



Comprehensive Social Security for the Unorganized Worker in India

Sandra Kissling
Indo-German Social Security Programme
sandra.kissling@giz.de

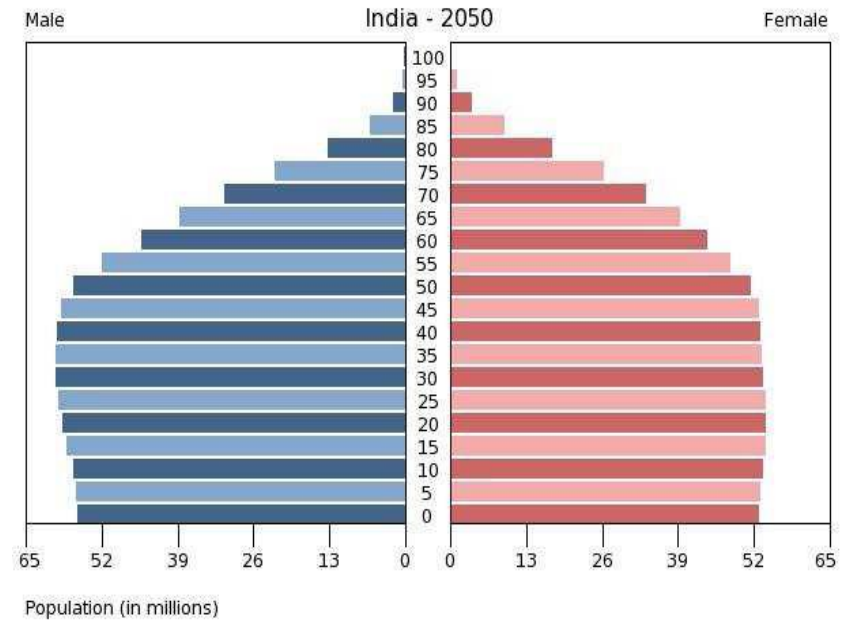
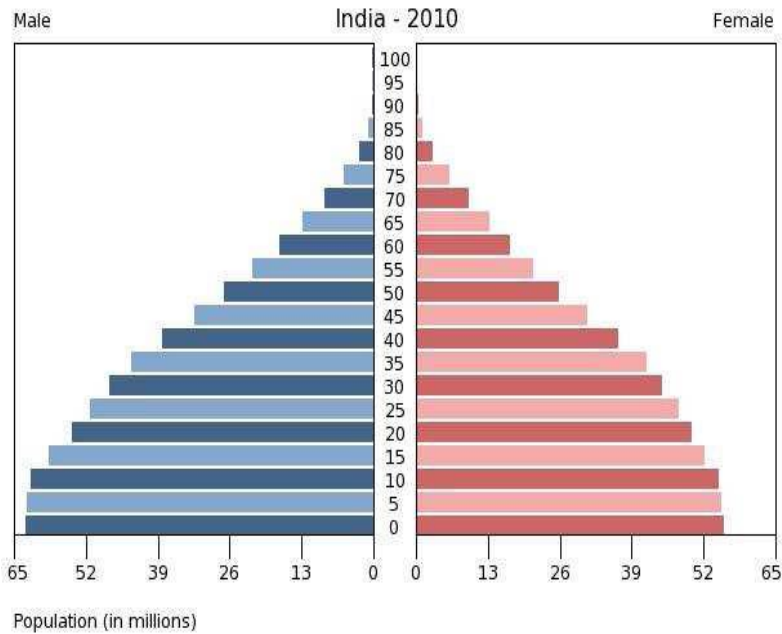


Situation in India – Pension for the Unorganised Workers

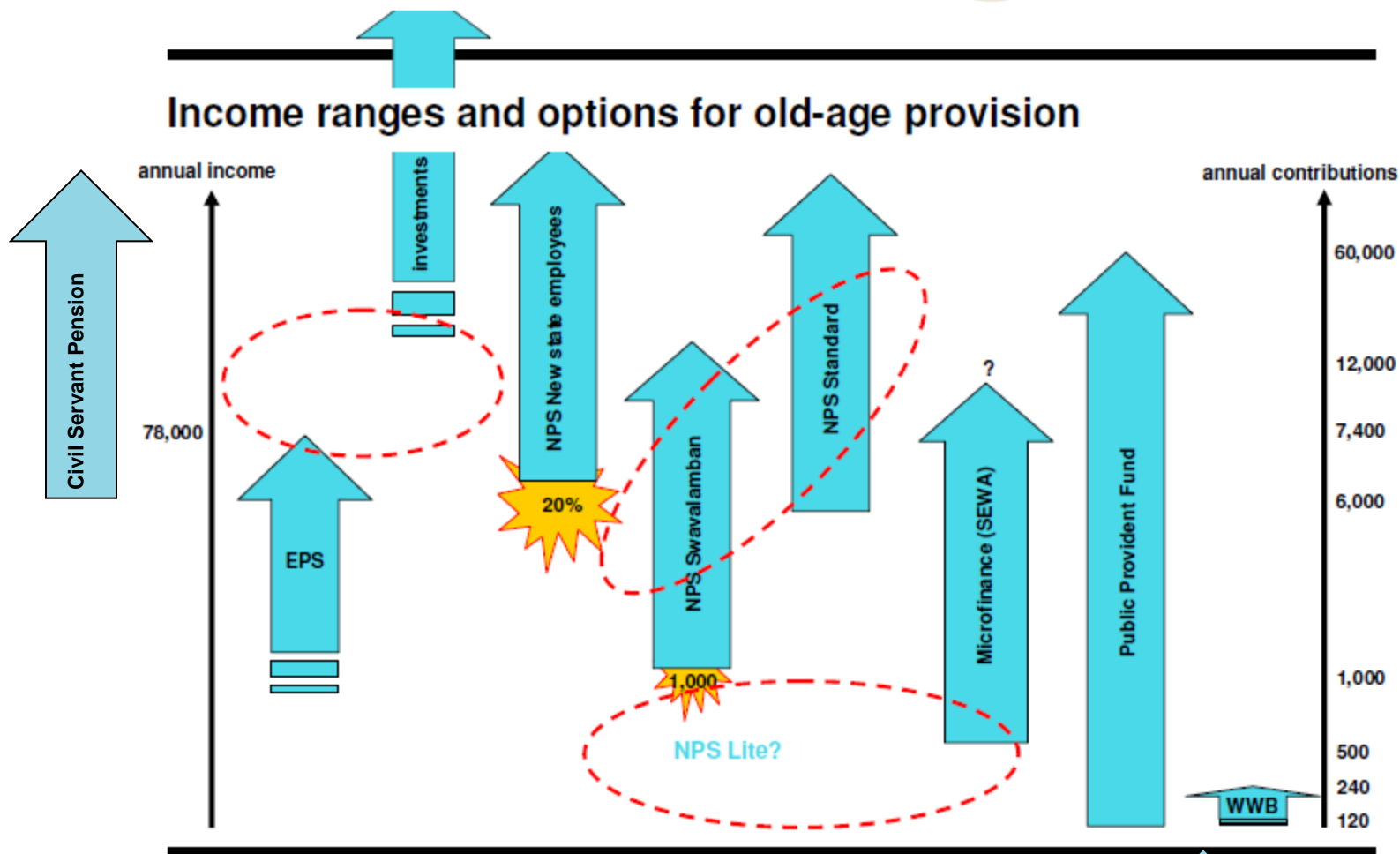
- 430 million workers, 93% of India's workforce & contribute close to 60% of GDP
- 33% live below the poverty line
- They lack sufficient access to social security like health care, child care, insurance and pension.
- Joint family structures are breaking up, low financial literacy and unawareness of pension /insurance products
- Social pension products exist, but are highly corrupt and very hard to get.



Youth bulge is happening now!



The Indian Pension Landscape



EPS: Employees Pension Scheme
 NPS: National Pension Scheme
 NSAP: National Social Assistance Programme
 WWB: Worker Welfare Boards



Reforms in the Pension System – the OASIS Report

The original government pension scheme created a huge long-term risk for the public finances. The OASIS commission therefore recommended major changes:

- ✓ defined contribution principle (50/50 for government)
- ✓ central record-keeping agency (anonymity and equality)
- ✓ advanced IT-systems to minimize administration costs
- ✓ private sector in the management of pension assets



National Pension Scheme



Old Age Protection in India – quick facts

| Programme | Indira Gandhi National Old Age Pension Scheme | NPS Swavalamban |
|---------------------------------|---|--|
| Benefit Payment Mode | Monthly pension at the age of 60 for Below Poverty Line | Monthly pension, no guaranteed amount (not inflation indexed) |
| Beneficiary Contribution | None | Minimum contribution amount - Rs.100 Recommended minimum contribution of Rs.1000/-per year |
| States Contribution | Rs. 200 per month per person from 60 – 79 years and Rs. 500 per month per person for those 80 years and above | When contributed between Rs. 1000-12000, Government of India tops-up with Rs. 1000 |
| No. Of Participants | 16.9 Mio (2011) | 1,5 Mio. (2012) |
| Total Assets | Rs. 8,5 Billion | RS. 396 Mio |



The Need for a Combo Plan...

- Studies showed that there is a high willingness to save for old age

BUT:

- Pension is difficult as a stand-alone product
➔ convergence with health insurance
- Lack of co-ordination between various plans, leading to high financial costs on supply side and transaction costs on demand side
- Lack of information and awareness, resulting in poor usage
- Products need to be designed very carefully



Comprehensive Social Security Package

Pension

Indira Gandhi
National Old Age
Pension Scheme

National Pension
Scheme

Health

RSBY

Various state
schemes

Life/Accident & Others

AABY

Scholarship



Challenges for the Comprehensive Scheme

- Different Ministries – a separate entity needs to be build to do administrate the comprehensive scheme
- NPS and RSBY beneficiaries do not necessarily match right now – Changes in the target group system necessary
- NPS doesn't work without financial inclusion and financial capability
- NPS needs a lot explanation and re-advocacy than health insurance – Pension literacy urgently needed
- Training for various stakeholder needed



Indo-German Social Security Programme

GOAL: The social security system for unorganised workers and their families is further improved.

Timeframe: 01.04.2014 – 31.03.2017

Budget: 6 Million EUR funding (Federal Ministry of economic Cooperation and Development)

Main Partner: Ministry of Labour and Employment, Government of India

Additional Partner Institutions: Ministry of Finance, Ministry of Rural Development, various implementing agencies

