

# Connecting the Dots: Digital Financing and Social Protection for Informal Workers in Kenya

## Background

ILO data indicates that, approximately 83% of Kenya's workforce is engaged in the informal economy, reflecting a significant portion of the country's labour market. The informal sector encompasses a wide range of activities and services, often unregistered and lacking any form of social protection cover<sup>1</sup>.

Linkages of informal work to digital financing and social protection are critical areas of focus for Kenya, as the country strives to enhance economic resilience and income dignity to citizens.

The Africa Platform for Social Protection (APSP) and partners<sup>2</sup> conducted series of studies in 2023 on the linkages of Informal workers, social protection coverage and digitalization in Africa. This paper documents findings from Kenya. The study interviewed informal workers and government officials, carried out focus group discussions and case studies. Discussants were diverse: women, youth and persons with Disabilities in the informal work. Systematic literature review was done to compliment on the primary data.

## The Message

The study established that :- a significant portion of the workforce operates in informal sector and therefore innovative solutions are needed to address their

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<sup>1</sup> International Labour Organization. (2022). *World employment and social outlook 2022: Trends 2022*. International Labour Organization. <https://www.ilo.org/global/research/global-reports/weso/2022/lang-en/index.htm>

<sup>2</sup> Faith, B.; Roberts, T. and Alfers, L. (eds) (2024) *The Digitalisation of Social Protection in Africa: The Perspective of Marginalised Workers*, IDS Research Report 90, Brighton: Institute of Development Studies, <https://www.doi.org/10.19088/IDS.2024.022>

unique challenges<sup>3</sup>. The Kenyan government has begun to leverage digital platforms to enhance access to social protection programmes and financial solutions to support vulnerable populations, including informal workers<sup>4</sup>.

Digital financial services, such as mobile money platforms like M-Pesa, have significantly improved financial inclusion among informal workers. A recent study highlighted that 74% of informal sector workers utilize mobile money for transactions, allowing them to save and access credit more easily<sup>5</sup>. These platforms enable informal workers to receive payments and benefits directly, facilitating seamless access to key financial services.

Moreover, initiatives like the Kenya Digital Economy Blueprint aim to create an enabling environment for digital solutions, further integrating social protection and financial services<sup>6</sup>. This integration not only empowers informal workers but also enhances their economic resilience.

The study established that key gaps in social protection and digitisation for informal workers are evident. While the informal sector accounts for a significant portion of employment, many workers lack access to any form of social protection and Social security benefits, which exacerbates their vulnerability<sup>7</sup>. The rapid digitization of the economy presents both opportunities and challenges; however, informal workers often lack the necessary skills and access to technology to fully benefit from these changes<sup>8</sup>. Furthermore, existing social protection schemes do not

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<sup>3</sup> International Labour Organization. (2022). *World employment and social outlook 2022: Trends 2022*. -- en/index.htm

<sup>4</sup> World Bank. (2021). *Kenya: Social Protection for Informal Workers*.

<sup>5</sup> Ouma, B., Kamau, M., & Muriuki, A. (2023). Financial inclusion among informal workers in Kenya: The role of mobile money. *Journal of Financial Services Research*, 63(2), 145-162.

<sup>6</sup> Government of Kenya. (2019). *Kenya Digital Economy Blueprint*.

<sup>7</sup> Adeleke, A., & Mwenda, K. (2023). Social protection and informal employment in Kenya: Challenges and opportunities. *Journal of African Economies*, 32(2), 112-130.

<sup>8</sup> International Labour Organization. (2022). *World employment and social outlook 2022: Trends 2022*. <https://www.ilo.org/global/research/global-reports/weso/2022/lang--en/index.htm>

adequately cover informal workers, leaving them vulnerable in the event of any crisis like climate change or disease outbreak <sup>9</sup>

Additionally, the digital divide in Kenya limits the ability of informal workers to engage in digital platforms that could enhance their livelihoods<sup>10</sup>.

Addressing these gaps is crucial for promoting inclusive economic growth and enhancing the resilience of informal workers in an increasingly digitized world.

### **The Call To action**

The findings in this study therefore, makes call to action by the government of Kenya to :-

- Implement targeted digital literacy initiatives for informal workers to equip them with essential skills for using digital platforms. This will enable better access to financial services and improve their ability to participate in the digital economy.
- Expand social protection systems to ensure coverage for informal workers, particularly vulnerable groups. This can involve creating flexible schemes that accommodate varying income levels and self-employment types, and ensuring accessibility for persons with disabilities.
- Encourage the development of user-friendly digital financial products tailored for informal workers. Collaborate with fintech companies to create micro-insurance and savings products that address the unique needs of informal workers
- Create an enabling environment that will encourage financial institutions to create digital financial products that cater to the unique needs of women, youth, and persons with

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<sup>9</sup> Gash, M. (2023). Informal workers and social protection in Kenya: Policy implications. *Kenya Journal of Social Policy*, 15(1), 45-67.

<sup>10</sup> Kariuki, P., & Ochieng, J. (2023). Bridging the digital divide for informal workers in Kenya. *African Journal of Digital Economy*, 10(1), 78-95.

disabilities. This includes micro-loans, insurance, and savings products designed to be accessible and affordable.

- Implement mechanisms to monitor and evaluate the effectiveness of policies linking social protection, digitalization, and informal work. Regular assessments should consider the experiences and feedback of women, youth, and persons with disabilities to continually refine and improve programs.
- Ensure that all digital services related to social protection and financial access are designed with accessibility in mind. This includes user-friendly interfaces and support for assistive technologies for persons with disabilities.
- Facilitate the development of digital platforms that connect informal workers—especially women, persons with disabilities and youth—with markets and opportunities. These platforms can offer resources, training, and networking opportunities that foster economic empowerment.

By implementing these recommendations, the Government of Kenya can create a supportive environment for informal workers, ultimately contributing to greater economic stability and social equity.