

SESSION 6

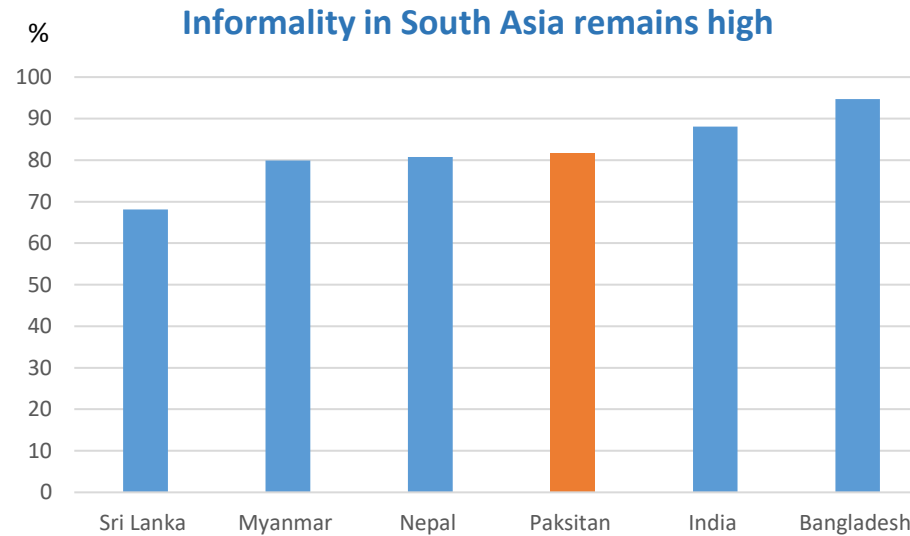
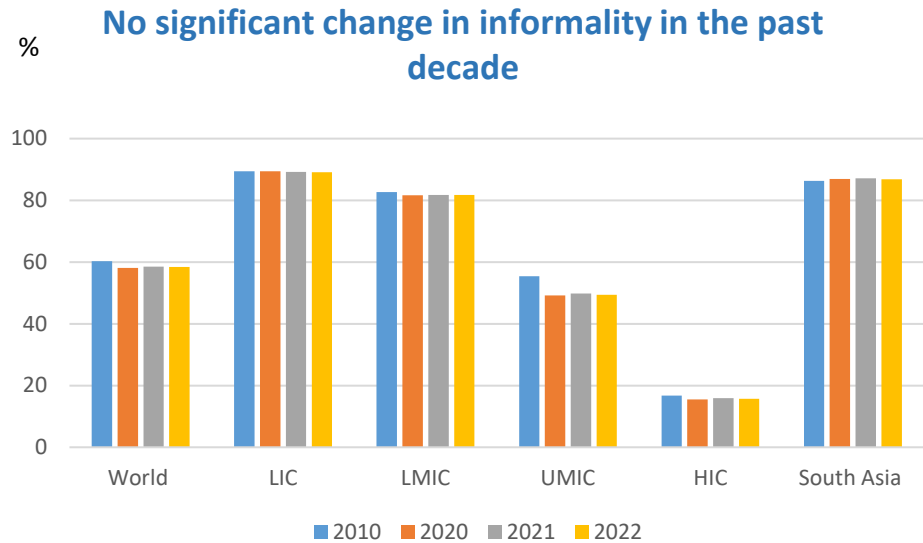
## LATEST INTERVENTIONS IN SOCIAL PROTECTION

**Building Block 4:** Programmes and Delivery Systems for Adaptive Social Protection

**Melis Guven,** Lead Economist World Bank



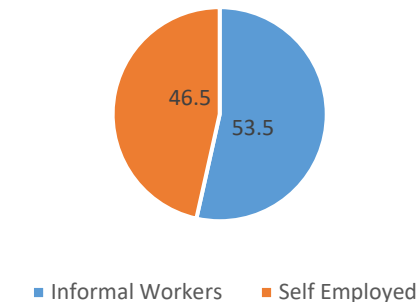
# Globally, around 2 billion workers are in informal employment



World Employment and Social Outlook Trends 2023, ILO

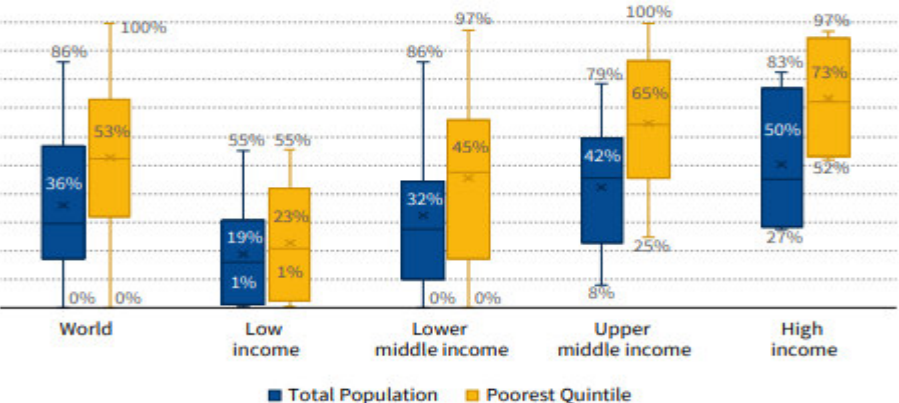
- Informality is characterized by:
  - low human capital, low productivity, **limited access to basic services**, limited financial inclusion
  - low earnings, irregular, unpredictable incomes, **susceptibility to shocks**
- **Only 2 percentage points decline in informality between 2010-2022 globally**

## Type of Informal Jobs (%)



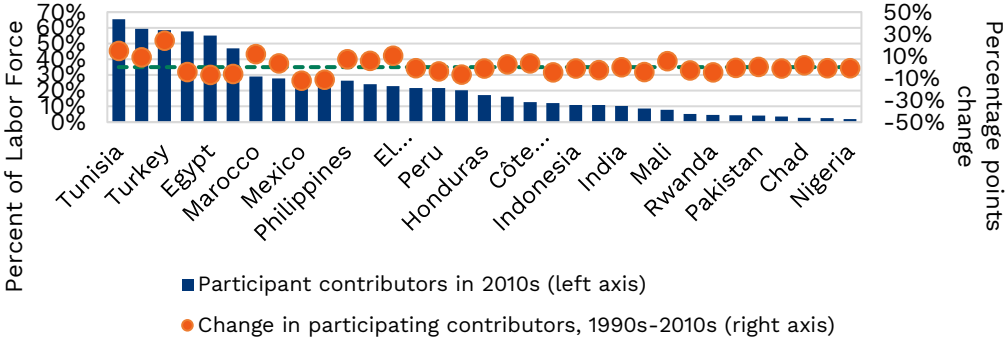
# Despite these vulnerabilities, informal economy workers are not typically covered by social protection programs and referred to as “missed middle”

Social Safety Net Coverage is still incomplete



- Social assistance programs do not typically cover the informal sector as they have some form of income so not eligible
- Coverage of existing social insurance programs is limited to the small formal economy in LICs and LMICs

Contributory Social Insurance failed to significantly expand coverage



- 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

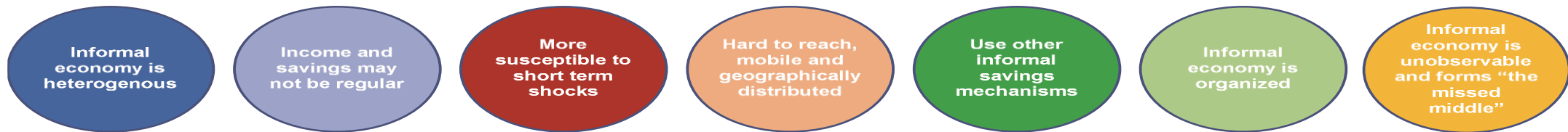
Source: Rutkowski (2018). Reimagining Social Protection: New systems that do not rely on standard employment contracts are needed.  
 Note: The figure shows participation rates in contributory pension schemes from the 1990s to the 2010s. The dashed horizontal line represents no change in rates of contribution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

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

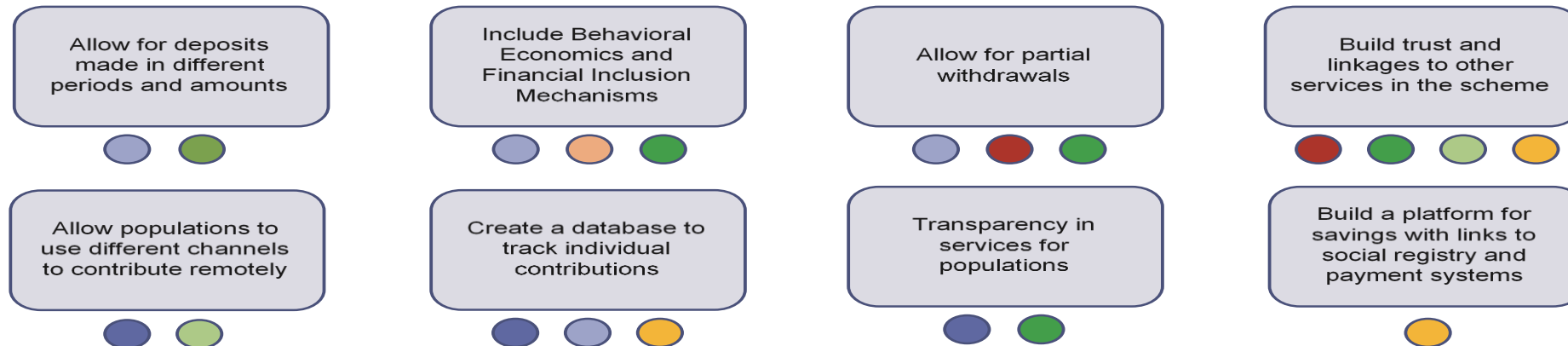


## Addressing the constraints in the informal economy

### Challenges in the Informal Economy



### How these challenges are addressed



Source: Guven 2019.

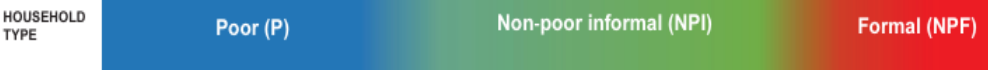
# Adaptive Social Protection requires innovative solutions to expand coverage

➤ Voluntary savings schemes offer potential for covering the informal sector and building resilience

➤ 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

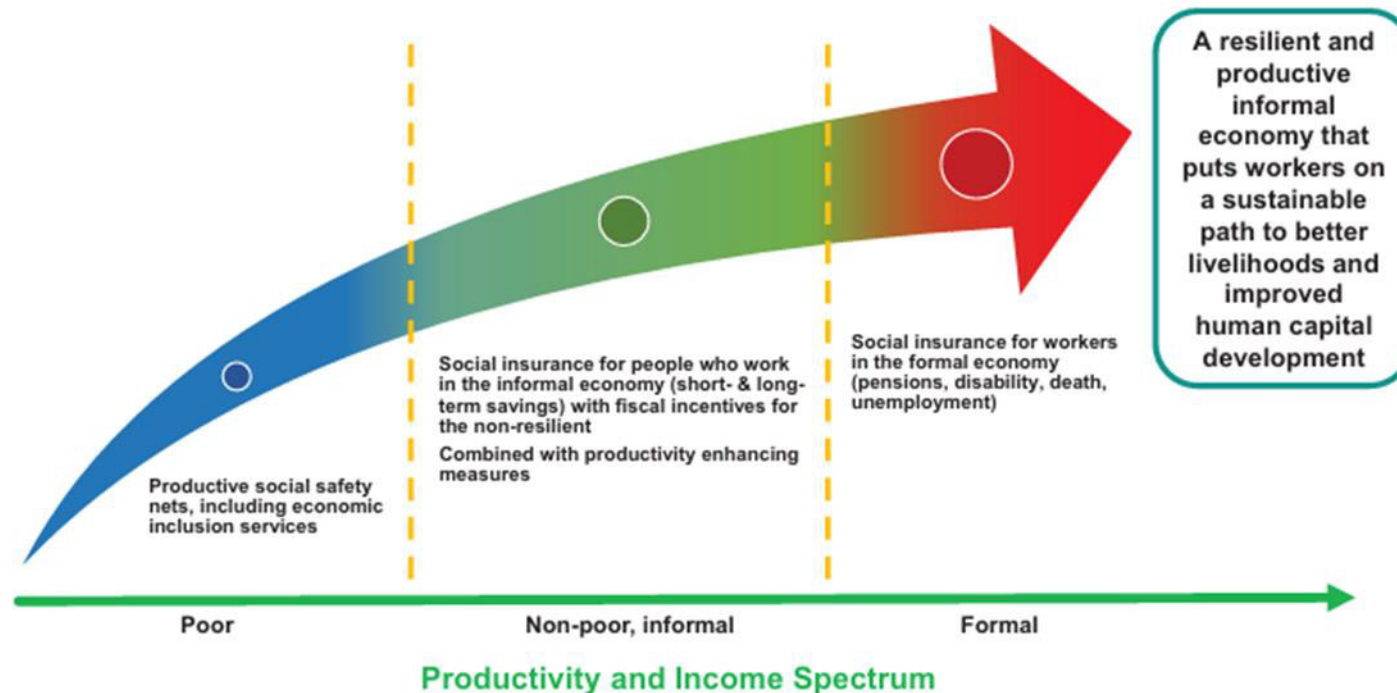
## Categorization of Informal Households

“The missed middle” in Social Protection



Source: Guven, et al, 2022

## Social protection instruments across the income spectrum



Source: Guven and Karlen 2020.



# Why a Hybrid Social Protection Scheme in Pakistan ?



- There was a **large and rapid response to COVID and subsequently floods**, but need to think about **medium-term adjustments to Social Protection in Pakistan** due to the unprecedented nature of the crisis
- The COVID-19 crisis highlighted the need to:
  - 1) Build more shock-responsive Social Protection (SP) delivery systems that can support rapid safety net scale up
  - 2) **Boost resilience of households to shocks**, particularly for those with variable incomes in the informal sector (**“missed middle”**)
- Right time to **reimagine SP** and introduce **next generation of improvements to the SP system**
- **World Bank CRISP project** aims to support the development of a more adaptive social protection system that will contribute to future crisis resilience among poor and vulnerable households
  - Support to NSER and payment systems
  - **Support to Hybrid SP Scheme**
  - Support to CCTs

# What are the key aspects of the BISP Hybrid Social Protection (Bachat) Scheme?



- **Objective** is to promote savings, distill a savings culture, promote financial inclusion to **improve resilience** of participants of the scheme .
- **Blends social assistance** (non-contributory) and **social insurance** (contributory) elements
- **Pilot** ongoing in 15 districts across Pakistan
- 150,000 Subscribers
- Leveraging the **NSER** and financial sector infrastructure
- **Target Population** : BISP Beneficiaries (PMT 0-32) & Informal Workers (PMT 32-40)
- **Monthly Savings Deposits** of Rs. 500 or Rs. 1,000 per subscriber
- BISP quarterly **Matching Grant of 40%** of monthly contributions

