

SOCIAL PROTECTION AND THE INFORMAL SECTOR

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CHALLENGES, OBSTACLES AND POSSIBILITIES

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I. INTRODUCTION

Social protection as a public policy is not an old phenomenon. Actually, only after the First World War public expenditure for education, health and pensions started to grow. This is not to say that there were no social protection arrangements before the First World War, but these arrangements were based more on mutual assistance for those in need, and on charity by the church and other public and private institutions. Historically people have always looked to their families, clans, tribes, communities, religious groups and authorities - lords, chiefs and kings - to meet their needs for social security.¹

After 1913, public spending started to grow as a consequence of changing social attitudes. Especially, after the Second World War many countries, and especially the European countries, developed systems of social protection that aimed at protecting citizens against risks associated with old age, illness, various forms of incapacity, unemployment, poverty due to particular situations such as becoming widows, orphans, or being part of large families.² However, it was only in three decades following the Second World War that social protection developed its characteristic features.

It is easy to understand that, although some basic social assistance programs provided by the state were aiming universal coverage for those in need, the main and specific social protection schemes and instruments were related to wage employment. The systems, which were developed in industrial countries, were designed to promote three objectives: reducing destitution; providing for social contingencies; and promoting greater income and consumption equality. However, the relative priority accorded to these objectives varies a great deal between countries. The incidence of income poverty in selected OECD countries (defined as the percentage of people with an income less than half the median income), ranges from 5-7 per cent in Scandinavian countries to nearly 22 per cent or more in the United Kingdom and United States, and 15-18 per cent in Germany, Canada, Spain, Australia and France.³

¹ Ghai, D. 2002a.

² Tanzi, V. 2000.

³ Ghai, D. 2002a. Ibid.

In this paper, however, our focus is on developing countries, and particularly on the informal sector. The reason, why it was necessary to have a quick look into history, lays in the fact that for understanding the great challenges our theme has, one needs to comprehend how social protection has evolved.

II. WHY ADB IS INTERESTED IN SOCIAL PROTECTION FOR INFORMAL SECTOR?

Fighting poverty in Asia and the Pacific is ADB's overarching developmental goal. A strategic framework for poverty reduction is composed of three key elements (pillars): (i) pro-poor, sustainable economic growth, (ii) social development, and (iii) good governance.⁴ Social protection is one of the components of social development. Every society has people who are vulnerable because of age, illness, disability, shocks from natural disasters, economic crises, or civil conflict. Vulnerable people can be found from all levels of a society, but obviously the poor are exposed to the largest number of risks that makes them the most vulnerable.

Poverty reduction strategies cannot succeed with a focus only on formal sector, since most of the poor are outside the formal sector. A vast majority of workers in the developing countries - probably around 70-90 percent of the workforce - is in the informal economy⁵. On the other hand, the strategies and interventions on social protection in the formal sector are well known and well established in spite of shortcomings and problems it has at the moment. It is also recognized that extending those schemes and similar implementation arrangements to the informal sector, may not work, or in some cases where they might work, a lot of innovative re-design is needed.

During the last few years major developmental actors, like World Bank, IMF, ILO, and several social security associations, have noticed this challenge, and they have started to produce several interesting and innovative studies reflecting new intellectual thinking and also presenting some successful practical interventions of social protection for informal sector. Some of these studies and case examples will be referred in this paper.

ADB has not been immune to these new realities, and social protection teams in ADB are working to find new solutions to our clients and partners in Asia and the Pacific regions.

III. THE ROLE OF INFORMAL SECTOR/INFORMAL ECONOMY

A. Informal sector

Informal sector as an economic sector is rather difficult to define. It could be argued that it is not really a sector at all in the same meaning as agriculture, industry, or service sectors, since it is a phenomenon to be found in almost all sectors. The problem lays in its diversity; informal sector includes elements from almost all existing "economic sectors." Some researchers would prefer the term "informal economy" instead of "informal sector." One of the first papers where informal economy was highlighted was the ILO Director General's "Decent

⁴ ADB. 1999.

⁵ Canagarajah, S., Sethuraman, S.V. 2001.

Work Agenda.”⁶ In this paper the term “informal sector” will be used although some characteristics of the informal economy will be introduced.

The ILO launched the concept of “informal sector” three decades ago.⁷ The concept itself has evolved over these years. ILO’s tripartite governance structure which has been regarded as a strength for addressing social issues, has not helped much in solving the challenges of the informal sector since only one pillar from that structure can be found there, i.e. the workers and even them are unorganized workers. After the organizational restructuring, the ILO Global Program, STEP (Strategies and Tools against Social Exclusion and Poverty), was established, and has had a special focus on informal sector. Some of those issues will be discussed later.

The World Bank, for example, has given the definition of informal sector on its website⁸, see the Box 1.

Box 1. Concept of Informal Sector (World Bank)

The informal sector covers a wide range of labor market activities that combine two groups of different nature. On the one hand, the informal sector is formed by the coping behavior of individuals and families in economic environment where earning opportunities are scarce. On the other hand, the informal sector is a product of rational behavior of entrepreneurs that desire to escape state regulations.

The two types of informal sector activities can be described as follows:

1. **Coping strategies (survival activities):** casual jobs, temporary jobs, unpaid jobs, subsistence agriculture, multiple job holding;
2. **Unofficial earning strategies (illegality in business):**
 - 2.1. Unofficial business activities: tax evasion, avoidance of labor regulation and other government or institutional regulations, no registration of the company;
 - 2.2. Underground activities: crime, corruption - activities not registered by statistical offices.

B. Informal Economy

Ms. Farrell from McKinsey argues in the latest ‘The McKinsey Quarterly’, when talking about informal economy, that “Informality is among the most seriously misunderstood of all economic issues. Informal companies evade fiscal and regulatory obligations, including value-added taxes, income taxes, labor market obligations (such as social-security taxes and minimum-wage requirements), and product market regulations (including quality standards, copyrights, and intellectual-property laws). Evasion varies by sector and by the nature of the business: informal retailers tend to avoid paying value-added taxes, informal food processors to

⁶ This was presented by ILO Director General Juan Somavia as his address in the 87th session of the International Labor Conference in 1999.

⁷ The ILO’s Employment Mission to Kenya in 1972 defines that “Informal activities are the way of doing things, characterized by - (a) ease of entry; (b) reliance on indigenous resources; (c) family ownership of enterprises; (d) small scale of operation; (e) labor-intensive and adapted technology; (f) skilled acquired outside the formal school system; and (g) unregulated and competitive markets.”

⁸ <http://lnweb18.worldbank.org/eca/eca.nsf/sectors/ecspe/2e4ede543787a0c085256a940073f4e4?opendocument>

ignore product quality and health regulations, and informal construction firms to underreport the number of employees and hours worked.”⁹

Although Ms. Farrel is discussing mainly of firms and enterprises operating in the informal economy, and there is a great difference between such a firm and a critically poor household which tries to survive, one needs to remember that most poor households in developing countries depend on informal economy for income and employment. At the same time we need to recognize the fact that “Though there is a strong overlap between poverty and the informal sector not all those in the latter are necessarily poor; nor are all the poor in these countries in this sector.”¹⁰

Concerning the importance of the informal economy, it is interesting to see some statistics about its size as well as its significance in the labor market.

Figure 1. Average Size of the Informal Economy for Developing, Transition and OECD-Countries in Terms of Value-Added and of the Labor Force over two periods (1999/2000)¹¹

Countries	Average Size of the Informal Economy – Value added in % of official GDP 1999/2000	Average Size of the Informal Economy Labor Force in % of official Labor Force 1999/2000
	<i>Currency Demand and DYMIMIC method (Number of Countries)</i>	<i>Survey and Discrepancy Methods (Number of Countries)</i>
Developing countries:		
Africa	42 (23)	48.2 (23)
Central and South America	41 (18)	45.1 (18)
Asia ¹⁾	29 (26)	33.4 (26)
Transition countries	35 (23)	-
Western OECD Countries - Europe	18 (16)	16.4 (7)
North American and Pacific OECD Countries	13,5 (4)	-

1) Here not all countries are developing countries like Japan, Singapore or Hongkong.

Source: Own calculations.

The size of informal economy as regards to the official GDP in Figure 1, seems to follow some other estimates in the literature. On the other hand, the average size of the informal economy labor force is quite low in Figure 1 considering the number of working people in the informal sector. If it refers only to the “enterprise” type of employment, then the percentages look more probable.

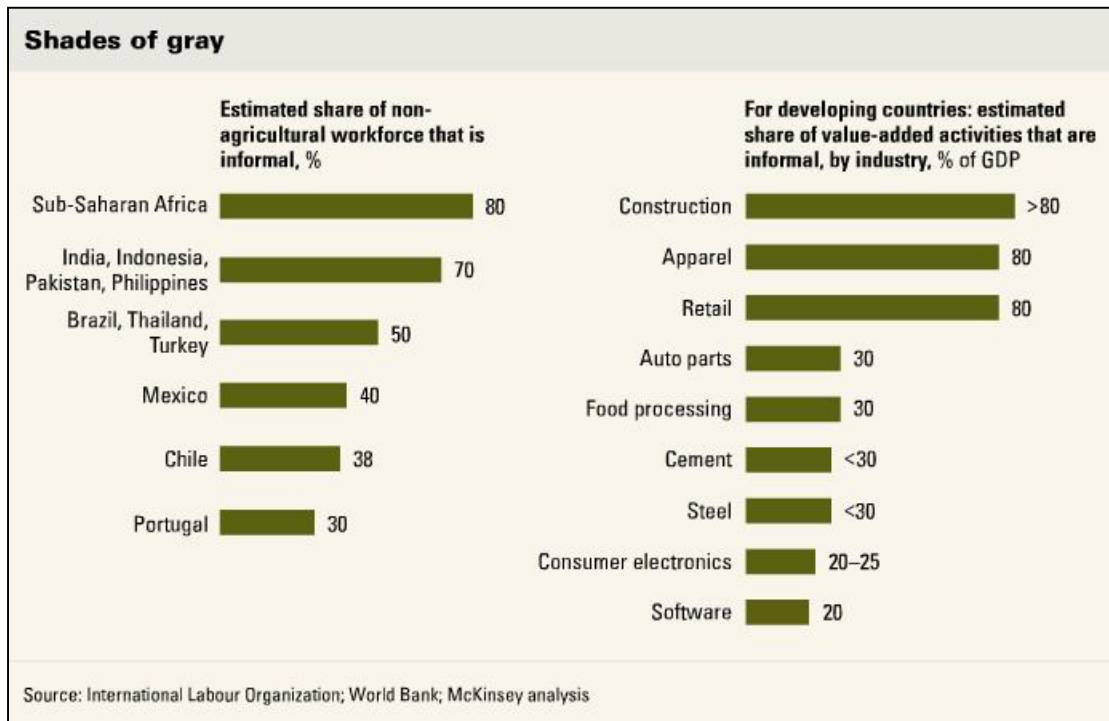
Ms. Farrell’s paper presents also some numbers of non-agricultural workforce that is informal (%). The same figure (Figure 2) shows also the most common industrial activities that are informal in developing countries.

⁹ Farrell, D. 2004.

¹⁰ Canagarajah, S., Sethuraman, S.V. 2001. Ibid.

¹¹ Schneider, F. 2002.

Figure 2. The extent of informality concerning the workforce, and economic sectors¹²



Most people live and work in the informal sector in developing countries. The German Development Institute estimates that formal employment covers only 6% in Africa, 23% in Asia, and 38% in Latin America, of the total employment.¹³ Referring to the Box 1 (World Bank definition), which included also underground (criminal) activities, it is important to notice the figures 1 and 2 do not include them.

The purpose of this chapter has been to demonstrate the complexity and diversity of the informal sector, and also show the economic and social importance of the informal economy. There is a lot of interesting debate going on in the literature arguing if the informal sector is “good” or “bad”, is it a buffer zone for poor people since creating jobs for unskilled workers and relieving urban employment tensions, or is it a sector that will disappear over time as the formal manufacturing and service sectors grow, create more jobs, and gradually merge in it. Well-meaning development experts believe that informal companies themselves will grow and eventually join the formal economy if they are given credit and other types of technical assistance—hence the popular “microcredit” programs of recent years.¹⁴ This may be true or not, but what is sure, is that this debate will continue, and that any single ‘right’ explanation to the existence of informal sector/economy has yet to be found.

¹² Farrell, D. 2004. Ibid.

¹³ Gsänger, H. 2000.

¹⁴ Farrell, D. 2004. Ibid.

IV. EXTENDING SOCIAL PROTECTION TO THE INFORMAL SECTOR

Discussion about the coverage of social protection in the informal sector depends on the question of what kind of social protection do we mean. Concerning traditional social security issues, as defined in the ILO Convention 102 - the Social Security (Minimum Standards) Convention¹⁵ - from 1952, the social protection coverage in the informal sector is today quite modest. Even according to the ILO, "In many developing countries, not more than 10 per cent of the working population is covered by formal sector social security schemes, and it is therefore important to examine what social security options are open to informal sector workers."¹⁶

Since the coverage of the formal sector type of social protection at the moment is not so wide, the first questions should be if such programs could be expanded to the informal sector. When thinking of different possibilities for such extensions, the challenge lays in the fundamental difference between the formal and informal sectors; the formal sector employees have more or less regular wage and their locations of employment are known to authorities, whereas the workers in the informal sector have seldom wage employment and their working locations are often mobile or unknown.

A comprehensive analysis of the impediments to expand social protection from the formal sector to the informal sector can be found from the literature. A considerably thorough analysis of impediments to transfer formal sector schemes to the informal sector, has been presented in ADB's forthcoming report for the "South Asia Conference on Pension Challenges for Young but Aging Population" to be organized by WB and ADB later on this year, or beginning of next year. The report is still a draft and unpublished, therefore only the topic headings of different impediments have been presented in Appendix 1 without elaboration to reflect the multiplicity of the problem.

In the ILO report mentioned above, the main conclusion on extensions is not very optimistic: "The main obstacles for the extension are that the benefits offered do not correspond to the priority needs of most informal sector workers and that the contributions required are much higher than what informal sector workers are prepared to pay. There are as well some obstacles of quantitative and qualitative nature that further limit the extension of formal sector social insurance schemes."¹⁷

A. What do the poor want?

The poor, as well as all people, want to satisfy first their basic needs for food, shelter, security, health and family. The assumption has been that these basic needs could be met by education and employment. Since life includes risks and vulnerabilities, like unemployment, sicknesses and old age, people try to prepare themselves to meet these contingencies. People in the informal sector who are mainly not covered by any kind of organized social security arrangements, have historically looked to their families, clans, tribes, communities, religious groups and authorities - lords, chiefs and kings - to meet their needs for social security. These historical arrangements have more or less broken down in industrialized countries, but are still

¹⁵ The Convention identifies nine areas for social insurance, i.e. medical care as well as benefits in case of sickness, unemployment, old age, employment injury, family circumstances, maternity, invalidity and widowhood.

¹⁶ van Ginneken, W. (ed.). 1997.

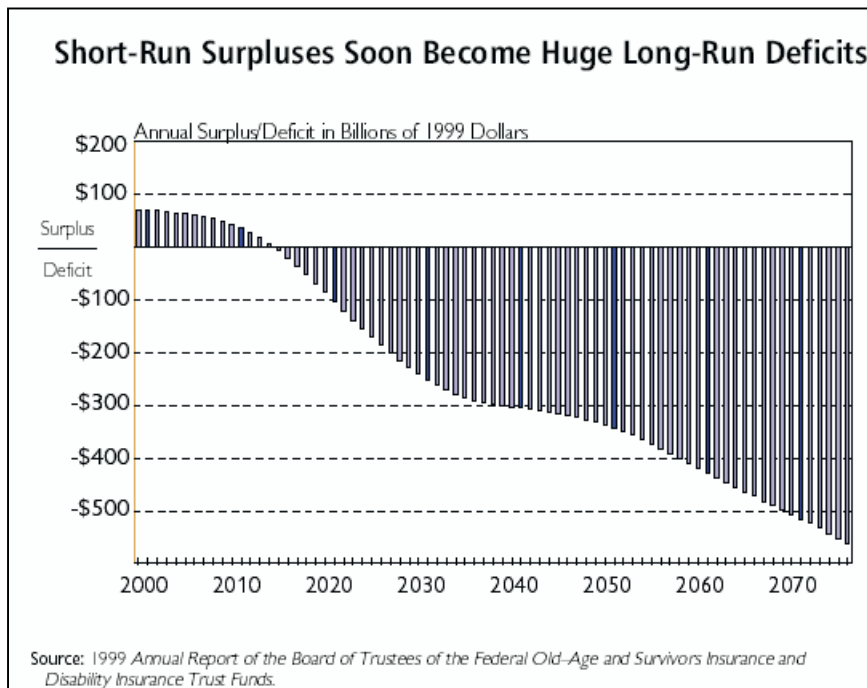
¹⁷ van Ginneken, W. (ed.). 1997. Ibid.

partly working in the developing countries. For example, in Asia 60-70% of old people are still taken care of by their children or relatives¹⁸.

Many segments of the informal sector are incapable of being covered by any contributory pension scheme. Beside the lack of trust in public institutions, the low-income workers have the legitimate aversion for irrevocable and long-term savings. Perhaps the main obstacle is that saving for pensions is not genuinely beneficial for people in the informal sector; even well managed pension schemes just cannot produce investment yields high enough to compete with the returns that poor workers get when they invest in new equipment and tools, better housing, land or their children's education. This conclusion on pension schemes could be extended for all contributory traditional social security schemes.

Figure 3 demonstrates the situation in some US Social Security Trust Funds which shows that the current pay-as-you-go schemes are not sustainable in its present form. The same situation can be found in most countries, both in developed countries as well as in developing ones. Obviously the workers from the informal sector are not attempted to join in such funds.

Figure 3. Annual Surplus/Deficit of the US Social Security Trust Funds¹⁹



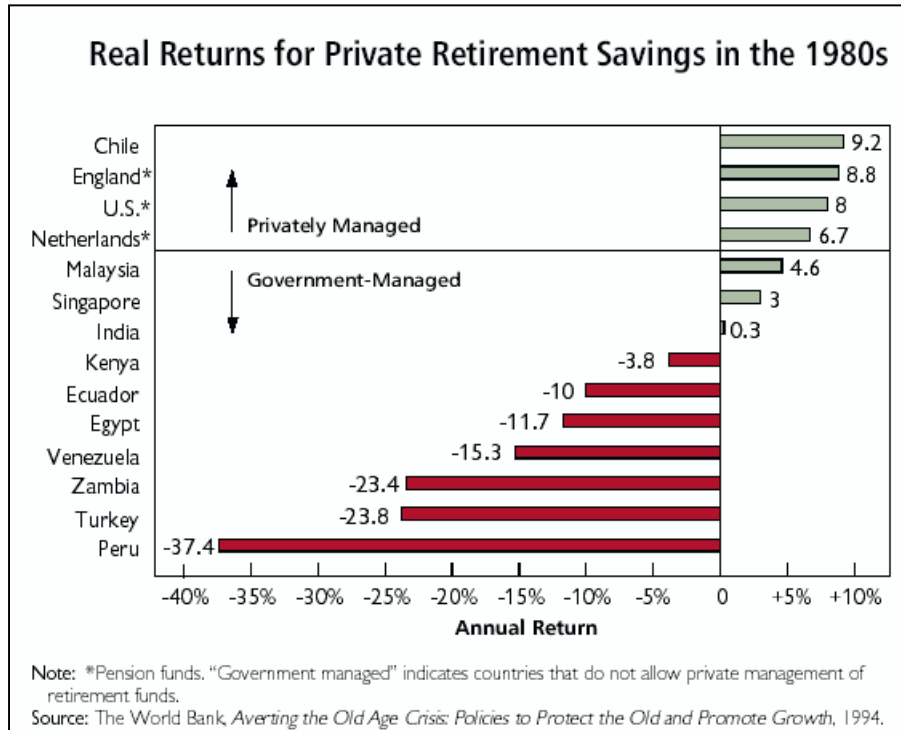
The Figure 4 shows real returns for private retirement savings from some developed and developing countries. Low or negative annual returns are related to many factors, e.g. fund management, investment policies (local versus international), governments' use of funds for investment projects with low returns, etc.

¹⁸ Holzmann, R., Mac Arthur, I., Sin, Y. 2000.

¹⁹ Mitchell, D. 2000.

These two examples of today's most important social security arrangement, the old age pension, are major challenges of public pension funds, and they demonstrate the present scenarios caused by the aging population and decreasing labor force.

Figure 4. Real returns for private retirement savings from some developed and developing countries²⁰



V. SOCIAL PROTECTION OPTIONS FOR INFORMAL SECTOR

Our quest for social protection arrangements for the informal sector until now has shown that present public social security schemes, or more particularly, public social insurance schemes cannot solve the problem.

A. World Bank and its Social Risk Management approach

World Bank introduced its Social Protection Strategy in 2001. It is based on a social risk management concept, which was first introduced by Holzmann and Jørgensen²¹.

The essential elements of Social Risk Management are a so called *risk matrix*, and a *matrix of Arrangements for Risk Management*. An example of the risk matrix will be given later when presenting some practical case studies.

²⁰ Mitchell, D. 2000. Ibid.

²¹ Holzmann, R., Jørgensen, S. 1999.

Box 2. The concept of social risk management of World Bank²²

An excerpt from World Bank Social Protection Strategy

The concept of social risk management asserts that individuals, households, and communities are exposed to multiple risks from different sources, both natural (such as earthquakes, floods, and illness) and manmade (such as unemployment, environmental degradation, and war). Poor people are typically more exposed to risk and have less access to effective risk management instruments than people with greater assets and endowments. This vulnerability makes individuals risk-averse and unwilling or unable to engage in high-risk/return activities. Under these circumstances, poor people have developed elaborate mechanisms of “self-protection” such as asset accumulation in good times, diversification of income sources, and creation of informal family and community “risk-pooling” arrangements. However, these arrangements are often relatively expensive and inefficient, and the coping strategies available once a shock occurs often reduce poor people’s human capital (for example, cutting back on meals or pulling children out of school to help generate income). This gives rise to the need for public intervention.

B. ADB and its Social Protection Strategy

The conceptual approach of ADB’s Social Protection Strategy (SPS) from 2001 follows the WB’s risk management philosophy. Social protection, as defined in the SPS, is a “set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people’s exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income.”²³ ADB’s social protection strategy is composed of five major components: (i) labor markets, (ii) social insurance, (iii) social assistance, (iv) micro and area-based schemes to protect communities, and (v) child protection.

C. A broader view on the implementation of social protection

International discussion concerning social protection interventions, as well as the experiences from the implementation of ADB’s social protection strategy, have a strong indication that attempts to transfer social protection to the informal sector are currently addressing the complex risks and uncertainties of that sector inadequately. Although World Bank’s social risk management (SRM) approach applies in principle also to the needs of the informal sector, its applications have focused in great extent to improving the formal sector social insurance schemes and on social assistance activities to the informal sector by social safety nets. The emphasis has been perhaps too much in coping mechanisms and *ex post* interventions. ADB’s strategy has tried to include the informal sector families through *micro and area based schemes* but in practice there are only a few examples²⁴. Most of ADB’s social protection projects have focused on the formal sector.

Although the existing social protection strategies might be broad enough to guide informal sector activities, the implementation of those strategies need to be broadened. This

²² World Bank. 2001b.

²³ ADB. 2001.

²⁴ According to ADB’s Social Protection Progress Report 2003, there was only one technical assistance (TA) project, which was focusing fully in this area. The concerned period included 122 loans and TA project (either approved or in the pipeline).

conclusion may mean implicitly that at some point of time these broader views on operationalization of strategies could also be integrated into the strategies.

1. Triple categorization of social protection

Social protection specialists and academics have presented different solutions for broadening social protection to informal sector. As one example, Dr. Dharam Ghai's triple challenge approach will be presented here²⁵. He has explored social security and decent work concepts in several publications from which two have been used here²⁶.

Ghai has divided social security challenges in developing countries in three categories (see, the Box 3):

- Reducing absolute poverty and providing basic services to the population.
- Meeting the contingency needs, and
- Assisting the victims of natural disasters and social calamities.

Box 3. Triple challenge facing social security in developing countries

The SP priorities (Ghai, D. 2003)

1. The first priority is to ensure adequate nutrition, basic health care, primary education, clean water, decent sanitation and shelter for all.
2. The second category of needs relates to contingencies such as sickness, accident, death of the principal breadwinner, disability and old age, as well as assistance to vulnerable groups such as abandoned children and widows.
3. The third task is disaster relief for the victims of floods, droughts and earthquakes that destroy property, livelihood and sources of support. Despite the increasing frequency of such calamities, very little attention has been given to ways and means of compensating people for loss of property and ensuring their livelihood.

In addition, Ghai presents interesting country level analyses concerning *the old tigers* (Singapore, Hong Kong China, Taipei China, and Republic of Korea), *the new tigers* (Malaysia, Indonesia and Thailand), *states of mineral wealth* (Kuwait, the United Arab Emirates, Saudi Arabia, and Botswana), *the socialist developing countries* (Cuba, China PR, and Viet Nam), and *the social welfare approach states* (Chile, Costa Rica, the Indian State of Kerala, and Sri Lanka), concerning some promising approaches to social security.

2. Responding the above priorities

Responding the needs of people in the informal sector we need to take a broader view than what has happened in the past. Besides Ghai, several World Bank documents, DFID papers, and papers from other academics have explored these avenues. Canagarajah and

²⁵ Dr. Ghai has been the Director of the United Nations Research Institute for Social Development, and previously he was Head of Research at the ILO World Employment Program and Director of the Institute for Development Studies at the University of Nairobi.

²⁶ Ghai, D. 2002a., and Ghai, D. 2002b.

Sethuraman (2001) have come to a conclusion that “the approaches to social protection also need to move away from the traditional narrow view of the informal sector to a more inclusive and comprehensive one where informal sector workers and their households are active partakers in the growth process.”²⁷ This view wants broaden the role of informal sector workers and their families in the economic growth process of that particular country, in addition to the interventions for the informal sector.

a. Addressing basic needs

Concerning basic needs and broader governance issues, Ghai (2003) points out that “The major obstacles to meeting these needs are political and administrative, not financial. Most countries, except for the poorest, have adequate resources to mount programmes that can eventually meet most of these needs. The problem is to shift government expenditure from current patterns to new priorities. This poses both political and administrative problems.”

Canagarajah and Sethuraman (2001) suggest for a guideline the analysis from the World Development Report (2000/1)²⁸. In that regard they have been using the WDR 2000/1 framework of promoting opportunities, facilitating empowerment and enhancing security, and analyzing the implications for the informal sector from these three angles.

These broader approaches of the WDR 2000/1 do emphasize the importance of having access to credit, access to markets, access to human capital (education), providing health needs, asset ownership (e.g. land titles, and independent inheritance for women), addressing gender and social inequalities, and facilitating empowerment in general.

From ADB’s point of view, several of these basic needs issues are being handled in the Bank by ‘social sector’ specialists (health, education, water and sanitation), and by financial and governance specialists in collaboration with social protection specialists.

b. Addressing social contingencies

Social insurance is the classic way to meet needs in the second category. In countries where a significant proportion of the labor force (60–70% or more) is in the organized sector, these needs can be met through social insurance programs with contributions from employers, workers and the state. The remaining workers can be brought into the formal schemes if the system is adapted and extended to suit the conditions of informal-sector and rural workers, the self-employed and domestic employees. Social assistance can provide benefits to the destitute and vulnerable groups that do not fit into the stated categories. As seen earlier, several middle-income countries have been able to provide for the contingency needs of their population through such methods.²⁹

The situation is different in the informal sector, and in economies where informal sector is dominant. There are basically three alternatives for providing social protection in the informal sector. The first is to wait that economic growth would take place so forcefully that the informal sector would disappear by growing into formal sector. Since in many countries the size of the informal economy is increasing not decreasing, this scenario is quite optimistic, or at least, it would take too long time for those who are in need now. The second option is state action -

²⁷ Canagarajah, S., Sethuraman, S.V. 2001. Ibid.

²⁸ World Bank. 2001a.

²⁹ Ghai, D. 2003.

directly or through intermediaries - to meet the most urgent of these needs, especially for the poorest groups. Many countries, including China and India, have launched such programs covering health and pensions for some groups such as the elderly poor and widows, the disabled and the destitute, but at the moment they reach only a minority of those in need. The third approach is to encourage and assist informal sector, domestic and rural workers, farmers and the self-employed to devise their own social insurance schemes as a protection against sickness, accident, loss of livelihood, old age, etc. Numerous schemes of this type have been launched in all developing countries, and examples of some of them will be discussed later in the Chapter VI.

c. Addressing natural disasters

Natural disasters take their toll in human lives, destruction of property and infrastructure, and loss of livelihood for hundreds of millions of people. They have been increasing in numbers and intensity in recent times. In the 1950s there were 20 'great' catastrophes, in the 1970s there were 47, and by the 1990s there were 86³⁰. In the 1990s over 750 000 people were killed by natural disasters, nearly all of them in developing countries, with Asia accounting for 80%.

Thus, natural disasters are a major and increasing source of economic and social insecurity for large numbers of people. This is surely an area that calls for a concerted national and global effort to address the urgent needs of disaster victims. A more effective relief effort needs to be accompanied by better preventive, risk reduction and mitigation policies. Preventive measures include flood control dams and improved drainage, re-settlement, better and more effective enforcement of building codes, strengthening of existing structures, environmental conservation and re-forestation, just to be mentioned some examples.

VI. SOME CASE STUDIES OF SP INTERVENTIONS FOR INFORMAL SECTOR

Earlier chapters have been rather pessimistic of possibilities to reach workers and their families in the informal sector by conventional social insurance schemes. Although this is at the moment a pragmatic conclusion, it does not manifest that all such attempts would be futile. Informal sector/economy is so diverse that besides the poor there are millions of non-poor, self-employed and small entrepreneurs who might be interested in well-designed social insurance schemes if they could trust on their management. A pension scheme for self-employed in India by ADB will be elaborated later.

A. Coop-Life Mutual Benefits Services Association (CLIMBS), Philippines³¹

1. Who is this organization?

CLIMBS is a mutual benefit cooperative society. Set up in 1971, its objective is to develop cooperative banking and insurance services to members of cooperatives in the Philippines. Starting with six cooperatives in 1994, it has grown to 173 cooperatives with 66,569 members. Its programs and services, especially loan protection and savings plans, have benefited 632 families. As of December 1993, its revenue amounts to P24.8 million. CLIMBS has current assets of P7 million³².

³⁰ Abramovitz, J. 2001. 'Unnatural disasters', *World Watch Paper 158*, World Watch, Washington, DC.

³¹ Lund, F., Srinivas, S. 2000.

³² 1 US dollar is around 55.5 Philippines pesos

2. What are the products?

The major social protection programs and services being offered by CLIMBS are the following:

- Mutual Assistance System;
- Life Savings Plan;
- Loan Protection Plan (LPP);
- Members Protection Plan;
- Cooperative Employees Retirement Plan; and
- Cooperative Officer Protection Plan.

3. How are the schemes running and financed?

a. Mutual Assistance System

This service evolved from the traditional *damayan* system whereby community members contribute when there is death in a family. For a uniform benefit of P5,000, a member may join the Mutual Assistance System by paying P48 as premium and another P48 as equity annually. When a subscriber/policy holder reaches age 66, he/she is withdrawn from the system and is entitled to receive the accumulated equity plus earnings from the equity. He/she then has the choice whether to join another plan which pays the same benefit (P5,000) but at a slightly higher premium.

The equity payments represent one's stake in the organization, and the subscriber/policy holder has voting rights and the right to participate in policy-making. In fact, a subscriber/policy holder owns part of the shares of CLIMBS and its gains are shared among subscribers/policy holders. The equity will be used to expand the system and ultimately establish a CLIMBS Insurance Company.

b. Life Savings Plan

This was the first major plan marketed by CLIMBS up to 1981. A cooperative pays P1 monthly to CLIMBS for every P1,000 deposit of a cooperative member. Members are assured that in case of death, CLIMBS will pay his/her beneficiary(ies) an amount equal to the member's deposit plus P1,000. The maximum payment (deposit plus supplement) is P25,000, and it varies according to enrolment age. The earlier one enrolls, i.e. at age 18-39; payment will be 100 per cent of the deposit plus P1,000. If one enrolls much later, e.g. at age 60, the payment will only be 25 per cent of the deposit and 25 per cent of P1,000. This program was approved by many credit unions because it encouraged capital build-up and savings mobilization. Another feature of the plan is that a cooperative that became a member did not have to invest any initial share capital. 40 per cent of the net income from the monthly contribution and other revenues are set aside in a member equity fund. The remaining 60 per cent become part of the reserve fund.

c. Loan Protection Plan

This was conceived in 1980 after the Malaysian Cooperative Insurance model. By 1994, LPP was among the most popular plans. The main benefit is that payment for loans obtained by members are insured by CLIMBS. In case of death of a member whose loan is insured, CLIMBS will pay the balance of the loan. The premium is based on the age of the member and the

amount of the loan. As the loan balance decreases, the premium decreases too. There is no enrolment fee.

d. Members Protection Plan

This is an optional insurance program for cooperative members. The minimum benefits are P1,000 and the maximum is P20,000. Premium level is based on the age of policyholder and the amount of the policy option. There is no enrolment fee. If the policyholder dies, the beneficiaries will receive the amount of the policy coverage. This plan includes an optional comprehensive personal accident plan in vehicle coverage, under which, in case of death or total disability, an additional amount of P20,000 (about US \$250) is paid by CLIMBS. If the insured person is confined to hospital due to an accident, he/she is entitled to a medical reimbursement of P50 (US \$2) per day for a maximum of 31 days on a single confinement. For ordinary illness, the reimbursement is P30 (US \$1.20) per day for a maximum of 45 days. P400 (US \$15) is provided for miscellaneous expenses.

e. Cooperative Employees Retirement Plan

This was designed for permanent employees of cooperatives or self-help associations. The pension is based on the premium paid, which is shared on a 50/50 basis between the employer (the cooperative) and the employee. There are 15 policy options available, with built-in insurance coverage. The premium payments range from a minimum of P25 per month to a maximum of P1,000 per month. In case of death of the policyholder, the beneficiaries will receive the contributions plus interest and the policy coverage.

f. Cooperative Officer Protection Plan

This is group protection coverage for the board of directors, managers and other elected and appointed committee members of cooperatives and other self-help organizations.

4. Status

Through a mutual agreement on interest earnings, CLIMBS presently invests its money in the National Confederation of Cooperatives (NATCCO), which in turn lends to, or guarantees the loans of, cooperatives in need of working capital. CLIMBS also allows its regional centers to retain 40 per cent of the premiums collected in their respective areas. The other 60 per cent are then pooled into a central fund and are then lent out to member cooperatives. Because of these schemes, many cooperatives, such as those in Bohol and Davao Provinces, have ventured into support businesses like funeral parlors. These in turn help to bring down funeral expenses for the cooperatives' members, such as the cost of coffins.

B. GRAMEEN KALYAN of the Grameen Bank, Bangladesh³³

1. Who is this organization?

Grameen Kalyan is a not-for-profit company founded in 1997. It is an offshoot of the Grameen Bank (GB), the world-famous microfinance institution. The Grameen Bank initiated a rural health program (RHP) through the Grameen Trust in 1993 and Grameen Kalyan took over the Rural Health Program in 1997.

³³ Lund, F., Srinivas, S. 2000. Ibid.

2. What are the products?

The goals of the RHP are: ! To plan, organize, provide and evaluate the components of primary health care. It aims to promote health and prevent illness and premature death. ! To provide basic diagnostic services to the community as well as referral services. The RHP aims to provide primary health care with special emphasis on family planning, maternal and child health and reproductive health. This is done through community-based health care programs, fully involving the local communities. It also aims to increase the level of health awareness and bring about change in health behavior. Mortality and morbidity reduction in specific areas is targeted in conjunction with national health goals.

3. How are the schemes run?

The RHP acts both as an insurer and as a health care provider. This is done through health centers attached to branches of Grameen Bank. Services are provided to both Grameen Bank members as well as non-members. Each health center has the center director (a doctor), an office manager, 1-2 paramedics, lab technician, and approximately four health assistants. The operational area of the health center corresponds to that of a Grameen Bank Branch. Each center covers an area of 8 km, and assistants provide door-to-door services. Outpatient treatment is available and consultation, treatment, lab tests and referral are carried out by the health center directly. Referral is linked directly to government health centers where available.

The RHP corresponding to each Grameen Bank branch is created only after a consensus is reached in discussions with members. After negotiation, members decide to subscribe to the annual plan for the RHP.

4. How are the schemes financed?

The RHP acts as an insurer, and annual premiums are collected from members associated with a health center. Non-Grameen Bank members can also use the facilities of the health center for a fee commensurate with the market rate for the service. Different types of pricing schemes for various service packages have been attempted. Presently, supplementary services for an additional premium fee are also available for families who are insured. The RHP as insurer and service-provider uses a sliding scale in its premium structure and fees for services. Non-GB individuals and families pay a higher rate in premiums. Non-GB and non-insured individuals can use walk-in services at the health centers at market rates. Health professionals determine on a case-by-case basis how much should be charged.

Subsidies to the scheme are channeled through Grameen Kalyan, a not-for-profit company. Poor households within the health center zones are included except those deemed non-poor. The benefits and services packages, however, remain identical. Identification of households as poor or non-poor is carried out by Grameen Bank branch staff in the area who are familiar with member and non-member populations alike.

On average, the various health centers have recovered approximately 65 per cent of total operational costs. Those having a higher rate premium structure of Taka 100-120 had better cost recovery of approximately 72 per cent on average, while those with premium of Taka 50 recovered approximately half of all operating costs. The Grameen Kalyan scheme presently

receives premiums from approximately 66 per cent of Grameen Bank members. It is estimated that as more GB members become insured, cost recovery will increase significantly.

5. Status

The RHP currently has 11 health centers in three zones of Grameen Bank operations. Each Grameen Bank center has a membership of 40, and one branch equals 60-70 centers. Therefore, approximately 2,500-3,500 members are insured under each health Center. Since membership is available to both Grameen Bank members and non-members alike, there are approximately 1.5 non-GB households for every GB household; there are approximately 2,500-3,500 GB households for every health center.

The services package presently includes a combination of annual check-ups, subsidies on lab tests, quality medicines at prices below market price, maternal and child health care and various other forms of preventative and promotional care. Hospitalization is also partially paid for.

In 1994, seven health centers operated at a premium of Taka 50 per family (US \$1.04) per year for a maximum of 10 members per family. Instead of this pre-payment, the services of consultation with a doctor are also available for a service charge of Taka 2 (US \$4 cents). Any number of consultations is allowed per year. Benefits also include free annual check-ups, 75 per cent subsidy on basic laboratory tests, subsidized drug prices and maternal and child health care household visits. However, operational expenses could not be recovered and a new service was attempted.

In 1996, five health centers were set up, at an annual premium of Taka 120 (US \$2.5) per family for a maximum of eight members per family. The benefits package includes a co-payment of Taka 2 per physician consultation, 50 per cent subsidy on basic and extended laboratory tests, free annual health check-ups, and a 50 per cent reduction on 15 essential drugs while all other drugs are subsidized. If the patient is referred, the scheme provides up to 50 per cent of the cost of specialist consultation and medical tests in addition to covering 10 per cent of hospitalization expenses.

1996 also saw the revision of two health center programs where services were still being offered under the Taka 50 plan. Members chose additional services for a higher premium payment of Taka 100 (US \$2.08) per family per year. This includes all of the previously mentioned benefits, except for hospitalization coverage.

6. Future

The Grameen Kalyan scheme has been very active through its health centers in dealing with the 1998 floods in Bangladesh. The extent of damage and suffering was amongst the worst this century, and eight of the eleven health centers themselves were completely damaged by the floods and the remaining three were partially damaged. Nevertheless, all staff of the scheme stayed at their stations to provide health assistants to all community citizens, members and non-members alike. Many services were provided free of charge and extensive health education campaigns to prevent epidemics were undertaken.

More domiciliary services are being undertaken and strengthened by health assistants. Various training programs were organized for these assistants and monitoring activities at the field level have been stepped up. Health assistants in the latter visited over 84,000 villagers at

home half of 1998. 1,003 non-Grameen families have been enrolled in the scheme and over 11,000 patients have been referred to doctors under this program.

The pricing schemes and benefits package are still being revised in line with suggestions of members and corrugated through an implementation committee. Non-renewal of subscriptions is being investigated and collection of premiums is being tightened. Non-GB families have also been active in seeking services from the health centers and more is being done to attract non-GB families to supplementary coverage and basic services. The RHP is attempting to operate on a much more professional footing, and significant changes are being made to the premium structure, data collection on GB and non-GB members, rates of usage and gender balance of use of services. Moreover, pathological laboratories were upgraded and have become very active. Many tests specifically geared towards family planning and reproductive health have also been improved. Revenue generation from laboratories has increased by 65 per cent over the previous year.

C. The SEWA Integrated Social Security Scheme, India³⁴

India is the world's largest democracy and the second most populated country. It has sharp disparities in income and persistent problems in providing comprehensive and universal basic education, health care or other social protection for vulnerable groups. Over 90 per cent of its labor force is composed of informal economy workers (counting agricultural workers) who have little, if any, statutory social security. Most informal economy workers are casual laborers and contract or piece-rate workers; many are self-employed, and have no direct access to government-provided social security. While certain informal economy workers are covered under Indian State, central and some welfare schemes, no *comprehensive* contributory social security or insurance schemes existed for these workers until recently.

1. Who is this organization?

SEWA is a registered trade union working mainly with women in the unorganized/informal economy and, since 1972, has focused on employment and income related issues. Membership is almost a quarter of a million. Their members are women informal economy workers who work very long hours, are poorly paid (usually below the statutory minimum wage) and have little opportunity to move into better paying jobs. They are most often hawkers and vendors, home-based workers (usually piece-rate or contract-workers) and laborers. SEWA's struggle has been to organize these women workers, gain national and international recognition for their needs, ensure that the minimum wage is obtained, provide legal recourse where necessary, target overall 'work-security' and ensure democratic representation at every level of the organization.

2. What are the products?

SEWA's Integrated Social Security Program is the largest comprehensive contributory social security scheme in India today for informal economy workers, and presently insures over 32,000 women workers. The scheme covers health insurance (including a small maternity benefit component), life insurance (death and disability) and asset insurance (loss of or damage to housing unit or work equipment).

³⁴ Lund, F., Srinivas, S. 2000.

3. How are the schemes run?

SEWA members can choose whether to become members of the scheme (at present, approximately 14 per cent of all SEWA members are insured). The asset and health components come as a package and life insurance is an option.

The total insurance premium package is approximately Rs.60 (or US \$1.5) per year for the combined asset and health insurance package and an additional Rs.15 provides life insurance as well. Premiums and benefits are presently being restructured. Membership and claims processing is done through the SEWA Bank, along with considerable field presence and grassroots organizing from SEWA Bank staff and SEWA Union staff. Mobile services are also available for premium collection (which are services normally associated with microfinance deposits and loan repayment collections).

The scheme components have been developed on a purely demand-driven basis and over 25 years of close involvement with members.

Bureaucratic hurdles through claims handling with the partner insurance companies have been minimized over time and the insurance committee (comprised of members) hears petitions for claim rejections and suggestions for future improvements.

4. Financing

- One-third of the premium is financed through interest paid on a grant provided by the German Technical Development Agency (GTZ).
- One-third through the direct contributions by women workers.
- One-third through a subsidized package scheme provided by the Life Insurance Corporation of India and the United India Insurance Company. The Indian Ministry of Labor has been actively involved in negotiations with SEWA and provides a subsidy through the Life Insurance Corporation of India.

SEWA sees the one-third-premium contribution as a beginning towards increased contributions and through which women workers will have a voice in the design and administration of the scheme. It also simulates the corresponding tripartite contributory structure within formal social security systems from the State, employer and employee.

SEWA has also designed the payment of premiums to suit different income groups among the very poor. A fixed deposit scheme of Rs.500 and Rs.700 is available to those who can make a one-time payment for life membership of the insurance scheme. The interest on their fixed deposit goes towards paying the yearly premium. Annual payments are also available, as are monthly payments, although the latter require higher transaction costs and greater monitoring to prevent members leaving once benefits are used.

5. Status

SEWA is also decentralizing its operations as the bulk of present members and claims are urban. The decentralization should serve to attract more poor rural women members. They have expressed a strong demand for social security but claims' processing being limited to Ahmedabad has acted as a deterrent.

SEWA has shown that it is possible to create schemes that are adaptable, reproducible (to an extent) and which are profitable. Private sector, and further government participation as partners in such schemes, are not ruled out in the future. The integrated approach to social insurance has benefited SEWA as a microfinance and banking NGO as since linking banking schemes to insurance has increased membership of both programs and significantly raised interest in union membership where available.

Every effort is being made to reduce processing time of claims and decentralization committees are being trained thoroughly so that rapid and equitable claims disbursement can be carried out. Furthermore, the organization has been actively involved in disaster areas for on-site inspection and claims submission. Relief efforts have also been initiated immediately and coordinated with government agencies so that the immediate needs of suffering women members can be met.

6. Future

As SEWA's multiple avenues of worker assistance have been operational for over two decades, many women members have been achieving rising incomes.

SEWA hopes that the social security program will further protect and boost women's income and assets. Based on better ability to pay, the health insurance scheme is now likely to hike premiums slightly. SEWA is showing that not only can social security provision exist for informal economy workers, but also that workers are willing to pay increasing amounts, as long as the service is appropriately designed and sensitive to their needs. Most importantly, it demonstrates a first step towards significant government and NGO participation in a scheme for informal economy workers that is comparable to government involvement in statutory social security provision for the formal economy.

SEWA is looking to long-term financial and administrative sustainability of the scheme and the levels of premiums that can be supported in the local community. It aims to:

- spread decentralized units for premium collection, claims handling and referral;
- expand coverage to all members in a sustainable fashion;
- further spread to rural membership;
- evaluate the possibility of family coverage (at present only the woman member is covered for most benefits-except in the case where a family member/other nominee is also covered for life insurance which is available through the Rs.700 fixed deposit scheme);
- introduce a different premium structure;
- strengthen the asset insurance component;
- expand health benefits;
- add a pension component and encourage young working women to join and save for their retirements;
- it is also assessing how upcoming future entry of private agents in Indian insurance markets will affect poor women workers in the informal economy;
- it is actively involved in action-research programs for enhancing the efficiency of the health cooperatives and SEWA Bank that supplement the integrated aspect to risk-management services; and
- an impact evaluation of the insurance scheme is also being undertaken.

D. Social Protection Strategy for Togo³⁵

This case study has been taken from the outside of Asia. The reason is that this World Bank study in Africa was the first social protection strategy developed for a country in the continent; therefore the report has served as a methodological guide. World Bank selected Togo for a pilot since Togo is a very typical low-income country where government's role in social security is almost nil., and one could say that the whole country represents informal sector. The key aspects were:

- The social protection system provided by the government is insufficient in its coverage and inefficient, resulting in widespread discontent and a considerable waste of resources
 - ▶ a reform of the government system is needed;
- The traditional social protection system has come under strain due to a number of phenomena linked to modernization (e.g., urbanization, geographic mobility, monetarization, raising individualism) and to the persistent economic and political crisis (e.g., decreased standard of living, increased insecurity)
 - ▶ solutions/alternatives must be found for arrangements that are indicative of strain, such as child labor;
- New answers to risk management are appearing, especially of an informal type, as people try to fill the gap left by government services
 - ▶ grassroots initiatives should be supported by the government and donors;
- Regardless of resourcefulness of the Togolese people and of the efforts of government, unsatisfied needs for social protection remain enormous
 - ▶ a new approach to social protection is needed, involving a wider range of stakeholders (several ministries, NGOs) and actions;
- Part of the answer lies in the ability to link formal and informal mechanisms for social protection in a synergistic manner to broaden coverage
 - ▶ public/private partnerships should be pursued, and the government should promote greater coordination and collaboration among different actors at different levels.

Social protection in Togo has been put to test by the political and economic developments of the last decade, which have seen living conditions decline sharply as a result of a deteriorating economy (real GDP per capita is 25% below its 1980 level), and by government inability to provide basic social services and repeated political crises. While horizontal networks such as socio-professional associations spread with a modernizing society, the current crisis has meant a retreat into kinship-based networks and patron-client networks. Exclusion from networks is a sign of utter destitution and leads to social exclusion.

1. Social Protection forms

Social protection takes three forms in Togo: risk prevention, risk mitigation and risk coping (see the risk factors in Figure 6). The social protection system provided by the government is insufficient and inefficient, resulting in widespread discontent and a considerable waste of resources. Hence, 95% of the Togolese rely on informal arrangements for risk management, mostly in the form of informal insurance and portfolio management (i.e., risk mitigation). As communities try to fill the gap left by deteriorating government services, new instruments of risk prevention are appearing, especially of an informal type (e.g., community-financed schools). However, the traditional social protection system has come under strain as

³⁵ Bendokat, R., Tovo, M. 1999.

Figure 6. Risk factors in Togo

	Micro level (Individual & household)	Meso level (Community)	Macro level (Nation)
Natural factors	<ul style="list-style-type: none"> • Agricultural productivity ⇒ soil erosion, low fertility • Health ⇒ poor sanitation, smoke exposure 	<ul style="list-style-type: none"> • Agricultural productivity ⇒ environmental degradation, natural disasters • Health ⇒ unhealthy habitat, unsafe water 	<ul style="list-style-type: none"> • Primary sector productivity ⇒ natural disasters, limited natural resources • Demographic pressure • Epidemics (AIDS)
Social Factors	<ul style="list-style-type: none"> • Health ⇒ disease, old age, handicap • Education/information ⇒ illiteracy, low education, isolation • Social capital/household structure ⇒ high dependency ratio, intra-household inequality, household break-up 	<ul style="list-style-type: none"> • Human capital ⇒ limited access to social services (health, education, family planning) • Social capital ⇒ discrimination, harmful traditional practices 	<ul style="list-style-type: none"> • Human capital ⇒ insufficient & inefficient sectoral policies & programs • Inequality ⇒ discriminatory laws, regulations, inequitable and inadequate budget allocation
Economic & political factors	<ul style="list-style-type: none"> • Income ⇒ low returns to labor, unemployment, irregular salaries, no access to credit • Inter-household inequality ⇒ in access to land, rights & duties related to social standing • Gender discrimination ⇒ unequal access to productive assets 	<ul style="list-style-type: none"> • Income ⇒ limited access to land, economic infrastructure & employment opportunities • Isolation, remoteness • Inefficient production systems 	<ul style="list-style-type: none"> • Assets & income ⇒ limited land, economic infrastructure & employment opportunities • Structural inequalities ⇒ poorly integrated market for food products, poor rural infrastructure • Governance ⇒ fiscal problems, land tenure, clientelism, corruption

indicated by the growing problems of child trafficking and abandoned old people (i.e., risk coping).

The most feared risk factors have in common the risk of losing one's assets and going into debt. Coupled to this are the risk of losing social standing (a sort of "dignity risk"), the risk of losing income, and the risk of losing productivity.

The four main blind spots in Togo are risk factors that receive little attention because their negative consequences are not immediate, or because they seem to be "the way things are", or because they are just not known. These are:

- Environmental degradation,
- High fertility rates and dependency ratios,
- Gender discrimination, and
- HIV/AIDS.

2. Priority actions

The government needs to rethink its approach to social protection to include more stakeholders (several ministries, civil society, NGOs), a wider range of interventions (i.e., covering risk prevention and mitigation in addition to the traditional approach of coping) and a different

way to operate (participation, partnerships, formal/informal links). Preconditions for and key elements of successful risk management are a sound macro-economic framework and improved social services. Among the priority actions proposed for a more comprehensive risk management strategy are (see also Appendix 2 of arrangements for risk management in Togo):

- Building on community efforts to provide primary education,
- Supporting risk pooling for the informal sector,
- Ensuring the viability of formal pension schemes,
- Forging new public/private sector partnership for “traditional” social assistance, and
- Developing a comprehensive approach for child protection.

3. Technical assistance

The support from the international development agencies could include several elements that would aim at developing such a social protection strategy for Togo. In particular, the assistance could:

- Assist the government in “rebasin” its social protection strategy, continuing the process already started;
- Through projects, provide financial and technical support to community-based provision of social services;
- Help develop a comprehensive program to address child labor issues;
- Provide technical assistance for the reform of the pension system;
- Help pilot a formal/informal sector collaboration for old-age pension; and
- Use the regional social funds which are being set up to test new ways of providing SP.

C. Overview of the Micro-insurance Schemes Operating in Asia

As part of a worldwide exercise, the ILO/STEP program has recently conducted inventories in several Asian countries aiming at documenting the various on-going micro-insurance experiences³⁶. At the moment this work has been completed in eight countries (Bangladesh, Cambodia, India, Laos, Nepal, Pakistan, the Philippines and Sri Lanka), and it has registered a total of 171 micro-insurance schemes covering some 30 million people.

Some well-known schemes in Bangladesh are Proshika, SSS and Grameen Kalyan, in India Working Women’s Forum, Students Health Home (SHH), and Self-Employed Women’s Association (SEWA), and in the Philippines Centre for Agriculture and Rural Development - Mutual Benefit Association (CARD-MBA), Coop Life Mutual Benefit Services Association (CLIMBS), and Negros Women For Tomorrow Foundation (NWTF). Three of these schemes were presented in the Chapter B. The SEWA program in India has been for a long time a unique example from this category. A thorough description of it can be found in ILO-STEP (2001). Figures 7, 8 and 9 give some general figures on micro-insurance schemes.

³⁶ ILO-STEP. 2004.

Figure 7. Number of micro-insurance schemes operating in selected countries

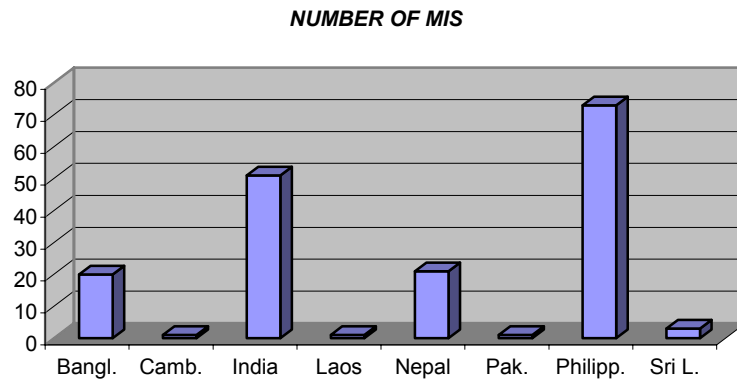


Figure 8. Total population covered by the micro-insurance schemes

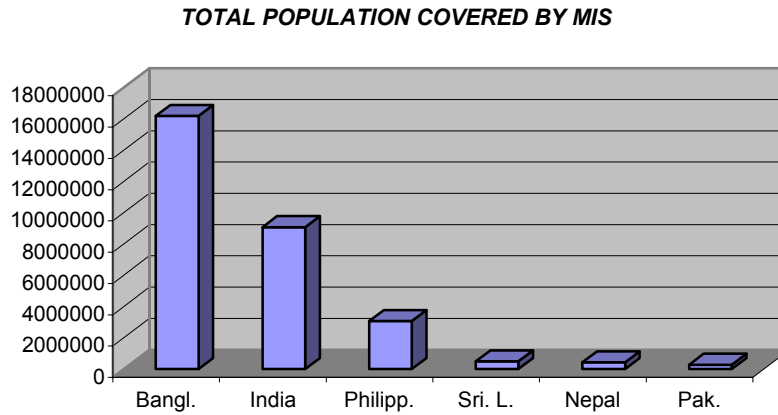
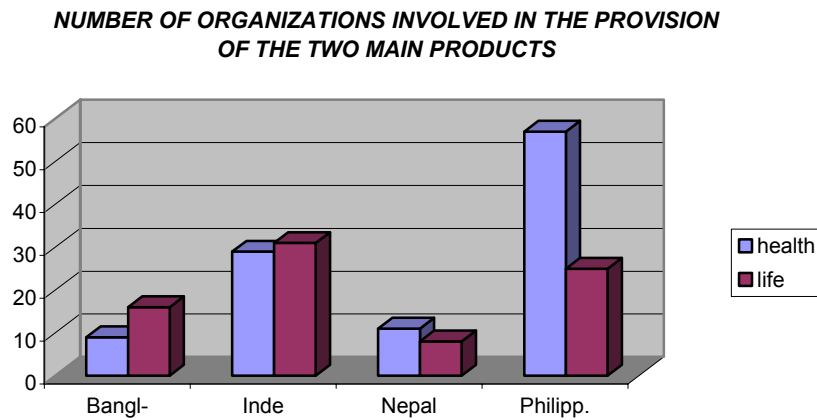


Figure 9. Importance of life and health insurance products among the micro-insurance schemes



Most of these micro-insurance organizations were established during 1990s, and although several of them are offering insurance packages, most of them have focused on a single product (life and health insurance are two main products).

D. ADB Assistance for Pension and Insurance Reforms

In the past decade, ADB has supported reforms of the pension and insurance industry in six countries through 12 separate technical assistance projects: Bangladesh (2), India (3), Indonesia (1), Mongolia (3), Pakistan (2) and the Philippines (1). These technical assistance projects covered a full range of objectives and issues depending on country needs: review and formulation of new legal and regulatory framework, strengthening and capacity building of regulatory bodies, review of the performance of the industry and preparation of master plans for the future as well as the assessment of the financial and managerial performance and viability of individual insurers, funds and pension programs, and preparation of restructuring plans where necessary. Two operations in Mongolia covered both pensions and insurance sectors, while the rest focused on one of the sectors.

During these interventions, ADB has focused on three basic considerations and objectives:

- Pension programs and insurance industry is a central, if not the most critical, component of a country's capital markets.
- It has become increasingly apparent in recent years that in many countries existing pensions programs and insurance companies have suffered from major managerial and financial problems, and were not viable.
- There is now greater recognition in the countries that insurance are an important part of social policy and poverty alleviation efforts.

The last observation has created a situation where ADB has become increasingly interested in supporting efforts to extend the reach of its technical assistance to the informal sector workers and the elderly.

1. Technical Assistance to India for Pension Reforms for Unorganized Sector

ADB has approved the above TA project in November 2003. The project is now going on, and therefore it is too early to discuss its outcomes. However, it might be interesting to reflect briefly its objectives from the planning stage.

The TA's goal is to "Extend benefits of old age security to the unorganized sector of India", and its objectives are (i) to prepare voluntary privately managed pension schemes to be offered to target participants in the unorganized or informal sector of the Indian economy, and (ii) to help establish a regulatory, administrative, management, and incentive framework and system for the proposed pension scheme for target participants from the unorganized sector. In addition, the TA has four outputs:

- Database to support pension system development for the sector unorganized sector and PFRDA management and promotional activities,
- Strategic classification of the unorganized sector for planning and implementation purposes,

- Income and attitudinal surveys to close data gaps and develop bases for determining target market, tailor-fit pension product schemes, and develop marketing strategies for reaching out to the target participants, and
- Workshop(s) involving Government and other key stakeholders on above.

What has been discussed in this paper earlier, would suggest that this technical assistance project will have a very demanding task ahead of it. On the other hand, total employment of India's unorganized sector is 398 million³⁷, from which 30% are working in informal enterprises. Such a target group, if reached, could already serve the purpose in this technical assistance.

VII. DISCUSSION AND CONCLUSIONS

The governments all over the world have an increasing challenge to satisfy the basic needs for their citizens, to assist the people in addressing social contingencies and to be prepared to natural disasters. Neither traditional ways of social security nor present official social protection interventions are able to solve the existing obstacles leaving the majority of people in Asia and the Pacific to cope with social risks on their own.

The formal sector social protection schemes cover only 10-20 % of the Asian labor force. Most formal sector schemes have financial difficulties, and the schemes need to be re-designed. The arrangements for social protection in the informal sector cannot rely on the extension of present schemes to informal sector but need to look new and innovative interventions. There are a few examples of successful social security reforms as well as community-based approaches, which could serve as examples if they could up-scaled to macro schemes and if their sustainability could be secured.

Informal economy, where most of informal sector workers work, needs a fresh look and assessment as an economic vehicle. Most governments are insufficiently aware of the huge positive economic and social gains from reducing informality, and they don't devote enough resources for adequate enforcement of tax and other regulations. People in the informal economy need also a fair access to credit, land and other assets in order to reduce their vulnerability against social shocks.

Social assistance, both for formal and informal sectors, is necessary also in the future for those who live in or fall to poverty, and therefore the redistribution of public funds is necessary. Universal minimum pension schemes are good examples also for poverty reduction. Considering the increasing budgetary constraints that most governments are facing, this calls for better governance, less corruption, productive private-public arrangements, strengthened institutions, and improved financial management to secure necessary public funds.

Organizing social protection for the people in the informal sector is not an easy task, but it can be done. The governments can hardly do it alone why communities and families, and organizations representing them, need to be taken onboard in partnership with the whole civil society.

³⁷ ADB. 2003.

PENSION SCHEMES: IMPEDIMENTS TO INFORMAL SECTOR COVERAGE				
1. Countrywide Impediments	2. Impediments Particular to the Informal Sector	3. Regulatory Impediments	4. Pension Design Impediments	5. Pension Institutional Impediments
<ul style="list-style-type: none"> • Weak Institutional Governance • Widespread Corruption • General Distrust of Public Institutions • Small and Inefficient Financial Markets • Weak Financial Institutions • Absence of Annuity Market • Weak Regulatory Capacity • Weak Administrative Capacity • Low Productivity • Poor Communication Infrastructure • Huge Gap in Salaries 	<ul style="list-style-type: none"> • Low-Income Workers • Irregular and Discontinuous Income • High Proportion of Young Workers • High Proportion of Rural Workers • Poor Education • Short Life Expectancy • Strong Generational Family Support • Small Working Units • Short-lived Businesses and Transient Workers • Poor Record Keeping Skills • Absence of Income Tax Incentives • Comparing Informal Sector Workers to Formal Sector: Coverage Impediments 	<ul style="list-style-type: none"> • Statutory Exemption of Informal Workers • Lack of Enforcement Powers • Faulty Investment Rules • High Contribution Rates • Rigid Contribution Schedules • Locked-in Contributions • Record Keeping Requirements • Poor Information to Participants 	<ul style="list-style-type: none"> • Front Loaded Benefit Formula • Poorly Designed Minimum Pension • Poor Protection Against Inflation • Too Generous Early Retirement Provisions • Too Long Vesting Service Requirement • Absence of Ancillary Benefit Provisions 	<ul style="list-style-type: none"> • Poor Governance • Corruption • Poor Enforcement • Poor Administrative Capacity • High Administrative Costs • Poor Investment Returns • Poor Services to Participants

Arrangements for Risk Management in Togo

Arrangements	Informal/endogenous	Informal/exogenous	Formal/private	Formal/public
Prevention				
	<ul style="list-style-type: none"> Strengthen human capital (community-paid teachers/schools) Strengthen/protect revenues (anti-erosion measures, migration) Occult/traditional rites 	<ul style="list-style-type: none"> Strengthen human capital (apprenticeship) Traditional ceremonies 		<ul style="list-style-type: none"> Strengthen/protect human capital (education, health, VET, agricultural extension, regional social funds) Regulate against accidents and inequality (traffic code, construction code, environment regulations, labor market policies) Provide services and infrastructure. (vaccination, dams)
Mitigation				
Portfolio Management	<ul style="list-style-type: none"> Diversify (crops, jobs) Invest (human, physical, real assets) 		<ul style="list-style-type: none"> Invest in multiple financial assets 	
Insurance	<ul style="list-style-type: none"> Reciprocate (<i>mutuelles</i>, <i>tontines</i>, profess. associations) Strengthen social capital (marriage, folk groups, ceremonies, traditional practices) 	<ul style="list-style-type: none"> Pool risks (cereal banks, village banks) Itinerant bankers 	<ul style="list-style-type: none"> Buy private insurance 	<ul style="list-style-type: none"> Provide social security (CNSS and CRT)
Hedging	Extended family			
Coping				
	<ul style="list-style-type: none"> Diminish human capital (reduce meals, take children out of school) Diminish economic capital (borrow, sell) Diminish social capital (child labor, borrow, plead) 	<ul style="list-style-type: none"> Diminish social capital (child trade) Diminish economic capital (borrow from usurers) Charity 	<ul style="list-style-type: none"> Diminish economic capital (borrow from banks and MFI) NGO programs 	<ul style="list-style-type: none"> Protect economic capital (AGETUR, regional social funds, emergency aid) Protect human capital (food aid, emergency aid)

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