

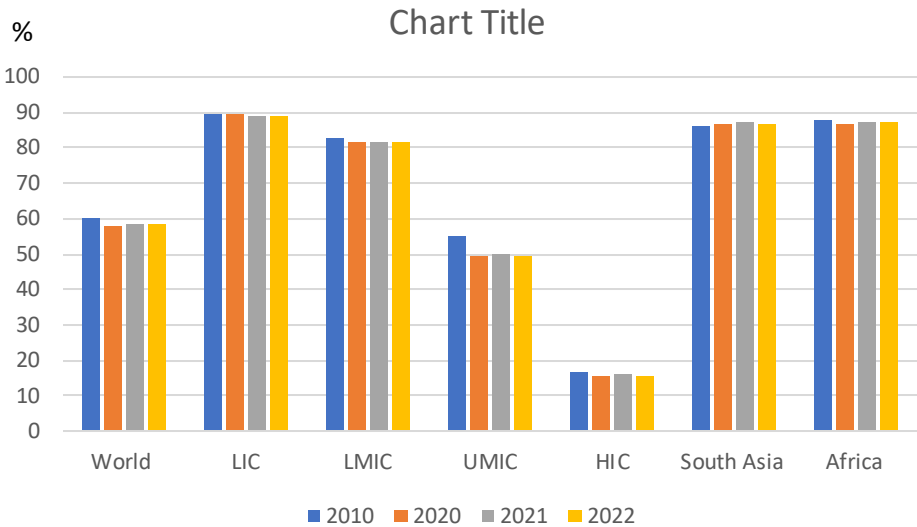
# SOCIAL PROTECTION FOR THE INFORMAL ECONOMY

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May 20-23, 2024

<https://documents1.worldbank.org/curated/en/946341635913066829/pdf/Social-Protection-for-the-Informal-Economy-Operational-Lessons-for-Developing-Countries-in-Africa-and-Beyond.pdf>

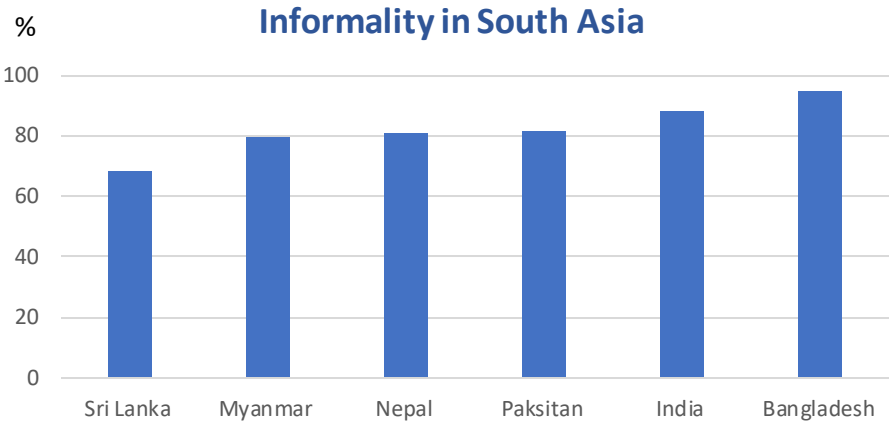


# Globally, around 2 billion workers were in informal employment in 2022



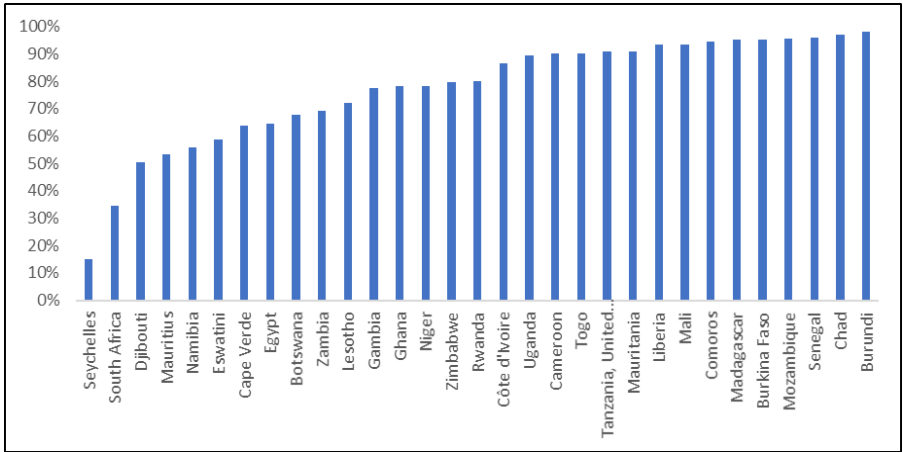
World Employment and Social Outlook Trends 2023, ILO

- Only 2 percentage points decline in informality between 2010-2022 globally
- Informality is characterized by:
  - low human capital, low productivity, **limited access to basic services**, limited financial inclusion
  - low earnings, irregular, unpredictable incomes, **susceptibility to shocks**



World Employment and Social Outlook Trends 2023, ILO

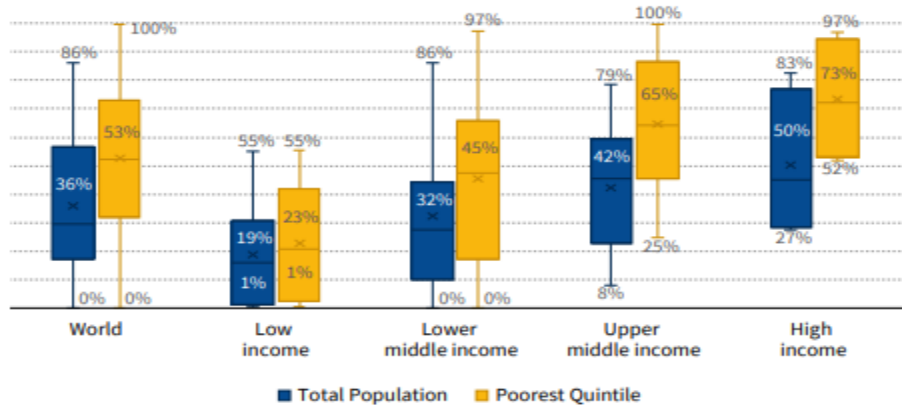
## Informality in Africa





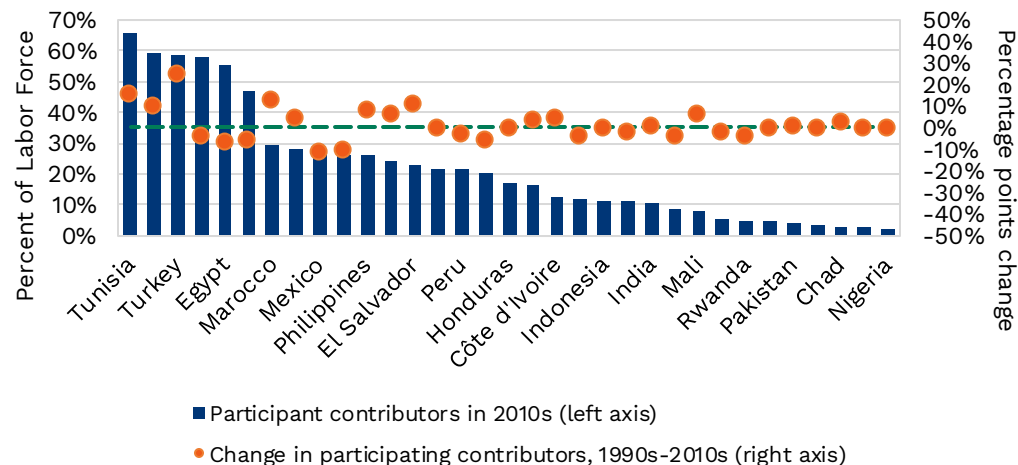
# Despite these vulnerabilities, informal economy workers are not typically covered by social protection programs

## Social Safety Net Coverage is still incomplete



Source: World Bank SPI Strategy, 2022, ASPIRE database- [www.worldbank.org/aspire](http://www.worldbank.org/aspire).

## Contributory Social Insurance failed to significantly expand coverage



Source: Rutkowski (2018). Reimagining Social Protection: New systems that do not rely on standard employment contracts are needed. Note: The figure shows participation rates in contributory pension schemes from the 1990s to the 2010s. The dashed horizontal line represents no change in rates of contribution over time

- Just over one-third of all people and one-half of people in the poorest quintile of their country receive some form of social assistance
- In low-income countries, **on average only 23 percent of those in the poorest quintile** receive some sort of social assistance
- **Coverage of existing social insurance programs is limited** to the small formal economy in LICs and LMICs
- **Coverage of contributory programs did not change** in the past two decades
- Existing employment-based **social insurance systems require regular/steady contributions**
- **Formal sector contributory systems do not respond to the needs of the informal sector** with precarious irregular earnings that rely on non-standard employment contracts



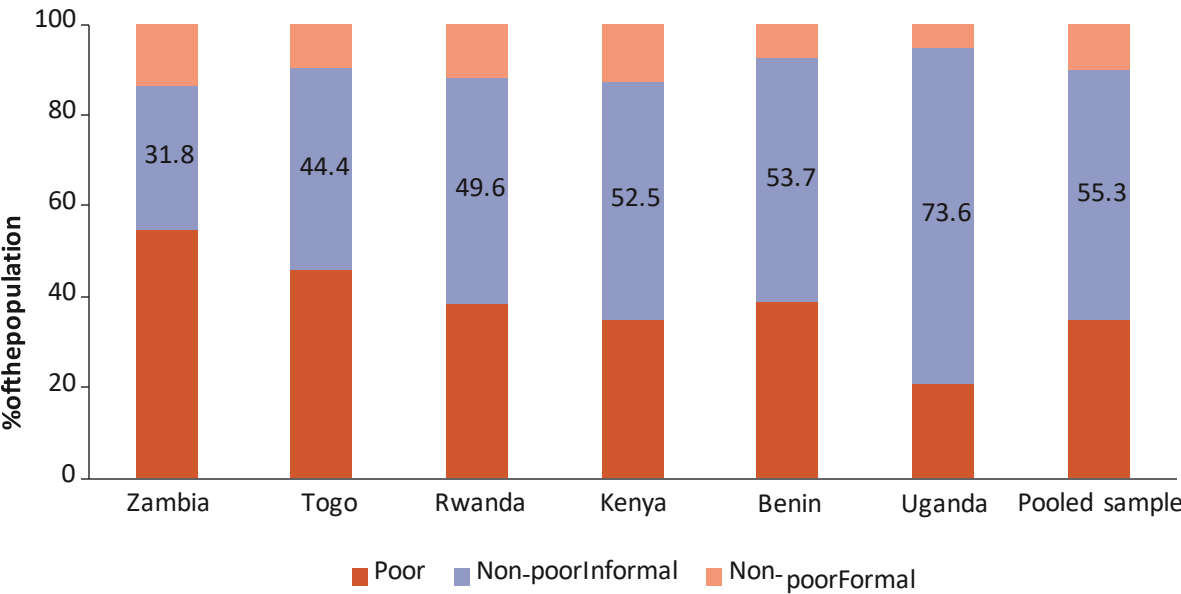
# Understanding the characteristics of the informal economy households is necessary in devising suitable SP interventions

## Categorization of Informal Households



Source: World Bank elaboration.

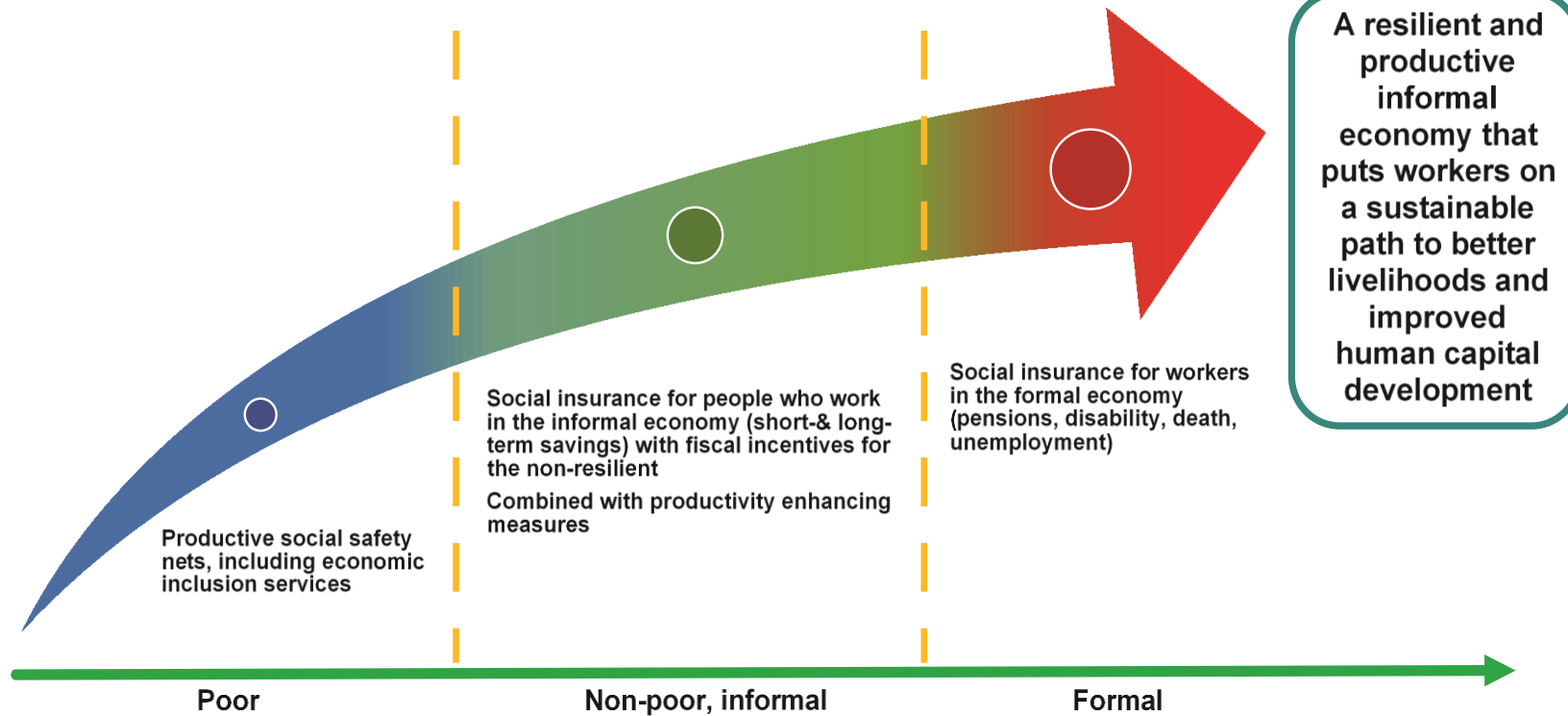
## Size of the poor, the “missed middle”, and formal in six countries



- The “missed middle” of social protection (NPI) is largely the group between Poor(P) and Formal (NPF)
  - Not sufficiently poor to be eligible for safety net programs but lack the protection people in the formal economy receive through social insurance
- On average, more than half of the households in six countries falls under the NPI category
- Near absence of an administrative relationship between NPI households and governments has considerably slowed the delivery of relief in response to the pandemic
- Social protection needs of NPI households are coming into focus as the magnitude and impacts of shocks become clearer

# A suite of social protection, economic inclusion programs and productivity-enhancing measures are needed to provide a continuum of social protection coverage across the income spectrum

Social protection instruments across the income spectrum



Source: Guven and Karlen 2020.

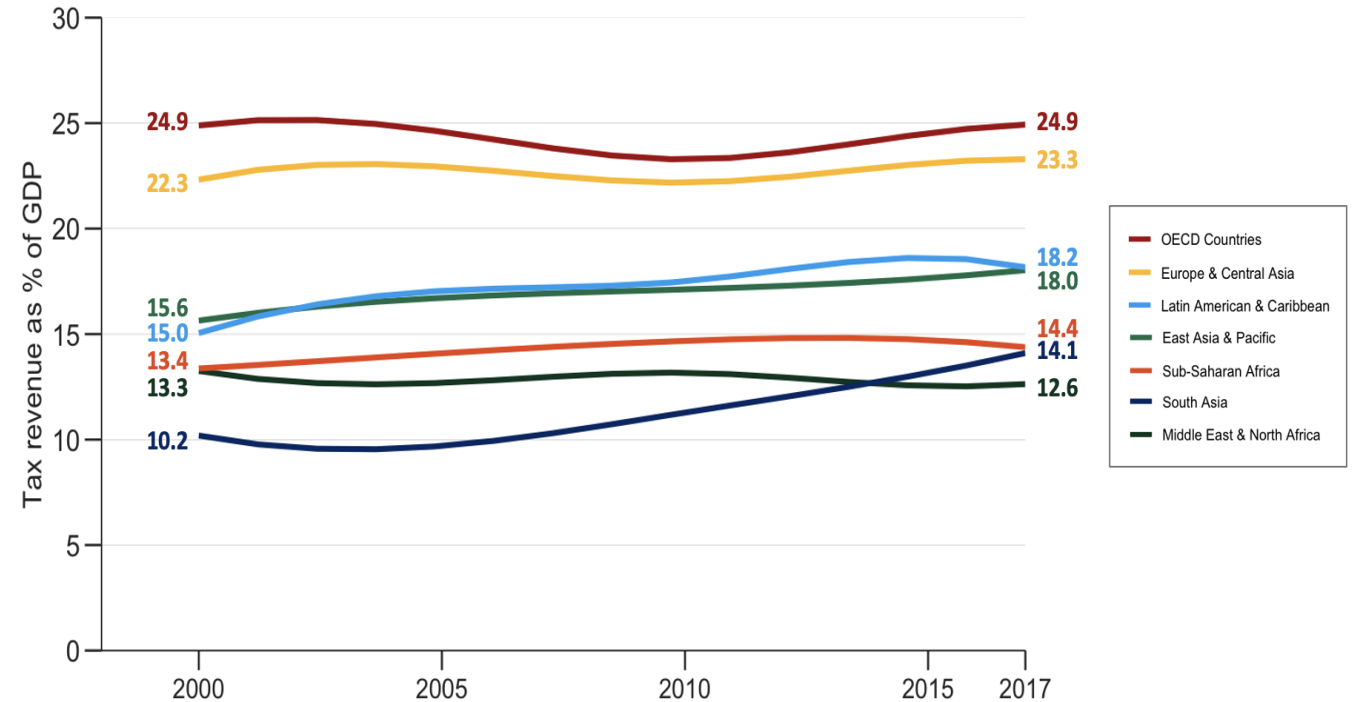


- This approach aligns with **World Bank's recent Social Protection Strategy** (aka SPJ Compass) which promotes Universal Social Protection (USP) and emphasizes **progressive realization of USP** with a suite of social protection instruments based on needs of people across the life cycle and across the income spectrum

# Low-income countries have limited resources to finance universal social protection

- Universal protection should be the **ultimate objective for countries**
  - But developing countries have **limited fiscal resources** to finance large scale basic social insurance
- **A progressive approach can be adopted by these countries**
  - By laying the foundations of a social insurance scheme for the informal sector
- A first step could be a **voluntary savings scheme to informal economy workers** to access services and allow them to save
  - **Subsidies and incentives may be needed to reach scale**, but they are likely to be affordable for most countries
  - Scheme needs to be **designed to meet needs of informal sector workers** and not rely on a formal employer-employee relationship
- Such a scheme could **potentially be scaled up** when the enabling conditions allow

Tax Revenue as % of GDP, by region (2000-2017)

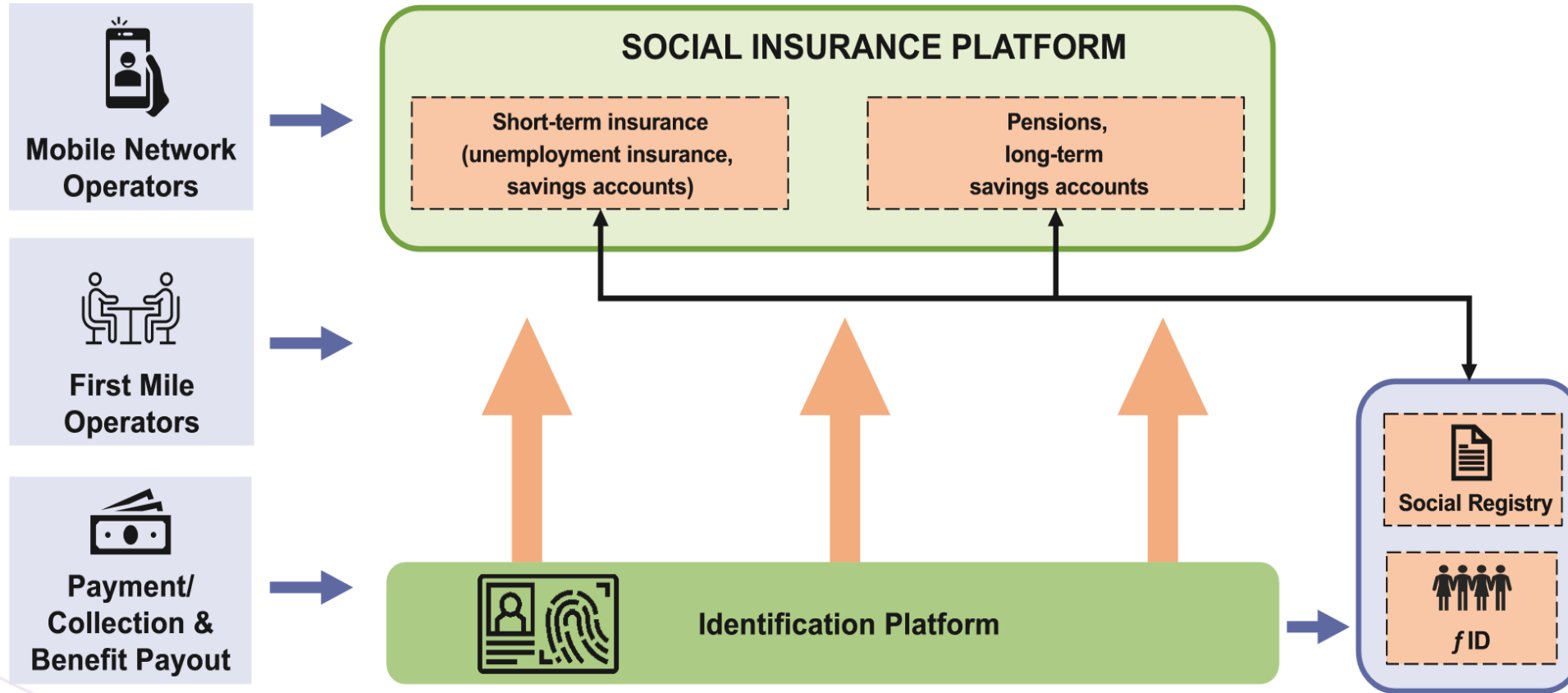


Source: IMF (2020). Government Finance Statistics Yearbook and data files, and World Bank and OECD GDP estimates



To ensure continuum at the operational level, informal sector social insurance delivery digital platforms need to be interoperable with social registries, ID systems and payment systems

### Informal economy: integrated social insurance platform

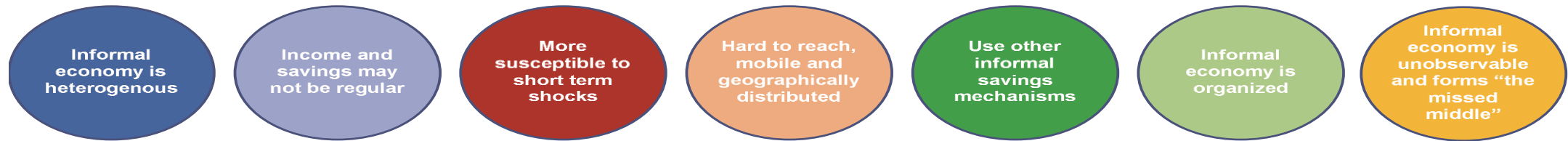


Source: World Bank.

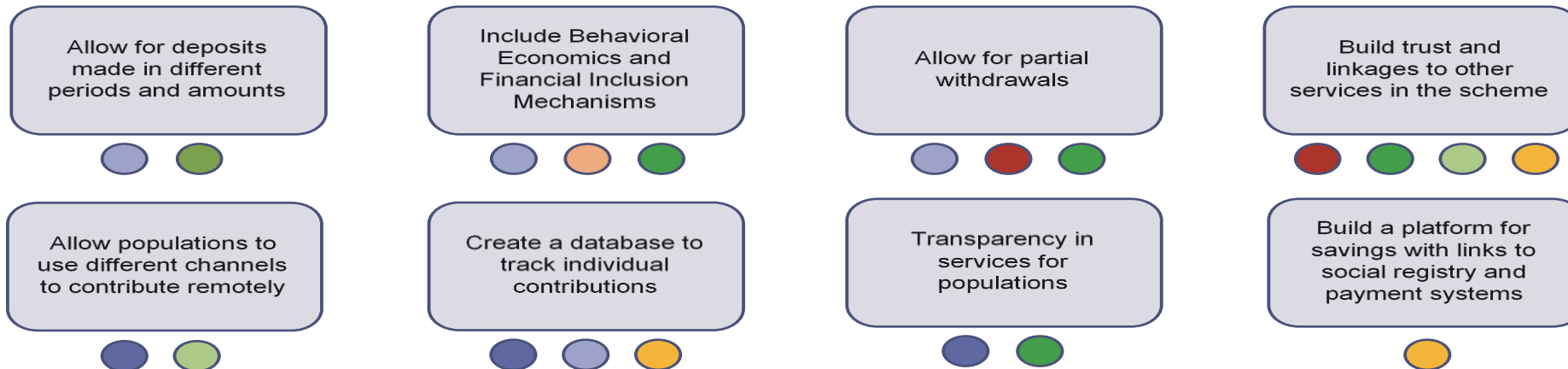
# Design of informal economy social insurance scheme should reflect the characteristics of the informal economy

## Addressing the constraints in the informal economy

### Challenges in the Informal Economy



### How these challenges are addressed



Source: Guven 2019.



# Conclusions : Ten Takeaways

1. Developing countries have a large share of the informal economy without social protection (**the missed middle**) but many have ability to save
2. **Efforts to integrate social insurance and social assistance** through digital platforms can have positive spillover effects
  - a. Facilitating **graduation of beneficiaries**
  - b. Creating of **shock responsive systems** with a readily available database on the informal economy
  - c. **Increasing financial inclusion** among informal economy workers and instilling a culture of savings
3. Employing digital systems especially mobile money can **reduce operating costs and make saving more accessible**
4. **Trust in the scheme** is key to take-up
5. Incentives and bundling of services **can boost take-up rates**
6. **Scale and cost effectiveness is critical** for a scheme to be viable
7. Investing in communication strategies, **using aggregators and testing behavioral nudges** are essential for success
8. **Keeping the design of the scheme simple** should be one of the key considerations
9. Pilot testing the scheme before a national launch is recommended to **reflect lessons learned to national scale-up**
10. **Setting SMART (specific, measurable, achievable, realistic and timely) goals** and reviewing them on a regular basis is critical to monitor progress in the scheme and take necessary actions



# Rwanda's Long –term Savings Scheme for the Informal Sector

## Ejo Heza

Melis Guven

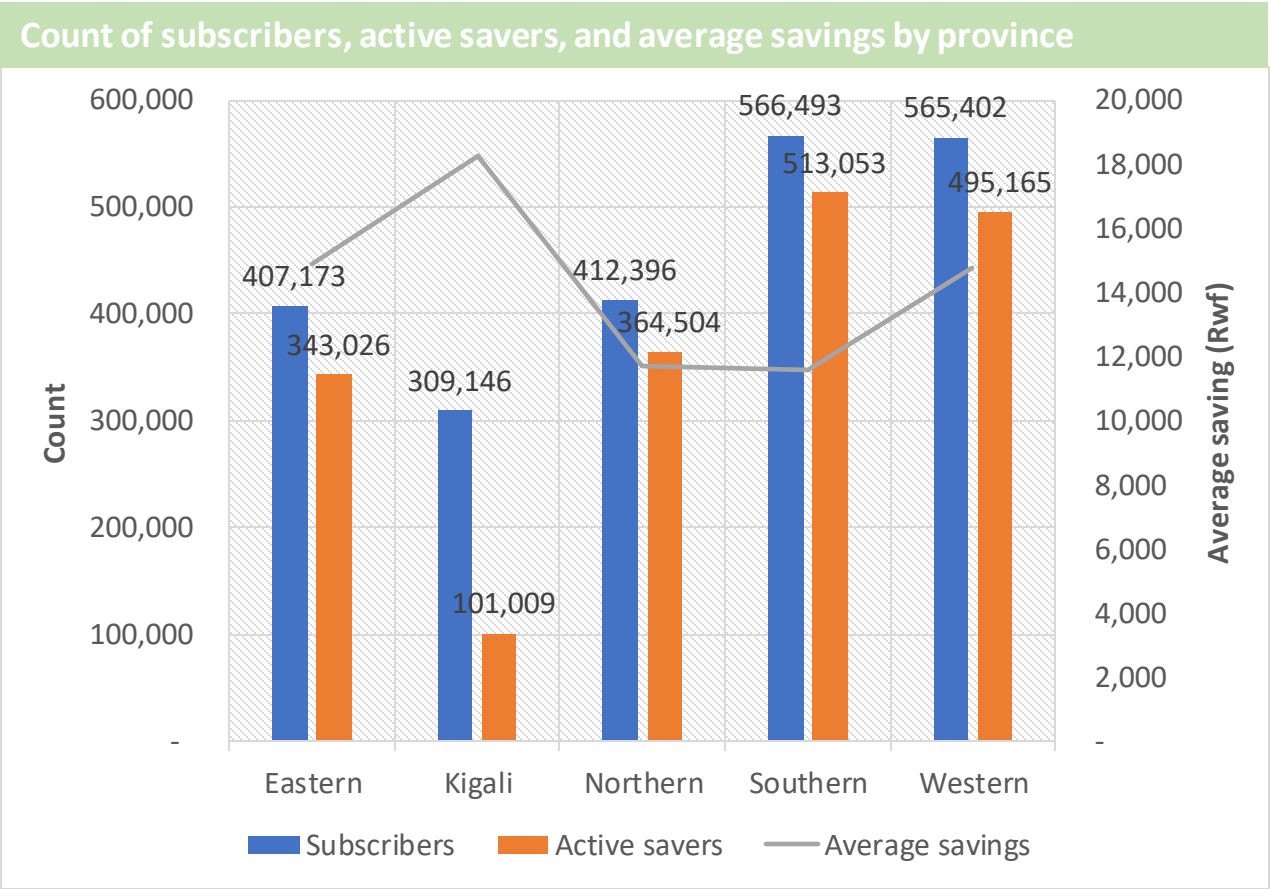
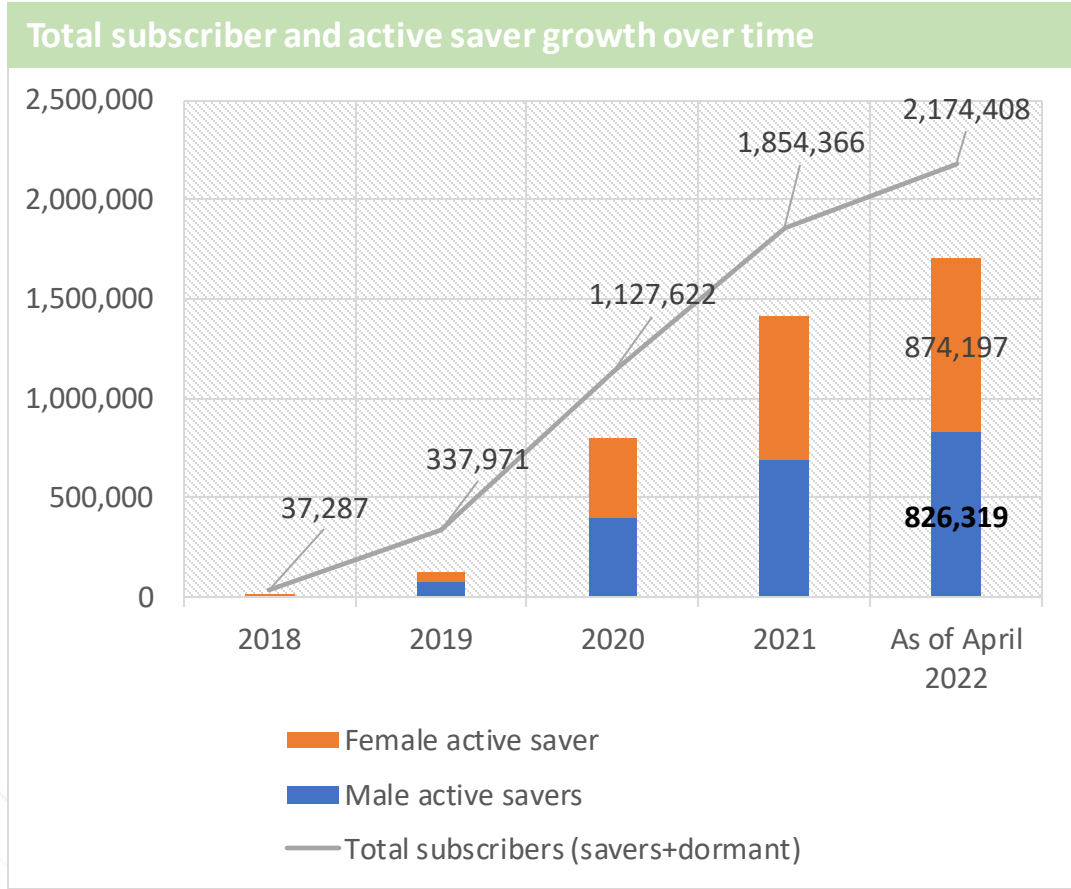
May 2024

# THE PROMISE OF EJO HEZA

## A Brighter Future for All Rwandans



Subscribers and active savers have been growing over time, but there is variation in count and saving across provinces



In just 4 years, Ejo Heza successfully expanded coverage to 27 percent of the working-age population, but adequacy needs to be significantly improved if income security equivalent to the poverty line is expected

End 2021							
<b>1.85M*</b>	<b>78%</b>	<b>49%</b>	<b>87%</b>	<b>RWF 9K-13K</b>	<b>RWF 23B</b>	<b>9%</b>	<b>15%</b>
Total registered subscribers	Percentage of subscribers actively contributing (up from 70.6% in 2020 and 39% in 2019)	Of the subscribers are female (females account for 32% of total contributors in the RSSB formal scheme)	Of savers were informal sector workers	Average annual savings	Total fund balance	Annual return credited to the individual accounts of Ejo Heza members	Of savers qualified for insurance coverage

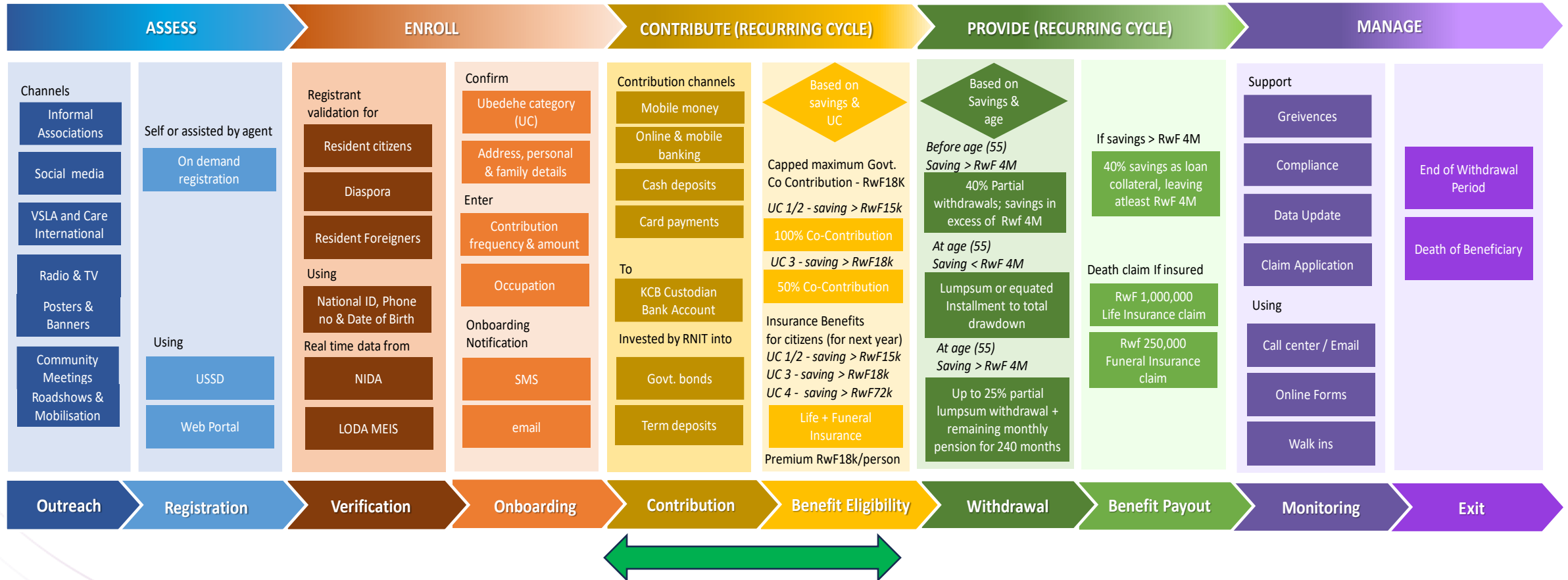


## SOCIAL INSURANCE DELIVERY CHAIN FOR THE INFORMAL SECTOR



Source: Authors adapted from Sourcebook (2020).

# SOCIAL INSURANCE DELIVERY CHAIN FOR THE INFORMAL SECTOR



## Key Factors for Ejo Heza success & Lessons for other schemes

1

A sound legal basis for the scheme and alignment with GoR's strategic priorities

2

Set targets at sub-national level and recognize those who meet them

3

Build trust in the scheme and ensure political will

4

Identify aggregators to onboard subscribers:

5

Offer fiscal incentives

6

Offer a tangible benefit for the short run

7

Balance flexibility in design

8

Be adaptable and agile

9

Leverage digital infrastructure like ID and payment to make registration, contribution, and payments easy and efficient, links to the social assistance system to identify those eligible for fiscal incentives

10

Explore partnerships at the sub-national and civil society level

11

Ensure clear, consistent, and intuitive communication



SPJ CLASS

CORE LEARNING ACADEMY & SOLUTIONS SERVICES

EQUITY, RESILIENCE & OPPORTUNITY

## Recommendations

# Ejo Heza would benefit from a focus on improving adequacy, scheme viability, and customer experience while expanding coverage



### Recommendation 1:

Communications: Keep doing what's working, fix the gaps, and explore new avenues.



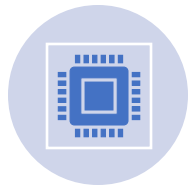
### Recommendation 2:

Focus on improving persistency and preparing for withdrawals/payouts



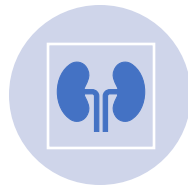
### Recommendation 3:

Revisit incentives as 'experience' on the scheme develops



### Recommendation 4:

Improve interoperability with other government systems and integrate with the private sector



### Recommendation 5:

Strengthen learning, monitoring, and evaluation



### Recommendation 6:

Build human resource capacity and leverage external expertise as needed



### Recommendation 7:

Collect better data and mine it for policy making



## Social Protection for the Informal Economy

<https://documents1.worldbank.org/curated/en/946341635913066829/pdf/Social-Protection-for-the-Informal-Economy-Operational-Lessons-for-Developing-Countries-in-Africa-and-Beyond.pdf>

## The Promise of Ejo Heza: A Brighter Future for All Rwandans

<https://documents1.worldbank.org/curated/en/099033123085039385/pdf/P1765760e814d806d09ad90af5463223bde.pdf>

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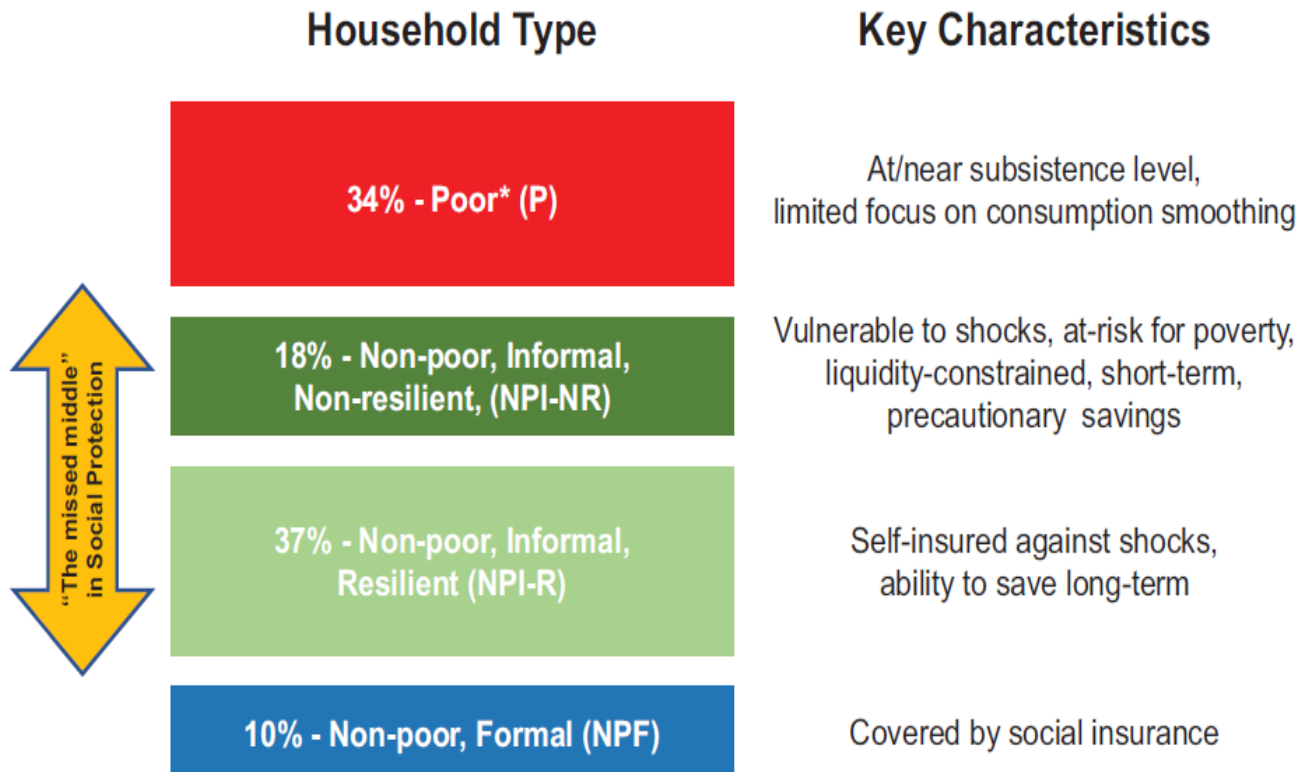
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# THANK YOU

# Annex

# A significant share of non-poor informal (NPI) households is resilient to shocks and is likely to have ability to save



*\*per national poverty lines*

*Note: pooled sample in the six countries analyzed*

- The 'missed middle' can be further split into **non-resilient and resilient based on their ability to cope with shocks.**
- The **non-resilient 'missed middle' households show signs of liquidity constraints**, are vulnerable to shocks, and only have precautionary savings but **can still save with fiscal incentives**
- The **resilient 'missed middle'** households can weather shocks and **have ability to save long-term**





# Incentives and nudges will be needed to reach scale

- **It is critical for these schemes to reach scale to be viable** as the average saving by informal workers is expected to be low
- **Incentives and nudges to reach scale could include**
  - Short term access to savings help build trust, and short-term access help in time of shocks
  - Matching contribution for non-resilient non-poor informal sector
  - Customized incentives for specific groups (e.g. women)
  - Incentives that provide immediate or near-term gratification for e.g. funeral insurance, lottery
  - Focus on awareness building activities by engaging with community leaders and grassroots organizations
- Eligibility for matching contributions can determined by **assessment through social registry**
- **Interoperability between informal sector social insurance platform and social registry would help expand social registries, and also help keep them to be dynamic (spillover effects of integration)**



## Ejo Heza would benefit from a focus on improving adequacy, scheme viability, and customer experience while expanding coverage

### Recommendation 1: Communications: Keep doing what's working, fix the gaps, and explore new avenues.

I	<b>Reshape the narrative</b> on why people should save in Ejo Heza—steering away from incentives to highlighting prospects of a pension, and competitive and safe returns
II	<b>Develop different targeting and communication strategies</b> for urban/rural; USSD/smartphone users; women/men, individuals with/without phones.
III	<b>Create short (&lt;1 minute) 'how to' videos</b> on how to register, contribute, check balance, and get enrollment information.
IV	<b>Build a community of mobilizers</b> (paid or volunteers) and make them feel part of one 'Ejo Heza family'
V	<b>Engage with other aggregators</b> with an 'observe and auto-deduct' capability, especially in urban areas.
VI	<b>Adopt a 'Tech with touch'</b> motto to avoid excluding the vulnerable
VII	<b>Create 'digital contracts'</b> that uses information collected at the registration stage, which members can access with a #text, and can serve as proof of membership.

# Ejo Heza would benefit from a focus on improving adequacy, scheme viability, and customer experience while expanding coverage

## Recommendation 2: Focus on improving persistency and preparing for withdrawals/payouts

- |     |   |
|-----|---|
| I   | Revisit targets for districts using objective criteria to reflect socio-economic differences by district.         |
| II  | Enhance efforts to target urban dwellers  |
| III | Highlight the competitive and stable returns in the communication material and in-person visits.                  |
| IV  | Explore the potential for 'auto deduction' in partnership with Mobile Money operators and Banks.                  |
| V   | Promote the registration of spouses and children of existing members.   |
| VI  | Improve system readiness to process withdrawals, pension payouts and evaluate their cost/investment implications. |
| VII | Assess and manage members' expectations on expected fund balance in old age, given their saving levels.           |

## Recommendation 3: Revisit incentives as 'experience' on the scheme develops

- |     |   |
|-----|---|
| I   | Assess (empirically) whether RF 4 million is a hard-to-meet target for most Rwandans.   |
| II  | Renegotiate insurance premiums after imposing age restriction on eligibility  |
| III | Consider incentives for agents/intermediaries based on a cost-benefit analysis and experience from countries.                         |
| IV  | Pilot other short-term incentives to members, for example, accident insurance, maternity benefits, points in a grocery store, lottery |

# Ejo Heza would benefit from a focus on improving adequacy, scheme viability, and customer experience while expanding coverage

## Recommendation 4: Improve interoperability with other government systems and integrate with the private sector

I	Ensure <b>real time updates on the Ubudehe category</b> of members by registering on the 'messaging queue' of LODA MEIS.
II	<b>Integrate Ejo Heza platform with banks, SACCOs, mobile money operators</b> so they too can register and collect contributions.
III	<b>Integrate with IREMBO</b> so individuals can submit claims/check balance.
IV	<b>Integrate the system with RCA</b> to allow sharing of 'real time' information on cooperatives.
V	<b>Integrate with the insurance benefits provider (Sonarwa)</b> so Ejo Heza teams can see the application status and reason for delay.
VI	Review and ensure that <b>data privacy and security controls</b> are in place for registration through intermediaries.

## Recommendation 5: Strengthen learning, monitoring, and evaluation

I	<b>Generate quarterly reports on monitoring and evaluation (M&amp;E)</b> indicators for management.
II	<b>Redo the World Bank SVAT analysis</b> based on new data and consider withdrawal patterns.
III	Organize <b>study tours with countries</b> that have relevant experience to share.
IV	Engage with researchers to carry out <b>Impact Evaluations</b> .

# Ejo Heza would benefit from a focus on improving adequacy, scheme viability, and customer experience while expanding coverage

## Recommendation 6: Build human resource capacity and leverage external expertise as needed

I	Evaluate the <b>human resource policy</b> with attention to staff shortage, capacity constraints, and short-term nature of contracts.
II	<b>Recognize and reward</b> better HQ, district, and sector-level performers.
III	<b>Build technical capacity and review staffing of call center.</b>
IV	Engage in <b>regular training</b> of agents (paid and volunteer).
VI	<b>Hire a PR firm</b> to work with the comms team to craft tailored, creative messages targeting children, urban workers, women, youth (age 16-30).
VII	Hire a statistical expert to analyze data, design research questions, and <b>monitor call center staff during a survey</b>

## Recommendation 7: Collect better data and mine it for policy making

I	<b>Build a more extensive profile of members</b> by cross-referencing data from other government databases as relevant.
II	Add a question at registration, such as ' <b>Who helped you register</b> '? .
III	<b>Collect data on 'occupation'</b> at the time of registration and use the same categories as Rwanda's household survey data.
IV	<b>Analyze panel data of participants</b> to uncover trends over time.
V	Propose a <b>module on social insurance in the next round of ECIV (HHLI) survey</b> by collaborating with the National Institute of Statistics of Rwanda.
VI	Add <b>monitoring and evaluation indicators</b> in the IT dashboard of Ejo Heza .
VII	Add a question on the ' <b>cause of death</b> ' to <b>build experience ratings</b> and better price life insurance.