

Informal Sector Workers and Contributory Social Insurance Schemes: The Case of Cameroon

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Abstract

In Cameroon, formal social protection systems cover only a small fraction—approximately 15 and 25%—of the active population, while the informal sector accounts for 86.6% of employment, predominantly in non-agricultural activities. A significant portion of this population lives in poverty (37.7% below the national poverty line) and faces major barriers to accessing contributory insurance schemes, including income instability, limited education, lack of awareness, and complex administrative procedures. Notably, around 60% of poor individuals are employed, underscoring their heightened vulnerability to social risks. In response to this exclusion, informal and community-based mechanisms—particularly tontines and health mutuels—have emerged as vital alternatives. These systems, though informal, provide essential financial protection and social support, highlighting the need to better understand their role and explore pathways for integrating informal workers into broader social protection frameworks.

Keywords: Coverage, Economic Inclusion, Informal Sector, Insurance Schemes, Social Protection.

Introduction

In Cameroon, approximately 11 % of the active population is covered by contributory social protection [8], mainly through the occupational risk branch, while 86.6% of jobs are found in the informal sector. This sector is divided into two main components: non-agricultural informal employment (52.0%) and agricultural informal employment (34.7%) [1]. Approximately 37.7% of the population in Cameroon lives below the national poverty line, set at 813 CFA francs per day (1.42 USD) [2]. The same study reveals that about 60% of poor individuals are employed, mainly in the informal sector. This highlights the difficulty this segment of the population faces in making regular contributions, which are nonetheless essential for their integration into insurance mechanisms to cope with life-cycle shocks. In the informal sector, access to formal social protection mechanisms remains very limited, primarily due to insufficient financial

resources, lack of information, and the complexity of administrative procedures.

The informal sector is defined differently depending on the context. According to the official definition of the International Labour Organization (ILO), the informal economy comprises “all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements.” Globally, more than 60% of workers operate in the informal economy, and only 18.6% of them benefit from any form of social protection [3]. In Sub-Saharan Africa, this rate is even lower, with less than 17% of informal workers covered by a social security scheme [4]. In response to this exclusion, affected populations have developed community-based solidarity mechanisms, which take the form of mutual aid groups, self-help associations, or informal collective insurance structures. Although not governed by formal legal frameworks, these systems play a

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crucial role in managing social risks, particularly in cases of illness, death, or income loss. Among them, the tontine stands out as the central pillar of informal social protection. It enables group members to mobilize financial resources on a rotating basis, while strengthening bonds of trust and solidarity. This flexible system, adapted to local economic realities, often represents the only accessible form of savings and protection against life's uncertainties for a large portion of the informal workforce.

In Cameroon, the National Social Insurance Fund (CNPS) remains the main operational institution for social protection. In recent years, contributory schemes have been extended to informal sector workers through voluntary contributions. At the same time, community-based mechanisms such as health mutuals and tontines play a complementary role, particularly in rural areas and low-income communities. Despite these mechanisms, social coverage in the informal sector remains very low. This situation raises a central question: why are informal sector workers still reluctant to join social insurance schemes, whether public or community-based, despite institutional efforts and available alternatives?

For formal workers, enrollment in contributory schemes is generally automatic upon recruitment. In contrast, non-contributing workers—mostly from the informal sector—face several barriers. These include a lack of information about the existence of voluntary contributory schemes and the eligibility of informal workers. In general, rural agricultural populations have low levels of education and limited access to information, making their integration into formal social protection systems even more difficult. Added to this is the complexity of enrollment procedures and contribution payments: potential contributors are often poorly informed about the required documents, available benefits, and how contribution amounts evolve over time. Moreover, the quality of services offered is

often inadequate, and enrollment centers are frequently located far from workers' places of residence, posing a significant logistical barrier.

Despite changing perceptions of formal financial institutions such as banks and microfinance institutions, and informal ones like tontines, this duality continues to keep a large portion of informal sector workers outside the formal social protection system. This phenomenon raises questions about the deeper reasons behind the preference for informal mechanisms. In this context, our study pursues two main objectives. The first is to analyze why informal sector workers prefer to rely on informal systems to protect themselves against social risks throughout their lives. The second is to identify the levers that could encourage these workers to gradually integrate into the formal social protection system in Cameroon. Based on these objectives, two hypotheses are formulated. The first suggests that complex administrative procedures and limited knowledge of the benefits of formal social protection schemes are major obstacles to the enrollment of informal workers. The second posits that Cameroonians' low trust in formal financial institutions is explained by their preference for tontines, which are seen as community-based structures managed by long-trusted individuals.

The chosen methodological approach, directly stemming from the research problem, leads us to adopt a comprehensive, qualitative approach. Within the limited scope of this article, the aim is not to conduct an exhaustive study of the informal sector or the entire contributory social protection system in Cameroon, but rather to shed specific light on the evolution and role of tontines in this context. What is at stake here, beyond the situation of informal sector workers, is the broader issue of low enrollment in formal social protection mechanisms in a country where more than 60% of the active population operates in informality. The practice of tontines, which has proven effective and

endured over time despite institutional and structural challenges, deserves particular attention as a local and resilient response to exclusion from the formal system.

Contextual Elements

In Cameroon, social protection is shaped at the intersection of two dynamics: public schemes regulated by the State, and community-based mechanisms rooted in local practices. This duality reflects the limited accessibility of the formal system, particularly for informal sector workers, who make up most of the active population. In response to these challenges, community-based arrangements such as tontines are emerging as alternatives grounded in solidarity and resilience, filling the gaps of an institutional system still under development.

Social Insurance Schemes: Public and Community-Based

In Cameroon, social protection is based on a dual system: public schemes regulated by the State, and community-based schemes often driven by local dynamics. This coexistence reflects the limited accessibility of the formal system, particularly for informal sector workers, who represent a significant portion of the active population.

Public social insurance schemes in Cameroon are primarily managed by the National Social Insurance Fund (CNPS). They cover risks related to old age, disability, death, work-related accidents, occupational diseases, and family benefits [5]. Enrollment is mandatory for formal sector employees, and a voluntary insurance option is available for self-employed workers, including those in the informal sector (artisans, traders, taxi drivers, etc.).

However, access to these schemes remains limited for a large part of the population due to lack of awareness, low-income levels, complex administrative procedures, and the geographical distance of enrollment centers.

The gradual implementation of Universal Health Coverage (UHC) aims to address these gaps, but its rollout remains incomplete. Considering the limitations of the public system, many Cameroonians—especially in rural areas and low-income urban settings—turn to community-based solidarity mechanisms. These include health mutuals, self-help groups, mutual aid associations, and especially tontines, which play a central role in managing social risks.

These mechanisms, although not governed by formal legal frameworks, offer flexible, accessible, and culturally adapted protection. They enable members to mobilize resources to cope with events such as illness, funerals, or income loss. Tontines serve as a vital tool for savings and economic resilience for informal sector workers who are often excluded from traditional contributory schemes.

Tontines occupy a central place in informal solidarity and social protection mechanisms. Deeply rooted in community and cultural practices, they represent a local response to the exclusion of a large portion of the population from the financial system and public social security schemes.

The principle of a tontine is based on the regular pooling of financial resources by a group of individuals. In turn, each member receives the entire pot, either in a predetermined order or based on expressed needs. This system allows participants to mobilize significant funds without relying on traditional banking channels, which are often inaccessible to informal sector workers.

Tontines serve several essential functions. They act as savings tools, credit mechanisms, and social safety nets. The funds collected can be used to finance economic activities (small trade, agriculture, crafts), cover unexpected expenses (illness, funerals, school fees), or support a member in difficulty. In this sense, they play a stabilizing economic and social role, particularly in rural areas and disadvantaged urban neighborhoods.

Beyond their financial function, tontines strengthen social bonds and community cohesion. They are based on trust, transparency, and collective responsibility. However, their informal nature exposes them to certain risks: lack of legal framework, internal conflicts, mismanagement, or embezzlement.

Despite these limitations, tontines remain an essential lever of resilience for populations excluded from formal systems. Their flexibility, accessibility, and cultural embeddedness make them a model worth promoting, especially in public policies aimed at expanding social protection coverage to the informal sector.

Institutional Efforts

In Cameroon, institutions such as the National Social Insurance Fund (CNPS) have established voluntary insurance schemes for self-employed workers, including those in the informal sector. These schemes offer flexible enrollment options, with contributions adjusted to the workers' financial capacities.

The country has also embarked on the gradual implementation of Universal Health Coverage (UHC), aimed at ensuring equitable access to healthcare for all, including informal sector populations. This program is supported by technical and financial partners.

Moreover, the growing use of digital platforms is facilitating access to social protection services. The integration of solutions such as mobile payments, online registration, and contribution tracking helps reach informal workers, who are often located far from urban centers.

Institutions also promote the creation of financial cooperatives and health mutuals, which serve as bridges between informal systems and public schemes. These initiatives generate innovative, community-based alternatives.

However, traditional mechanisms such as tontines and self-help groups remain the most accessible for many informal workers. They

provide a form of informal social protection, particularly in cases of illness, death, or income loss. Community-based health mutuals, often supported by NGOs or government pilot projects, allow community members to pool health-related risks.

Finally, cash transfer programs—whether conditional or unconditional—target informal workers to help them cope with economic shocks. These transfers are often accompanied by healthcare services or training, as seen in the Social Safety Nets Project.

Public-private partnerships involving the State, NGOs, microfinance institutions, and businesses are helping to develop simplified insurance products tailored to the realities of the informal sector.

Formalizing the Informal Sector: Toward Better Social Protection

The enrollment of informal sector workers in contributory social protection schemes remains a central challenge in Cameroon. Although voluntary mechanisms exist, their reach remains limited due to the realities of a predominantly informal economy marked by income instability, mistrust of formal institutions, and the widespread use of community-based systems such as tontines. These tontines, deeply rooted in local practices, offer a flexible, accessible, and culturally relevant form of social security. However, if the informal sector were to undergo progressive formalization, it would open concrete opportunities for broader integration into social protection systems. Such formalization, far from implying rigid bureaucracy, should be based on flexible and inclusive frameworks that reflect the economic realities of informal workers. Leveraging technologies such as mobile money, granting institutional recognition to tontines, and fostering coordination among public authorities, community organizations, and financial service providers could serve as effective levers for

building a more equitable and resilient social protection system.

Factors Influencing Informal Workers' Enrollment

In this subsection, we will focus on the mechanism that governs tontines. But first, it is important to define what is meant by “tontine.” In Cameroon, a tontine is a form of community-based savings and credit, founded on principles of solidarity, mutual aid, and trust. It involves a voluntary group of individuals who regularly contribute a fixed amount of money, which is then redistributed in turn to each member according to a predefined order. This system is deeply rooted in strong sociocultural values and plays a significant role in the economic resilience of households, particularly in the informal sector [6]. It is worth noting that the term “integration of the informal sector” is often inappropriate. It is more accurate to use the term “formalization,” which does not necessarily imply the automatic inclusion of informal workers in contributory social protection schemes. In fact, formalization requires the development of contribution mechanisms tailored to a population with often unstable and unpredictable incomes. Therefore, it cannot be assumed that these workers will be able to make regular contributions.

Nevertheless, it is essential to identify possible points of convergence between the formal and informal sectors. One such bridge lies in the increasing use by informal workers of tools from the formal sector, such as mobile money and digital banking services. Although these uses are not always systematically recorded, they generate a significant volume of transactions, indicating a potential for gradual integration.

However, formalization carries risks. It can sometimes be counterproductive, as informal sector actors often experience more of its negative effects than its benefits. Starting in 2021, persistent discussions emerged around the potential taxation of these organizations,

sparking intense public debate. The controversy originated with the adoption of the 2022 Finance Law, which amended Article 93 of the General Tax Code. This reform introduced a new tax regime applicable to “non-profit organizations,” a category into which certain forms of tontines could fall. Although authorities clarified that traditional tontines remain exempt from business license taxes, concerns persist about the possible taxation of capital gains generated through lending or investment activities within these tontines, where large sums of money circulate without institutional oversight. If informal workers are forced to channel their savings through formal mechanisms requiring transparency and accountability, they may perceive this as a threat—especially if they feel they have limited resources and fear being exploited.

Regarding social protection, beyond the voluntary insurance offered by the CNPS, some informal workers may view paying a monthly contribution to guard against uncertain risks (such as illness or accidents) as a risky investment. In contrast, in a tontine, the contributed money can be mobilized immediately in case of urgent need (death, illness, etc.), without waiting for a deadline or administrative approval. Moreover, members are guaranteed to recover the full amount of their contributions, which reinforces their trust in the system.

However, the traceability of transactions and the growing use of modern technologies such as mobile money could serve as levers to formalize certain aspects of the informal sector without compromising its flexibility or social proximity. The transition from the informal to the formal sector requires the design of innovative models adapted to the socio-economic realities of the actors involved.

Finally, the United Nations 2030 Agenda for Sustainable Development, along with ILO recommendations on the transition from the informal to the formal economy, emphasize the importance of collecting, analyzing, and

disseminating reliable statistical data on the informal economy. Such data is essential for the formulation, implementation, and monitoring of inclusive and effective public policies.

Proposed Solutions

Ecuador's experience in recognizing and regulating financial cooperatives offers a relevant model for Cameroon, particularly regarding tontines, which play a central role in the economic and social lives of informal sector workers. In a context where the majority of Cameroon's active population operates outside the formal financial system, it is crucial to rethink public policies to acknowledge and regulate these community-based mechanisms. Like Ecuador, Cameroon could consider establishing a national agency for the regulation of community solidarity structures, tasked with supervising, supporting, and securing tontines, while respecting their flexibility and cultural foundations. Such institutional recognition would not only strengthen members' trust but also facilitate their gradual integration into social protection systems [4].

Indeed, the transition of informal sector workers into the formal sector paves the way for their enrollment in contributory social protection schemes, such as those managed by the CNPS. Although gradual, this transition would allow these workers to benefit from coverage against social risks (illness, old age, maternity, etc.), provided that flexible contribution mechanisms adapted to their irregular incomes are implemented. Furthermore, the digitalization of tontines—through tools like mobile money or digital management platforms—could improve transaction traceability and serve as a bridge to the formal sector without disrupting their traditional functioning. By aligning with ILO recommendations and the goals of the 2030 Agenda, Cameroon would benefit from recognizing tontines as legitimate economic actors capable of contributing effectively to financial inclusion and the expansion of social

protection coverage, while respecting local dynamics.

Another promising avenue for promoting financial inclusion among informal sector workers in Cameroon lies in the development of digital commerce and mobile money. These tools, already widely used in daily transactions, can serve as gateways to the formal sector—provided that certain technical barriers are addressed. One major challenge is the lack of interoperability between different mobile payment platforms. When these platforms are exclusively tied to specific partner banks, they effectively exclude users without accounts in those institutions. To avoid this fragmentation, it is essential to promote national interoperability, allowing all users—including those in the informal sector—to send and receive money without restriction, regardless of their operator or bank. The example of Mozambique, where the central bank collaborates with the telecommunications regulator to improve mobile money interoperability, shows that such coordination is both possible and beneficial. For Cameroon, this would require close collaboration between monetary authorities, mobile network operators, fintech companies, and financial institutions. A fluid and inclusive digital ecosystem would not only enhance transaction traceability but also build trust in formal financial tools, thereby facilitating the gradual integration of informal actors into contributory social protection schemes.

If the informal sector in Cameroon were to undergo a gradual formalization process, it would open up concrete opportunities for broader enrollment in contributory social protection mechanisms. Formalization would make it easier to identify workers, structure their economic activities, and create contribution channels tailored to their realities. This would facilitate their integration into existing schemes, such as those of the CNPS, while strengthening their access to fundamental

social rights such as health coverage, pensions, or family allowances.

Formalization does not necessarily mean rigid bureaucratization, but rather the establishment of flexible, inclusive, and progressive frameworks that take into account the diversity of informal activities. For example, digital platforms and mobile money services could be used to collect contributions flexibly, based on workers' actual and irregular incomes. Moreover, by making the economic flows of the informal sector more visible, formalization would enhance institutional trust in these actors while enabling better planning of social policies.

Thus, enrollment in social protection mechanisms becomes more feasible and credible when informal workers are recognized, supported, and integrated into an appropriate institutional framework. This requires coordination among public authorities, community organizations (such as tontines), financial service providers, and technical partners. In short, the formalization of the informal sector should not be seen as a constraint, but as a strategic opportunity to expand social protection coverage and strengthen the economic resilience of vulnerable populations.

Conclusion

The analysis of the Cameroonian case highlights the deep disparities between formal social protection schemes and the lived realities of informal sector workers. Despite institutional efforts—particularly through the CNPS voluntary insurance and Universal Health Coverage initiatives—informal workers' enrollment in contributory schemes remains marginal. This situation is explained by a combination of factors: income instability, complex procedures, mistrust of formal institutions, and the strong presence of community-based mechanisms such as tontines.

However, far from being an obstacle, the informal sector can become a strategic lever for expanding social coverage, provided that an inclusive and gradual approach is adopted. Institutional recognition of tontines, the digitalization of transactions via mobile money, and the establishment of flexible and context-appropriate regulatory frameworks are all promising avenues to support a transition toward formality without disrupting local dynamics.

Ultimately, the formalization of the informal sector should not be seen as an end in itself, but as a means to ensure equitable access to social protection for vulnerable workers. This requires strengthened coordination among public authorities, community actors, financial service providers, and technical partners. Only through such collaboration can Cameroon build a more inclusive, resilient, and truly universal social protection system.

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Conflict of Interest Statement

I declare that there is no conflict of interest regarding the data collection, literature review, manuscript writing, or its publication. All stages of this study were conducted independently and in accordance with scientific ethics.

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