Retirement Savings Laboratory

The challenge of getting domestic workers to save for their old age

COUNTRY: MEXICO

FINANCING:
IDB Lab & MetLife Foundation

TARGET POPULATION:
Domestic workers

BEHAVIORAL BIAS:
Limited attention span, present bias and social preferences

What is the problem that motivated this intervention?

In Mexico there are 2.4 million domestic workers earning on average $1,550 MXN (approximately $70 USD) per month, of which 90% are women. It is estimated that around one million Mexican high and middle-income households employ at least one domestic worker. However, since enrolling domestic workers in social security remains voluntary, very few employers do so. This results in 97% of domestic workers in Mexico not having coverage against risks of accidents at work, illness, and old age.

Since 2015, the *Comisión Nacional del Sistema de Ahorro para el Retiro* (CONSAR, the Mexican pension regulator) has promoted massive access to voluntary deposit mechanisms in Retirement Fund Administrator (AFORE) accounts. Among multiple alternatives for workers to contribute directly and voluntarily to their pensions, the 1) *AforeMóvil* application for smartphones, and 2) fourteen commercial networks with more than 15,000 physical deposit points, stand out for their innovation. CONSAR's efforts have resulted in a 500% increase in voluntary savings between 2013 and 2018 (CONSAR, 2018).

This diversity of channels facilitates the process of saving for retirement on a voluntary basis. However, the challenge of reaching the system´s most disconnected groups, such as domestic workers, remains. To reach a greater number of domestic workers, the IDB launched a project together with AFORE SURA (one of the 10 Mexican AFOREs) and the Mexican social enterprise, *Comunidad 4Uno*, which promotes financial inclusion for workers excluded from formal systems.

More about the

Retirement Savings Laboratory

The Retirement Savings Laboratory is an initiative that seeks innovative ways to get the population of Latin America and the Caribbean to save for its old age. To do this, it experiments with interventions based on behavioral economics and the use of new technologies.

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Reaching Domestic Workers through their Employers

Given the difficulty of reaching domestic workers when they are disconnected from social security systems, this initiative´s strategy was to contact them through their employers. To do this, we used AFORE SURA´s high and middle-income client database. We assumed that this segment had a high probability of employing at least one domestic worker. The initiative consisted of sending an email to this group of account holders, offering them the financial inclusion package of *Comunidad 4Uno*. This product is affordable for the employer, starting at a cost of $399 MXN (approximately $18 USD) annually, compared with social security contributions, which cost around $11,000 MXN (approximately $480 USD) annually, varying slightly by the income of the domestic worker. The *Comunidad 4Uno* product includes accident insurance, life insurance, a debit card, and access to an individual retirement savings account.

We selected a sample of 28,686 high and middle-income AFORE SURA account holders, at the national level, with validated emails, to participate in the pilot, which took place in 2017. We randomly divided these account holders into four treatment groups (22,947 account holders) and one control group. Considering the lessons of behavioral economics, the emails focused on different core messages about the main reasons for providing the domestic worker with social security. Each email focused on one of the following four messages:

1) Make the domestic worker´s old age salient: Emphasis on the fact that most domestic workers do not save and will continue to work in their old age because of economic need.

2) Peer effects: Emphasis on the percentage (30%) of domestic workers´ employers that already offer some type of social protection.

3) Responsibility for the worker: Emphasis on the percentage of domestic workers who currently do not save for their retirement and have no health coverage (72%).

4) Legal compliance (because health coverage was obligatory, even if social security coverage was not): Emphasis on Article 338.II. of Mexican Federal Labor Law, which highlights the employer´s duty to provide medical coverage for domestic workers.

Additionally, each email included a link that redirected the account holder to a website dedicated exclusively to this initiative, QueBuenPlan.org. *Comunidad 4Uno* tracked the sales processes of people who came to the web platform in detail to understand the effects of messages on the indicator of main interest, new clients registering with *Comunidad 4Uno*.

72% of
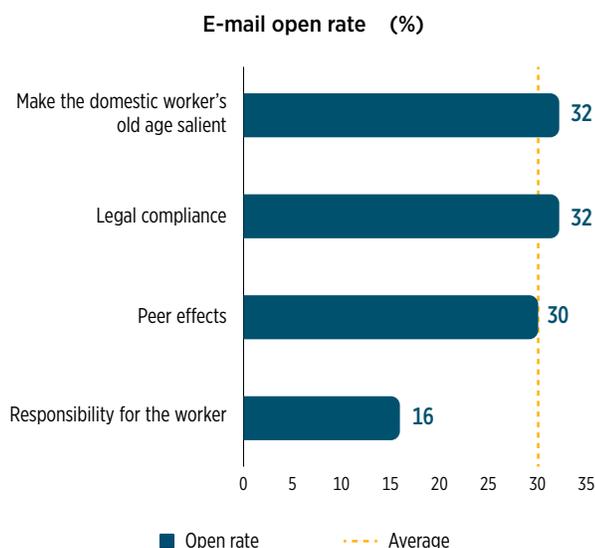domestic workers
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for retirement

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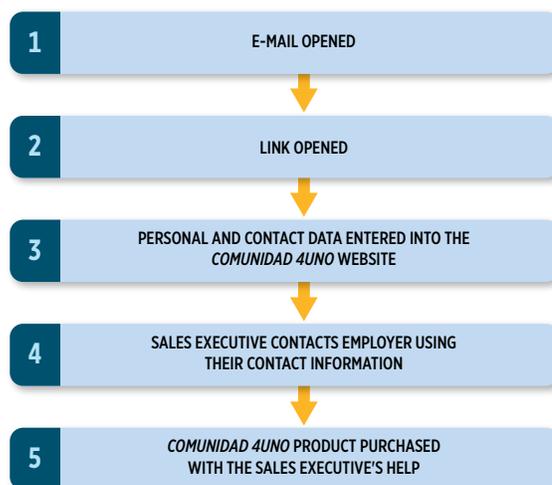www.iadb.org/savingslab
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What were the results?

Of the 22,947 emails sent, 6,884 were opened, or an average open rate of 30%. The open rates for emails with messages (1) Making the domestic worker´s old age salient, (2) Peer effects (30%), and (4) Legal compliance (deterrence) (32%), were sig-nificantly higher than the open rate for message (3) sense of responsibility for the worker (16%). The average opening rate of 30% is higher than the average rates of 20-25% for AFORE SURA mass emails.

E-mail open rate   (%)

Message	Open rate
Make the domestic worker's old age salient	32
Legal compliance	32
Peer effects	30
Responsibility for the worker	16

■ Open rate   - - - Average

Source: Authors' elaboration.

Steps for the account holder to purchase a *Comunidad 4Uno* product for their domestic worker

1. E-MAIL OPENED
2. LINK OPENED
3. PERSONAL AND CONTACT DATA ENTERED INTO THE *COMUNIDAD 4UNO* WEBSITE
4. SALES EXECUTIVE CONTACTS EMPLOYER USING THEIR CONTACT INFORMATION
5. *COMUNIDAD 4UNO* PRODUCT PURCHASED WITH THE SALES EXECUTIVE'S HELP

Of the 6,884 AFORE SURA account holders who opened an email, 1,476 visited the *Comunidad 4Uno* platform (a conversion rate of 21%). Of the 1,476 visits to the *Comunidad 4Uno* platform, 8 people left specific contact information for a sales executive, or a conversion rate of 0.5%. During the pilot project, no domestic workers were registered with the *Comunidad 4Uno* product.

Lessons learned

Social security coverage for domestic workers in Mexico is one of the lowest in the region. Among the most common explanations for this are the high cost of social security, the lack of payment facilities, and socio-cultural factors that result, for example, in domestic workers being seen as part of the family and not as workers, as well as the lack of obligation to register domestic workers with social security.

In this initiative we promoted a product that significantly lowered the cost of protection against accident and illness risks, provided monthly payment options, and highlighted the responsibilities of the employer with the domestic worker in their employ. Despite this, employers did not voluntarily purchase this product to increase the social protection of domestic workers. Mexico is in the process of mandating registration of domestic workers with social security, and this experiment highlights its importance.

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