	30	63%
Education	3		33%		8	25%	38%	38%	3	33%	33%	33%	14	86%
Transport	49		22%	37%	17		53%	29%	9		67%	11%	75	69%
Repairs (motor vehicles and appliances)	11			36%	20		10%	40%	4			25%	35	51%
Personal services	24		4%	46%	13			54%	5			20%	42	62%
ICT	18	6%	11%	56%	8			63%	0				26	69%
Accommodation and food services	34		6%	29%	32	3%	9%	50%	6		33%	33%	72	53%
Water and sanitation	15			60%	7		14%	43%	1				23	57%
Professional services	34	32%	41%	12%	24	46%	33%	25%	10	30%	40%	20%	68	96%

Human health	36	19%	22%	33%	20	45%	30%	45%	8	25%	13%	50%	64	92%
Overall	480	5%	14%	35%	338	8%	18%	38%	131	8%	34%	37%	949	

4.3.2.9 Participation in Pension by Workers

4.3.2.9.1 Awareness of Retirement Benefits Schemes by Workers

Human health, professional services and real estate workers had the highest level of awareness of retirement benefits schemes while the water and sanitation, agriculture and personal services and manufacturing had the lowest as shown in Table 32.

Table 32: Level of awareness of retirement benefit schemes by workers across economic activities and enterprise size

Economic activity	n	Micro Enterprises		Small Enterprises		Medium Enterprises		Overall level of awareness	
		n	%	n	%	n	%	n	%
Manufacturing	82	46%	57	49%	40	83%	179	55%	
Financial services	32	66%	17	94%	1	100%	50	76%	
Mining, quarrying and construction	13	69%	10	50%	9	100%	32	72%	
Wholesale and retail trade	86	56%	64	70%	28	93%	178	67%	
Agriculture	31	32%	26	62%	2	100%	59	47%	
Real estate	12	92%	13	77%	5	100%	30	87%	
Education	3	67%	8	88%	3	67%	14	79%	
Transport	49	53%	17	53%	9	100%	75	59%	
Repairs (motor vehicles and appliances)	11	64%	19	68%	4	100%	34	71%	
Personal services	24	46%	13	69%	5	40%	42	52%	
ICT	18	89%	8	63%	0		26	81%	
Accommodation and food services	34	62%	32	59%	6	100%	72	64%	
Water and sanitation	15	47%	7	43%	1		23	43%	
Professional services	34	85%	23	87%	10	100%	67	88%	
Human health	35	83%	20	95%	8	100%	63	89%	
Overall	479	59%	334	67%	131	89%	944	66%	

As shown in Figure 12, the level of awareness differed slightly according to gender with female and male at 70% and 64% respectively.



Figure 12: Level of awareness of retirement benefit schemes by gender

Majority of workers learnt about retirement benefit schemes through television, radio, from their current employers, and from friends and shown in Table 33.

Table 33: Source of information about retirement benefits schemes by workers across size of enterprises

Awareness mode	Micro Enterprises (n=480)	Small Enterprises (n=338)	Medium Enterprises (n=131)	Overall (n=949)
TV	34%	37%	50%	37%
From my current employer	18%	17%	24%	19%
Radio	14%	23%	42%	21%
From friends	8%	8%	11%	8%
Social media	13%	17%	14%	15%
From my former employer	9%	10%	14%	10%
Print media	16%	23%	19%	19%
Through sensitization meetings	5%	7%	12%	7%
My own research	3%	3%	10%	4%

4.3.2.9.2 Contribution to pension

Majority of workers earning Ksh 30,000 and above indicated that they contribute to pension. Only 5% of workers earning Ksh 10,000 and below contribute to pension as shown in Table 34.

Table 34: Contribution to pension schemes by workers across income levels and size of enterprises

Level of earnings (Ksh)	n	Workers contributing to pension						Overall
		Micro Enterprises	n	Small Enterprises	n	Medium Enterprises	n	
Less than 10,000	171	3%	65	9%	7	14%	243	5%
10,001-20,000	194	23%	137	31%	39	54%	370	29%
20,001-30,000	73	38%	69	49%	37	78%	179	51%
30,001-50,000	22	50%	36	56%	24	92%	82	65%
50,001-70,000	12	67%	14	50%	10	60%	36	58%
70,001-100,000	7	86%	9	33%	8	100%	24	71%
More than 100,000					3	67%	3	67%
Overall	479	21%	330	34%	128	70%	937	32%

Majority of workers in education, health services and construction contribute to retirement benefits schemes while ICT had the least proportion of workers contributing to retirement schemes as presented in Table 35.

Table 35: Contribution to pension by workers across size of business and economic activity

Economic activity	n	Micro	n	Small	n	Medium	n	overall
Manufacturing	82	20%	57	23%	40	75%	179	33%
Financial services	32	19%	17	53%	1	100%	50	32%
Mining, quarrying and construction	13	46%	11	55%	9	56%	33	52%
Wholesale and retail trade	86	15%	64	27%	28	71%	178	28%
Agriculture	31	0%	27	26%	2	50%	60	13%
Real estate	12	33%	13	46%	5	60%	30	43%
Education	3	67%	8	75%	3	67%	14	71%
Transport	49	10%	17	18%	9	56%	75	17%
Repairs (motor vehicles and appliances)	11	9%	20	25%	4	100%	35	29%
Personal services	24	13%	13	31%	5	20%	42	19%
ICT	18	6%	8				26	4%
Accommodation and food services	34	15%	32	28%	6	100%	72	28%
Water and sanitation	15	20%	7	14%	1	0%	23	17%
Professional services	34	62%	24	42%	10	50%	68	53%
Human health	36	44%	20	80%	8	88%	64	61%
Overall	480	21%	338	33%	131	69%	949	32%

Similarly, responses from schemes through key informant interviews pointed out that members are drawn from various economic activities within the informal sector such as manufacturing, tourism and hospitality, agriculture, construction, entertainment, ICT, education and transport. Members are also drawn from organised groups/associations in sectors such as transport (matatu, taxis and bodaboda), Jua Kali and open-air markets like Gikomba.

Workers in the age bracket of 24 years and below had the lowest rate of contribution while workers in 45 to 60 years had the highest as shown in Figure 13.

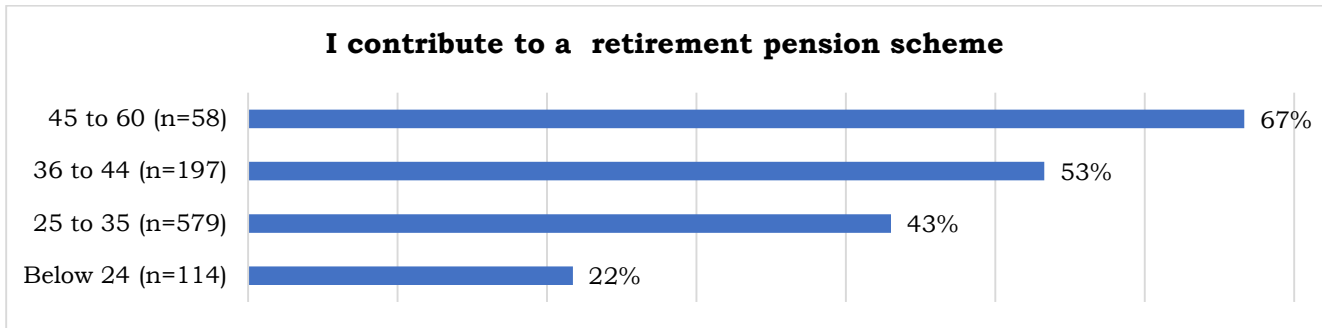


Figure 13: Contribution to pension by workers by age

Contribution to pension was slightly higher women at 48% compared to men at 42% as shown in Figure 14.

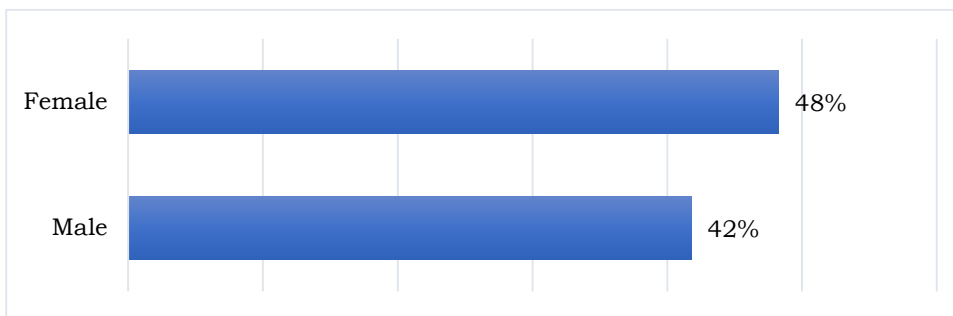


Figure 14: Contribution to pension by workers by gender

Majority of workers who indicated that they contribute, do it through the mandatory pension scheme, NSSF. Workers in medium and small enterprises indicated that they have employer sponsored schemes as presented in Table 36.

Table 36: Distribution of workers contributing to pension schemes by size of enterprise and earnings level

Earnings (Ksh)	NSSF (n=276)	Mbao (n=8)	Individual (n=12)	Employers sponsored scheme (n=21)	Overall (317)
Less than 10,000	4%				3%
10,001-20,000	35%	38%	42%	10%	34%
20,001-30,000	30%	25%	25%	19%	29%

Earnings (Ksh)	NSSF (n=276)	Mbao (n=8)	Individual (n=12)	Employers sponsored scheme (n=21)	Overall (317)
30,001-50,000	17%	38%	8%	24%	18%
50,001-70,000	7%		8%	24%	8%
70,001-100,000	6%		17%	24%	7%
More than 100,000	1%				1%

4.3.2.9.3 Reasons given by workers for not contributing to pension schemes

Among those that indicated they do not contribute to pension schemes, majority cited lack of resources as the major reason hampering saving for retirement followed by lack of information. The perception that pension is for formally employed was high among respondents aged 24 years and below as presented in Table 37.

Table 37: Reasons for not contributing to pension schemes by workers across age categories

Reasons	Below 24	25 to 35	36 to 44	45 to 60	Overall
n	54	237	71	15	377
Lack of resources	39%	33%	32%	60%	35%
Lack of information	30%	20%	14%	20%	20%
I do not think it is necessary	9%	17%	21%	27%	17%
I do not trust the schemes	9%	8%	20%		10%
It is for those in formal employment	19%	10%	7%		10%
I am planning for my retirement in other ways	6%	11%	7%	7%	9%

Some challenges experienced by schemes (from key informant interviews) in relation to members contribution include:

- i. Low income leading to low savings;
- ii. Inconsistent saving pattern making it hard to work on cash flow projections;
- iii. Frequent partial/full withdrawal of benefits limiting long-term investment of funds, especially when workers are changing employers;
- iv. Large number of inactive members;

- v. Low financial literacy levels is a key barrier to improved communication and engagement;
- vi. Low level of confidence in the pension sector which is partially due to the link between insurance companies (whose reputation by some people is not very high) and pension service providers;
- vii. Inadequate facilitation and incentives by the regulator such as reduction of levies for firms targeting informal/MSME sector;
- viii. Financial viability not easy to achieve as the cost per unit saving is high; and
- ix. Inadequate pension products targeting the informal sector workers and employers.

4.3.2.9.4 Alternative methods of planning for retirement

Majority of respondents aged 44 year and below indicated that they save in banks. Contribution to retirement scheme was high for the 25-60 years category. Investment in land was high among respondents aged between 25 to 60 while those investing through chamas was high in respondents aged 44 years and below as depicted in Table 38.

Table 38: Alternative methods of planning for retirement by workers across various age categories

Channels of saving for retirement	Below 24	25 to 35	36 to 44	45 to 60	61 and above	Overall
n	114	579	197	58	3	951
I contribute to a pension scheme	12%	25%	34%	40%		26%
I save in a bank	33%	41%	41%	24%		39%
I have invested in shares	1%	3%	5%	5%		3%
I save in a SACCO	5%	14%	19%	29%		15%
I invest in real estate/rental buildings	2%	9%	13%	10%	33%	9%
I invest in land	6%	19%	24%	24%		19%
I save/invest through Chamas	19%	22%	22%	7%		21%
I will depend on my children	4%	5%	4%	19%	67%	6%
Other	33%	11%	6%	3%		12%

4.3.2.9.5 Willingness to contribute to pension by workers

Workers engaged in economic activities such as in human health, personal services, professional services and mining, quarrying and construction indicated the highest level of willingness to join pension schemes. The willingness rate was lowest in real estate activity as presented in Table 39.

Table 39: Willingness of workers to contribute to pension schemes across economic activities and enterprise size

Economic activity	Willingness							
	Micro Enterprises	n	Small Enterprises	n	Medium Enterprises	n	Overall	
							n	%
Manufacturing	18%	51	39%	23	40%	10	84	26%
Financial services	38%	24		8			32	28%
Mining, quarrying and construction	25%	8	25%	4	100%	4	16	44%
Wholesale and retail trade	25%	53	12%	33	56%	9	95	23%
Agriculture	4%	25	31%	13	100%	1	39	15%
Real estate	13%	8	11%	9		2	19	11%
Education		0	50%	4		1	5	40%
Transport	32%	37	8%	13	83%	6	56	32%
Repairs (motor vehicles and appliances)	36%	11	50%	8			19	42%
Personal services	39%	18	75%	8		3	29	45%
ICT	41%	17	33%	6			23	39%
Accommodation and food services	43%	28	38%	16	100%	1	45	42%
Water and sanitation	11%	9	40%	5		1	15	20%
Professional services	50%	18	31%	16	50%	8	42	43%
Human health	40%	20	83%	6			26	50%
Overall	29%	327	30%	172	52%	46	545	31%

Willingness to contribute by gender was not significantly different. Men indicated willingness of 30% while women indicated a slightly higher rate at 34%.

Majority of workers that were willing to contribute indicated that they preferred contributing to pension on a monthly basis as depicted in Table 40.

Table 40: Frequency of contribution to pension schemes workers by size of enterprise

Frequency of payment	Micro Enterprises	Small Enterprises	Medium Enterprises	Overall
n	94	52	23	169
Daily	2%	2%		2%
Weekly	5%	15%	9%	9%
Bi-weekly	2%			1%
Monthly	90%	83%	91%	88%

4.3.2.10 Design aspects of pension scheme products

a) Enterprises

With regard to aspects that are considered important in assessing pension products, promptness in payment of retirement benefit was rated as the most important aspect followed by flexibility in accessing retirement benefits. The results show that flexibility in contribution aspect was not rated as high as other aspects as depicted in Table 41.

Table 41: Rating of design aspects of pension products by size of enterprise

Level of importance	Micro Enterprises					Small Enterprises					Medium Enterprises				
	n	Extremely important	Very important	Moderately important	Not important	n	Extremely important	Very important	Moderately important	Not important	n	Extremely important	Very important	Moderately important	Not important
Rate of return of the scheme-amount payable on retirement.	46	52%	30%	15%	2%	30	53%	23%	13%	10%	6	50%	33%	17%	
Security/stability of the scheme	44	48%	43%	9%		30	53%	33%	13%		6	67%	33%		
Promptness in payment of the retirement benefit.	45	56%	33%	7%	4%	30	50%	40%	10%		6	50%	50%		
Flexibility in the amount to contribute.	45	29%	44%	20%	7%	30	27%	43%	27%	3%	6	17%	50%	17%	17%
Availability of various channels of making contributions.	45	29%	44%	24%	2%	30	30%	43%	23%	3%	6	17%	17%	67%	
Flexibility in frequency of contribution (daily, weekly, monthly).	45	13%	56%	29%	2%	28	14%	36%	46%	4%	5		80%	20%	

Level of importance	Micro Enterprises					Small Enterprises					Medium Enterprises				
	n	Extremely important	Very important	Moderately important	Not important	n	Extremely important	Very important	Moderately important	Not important	n	Extremely important	Very important	Moderately important	Not important
Flexibility in accessing retirement benefits- option to access part of the benefits before retirement.	45	56%	36%	7%	2%	27	67%	22%	11%		6	33%	50%	17%	

b) Workers

Flexibility in accessing retirement benefits was considered the most important by workers in micro enterprises followed by promptness in payment. Those in small and medium enterprises considered promptness as the most important as shown in Table 42.

Table 42: Rating of design aspects of pension products by workers in various sized enterprises

Level of importance	Micro Enterprises					Small Enterprises					Medium Enterprises				
	n	Extremely important	Very important	Moderately important	Not important	n	Extremely important	Very important	Moderately important	Not important	n	Extremely important	Very important	Moderately important	Not important
Rate of return of the scheme- amount payable on retirement	112	27%	50%	21%	2%	58	34%	47%	17%	2%	28	57%	32%	11%	
Security/stability of the scheme	110	31%	54%	14%	2%	59	44%	41%	10%	5%	28	68%	21%	11%	

Level of importance	Micro Enterprises					Small Enterprises					Medium Enterprises				
	n	Extremely important	Very important	Moderately important	Not important	n	Extremely important	Very important	Moderately important	Not important	n	Extremely important	Very important	Moderately important	Not important
Promptness in payment of the retirement benefit	107	33%	42%	22%	3%	59	44%	37%	17%	2%	29	69%	28%	3%	
Flexibility in the amount to contribute	111	16%	36%	42%	5%	59	22%	51%	22%	5%	28	46%	39%	14%	
Availability of various channels of making contributions	109	17%	39%	39%	6%	57	26%	40%	28%	5%	29	31%	48%	21%	
Flexibility in frequency of contribution (daily, weekly, monthly)	111	18%	45%	32%	5%	58	31%	36%	26%	7%	30	37%	40%	23%	0%
Flexibility in accessing retirement benefits- option to access part of the benefits before retirement	111	50%	37%	13%	1%	59	42%	36%	19%	3%	30	53%	33%	10%	3%

Responses from schemes interviewed indicated that access of funds differs across various schemes where some give an option of accessing all the funds and still giving the customer an option of re-joining while in some, members can access 40% of the contribution where the employer is not participating. In addition, for some schemes, one can access their funds after the first 3 years of contribution. In addition, the organised groups/associations indicated that they would prefer a bundled financial product to cater for various needs such as saving for retirement and insurance which would make contribution simplified and help avoid too many transactions.

4.3.2.11 Access to Information

4.3.2.11.1 Main Sources of Financial Advice

a) Enterprises

The enterprises indicated that they mainly obtain financial advice from financial institutions, experts and media as presented in Table 43. Seeking financial advice from family and friends was rated second in micro enterprises.

Table 43: Main source of financial advice by enterprises by size

Source of advice	Micro Enterprises (n=280)	Small Enterprises (n=175)	Medium Enterprises (n=60)	Overall (n=515)
Financial institutions	55%	79%	83%	67%
Experts	32%	51%	58%	41%
Media (TV, radio, newspaper)	45%	43%	48%	30%
Family and friends	48%	26%	30%	21%
Professional and trade associations	25%	39%	30%	38%
Chama	26%	17%	12%	45%
Social media	22%	18%	13%	20%
I do not seek any advice	6%	2%	2%	4%

b) Workers

Majority of workers across various age categories seek advice from family and friends followed by the media. Use of social media as a source of financial advice was third highest among respondents aged 24 years and below. Respondents aged between 25 and 44 years ranked financial institutions third as a source of financial advice as shown in Table 44.

Table 44: Main source of financial advice by workers across various age categories

Source of advice	Below 24 (n=114)	25 to 35 (n=579)	36 to 44 (n=197)	45 to 60 (n=58)	61 and above (n=3)	Overall= 951
Family and friends	62%	61%	54%	55%	33%	59%
Media (TV, radio, newspaper)	64%	55%	53%	43%		55%

Source of advice	Below 24 (n=114)	25 to 35 (n=579)	36 to 44 (n=197)	45 to 60 (n=58)	61 and above- (n=3)	Overall= 951
Financial institutions	34%	46%	48%	59%		45%
Social media	52%	32%	31%	7%		32%
Chama	26%	28%	34%	36%		29%
Experts	9%	19%	23%	29%		19%
Professional and trade associations	13%	14%	24%	19%		16%
I do not seek any advice	16%	11%	8%	10%	67%	11%

4.3.2.11.2 Most Preferred Sources of Information on Pension

a) Enterprises

Television, radio and newspapers are the main sources of information for MSMEs preferred as presented in Table 45.

Table 45: Main source of information about pension by enterprises across size of enterprise

Most preferred sources of information	Micro Enterprises	Small Enterprises	Medium Enterprises	Overall
n	280	175	60	515
Television	69%	74%	77%	71%
Radio	46%	34%	23%	39%
Newspaper	33%	42%	57%	39%
Mobile phone-SMS and WhatsApp	37%	23%	20%	30%
Sensitization by RBA/pension scheme	26%	33%	38%	30%
Website	16%	27%	28%	22%
Social media	20%	15%	22%	19%
Word of mouth	18%	8%	7%	13%
Magazine/pamphlets/brochures	9%	9%	5%	9%

b) Workers

The main source of information on pension by workers was through television and radio across all age categories. Respondents who are 24 years and below rated social media third as the main source of information on pension as shown in Table 46.

Table 46: Main source of information about pension by workers across various age categories

Most preferred source of information	Below 24	25 to 35	36 to 44	45 to 60	61 and above	Overall
n	114	579	197	58	3	951
Television	73%	66%	64%	53%	67%	66%
Mobile phone	64%	60%	49%	36%		56%
Radio	44%	42%	52%	47%	67%	45%
Social media	41%	29%	21%	17%		28%
Newspaper	24%	22%	27%	31%	33%	24%
Sensitization by RBA/pension scheme	18%	22%	30%	29%		24%
Word of mouth	19%	20%	25%	22%	33%	21%
Website	8%	15%	18%	19%		15%
Magazine/pamphlets/brochures	5%	8%	9%	10%	33%	8%

4.3.2.11.3 Main influencer of public opinion

a) Enterprises

Most of the respondents across various sizes indicated that the main influencers of public opinion are professionals and politicians as presented in Figure 15.

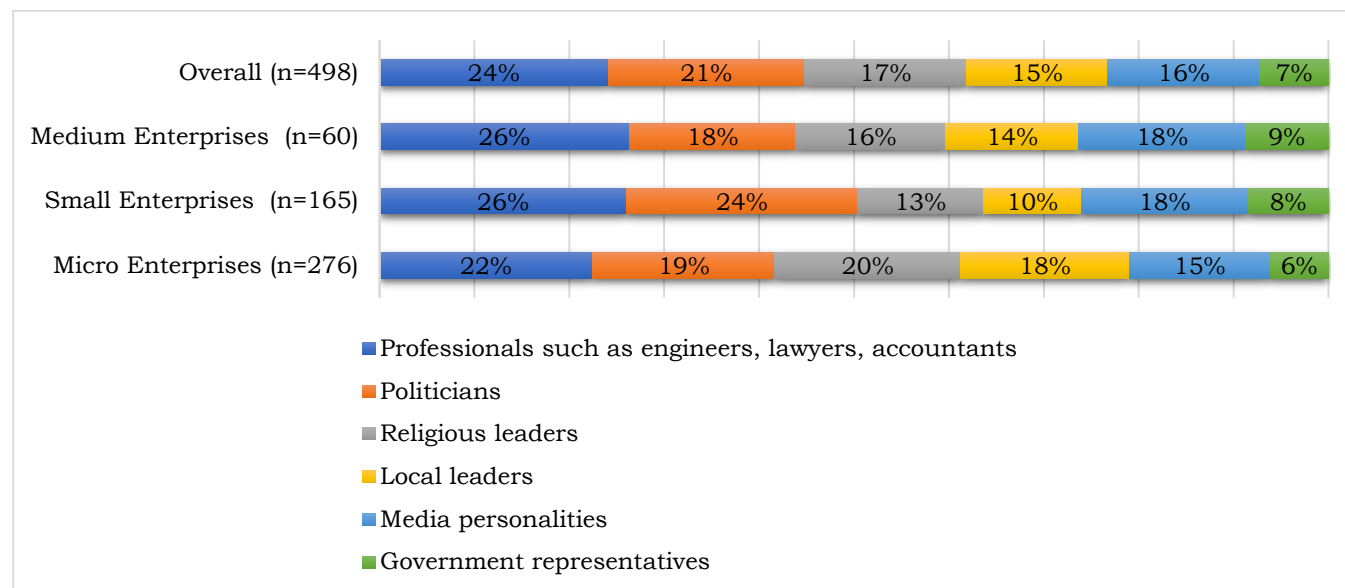


Figure 15: Main influencer of public opinion for enterprises

b) Workers

Figure 16 shows that the main influencer of public opinion across all age categories of workers was religious leaders followed by politicians. Opinion of media personalities was rated third by respondents aged 24 years and below.

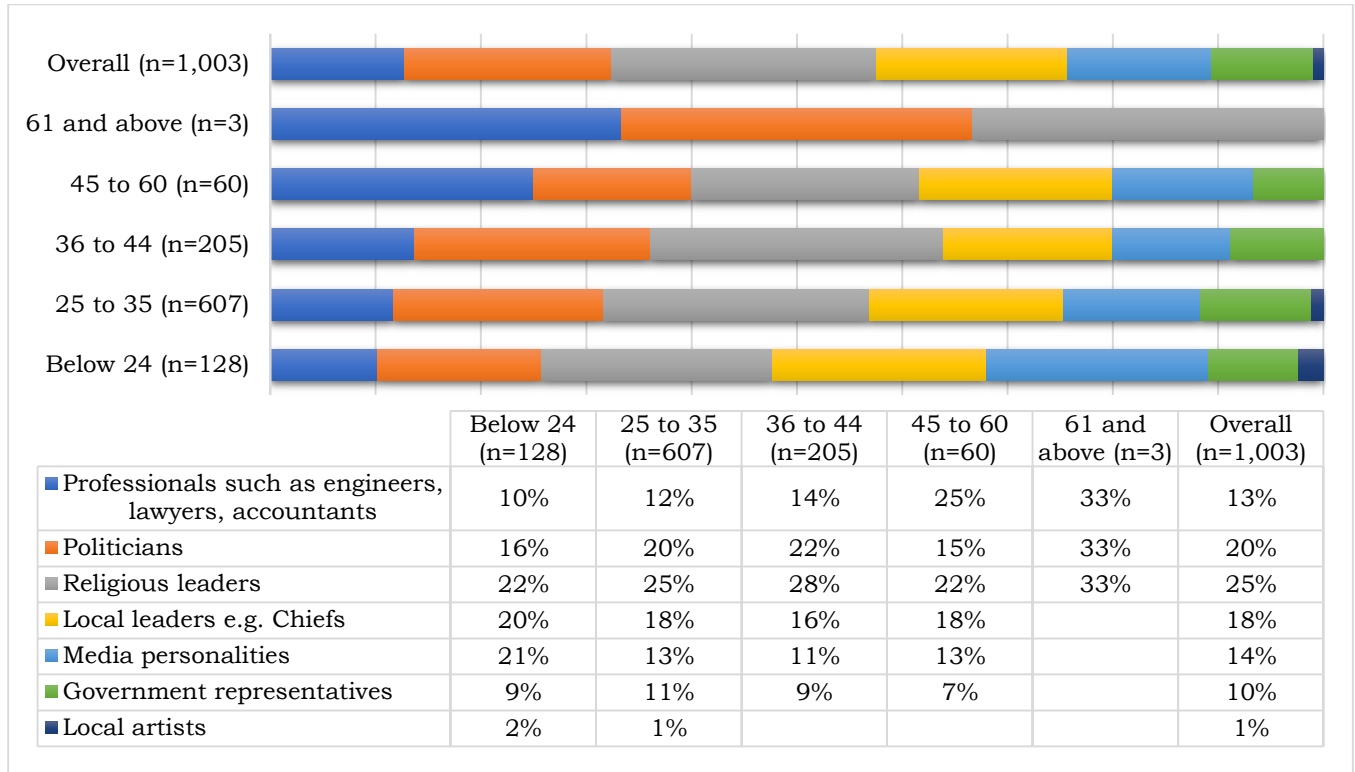


Figure 16: Main influencer of public opinion for workers and by age

4.3.2.12 Awareness of RBA

a) Enterprises

Medium enterprises had the highest level of awareness at 90% followed by small enterprises at 81% as shown in Figure 17.

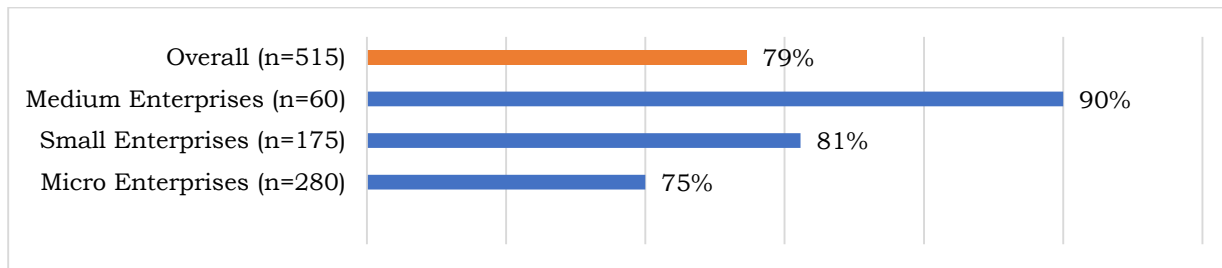


Figure 17: Level of awareness of RBA by size of enterprise

Most of the enterprises learnt about RBA through television followed by radio as shown in Table 47.

Table 47: Channels of awareness by size of enterprise

Channel of awareness	Micro Enterprises	Small Enterprises	Medium Enterprises	Overall
n	210	141	54	405
TV	66%	69%	72%	68%
Radio	40%	35%	30%	37%
Newspaper	30%	35%	48%	34%
Magazine	6%	10%	6%	7%
RBA's website	24%	37%	37%	30%
Social media	17%	18%	20%	18%
Through RBA sensitization meetings	9%	12%	28%	13%
From friends	18%	15%	13%	16%
In my former workplace	7%	14%	7%	10%
Learning institutions (schools, colleges and universities)	21%	26%	20%	22%
My Association	4%	11%	6%	6%

b) Workers

As shown in Figure 18, the awareness level was highest among workers in medium enterprises at 75% followed by small and micro enterprises at 56% and 51% respectively.

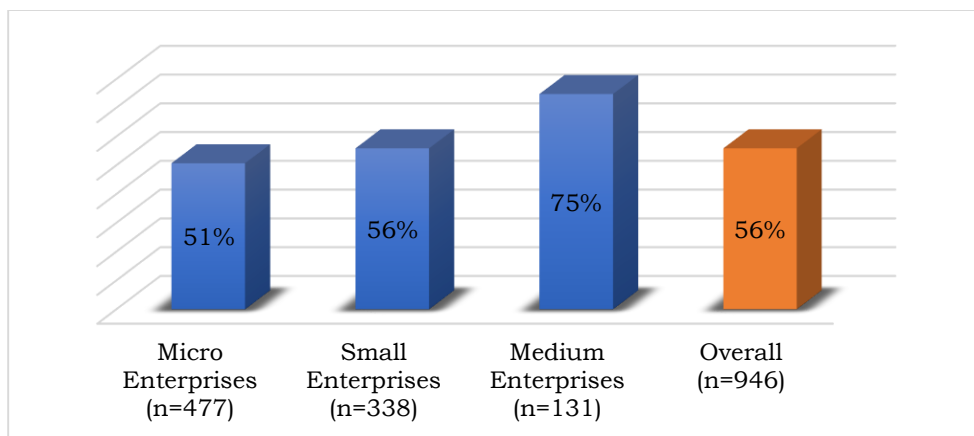


Figure 18: Level of awareness of RBA by workers in various sized enterprises

Television was the medium through which majority of workers learnt about RBA. In addition, respondents ranked their workplaces second as a source of awareness of RBA as shown in Figure 19.

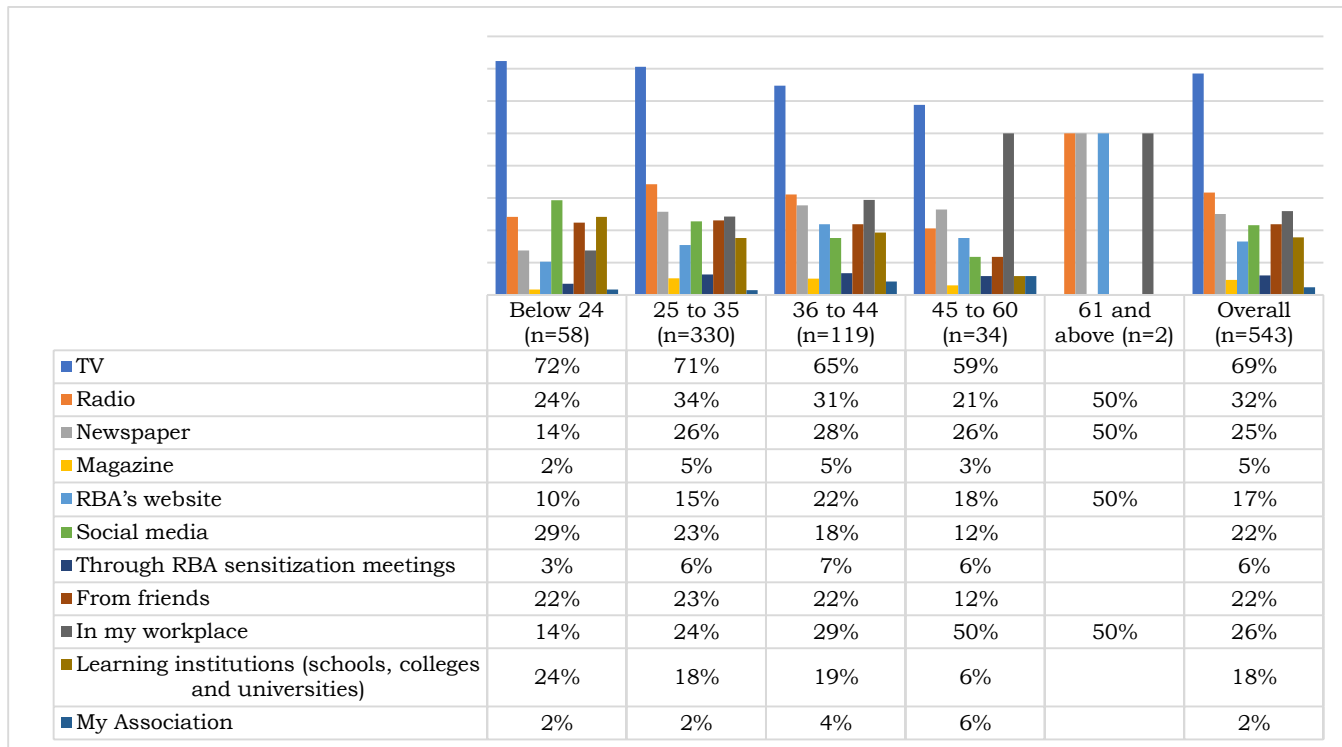


Figure 19: Channels of awareness by workers by age

4.4 CLASSIFICATION FRAMEWORK OF INFORMAL/MSME WORKERS AND EMPLOYERS

The informal sector as discussed in the previous sections exhibits heterogeneous characteristics based on various variables. However, there are some common characteristics within the heterogeneous groups that would make the sub groups homogeneous. The homogeneity in these sub groups informed the classification of informal/MSME sector workers and employers to identify high potential groups for pension targeting.

a) Targeting based on the contributor to retirement benefit schemes

There exist distinct differences between worker and enterprise categories with respect to pensions. This is based on who contributes to the pension scheme. Variables that can define homogeneous groups in informal/MSME sector workers and enterprises categories have been used to further classify the enterprises and workers. A multistage classification approach was used as presented in Figure 20.

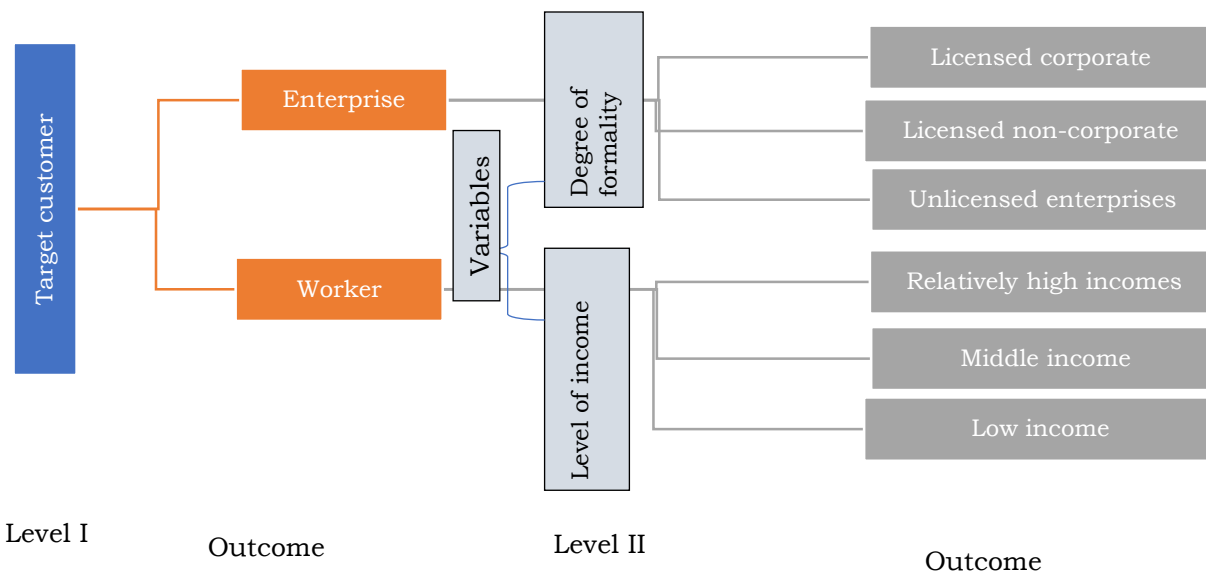


Figure 20: Classification of informal sector/MSME sector
Classification framework source: Consultants, 2020

4.4.1 Level I: Enterprises

The enterprises contribute to pension for their workers to a state-owned contributory scheme which is mandatory. The mandatory contribution is through NSSF which requires all enterprises with more than one worker to contribute. In addition, the enterprises have the option of establishing occupational schemes where contributions are undertaken by both employer and employee.

4.4.2 Level II: Degree of Formality of Enterprises

The second level of classification of enterprises based on degree of formality yields three groups: licensed corporates, licensed non-corporates and unlicensed enterprises. The three classes are specified as:

- i. **Licensed corporates**-This class refers to enterprises that are registered as private companies and have single business permits acquired from county governments where they operate. The firms cut across the size spectrum, medium, small or micro enterprises.
- ii. **Licensed non-corporates**- This class includes enterprises that are not private companies but have single business permits acquired from county governments where they operate.
- iii. **Unlicensed enterprises**- This class is used to define enterprises that do not have an annual single business permit issued by county governments where they conduct operations.

As presented by Figure 21, formality cuts across the various economic activities. Licensed corporates, licensed non-corporates and unlicensed enterprises comprise of 14%, 67% and 19%. However, some economic activities have high formality levels than others. Economic activities such as wholesale and retail trade have the highest level of informality.

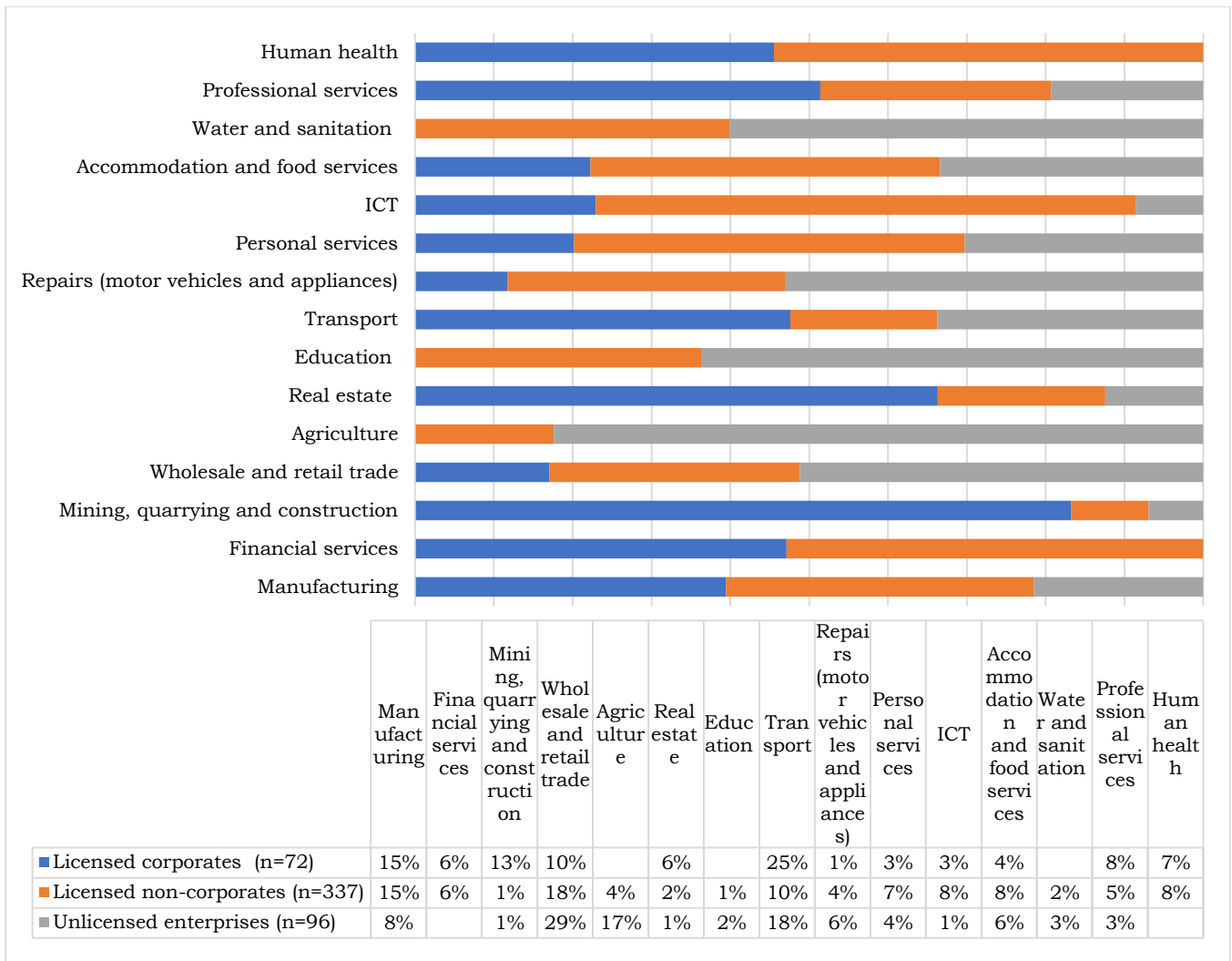


Figure 21: Distribution of enterprises by earnings and by degree of formality and economic activity

Average monthly income is high in licensed corporates where 55% indicated they generate Ksh 200,000 and above. Majority of the licensed non-corporates indicated they generate average monthly sales of between Ksh 30,000 and Ksh 50,000. 53% of enterprises that are unlicensed indicated they generate Ksh 30,000 and below as presented in Figure 22.



Figure 22: Distribution of enterprises by formality and monthly sales and salary band

As presented in Figure 23, 36% of the licensed enterprises generate monthly profits of Ksh 200,000 and above compared to 14% of licensed non-corporates.

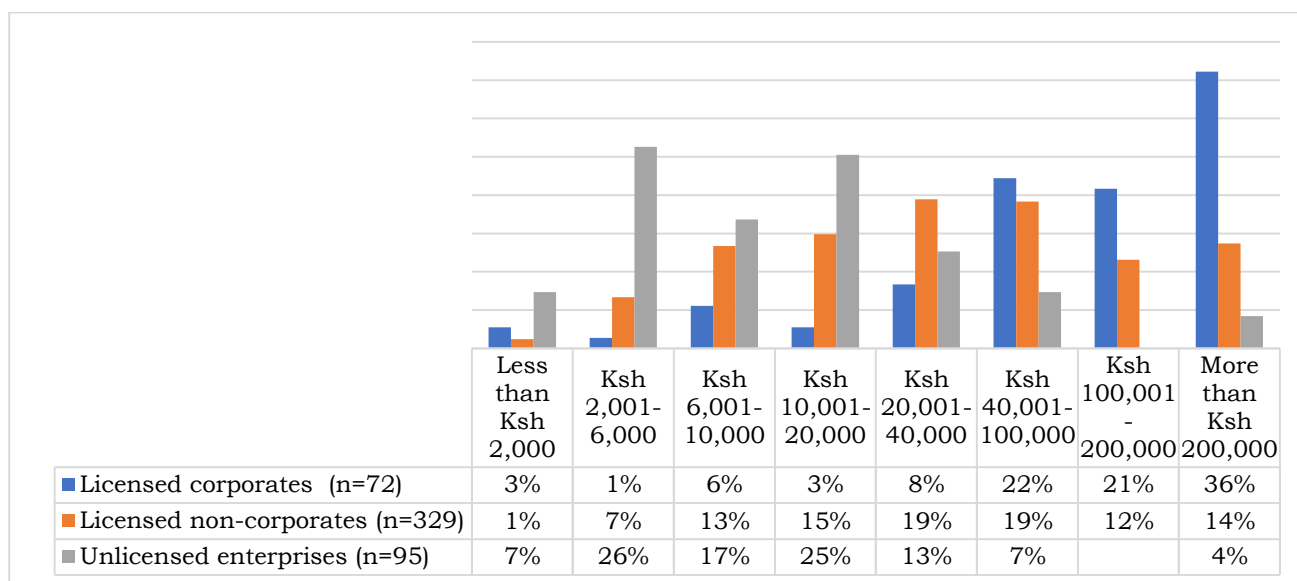


Figure 23: Distribution of enterprises by formality and monthly profits

Fifty six percent in the unlicensed enterprises are paid Ksh 10,000 and below compared to only 9% of workers in the licensed corporates as presented in Figure 24.

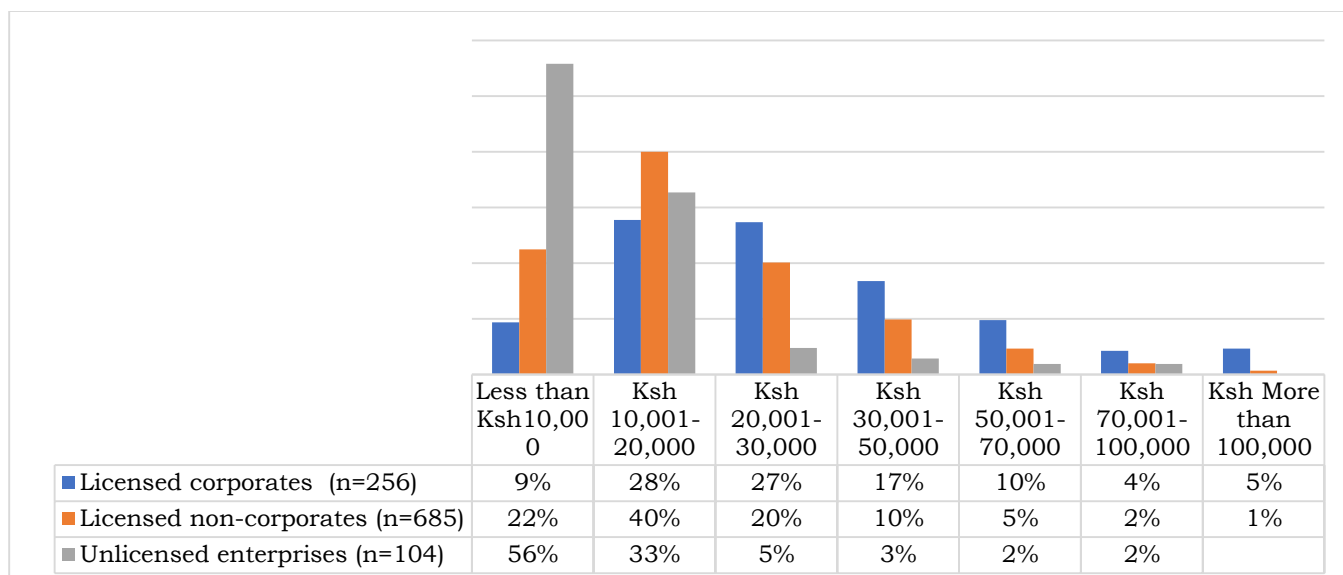


Figure 24: Distribution of workers by level of formality of enterprises

The distribution of companies that are MSMEs are as presented in Table 48.

Table 48: Distribution of licensed corporates by economic activity and size category

Economic Activity	number of firms by size category			
	Micro	Small	Medium	Total
Agriculture, forestry and fishing	1,181	2,011	369	3,561
Mining and quarrying	203	56	11	270
Manufacturing	3,892	1,148	287	5,328
Electricity, gas, steam and air conditioning supply	48	21	4	73
Water supply; sewerage, waste management and remediation services	422	104	27	553
Construction	10,128	1,433	89	11,651
Wholesale and retail trade, including repair of motor vehicles and motorcycles	41,470	2,245	110	3,825
Transportation and storage	1,923	251	20	2,194
Accommodation and food services activities	6,825	1,330	84	8,239
Information and communication	3,299	153	9	3,461
Financial and insurance activities	4,139	445	28	4,612
Real estate activities	3,500	169	6	3,674
Professional, scientific and technical activities	3,368	253	16	3,638
Administrative and support service activities	3,274	236	38	3,548
Education	4,644	24,523	177	29,345
Human health and social work activities	1,792	466	50	2,307

Economic Activity	number of firms by size category			
	Micro	Small	Medium	Total
Arts, entertainment and recreation	510	53	5	568
Other service activities	7,875	473	34	8,381
Activities of households as employers	31	10	1	42
TOTAL	98,524	35,380	1,364	135,268

Source: Adapted from Kenya National Bureau of Statistics (2016, 2017)

The number of licensed enterprises that are not registered as companies is shown in Table 49.

Table 49: Distribution of Licensed Enterprises that are not Companies by Economic Activity and Size Category

Economic Activity	Number			
	Micro	Small	Medium	Total
Agriculture, forestry and fishing	604	14	14	604
Mining and quarrying	1,107	734	15	1,841
Manufacturing	161,883	5,483	1,807	169,172
Electricity, gas, steam and air conditioning supply	260	167	15	427
Water supply; sewerage, waste management and remediation services	416	758	15	1,174
Construction		657	200	857
Wholesale and retail trade, including repair of motor vehicles and motorcycles	814,082	29,838	3,455	847,375
Transportation and storage	8,626	3,397	968	12,991
Accommodation and food services activities	110,082	18,224	1,293	129,599
Information and communication	6,361	2,463	115	8,939
Financial and insurance activities	56,121	4,206	561	60,888
Real estate activities	2,590	503	232	3,326
Professional, scientific and technical activities	10,238	3,053	471	13,762
Administrative and support service activities	19,243	2,370	139	21,752
Education	7,338	160	957	8,455
Human health and social work activities	8,634	1,523	535	10,693
Arts, entertainment and recreation	12,459	878	15	13,337

¹⁴ Absent since KNBS 2016 (the main source of the data used to derive this table) had excluded the category (except those in agribusiness) while KNBS 2017 included it in the census of formal establishments

¹⁵ Figures not indicated from source

Economic Activity	Number			
	Micro	Small	Medium	Total
Other service activities	123,713	2,770	101	126,584
TOTAL	1,343,758	77,183	10,835	1,431,776

Source: Adapted from Kenya National Bureau of Statistics (2016, 2017)

4.4.3 Level I: Workers

Workers can voluntarily enrol in individual pension schemes. In addition, workers contribute to NSSF which is mandatory and they have an option of joining an employer sponsored scheme where it is available. The workers contributions to employer sponsored schemes and NSSF are remitted by the employer while contributions to individual pension schemes are remitted by the worker directly or in some cases facilitated by the employer. The class hereby derived refers to those aspects relating to voluntary pension contribution by the worker.

4.4.4 Level II: Level of Income of Workers

According to the findings of this study, workers earning low incomes had the lowest rate of uptake of pension at only 11%. This indicates that when the income is low, the workers ability to forego consumption and save for retirement is equally low. The income level therefore becomes key in targeting the workers who are in a financial position to enrol in retirement benefit schemes. Based on income level, three categories are derived as follows:

- i. **Relatively high income**-This is a category of workers earning above Ksh 50,001 per month. These will mainly be in licensed corporates.
- ii. **Middle income**-This category is of workers earning from Ksh 20,001 upto Ksh 50,000 per month. These will primarily be licensed corporates and non-corporates.
- iii. **Low income**-This is a category of workers earning Ksh 20,000 and less. These workers will mostly be working in licensed non-corporates and unlicensed enterprises.

The highest proportion of workers in low income category are in wholesale and retail at 23% followed by manufacturing at 20%. In addition, manufacturing and

professional services have the highest proportion of workers with relatively high income as presented in Figure 25.

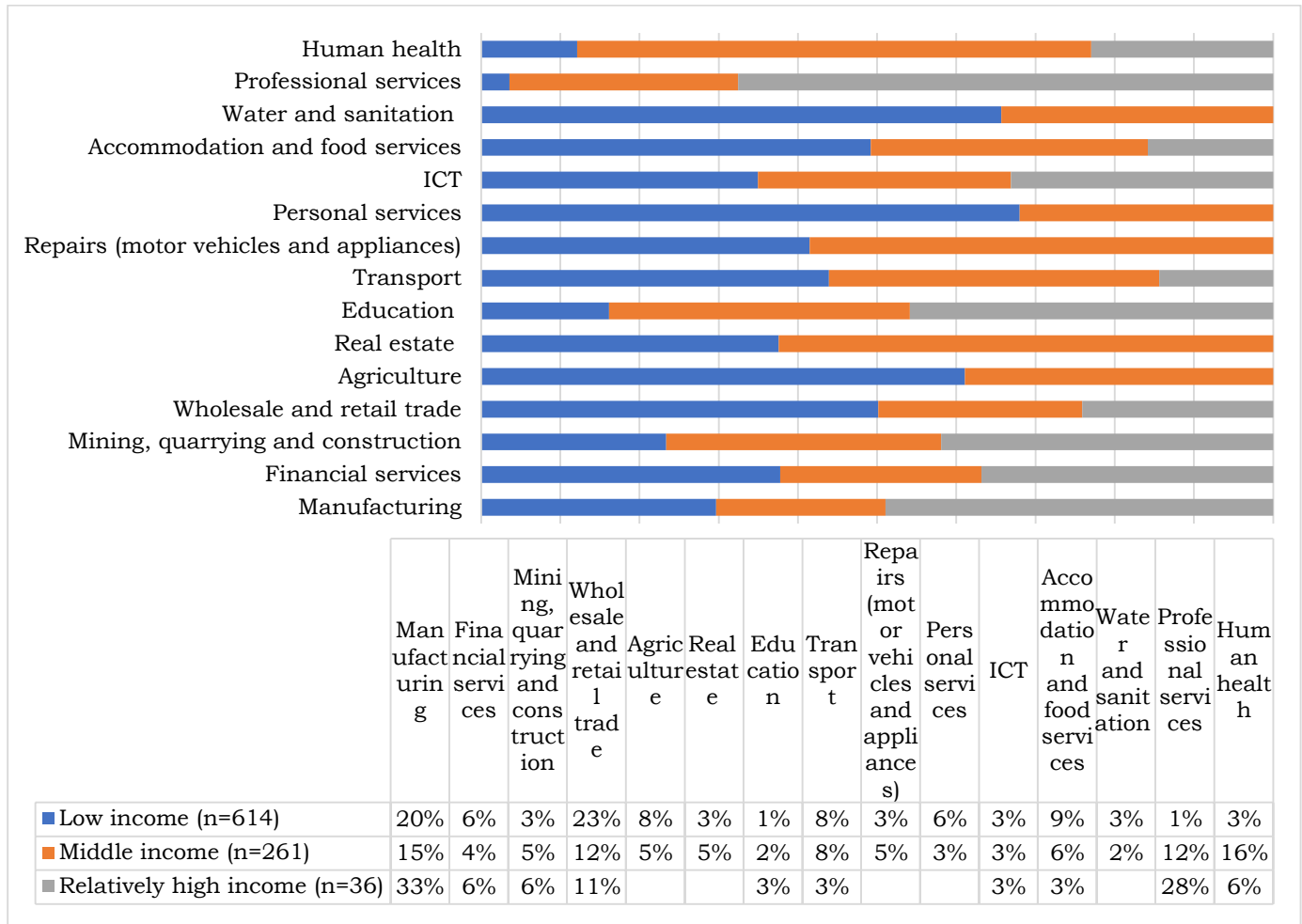


Figure 25: Distribution workers by earnings level and economic activity

As presented in Figure 26, majority of workers in low income category are members of welfare groups and chamas while workers in relatively high-income category are mostly members of Saccos and professional associations.

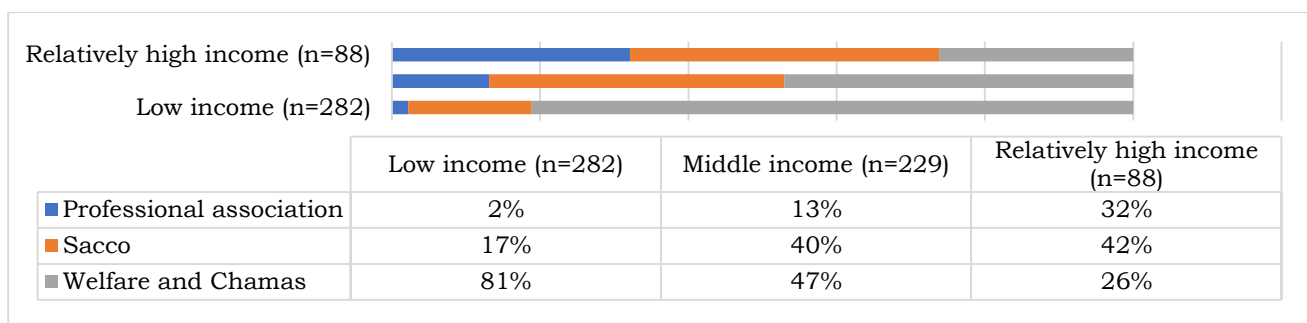


Figure 26: Distribution of membership of workers across earning categories

Majority (54%) of workers with relatively high income indicated they were willing to contribute to pension and they preferred monthly contributions as presented in Figure 27 and 28.

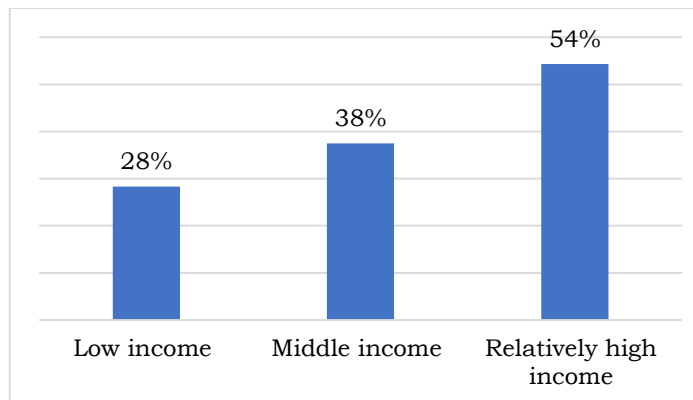


Figure 27: Willingness to contribute to pension by income level

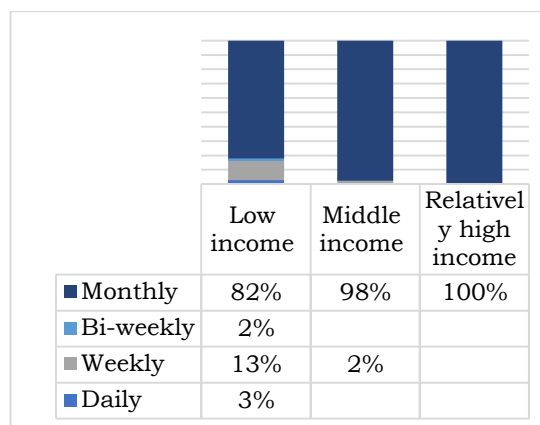


Figure 28: Preferred contribution frequency to pension

b) Other possible forms of classification considered

i. Classification according to location

The growth of information and communications technology (ICT) has significantly contributed to financial inclusion in Kenya. There has been a rise in use of mobile banking products and uptake of digital loans applications¹⁶. With the role played by technology, contributions to pension schemes and receipt of funds can be undertaken through mobile banking thus making classification through location offer a lower degree of discrimination of informal sector workers and enterprises.

ii. Classification according to economic sectors

Enterprises across various sectors have varying earning capabilities as shown by this study. Similarly, workers in respective economic sectors are spread across different income levels. However, some sectors are more formally organised than others. Sectors do not appear to discriminate to a large extent the ability of workers and employers to participate in pension schemes and hence this variable was not recommended for classification.

¹⁶ FSD, Fin Access Household Survey (2019)

iii. Classification according to trade associations

Based on the findings of the study, some sectors are more organised than others, for example transport industry constituting of public service vehicles (matatus), bodaboda and taxis and professional services. Classification would therefore be applicable only to sectors that are very organised through Saccos and professional associations. This therefore has lower degree of discrimination of informal/MSME sector workers and employers. However, the trade, welfare and professional associations are a great channel in targeting the groups that have the ability to contribute to pension. Targeting through organised associations is an effective strategy to reach organised workers and employers.

iv. Gender

From the findings of the study, the willingness to contribute to pension schemes by gender was not significantly different. Gender does not appear to discriminate to a large extent the ability of workers and employers to participate in pension schemes and hence this variable was not proposed for classification.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, RECOMMENDATIONS AND TARGETING STRATEGY

5.1 SUMMARY OF FINDINGS

The findings indicate that majority of the enterprises are micro constituting 98.3% while small and medium accounted for 1.5% and 0.2% respectively. The six largest economic activities (wholesale and retail trade - 62%; manufacturing - 12%; accommodation and food services -9%; agriculture, forestry and fishing - 3%; transportation and storage - 3%; and education - 1%) account for about 90% of the total number of establishments. Workers in informal/MSME sector are majorly employed in micro enterprises, constituting 81.1% while employment in small and medium enterprises was 13.6% and 5.3% respectively. The six major categories that contribute to more than 87% of employment in the informal/MSME sector are wholesale and retail trade - 54%; manufacturing - 12%; accommodation and food services - 11%; education - 5%; transport and storage - 3%; and agriculture, forestry and fishing - 3%.

The analysis points out that the size of the enterprise is correlated to the level of income. Most of the medium enterprises indicated that they generate sales of more than Ksh 500,000 per month and monthly profits of more than Ksh 100,000. Majority of small and micro enterprises indicated their monthly sales ranged between Ksh 100,001 and Ksh 500,000 and Ksh 10,001 and Ksh 50,000 respectively. Most of the workers in the informal/MSME sector are under contract and casual employment. Medium sized enterprises were the most aware about retirement benefits while micro enterprises had the least awareness level. In addition, contribution to retirement benefit schemes was highest in medium enterprises at 60% followed by small and micro enterprises at 38% and 18% respectively. Similarly, by form of business, private companies indicated the highest rate of contribution to retirement benefits followed by partnerships and sole proprietorships. Contribution by workers to pension schemes was highest in medium enterprise firms. In addition, workers with monthly earnings from Ksh 20,001 to Ksh 100,000 had the highest rate of contribution to retirement schemes. Willingness by enterprise to enroll workers to

retirement benefits was 20% while workers willingness to contribute was 31%. Alternative channels being used by workers to save for retirement include saving in a bank, investing in chama, buying land and saving in a Sacco. Lack of resources was cited as the biggest hindrance preventing workers from contributing to retirement benefits schemes.

One of the key lessons that have been learnt by schemes engaging the informal/MSME sector workers and employers is the need for tailor making products that suit this sector's needs which are different from the formal sector especially in flexibility in amount and frequency. The study findings indicate that overall, 66% of workers were paid on monthly basis while 22%, 9% and 2% were paid on daily, weekly and bi-weekly basis. In addition, workers who are casual, seasonal and family are majorly paid on daily and weekly basis. This signifies that pension products have to be flexible in frequency of contribution and the amount. Schemes targeting informal sector such as Mbao pension scheme in Kenya and Social Security and United Pension Trustees ('My Own Pension') in Ghana have flexibility in amount on the amount and frequency of contribution. In Sri-Lanka, Farmer's Pension Scheme (1987) and the Fisherman's Pension Scheme (1990) are based on modest contribution amounts either on a regular/periodic manner (biannually for farmers and quarterly for fishermen) or as a yearly one-off payment. Some schemes such as United Pension Trustees in Ghana provides products with short and long-term features.

Informal/MSME enterprises and workers are geographically dispersed around the country which can drive the cost of communication high. Lack of information was rated second as one of the major reasons why workers are not contributing to pension while the perception that it is unnecessary and lack of trust in the schemes were 3rd and 4th reasons. Lack of information was the second reason given by workers between the age of 35 years and below. These reasons point out to lack of information by workers. Similarly, schemes highlighted challenges such as frequent withdrawal by members, particularly when they change employers, large number of inactive members, low financial literacy levels and inconsistent saving patterns. The

sschemes indicated that they educate members through channels that reach large audience and that are cost effective. One of the key aspects considered by the customers is the rate of return offered by pension schemes. It is important to offer rates that compare favourably with others financial products.

In order to be economically viable, the schemes indicated the need for attracting bigger numbers from homogeneous groups. This was identified as a key factor in driving the unit cost of delivery of services lower. Use of technology was cited as a key enabler in reaching out to the informal/MSME sector. Since pension scheme administration unit costs are relatively high for informal sector scheme, there is need to adopt modern ICT solutions, which coupled with high membership will enable pension schemes benefit from economies of scale and be viable. Adoption of modern ICT solutions can enhance efficiency including information access by members. This has been used to simplify the process of enrolment, avail information and enable remittance of contributions. In Kenya schemes utilise high usage of mobile money accounts. In 2019, adults in Kenya owning mobile money accounts were approximately 8 in 10.

On access of financial information, majority of workers across various age categories seek advice from family and friends followed by the media. Use of social media as a source of financial advice was third highest among respondents aged 24 years and below. Enterprises indicated that they mainly obtain financial advice from financial institutions, experts and media. Television, radio and newspapers were cited as the most preferred sources of information for MSMEs which was similar to the preference of workers. Notably, respondents who are 24 years and below rated social media third as the main source of information on pension

The schemes indicated that use of organised groups to target members was also a success factor in targeting the informal/MSMEs. Workers in professional services, human health, education, financial services and transport had the highest rate of membership to organised associations such as professional association, Saccos and

chamas and welfare groups. Manufacturing and wholesale and trade economic activities that has the largest proportion of workers had membership rates of 62% and 46% respectively. Organised associations have been used a way of targeting workers as is the case for Mbao Pension Scheme in Kenya that targets Jua Kali workers, Uganda's Kampala City Traders Association (KACITA) targeting traders and Sri Lanka's Farmer's Pension Scheme. Targeting of workers belonging to an organized association may be targeted more effectively and efficiently.

Schemes such as Ejo Heza Long-Term Savings Scheme (Ejo Heza LTSS) in Rwanda have designed their products such that members of the scheme are able to utilize their 40% of the total savings as collateral to obtain a loan. The scheme also provides a free life insurance policy and a funeral insurance policy worth approximately USD 1,000 and USD 250 respectively. In addition, to encourage mass enrollments, the government of Rwanda co-contributes in addition to providing the insurance policy incentives. In order to enhance coverage of pension of the low-income workers, the government of India through NPS-Swavalamban co-contributes to workers three years after joining the scheme.

The findings indicate that the contribution by micro, small and medium enterprises was at 17%, 38% and 52% respectively. The National Social Security Fund Act, 2013 requires that every employer with one or more employees should register his/her workers as members of the Fund. The findings indicate that enterprises have a low contribution rate to NSSF which is contrary to the provision of the Act.

5.2 CONCLUSIONS

Mapping-out the economic sectors and activities in which the informal sector employers and workers are predominantly engaged-the informal/MSME sector workers and employers are drawn from all the sectors, however some sectors have higher proportions than others. Sectors with high proportions of informal/MSME sector workers and employers include wholesale and retail trade; manufacturing;

accommodation and food services. In addition, these sectors also contribute significantly to the national GDP.

Understanding the existing dynamics and exploring the heterogeneity existing among the informal sector workers and employers-findings from the study indicate that the informal/MSME sector is indeed heterogeneous. The informal/MSME sector enterprises are predominantly micro enterprises. The sales and profit levels are higher in medium and small enterprises which also coincides with the level of participation in pension. Workers in medium and small enterprises have relatively higher income level compared to those in micro enterprises. Therefore, their ability to contribute to pension is higher since they are in a position to forego consumption and save for retirement.

Proposing a framework for classification of the informal sector workers and employers in the country-Classification of MSME/informal sector employers and workers was based on degree of formality and level of income for enterprises and workers respectively. Enterprises categories in this classification include licensed corporates, licensed non-corporates, and unlicensed enterprises. Licensed corporates are private companies while licensed non-corporates are enterprises that are not companies but have single business permit issued annually by county governments where they operate. Unlicensed enterprises operate using tickets issued by county governments or no license at all. The results of the analysis indicated that the enterprises with high level of formality generated higher incomes compared to unlicensed firms. Therefore, the ability of unlicensed enterprises to contribute to pension is lower. Workers classification was based on the level of earnings. The categories include low income (earning Ksh 20,000 and below), middle income (Ksh 20,001 and Ksh 50,000) and relatively high income (above Ksh 50,001). The workers in the middle and relatively higher income have a higher ability to forego consumption and save for retirement while low income has the least potential.

Proposing an appropriate strategy for targeting the informal sector workers and employers in pension coverage based on the proposed classification - targeting will be undertaken for licensed corporates and non-corporates corporates and workers in the relatively high earning and middle-income categories. The enterprises categories with the highest potential to participate in pension are licensed corporates followed by licensed non-corporates and unlicensed enterprises. Workers with the highest potential to participate in pension are those with relatively high income followed by middle and low income level categories.

5.3 RECOMMENDATION

- i. Pension products for the informal/MSME sector should be developed considering the unique characteristics of the informal sector. For example, contributions and access to benefits should be more flexible.***
- ii. Creation of awareness to target homogenous groups that ensure that large numbers are enrolled. This will reduce the per unit cost of pension scheme administration and benefit from economies of scale.***
- iii. Pension products should offer competitive returns which will in turn make them more attractive. This will have an effect on increasing pension coverage.***
- iv. Schemes should leverage on technology in targeting and ensuring access to information. Transparency will be promoted through use of technology.***
- v. Enhance communication through various channels such as SMS blasts, vernacular radio stations, television. RBA should continue to facilitate creation of awareness to the workers and employers in the informal/MSME sector.***
- vi. Collaboration between schemes and professional and organized informal associations is important in success of targeting workers and enterprises.***
- vii. RBA should lobby the government for possible incentives to encourage informal sector workers to save for retirement. This should only be***

considered after an appropriate cost benefit analysis study is carried out.

viii. Enforcement of NSSF Act should be strengthened. This can be undertaken through collaboration with county governments and other government agencies such as Kenya Revenue Authority in order to ensure compliance.

5.4 TARGETING STRATEGY FOR THE INFORMAL/MSME WORKERS AND EMPLOYERS

5.4.1 Enterprises

The firm's categories of licensed corporates and non-corporates enterprises will be targeted for pension. Unlicensed enterprises have lower incomes which will affect their ability to contribute to pension. In addition, due to their lack of any formality, the cost of serving this category will be higher. The licensed corporates and non-corporates enterprises should be contributing to NSSF according to NSSF Act. Therefore, this calls for enforcement to ensure that employers are compliant with the law. To ensure compliance with the law, collaboration between county governments and NSSF could be used, for example by ensuring that only compliant businesses are issued with licenses. Collaboration between schemes and professional and organise informal associations can assist growth of employer-based schemes. Awareness creation in enterprises can be undertaken through partnership between schemes and professional and informal organised associations. Use of technology is important in targeting as it will help have low per unit cost of administration and facilitate access to information.

5.4.2 Workers

Workers in the middle income and relatively high-income categories will be targeted for pension. Workers in the low-income category (earning Ksh 20,000 and below) will not be focused on due to their low ability to contribute to pension. Workers will be targeted for individual pension, where they contribute for themselves. Contribution flexibility can be undertaken on daily, weekly or monthly basis. Access to information

through leveraging on technology will be important in enhancing transparency between schemes and workers. Awareness and marketing will be enhanced through social media and traditional media. In addition, workers can be targeted through professional and informal associations.

The categories derived from the classification that will there be targeted is as shown in Table 50.

Table 50: level of potential informal/MSME sector workers and enterprises

Level of potential	Enterprises	Workers
High potential	Licensed corporates	Relatively high income
Potential	Licensed non-corporate	Middle income

The targeting strategy of the groups linked to the classification is presented in Table 51.

Table 51: Targeting strategy

Key targeting strategy aspects	Rationale	Strategy	Target	Implementing actor
Product design	While designing pension products, specific features that best suit the informal/MSME sector workers and employers have to be considered. (period of access, utilization of the funds to borrow, packaging with other financial products)	Enhance pension product features to accommodate more informal/MSME sector workers and employers	<ul style="list-style-type: none"> • Licensed corporates and non-corporates • Workers with relatively high and middle income 	Pension schemes RBA
Place and customer service	Informal/MSME sector workers and employers are widely dispersed around the country therefore technology will minimize the cost of service. Further, the number of workers in an enterprise are relatively low. It is hence necessary to have approaches that facilitate lower per unit cost. The sector members are very sensitive to risk of loss of contributions and comfort can be given by transparency and provision of information	i. Leverage on technology and systems that are easy to use to facilitate remittance/access to benefit of deductions and access to information	<ul style="list-style-type: none"> • Licensed corporates and non-corporates 	Pension schemes
		ii. Utilization of mobile money, applications to remit and access information	<ul style="list-style-type: none"> • Workers with relatively high and middle income 	Pension schemes
		iii. Utilization of organised informal associations/groups to enhance access of information and communication	<ul style="list-style-type: none"> • Licensed corporates and non-corporates • Workers with relatively high and middle income 	Pension schemes

Key targeting strategy aspects	Rationale	Strategy	Target	Implementing actor
		iv. Ensure transparency of information with respect to remittances and cumulative contributions	<ul style="list-style-type: none"> • Licensed corporates and non-corporates • Workers with relatively high and middle income 	Pension schemes
Rate of return	Ensuring security of pension funds is important because it affects the perception of people towards pension schemes. Easy access of information on performance of pension schemes will enhance transparency. Due to other channels of saving for retirement available, pension scheme rates should be competitive in order to attract potential savers.	i. Ensure security of funds to create confidence in contributors	<ul style="list-style-type: none"> • Licensed corporates and non-corporates • Workers with relatively high and middle income 	RBA
		ii. Provide information on performance of pension funds	<ul style="list-style-type: none"> • Licensed corporates and non-corporates • Workers with relatively high and middle income 	Pension Schemes RBA
		iii. Ensure pension funds have competitive returns	<ul style="list-style-type: none"> • Licensed corporates and non-corporates • Workers with relatively high and middle income 	Pension Schemes RBA
Promotion	Promotion will help create awareness and provide information of how pension schemes work. This will help in highlighting benefit of pensions to informal/MSME workers and employers	Undertake promotion through SMS blasts, vernacular radio stations, television, social media, professional associations, organised informal associations and opinion leaders	<ul style="list-style-type: none"> • Licensed corporates and non-corporates • Workers with relatively high and middle income 	Pension Schemes RBA
Regulatory	The NSSF Act requires any	i. Strengthening	<ul style="list-style-type: none"> • Licensed corporates 	RBA

Key targeting strategy aspects	Rationale	Strategy	Target	Implementing actor
framework	enterprise with employees to contribute towards the scheme. Enforcing monitoring of compliance is necessary to ensure all enterprises comply	enforcement to ensure all enterprises contribute to NSSF	and non-corporates	NSSF
		ii. Collaborate with county governments and other government agencies by enterprises	<ul style="list-style-type: none"> Licensed corporates and non-corporates 	RBA NSSF

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APPENDICES

APPENDIX I: Population and Sample Distribution

Region	County	Population of enterprises			Sample size of enterprises		
		Micro ¹⁷	Small	Medium	Micro	Small	Medium
Central	Kiambu	255,254	7,300	647	20	20	10
	Nyeri	115,638	580	183	20	20	10
Coast	Mombasa	201,861	3,645	251	20	20	10
	Kilifi	300,383	837	209	20	20	10
Eastern	Meru	236,123	2,187	190	20	20	10
	Machakos	270,294	3,050	156	20	20	10
Nyanza	Kisumu	231,009	5,306	884	20	20	10
	Kisii	194,898	2,184	191	20	20	10
Rift Valley	Nakuru	367,353	7,801	946	20	20	10
	Uasin Gishu	205,459	3,226	115	20	20	10
Western	Kakamega	349,478	3,392	530	20	20	10
	Bungoma	285,662	1,187	52	20	20	10
Nairobi	Nairobi	1,007,168	39,679	3,753	40	40	20
Total		4,020,579	80,374	8,108	280	280	140

Region	County	Population of workers			Sample size of workers		
		Total licensed and unlicensed micro	Small	Medium	Licensed and unlicensed micro	Small	Medium
Central	Kiambu	457,600	138,900	48,300	31	43	20
	Nyeri	279,900	13,900	19,200	19	4	8
Coast	Mombasa	345,300	77,100	18,800	23	24	8
	Kilifi	405,200	14,300	14,700	27	4	6
Eastern	Meru	347,200	47,800	16,700	23	15	7
	Machakos	778,200	81,900	15,800	53	26	7
Nyanza	Kisumu	351,000	97,000	50,400	24	30	21
	Kisii	293,900	35,600	13,300	20	11	5
Rift Valley	Nakuru	531,800	143,700	81,200	36	45	33
	Uasin Gishu	362,300	50,900	7,200	24	16	3
Western	Kakamega	629,600	59,200	36,800	43	18	15
	Bungoma	468,700	28,700	7,100	32	9	3
Nairobi	Nairobi	1,848,400	750,700	252,300	125	234	104
Totals		7,099,100	1,539,700	581,800	480	480	240

¹⁷Total licensed and unlicensed micro enterprises

APPENDIX II: Questionnaires and Interview Guides

RETIREMENT BENEFITS AUTHORITY (RBA)

National study on classification of informal /SMEs sector workers and enterprises for efficient targeting in extending pension coverage.

Date _____

Please take a few minutes to help complete this questionnaire. Your views are extremely important in enhancing pension coverage in Kenya. Your response will be treated with confidentiality.

The information requested for in case of a non-sole proprietor relates to the main shareholder (for companies) and the principal partner (for partnerships)

SECTION 1

A. BUSINESS BIODATA

1. What is the nature of the business that you are operating? Tick where appropriate.

Economic sector	Activity	{√}	Economic sector	Activity	{√}
Manufacturing	Food and beverage		Transport	Public service vehicles (PSVs)- Matatus, buses	
	Metal work and fabrication e.g. doors, gates, windows, jua kali items-boxes, pans, machines			Taxis	
	Carpentry			Bodaboda	
	Tailoring			Tuktuks	
	Leather and shoe making			Transporters-lorries, pickups	
	Other specify _____			Other specify _____	
Financial services	Mobile banking and agency banking-Mpesa, Airtel money,		Repairs (motor vehicles and appliances)	Repairer of motor vehicles, motor cycles and bicycles	
	Insurance brokers and agents, investigators, assessors			Repair of household appliances	
	Other specify _____			Other specify _____	
Mining, quarrying and construction	Mining and quarrying sites		Personal services	Hairdressing and barber shops	
	Construction of buildings and roads			Cleaning services -office cleaning, car washing and laundry services	
	Other specify _____			Other specify _____	
Wholesale and retail trade	Sellers of household goods, meat, beauty and cosmetics, stationery, books etc.		ICT	Sale and repair of computers and mobile phones	
	Food product markets/soko (fruits, vegetables, cereals etc)			Cyber cafes, video and gaming halls	
	Clothing and shoes (new and second hand clothes)			Other specify _____	
	Hawking/street vendors		Accommodation and food services	Hotels and restaurants (without accommodation)	
	Hardware, construction materials, motor vehicle/motorcycle spare parts			Accommodation -hotels, hostels, lodgings, motels	
	Other specify _____			Food vendors -food kiosks, construction site, offices, suppliers of cakes, scones	
Agriculture	Crops farming (tea, coffee, avocados, mangoes, coconuts, citrus)			Bars and entertainment places	

Economic sector	Activity	{√}	Economic sector	Activity	{√}
	Fast maturing crops e.g. vegetables, tomatoes, potatoes		Water and sanitation	Other specify _____	
	Livestock (dairy, poultry, pigs)			Water vendors-water kiosks, tankers, carts	
	Fishery			Garbage collection and disposal	
	Agricultural inputs and services- agrovets, animal feeds		Professional services	Other specify _____	
	Forestry -seedlings for trees, flowers etc.			Law firms	
	Other specify _____			Accountancy and audit firms	
Real estate	Property management -agents, caretakers		Human health	Engineers	
	Land agents			Surveyors and valuers	
	Security firms			Architects	
	Other specify _____			Company Secretaries	
Education	Private schools- daycare centers, kindergarten, primary, secondary		Human health	Other specify _____	
	Private colleges			Medical clinics	
	Other specify _____			Maternity and nursing homes	
		Chemists and pharmacies			
			Other specify _____		

2. Please indicate the form of your business

Form of business	{√}
Sole proprietor	
Partnership	
Private company	
Others specify _____	

3. Kindly indicate the age bracket in years

18 to 24	[]	45 to 60	[]
25 to 35	[]	61 and above	[]
36 to 44	[]		

4. Kindly indicate your highest level of education attained

Level of education	{√}	Level of education	{√}
None		Higher diploma	
Primary		Bachelor's degree	
Secondary		Post graduate	
Certificate			
Diploma			

5. Kindly indicate your gender

Option	{√}
Male	[]
Female	[]

6. Are you a member of any of the following?

Option	{√}	Provide the name
Professional association	
Sacco	
Welfare group	

Option	{ √ }	Provide the name
Chamas	
Other. Specify	

7. Please indicate if your business is licensed i.e. has a single business permit from the county government

Option	{ √ }	
Yes		If Yes, how much do you pay per year Ksh.....
No		

8. What is the average monthly sales for your business under each of the following?

Average monthly sales (turnover)	Good month {√}	Normal month {√}	Low month {√}
Less than Ksh 10,000			
Ksh 10,001 – 30,000			
Ksh 30,001-50,000			
Ksh 50,001-100,000			
Ksh 100,001-200,000			
Ksh 200,001-500,000			
Ksh 500,001-1,000,000			
More than Ksh 1,000,000			

9. What is the average monthly profit for your business in a normal month?

Average monthly profit	{ √ }
Less than Ksh 2,000	
Ksh 2,001- 6,000	
Ksh 6,001- 10,000	
Ksh 10,001- 20,000	
Ksh 20,001- 40,000	
Ksh 40,001-100,000	
Ksh 100,001-200,000	
More than Ksh 200,000	

10. Kindly indicate your average monthly wage/ salary by ticking (√) the appropriate category.

Wage/salary	{ √ }
Less than Ksh10,000	
Ksh 10,001-20,000	
Ksh 20,001-50,000	
Ksh 50,001-70,000	
Ksh 70,001-100,000	
Ksh More than 100,000	
I do not get a salary	

11. Indicate the duration that the business has been in existence

Duration of the business	{ √ }
Less than 1 year	
1- 3 years	
4- 5 years	
6-10 years	
11-15 years	
More than 15 years	

12. Does your business have branches?

Option	{ √ }	
Yes		How many branches _____

No		
-----------	--	--

13. Is your business registered with any professional/trade association?

Option	{ √ }	
Yes		Specify which one(s)

No		

14. Kindly indicate your average monthly wage/salary by ticking (√) the appropriate category.

Wage/salary	{ √ }
Less than Ksh10,000	
Ksh 10,001-20,000	
Ksh 20,001-30,000	
Ksh 30,001-50,000	
Ksh 50,001-70,000	
Ksh 70,001-100,000	
Ksh More than 100,000	

15. Apart from yourself, does the business have any workers?

Option	{ √ }	
Yes	[]	Go to Q 16
No	[]	Go to Q 21

B. INFORMATION ABOUT WORKERS

16. How many workers do you have in your business?

Option	{ √ }
1-9	[]
10-49	[]
50-99	[]

17. Indicate the number of workers (by gender) under each of the following **gross** monthly wage/salary categories

Wage/salary	No. of workers	
	Male	Female
Less than Ksh10,000		
Ksh 10,001-20,000		
Ksh 20,001-30,000		
Ksh 30,001-50,000		
Ksh 50,001-70,000		
Ksh 70,001-100,000		
Ksh More than 100,000		

18. On average, what is the distribution of your workers based on type of employment, contract type, payment frequency and level of education?

a) Type of employment by gender

Type of employment	No. of workers	
	Male	Female
On contract		
Casual staff		
Seasonal staff		
Unpaid family workers		

b) Level of education and gender

Level of education	No. of employees	
	Male	Female
None		
Primary		
Secondary		
Certificate		
Diploma		

Higher diploma		
Bachelor's degree		
Post graduate		

19. Indicate the type of agreement and payment frequency for the different categories of employees

a) Type of agreement

Type of employment	Type of agreement	
	Written {√}	Verbal {√}
On contract		
Casual staff		
Seasonal staff		
Unpaid family workers		

b) Frequency of wage/salary payment

Type of employment	Payment frequency -tick appropriate {√}			
	Daily	Weekly	Bi-weekly-after 2 weeks	Monthly
On contract				
Casual staff				
Seasonal staff				
Unpaid family workers				

20. Kindly indicate the **MAIN** mode of wage/salary payment to your workers? (tick one)

Mode of payment	{√}
Cash	
Mobile money-MPESA, Airtel money, equitel etc	
Bank account	
Sacco	
Other specify _____	

C. RETIREMENT BENEFITS

21. Are you aware of retirement benefits schemes?

Option	(√)	
Yes	[]	If Yes, Go to Q22
No	[]	If No go to Q25

22. If yes to Q21 above, how did you learn about retirement benefits schemes? (tick all that apply)

Source	((√)
TV	
Radio	
Social media	
Print media-newspapers	
From my former employer	
From friends	
Through sensitization meetings by RBA	
My own research	
Other: please specify _____	

23. Do you contribute to a retirement benefits scheme for yourself?

Option	(√)	
Yes	[]	If Yes, Go to Q24
No	[]	If No, Go to Q25

24. If yes to Q23 above, indicate the pension scheme, duration as a contributor and average amount you contribute.

Scheme	((√)	Duration as a contributor in years	Average amount contributed per month in Ksh
NSSF	[]		
Mbao Pension Plan	[]		
Individual pension	[]		

Employer sponsored scheme	<input type="checkbox"/>		
---------------------------	--------------------------	--	--

(Go to Q 28)

25. If No to Q23 above, what is the reason?

Response	(√)
Lack of information	<input type="checkbox"/>
Lack of resources	<input type="checkbox"/>
I do not think it is necessary	<input type="checkbox"/>
I do not trust the schemes	<input type="checkbox"/>
I am past the contribution age (50 years)	<input type="checkbox"/>
It is for those in formal employment	<input type="checkbox"/>
I am planning for my retirement in other ways	<input type="checkbox"/>

26. Would you be willing to contribute for pension for yourself? (An explanation will be provided to respondents who are not aware of retirement benefit schemes)

Option	(√)	
Yes	<input type="checkbox"/>	If Yes, Go to Q27
No	<input type="checkbox"/>	If No specify the reason & Go to Q28)

27. If Yes to Q26 above, how often and how much would you be willing to contribute towards your retirement?

Frequency	(√)	Amount (Ksh)
Daily	<input type="checkbox"/>	
Weekly	<input type="checkbox"/>	
Bi-weekly-every 2 weeks	<input type="checkbox"/>	
Monthly	<input type="checkbox"/>	

28. How are you planning for your retirement? (tick all applicable)

Response	(√)
I contribute to a pension scheme	<input type="checkbox"/>
I save in a bank	<input type="checkbox"/>
I have invested in shares	<input type="checkbox"/>
I save in a SACCO	<input type="checkbox"/>
I invest in real estate/rental buildings	<input type="checkbox"/>
I invest in land	<input type="checkbox"/>
I save/invest through Chamas	<input type="checkbox"/>
I will depend on my children	<input type="checkbox"/>
Other: specify _____	<input type="checkbox"/>

D. CONTRIBUTION TO PENSION FOR WORKERS

29. Do you deduct any amount from your workers' salaries/wages and remit to a retirement benefits scheme?

Option	(√)	
Yes	<input type="checkbox"/>	If Yes, Go to Q30
No	<input type="checkbox"/>	If No, Go to Q33

30. If Yes to Q29 above, does the business contribute as an employer for the workers (i.e. top up the amount contributed by the workers)?

Option	(√)	
Yes	<input type="checkbox"/>	If Yes, Go to Q31
No	<input type="checkbox"/>	If No specify the reason & Go to Q32

31. If Yes to Q30 above, which pension scheme, the basis and how much is the contribute?

a) Pension scheme

Response	((√))
NSSF	[]
Mbao Pension Plan	[]
Individual pension	[]
My employer sponsored scheme	[]

b) Basis and level of pension contribution

Worker		
Option	((√))	
A percentage of worker's salary	[]	Indicate the percentage
A standard amount per worker	[]	Indicate the amount in Ksh.....
Employer		
Option	((√))	
A percentage of worker's salary	[]	Indicate the percentage
A standard amount per worker	[]	Indicate the amount in Ksh.....

32. If No to Q30 above, what is the reason(s)?

Response	((√))
Lack of resources	[]
I do not think it is necessary	[]
I do not trust pension schemes	[]
That is for employees in formal employment	[]
Other specify	[]

33. If No to Q29, would you be willing to enrol your workers to a retirement benefit scheme?

Option	Yes {√}
Yes	If Yes, Go to Q34
No	If No specify the reason & Go to Q37

34. If Yes to Q33 above, how often and how much would you be willing to contribute for the workers?

a) Frequency

Frequency	(√)
Daily	
Weekly	
Monthly	

b) Amount you are willing to contribute for the workers

Employer		
Option	((√))	
A percentage of worker's salary	[]	Indicate the percentage
A standard amount per worker	[]	Indicate the amount in Ksh.....

35. Which is your **most preferred mode** of remitting deductions to the retirement benefits scheme? (**tick one**)

Mode of remitting	(√)
Mobile money-Mpesa, Airtel money, Equitel	
Bank transfer/deposit	
Cheque	
Cash	
Other specify	

36. If you are willing to contribute for retirement, please indicate the level of importance of each of the following in evaluating a pension scheme

Aspect	Not important	Moderately important	Very important	Extremely important
	(√)	(√)	(√)	(√)
Rate of return of the scheme-amount payable on retirement.				
Security/stability of the scheme				
Promptness in payment of the retirement				

Aspect	Not important	Moderately important	Very important	Extremely important
benefit.				
Flexibility in the amount to contribute.				
Availability of various channels of making contributions.				
Flexibility in frequency of contribution (daily, weekly, monthly).				
Flexibility in accessing retirement benefits- option to access part of the benefits before retirement.				

E. ACCESS TO INFORMATION

37. Please indicate your **three main sources** of financial advice (tick three only)

Source of advice	(√)
Financial institutions (banks, Saccos, MFIs, Insurance companies)	
Experts – personal finance advisers, auditors, economists, consultants	
Professional and trade associations	
Chama	
Family and friends	
Media (TV, radio, newspaper)	
Social media	
I do not seek any advice	
Other specify _____	

38. Which is your **threemost preferred** channel for receiving information about pension? (Tick three only)

Channel	(√)
Newspaper	
Television	
Radio	
Magazine/pamphlets/brochures	
Website	
Word of mouth	
Social media (Facebook, twitter)	
Sensitization by RBA/pension scheme	
Mobile phone-SMS	
Mobile phone-WhatsApp	
Others (specify).....	

39. Who is the **MAIN** influencer of public opinion in your community? (tick one only)

Option	(√)
Professionals such as engineers, lawyers, accountants	[]
Politicians	[]
Religious leaders	[]
Local leaders e.g. Chiefs	[]
Media personalities	[]
Government representatives	[]
Local artists	[]
Others (specify).....	[]

F. AWARENESS OF RBA

40. Are you aware of Retirement Benefits Authority (RBA)?

Option	(√)	
Yes	[]	Go to Q41
No	[]	If no go to Q43

41. How did you get to know about RBA? Tick all that apply.

- | | |
|---|---|
| <input type="checkbox"/> TV | <input type="checkbox"/> From friends |
| <input type="checkbox"/> Radio | <input type="checkbox"/> In my former workplace |
| <input type="checkbox"/> Newspaper | <input type="checkbox"/> Learning institutions (schools, colleges and universities) |
| <input type="checkbox"/> Magazine | <input type="checkbox"/> My Association |
| <input type="checkbox"/> RBA's website | <input type="checkbox"/> Other please specify..... |
| <input type="checkbox"/> Social media | |
| <input type="checkbox"/> Through RBA sensitization meetings | |

42. Are you aware of the following functions of RBA? Indicate as appropriate in the table below

Functions	Yes (√)	No (√)
Regulate and supervise the establishment and management of retirement benefits schemes		
Protect the interest of members and sponsors of retirement benefits schemes and approve trustees' remuneration approved by members during the Annual General Meeting after every three years		
Promote the development of the retirement benefits sector		
Advise the Cabinet Secretary of The National Treasury and Planning on the national policy to be followed with regard to the retirement benefits sector and to implement all government policies relating thereto.		

G. GENERAL SECTION

43. Indicate the location of your business

Option	(√)	Option	(√)
Commercial premises		Kiosk	
Industrial site		Household premises	
Market stall		Mobile i.e. no fixed location	
Open market		Others: specify _____	

44. Do you maintain?

Option	Yes	No
Separate bank/Sacco account for the business		
Books of accounts for the business		

45. Kindly indicate the county of operation

County	[]	County	[]	County	[]
Bungoma		Kisumu		Nakuru	
Kakamega		Machakos		Nairobi	
Kiambu		Meru		Nyeri	
Kilifi		Mombasa		Uasin Gishu	
Kisii					

Thank You

Workers Questionnaire

RETIREMENT BENEFITS AUTHORITY (RBA)

National study on classification of informal /SMEs sector workers and enterprises for efficient targeting in extending pension coverage.

Date

Please take a few minutes to help complete this questionnaire. Your views are extremely important in enhancing pension coverage in Kenya. Your response will be treated with confidentiality.

A. BIO DATA

1. Indicate the economic sector and business activity in which you work

Economic sector	Activity	{√}	Economic sector	Activity	{√}
Manufacturing	Food and beverage		Transport	Public service vehicles (PSVs)- Matatus, buses	
	Metal work and fabrication e.g. doors, gates, windows, jua kali items-boxes, pans, machines			Taxis	
	Carpentry			Bodaboda	
	Tailoring			Tuktuks	
	Leather and shoe making			Transporters-lorries, pickups	
	Other specify _____			Other specify _____	
Financial services	Mobile banking and agency banking-Mpesa, Airtel money,		Repairs (motor vehicles and appliances)	Repairer of motor vehicles, motor cycles and bicycles	
	Insurance brokers and agents, investigators, assessors			Repair of household appliances	
	Other specify _____			Other specify _____	
Mining, quarrying and construction	Mining and quarrying sites		Personal services	Hairdressing and barber shops	
	Construction of buildings and roads			Cleaning services -office cleaning, car washing and laundry services	
	Other specify _____			Other specify _____	
Wholesale and retail trade	Sellers of household goods, meat, beauty and cosmetics, stationery, books etc.		ICT	Sale and repair of computers and mobile phones	
	Food product markets/soko (fruits, vegetables, cereals etc)			Cyber cafes, video and gaming halls	
	Clothing and shoes (new and second hand clothes)			Other specify _____	
	Hawking/street vendors		Accommodation and food services	Hotels and restaurants (without accommodation)	
	Hardware, construction materials, motor vehicle/motorcycle spare parts			Accommodation -hotels, hostels, lodgings, motels	
	Other specify _____			Food vendors -food kiosks,	

Economic sector	Activity	{√}	Economic sector	Activity	{√}	
Agriculture	Crops farming-late maturing (tea, coffee, avocados, mangoes, coconuts, citrus)			construction site, offices, suppliers of cakes, scones		
	Fast maturing crops e.g. vegetables, tomatoes, potatoes			Bars and entertainment places		
	Livestock (dairy, poultry, pigs)			Other specify _____		
	Fishery		Water and sanitation	Water vendors-water kiosks, tankers, carts		
	Agricultural inputs and services-agrovets, animal feeds			Garbage collection and disposal		
	Forestry -seedlings for trees, flowers etc.			Other specify _____		
	Real estate	Other specify _____		Professional services	Law firms	
Property management -agents, caretakers			Accountancy and audit firms			
Land agents			Engineers			
Security firms			Surveyors and valuers			
Other specify _____		Architects				
Education	Private schools- daycare centers, kindergarten, primary, secondary		Human health		Company Secretaries	
	Private colleges				Other specify _____	
	Other specify _____			Medical clinics		
		Maternity and nursing homes				
			Chemists and pharmacies			
			Other specify _____			

2. Kindly indicate your gender:

Gender	{√}
Male	
Female	

3. Kindly indicate your age bracket in years

Age	{√}	Age	{√}
Below 24	[]	45 to 60	[]
25 to 35	[]	61 and above	[]
36 to 44	[]		

4. Kindly indicate your highest level of education attained

Level of education	{√}	Level of education	{√}
None		Higher diploma	
Primary		Bachelor's degree	
Secondary		Post graduate	
Certificate			
Diploma			

5. How long have you been employed by your current employer?

Duration	{√}	Duration	{√}

Less than 1 year		11-15 years	
1- 3 years		More than 15 years	
4- 5 years			
6-10 years			

6. In a typical month, how many days are you out of employment?

Number of working days	{ √ }
Less than 3 days	
3- 12 days	
13- 18 days	
More than 18 days	

7. What is the nature of your current employment and type of agreement?

Type of employment	Type of agreement	
	Written {√}	Verbal {√}
On contract		
Casual staff		
Seasonal staff		
Unpaid family workers		

8. Indicate the frequency of your wage/salary payment

Option	{ √ }
Daily	
Weekly	
Bi- weekly-after 2 weeks	
Monthly	

9. Kindly indicate your average monthly wage/salary by ticking (√) the appropriate category.

Wage/salary	{ √ }
Less than Ksh10,000	
Ksh 10,001-20,000	
Ksh 20,001-30,000	
Ksh 30,001-50,000	
Ksh 50,001-70,000	
Ksh 70,001-100,000	
Ksh More than 100,000	

10. Kindly indicate how you get paid by your employer.

Mode of payment	{ √ }
Cash	
Mobile money-MPESA, Airtel Money, Equitel etc	
Electronic transfer to my account (bank, Sacco)	
Cheque	

Other: specify _____

11. Are you a member of any of the following?

Option	{ √ }	Provide the name
Professional association	
Sacco	
Welfare group	
Chamas	
Other specify	

B. RETIREMENT BENEFITS

12. Are you aware of retirement benefits schemes?

Option	(√)	
Yes	[]	If Yes, Go to Q13
No	[]	If No go to Q17

13. How did you learn about retirement benefits schemes?

Source	((√))
TV	
Radio	
From my current employer	
Print media	
Social media	
From my former employer	
From friends	
Through sensitization meetings	
My own research	
Other please specify _____	

14. Do you contribute to a retirement benefits scheme?

Option	(√)	
Yes	[]	If Yes, Go to Q15
No	[]	If No, Go to Q16

15. If yes to Q14 above, indicate the pension scheme, duration as a contributor and the average amount you contribute

Scheme	((√))	Duration as a contributor in years	Average amount contributed per month in Ksh
NSSF	[]		
Mbao Pension Plan	[]		
Individual pension	[]		
Employer sponsored scheme	[]		

Note: Go to Q17

16. If No to Q14 above, what is the reason for not contributing for retirement?

Reason	((√))
Lack of information	[]
Lack of resources	[]
I do not think it is necessary	[]
I do not trust the schemes	[]
I am past the contribution age (50 years)	[]
It is for those in formal employment	[]
I am planning for my retirement in other ways	[]

17. How are you planning for your retirement? **(tick all that apply)**

Response	((√))
I contribute to a pension scheme	[]
I save in a bank	[]
I have invested in shares	[]
I save in a SACCO	[]
I invest in real estate/rental buildings	[]
I invest in land	[]
I save/invest through Chamas	[]
I will depend on my children	[]
Other: specify _____	[]

18. If No to Q14 above, would you be willing to contribute for retirement?

Option	{√}	
Yes	[]	If Yes, go to Q19
No	[]	If No specify the reason & go to Q21

19. If Yes to Q18 above, how often and how much would you be willing to contribute towards your retirement?

Frequency	(√)	Amount (Ksh)
Daily	[]	
Weekly	[]	
Bi-weekly-every 2 weeks	[]	
Monthly	[]	

20. If you are willing to contribute for retirement, please indicate the level of importance of each of the following in evaluating a pension scheme

Aspect	Not important	Moderately important	Very important	Extremely important
	(√)	(√)	(√)	(√)
Rate of return of the scheme-	[]	[]	[]	[]

Aspect	Not important	Moderately important	Very important	Extremely important
amount payable on retirement				
Security/stability of the scheme				
Promptness in payment of the retirement benefit				
Flexibility in the amount to contribute				
Availability of various channels of making contributions				
Flexibility in frequency of contribution (daily, weekly, monthly)				
Flexibility in accessing retirement benefits- option to access part of the benefits before retirement				

C. ACCESS TO INFORMATION

21. Please indicate your **three main sources** of financial advice (tick three only)

Source of advice	(√)
Financial institutions (banks, Saccos, MFIs, Insurance companies)	
Experts – personal finance advisers, auditors, economists, consultants	
Professional and trade associations	
Chama	
Family and friends	
Media (TV, radio, newspaper)	
Social media	
I do not seek any advice	
Other specify _____	

22. Which is your **threemost preferred** channel for receiving information about pension?
(Tick three)

Channel	(√)
Newspaper	
Television	
Radio	
Magazine/pamphlets/brochures	
Website	
Word of mouth	
Social media (Facebook, twitter)	
Sensitization by RBA/pension scheme	
Mobile phone-SMS	
Mobile phone-WhatsApp	
Others (specify).....	

23. Who is the **MAIN** influencer of public opinion in your community? (tick one only)

Option	(√)
Professionals such as engineers, lawyers, accountants	[]
Politicians	[]
Religious leaders	[]
Local leaders e.g. Chiefs	[]
Media personalities	[]
Government representatives	[]
Local artists	[]
Others (specify).....	[]

D. AWARENESS OF RBA

24. Are you aware of Retirement Benefits Authority (RBA)?

Option	(√)	
Yes	[]	Go to Q25
No	[]	If No go to Q27

25. If Yes to Q24 above, how did you get to know about RBA? Tick all that apply.

- TV
- Radio
- Newspaper
- Magazine
- RBA’s website
- Social media
- Through RBA sensitization meetings
- From friends
- In my workplace
- Learning institutions (schools, colleges and universities)
- My Association
- Other please specify.....

26. Are you aware of the following functions of RBA? Indicate as appropriate in the table below

Functions	Yes	No
Regulate and supervise the establishment and management of retirement benefits schemes		
Protect the interest of members and sponsors of retirement benefits schemes and approve trustees’ remuneration approved by members during the Annual General Meeting after every three years		
Promote the development of the retirement benefits sector		
Advise the Cabinet Secretary of The National Treasury and Planning on the national policy to be followed with regard to the retirement benefits sector and to implement all government policies relating thereto.		

E. GENERAL SECTION

27. Indicate the location of the business where you are employed

Option	{√}	Option	{√}
Commercial premises		Kiosk	

Industrial site		Household premises	
Market stall		Mobile i.e. no fixed location	
Open market		Others: specify	

28. Approximately how many workers are in this enterprise?

Option	{ √ }
1-9	[]
10-49	[]
50-99	[]

29. Kindly indicate the county where you are employed

County	[]	County	[]	County	[]
Bungoma		Kisumu		Nakuru	
Kakamega		Machakos		Nairobi	
Kiambu		Meru		Nyeri	
Kilifi		Mombasa		Uasin Gishu	
Kisii					

Thank You

RETIREMENT BENEFITS AUTHORITY (RBA)

National study on classification of informal /MSMEs sector workers and enterprises for efficient targeting in extending pension coverage.

Pension Schemes

Retirement Benefit Authority (RBA) is working towards increasing participation of workers and employers in the informal/MSMEs sector in pension. The purpose of this discussion is to obtain your views on how best RBA and other actors can achieve this.

According to Kenya National Bureau of Statistics (KNBS), informal sector generated 91% of new jobs in the economy in 2019. Jobs created were majorly in micro and small enterprises which are mostly informal. Even with the increase in overall pension coverage in Kenya from 16.79% in 2013 to 20.5% in 2019, pension coverage in the informal sector has remained low at approximately 1.3%.

- i. What initiatives has your scheme put in place to include the informal/MSME sector employers and workers?
- ii. What challenges has your scheme encountered while dealing with the informal/MSME sector?
- iii. What are the lessons learnt from the initiatives by the scheme in including the informal/MSME sector?
- iv. For each scheme targeting the informal/MSME employers and workers, kindly provide the following information:

Aspect		Scheme 1	Scheme 2 e.t.c
Minimum contribution (e.g per month)			
Joining age limit-maximum			
Contributions	Channels (cash, mobile money, bank deposit etc)		
	Frequency of remittance		
	Consistency of contributions		
Access to funds while still contributing and the terms	Waiting period (years)		
	Percentage one can access		
	Penalties (if any)		
Penalties in case of late or non-remittance			
Pension benefits payment	Duration/age to qualify (years)		
	Percentage as lumpsum		
	Annuities		

Aspect	Scheme 1	Scheme 2 e.t.c
Communication channels		
Economic sectors where members are drawn		
Groups/associations that members are drawn from		

- v. For each scheme targeting informal/MSME sector employers and workers, kindly provide the following information:

Aspects		2015	2016	2017	2018	2019
Membership	Total members					
	Contributing members					
	Pensioners					
Total contribution received (Ksh)						
Total payments (Ksh)	Contributing members					
	Pensioners					
Asset base (Ksh)						
Average age of members (years)	All members (years)					
	Contributing members (years)					
	Pensioners					
Average duration of members in the scheme (years)	All members					
	Contributing members					
	Pensioners					

- i. In your view, what should be done to enhance inclusion of employers and workers in the informal/MSME sector in pension?
- Product design- minimum contribution, channels and frequency of remittance, access to funds, draw down plan
 - Classification framework and market segmentation,
 - Communication
 - Roles of various players
 - Leveraging on technology
 - Fees by “owner ”and levies to RBA

- vi. What are your views on the commercial attractiveness of availing informal/MSME employers and workers with pension products? (economies of scale and scope, cost of serving the sector, e.t.c)

RETIREMENT BENEFITS AUTHORITY (RBA)

National study on classification of informal /MSMEs sector workers and enterprises for efficient targeting in extending pension coverage.

Policy Makers

Date

Retirement Benefit Authority (RBA) is working towards increasing participation of workers and employers in the informal/MSMEs sector in pension. The purpose of this discussion is to obtain your views on how best RBA and other actors can achieve this.

According to Kenya National Bureau of Statistics (KNBS), informal sector generated 91% of new jobs in the economy in 2019. Jobs created were majorly in micro and small enterprises which are mostly informal. Even with the increase in overall pension coverage in Kenya from 16.79% in 2013 to 20.5% in 2019, pension coverage in the informal sector has remained low at approximately 1.3%.

- i. What has been done at policy level to increase pension coverage in the informal/MSME sector?
- ii. What are the key issues hindering contribution by workers and employers in the informal sector and what lessons have been learnt?
- iii. What initiatives have been put in place by the ministry to ensure that employers and workers in Kenya's informal/MSME sector will have social protection post retirement?
- iv. What recommendations would you propose in order to enhance pension coverage of employers and workers in Kenya's informal/MSME sector? (policy formulators, regulators, financial institutions and other actors)

RETIREMENT BENEFITS AUTHORITY (RBA)
National study on classification of informal /MSMEs sector workers and enterprises for efficient targeting in extending pension coverage.
CMA/SASRA/CBK/IRA/MSEA

Date

Retirement Benefit Authority (RBA) is working towards increasing participation of workers and employers in the informal/MSMEs sector in pension. The purpose of this discussion is to obtain your views on how best RBA and other actors can achieve this.

According to Kenya National Bureau of Statistics (KNBS), informal sector generated 91% of new jobs in the economy in 2019. Jobs created were majorly in micro and small enterprises which are mostly informal. Even with the increase in overall pension coverage in Kenya from 16.79% in 2013 to 20.5% in 2019, pension coverage in the informal sector has remained low at approximately 1.3%.

- i. What initiatives have been put in place to enhance financial inclusion of employers and workers in the informal/MSME sector?
- ii. What challenges have been experienced while targeting the informal/MSME sector?
- iii. What are the lessons learnt from the initiatives used to target the informal/MSME sector?
- iv. What recommendations would you propose in order to enhance pension coverage of employers and workers in Kenya's informal/MSME sector? (policy formulators, regulators, financial institutions and other actors)
- v. How can you collaborate with RBA in order to increase financial inclusion in the informal/MSME sector? (bundling of financial products, joint marketing, e.t.c)

RETIREMENT BENEFITS AUTHORITY (RBA)

National study on classification of informal /MSMEs sector workers and enterprises for efficient targeting in extending pension coverage.

Development Partners

Date

Retirement Benefit Authority (RBA) is working towards increasing participation of workers and employers in the informal/MSMEs sector in pension. The purpose of this discussion is to obtain your views on how best RBA and other actors can achieve this.

According to Kenya National Bureau of Statistics (KNBS), informal sector generated 91% of new jobs in the economy in 2019. Jobs created were majorly in micro and small enterprises which are mostly informal. Even with the increase in overall pension coverage in Kenya from 16.79% in 2013 to 20.5% in 2019, pension coverage in the informal sector has remained low at approximately 1.3%.

- i. What programmes have you been involved in the area of pension for employers and workers in the informal/MSME sector?
- ii. Based on the programmes you have been involved in, what are the major challenges in enhancing pension coverage for employers and workers in the informal/MSME sector?
- iii. What lessons have been learnt that can enhance pension coverage for employers and workers in Kenya's informal/MSME sector?
- iv. What recommendations would you propose in order to enhance pension coverage of employers and workers in Kenya's informal/MSME sector? (policy formulators, regulators, financial institutions and other actors)

RETIREMENT BENEFITS AUTHORITY (RBA)
National study on classification of informal /MSMEs sector workers and enterprises for efficient targeting in extending pension coverage.
Informal sector associations

Date

Retirement Benefit Authority (RBA) is working towards increasing participation of workers and employers in the informal/MSMEs sector in pension. The purpose of this discussion is to obtain your views on how best RBA and other actors can achieve this.

According to Kenya National Bureau of Statistics (KNBS), informal sector generated 91% of new jobs in the economy in 2019. Jobs created were majorly in micro and small enterprises which are mostly informal. Even with the increase in overall pension coverage in Kenya from 16.79% in 2013 to 20.5% in 2019, pension coverage in the informal sector has remained low at approximately 1.3%.

- i. What is the nature of businesses that are registered under the association? e.g. juakali, trading, transport, etc.
- ii. How many members do you have in your association? Indicate the Number.....
- iii. Are you aware of retirement benefits schemes catering for the informal sector? (yes, go to Q 10. Explain what retirement benefit schemes are
- iv. Is the association facilitating members to join retirement benefits schemes?

Option	Reason
Yes	How?
No	Why?

- v. Would you be in a position to facilitate a saving scheme for retirement for your members?
- vi. What is your opinion on the importance of various pension scheme aspects in attracting the informal sector?

Aspect	Reason
Minimum contribution	
Contributions (Channels-cash, mobile money, bank deposit etc and frequency of remittance	
Access to funds while still contributing and the terms (waiting period, percentage	

Aspect	Reason
one can access and penalties	
Penalties in case of late or non-remittance	
Pension payment (duration/age to qualify, percentage of lum-psum, annuities)	

- vii. Does your association have any form of saving scheme for your members? (retirement, welfare). Provide details
- viii. What recommendations would you propose in order to enhance pension coverage of employers and workers in Kenya's informal/MSME sector? (policy formulators, regulators, financial institutions and other actors)

RETIREMENT BENEFITS AUTHORITY (RBA)

National study on classification of informal /MSMEs sector workers and enterprises for efficient targeting in extending pension coverage. Professional Associations

Date

Retirement Benefit Authority (RBA) is working towards increasing participation of workers and employers in the informal/MSMEs sector in pension. The purpose of this discussion is to obtain your views on how best RBA and other actors can achieve this.

According to Kenya National Bureau of Statistics (KNBS), informal sector generated 91% of new jobs in the economy in 2019. Jobs created were majorly in micro and small enterprises which are mostly informal. Even with the increase in overall pension coverage in Kenya from 16.79% in 2013 to 20.5% in 2019, pension coverage in the informal sector has remained low at approximately 1.3%.

- i. What initiatives has the association put in place to ensure that members and their employees are saving towards retirement?
- ii. What factors may be hindering some of your members and their employees from joining retirement benefit schemes?
- iii. Does your association have any form of saving scheme for your members? (retirement, welfare). Provide details
- iv. Is the association facilitating members to join retirement benefits schemes?

Option	Reason
Yes	How?
No	Why?

- v. Would you be in a position to facilitate a saving scheme for retirement for your members?
- vi. What is your opinion on the importance of various pension scheme aspects in attracting your members and their employees?

Aspect	Reason
Minimum contribution	
Contributions (Channels-cash, mobile money, bank deposit etc and frequency of remittance	

Aspect	Reason
Access to funds while still contributing and the terms (waiting period, percentage one can access and penalties	
Penalties in case of late or non-remittance	
Pension payment (duration/age to qualify, percentage of lump-sum, annuities)	

- vii. What recommendations would you propose in order to enhance pension coverage of employers and workers in Kenya's informal/MSME sector? (policy formulators, regulators, financial institutions and other actors)

APPENDIX III: Institutions Interviewed

INSTITUTION
1. CIC Insurance
2. Octagon Personal Pension Scheme
3. Zamara Fanaka Retirement Fund
4. Mbao Pension Plan (Eagle Africa)
5. Insurance Regulatory Authority (IRA)
6. KENASVIT
7. Boda Boda Safety Association of Kenya
8. Amalgamated Union of Kenya Metal Workers (AUMW)
9. Financial Sector Deepening (FSD)
10. Architectural Association of Kenya (AAK)
11. Institute of Certified Public Accountants of Kenya (ICPAK)
12. Law Society of Kenya (LSK)
13. World Bank