

# Insuring the uninsured: Options for Extending Social Insurance to Agricultural Labourers and Expected Productive Impacts

A Presentation by Patrick Chabwe  
Actuarial Liability Manager



# Agenda

The informal sector in Zambia at a glimpse

Extension strategy and challenges faced

Partnership in delivery of social security

Expected impact on production



# Informal Sector In Zambia

- In 2014, of the 5,859,225 employed persons, 4,914,969 persons were employed in the informal sector, representing 83.9% while 944,256 were working in formal sector, representing 16.1% - *CSO 2014 Zambia Labour Force Survey Report*.
- Informally employed workers are predominantly in agriculture, forestry and fishery (53.8%), household workers (19.5%) and trade, wholesale and retail distribution workers (12.6%).
- The agriculture, forestry and fishery industry employs 2,864,154 persons, of which 2,812,423 or 98.2% are informally employed.
- Informally employed workers do not benefit from basic social protection such as income in old-age.



# Extending Social Insurance to the agricultural labourers

- The National Pension Scheme Authority (NAPSA) is committed to extending scheme coverage to cover more persons.
- Extension of social security coverage to the informal sector is one of the key focus points of the 2016 NAPSA corporate strategy.
- The Authority's proposed strategy to extend coverage to the informal economy workers is to target the agriculture sector particularly the small scale farmers.
- Other sectors employing large numbers of informal workers will be considered at a later stage



# Why target small scale farmers

- The Authority's rationale for targeting small scale farmers is twofold;
  - a) The number of small scale farmers is significant; it is estimated there is 1.5 millions small scale farms in Zambia, 98% in informal employment and mostly self employed
  - b) Various forms of organisations of small scale farmers exist, which NAPSA could establish partnerships with in order to put in place cost –effective coverage mechanism.



# An Informal sector tailored scheme

- Extending social security to the small scale farmers requires some adjustment to the rules and features;
  - ✓ Contribution rate
  - ✓ Frequency and time of payment; and
  - ✓ Panalties
- Tailored benefit package
  - Attractive
    - ✓ Affordable and sustainable
    - ✓ Encourage formalisation
    - ✓ Frequency and time of payment; and
    - ✓ Active participation of key players, workers and employer organisations.



# Benefits being considered

A mix of both short and long term benefits that include;

- Old age , survivors, invalidity
- Funeral grants
- Crop/farming inputs weather indexed insurance
- Access to conditional loans for purchase of farming inputs



# Delivery mechanism

- Establish partnerships with organisations with grass roots at the community level.
- Partnership organisations to assist in registering of members, distribution of membership cards, collection of contributions and distribution of benefits





# Identified organisations for partnerships

## Natsave

- Well established and trusted institution
- Provides saving services to 200,000 with focus on rural areas
- Systems in place

## Out grower Schemes

- Interest in having motivated and productive farmers to buy from
- Large numbers of farmers that could be possibly covered
- Few but large scale out grower schemes exist



# Identified organisations for partnerships

ZNFU

- Well established and recognised association
- Has large membership; about 600,000
- Large district coverage
- Structures in place, from national level to grass root level

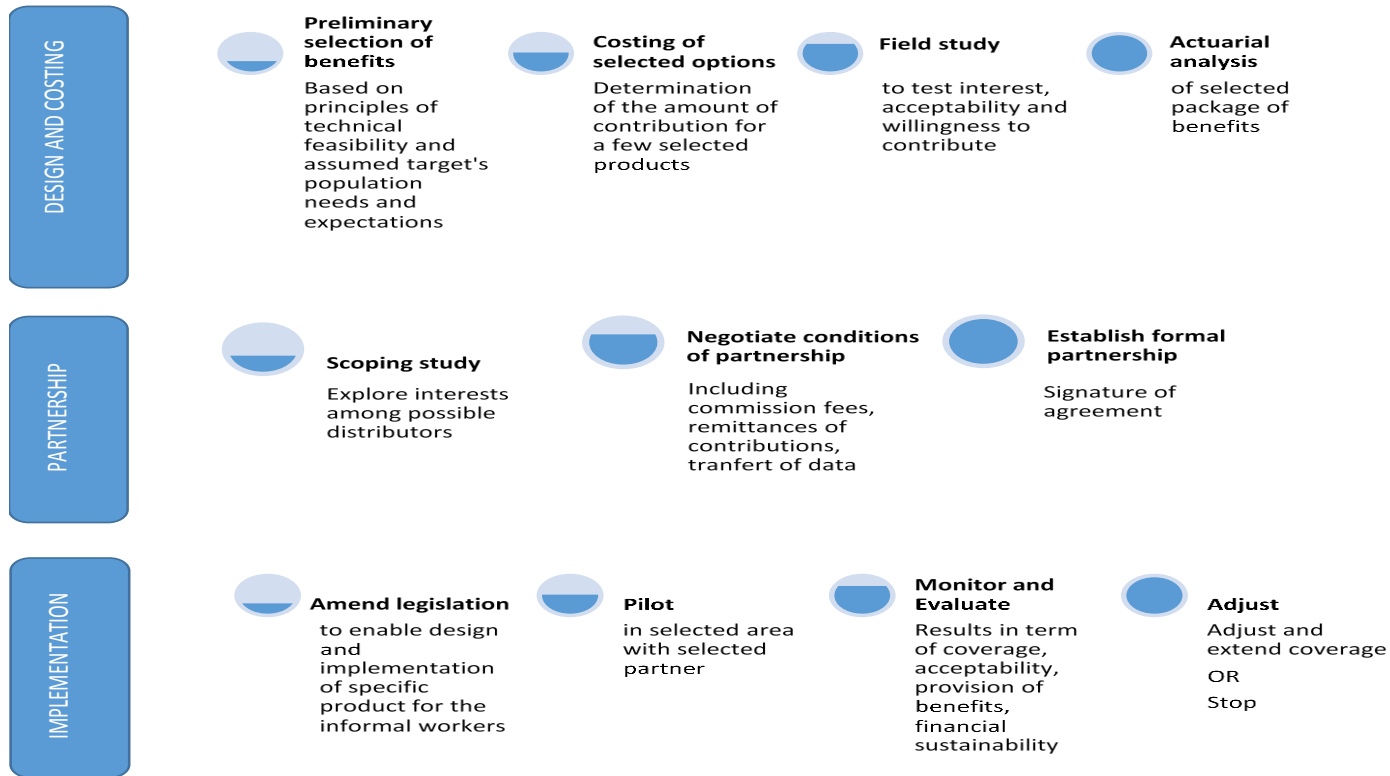


# Challenges faced in extending Social Security to informal agriculture sector

- Low contribution capacity
- Lack of attractiveness of long –term social security benefits
- Low awareness on social security
- Enforcement of compliance
- Low trust in government institutions
- High administration costs
- Permanency and consistency



# Next steps for the Authority



# Expected impact on production

- Provide liquidity through access to conditional loans
- Increased certainty and security –providing crop/farming inputs weather indexed insurance will provide assurance to millions of household.
- Increased access to technology, knowledge and inputs.
- Re-allocation of labour to on-farm activities



Thank You

