



## 12th Global Conference on Ageing Plenary Panel – Social Protection and Security

# The Untapped Opportunities of the Informal Workforce

by

Sandra Kissling

Advisor Pension Systems and Social Protection

GIZ Germany – Sector Initiative Systems of Social Protection

Sandra.Kissling@giz.de



## The Informal Workforce – Or 94% of Indias population

- 74.04% of Indias population is literate (2011 Census)
- Still high rural distribution– and low urban distribution, but large migration to the cities (megacities)
- Only 16% of the entire population can fill out a form in English
- Do not only have small, but also an irregular and unpredictable flow of income.
- High risks of falling into poverty because of illness, death in the family or old age poverty

**!! MOST OF THEM DO NOT HAVE SOCIAL PROTECTION !!**

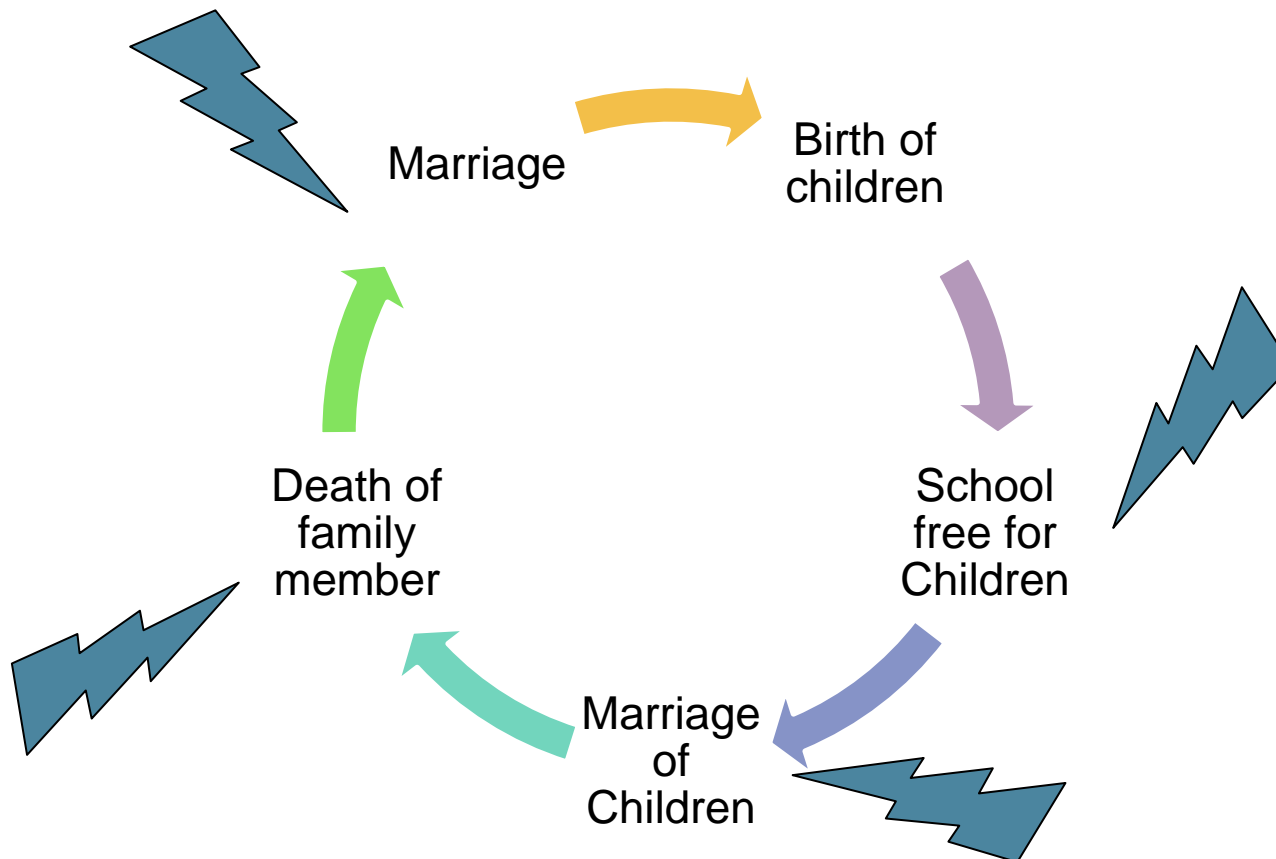


## How Can Social Security Work for the Aam Admi (common man)?

1. When designing a product, think out of their perspective.
2. Make it easy to understand and adapt it to cultural differences
3. Make it easy to access – use technology and cut the paper work!!
4. Take care of their migration habit
5. Flexibility of products (especially when there are contributions involved)
6. Empowerment by giving them the power to choose
7. Build up trust and be dependable



# Think out of their perspective: The Life Cycle Approach





## Rashriya Swastriya Bima Yojana – Health Insurance

### Benefits

- Cover for hospitalisation expenses of Rs. 30,000 per family per annum for up to five family members ([www.rsby.gov.in](http://www.rsby.gov.in))
- Both Public and Private hospitals are empanelled == **CHOICE!**
- Enrollment is done at the village level and Smart Card is provided on the spot == **TRUST**
- Benefits can be accessed with the Smart Card & a fingerprint == **IT**
- Beneficiary can get cashless treatment in 9000 empanelled hospitals across the country == **EASY to UNDERSTAND & MIGRATION**



## RSBY Enrollment Station – Smart Card, Paperless & Cashless



**Web Camera:**  
for Photograph

**Optical Biometric  
Scanner:**  
for Fingerprints

**Data Masters:**  
Based on State's BPL  
data





# What about Pension Products for the Informal Workers?

**Pension?  
Never  
heard  
before. I'll  
rely on my  
children**

**I want to look  
out for myself  
– where can I  
contribute?**

**Defined benefit  
Pension only for  
the poor!**

**Universal  
pension for all**

**The  
government  
will pay for  
my old age**

**Can I have  
everything?**





## Defined Contribution Pensions...how does that work?

- The pension should be locked up until 60 years, but most people also want an easy to access savings product
- They favor secure investments over higher returns
- They favor a guaranteed rate of return or minimum pension
- interest rates and the fee for saving with a certain savings tool/organisation only comes after all the before mentioned criteria are met.
- The unorganised sector is willing to pay quite a high fee for flexibility, accessibility and convenience
- daily fight and active decision making against buying better food or a television set, alcohol, sweets, tobacco and things that make life more beautiful.





## 3 Gaps (and many more)

Coverage Gap – How to reach them and who does the last mile to the villages?

Information Gap – Pension, never heard before? I won't make it until 50. I have no clue what is offered....

Motivation Gap – more urgent risks, keep them motivated for 40 years!!



## Examples from around the World

### Kenya, defined contribution system

- introduced a mobile phone payment system (Coverage gap)
- Immediate text message on how much you have already saved (information gap)
- Incentive: linked to health services.

### Peru, defined benefit system (the longest country in the world and geographically very challenging),

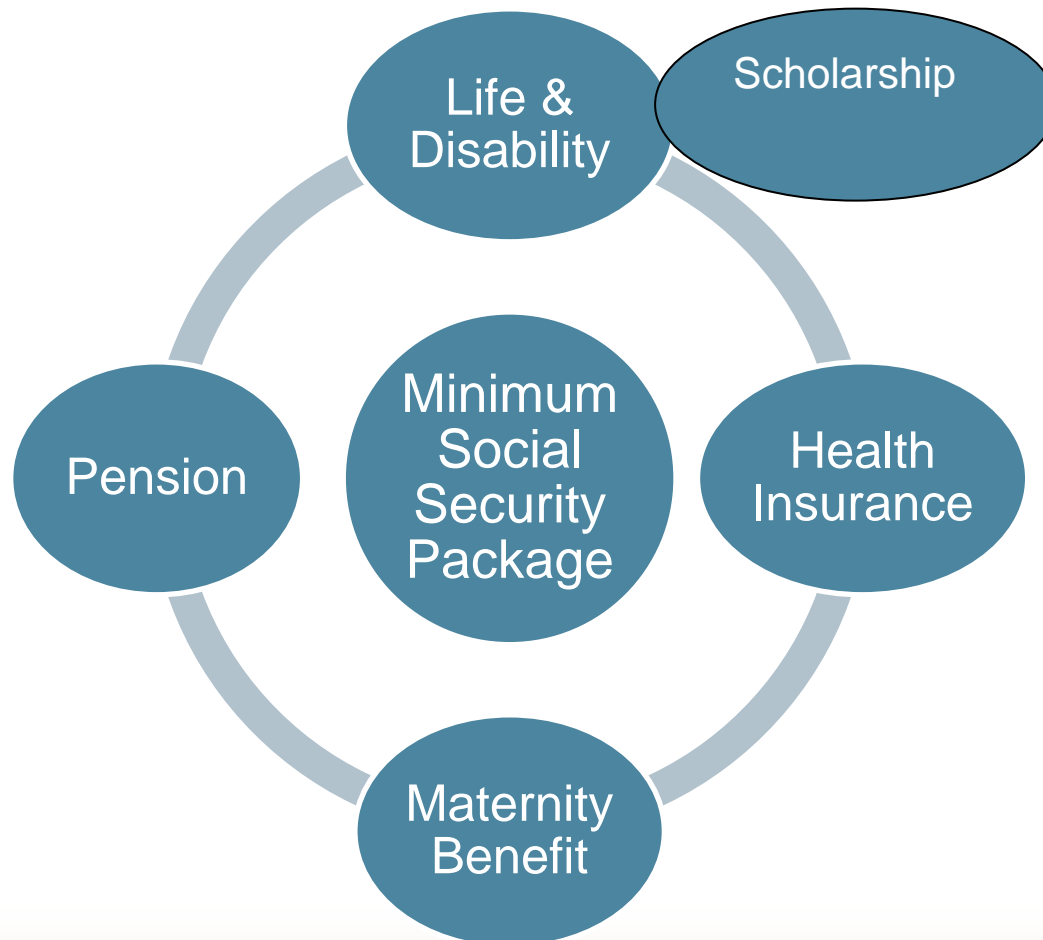
- buses with mobile ATMs to deliver their pension (Coverage gap)
- Information coverage simultaneously (information gap)

### Ghana, defined contribution system

- Separate Savings account attached to the pension account (motivation)



## Minimum Social Security Package for Unorganised Workers – Indian National Advisory Council Proposal

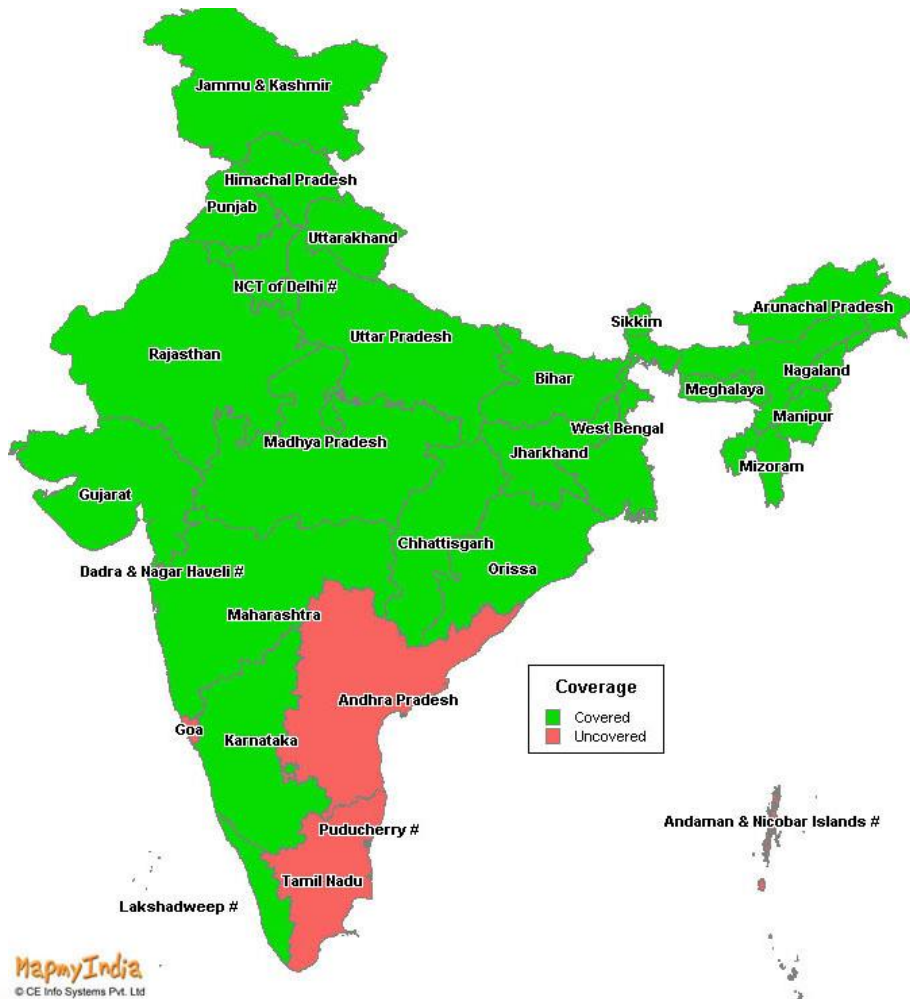




Dankeschön! शुक्रिया ! Thank you!



## Current status of Implementation in RSBY



- Cards issued – App. 33 million
- People enrolled – App. 114 million
- Number of People benefitted till now – App. 4.9 million
- Number of Hospitals Empanelled – App. 11,000
- States where Service delivery has started – Twenty Five
- Number of Insurance Companies Involved – Fourteen



## Janashree Bima Yojana by LIC (Life & Accident Insurance)

### Benefits

- ✓ Natural death: Rs 30,000
- ✓ Accident:
  - ✓ On death: Rs 75,000
  - ✓ On total permanent disability: Rs 75,000
  - ✓ On Partial permanent disability: Rs 37,500
- ✓ Add on Scholarship Benefit
  - ✓ Rs 1200 per annum (payable half yearly @ Rs 600) per child
  - ✓ Covers 2 children of a family
  - ✓ Scholarship payable for child studying in classes 9 to 12 (ITI included)

Numbers might change (increase) in the new proposal!!



## Their pension product should be...a wish list:

- Safe
- Conveniently accessible (how to pay contributions)
- Cultural background of the collector and trust in the organisation or person is essential
- predictability of behaviour of the collector (collecting mechanisms, frequency of payment, customer service, etc.).
- What is the price? How much can I expect (although often hard to tell)
- Are the terms flexible (what happens if I have to miss out on a payment?)



## Some Questions to be discussed:

1. Which networks can be used for pension awareness and education?
2. How can technology be used as smart deliver mechanism? Has the mobile sector and smart card business been sufficiently used for delivery?
3. How can other social security schemes be used as incentives and as delivery mechanisms?