

# Extending social security to workers in the informal economy: Lessons from international experience

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## Contents

Contents .....	i
<b>0 About this guidebook .....</b>	<b>1</b>
<b>1 Introduction: Challenges and opportunities in extending social security to workers in the informal economy and promoting their transition to the formal economy .....</b>	<b>4</b>
1.1 Informal employment and social protection coverage gaps .....	4
1.2 A closer look at the relationship between employment patterns and social protection coverage .....	10
1.3 What are the barriers to the extension of social protection to workers in the informal economy? .....	13
1.4 How do workers, employers and societies at large benefit from the extension of social protection coverage? .....	16
1.5 How can the extension of coverage be achieved? .....	17
1.5.1 <i>Extending social security coverage and facilitating transition to the formal economy: a two-track approach .....</i>	<i>17</i>
1.5.2 <i>Key lessons learned on the extension of coverage .....</i>	<i>24</i>
<b>2 Formulating strategies for the extension of social protection coverage .....</b>	<b>27</b>
2.1 Formulating strategies based on an evidence-based and participatory approach .....	27
2.1.1 <i>From diagnosis to monitoring: A stepwise approach .....</i>	<i>27</i>
2.1.2 <i>Addressing the extension of coverage in assessment-based national dialogues on national social protection systems .....</i>	<i>30</i>
2.1.3 <i>Ensuring the participation of all relevant stakeholders: Voice and representation .....</i>	<i>31</i>
2.2 Identifying social protection coverage gaps and priority needs .....	32
2.2.1 <i>Identifying social protection gaps and barriers to coverage .....</i>	<i>32</i>
2.2.2 <i>Identifying priority needs .....</i>	<i>36</i>
2.2.3 <i>Taking into account the diversity of situations and needs of workers in the informal economy .....</i>	<i>37</i>
2.3 Achieving universal coverage through a combination of contributory and non-contributory provision: policy choices .....	41
2.3.1 <i>Combining contributory and non-contributory schemes .....</i>	<i>41</i>
2.3.2 <i>Mandatory versus voluntary coverage .....</i>	<i>43</i>
2.3.3 <i>Progressive extension of coverage: Sequencing and time frames .....</i>	<i>47</i>
2.3.4 <i>Building integrated social protection systems .....</i>	<i>48</i>
2.4 Monitoring and regular reviews .....	52
<b>3 Raising awareness and building trust .....</b>	<b>54</b>
3.1 The importance of raising awareness, ensuring good governance and building trust .....	54
3.2 Raising awareness through better communication and social security education .....	55
3.2.1 <i>Informing workers and employers about their rights and obligations .....</i>	<i>55</i>
3.2.2 <i>Individualized information on social security entitlements .....</i>	<i>60</i>
3.2.3 <i>Educating youth about social security and building a social security culture .....</i>	<i>61</i>

3.2.4	<i>Promoting “social security literacy” in entrepreneurship and business development programmes.....</i>	62
3.3	Strengthening transparency, accountability and good governance.....	64
3.3.1	<i>Enhancing delivery .....</i>	65
3.3.2	<i>Strengthening transparency and accountability in social protection systems ...</i>	66
3.3.3	<i>Effective and efficient procedures (“value for money”).....</i>	68
3.3.4	<i>Access to complaint and appeal procedures.....</i>	68
<b>4</b>	<b>Extending legal coverage: Bringing previously uncovered workers under social security legislation.....</b>	<b>70</b>
4.1	Bringing previously uncovered workers under the scope of social security and labour legislation: What are the challenges? .....	70
4.2	Extending legal coverage to workers in micro and small enterprises .....	73
4.2.1	<i>What are the specific challenges with regard to including workers in micro and small enterprises under social security legislation? .....</i>	73
4.2.2	<i>How can workers in micro and small enterprises be included under social security legislation? .....</i>	74
4.2.3	<i>What else needs to be considered when aiming to include workers in micro and small enterprises in social protection schemes? .....</i>	76
4.3	Extending legal coverage to domestic workers .....	77
4.3.1	<i>What are the specific challenges with regard to including domestic workers under social security legislation?.....</i>	77
4.3.2	<i>How can domestic workers be included under social security legislation?.....</i>	78
4.3.3	<i>What else needs to be considered when aiming to include domestic workers under social security legislation? .....</i>	81
4.4	Extending legal coverage to agricultural workers .....	82
4.4.1	<i>What are the specific challenges with regard to including agricultural workers under social security legislation?.....</i>	82
4.4.2	<i>How can agricultural workers be included under social security legislation?....</i>	83
4.4.3	<i>What else needs to be considered when aiming to include agricultural workers in social security legislation? .....</i>	85
4.5	Extending legal coverage to self-employed workers, including own-account workers.....	86
4.5.1	<i>What are the specific challenges with regard to including self-employed workers under social security legislation?.....</i>	86
4.5.2	<i>How can self-employed workers be included under social security legislation?.....</i>	88
4.5.3	<i>What else needs to be considered when aiming to include self-employed workers in social security legislation? .....</i>	92
<b>5</b>	<b>Removing administrative barriers: Facilitating access and simplifying procedures .....</b>	<b>94</b>
5.1	What are the administrative barriers faced by workers and employers in the informal economy?.....	94
5.1.1	<i>Lack of information and awareness.....</i>	95
5.1.2	<i>Geographical barriers: access to social security offices .....</i>	96
5.1.3	<i>Barriers due to complex registration procedures.....</i>	96
5.1.4	<i>Cost of compliance .....</i>	96
5.1.5	<i>What are possible options for overcoming administrative barriers?.....</i>	97
5.2	Reaching out to workers and employers: Registration campaigns and other outreach measures .....	97
5.2.1	<i>Reaching out, raising awareness and disseminating information through different channels .....</i>	97
5.2.2	<i>Actively reaching out to individuals, communities and employers .....</i>	98



5.2.3	<i>Involving employers' and workers' organizations</i> .....	101
5.3	Facilitating access to benefits and services.....	101
5.3.1	<i>Facilitating physical access</i> .....	101
5.3.2	<i>Facilitating access through digital services (phone and online services)</i> .....	107
5.4	Simplifying procedures and improving services.....	109
5.4.1	<i>Reducing the need for supporting documents and simplifying other procedures</i> .....	109
5.4.2	<i>Facilitating labour market mobility, ensuring portability and transferability of entitlements</i> .....	111
5.4.3	<i>Coordinated ICT solutions</i> .....	112
5.4.4	<i>Integrated service delivery mechanisms (single-window services, one-stop shops)</i> .....	114
5.5	Collective registration or insurance agreements.....	118
<b>6</b>	<b>Facilitating contribution collection and financing mechanisms</b> .....	<b>121</b>
6.1	What are the main challenges with regard to contribution collection and financing mechanisms?.....	121
6.1.1	<i>Low incomes and limited contributory capacity</i> .....	121
6.1.2	<i>Volatile incomes</i> .....	122
6.1.3	<i>Double contribution challenge</i> .....	122
6.1.4	<i>Multiple employers</i> .....	122
6.1.5	<i>Possible solutions</i> .....	122
6.2	Adapting the way contributions are determined.....	123
6.2.1	<i>Redefining reference earnings</i> .....	124
6.2.2	<i>Uniform contributions (capitation payments)</i> .....	126
6.2.3	<i>Contribution categories</i> .....	126
6.2.4	<i>Simplified contribution and tax payment mechanisms (monotax mechanisms) [MSE] [SE]</i> .....	129
6.2.5	<i>Considering alternative reference values (other than earnings) for the determination of contributions</i> .....	133
6.3	Facilitating the payment of contributions.....	135
6.3.1	<i>Expanding access points for the payment of contributions</i> .....	136
6.3.2	<i>Providing individual support in preparing declarations</i> .....	140
6.3.3	<i>Unified social insurance contributions</i> .....	141
6.3.4	<i>Adapting contribution collection schedules</i> .....	142
6.4	Subsidizing contributions for workers with insufficient contributory capacities.....	147
6.4.1	<i>Rationale for the subsidization of the contributions of workers with insufficient contributory capacity</i> .....	147
6.4.2	<i>Estimating financing needs for the extension of coverage to workers in the informal economy</i> .....	152
6.5	Regular monitoring at the scheme and systems levels.....	155
<b>7</b>	<b>Compliance and incentives: Adapting inspection mechanisms and strengthening incentives for formalization</b> .....	<b>157</b>
7.1	The role of compliance and incentives for the extension of social security coverage....	158
7.2	How can labour and social security inspections mechanisms be better adapted to effectively reach workers in the informal economy?.....	159
7.2.1	<i>Raising awareness and developing partnerships</i> .....	160
7.2.2	<i>Ensuring adequate legal frameworks for labour and social security inspection</i> .....	161

7.2.3	<i>Ensuring adequate resources for monitoring compliance</i> .....	162
7.2.4	<i>Applying meaningful and adequate sanctions</i> .....	166
7.3	Strengthening incentives for formalization: harnessing linkages to other policy areas ..	167
7.3.1	<i>Enterprise policies</i> .....	168
7.3.2	<i>Public procurement and investment policies</i> .....	168
7.3.3	<i>Access to government credit and business services</i> .....	168
7.3.4	<i>Tax policies</i> .....	169
7.3.5	<i>Labour market and employment policies</i> .....	170
<b>8</b>	<b>Extending social protection coverage and building universal social protection systems: Lessons learned and way forward</b> .....	<b>172</b>
8.1	Lessons learned on the extension of social protection coverage to workers in the informal economy .....	172
8.2	How to provide universal and adequate social protection for the future of work? .....	174
8.2.1	<i>Making social protection systems future-proof</i> .....	174
8.2.2	<i>Policy innovations</i> .....	175
8.3	Principles for universal social protection systems .....	177
	<b>References</b> .....	<b>180</b>
	<b>Annex: Glossary</b> .....	<b>196</b>

**List of boxes**

Box 0.1:	Finding your way through this guidebook .....	2
Box 1.1:	Defining the informal economy, the informal sector and informal employment.....	5
Box 1.2:	Share of population covered by at least one social protection cash benefit (per cent), latest available year .....	6
Box 1.3:	Coverage gaps for those in the informal economy: schematic representation for a low-income or lower-middle-income country .....	7
Box 1.4:	Share of informal employment in total employment, including and excluding agriculture, latest data .....	8
Box 1.5:	Share of informal employment in total employment, including and excluding agriculture, latest data .....	9
Box 1.6:	Segmentation of the informal economy by gender and average earnings.....	10
Box 1.7:	How is social protection related to employment? .....	10
Box 1.8:	Workers in salaried employment and proportion of the population contributing to a pension scheme, 2015 or latest available data .....	12
Box 1.9:	Health and pension coverage in Latin America by status in employment.....	13
Box 1.10:	How do workers, employers and societies at large benefit from the extension of social protection coverage? .....	17
Box 1.11:	Strategies for the extension of social protection coverage for workers in the informal economy .....	19
Box 1.12:	Two-track approach to the extension of social security coverage and facilitating transition from the informal to the formal economy .....	21
Box 1.13:	Extending social protection coverage: Guidance from international social security standards .....	22
Box 1.14:	Main elements of Recommendation No. 204 .....	23
Box 1.15:	ILO's integrated Decent Work Strategy to facilitate the transition to formality .....	24
Box 2.1	Policy cycle for the extension of social security to workers in the informal economy and supporting their transition to the formal economy .....	29
Box 2.2	Extending social security to workers in the informal economy: Guidance provided by Recommendation No. 202 .....	30
Box 2.3:	Assessment-based national dialogue approach.....	31
Box 2.4:	Guidance on ensuring the participation of relevant stakeholders in Recommendations Nos 202 and 204 .....	32
Box 2.5:	Moving from voluntary to mandatory coverage: Experiences in Ghana, the Philippines, Rwanda and Thailand .....	46
Box 2.6:	Thailand's universal coverage scheme: Subsidizing health coverage for all those not covered by the general health scheme.....	49
Box 2.7:	Building social security systems: Ensuring universal protection in Tunisia and Uruguay .....	50
Box 2.8:	Monitoring progress and adjusting policies: lessons learned from Argentina, the Republic of Korea and Uruguay .....	52
Box 3.1	Increasing access to information through proximity in Madagascar .....	56
Box 3.2	Using media to raise awareness about social security: experiences from the Republic of Moldova, Thailand and Viet Nam .....	57
Box 3.3:	Raising awareness on extending social protection to workers in the informal economy .....	57
Box 3.4:	Zambia: Raising awareness among employers of domestic workers and among workers and employers in MSEs in the construction sector .....	58
Box 3.5:	Raising awareness among self-employed workers in Cabo Verde .....	58
Box 3.6:	Publicity campaign carried out in collaboration with employers and workers organizations in Tunisia .....	59
Box 3.7:	Awareness and information campaigns to promote the coverage of self-employed workers in Cameroon.....	59

Box 3.8:	WIEGO/IDWF toolkit on ILO Convention No. 189.....	60
Box 3.9:	Online information for insured members about health insurance in Turkey.....	61
Box 3.10:	Social security education in Uruguay .....	61
Box 3.11:	Know about business, know about social security: Social security in entrepreneurship and business training programmes and related tools [MSE] .....	62
Box 3.12:	Making the business case for social security: Tailored information for micro and small enterprises in the construction sector in Zambia .....	63
Box 3.13:	Good governance principles in ILO social security and other international labour standards .....	65
Box 3.14:	Improving public services and building trust in the state of Lagos, Nigeria.....	66
Box 3.15:	Strengthening the Pension Fund's governance to improve efficiency in Morocco. 67	
Box 3.16:	Participation of employers' and workers' representatives on the boards of social security institutions .....	67
Box 3.17:	Provisions on access to complaint and appeal procedures in ILO social security standards .....	69
Box 3.18:	Argentina's national settlement agreements for pensions' adjustments .....	69
Box 4.1:	Relevant international standards and principles for the extension of social security coverage to workers in the informal economy .....	72
Box 4.2:	Jordan's strategy to expand social security for workers in small enterprises.....	75
Box 4.3:	Social protection coverage of domestic workers .....	77
Box 4.4:	The situation of domestic workers and their rights as set out in international instruments .....	78
Box 4.5:	Extending unemployment and maternity insurance to domestic workers in South Africa.....	79
Box 4.6:	Unemployment and employment injury insurance for domestic workers in Brazil .	79
Box 4.7:	The Philippines: The Domestic Workers Act (Batas Kasambahay) .....	80
Box 4.8:	Expanding social security coverage for domestic workers in the Plurinational State of Bolivia .....	80
Box 4.9:	Ecuador: Peasants' Social Insurance .....	84
Box 4.10:	Tunisia: Unifying social protection schemes for non-agricultural and agricultural own-account workers.....	84
Box 4.11:	Adapting legislation to the specific situation of agricultural workers in Colombia ..	85
Box 4.12:	Taking into account the diversity of situations of work for profit and independent work .....	88
Box 4.13:	Brazil: Microempreendedor Individual .....	89
Box 4.14:	Costa Rica: Making social health and pension insurance mandatory for self-employed workers.....	90
Box 4.15:	Expanding coverage for self-employed workers in Cabo Verde .....	90
Box 4.16:	Republic of Korea: Gradually expanding health insurance to the whole population .....	91
Box 4.17:	Algeria: social insurance scheme for non-salaried workers (CASNOS) .....	92
Box 5.1:	Using the media to support registration campaigns: country experiences from Jordan, the Philippines and Uruguay.....	98
Box 5.2:	Encouraging registration in Rwanda's Community-Based Health Insurance Scheme.....	99
Box 5.3:	Cabo Verde: Proactive approach to extending coverage to self-employed workers .....	100
Box 5.4:	Barriers to accessing health services in India, South Africa and Thailand.....	102
Box 5.5:	Cabo Verde: Opening of service centres.....	103
Box 5.6:	Rwanda's decentralization strategy .....	103
Box 5.7:	Mobile social security offices in Brazil and South Africa .....	104
Box 5.8:	Installing self-service information terminals in the Philippines .....	105
Box 5.9:	Involving community members as intermediaries in Indonesia .....	106

Box 5.10:	Facilitating access to social security through a digital mobile application in Mexico.....	108
Box 5.11:	Transforming social protection services through a mobile application in Indonesia .....	108
Box 5.12:	Mexico and Uruguay: Electronic and mobile registration for domestic workers...	109
Box 5.13:	Reducing the need for supporting documents: Registration procedures in Brazil's Bolsa Família and Rural Pension .....	110
Box 5.14:	Streamlined administration of claims in the National Social Insurance Fund of Cameroon .....	110
Box 5.15:	Facilitating social security declarations through electronic services in Côte d'Ivoire, Thailand and Fiji .....	111
Box 5.16:	Costa Rica: Social insurance coverage for self-employed workers .....	112
Box 5.17:	The Philippines: using multifunction unified smart cards.....	113
Box 5.18:	Argentina: Simplified online registration system for domestic workers .....	113
Box 5.19:	Coordinated information system connecting the four national social insurance schemes in the Republic of Korea .....	113
Box 5.20:	Integrated service delivery mechanism in Mongolia: One-stop shops .....	115
Box 5.21:	Cambodia's Social Service Delivery Mechanism .....	115
Box 5.22:	Examples of integrated service delivery mechanisms: single-window services, one-stop shops and related mechanisms .....	116
Box 5.23:	One-stop shops to facilitate registration of micro and small companies and promote formalization in Columbia, Mexico and Peru .....	117
Box 5.24:	AMUSSOL: Extending social protection coverage to self-employed and informal workers in the Dominican Republic .....	118
Box 5.25:	Collective insurance agreements with farmers in Costa Rica .....	119
Box 6.1:	Facilitating coverage for micro and small enterprises and own-account workers in Brazil (Simples Nacional and Microempreendedor Individual).....	125
Box 6.2:	Innovative contribution collection for self-employed workers: the AlkanSSSy programme in the Philippines .....	125
Box 6.3:	Costa Rica: Contribution categories for the self-employed: subsidization rates inversely proportional to contributory capacity .....	127
Box 6.4:	Cabo Verde: free choice of contributory category for the self-employed .....	127
Box 6.5:	Brazil's rural pension scheme: Establishing different contributory categories for agricultural workers.....	128
Box 6.6:	Tunisia: establishing contribution categories for the self-employed .....	129
Box 6.7:	Monotax mechanisms: simplification of payment procedures .....	130
Box 6.8:	Administration of the monotax scheme in Uruguay.....	132
Box 6.9:	Worker welfare funds for construction workers in India.....	133
Box 6.10:	Providing social security to artists and publicists in Germany: The Künstlersozialkasse [SE] .....	134
Box 6.11:	Dependent contractors: definition and challenges .....	134
Box 6.12:	PREVIRE: Simplifying payment and declaration procedures in Chile .....	137
Box 6.13:	Uganda: Moving from the necessity to visit offices to electronic statements .....	138
Box 6.14:	Colombia: Integrated Form for Contribution Settlement.....	139
Box 6.15:	Facilitating payments through the banking system in the Philippines .....	139
Box 6.16:	Mobile phone money transfers in Kenya's MBao Pension Plan [SE] .....	140
Box 6.17:	Colombia: Allow for adaptation of contribution levels for the self-employed .....	144
Box 6.18:	Mauritius: continued pension contributions for unemployed workers.....	145
Box 6.19:	Cabo Verde: Allowing for the temporary suspension of contributions.....	146
Box 6.20:	Differentiating the scope of coverage for casual workers in Indonesia .....	147
Box 6.21:	Subsidizing health insurance contributions in the Philippines .....	149
Box 6.22:	Viet Nam: Mandating social health insurance participation and subsidizing health insurance contributions.....	149



Box 6.23:	Progressively reaching universal coverage through a differentiated financing strategy: Ghana's NHIS .....	150
Box 6.24:	India: fully subsidizing health insurance contributions for domestic workers .....	151
Box 6.25:	China: Subsidizing pension insurance contributions for rural residents and non-salaried urban residents .....	152
Box 6.26:	Assessment of contributory capacity and willingness to contribute: example from Zambia .....	154
Box 6.27:	Key elements of a feasibility study on the financing of a scheme .....	155
Box 7.1:	Guidance provided by Recommendations Nos 202 and 204 with respect to compliance and incentives.....	158
Box 7.2:	Enhancing labour inspection for domestic workers in Uruguay .....	162
Box 7.3:	Costa Rica: Allocating resources for inspections .....	163
Box 7.4:	Using digital tools to strengthen enforcement in Malaysia and Saudi Arabia .....	164
Box 7.5:	Developing digital tools to promote an effective labour and social security inspections mechanism in Qingdao, China .....	164
Box 7.6:	Colombia: Integrated Form for Contribution Settlement and Single Registry of Contributors .....	164
Box 7.7:	Argentina: Integrated labour and social security inspection as an element of national strategies for the formalization of employment.....	165
Box 7.8:	Integrating information and capacity-building into the sanctioning framework in Chile.....	167
Box 7.9:	Costa Rica's SME support programme: providing non-financial incentives for formalization .....	169
Box 7.10:	Fiscal incentives to favour social insurance coverage for domestic workers in France and Belgium.....	170
Box 7.11:	Promoting job creation in the formal economy in Argentina.....	171
Box 8.1:	Call to Action by the Global Partnership for Universal Social Protection to Achieve the Sustainable Development Goals (USP2030) .....	179

### List of tables

Table 2.1:	Overview of potential factors behind non-coverage of different categories of workers .....	39
Table 2.2:	Advantages and disadvantages of mandatory and voluntary coverage of contributory schemes.....	45
Table 2.3:	Strengths and weaknesses of contributory and non-contributory schemes for the extension of social security coverage to workers in the informal economy.....	48
Table 5.1:	Barriers to access registration and other administrative procedures and possible responses .....	97
Table 5.2:	Options for expanding physical access points: advantages and disadvantages .	106
Table 6.1:	Different options for determining contribution levels: advantages and disadvantages.....	124
Table 6.2:	Contribution categories within the monotax schemes of Argentina, Brazil and Uruguay .....	131
Table 6.3:	Approaches to facilitate declaration and payment procedures.....	136
Table 6.4:	Approaches to the adaptation of contribution payment periods .....	143

### List of checklists

Checklist 2.1:	Ensuring the participation of all relevant stakeholders in national dialogue.....	32
Checklist 2.2:	Identifying social protection gaps of workers in the informal economy .....	33

Checklist 2.3:	Expanded assessment matrix for the identification of gaps and barriers to social protection coverage for workers in the informal economy .....	35
Checklist 2.4:	Addressing priority needs .....	37
Checklist 2.5:	The role of contributory schemes .....	42
Checklist 2.6:	The role of non-contributory schemes and programmes.....	43
Checklist 2.7:	Considerations for the extension of an existing social insurance scheme to previously uncovered groups of the population, or the introduction of a new social insurance scheme.....	46
Checklist 2.8:	Coordination of social protection schemes and programmes, including contributory and non-contributory schemes .....	51
Checklist 2.9:	Reflecting extension priorities in the regular monitoring and review of the social protection system.....	53
Checklist 3.1:	Informing workers and employers about their social protection rights and obligations.....	60
Checklist 3.2:	Individualized information on social security entitlements.....	61
Checklist 3.3:	Educating youth about social security and creating a social security culture.....	62
Checklist 3.4:	“Social security literacy” in entrepreneurship and business development programmes.....	63
Checklist 3.5:	Ensuring effective and efficient administrative procedures .....	68
Checklist 4.1:	Considerations for bringing employees in micro and small enterprises under social security legislation .....	76
Checklist 4.2:	Considerations for bringing domestic workers under social security legislation ....	82
Checklist 4.3:	Considerations for bringing agricultural workers under social security legislation .	86
Checklist 4.4:	Considerations for bringing self-employed workers under social security legislation .....	93
Checklist 5.1:	Reaching out to workers and employers .....	101
Checklist 5.2:	Expanding physical access points.....	107
Checklist 5.3:	Mobile, online and other remote access points .....	109
Checklist 5.4:	Reducing the need for supporting documents and simplifying procedures.....	111
Checklist 5.5:	Accounting for labour market mobility .....	112
Checklist 5.6:	Coordinated IT solutions.....	114
Checklist 5.7:	Integrated service delivery mechanisms .....	117
Checklist 5.8:	Collective registration or insurance agreements .....	120
Checklist 6.1:	Main challenges with regard to contribution collection and financing mechanisms.....	123
Checklist 6.2:	Redefining reference earnings .....	126
Checklist 6.3:	Contribution categories.....	129
Checklist 6.4:	Alternative reference incomes for the determination of contributions .....	135
Checklist 6.5:	Facilitating the collection of contributions .....	141
Checklist 6.6:	Unified social insurance contributions .....	142
Checklist 6.7:	Adapting contribution collection schedules to the situation of workers and employers .....	144
Checklist 6.8:	Adapting contribution collection schedules to changes in the situation of the worker.....	145
Checklist 6.9:	Ensuring continuous contributions through government support.....	146
Checklist 6.10:	Maintaining acquired rights during the temporary suspension of social insurance membership .....	146
Checklist 6.11:	Allow for contributing to priority social security branches.....	147
Checklist 6.12:	Considerations regarding the financial sustainability of social protection schemes.....	156
Checklist 7.1:	Raising awareness and developing partnerships.....	161
Checklist 7.2:	Legal framework for labour and social security inspection.....	162
Checklist 7.3:	Ensure adequate resources for monitoring compliance .....	166

Checklist 7.4:	Applying meaningful and adequate sanctions .....	167
Checklist 7.5:	Considerations for strengthening incentives through linkages with other policy areas .....	171

## 0 About this guidebook

### *Objective*

For most workers in the informal economy, the lack of social protection is a challenge not only in their daily struggles to make ends meet but in their aspirations to obtain decent work, rights and dignity. For the societies in which they live, the lack of social protection coverage undermines inclusive growth, weakens social justice and undermines the realization of human rights.

The Sustainable Development Goals (SDGs) adopted in the 2030 Agenda for Sustainable Development aim to implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable (target 1.3). In addition to its link to the achievement of SDG goal 1 on ending poverty, social protection also contributes to the achievement of goal 2 on ending hunger; goal 3 on ensuring good health and promoting well-being; goal 5 on achieving gender equality and empowering women and girls; goal 8 on promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work; goal 10 on reducing inequality; and goal 16 on promoting peace, justice and strong institutions (ILO 2017f; United Nations 2017; 2018).

Moreover, extending protection to workers who are still uncovered is also one of the recommendations of the Global Commission on the Future of Work (2019) as part of the human-centred approach to the future of work. Strengthening national social protection systems, including floors, to cover workers in all forms of employment, including self-employment, is a key element of reaching universal, comprehensive and adequate social protection coverage (ILO 2019l).

Many countries have identified the extension of social protection to uncovered workers as one of their main policy priorities in order to promote decent work and facilitate transitions from the informal to the formal economy (ILO 2018f). Some countries have made impressive progress in increasing their coverage of large groups of workers and the wider population. These experiences, together with much recent research, provide an expanding knowledge base that can provide useful lessons learned and inspiration for other countries. Moreover, the international normative framework has been enriched by the recent adoption of two important new international labour standards by the International Labour Organization (ILO), the Social Protection Floors Recommendation, 2012 (No. 202) and the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) (ILO 2017a; 2019k).

The main objective of this guidebook is to provide policymakers, workers' and employers' organizations and other stakeholders with a practical tool to help them in developing viable policy options to address the many challenges of extending social protection to workers in the informal economy and facilitating transitions to formality. It aims to address and remove the barriers that prevent workers in some forms of employment from being protected and also to encourage transitions from the informal to the formal economy. This guidebook will be particularly relevant for national dialogues on social protection policies and strategies.

This guidebook provides evidence of good practices, challenges and constraints and addresses a broad range of relevant topics, including analysis of needs, adapting social security legislation, compliance and enforcement mechanisms, administrative procedures, benefit design, contribution schedules, service delivery and monitoring mechanisms. Recognizing the heterogeneity of workers' realities, the guidebook reflects specific challenges and good practices for selected sectors and categories of workers (domestic workers, agricultural workers, self-employed workers, workers in micro and small enterprises (MSEs), etc.) and also provides links to more specific guidance material focusing on these groups. Some of the policy measures developed by countries to enhance the coverage of workers in the informal economy and workers in non-standard forms of employment can serve as valuable pointers on how to extend coverage to workers in new forms of employment. The guidebook emphasizes the need to combine contributory mechanisms (social insurance and other forms) with solid non-contributory (tax-financed) mechanisms in order to achieve universal social protection coverage.

This guidebook complements other materials and tools developed by the ILO and others, both on social protection and on facilitating the transition from the informal to the formal economy. Cross-references to relevant tools developed by the ILO or partner organizations are provided throughout the text.

With this first edition of the guidebook, the ILO invites interested readers to provide comments, additional country experiences and tools so that future editions will reflect a broader range of such experiences and tools.

## Structure

This guidebook is organized into eight chapters that address the different aspects of the extension of social protection coverage to workers in the informal economy. Starting with an introduction to the topic and the identification of barriers to the extension of coverage (Chapter 1), it addresses the key strategic issues in extending coverage and building comprehensive social protection systems for all (Chapter 2). It then addresses the specific barriers to the extension of coverage, as follows: barriers related to a lack of awareness and trust (Chapter 3); legal barriers (Chapter 4); administrative barriers (Chapter 5); financial barriers (Chapter 6); and barriers related to weak compliance and incentives (Chapter 7). The guidebook concludes with a summary of lessons learned and a discussion of how to strengthen social protection for the future of work (Chapter 8) (see Box 0.1).

### Box 0.1: Finding your way through this guidebook



## Finding your way through this guidebook

The guidebook contains many references to specific groups of workers that in many countries represent a significant share of workers in the informal economy and are often considered as groups that are particularly difficult to cover.

For users who are particularly interested in specific groups, the following special symbols have been used throughout the guidebook to flag pertinent references to them:

[AW] – agricultural workers

[CW] – construction workers

[DW] – domestic workers

[SE] – self-employed workers/own-account workers

[MSE] – workers in micro and small enterprises

## How to use this guidebook

As part of a broader policy resource package on the extension of social security to workers in the informal economy, this guidebook serves as a reference source for policymakers, workers' and employers' organizations and other stakeholders engaged in the development of social protection strategies or in the planning, design, implementation and monitoring of systems and schemes. It is explicitly not designed as a step-by-step guide, but as a handbook that can offer new ideas, information



about the experiences of other countries, and some tools to support a reflection process at the national level.

In addition to the guidebook, a set of additional materials are available on the dedicated e-platform of the policy resource package on the extension of social security to workers in the informal economy:

<http://informaleconomy.social-protection.org>

This includes

- a summary of the key points of each chapter, including links to key references, as well as relevant supporting materials, such as country briefs, videos and podcasts;
- issue briefs that zoom in on specific aspects and specific categories of workers; and
- training materials for capacity-building.

### ***A living document***

This guidebook is intended to be a living document. It will benefit from your feedback and inputs, especially from specific examples, experiences and resources that can be helpful for others. We welcome your suggestions – please get in touch.

Contact: Christina Behrendt ([behrendt@ilo.org](mailto:behrendt@ilo.org))  
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This work on this guidebook has spanned several years, and has been a product of intense teamwork. Responsible for the finalization of the guidebook were Christina Behrendt and Quynh Anh Nguyen from the ILO's Social Protection Department, building on the contributions of former team members Katharina Diekmann, Greta Cartoceti, Benedetta Ottavio, Jahnvi Sen and Ippei Tsuruga.

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## 1 Introduction: Challenges and opportunities in extending social security to workers in the informal economy and promoting their transition to the formal economy

### Key questions

- ? What are the barriers that exclude workers in the informal economy from social security coverage?
- ? How can the extension of social security coverage to uncovered workers improve their situation in the short and medium terms?
- ? How can the extension of social protection coverage contribute to facilitating the transition from the informal to the formal economy?

### Key messages

- \* In developing countries, informal employment represents an opportunity for many people to secure a living and satisfy basic needs. In fact, the informal economy is a lifeline for those people that fail to find employment in the formal economy and are thus forced to rely on informal wage employment, self-employment or alternative activities to survive.
- \* However, the persistence or even growth of the informal economy – often linked to low productivity, continuing decent work deficits, working poverty and excessive inequality – calls for urgent attention to the double challenge of extending protection to workers in the informal economy and facilitating their transition to the formal economy. Particular attention should be given to those in the most vulnerable segments of informal employment.
- \* Barriers to social protection coverage for workers in the informal economy include their exclusion from legal coverage; costs and inadequate financing arrangements; complex and burdensome administrative procedures; a lack of enforcement and control; a lack of information, awareness and trust; a lack of representation and organization; and a lack of coordination and integration between social protection policies and related institutions and between social protection policies.
- \* Particular attention should be paid to ensuring that extension strategies address and promote gender equality and women's empowerment.
- \* To facilitate the transition to formality, the ILO has adopted an integrated strategy promoting decent work that aims to boost employment, improve social protection coverage, enhance social dialogue and realize human rights at work.

### 1.1 Informal employment and social protection coverage gaps

More than 60 per cent of the global workforce is in informal employment (ILO 2018f) and most of them face serious decent work gaps, including a lack of social security.<sup>1</sup> In fact, many of the workers in the

<sup>1</sup> The human right to social security is rooted in Article 22 of the Universal Declaration of Human Rights (1948) and Article 9 of the International Covenant on Economic, Social and Cultural Rights (1966); the latter provision refers to “the right of everyone to social security, including social insurance” (ILO 2017f; 2017a).

informal economy are among the 55 per cent of the global population who do not enjoy access to social protection at all, while many others are only partially protected (see Box 1.2) (ILO 2017f).

This lack of protection is a major source of vulnerability because these workers cannot count on access to health care and a basic level of income security.<sup>2</sup> As a result, many of them are locked in a vicious cycle of vulnerability, poverty and social exclusion, which constitutes an enormous challenge not only to their individual welfare and enjoyment of human rights, including the right to social security, but also to their countries' economic and social development (ILO 2017f; OECD and ILO 2019; RNSF 2017).

**Box 1.1: Defining the informal economy, the informal sector and informal employment**

The term “**informal economy**” refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements (ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204), para 2(a)).

The term “**employment in the informal sector**” is an enterprise-based concept that is defined in terms of the characteristics of the place of work of the worker. As characterized by the Fifteenth International Conference of Labour Statisticians (ICLS) (ILO 1993), the informal sector consists of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. The informal sector is a subset of unincorporated enterprises not constituted as separate entities independently of their owners, typically operating at a low level of organization, on a small scale and with little or no division of labour and capital as factors of production.

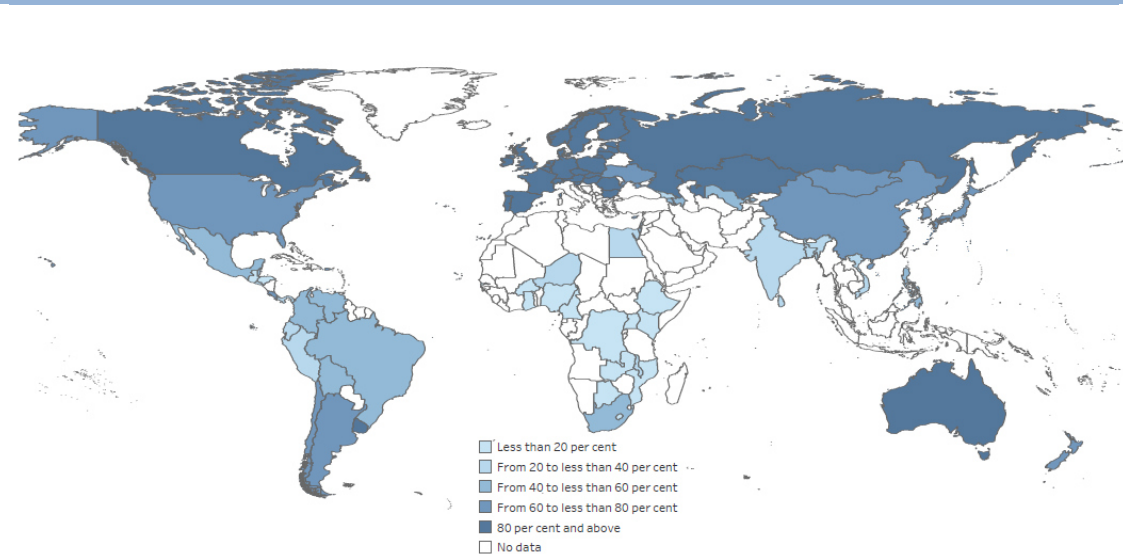
The term “**informal employment**” is a job-based concept that is defined in terms of the employment relationship and protections that are associated with the job of the worker (ILO 2003; Hussmanns 2004). Informal employment refers to working arrangements that are de facto or de jure not subject to national labour legislation, income taxation or entitlement to social protection or certain other employment benefits (e.g. advance notice of dismissal, severance pay, paid annual or sick leave). Workers in informal employment are defined as those who work in informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households; including employees holding informal jobs; employers and own-account workers employed in their own informal sector enterprises; members of informal producers' cooperatives; contributing family workers in formal or informal sector enterprises; and own-account workers engaged in the production of goods for own end use by their household (based on Seventeenth ICLS).

Source: Based on ILO, 2018a, pp. 7–12.

The lack of social protection of workers in informal employment significantly inhibits progress towards achieving the SDGs by 2030, in particular goal 1 on ending poverty, goal 2 on ending hunger, goal 3 on ensuring healthy lives and promoting well-being, goal 5 on achieving gender equality and empowering women and girls, goal 8 on promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work, goal 10 on reducing inequality and goal 16 on promoting peace, justice and strong institutions (ILO 2017f; 2018f).

<sup>2</sup> There are varying definitions of the terms “social protection” and “social security”. The ILO usually uses these two terms interchangeably to refer to the set of policies and programmes designed to reduce and prevent poverty, vulnerability and social exclusion throughout the life cycle. Social protection systems address a broad range of policy areas, including child and family benefits; maternity protection; unemployment support; employment injury benefits; sickness benefits; health protection (medical care); disability benefits; and old age and survivor pensions (ILO 2017f, 194–95).

**Box 1.2: Share of population covered by at least one social protection cash benefit (per cent), latest available year**



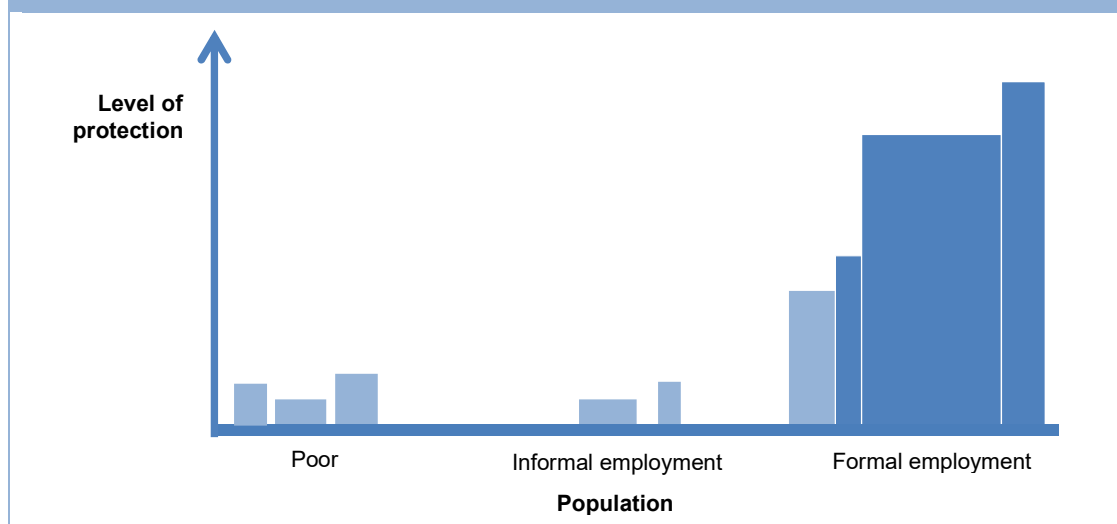
Source: World Social Protection Database, based on ILO/SSI, OECD and ILOSTAT.

Informal workers' lack of social protection is usually associated with their lack of coverage through contributory mechanisms (social insurance and other contributory schemes). In fact, many (but not all) workers in the informal economy do not have sufficient contributory capacity to pay contributions on a regular basis; they may face difficulties in meeting the administrative requirements; or they may simply not be covered by the applicable legislation. In addition, the financing and administrative arrangements of social insurance schemes may not be adapted to the needs and capacities of self-employed workers and other categories of workers.

Workers in the informal economy also face difficulties in accessing poverty-targeted social protection mechanisms. Proxy means tests may exclude them from coverage if they own some assets or are otherwise deemed to be "not poor enough", while programmes that target households with very limited or no earnings potential may exclude them as well. However, more universal tax-financed programmes, such as those providing child benefits, social pensions or disability benefits as an individual entitlement, may benefit workers in the informal economy and their families, contribute to their household income in a predictable way and enable their families to plan ahead.

In many countries, the two dominant types of social security schemes are (a) social insurance and other contributory provisions for those in the formal economy and (b) poverty-targeted social assistance or "safety net programmes" for the poor. Workers in the informal economy tend to be excluded from both types of coverage – those for workers in formal employment and those for the poor. This lack of protection has been described as the "missing middle" (see Box 1.3).

**Box 1.3: Coverage gaps for those in the informal economy: schematic representation for a low-income or lower-middle-income country**

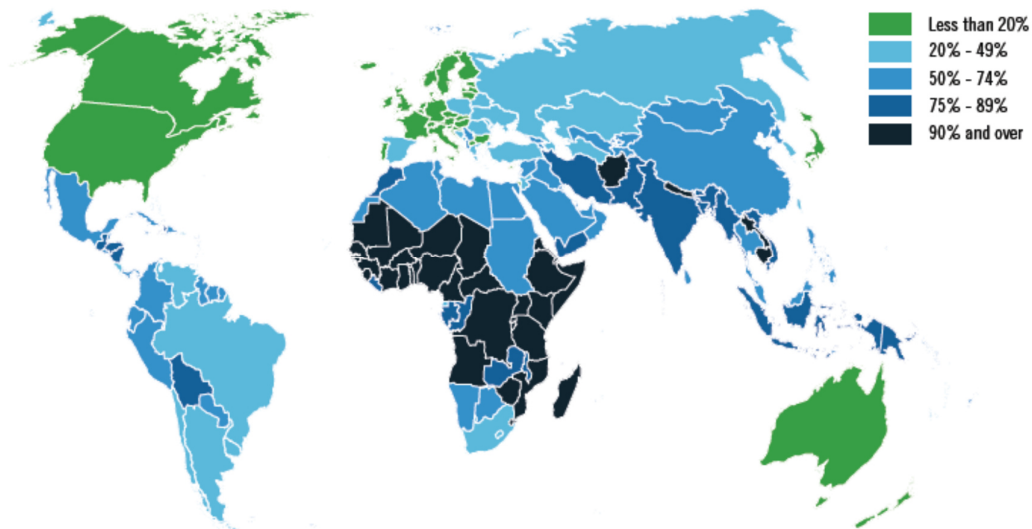


The exclusion of workers in the informal economy from social protection constitutes an enormous and daunting challenge for economic and social development (see box A.1 for definitions), considering that informal employment in many countries represents most of the labour force – in some countries more than 80 per cent of total employment. For example, in India, 88 per cent of working men and 90 per cent of working women are in informal employment, while in most countries of sub-Saharan Africa, the large majority of workers are in informal employment (more than 75 per cent of those in non-agricultural employment and more than 90 per cent of those in all informal employment) (ILO, 2018; see Box 1.4 and Box 1.5).

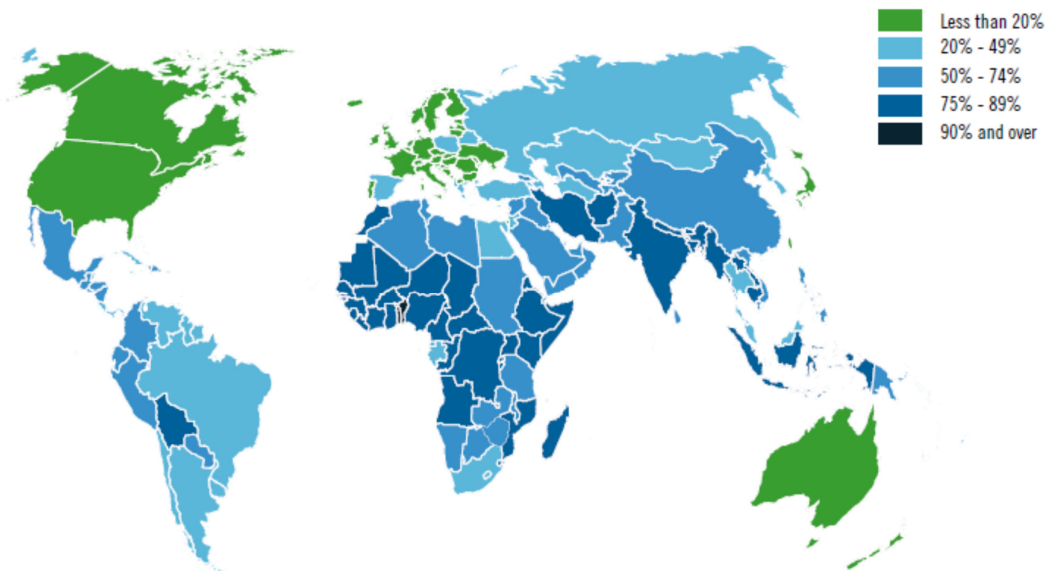


**Box 1.4: Share of informal employment in total employment, including and excluding agriculture, latest data**

**Panel A: Including agriculture**



**Panel B: Excluding agriculture**



Source: ILO, 2018, pp. 13-14.

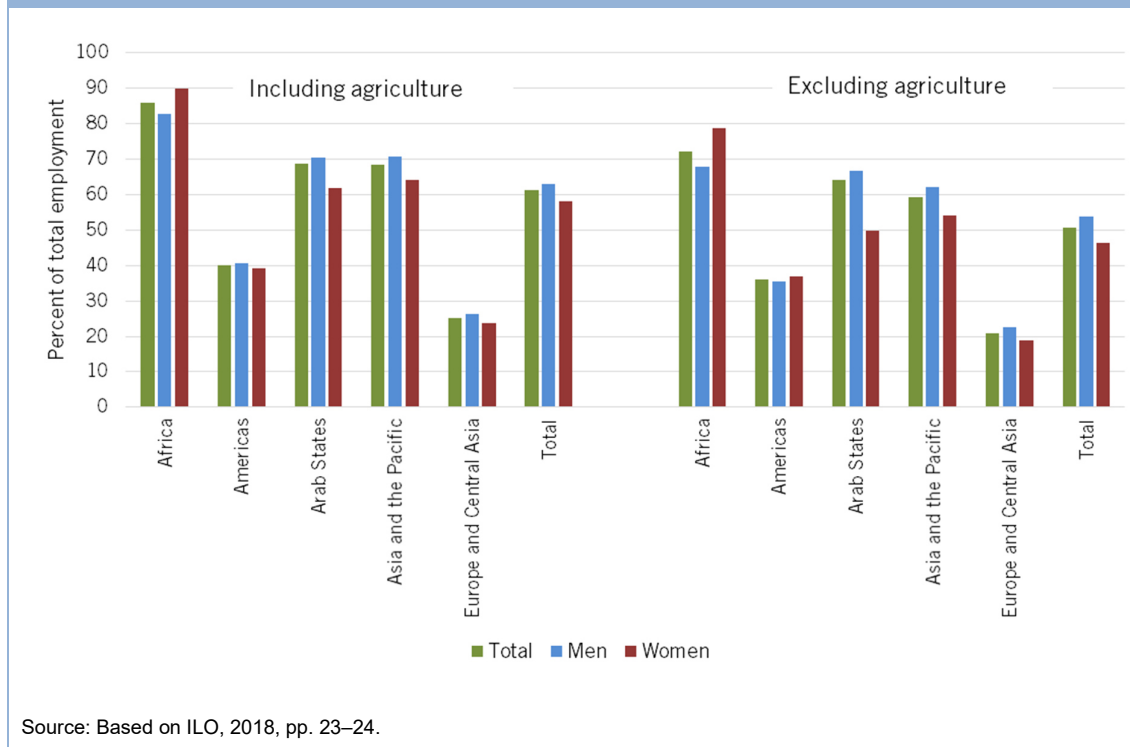
While some countries have made great strides in creating more formal employment, in other countries informal employment has expanded owing to a variety of factors, including structural changes in the labour market; changes in the regulatory environment; and both economic downturns and economic upturns (ILO 2013d; 2018f).

Several factors have been identified that keep workers in the informal economy:

- Despite high growth rates and the sometimes rapid industrialization of emerging economies, labour markets are not able to absorb jobseekers into productive jobs, particularly where the manufacturing and service sectors offer poor working conditions.

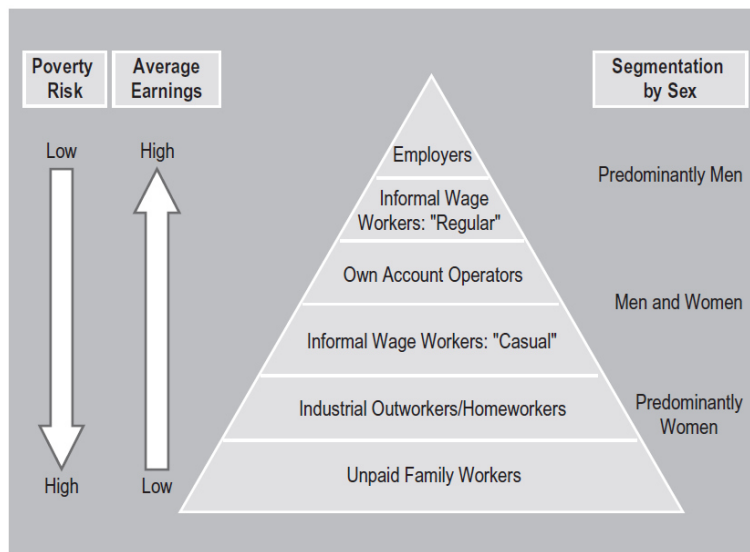
- Inadequate labour legislation, onerous regulations, inefficient bureaucracy and high transition costs may increase operational costs for companies and the self-employed and discourage their participation in the formal economy.
- Strong competitive pressures are forcing enterprises to employ workers on temporary or casual contracts that do not guarantee social security and a secure income.
- Globalization and a reduction in trade costs and barriers have incentivized businesses to reallocate parts of their supply and production chain in countries where manufacturing and labour costs are lower, yet this is often associated with precarious and insecure working conditions (ILO 2016a).
- Economic crises typically reduce the number of formal jobs and informal employment is often the only option for those who have lost their jobs to ensure their livelihoods, often through self-employment. Economic recovery is often not associated with a full recovery of (formal) employment (ILO 2017f; 2014i).
- A lack of trust in State and public authorities may discourage enterprises and workers from operating in the formal economy and they may avoid bringing themselves to the attention of tax officials (Durán and Lindeboom 2014).

**Box 1.5: Share of informal employment in total employment, including and excluding agriculture, latest data**



Informal employment is closely related to gendered patterns of employment and is associated with gender gaps in access to education, skills training, land, assets and rights and the fact that care responsibilities are predominantly shouldered by women in most societies (Holmes and Scott 2016). In many cases, these inequalities are related to discrimination and gender stereotyping. These factors contribute to the fact that women are more likely to find themselves in informal employment than men in most regions of the world. Moreover, women are more likely to find themselves in more vulnerable and low-paying forms of informal employment and to work as homeworkers and unpaid family workers, etc. (Lund, 2012; see Box 1.6).

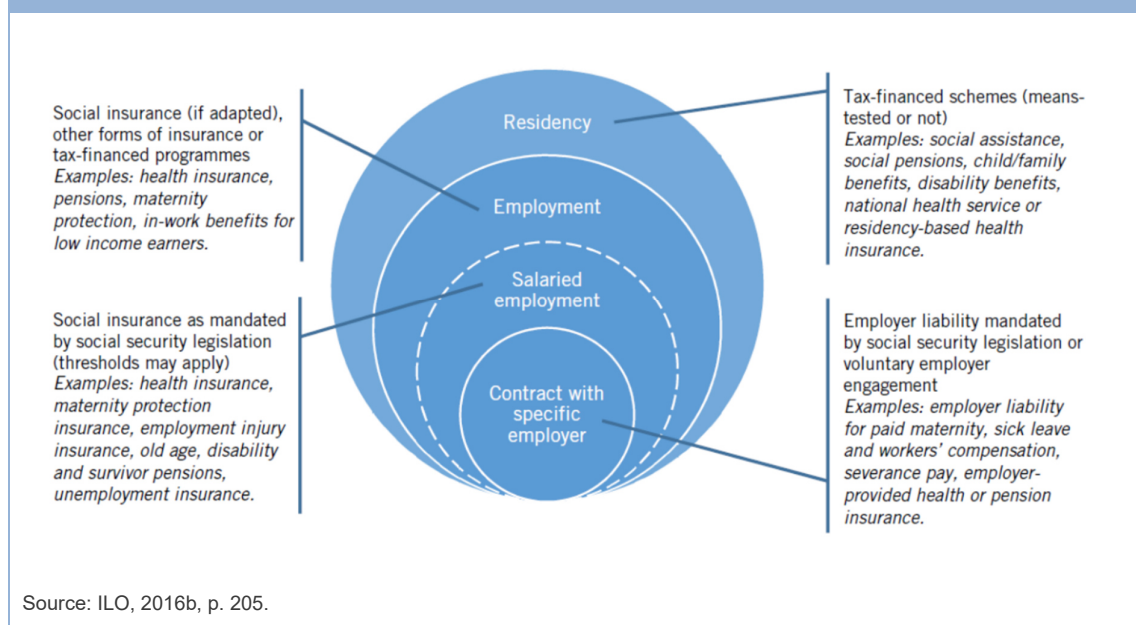
In view of women's particularly vulnerable position within the informal economy, it is essential for their situation to be given specific consideration, given that women tend to have lower earnings than men and have more limited access to economic resources, assets, services and technologies.

**Box 1.6: Segmentation of the informal economy by gender and average earnings**

Source: Lund, 2012.

**1.2 A closer look at the relationship between employment patterns and social protection coverage**

A significant share of informal employment in many parts of the world poses a particular challenge for social protection coverage. For this reason, it is necessary to take a closer look at the relationship between employment and social protection (see Box 1.7).

**Box 1.7: How is social protection related to employment?**

Source: ILO, 2016b, p. 205.

The strongest connection between employment and social protection exists for benefits that are tied to a contract with a specific employer, whether under national labour or social security law or provided on a voluntary basis by employers. Examples include employers' liability for paid maternity leave; sick leave

or workers' compensation in case of employment injury; severance pay; or employer-provided health or pension insurance. Such benefits may be available only to the regular core workforce of a company and since entitlements are tied to the specific employment contract such benefits are often not portable. Because of these limitations, ILO social security standards usually recommend other solutions, such as social insurance.

Social insurance coverage is not linked to a specific employment contract but to participation in (covered) types of employment.<sup>3</sup> In most countries, social insurance covers workers in salaried employment (subject to certain minimum thresholds);<sup>4</sup> in addition, many countries also cover self-employed workers and other categories of non-salaried workers in their social insurance schemes through adapted mechanisms, thereby broadening coverage beyond employees. Such extended social insurance coverage for workers in all types of employment facilitates labour market mobility while ensuring continued coverage. Most countries use social insurance coverage for several or all of the following risks and contingencies: maternity, sickness, disability, employment injury, unemployment, old age, as well as for health insurance and in some cases for family benefits. Many countries also ensure continued coverage during periods of non-employment, for example during unemployment, care for family members or participation in training measures.

Other contributory mechanisms are also directly or indirectly linked to employment. Virtually all contributory social protection mechanisms, including private insurance or savings schemes, are indirectly linked to employment in the sense that the payment of contributions requires a steady stream of income, which usually comes from some kind of gainful economic activity (ILO, 2016b, 2017a). For some types of provision there is a more direct link, such as in occupational schemes (e.g. occupational pensions) or group insurance schemes for certain categories of workers (e.g. for members of a producers' or workers' cooperative).

In the case of non-contributory schemes that are financed from general taxation and other sources, there is usually no direct link to employment at the individual level (in fact, there may be a negative link in the sense that benefits are provided only to those who are not employed). However, there is an important link at the macroeconomic level since the fiscal space necessary to provide such benefits depends on sufficient government revenues, in particular a sufficiently broad tax base.

Against this background, it is not surprising that social protection coverage is higher in countries with a higher proportion of workers in salaried employment (see Box 1.8). Yet, countries with similar levels of salaried employment have adopted different approaches to social protection coverage, which suggests that other policy factors also play a major role in shaping outcomes.

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<sup>3</sup> This implies that – in contrast to forms of protection tied to a specific employer – workers moving from one job to another continue to be covered by social insurance as long as they meet the conditions set out in the social security legislation. Although some literature on this topic wrongly assumes that social insurance covers only workers in so-called “standard employment relationships”, this is not the case, as many workers in non-standard forms of employment are also covered. For further clarification, see ILO, 2016b, pp. 299–306.

<sup>4</sup> Such minimum thresholds typically refer to the number of hours worked, length of employment or salary; this may lead to the exclusion of certain categories of temporary or part-time workers, most frequently affecting workers in casual employment or marginal part-time employment (ILO, 2016b, pp. 299–306).

**Box 1.8: Workers in salaried employment and proportion of the population contributing to a pension scheme, 2015 or latest available data**

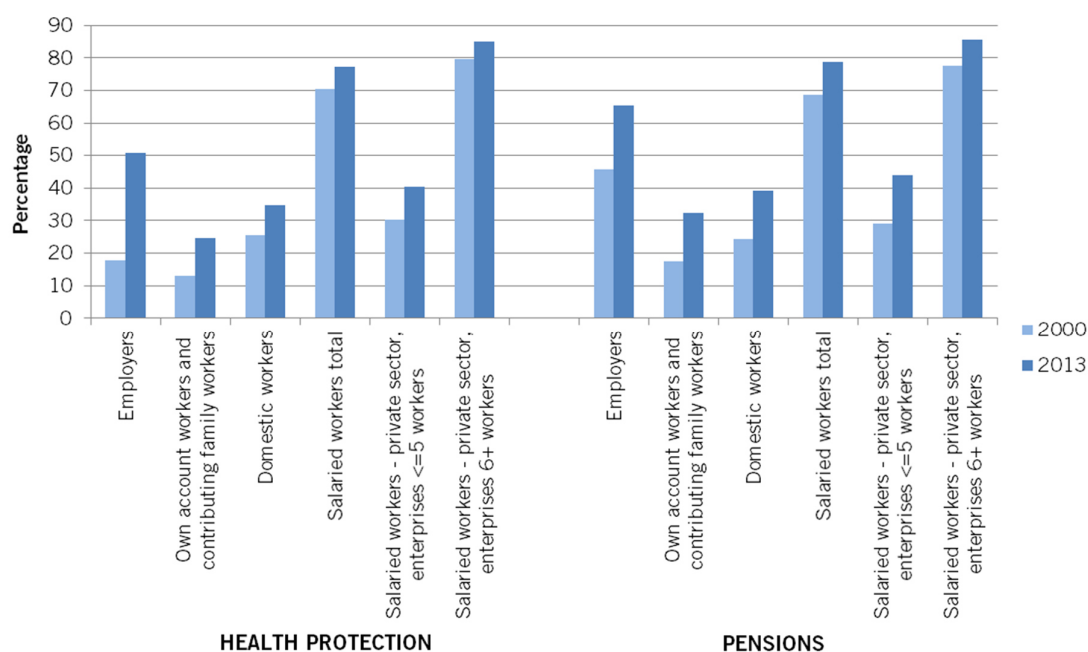

Source: Based on ILO World Social Protection Database and ILOSTAT.

In many developing countries, workers in formal wage employment constitute only a small share of the labour force. As a result, some categories of workers tend to be not covered or not sufficiently covered, either because they are excluded from the scope of social security legislation or because the legislation is not fully enforced for various reasons, such as domestic workers, agricultural workers and certain categories of migrant workers, as well as workers in micro and small enterprises in some countries (ILO 2013d; 2018f). Self-employed workers, including most notably own-account workers who in some countries constitute the majority of the labour force, also tend to be not covered or not sufficiently covered. Covering these categories of workers requires not only an extension of legal coverage but also additional measures to ensure that social protection mechanisms are adapted to their situation (see, in particular, Chapters 5 and 6).

On the positive side, great strides have been made to extend social protection coverage to previously uncovered workers in many parts of the world. For example, in Latin America, health and pension coverage has significantly increased for various categories of workers (see Box 1.9 and ILO, 2018b), including some that are notoriously difficult to cover. For example, between 2000 and 2013, pension coverage rates increased from 29 to 44 per cent for workers in small enterprises and from 24 per cent to 39 per cent for domestic workers. Similarly, among self-employed workers, coverage increased from 18 to 33 per cent for own-account workers and contributing family members and from 46 to 65 per cent for employers. Health protection coverage rates also saw a significant increase during this period.

However, despite this significant success in extending coverage between 2000 and 2013, social protection coverage for own-account workers and contributing family workers, domestic workers and workers in enterprises with up to five workers still lags behind coverage for other categories of workers.



**Box 1.9: Health and pension coverage in Latin America by status in employment**

Source: Based on ILO, 2014b.

### 1.3 What are the barriers to the extension of social protection to workers in the informal economy?

Despite significant progress in extending social protection coverage to workers in the informal economy (ILO 2017f), too many workers remain unprotected. It is essential to understand and analyse the factors underlying coverage gaps in the context of each country, with a view to formulating policies and undertaking reforms to protect this vulnerable category of workers and facilitate the transition to the formal economy. Various factors contribute to constraining social protection coverage.

#### *Exclusion from legal coverage*

The legal framework may exclude or constrain the participation of certain categories of workers in social protection schemes and they may as a result remain in the informal economy. In many countries, legislation links social security coverage to **an identifiable employment relationship between an employer and a dependent worker**. This definition excludes those categories of workers who lack such identifiable relationship or for whom such a relationship is disguised.<sup>5</sup>

In addition, legislation may include rules based on place of work, type of contract, size of the enterprise, number of working hours or income thresholds or minimum length of contract, which can effectively exclude some categories of workers.

<sup>5</sup> Workers without an identifiable employment relationship may include the self-employed, including own-account workers; members of the family of the entrepreneur or the owner of the business (contributing family members); members of producer cooperatives; and, in some countries, persons exercising an activity of a religious character. The ILO Employment Relationship Recommendation, 2006 (No. 198) calls for the formulation and application of national policies for reviewing at appropriate intervals and, if necessary, clarifying and adapting the scope of relevant laws and regulations, in order to guarantee effective protection for workers who perform work in the context of an employment relationship (para. 1), including with regard to identifying and combating disguised employment relationships.

In some cases, even if some categories of workers are formally covered by legislation, social protection schemes are not adapted to the specific situation and needs of those workers (e.g. regarding contribution amounts and benefits) and are therefore unlikely to be enforced in a way that benefits them.

### *Lack of information, awareness and trust*

A lack of information and awareness concerning social security is one of the factors that contribute to weak incentives to register for social security (Bertranou, 2007; ILO, 2013a). In particular, illiteracy and language barriers, which are usually higher among rural populations, may make it more difficult for workers to understand legal regulations that are usually written only in the official languages. In addition, lack of trust in the social security institution may also contribute to reluctance to join a social security scheme (ILO 2013d).

### *Benefits not aligned with priorities*

Workers and employers may be reluctant to contribute if they are not convinced that the benefits provided will meet their priority needs (ILO 2013d). Depending on the situation of the workers in question, different types of benefits and services may be required to meet workers' needs, in particular their most immediate needs.

### *Costs and inadequate financing arrangements*

#### *Specific costs of social protection*

A high level of contributions is often considered as an economic barrier to participating in a contributory social protection scheme. Contributions may not be adapted to the level of earned income and may be perceived as too high by both employers and workers, particularly if they do not value the benefits of social insurance coverage. For the self-employed, contributing to a social protection scheme can be particularly burdensome when they also have to bear the employers' share of contributions. However, inadequate financing arrangements and institutional factors may be more important than contribution levels (Williams and Kadir 2017).

#### *Inadequate financing arrangements*

Leaving aside the level of contributions, workers and employers may face difficulties in contributing if financing arrangements – in particular arrangements for the collection of contributions – are not adapted to their situation.

One potential barrier is **fluctuating or instable income**. Many workers in the informal economy rely on volatile incomes that may require adaptations involving contributory forms of protection (ILO 2013d). For example, although the incomes of agricultural workers [AW] often follow seasonal patterns, which makes it difficult for them to pay contributions on a monthly basis, they may be able to pay contributions after selling their crops or animals. Similarly, fluctuations in the incomes of the self-employed, particularly own-account workers, may make it difficult for them to pay regular contributions [SE].

#### *General costs of formalization*

In addition, workers and employers operating in the informal economy may shy away from the general costs associated with operating in the formal economy, including entry costs and operational costs, which may vary according to the business environment of each country (ILO and GIZ, 2014). Especially for small economic units operating on a low level of productivity, such formalization costs may surpass their financial capacity.

**Entry costs** refer to all the costs associated with the registration procedures, including the registration fees and opportunity costs that enterprises would potentially earn if they continued to do business as usual instead of investing in the administrative process.

**Operational costs** refer to the other costs associated with operating in the formal economy, such as taxes, license fees and social contributions, as well as the costs of complying with labour regulations, the time required to obtain property registration and apply for formal loans and costs related to inefficient contract enforcement mechanisms.

### *Complex and burdensome administrative procedures and services*

**Complex and burdensome procedures** may discourage employers and workers from registering for social protection schemes and thus qualify for benefits. In particular, micro and small enterprises with limited administrative capacities often struggle to comply with the requirements [MSE]. Own-account workers do not benefit from the intermediary role played by employers and often struggle with time-consuming and complex administrative procedures.

Particularly in rural areas, people may face difficulties in accessing social protection schemes owing to the **low density of administrative structures and services**. Long distances to the next office and poor means of transport can inhibit access to the administrative structures to register or pay contributions or access to benefits or services, while opportunity costs in terms of the costs of transport and time spent may be prohibitively high. As a result, if social protection systems fail to deliver adequate services in rural areas, workers will have less interest in contributing to them [AW]. Such exclusion may result even when universal schemes are in place (ILO 2013d).

**Labour mobility** can place a particularly high burden on the administration of the scheme. Some workers, such as seasonal workers and other temporary workers, frequently change jobs and may move between wage employment and self-employment. High volumes of labour mobility place a particularly heavy burden on the administration of the scheme to ensure that changes are correctly and promptly reflected in administrative records and do not lead to undue breaks in contribution history, which may prevent workers from receiving benefits even if they would normally meet the qualification criteria.

### *Lack of enforcement and control and low compliance*

The lack of effective enforcement of applicable labour and social security regulations may contribute to a low level of compliance. Controls are made difficult by the fact that some activities are concealed or are not declared by employers.

Governments may be less inclined to ensure inspections of small economic units owing to the relatively high costs and complexity of the procedures involved, especially where this requires coordination between several inspection services.

### *Lack of representation and organization*

It has been widely acknowledged that there is a direct link between the workers' organization capacity and the ease of their inclusion in contributory schemes. The lack of organization of some categories of workers makes them more marginalized and reduces their chances of being represented in open debates. However, one should not underestimate the degree of organization in the informal economy (ILO 2013d; RNSF 2017). Many informal workers are in fact organized in one form or another and are in many cases represented in, or associated with, established workers' organizations. Similarly, many informal economic units are represented. The involvement of trade unions in the informal economy is unfortunately rather limited and workers may not be able to claim their rights and establish contacts through such institutions.

### *Lack of integration and policy coherence*

In many countries, there is a high degree of fragmentation within the social protection system and a lack of coordination with other relevant policies, such as policies on enterprise formalization, labour market and employment, enterprise development and macroeconomic issues, as well as on health, education and care. For example, the lack of registration of enterprises renders the social protection coverage of workers more difficult. The lack of integration and policy coherence, both among social protection institutions and between social protection institutions and other policy areas, often leads to coverage and adequacy gaps, duplication, inefficiencies and distorted incentive structures (ILO, 2019b, chap. 11).

## 1.4 How do workers, employers and societies at large benefit from the extension of social protection coverage?

The extension of social protection coverage improves the situation of workers in the informal economy and contributes to facilitating their transition to the formal economy, which entails benefits for workers, enterprises and societies at large.

### *How do workers benefit?*

Ensuring access to social protection addresses one of the major decent work gaps for workers in the informal economy and can make an important difference in their lives.

If workers can count on effective access to health care in case of illness without having to pay the cost of treatment out of their pocket, it will have a significant impact on preserving and improving their health and that of their families, given that health risks also constitute an enormous economic risk for workers in the informal economy. If workers can count on at least a minimum level of income security in case of illness, injury, disability and maternity and during old age, they can better plan for the future and are better able to seize economic opportunities (ILO 2017f; 2014i). Social protection coverage therefore contributes to enhancing the productive capacities of workers in the informal economy and can help to facilitate their transition to the formal economy.

The effects of social protection has an important intergenerational dimension that benefits children: social protection contributes to breaking the vicious cycle of poverty by promoting better access to nutrition, health, education and skills (ILO 2017f), preventing child labour (ILO 2013e) and ensuring better life chances for the next generation.

### *How do enterprises benefit?*

Enterprises benefit from covering their workers in several ways. Better social protection for workers has positive impacts on labour productivity and competitiveness in terms of better access to health care, lower absentee rates, higher employee retention and higher motivation (ILO 2017f; Scheil-Adlung 2014). For example, a recent study found that firms in Indonesia that increased social security coverage by 10 per cent between 2010 and 2014 observed an increase in revenues per worker of up to 2 per cent (Torm, 2019). Similarly, in Viet Nam, firms that increased social security coverage by 10 per cent between 2006 and 2011 experienced a revenue gain per worker of 1.1 to 2.6 per cent and a profit gain of about 1.3 to 3.0 per cent (Lee and Torm 2017).

Productivity growth is essential for MSEs to afford the entry and operational costs associated to the formal economy. Productivity is essential for enterprise development, employment and decent work creation, and enables the transition to the formal economy. It measures how efficiently enterprises and economies use their available resources to attain the maximum possible earnings in a given period of time. Productivity growth translates into better financial performance, which enables enterprises to retain and hire more workers; invest in machinery and equipment, research and development of innovation, and workers' skills development; improve working conditions; and expand the production of goods and services.

Social insurance is an important instrument for pooling the financial risks of enterprises, particularly to cover the risks of employment injury (workers' compensation), maternity (paid maternity leave) and dismissal (severance pay). Where employers can rely on social insurance mechanisms instead of being individually liable for the compensation of workers (employer liability), they can better plan and manage financial flows and handle risks in a more predictable way. For this reason, social insurance offers important benefits to employers, such as maternity benefits, employment injury insurance and unemployment insurance (ILO 2017f; Kuddo, Robalino, and Weber 2015).

Ensuring full social protection coverage for workers therefore makes good business sense because it helps to strengthen labour productivity and competitiveness and offers more business opportunities. In addition, compliance further enhances access to financial and insurance services, business services, public procurement, the enforcement of business contracts and the protection of property rights (Van Elk et al., 2014).

### *How do societies at large benefit?*

Extending social protection coverage to workers in the informal economy also entails a number of benefits for society at large, particularly where these contribute to facilitating transition from the informal to the formal economy in the short or long terms. Social protection constitutes an investment in people, and its impacts on human capital, human development and labour productivity yield benefits not only for workers and employers, but also aggregate benefits for societies as a whole (ILO 2017f; 2014i). Empirical studies show that investment in social protection makes good economic sense and contributes to inclusive growth (OECD 2019a).

Many countries extend coverage to those in the informal economy through a combination of contributory (typically social insurance) and non-contributory (usually tax-financed) schemes. The expansion of social insurance mechanisms to larger groups of previously uncovered workers can help to achieve a better financing mix for the social protection system by mobilizing additional financing sources from categories of previously informal workers (provided that they have the necessary contributory capacity), which alleviates pressures on tax-financed social assistance benefits. This can also allow the burden of financing the social protection system through contributions and taxes to be shared in a more equitable way among those who have contributory capacity, while ensuring that contributions and taxes are in line with contributory capacities (ILO 2013d), which will in turn help to ensure the sustainability and adequacy of the social protection system in the long run (ILO 2017f).

More broadly, higher levels of formality also help to broaden the tax base available for public investments in economic and human development. They should also increase States' earning capacity and international competitiveness through improved productivity of workers and enterprises, supply more employment opportunities, improve income distribution and boost inclusive growth. The extension of social protection coverage thus also contributes to enhancing the functioning of labour markets, thereby strengthening national economic capacity and macroeconomic stability.

#### **Box 1.10: How do workers, employers and societies at large benefit from the extension of social protection coverage?**

Extending social protection to workers in the informal economy addresses important challenges and contributes to sustainable development. The following videos posted on YouTube by the ILO show the views of workers, employers and Governments, each focusing on a specific sector of the economy:

- Kenya: [Extending social protection intake and quality services in Kenya](#)
- Malawi: [Social insurance: A way forward for Malawi's workforce](#)
- Namibia: [Social protection: Making Namibia's informal economy workforce a priority](#)
- South Africa: [Extending social protection to all workers in South Africa](#)
- United Republic of Tanzania: [Extending social protection to all workers in the forestry sector value chain](#)
- Zambia: [Making Zambia's social protection work for SMEs in the construction value chain](#)

## **1.5 How can the extension of coverage be achieved?**

Given these constraints, how can social protection coverage be extended to workers in the informal economy? In other words, how can universal protection be achieved?

### **1.5.1 Extending social security coverage and facilitating transition to the formal economy: a two-track approach**

Successful examples of the extension of social security coverage to workers in the informal economy have focused on two broad policy approaches.

In many countries, the extension of social security to larger groups of the population has followed an approach that could be described as “**extend social protection through formalization**”, focusing mainly on existing social protection mechanisms (typically social insurance, to some extent also mutual funds (*mutuelles*) and other community-based microinsurance). This approach tends to prioritize specific groups of workers who are already close to the formal economy and have some contributory capacity, and may therefore be relatively easily covered by employment-based social protection mechanisms. In many cases, the extension strategy includes not only a change in legislation but also the adoption of measures to remove administrative obstacles to contributions by facilitating administrative processes and adapting contribution rates and benefit packages. Some examples are the inclusion of domestic workers in maternity and unemployment insurance (South Africa); occupation-/sector-based mutual funds or *mutuelles* (Senegal); facilitating registration and the collection of taxes and contribution collection through monotax mechanisms (Argentina, Uruguay); and the inclusion of self-employed workers in social insurance schemes (Algeria).

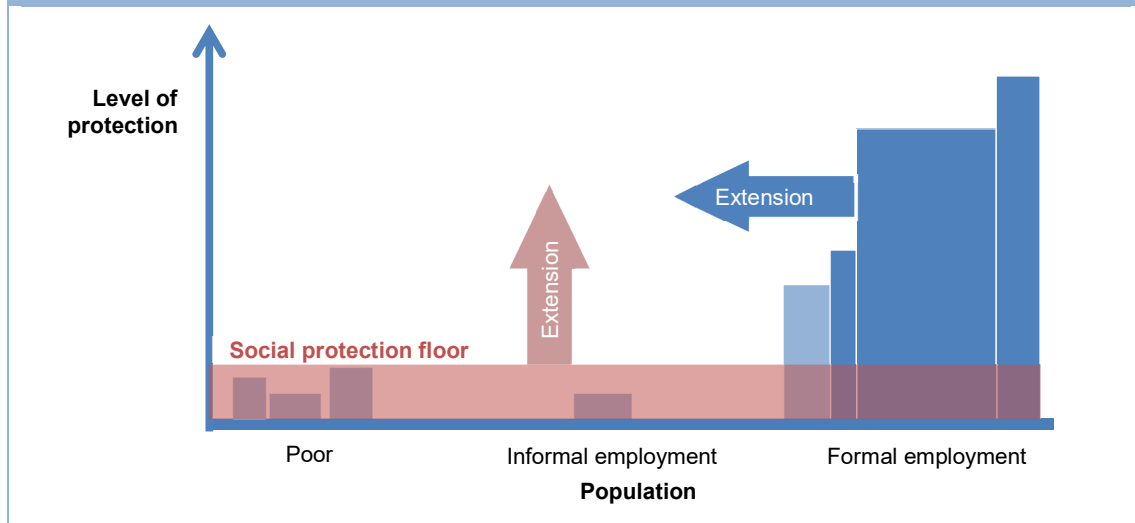
In other countries, the extension of social security to larger groups of the population has been pursued through a large-scale extension of non-contributory social protection mechanisms to previously uncovered groups, independently of their employment status and largely financed through government revenue derived from taxation, mineral resource revenue or external grants. This approach could be described as “**extend social protection independently of status**”, based on the expectation that investing in people through social protection helps workers to facilitate their access to health and education and enhance their income security and enable them to take greater risks, thereby enhancing productivity and facilitating the formalization of employment in the medium and long terms. Some examples are the introduction and expansion of cash transfer programmes for children and families (Brazil, Mexico, Mongolia), persons with disabilities (South Africa) and older persons (social pensions in Lesotho, Mauritius, Namibia, Nepal, Timor Leste, South Africa), as well as national health services.

These two basic approaches to closing social protection coverage gaps can be illustrated in a schematic way. Expanding on Box 1.3 above, Box 1.11 illustrates these two approaches to closing social protection coverage gaps:

- Bringing uncovered workers under the umbrella of existing social protection schemes or establishing new schemes, focusing largely on contributory mechanisms (see blue arrow in Box 1.11).
- Establishing a nationally defined social protection floor through a combination of non-contributory and contributory mechanisms (see red area in Box 1.11). Such a social protection floor guarantees a basic level of social security to all, providing them at a minimum with effective access to health care and a basic level of income security.



**Box 1.11: Strategies for the extension of social protection coverage for workers in the informal economy**



Both approaches to extending social protection are not mutually exclusive but can support each other in many ways. In fact, many of the countries that have successfully extended their coverage have combined the two approaches in **integrated two-track social protection strategies** that pursue the principle of universal protection, while taking into account the contributory capacities of different groups of the population. There is no one-size-fits-all solution: instead, countries have combined the two approaches to extend social protection to previously uncovered workers, while progressively providing higher levels of protection to as many people as possible and promoting transitions from the informal to the formal economy.

In the light of today's changes in the world of work, shaped by digitalization, climate change, migration, globalization and widespread inequality, both approaches will remain crucial for achieving universal and adequate social protection, and for extending social protection to workers in the informal economy.

Many observers agree that the way forward to universal social protection requires a combination of contributory and non-contributory (tax-financed) social protection mechanisms. Tax-financed schemes play an important role in ensuring that everyone enjoys a basic level of protection, in particular those groups who do not have access to any other social protection mechanisms. Contributory mechanisms play a vital role in providing adequate benefits because they tend to offer broader scope and higher levels of protection. If existing forms of social protection are weakened in favour of private or individual savings mechanisms, with their limited potential for risk-pooling and redistribution, coverage and benefit levels will be eroded. In particular, vulnerable groups of workers will not be able to accumulate sufficient entitlements under private arrangements owing to their work and income patterns. This will likely exacerbate inequality, especially gender inequality (ILO, 2018e).

For these reasons, social insurance will continue to play an essential role in providing higher levels of protection to workers, based on the principles of risk-sharing and solidarity. If well designed and adapted to ensure the coverage of larger groups, social insurance can facilitate the transition to the formal economy and contribute to more inclusion and social cohesion. Therefore, rather than dismantling existing forms of social protection, social protection systems will need to evolve to deliver continued protection for workers in all types of employment, including those who move between wage employment and self-employment, between different enterprises and sectors of the economy or between countries. This is an important element of a human-centred approach to the future of work (Global Commission for the Future of Work, 2019) which is at the core of the Centenary Declaration for the Future of Work adopted by the governments, workers' and employers' organizations of the ILO's 187 member States in June 2019.

A number of middle- and low-income countries have significantly extended social protection coverage to those in the informal economy and facilitated their transition to the formal economy through a two-track approach. Some examples are the extension of health protection in Thailand (universal health coverage scheme, formerly known as the "30 baht scheme"; see box 2.6) and Ghana's national health

insurance, which was subsidized for vulnerable groups (see box 6.22). Other examples are to be found in Argentina (combination of contributory and non-contributory social protection programmes for child and maternity benefits), Brazil (Bolsa Família; rural pension scheme) and Cabo Verde and South Africa (social insurance and large grants programmes), among others.

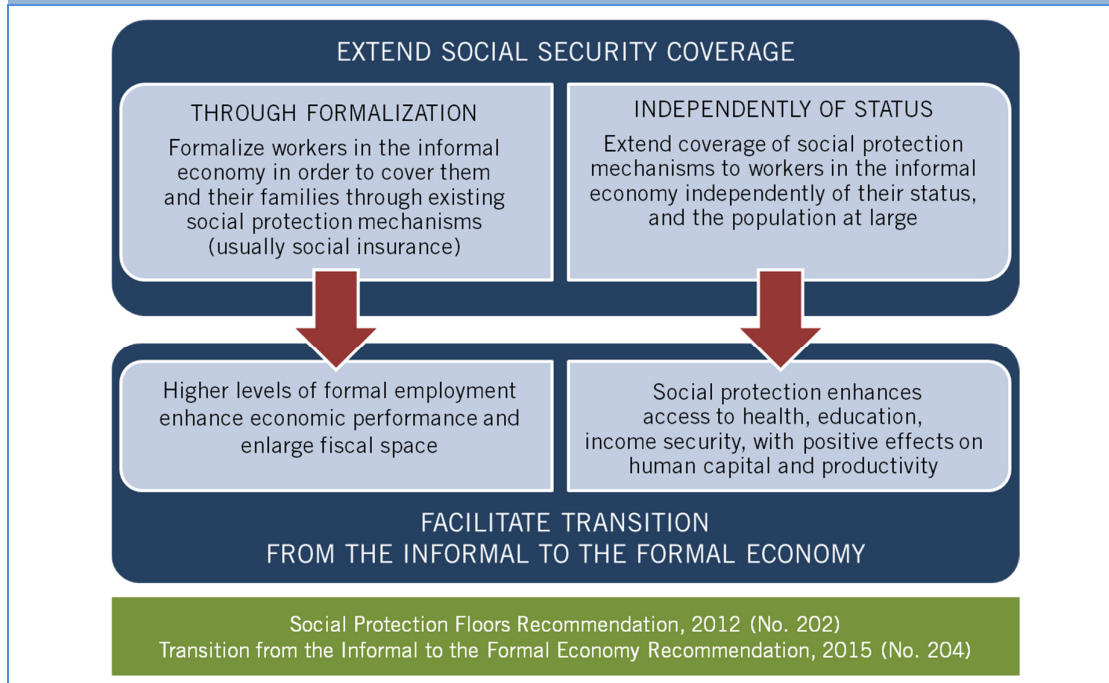
In fact, both approaches, to extending social protection, as well as and their combination in an integrated two-track approach, are reflected in both the ILO Social Protection Floors Recommendation, 2012 (No. 202) and the ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204).

Box 1.12 illustrates the two-track approach to the extension of social security coverage. Both policy tracks can facilitate transitions from the informal to the formal economy. The first policy track aims to encourage formalization directly and at fostering higher levels of formal employment, better economic performance and enlarged fiscal space. The second policy track focuses on the extension of coverage independently of employment status, which may not have immediate formalization effects but can foster transition to the formal economy in the long term by enhancing access to health, education and income security, with positive effects on human development and productivity (ILO 2017; 2014, chap. 6.6). Fostering transitions from the informal to the formal economy is not only essential for improving universal access to adequate and sustainable social protection, but also contributes to broadening the tax base and creating the fiscal space that is necessary for equitable and effective public policies (IMF 2017; Gaspar, Gupta, and Mulas-Granados 2017).

In designing strategies for the extension of social protection coverage, it is important to ensure that effective incentives for formalization exist, and to avoid disincentives that may discourage the transition to the formal economy. Good coordination between the different elements in a social protection system is essential in order to ensure adequate coverage and maintain effective incentives for formalization. In addition, coordination with other policies, such as employment, macro-economic and fiscal policies, as well as policies that support sustainable enterprises, are essential for fostering transitions from the informal to the formal economy for both economic units and workers, and ensure financially sustainable and equitable social protection systems and public budgets. Adequate benefits and a sufficient level of risk-sharing and redistribution can be achieved through a staircase approach, whereby higher levels of contribution and formalization correspond to better-quality social security benefits (higher benefits, more comprehensive benefits), while ensuring a basic level of social security for all (Goursat and Pellerano 2016).

It is important to coordinate and integrate contributory and non-contributory schemes within a broader national social protection system. If a contributory social protection scheme provides inadequate, low-quality benefits that are only slightly higher than those provided by the non-contributory social protection scheme, this may create perverse incentives for workers to remain in, or join, the informal economy. When extending social insurance schemes to workers in the informal economy, it is therefore important to provide high-quality services and ensure that the priority needs of workers and employers in the informal economy are addressed so that they see the value of contributing to the social insurance scheme. Furthermore, if government subsidies are provided to support the social insurance participation of workers with limited contributory capacity, particular care should be taken that these do not subsidize informality per se, but maintain and strengthen incentives to move from the informal to the formal economy, as to ensure sustainable and equitable social protection systems (see section 6.4 below).

**Box 1.12: Two-track approach to the extension of social security coverage and facilitating transition from the informal to the formal economy**



The guidance provided by two recently adopted Recommendations, Nos 202 and 204, points to the importance of achieving universal social protection coverage for all. Recommendation No. 202 calls for the establishment of nationally defined social protection floors as part of progressively comprehensive social security systems (see Box 1.13).

### Box 1.13: Extending social protection coverage: Guidance from international social security standards

International labour standards clearly support the importance of extending social protection coverage. The Universal Declaration of Human Rights of 1948 (Arts 22 and 25) and the International Covenant on Economic, Social and Cultural Rights of 1966 (Arts 9 and 11) recognize social security, including social insurance, as a human right.

The Social Protection Floors Recommendation, 2012 (No. 202) provides guidance for the extension of at least a basic level of social security to all through nationally defined social protection floors, including to workers in the informal economy. This Recommendation complements earlier standards, including the Social Security (Minimum Standards) Convention, 1952 (No. 102).

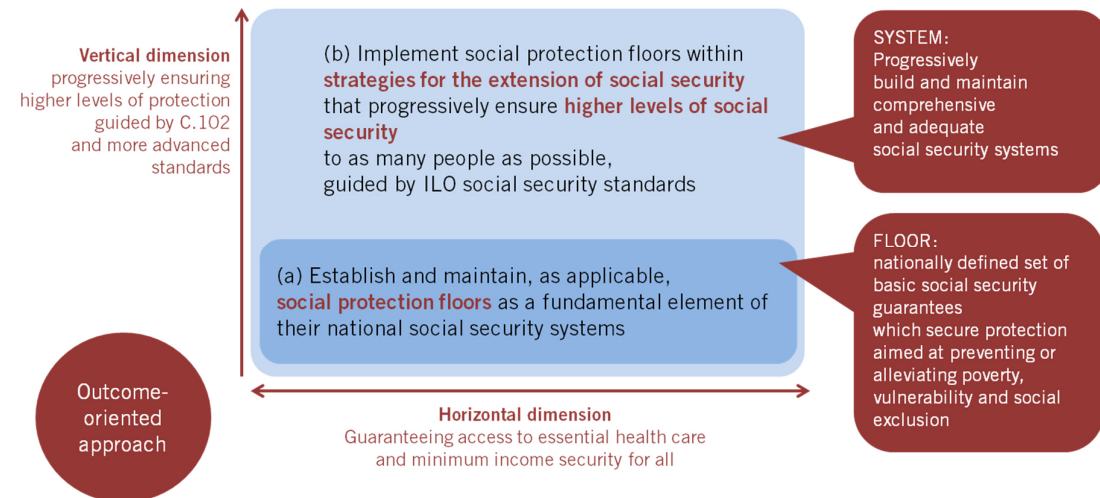
Recommendation No. 202 calls on the ILO's now 187 member States to "establish as quickly as possible and maintain their **social protection floors** comprising basic social security guarantees. The guarantees should ensure at a minimum that, over the life cycle, all in need have access to essential health care and to basic income security which together secure effective access to goods and services defined as necessary at the national level." (para. 4).

The establishment of social protection floors is part of national social security extension strategies, which should:

"(a) prioritize the implementation of **social protection floors** as a starting point for countries that do not have a minimum level of social security guarantees, and as a fundamental element of their national social security systems; and

(b) seek to provide **higher levels of protection** to as many people as possible, reflecting economic and fiscal capacities of Members, and as soon as possible." (para. 13(1)).

The Recommendation emphasizes that "social security extension strategies should apply to persons both in the formal and informal economy and support the growth of formal employment and the reduction of informality" (para. 15).



Source: Based on (ILO, 2014a, chap. 6.6, see also ILO, 2017a, 2017b).

Recommendation No. 204 echoes this important point as part of broader strategies to foster transition from the informal to the formal economy (see Box 1.14).

**Box 1.14: Main elements of Recommendation No. 204**

The Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) recognizes the lack of protection of workers in the informal economy and provides guidance for improving their protection and facilitating transitions to the formal economy. It also recognizes that decent work deficits – the denial of rights at work, the absence of sufficient opportunities for quality employment, inadequate social protection and the absence of social dialogue – are most pronounced in the informal economy, and that most people enter the informal economy not by choice but as a consequence of a lack of opportunities in the formal economy and in the absence of other means of livelihood.

Recognizing the complexity of informality, the Recommendation covers various policy areas, including legal and policy frameworks; employment policies; rights and social protection; incentives, compliance and enforcement; freedom of association, social dialogue and the role of employers' and workers' organizations; and data collection and monitoring.

With regard to social protection, the Recommendation provides that countries should:

- ensure that an integrated policy framework to facilitate the transition to the formal economy is included in national development strategies or plans as well as in poverty reduction strategies and budgets, taking into account the role of different levels of government, and ensuring close coordination between the relevant bodies and authorities. This integrated policy framework should address the **establishment of social protection floors**, where they do not exist, and the **extension of social security coverage**; (paras 10, 11 and 12)
- progressively extend in law and practice, through the transition to the formal economy, to all workers in the informal economy, **social security, maternity protection**, decent working conditions and a minimum wage that takes into account the needs of workers and considers relevant factors, including but not limited to the cost of living and the general level of wages in their country; (para. 18)
- pay particular attention to the needs and circumstances of those in the informal economy and their families in **building and maintaining national social protection floors within their social security system** and facilitating the transition to the formal economy; (para. 19)
- progressively extend, through the transition to the formal economy, the coverage of **social insurance** to those in the informal economy and, if necessary, adapt administrative procedures, benefits and contributions, taking into account their contributory capacity; (para. 20)
- encourage the provision of and access to affordable **quality childcare and other care services** in order to promote gender equality in entrepreneurship and employment opportunities and to enable the transition to the formal economy; (para. 21)
- reduce compliance costs by introducing **simplified tax and contributions assessment and payment regimes** and **improve access to social security coverage** with respect to the formalization of micro and small economic units. (para. 25)

Recommendation No. 204 emphasizes in particular the important links between different policy areas, which should ideally be combined in an integrated approach (see Box 1.15). Such an integrated approach makes it easier to combine social protection interventions with complementary policy interventions in order to address barriers to entering the formal sector and supporting the transition to the formal economy, including employment and labour market policies, labour market regulation and public procurement policies.

Experience from many countries has shown that isolated policy interventions stand little chance of succeeding if barriers in other policy areas persist. On the other hand, integrated formalization strategies that address a broad range of barriers to formalization in several policy areas have led to a genuine transformation of employment patterns and a marked extension of social security coverage. For example, Brazil has combined policies to extend social protection coverage by facilitating access to contributory schemes for workers in rural areas (rural pensions), the self-employed and workers in microenterprises.

**Box 1.15: ILO's integrated Decent Work Strategy to facilitate the transition to formality**


### 1.5.2 Key lessons learned on the extension of coverage

The extension of social protection coverage to workers in the informal economy requires a comprehensive strategy to overcome the various barriers to social protection coverage. In most cases, a combination of different measures will be necessary to address different barriers and to offer an effective, equitable and sustainable solution. As outlined above, there is no one-size-fits all approach – solutions will always need to respond to concrete challenges and realities. However, some general lessons learned are set out below and are elaborated in greater detail in the following chapters.

#### *Promoting a comprehensive and integrated strategy for the extension of coverage*

The extension of coverage to workers in the informal economy should be part of a comprehensive and integrated national social protection strategy, led by the Government and built around fundamental principles, including the universality of protection; the adequacy and predictability of benefits; financial, fiscal and economic sustainability; non-discrimination, gender equality and responsiveness to special needs; transparent and sound administration; and tripartite participation. Such an approach not only allows for broader risk-sharing but also strengthens a rights-based approach to social protection, grounded in human rights and international social security standards, so as to leave no one behind.

#### *Meeting priority needs and designing adapted solutions*

The needs of informal workers may differ, depending on their social and family status or their exposure to specific types of risks associated with working conditions/environment. Social protection benefits should be designed in a way that meets workers' priority needs, covering both short-term and long-term risks and providing quality benefits and services in a transparent way.

Strengthening the voice and participation of those in the informal economy is essential for ensuring that social protection responds to the needs and circumstances of workers in the informal economy. Their participation in decision-making processes can contribute to ensuring that policy solutions meet their needs and are adapted to their situation. In particular, governments should ensure that the views of workers and employers are reflected in the formulation of strategies to extend social protection coverage to workers in the informal economy (ILO 2017e). See Chapter 2 for more details.



### ***Raising awareness, sharing information and enhancing trust***

Awareness-raising is important to inform both workers and enterprises about social protection and the benefits of formalization, including through educational and awareness campaigns to enhance knowledge and understanding of the operations of social insurance schemes. Information programmes, information centres, helplines, publications, leaflets, websites and visits to employment centres may also be developed, tailored to the needs and circumstances of specific categories of workers and employers.

In addition, it is important to ensure that workers and the population at large have access to adequate communication channels and receive information on the level of benefits available. Information may be provided through information campaigns or online platforms (more common in developed countries) that will provide beneficiaries with the opportunity to learn about eligibility requirements, rights, obligations and entitlements. See Chapter 3 for more details.

### ***Extending legal coverage and adapting the legal framework***

It is necessary to ensure that legal frameworks are appropriate and adapted to the needs of both workers and employers and encourage the transition to the formal economy. Based on a review of legal frameworks and their applications to identify gaps in coverage, adapting social protection mechanisms to labour market realities and including categories of workers who operate outside an employment relationship are essential in order to cover a larger group of workers. See Chapter 4 for more details.

### ***Simplify administrative procedures***

In order to address barriers to coverage, administrative procedures may be simplified – including the registration of enterprises and workers and the payment of taxes and contributions – while ensuring that they are adapted to the needs and capacities of the target group. In that respect, it is essential to facilitate access to the administration (e.g. by providing more physical, online or mobile access points); the simplification of procedures and a reduction in the number of required documents; the pooling of different administrative services in single-window services (SWSs) or one-stop shops (OSSs); and the simplification of tax and contribution payment mechanisms. See Chapter 5 for more details.

### ***Taking into account the financial capacity of workers in the informal economy***

Given that the income of the large majority of workers in the informal economy is rather low, their contributory capacities are limited. It is therefore necessary to design schemes in a way that takes into account the contributory capacity of workers and envisages appropriate mechanisms to adapt contribution rates and contribution schedules. The combination of contributory and non-contributory schemes or the subsidization of contributions for those with limited contributory capacities may help to overcome those barriers. See Chapter 6 for more details.

### ***Facilitating the enforcement of the law and enhancing compliance***

Ensuring compliance with the legal framework is essential in order to enforce the law in a uniform way and ensure a level playing field for enterprises. In that regard, labour and social security inspections should be better adapted to the situation in sectors that have a high prevalence of informal employment. An appropriate balance between sanctions and incentives should be found. See Chapter 7 for more details.

### ***Complementing the extension of contributory coverage with non-contributory schemes, and building national social protection floors***

To guarantee a basic level of protection and avoid the exclusion of those groups of workers that do not have access to any other mechanisms, especially low-income groups in the informal economy, the extension of contributory social protection coverage should be complemented by efforts to build and strengthen non-contributory schemes. Many countries that have combined contributory and non-contributory schemes have managed to achieve a significant extension of coverage and guarantee at least a basic level of social protection for all, while also progressively providing higher levels of protection to those who have some contributory capacities. Given the high labour mobility of workers in the informal

economy, it is essential to ensure effective coordination between contributory and non-contributory benefits for the continued coverage of workers.

***Embed access to social protection in an integrated approach to facilitate transition from the informal to the formal economy***

The extension of social protection coverage is one important component of larger strategies to facilitate the transition from the informal to the formal economy. Linking different policy areas and strengthening synergies can multiply positive impacts. For example, training and skill-upgrading programmes that provide social protection can help to develop the productivity of workers and enhance their employability. Furthermore, enterprise policies that promote sustainable enterprises and a conducive business environment can enhance the business productivity of micro and small enterprises (MSEs), facilitate their transition to the formal economy and promote positive conditions for the formalization of their workers. See Chapter 7 for more details.

**Further reading on challenges and opportunities in extending social security to workers in the informal economy**

- Holmes, R.; Scott, L. 2016. [Extending social insurance to informal workers: A gender analysis. Working Paper 438](#) (ODI).
- ILO. 2013. [The informal economy and decent work: A policy resource guide: Supporting transitions to formality](#).
- ILO. 2017. [Building social protection systems: International standards and human rights instruments](#).
- ILO. 2017. [World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals](#).
- ILO. 2018. [Women and men in the informal economy: A statistical picture \(third edition\)](#).
- OECD and ILO. 2019. [Tackling Vulnerability in the Informal Economy](#), especially Chapter 4.
- Research, Network and Support Facility (RNSF). 2017. [Extending coverage: Social protection and the informal economy](#).

## 2 Formulating strategies for the extension of social protection coverage

### Key questions

- ? How to identify social protection coverage gaps and priority needs of workers in the informal economy? How to identify the main barriers to wider social protection coverage?
- ? How can universal coverage be achieved through a combination of different financing mechanisms, including contributory and non-contributory mechanisms?
- ? How can contributory schemes be adapted to the needs and situation of workers in the informal economy? In particular, how can these be designed in a way that responds to their contributory capacities? Should the extension of coverage prioritize mandatory or voluntary coverage?
- ? How can strategies for the extension of coverage be formulated through a national dialogue process? What is the rule of regular monitoring and reviews? How can the voice and participation of workers in the informal economy be ensured?

### Key messages

- \* Extending social security coverage for workers in the informal economy requires a comprehensive understanding of the situation of different groups of workers, the risks they face and the different factors contributing to their vulnerability.
- \* Formulating strategies for the extension of social protection coverage should be based on a thorough diagnosis of the situation and needs of workers in the informal economy, taking into account the diversity of contexts and needs, which depends, among other factors, on their status in employment and sector of activity.
- \* When formulating strategies for the extension of social protection to workers in the informal economy, some fundamental policy choices need to be made, particularly on the extent to which protection mechanisms should be contributory or not; whether mandatory coverage can be realized in the specific circumstances; and how to ensure the coordination of different protection mechanisms within the broader social protection system.
- \* The formulation of extension strategies should be based on a dialogue that includes the voice and participation of workers in the informal economy.
- \* The implementation of extension strategies should be regularly monitored, in line with Recommendation No. 202.

### 2.1 Formulating strategies based on an evidence-based and participatory approach

#### 2.1.1 *From diagnosis to monitoring: A stepwise approach*

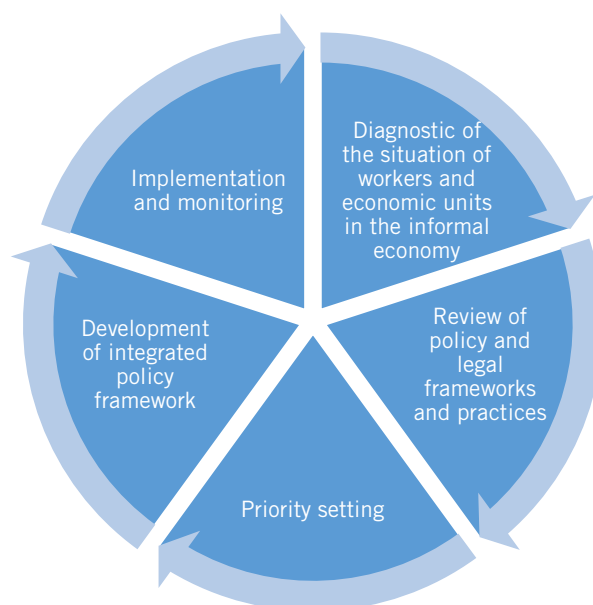
Extending social security coverage for workers in the informal economy requires a comprehensive understanding of the situation of different groups of workers, the risks they face and the different factors contributing to their vulnerability. This chapter addresses some of the key elements that should inform national strategies for the extension of coverage to workers in the informal economy. Such strategies

could be stand-alone strategies, but in most cases would be part of national social protection strategies or national strategies to foster the transitions from the informal to the formal economy. In all cases, they should follow the guidance that is set out in Recommendation No. 202 (see Box 2.2) and Recommendation No. 204 (see Box 1.14).

International experience shows that a stepwise approach provides a useful framework for the formulation of policies and their implementation (see Box 2.1), including:

1. **A diagnostic of the situation of workers and economic units in the informal economy**, including with regard to the identification of coverage gaps and barriers to coverage for different categories of workers, both women and men, as well as with regard to the situation of economic units in the informal sector, including with regard to their productivity and contributory capacity. This assessment should be based on sufficiently detailed quantitative and qualitative information, complemented by a broader assessment of the labour market and macroeconomic situation at the national or local levels.
2. **A review of regulatory and policy frameworks and practices** that focuses in particular on identifying and analysing barriers to coverage and identifies options for possible reform, taking into account priority needs and the diversity of situations of those in the informal economy (see section 2.2 below).
3. **Priority-setting** to identify and select policy options and agree on a sequence of actions and time frames for the extension of coverage to workers in the informal economy (see section 2.3 below).
4. **The development of an integrated policy framework** that ensures policy coherence and a well-functioning institutional set-up.
5. **Implementation and monitoring**, including a monitoring and evaluation system and impact assessment, which also provides the basis for a regular review – and if necessary adjustment – of the policy framework (see section 2.4 below).

It is essential to conduct the full process in a participatory way, including workers' and employers' representatives and other relevant stakeholders.

**Box 2.1****Policy cycle for the extension of social security to workers in the informal economy and supporting their transition to the formal economy**

Setting objectives and identifying social protection coverage gaps and priority needs ensures that the formulation of policy options is based on a sound diagnosis of the situation and needs of workers in the informal economy, as set out in more detail in section 2.2 below. Such a diagnosis should take into account the enormous diversity of the situations of workers in the informal economy, which depend, among other factors, on their status in employment and sector of activity. In order to illustrate that diversity, this guidebook focuses on five categories of workers who often find themselves in informal employment: (a) self-employed workers, including own-account workers; (b) workers in micro and small enterprises; (c) agricultural workers; (d) construction workers; and (e) domestic workers.

When formulating strategies for the extension of social protection to workers in the informal economy, some fundamental policy choices must be made. Section 2.3 discusses some of those choices, in particular the relationship between contributory and non-contributory schemes; their respective strengths and weaknesses; their coordination within comprehensive social security systems; and the question of whether coverage extension strategies should prioritize mandatory or voluntary coverage.

### Box 2.2 Extending social security to workers in the informal economy: Guidance provided by Recommendation No. 202

The Social Protection Floors Recommendation, 2012 (No. 202) provides guidance for the **formulation of national strategies for the extension of social security**, as follows:

13(1) Members should **formulate and implement national social security extension strategies**, based on **national consultations through effective social dialogue and social participation**. National strategies should:

- (a) **prioritize the implementation of social protection floors** as a starting point for countries that do not have a minimum level of social security guarantees, and as a fundamental element of their national social security systems; and
- (b) **seek to provide higher levels of protection** to as many people as possible, reflecting economic and fiscal capacities of Members, and as soon as possible.

(2) For this purpose, Members should **progressively build and maintain comprehensive and adequate social security systems** coherent with national policy objectives and seek to coordinate social security policies with other public policies.

14. When formulating and implementing national social security extension strategies, Members should:

- (a) **set objectives** reflecting national priorities;
- (b) **identify gaps** in, and barriers to, protection;
- (c) **seek to close gaps** in protection through appropriate and effectively coordinated schemes, whether contributory or non-contributory, or both, including through the extension of existing contributory schemes to all concerned persons with contributory capacity;
- (d) **complement** social security with active labour market policies, including vocational training or other measures, as appropriate;
- (e) **specify financial requirements and resources** as well as the **time frame** and **sequencing** for the progressive achievement of the objectives; and
- (f) **raise awareness** about their social protection floors and their extension strategies, and undertake information programmes, including through social dialogue.

15. **Social security extension strategies should apply to persons both in the formal and informal economy and support the growth of formal employment and the reduction of informality**, and should be consistent with, and conducive to, the implementation of the social, economic and environmental development plans of Members.

16. Social security extension strategies should ensure support for **disadvantaged groups and people with special needs**.

17. When building comprehensive social security systems reflecting national objectives, priorities and economic and fiscal capacities, Members should **aim to achieve the range and levels of benefits set out in the Social Security (Minimum Standards) Convention, 1952 (No. 102)**, or in other ILO social security Conventions and Recommendations setting out more advanced standards.

18. Members should consider ratifying, as early as national circumstances allow, the Social Security (Minimum Standards) Convention, 1952 (No. 102). Furthermore, Members should consider ratifying or giving effect to, as applicable, other ILO social security Conventions and Recommendations setting out more advanced standards.

### 2.1.2 Addressing the extension of coverage in assessment-based national dialogues on national social protection systems

Many countries choose to use an assessment-based national dialogue (ABND) approach to formulate their national social protection or social security strategies and build their social protection systems, including floors (ILO, 2019b, 2017a). The ABND process provides a structured approach to a national dialogue that ensures the participation of social partners and other stakeholders and an informed discussion of different policy options (ILO, 2016c; see also box 2.3).

### Box 2.3: Assessment-based national dialogue approach

The assessment-based national dialogue (ABND) approach can support national dialogue processes in taking stock of existing social protection realities; understanding what elements of national social protection floors are already in place; and identifying policy and implementation gaps (ILO, 2016). A guide developed by the ILO provides the necessary knowledge and expertise for conducting ABND exercises and relevant country cases. The ABND exercise is the first step towards the implementation of a nationally defined social protection floor as part of a comprehensive social protection system. The timeline of the ABND process varies, but normally takes around 18 months, as was the case in Indonesia, Mongolia and Thailand.

The ABND process consists of three steps: (1) building the assessment matrix, (2) costing policy options and (3) finalization and endorsement. The assessment matrix lists and describes the existing social protection schemes, in particular those related to social protection floors guarantees for health, children, those of working age and the elderly (see also Checklist 2.3). The matrix should be prepared in workshops convened to include all relevant stakeholders. Having developed the matrix and identified the existing schemes and the direction of reform, stakeholders move to the next step and analyse the implementation costs. The ILO rapid assessment protocol model can support the initial costing of policy options; it provides a ten-year projection of cost estimations for discussions on the fiscal space and government budget reallocations. The final step is to share the recommendations with government representatives, workers and employers and civil society organizations in order to validate the report technically and endorse it politically.

Source: Based on ILO, 2016c.



As the extension of social protection to workers in the informal economy is often one of the main priorities for national social protection strategies, it is essential to base such national dialogues on a thorough assessment of the situation of workers in the informal economy and the existing barriers to the extension of coverage. The following sections include additional insights and tools with regard to the participation of all stakeholders, including workers in the informal economy (section 2.1.3); the identification of coverage gaps and priority needs (section 2.2); the design of policy solutions (section 2.3); as and monitoring and regular reviews (section 2.4).

#### 2.1.3 Ensuring the participation of all relevant stakeholders: Voice and representation

Formulating strategies for the extension of social protection coverage to workers in the informal economy should be based on a broad national dialogue that takes into account the different perspectives of the government, workers and employers, and other stakeholders.

The meaningful and effective participation of workers and employers in the informal economy is an essential precondition for the formulation of strategies for the extension of coverage. Representatives of workers and their employers need to make their voices heard when it comes to the identification of coverage gaps and priorities for coverage, as well as in the formulation of possible policy options.

Their voice and participation is key to building trust and public support and ensuring a sense of ownership (ILO 2013d). In line with the guidance provided by Recommendations Nos 202 and 204 (see Box 2.4), it is therefore essential to ensure the participation of workers and economic units in the informal economy (ILO forthcoming).



### **Box 2.4: Guidance on ensuring the participation of relevant stakeholders in Recommendations Nos 202 and 204**

ILO Recommendations Nos 202 and 204 both address the participation of relevant stakeholders in the formulation of policies to extend social protection to workers in the informal economy. The guidance provided by both recommendations highlights the important role of bipartite and tripartite social dialogue mechanisms in enabling the participation of representative organizations of employers and workers, while recognizing the important role of wider consultations with all persons concerned.

Recommendation No. 202 is based on the principle of “tripartite participation with representative organizations of employers and workers, as well as consultation with other relevant and representative organizations of persons concerned” (para. 3(r)). Such participation is essential, in particular with regard to:

- the definition of the basic social security guarantees that constitute the nationally defined social protection floor; (para. 8)
- the formulation and implementation of national social security extension strategies (paras 13, 14);
- the monitoring of progress in implementing social protection systems, including floors (para. 19).

Recommendation No. 204 emphasizes the importance of enabling those in the informal economy to enjoy freedom of association and the right to collective bargaining (paras 31–32); encourages employers’ and workers’ organizations to extend membership and services to workers and economic units in the informal economy (para. 33); and recognizes the need for consultation and active participation of “the most representative employers’ and workers’ organizations, which should include in their rank, according to national practice, representatives of membership-based representative workers and economic units in the informal economy” in the design, implementation and evaluation of policies and programmes of relevance to the informal economy (para. 34).

### **Checklist 2.1: Ensuring the participation of all relevant stakeholders in national dialogue**

- Are national social protection strategies formulated based on a national dialogue that includes representatives of workers from different sectors of the informal economy?
- Do these representatives have sufficient capacities to participate in the dialogue and represent workers?
- What measures could be taken to facilitate the organization of workers in the informal economy and their participation in national dialogues?

## **2.2 Identifying social protection coverage gaps and priority needs**

The extension of coverage to workers in the informal economy should start with an informed assessment of current social protection coverage gaps and priority needs and take into account the priority needs and the diversity of situations of those in the informal economy.

### **2.2.1 Identifying social protection gaps and barriers to coverage**

In order to develop a strategy to improve social protection coverage for workers in the informal economy, it is important to better understand the existing barriers to social protection coverage for specific groups of workers in the informal economy.

**Checklist 2.2: Identifying social protection gaps of workers in the informal economy**

- What are the social protection gaps for different categories of workers in the informal economy?
  - Differentiate between different categories of workers, such as wage workers, self-employed workers and workers in different sectors and occupations (e.g. agricultural workers, domestic workers) in order to reflect the diverse situations of workers in the informal economy (see section 2.2.3 below).
  - Take into account the different situations and experiences of women and men, different age groups, urban and rural populations, persons with disabilities, migrant workers and other especially vulnerable groups.
- Identify possible barriers to social security coverage and formalization, including legislative, administrative, financing and other barriers.
- Do the existing data provide an accurate and detailed picture of the situation of the population with regard to informal employment and social protection coverage? In order to strengthen the knowledge base, consider exploiting additional available data sources, including:
  - labour force surveys
  - household consumption or income surveys
  - health surveys
  - censuses
  - enterprise surveys
  - administrative data obtained from ministries and social security institutions
- What social protection gaps have been identified by the workers themselves? What barriers to protection have they identified? What areas of protection have they identified as priorities? This information may be obtained through one or more of the following channels (see section 2.1.3 above):
  - consultations with formal or informal organizations of informal workers (trade unions, associations)
  - surveys of workers in the informal economy
  - focus group discussions with workers in the informal economy

In order to systematically identify social protection gaps and barriers to coverage, an expanded assessment matrix (see Checklist 2.3) can be used to add more detail to the social protection floor assessment matrix used as part of an ABND process (ILO 2016h). This assessment can be conducted as part of a national dialogue process (see Chapter 8) or as a separate exercise.

The assessment matrix offers a detailed framework for analysis of the current situation, social protection gaps and barriers to coverage. Given the diversity of workers in the informal economy, the assessment matrix should be prepared for specific groups of workers, such as own-account workers in a specific sector, domestic workers or agricultural workers, with as much detail as possible. To the extent possible, it should be based on statistical information available at the national or international levels (ILO 2018f).

The assessment matrix contains the following elements:

- **Objectives:** What are the stated objectives and priorities according to national priorities and international obligations?
- **Current situation:** What is the current situation policy situation, in particular with respect to the available schemes and programmes?
  - **Existing:** What schemes and programmes currently exist? What are their main characteristics (fully or partially contributory or non-contributory/tax-financed, geographic and personal coverage, institutional structures, etc.)?
  - **Planned:** What reforms are already envisaged for the near future? Should existing schemes or programmes be reformed or should new ones be introduced?
- **Policy gaps:** Where does the current policy and legal framework leave specific groups of workers in the informal economy uncovered?

- **Legal barriers:** Does the existing legal framework exclude specific groups of workers altogether? Do certain legal provisions (e.g. minimum thresholds for size of the enterprise, working time, salary, etc.) lead to the exclusion of workers from legal coverage? (see Chapter 4 for more details).
- **Other policy gaps:** What other policy gaps contribute to an exclusion of coverage? Is there an appropriate balance between contributory, partially contributory and non-contributory schemes and programmes and are they adequately coordinated?
- **Implementation gaps:** What issues obstruct the implementation of the existing legal and policy framework and leave specific groups of workers without effective coverage?
  - **Financial barriers:** What financial barriers obstruct the extension of coverage to specific groups of workers? Are financing mechanisms in line with the contributory capacity of workers and their employers? Are the contribution payment schedules and procedures adapted to their needs and circumstances? (see Chapter 6 for more details).
  - **Administrative barriers:** What administrative barriers obstruct social protection coverage for workers in the informal economy? (see Chapter 5 for more details).
  - **Enforcement gaps:** To what extent does a lack of enforcement hamper social protection for workers in the informal economy? What are the specific barriers and gaps in that respect? What could be done to enhance compliance? (see Chapter 7 for more details).
  - **Other barriers:** What other implementation gaps impede the social protection coverage of specific groups of workers? These could include a lack of awareness or trust, or other factors not yet accounted for (see Chapter 3 for more details).
- **Policy recommendations (policy options):** What policy options could help to close the policy and implementation gaps and extend social protection coverage to workers in the informal economy? Those initial policy options should be further assessed for their financial, administrative and political feasibility.

The matrix set out in Checklist 2.3 below should be used to support the assessment of the current status of coverage of workers in the informal economy and the identification of policy gaps and barriers.

<b>Checklist 2.3: Expanded assessment matrix for the identification of gaps and barriers to social protection coverage for workers in the informal economy</b>										
	Objectives	Current situation		Policy gaps		Implementation issues				Recommendations (policy options)
		Existing provisions	Planned (strategy)	Overall policy gaps	Legal barriers	Financial barriers	Administrative barriers	Enforcement gaps	Other barriers	
<b>Health</b>										
Financial protection										
Other aspects of access to health										
<b>Income security</b>										
<b>Children</b>										
Cash and near-cash benefits										
Child care services										
<b>Persons of working age</b>										
Maternity										
Employment injury										
Sickness										
Disability										
Unemployment or loss of livelihood										
Other benefits										
<b>Older persons</b>										
Old-age pensions										
Other benefits										
Source: Based on Bonnet et al., 2012; ILO, 2012a, 2016c.										

### 2.2.2 Identifying priority needs

Workers in the informal economy are especially exposed to social risks and their lack of social protection renders them and their families particularly vulnerable. Those risks may negatively affect the earnings capacity and productivity of workers in the informal economy and therefore constitute not only a social risk but also an economic risk to their livelihood (ILO 2017f; RNSF 2017).

Depending on the context and already available protection mechanisms, different social protection areas may be identified as constituting a particular priority for the extension of social security coverage, as elaborated below.

**Health protection.** Ensuring effective access to health care through adequate health protection is essential for workers in the informal economy. Health-related out-of-pocket expenses are still one of the main causes of poverty. In recent years, increased efforts to achieve universal health coverage have led to significant progress, including through the extension of social health insurance with subsidization mechanisms for low-income groups, yet there is still a significant coverage gap that leaves many workers in the informal economy and their families unprotected (ILO 2014i; 2017f; WHO and World Bank 2017).

**Maternity-related risks.** Risks related to pregnancy and childbirth are a threat for most of the women employed in the informal economy. Ensuring effective access to maternity care is a critical element of any strategy to enhance maternity protection for women in the informal economy (ILO, 2014c, 2017a, Ch. 3.2). Indeed, Recommendation No. 202 emphasizes the importance of maternity care by calling for free prenatal and postnatal medical care for the most vulnerable (para. 8a). In addition, cash benefits are important to allow women workers in the informal economy to rest and recover after childbirth; establish breastfeeding; prevent health risks for women and their children; and ensure income security for women and their families during this critical period (ILO 2016c). For most workers in the informal economy, maternity leave is not supported with cash benefits, leading to a loss of income for women during the final stages of their pregnancy and/or after childbirth. The lack of income guarantees at that time forces many women to return to work prematurely, putting at risk their lives and the lives of their children (ILO 2017f).

**Employment injuries and occupational diseases.** Many workers in the informal economy are particularly exposed to the risk of employment injuries or occupational diseases throughout their working lives. Such risks are particularly acute where prevention mechanisms to promote occupational safety and health are weak or non-existent (Alfers, Lund, and Moussié 2017; Lund 2012). The lack of preventive and protective measures against employment injuries and occupational diseases puts at risk the majority of informal workers who are excluded from national legal frameworks. The extension of employment injury protection to workers in the informal economy, along with prevention mechanisms, can play a key role in preserving and restoring workers' productive capacities, facilitating access to health care and rehabilitation and ensuring income security (ILO, 2017a, chap. 3.4).

**Disability.** Many persons with disabilities work in the informal economy, partly owing to difficulties in securing formal employment and the challenges they face in accessing decent work that matches their skills, potentials and qualifications. Social protection measures play a key role in ensuring income security, health protection and social inclusion for them and their family members. This includes both disability benefits and access to "mainstream" benefits that would together ensure that social protection systems are inclusive for persons with disabilities (ILO, 2017a, chap. 3.5). The joint statement on disability-inclusive social protection systems (ILO and IDA 2019) provides useful guidance in that respect.

**Unemployment, underemployment and loss of livelihood.** Many workers in the informal economy face a high and constant risk of losing their job or their livelihood. Agricultural workers, for instance, because they are subject to income losses and/or reductions caused by draughts, seasonality of harvest and price distortions, are excluded from the dynamics of the economic market and exposed to a substantial risk of income insecurity [AW]. Social protection schemes and programmes play a key role in ensuring income security and facilitating access to employment. Relevant programmes include various types of cash benefit programmes, as well as employment guarantee programmes and other public employment programmes. In addition, contribution- or tax-financed unemployment benefit schemes can play a key role in protecting unemployed workers from slipping into informal employment

and facilitating their search for a new (formal) job, as well as facilitating structural changes in the labour market (ILO, 2017a, chap. 3.3).

**Income security in old age.** Most workers in the informal economy face income insecurity in old age and many are forced to continue working, often in difficult working conditions. Extending the coverage of old-age pensions to workers in the informal economy – whether financed by contributions, taxes or a combination of both – can ensure at least a basic level of income security; thereby significantly improving the lives of older persons and their families and strengthening their autonomy and dignity (ILO, 2017a, chap. 4; UNFPA and HelpAge International, 2012; HelpAge International, 2015).

While these social protection areas may all be important for workers in the informal economy, it may not be possible to address all of them at the same time; therefore, mechanisms of prioritization and sequencing may have to be found. In that process, it is important to listen to the priorities and concerns of workers in the informal economy, ensuring their effective participation (see section 2.1.3).

#### **Checklist 2.4: Addressing priority needs**

- In view of the existing social protection gaps (see section 2.2.1 above), what needs of workers in the informal economy should be addressed as a matter of priority, while taking into account their impact, workers' concerns and their feasibility?
- What unmet needs affect the well-being of workers most significantly? (impact)
- What needs do workers in the informal economy themselves consider as a priority? (workers' concerns)
- What unmet needs can be addressed relatively easily? (feasibility)
- Are there opportunities to find integrated solutions that address more than one priority concern at a time (e.g. health protection and income security)?

### **2.2.3 Taking into account the diversity of situations and needs of workers in the informal economy**

A single approach cannot sufficiently address the challenges that workers in the informal economy encounter, because the informal economy consists of various groups with different characteristics. This guidebook focuses on five specific groups with a high risk of informality but very different characteristics: (a) self-employed workers, including own-account workers; (b) workers in micro and small enterprises; (c) agricultural workers; (d) construction workers; and (e) domestic workers.

#### ***Self-employed workers, including own-account workers***

Self-employed workers, including own-account workers, may be excluded from coverage where social security legislation focuses on employees only. However, where legal coverage exists, it often does not translate into actual coverage, because the lack of an employer (who plays the role of co-financer and intermediary for employees) implies a greater administrative and financial burden for the self-employed person.

#### ***Workers in micro and small enterprises***

In many countries, workers in micro and small enterprises face a high risk of informality. While that is almost certainly the case for workers in informal economic units, many workers in registered MSEs are also left without social security coverage. The lack of coverage may be due to an exclusion from the legal framework (e.g. some social security laws are not applicable to enterprises with less than a certain number of workers) or to non-compliance with the legal framework, since many MSEs struggle with the administrative and financial requirements of social security coverage. In addition, many MSEs are trapped in a vicious cycle of low productivity and poverty, which limits their capacity to contribute to social protection schemes on their workers' behalf.

### ***Agricultural workers***

The exclusion of agricultural workers tends to be the result of the application of eligibility criteria based on working duration or hours, as well as a lack of legislation or enforcement of existing legislation, in particular with regard to temporary/seasonal workers, such as day labourers and part-time workers.

### ***Construction workers***

Construction tends to be one of the sectors of the economy with a relatively high prevalence of informality and undeclared work. The widespread lack of social security coverage in this sector tends to be associated with temporary work, often in the form of casual or seasonal work; high labour mobility; a high prevalence of subcontracting and unclear employment relationships; and a high proportion of migrant workers. Typically, the majority of workers in the construction sector are men – yet in many countries there is a significant proportion of women workers in construction.

### ***Domestic workers***

Many domestic workers are excluded from social security coverage, owing to a combination of factors. In some countries, domestic workers are not covered at all by labour and social security legislation; in others, they are covered in principle but do not meet the eligibility criteria (such as minimum thresholds for working time, earnings or duration of employment). Many domestic workers are also excluded owing to a lack of compliance and enforcement (ILO 2016i; 2013a). Typically, the large majority of domestic workers are women.



**Table 2.1: Overview of potential factors behind non-coverage of different categories of workers**

	<b>Self-employed/ own-account workers</b>	<b>Workers in micro and small enterprises</b>	<b>Agricultural workers</b>	<b>Construction workers</b>	<b>Domestic workers</b>
<b>Legal exclusion (or enforcement of special regulations)</b>	<ul style="list-style-type: none"> <li>Labour and social security legislation may not apply to the self-employed.</li> <li>In some cases, own-account workers may be effectively dependent on one "employer" (dissimulated employment relationship).</li> </ul>	<ul style="list-style-type: none"> <li>Labour and social security legislation may not apply to enterprises with a number of employees under a certain threshold for mandatory affiliation.</li> </ul>	<ul style="list-style-type: none"> <li>Labour and social security legislation may not or not fully apply to agricultural workers. Some relevant categories of workers (seasonal workers, temporary workers, day workers, smallholders) may also be excluded.</li> </ul>	<ul style="list-style-type: none"> <li>Prevalence of temporary, seasonal and casual work, which may be excluded from labour and social security coverage.</li> <li>High incidence of subcontracting, which makes it difficult to discern employment relationships.</li> </ul>	<ul style="list-style-type: none"> <li>Labour and social security legislation may not apply to domestic workers.</li> <li>Special regulations applying minimum working hours and/or income thresholds.</li> <li>Where applicable, social security schemes have lower contribution bases and reduced coverage of contingencies.</li> </ul>
<b>Lack of enforcement and control</b>	<ul style="list-style-type: none"> <li>Limited labour inspection capacities for MSEs and own-account workers.</li> </ul>	<ul style="list-style-type: none"> <li>Limited labour inspection capacities for MSEs.</li> <li>Common violation includes the failure to declare workers to the social security administration and to make social security contributions.</li> <li>Inspections to detect evasion by small enterprises are neglected because of the high costs involved.</li> </ul>	<ul style="list-style-type: none"> <li>Labour administration may not dispose of sufficient human and other resources to inform, assist and inspect remote agricultural enterprises.</li> <li>Difficulties in locating workers, following up their membership and ensuring compliance with the scheme due to frequent labour rotation.</li> </ul>	<ul style="list-style-type: none"> <li>Difficulties in locating workers, following up their membership and ensuring compliance with the scheme due to high mobility.</li> <li>High incidence of subcontracting, which makes it difficult to discern employment relationships.</li> </ul>	<ul style="list-style-type: none"> <li>State control is made difficult because employment in the service of a household is not considered a business activity.</li> </ul>
<b>Complex and burdensome administrative procedures and services</b>	<ul style="list-style-type: none"> <li>Disincentive to participation due to complex and costly registration and payment procedures.</li> <li>Difficulties in estimating actual incomes due to assumptions on the timing of payment of invoices.</li> </ul>	<ul style="list-style-type: none"> <li>Micro and small enterprises tend to have limited administrative capacities and therefore struggle more with administrative requirements than larger enterprises.</li> </ul>	<ul style="list-style-type: none"> <li>In the absence of local offices, registration may become challenging and expensive.</li> </ul>	<ul style="list-style-type: none"> <li>Short employment contracts (if they exist at all) and subcontracting complicate registration of workers.</li> </ul>	<ul style="list-style-type: none"> <li>Accumulation of jobs with more than one employer.</li> </ul>

**Table 2.1: Overview of potential factors behind non-coverage of different categories of workers**

	Self-employed/ own-account workers	Workers in micro and small enterprises	Agricultural workers	Construction workers	Domestic workers
<b>Costs and inadequate financing arrangements</b>	<ul style="list-style-type: none"> <li>• In some cases, very small contributory capacity due to low and unstable income, particularly for new entrepreneurs.</li> <li>• Lack of willingness to contribute due to a gap between types of benefits provided and priority needs.</li> <li>• Job mobility may exclude workers from receiving benefits even if they have contributed.</li> </ul>	<ul style="list-style-type: none"> <li>• Many micro and small enterprises operate on low productivity, which translates into weak financial capacities and limited contributory capacity.</li> <li>• Low administrative capacities to deal with the payment of contributions.</li> </ul>	<ul style="list-style-type: none"> <li>• Payment of contributions is linked to the seasonality of the harvest and subject to idiosyncratic and covariant risks.</li> <li>• The remoteness of agricultural activities prevents social security systems from delivering adequate services, thus decreasing interest in contributing to them.</li> </ul>	<ul style="list-style-type: none"> <li>• Low wages, high incidence of temporary employment and subcontracting relationships complicate the payment of contributions.</li> <li>• Job mobility may exclude workers from receiving benefits even if they have contributed.</li> </ul>	<ul style="list-style-type: none"> <li>• Sometimes the contribution is paid exclusively by the household employee.</li> <li>• Low wages.</li> <li>• Part of wage may be paid in kind if domestic worker is living in the household of the employer.</li> </ul>
<b>Lack of organization and representation</b>	<ul style="list-style-type: none"> <li>• Many self-employed workers are not organized and many of the existing organizations lack capacity.</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient representation of MSEs compared to larger enterprises.</li> <li>• Few specific organizations of MSEs have sufficient capacities.</li> </ul>	<ul style="list-style-type: none"> <li>• Less organization and voice due to remoteness of workers.</li> </ul>	<ul style="list-style-type: none"> <li>• Uneven degree of organization: high for larger enterprises and permanent workers, low for small enterprises and temporary/casual workers.</li> </ul>	<ul style="list-style-type: none"> <li>• Workplace in private households and high proportion of migrant and vulnerable workers pose challenges for the organization of domestic workers</li> </ul>
<b>Lack of information or awareness</b>	<ul style="list-style-type: none"> <li>• Poor knowledge of social security.</li> <li>• New entrepreneurs may undervalue the importance of social security to protect them against current and future risks.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of knowledge and awareness about the business case for social protection and the importance of covering workers.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of knowledge of existing social insurance schemes or on how to participate.</li> <li>• Difficulties in understanding legal rules rising from illiteracy and language barriers.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of knowledge of importance of social security and existing schemes, particularly among casual and migrant construction workers.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of knowledge of existing social security schemes, particularly among migrant domestic workers.</li> </ul>

## 2.3 Achieving universal coverage through a combination of contributory and non-contributory provision: policy choices

Achieving universal social protection coverage requires the seamless combination of contributory and non-contributory schemes. Hardly any country has ever achieved universal coverage and adequate benefit levels with either of these approaches alone – there are good reasons for combining both approaches within a comprehensive and well-coordinated social security system (see section 2.3.1). The combination of both approaches has been and will remain key for the social protection of workers and for extending protection to those in the informal economy (Alfers, Lund, and Moussié 2018).

Another fundamental policy choice is whether the extension of coverage can be achieved through mandatory mechanisms or whether voluntary approaches are being favoured (see section 2.3.2).

Finally, the key question is how to achieve a comprehensive social protection system that can guarantee universal coverage for all through appropriate and well-coordinated mechanisms (see section 2.3.3).

### 2.3.1 Combining contributory and non-contributory schemes

#### *The role of contributory schemes*

Contributory social protection schemes, most commonly social insurance, are an important element of social security systems. Such schemes are based on the payment of contributions by the protected persons or their employers, which give rise to entitlements or acquired rights.

Social insurance guarantees protection through an insurance mechanism based the principles of risk-sharing (risk-pooling) and solidarity. This implies that contributions are usually proportionate to the individual's earnings or defined as a uniform amount (as opposed to individually calculated risk premiums, as in commercial insurance) and that benefits are guaranteed in line with the applicable legal framework (ILO 2017f). In many cases, social insurance schemes contain some non-contributory elements, such as transfers from the government budget, to facilitate the coverage of workers with low incomes (partially contributory schemes). The level of protection offered in contributory schemes is usually higher than for many tax-financed schemes, aiming at maintaining a certain standard of living in the event of a risk or contingency and smoothing consumption across the life course.

In most countries, statutory social insurance schemes cover workers in (formal) waged or salaried employment and in many cases they also cover some categories of the self-employed. Historically, social insurance schemes are designed largely around the concept of (formal) wage employment, assuming a defined employment relationship based on a (written) contract, relatively stable over time, remunerated through regular salaries or wages and with contributions shared between workers and employers.<sup>6</sup> However, many social insurance schemes also include other categories of workers, such as the self-employed, for whom special rules may apply. If properly designed and adapted to self-employed workers and other difficult-to-cover workers, social insurance not only ensures higher levels of protection – based on the principles of solidarity and risk-sharing – but also facilitates labour market transitions.

Workers in the informal economy are by definition not usually covered by social insurance and other statutory provisions since social insurance coverage is often one of the criteria used to distinguish between formal and informal employment (ILO 2018f). This also implies that the extension of social insurance coverage to workers in the informal economy is a key element of the transition to the formal economy.

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<sup>6</sup> In practice, employers usually transfer the employee contribution to the social security institution on behalf of workers, together with their own share of the contribution.

Social insurance plays a key role in the financing of the social security system and can reduce the fiscal burden on the government budget by offering a reliable and stable financing mechanism that is insulated from day-to-day fiscal pressures.

#### Checklist 2.5: The role of contributory schemes

- What contributory social protection schemes, such as social insurance schemes, exist in the country?
- What categories of workers or of the population are covered by contributory schemes? Where are the main coverage gaps in terms of legal and effective coverage?
- What risks and contingencies do contributory schemes cover? What priority risks and contingencies are not covered?
- Are measures in place to facilitate coverage for those with low and irregular earnings?

#### *The role of non-contributory schemes and programmes*

Non-contributory schemes do not require contributions from protected persons but are mostly financed directly from the government budget — that is, from general taxation, other state revenues or in some cases external grants or loans.

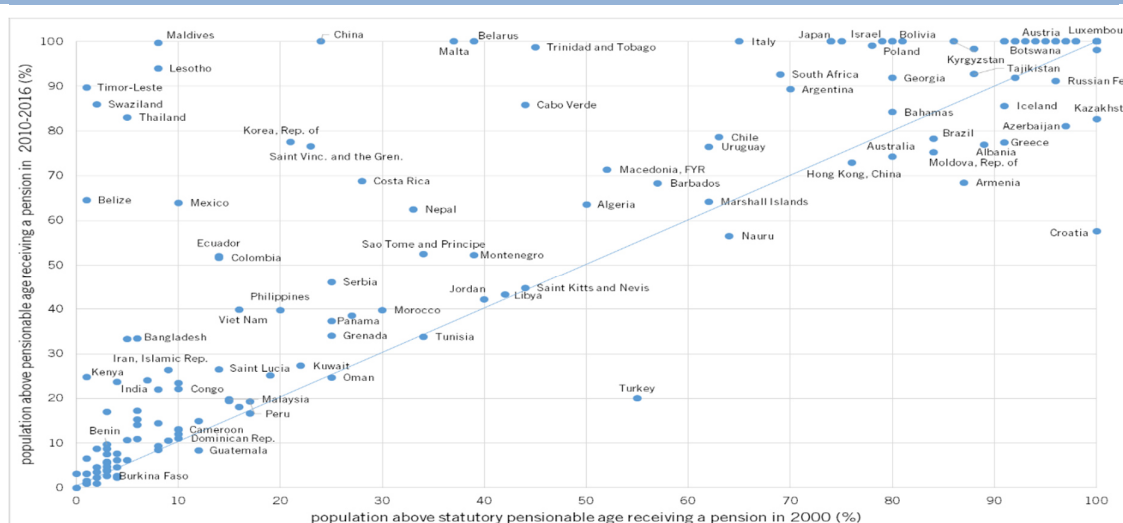
There are many types of non-contributory schemes, such as universal schemes for all residents (e.g. a national health service), categorical schemes covering certain broad groups of the population (e.g. a social pension or universal child benefit schemes)<sup>7</sup> or means-tested social assistance schemes that provide benefits for groups of the population living in poverty (usually based on a means test, a proxy means test or other targeting mechanism).

For example, the expansion of non-contributory forms of social protection has contributed to significantly expanding social protection coverage (ILO 2017f; World Bank 2017). For example, most countries have seen a marked increase in the pension coverage of older persons between 2000 and 2010, which in many cases can be explained by the introduction or expansion of non-contributory pension schemes, as was the case, for example, in Bolivia (Plurinational State of), Lesotho, Nepal, Thailand and Timor Leste. Those non-contributory pensions play a key role in ensuring at least a basic level of protection for older persons, especially those not receiving a pension from a contributory scheme.

Non-contributory schemes play a key role in ensuring a basic level of protection within the social protection system, in particular for poor and vulnerable groups who do not have access to any other mechanisms. For that reason, non-contributory schemes are an essential component of any nationally defined social protection floor.

<sup>7</sup> Categorical schemes are also frequently referred to as universal schemes.

**Figure 1.2: Expansion of old-age pension coverage (contributory and non-contributory pensions), 2000-2010**



Source: ILO, 2017, figure 4.5.

Many countries, including Brazil, Cabo Verde, Colombia, Ghana and Thailand, have managed to extend social protection coverage through a combination of contributory and non-contributory schemes, often combining social insurance with universal or categorical schemes and social assistance (ILO 2017f). The combination of those approaches allows ensuring a basic level of protection for all, while at the same time providing higher levels of protection to those who have some contributory capacities. This strategy has the potential to foster a social contract that includes a certain degree of risk-sharing and redistribution among different groups of the population.

#### Checklist 2.6: The role of non-contributory schemes and programmes

- What non-contributory (tax-financed) social protection schemes, such as universal programmes, social assistance schemes or relevant programmes exist in the country?
- What categories of workers in the informal economy are covered? Where are the coverage gaps?
- What needs are covered by the existing non-contributory schemes and programmes? Where are the gaps?

### 2.3.2 Mandatory versus voluntary coverage

One of the policy choices that governments need to make is whether the extension of coverage should be mandatory or voluntary – that is, whether the covered workers should have a choice of joining the scheme or not. That is not an easy choice to make, particularly in situations where there is limited information on the contributory capacity of the workers. Forcing workers (and possibly their employers) with low contributory capacities to pay contributions that they cannot afford may do more harm than good.

That is one of the reasons why many governments decide to extend coverage on a voluntary basis. Yet, many examples show that voluntary coverage rarely leads to a significant extension of effective coverage. In many cases, less than 10 per cent of those who would have the possibility to contribute, actually do so. For example, in Namibia, self-employed workers can voluntarily join the social security schemes under the Social Security Act of 1994, yet the uptake of that option has been very low to date. In Viet Nam, workers who are not covered by the mandatory social insurance scheme can participate in the voluntary regime; however, to date only about 200,000 workers – or 1.3 per cent of all workers – have joined (ILO et al, 2017).

Similarly, non-government schemes, such as a microinsurance or community-based health insurance schemes, also face difficulties in reaching significant levels of coverage. For example, in Cambodia, the Sokapheap Krousat Yeugn (SKY) community-based insurance scheme, which was launched in 1998 by a non-governmental organization as a voluntary health insurance to target workers in the informal economy, reached only between 3 and 14 per cent of the target population in the implementation districts (Soors et al. 2010).

There are at least three reasons for this.

**Adverse selection.** Voluntary coverage tends to be overwhelmed by problems of adverse selection. For example, health insurance schemes may attract mostly those with pre-existing health conditions, because they benefit most from health insurance coverage in the short run. Such adverse selection may trigger a spiral of higher contribution rates due to higher cost, so that the scheme will become less and less attractive as the cost of contributions increases.

**Small risk pools.** In many cases, voluntary coverage is associated with small risk pools that are not large enough to cope with certain types of risks and are vulnerable to large shocks. For example, if a mutual health fund includes only members from a limited geographic area or a certain occupational group, the risk pool is small and not able to provide effective protection in case of major shocks affecting a large number of members, such as an epidemic or natural disaster. Larger risk pools are able to absorb large shocks and systemic risks to a much greater extent and are therefore better equipped to provide a stable and sustainable protection for all members of the scheme.

**Dysfunctional incentives.** Offering voluntary coverage for certain types of employment can create perverse incentives for enterprises that seek to cut labour costs to employ workers under such arrangements, which provide less protection for workers and shift financial risks to them. As a result, such differentials in labour costs provide dysfunctional incentives that distort the functioning of labour markets and weaken social protection.

<b>Table 2.2: Advantages and disadvantages of mandatory and voluntary coverage of contributory schemes</b>		
<b>Dimension</b>	<b>Mandatory coverage</b>	<b>Voluntary coverage</b>
Coverage and adequacy	<ul style="list-style-type: none"> <li>+ Minimizes adverse selection effects.</li> <li>+ Ensures broad or even universal coverage, provided that adequate measures are taken to subsidize the contributions of those with low contributory capacities.</li> </ul>	<ul style="list-style-type: none"> <li>+ Allows those with some contributory capacity to enjoy social protection in the absence of other mechanisms.</li> <li>- Limited coverage potential for low-income individuals/households.</li> <li>- Risk of adverse selection of high-risk individuals.</li> </ul>
Financing and sustainability	<ul style="list-style-type: none"> <li>+ Potential for greater risk-pooling among the insured population.</li> <li>+ If contribution rates are differentiated according to the contributory capacity of members, there is greater potential for solidarity among members and redistribution.</li> <li>+ Higher potential for financial sustainability, particularly if the government can step in to complement the contributions of those with low contributory capacities.</li> <li>+ Potential for government subsidies of those with limited contributory capacity.</li> <li>- Requires significant financial engagement of the government or other sources in the context of limited contributory capacities.</li> </ul>	<ul style="list-style-type: none"> <li>+ Potential for self-financing social protection mechanisms for those in the informal economy.</li> <li>- Limited potential for risk-pooling and solidarity.</li> <li>- Where it is not possible to offer reduced contribution rates for low-income individuals, the most vulnerable are excluded.</li> </ul>
Governance and administration	<ul style="list-style-type: none"> <li>+ Government can act as a guarantor for the scheme.</li> <li>+ Large-scale schemes can benefit from economies of scale.</li> </ul>	<ul style="list-style-type: none"> <li>+ Can constitute an incentive for the organization of informal economy workers.</li> <li>- Governance and administration can be more demanding in smaller schemes than in larger ones.</li> </ul>

Given the limitations of voluntary coverage, many governments have moved from voluntary coverage to mandatory coverage (see Box 2.5).



**Box 2.5: Moving from voluntary to mandatory coverage: Experiences in Ghana, the Philippines, Rwanda and Thailand**

Voluntary coverage of workers in the informal economy can improve the situation of some groups of the population, particularly those that have a certain contributory capacity. However, country experience shows that in many cases, such programmes reach only a small proportion of those in the informal economy. In some cases, faced with low coverage rates of voluntary schemes, governments have made the effort to establish large-scale schemes with mandatory coverage.

In the Philippines, three years after its implementation in 1999, the Individual Paying Programme, which was targeted at self-employed workers, covered only 8.4 per cent of the target population and was in debt, while its enrolment was unstable. The Government subsequently established the PhilHealth scheme, which led to a significant extension of coverage.

The Voluntary Health Card Scheme was implemented in Thailand between 1983 and 2002 and aimed to provide access to health care for workers in the informal economy. The programme, which was targeted at non-poor households not eligible for the Medical Welfare Scheme, recorded a coverage of 19 per cent of the target population in 1999. The scheme was subsequently scaled up by creating a mandatory and subsidized scheme to achieve universal health coverage (see Box 2.6).

Ghana's National Health Insurance Scheme (NHIS) was implemented as a mandatory scheme based on a differentiated financing strategy. Those in formal employment contribute a certain percentage of their salary to the scheme; workers in the informal economy pay a reduced flat-rate contribution; and several other categories of the population (children, older persons, pregnant women, indigent population) are partially or fully exempted from contribution. As of 2012, 34.4 per cent of the population was covered (see box 6.23 for more details).

Rwanda has gradually extended its health insurance coverage since 2000, ensuring mandatory coverage in mutual health organizations (Sekabaraga et al., 2013). Today, roughly 96 per cent of the total population are covered through a differentiated schedule of contributions, supported by substantial transfers from the government budget and external funding (ILO 2017f; 2016g; WHO and World Bank 2017).

**Checklist 2.7: Considerations for the extension of an existing social insurance scheme to previously uncovered groups of the population, or the introduction of a new social insurance scheme**

- To what extent does a new scheme address priority needs? People are more willing to contribute if they understand the value of social security coverage in meeting their needs. In that respect, social security schemes meeting immediate needs (e.g. health care) may be easier to “sell” than schemes meeting needs occurring in a distant future (old-age pensions).
- To what extent does the target population have the capacity to contribute to the social insurance scheme?
  - Would mandatory contributions create hardship for some of the target population?
  - Is there the potential to establish differentiated contribution rates that reflect the contributory capacities of individuals or households?
- What mechanisms could be provided to fully or partly subsidize contributions for low-income households?
- To what extent might social insurance contributions offset other expenditures of individuals and households? For example, household expenditure on health insurance contributions should be offset by a reduction in out-of-pocket expenditure for health care.

### 2.3.3 *Progressive extension of coverage: Sequencing and time frames*

Extending social security coverage to workers in the informal economy cannot be achieved from one day to the next. Therefore, the progressive extension of coverage requires a sequencing strategy that defines a stepwise approach, with clear prioritization criteria and time frames.

#### *Establishing prioritization criteria*

The following criteria may be useful to inform decisions on the sequencing of steps and their time frames (Both et al. 2018):

- **vulnerability:** prioritizing groups with the greatest needs and gradually expanding to other groups;
- **organization and partnerships:** starting with enterprises or workers that already have a certain degree of organization and for which potential partners, such as trade unions, cooperatives or professional associations, could facilitate the extension strategy;
- **geography:** starting in areas with a high density of enterprises and/or workers to be covered and gradually expanding to other areas;
- **age cohorts:** starting with specific age cohorts<sup>8</sup> or specific groups, such as graduates of vocational training programmes, and gradually extending to other age cohorts or groups;
- **employment status/characteristics:** starting with categories of workers for whom the extension will be relatively easy to achieve and gradually expanding to other categories.

In defining the sequencing of extension, particular attention should be given to ensuring an ambitious yet realistic strategy, with clear time frames. That strategy should also be mindful of the possible undesirable effects of a gradual approach. For example, if the extension of coverage starts with employees, some employers may push workers into self-employment status in order to avoid paying contributions (Both et al. 2018).

In many cases, it may be necessary to adopt a stepwise approach to achieve the progressive extension of coverage, while in other cases, it may be necessary to combine contributory and tax-financed mechanisms in order to achieve universal coverage. Either way, it may be necessary to consider prioritizing groups with a high potential for success.

#### *Prioritizing groups already close to the formal economy*

In the case of contributory schemes, it may be feasible to start with groups that already have achieved a good level of organization and representation or are already closest to the formal economy. That, for example, was the strategy considered for the extension of coverage to the self-employed in Guyana (ILO 2018c) and Morocco (*régime des autoentrepreneurs*). It allows an opportunity for mechanisms to be tested and adjusted and the positive effects of coverage and building trust to be demonstrated, while coverage is progressively extended to other groups.

#### *Prioritizing groups with the greatest needs*

Tax-financed schemes follow a different rationale. In line with human rights principles, it would be advisable to start extending coverage for those with the highest levels of needs – that is, the most vulnerable (Sepúlveda and Nyst, 2012; UN OHCHR, 2012). It should be noted, however, that narrowly targeted approaches are rarely the most effective way to reach those most in need (ILO 2017f). It is therefore advisable to undertake a careful analysis of needs and possible policy options, based on a broad national dialogue.

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<sup>8</sup> For example, in the United Kingdom, all young people receive a national insurance card when they reach the age of 16 (Both et al. 2018).

### Further reading on formulating strategies for the extension of social protection coverage

- ILO. 2016. [Social protection assessment-based national dialogue: A global guide](#).
- ILO. 2017. [Building social protection systems: International standards and human rights instruments](#).
- ILO. 2017. [World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals](#).
- RNSF. 2017. [Extending coverage: Social protection and the informal economy](#).

### 2.3.4 Building integrated social protection systems

Effectively reaching universal coverage will require the implementation of several complementary instruments adapted to the specific characteristics of the different groups. To avoid the exclusion of some groups of workers, especially low-income groups in the informal economy, contributory schemes usually need to be complemented by non-contributory schemes that target those who are not able to pay any contributions. Table 2.3 summarizes the respective strengths and weaknesses of both types of scheme.

Table 2.3: Strengths and weaknesses of contributory and non-contributory schemes for the extension of social security coverage to workers in the informal economy		
Dimension	Contributory schemes	Non-contributory schemes
Coverage	<ul style="list-style-type: none"> <li>+ Social insurance can cover those with contributory capacities; however, for those with limited contributory capacity, subsidization mechanisms are necessary.</li> <li>- Other contributory mechanisms (provident funds, mutual funds, private insurance) offer no or limited potential for redistribution.</li> </ul>	<ul style="list-style-type: none"> <li>+ Universal/categorical schemes can cover the broad majority of the population, including those in the informal economy.</li> <li>+ Means-tested schemes provide critical support to those living in poverty or the most vulnerable, yet often cover only a few of those in the informal economy.</li> </ul>
Adequacy	<ul style="list-style-type: none"> <li>+ Can offer a higher level of protection.</li> <li>+ Legal frameworks usually set out benefit formulas, eligibility conditions and rules for the indexing of benefits.</li> </ul>	<ul style="list-style-type: none"> <li>+ Usually offer a basic level of social protection.</li> <li>+ Legal framework may not exist or may not specify benefit levels and indexing procedures.</li> </ul>
Financing and sustainability	<ul style="list-style-type: none"> <li>+ Financing through contributions provides a certain insulation from the political dynamics of budgetary processes.</li> <li>+ Willingness to pay is potentially higher for social insurance compared to general taxation.</li> </ul>	<ul style="list-style-type: none"> <li>+ Usually financed from general taxation or other state revenues – potentially a broad tax base – yet in many developing countries, the actual tax base is rather small.</li> <li>- Programmes are vulnerable to yearly budget decisions, which has a negative impact on financial stability.</li> <li>- Where financial resources are derived from external grants or loans, sustainability may be limited.</li> </ul>
Governance and administration	<ul style="list-style-type: none"> <li>+ Social insurance is usually based on a strong legal framework.</li> <li>+ Social security institutions are normally administered with the participation of representatives of protected persons and employers</li> </ul>	<ul style="list-style-type: none"> <li>+ Universal/categorical schemes usually enjoy broad political support, means-tested programmes less so.</li> <li>- Complex targeting mechanisms may limit transparency and accountability.</li> </ul>

For these reasons, most social security systems combine contributory and non-contributory schemes in one way or another, which allows them to reach universal coverage, build a nationally defined social protection floor and ensure higher levels of protection to as many people as possible.

Many countries, including Brazil, Cabo Verde (see Box 6.4), China, Colombia, Ghana (see Box 6.23) and Thailand (see Box 2.6), have managed to extend social protection coverage through a combination

of contributory and non-contributory schemes, combining social insurance with universal or categorical schemes and social assistance (ILO 2017f). The combination of these approaches ensures a basic level of protection for all, while at the same time providing higher levels of protection to those who have some contributory capacities. This strategy has the potential to fostering a social contract that includes a sufficient degree of risk-sharing and redistribution among different groups of the population.

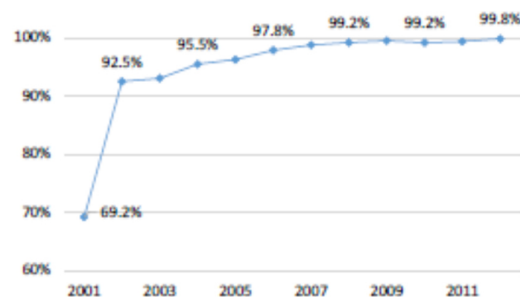
For example, Thailand introduced a Universal Health Coverage Scheme to complement the existing two contributory health insurance schemes to reach universal health coverage.

**Box 2.6: Thailand's universal coverage scheme: Subsidizing health coverage for all those not covered by the general health scheme**

In October 2001, the compulsory universal coverage (UC) scheme was established combining the previously existing Medical Welfare Scheme and Voluntary Health Card Scheme to expand health coverage to an additional 18 million people. The UC scheme covers all those not belonging to the General Social Security Health Insurance Scheme (for private formal sector employees) or the Civil Servants' Medical Benefit Scheme (CSMBS), for government retirees and their dependants). The target group largely consists of workers in the informal economy and their families, with low and volatile incomes.

Initially, a 30 baht co-payment was required from the insured person, but it was abolished in 2006 and the system is now totally free of charge. The scheme is financed solely from general tax revenue, paid to local contracting units on the basis of population size. The benefits package of the UC scheme is a comprehensive package very similar to the one under the other schemes, except for cash sickness benefits and annual check-ups. It includes inpatient and outpatient services in public and private facilities, maternity benefits, immunization and health education.

Before the introduction of the UC scheme in 2001, 30 per cent of Thailand's population was not covered by any health protection scheme. Just one year after its introduction, UC included 47 million people or 74 per cent of the population, while 13 per cent were covered by the general social security scheme and 10 per cent by the CSMBS, leaving approximately 3 per cent unprotected. By 2011, the schemes covered 99.8 per cent of the population.



Source: Based on (de la Rosa and Scheil-Adlung 2008; Thailand 2012, 40; ILO 2017f; 2016j). see also ILO: YouTube video entitled "[Universal health coverage in Thailand](#)".

Coordinating contributory and non-contributory benefits is essential for the sustained extension of coverage to workers in the informal economy. As labour mobility is frequent among this group of workers, they are likely to move both between employment and self-employment and between formal and informal work. It is therefore important to take labour mobility into account in designing social protection systems so that continued coverage is ensured (Bender, Kaltenborn, and Pfeleiderer 2013).

In this context, it is important to highlight the importance of effective and equitable financing structures and incentives for compliance. Schemes and programmes should be designed in a way that ensures adequate coverage, while strengthening incentives to operate in the formal economy. If government subsidies for workers with limited contributory capacity are associated with their informality status rather than with their income status, such subsidies may generate perverse incentives for operating in the informal economy (Bender, Kaltenborn, and Pfeleiderer 2013). For that reason, it is essential to link government subsidies to other characteristics of workers, such as a low level of income or other vulnerability indicators. This will ensure that government subsidies do not lock people into the informal economy<sup>9</sup> but instead help workers to move from the informal to the formal economy.

<sup>9</sup> In some instances, social protection has contributed to higher informality; however, those effects could have been avoided through better scheme design. For example, in Mexico, some formal workers moved to informality status to benefit from the health insurance for informal workers (Alderman and Yemtsov 2013). It is essential to design schemes so that subsidized mechanisms are not linked to informality status but to other characteristics (e.g. low earnings) so as to ensure that social protection coverage can help to facilitate the transition from the informal to the formal economy.

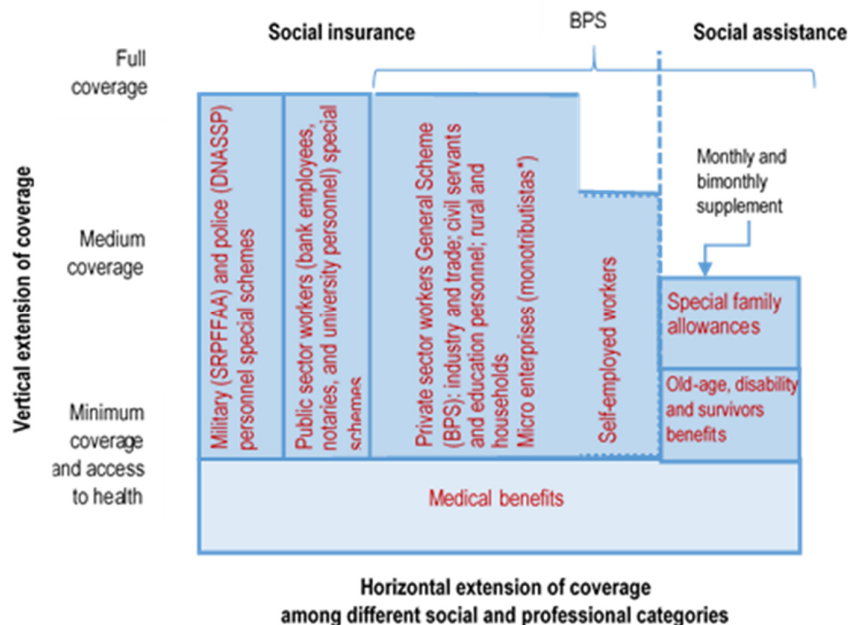
Good coordination between the different elements of a social security system is essential to ensure equitable and sustainable financing and optimize the efficient allocation of resources.

### Box 2.7: Building social security systems: Ensuring universal protection in Tunisia and Uruguay

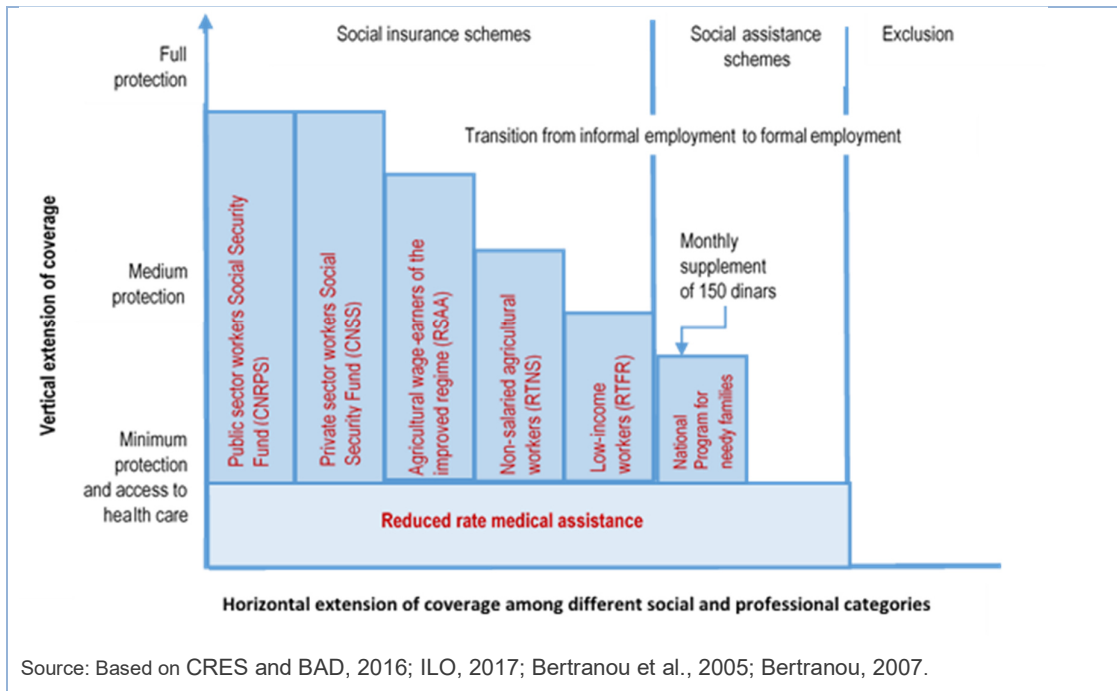
Social protection systems develop over decades. In most countries, several schemes exist alongside each other and coordinating them is at times more challenging than managing more unified systems. Nonetheless, fragmented systems can also successfully extend social protection coverage; however, this may require more investments in effective coordination mechanisms so as to ensure that people are covered throughout labour market and life transitions and that financing mechanisms are equitable and sustainable.

Despite having different types of systems, both Tunisia and Uruguay have both made enormous progress in extending coverage to workers in the informal economy.

Uruguay is an example of a relatively unified social protection system that covers the large majority of workers, including self-employed workers, under the general scheme. For some categories of workers, special rules apply to facilitate their coverage, as is the case, for example, for some self-employed workers and microenterprises.



Tunisia can be described as a more fragmented system composed by a several schemes for different categories of workers.



#### Checklist 2.8: Coordination of social protection schemes and programmes, including contributory and non-contributory schemes

- Does a national social protection strategy exist that provides a framework for the existing social protection schemes?
- Does the social protection system as a whole cover the entire population in need?
- Do benefit levels of existing programmes sufficiently address the needs of beneficiaries?
- Does a coordination mechanism function effectively between institutions and programmes?
- What mechanisms are in place to ensure coordination of the different elements of the social security system, including for:
  - the coordination of different contributory schemes, such as social insurance schemes;
  - the coordination between contributory and non-contributory schemes;
  - the coordination between different authorities involved in the governance and administration of social security, including different ministries and social security institutions.
- Are social protection schemes and programmes designed and coordinated so that effective incentives exist for the transition from the informal to the formal economy?
- What mechanisms exist to ensure continued social security coverage during labour market transitions, e.g. for a worker who moves between different sectors of the economy from wage employment to self-employment and vice versa?

### Further reading on achieving universal coverage through a combination of schemes

- ILO. 2012. [Social security for all: Building social protection floors and comprehensive social security systems: The strategy of the International Labour Organization](#).
- ILO. 2017. [Building social protection systems: International standards and human rights instruments](#).
- ILO. 2017. [World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals](#).
- International Social Security Association (ISSA). 2016. [ISSA Guidelines: Administrative Solutions for Coverage Extension](#).

## 2.4 Monitoring and regular reviews

An effective national monitoring framework is essential for evaluating progress in extending social protection coverage and building social protection systems. The guidance provided by Recommendation No. 202 (paras 19–24) emphasizes the importance of the regular review of progress made, based on appropriate data, statistics and indicators. The active participation of social partners and other stakeholders is also important for ensuring a broad knowledge base and wide political support.

Regular and detailed monitoring is particularly relevant when it comes to assessing the success of policies for extending coverage to workers in the informal economy. The experience of several countries, including Argentina, the Republic of Korea and Uruguay, demonstrates that policy reforms may need several rounds of adjustment until they are fully effective (see Box 2.8).

### Box 2.8: Monitoring progress and adjusting policies: lessons learned from Argentina, the Republic of Korea and Uruguay

Systematic monitoring of policy reforms is essential for improving their effectiveness. The introduction of simplified mechanisms for the payment of taxes and contributions (monotax mechanisms; see section 6.2.4) in Argentina and Uruguay initially had only limited success. However, both countries monitored the effects of the reform during the first few years of operation and were able to adjust the functioning of the mechanism, thereby significantly improving the effectiveness of the mechanism.

The progressive implementation of a reform can also provide an opportunity to monitor its effects in a limited setting and make any necessary adjustments while scaling up. For example, the Republic of Korea gradually extended coverage of its social insurance scheme by increasing the number of covered social security branches; including more categories of workers under legal coverage (e.g. reducing minimum thresholds with regard to enterprise size); and expanding geographic coverage (e.g. starting with urban areas and then expanding to rural areas).



### Checklist 2.9: Reflecting extension priorities in the regular monitoring and review of the social protection system

- Does a regular monitoring and review mechanism exist that can be used to monitor the extension of coverage to workers in the informal economy?
- If not, what would be required to establish such a monitoring framework, considering in particular the following requirements?
  - an appropriate range of social protection data, statistics and indicators that are disaggregated by relevant variables (e.g. gender, age, disability status);
  - a combination of different data sources, including for administrative and survey data;
  - effective coordination mechanisms between the different producers of statistics (e.g. social security institutions, other bodies administering social protection schemes and programmes and statistical offices) and the different users of statistics (e.g. ministries and planning commissions);
  - effective mechanisms for the participation of social partners and other stakeholders, including representatives of workers in the informal economy.

### Further reading on formulating strategies for the extension of social protection coverage to workers in the informal economy

- ILO. 2012. [Social security for all: Building social protection floors and comprehensive social security systems: The strategy of the International Labour Organization.](#)
- ILO. 2017. [Building social protection systems: International standards and human rights instruments.](#)
- ILO. 2017. [World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals.](#)
- OECD. 2019. [Lessons from the EU-SPS Programme: Monitoring and evaluating social protection systems.](#)
- OECD and ILO. 2019. [Tackling Vulnerability in the Informal Economy](#), especially Chapter 4.
- RNSF. 2017. [Extending coverage: Social protection and the informal economy.](#)

### 3 Raising awareness and building trust

#### Key questions

- ? Why are awareness and trust so important for extending social protection coverage and facilitating transitions to the formal economy?
- ? Why and how should employers and workers be better informed about social security rules and regulations?
- ? What are the benefits of formalizing informal enterprises and extending coverage to workers in the informal economy?
- ? Why are transparency, accountability and good governance so important for the extension of social protection to workers in the informal economy?

#### Key messages

- \* Transparency, accountability and good governance are key to ensuring that people can trust in the social protection system, realize their rights and honour their obligations.
- \* Information on rules and regulations (entitlements, processes, etc.) should be made easily accessible to both workers and employers, so that they are aware of the importance of social protection, about their rights and entitlements, as well as obligations.
- \* Social insurance schemes rely on the continued commitment of workers and their employers (if applicable) to comply with their obligation to register in the scheme and pay contributions, if required, so as to ensure the financial sustainability of the scheme.

#### 3.1 The importance of raising awareness, ensuring good governance and building trust

Raising awareness, ensuring good governance and building trust are crucial for any strategy to extend social protection coverage to workers in the informal economy. Unless these elements are in place, policies and programmes have little chance to succeed (ILO 2013d; 2019g).

Knowledge and information about social protection is key. Workers and employers need to know what social protection schemes are available to them, what their rights and obligations are and how they can access these schemes to ensure their protection. It is not sufficient, however, to disseminate information – building trust is equally important. Both workers and employers need to fully understand the value of social protection for them and they need to know that the social protection system is well governed and can effectively deliver.

Good governance and transparency are preconditions for making sure that social protection systems respond to the needs of workers, taking into account the constraints faced by employers (see box 3.13). If a social protection system effectively delivers the benefits and services that meet workers' and employers' expectations, it will also have the trust and the support of the population (ILO 2017f; ISSA 2014a).

The emphasis on good governance, information and trust may appear obvious. However, in many cases, a lack of trust in the system is stated by both employers and workers as one of the main driving factors of contribution evasion. At the same time, many of the measures that can be taken to raise awareness and improve governance do not require a complex reform of the legal framework or a change in the financing structures and can be undertaken within the existing budget.

For these reasons, this chapter has been placed intentionally as the first of the five chapters that summarize country experiences and good practices and provide practical guidance for measures to extend social security coverage to workers in the informal economy.

This chapter discusses effective strategies of raising the awareness of workers and employers on social protection (section 3.2). This includes strategies on how such information can be made better accessible for workers in general, in particular with regard to individual entitlements. In addition, it discusses the importance of good governance and highlights ways to strengthen the governance of social protection schemes (section 3.3), including recommendations on strategies for better access to complaint and appeal procedures and the importance of effective and efficient procedures and cost-efficiency.

## 3.2 Raising awareness through better communication and social security education

Efforts to extend social security coverage to workers in the informal economy depend critically on the capacity of the government to make available information on the relevant rules and regulations and ensure that social protection is accessible to all. Limited access to information can be a key constraint to covering workers in social security schemes. Not only should such information be easily available but it should also be provided in formats that are simple to grasp and not overcomplicated. Workers' and employers' organizations, as well as civil society organizations, can also play an important role in disseminating information on social protection and raising awareness (ILO 2011; RNSF 2017).

### 3.2.1 *Informing workers and employers about their rights and obligations*

#### *What do workers and employers need to know?*

Employers and workers need to know about their rights and obligations with regard to social security. In particular:

- What are workers' and employers' obligations with regard to the payment of contributions? What obligations do employers have in that respect? What obligations do workers have in that respect and how can they make sure that contributions are being paid on their behalf?
- What benefits are available, under what conditions?
- Where and how should workers and employers register for the payment of contributions and the receipt of benefits?
- Where and how can they appeal against a decision or submit a complaint if they are unhappy with a decision or if benefits are seen as inadequate?
- What is the process for the payment of contributions and receiving benefits?
- Who is liable if benefits are not delivered in time and what redress mechanisms are available?

For the self-employed, additional questions arise:

- What are the specific modalities for self-employed workers?
- Are there simplified contribution payment mechanisms available to them?

The implementation of new laws and schemes should always be accompanied by campaigns that inform workers on the importance of social protection in general and the specific scheme in particular. Such campaigns should provide a detailed explanation of the law/scheme; the available benefits and eligibility conditions; contribution requirements, if any; administrative procedures; and the respective rights and obligations of workers and employers (see also Chapters 5, 6 and 7).

For example, in the Philippines, the extension of social security to domestic workers through the Domestic Workers Act was accompanied by an extensive information campaign (see box 4.7). A creative approach was adopted in Kenya, where information on the Mbao scheme was passed to artisans during free ear check-ups (ISSA 2011c).

### *How can such information be made better accessible?*

Once the relevant information on social security programmes has been put together and is ready to be disseminated, it is important to make sure that it is actually accessible to the people.

Information should be provided in simple, straightforward and accessible language, so that comprehending it does not require previous knowledge of the subject and is not a time-consuming or confusing process. Information should be translated into all the languages spoken in the region/country, including languages spoken by minorities and migrants. This is important in order to make sure that the information dissemination process is not exclusionary and to ensure the highest possible participation in such programmes.

Proximity can be a critical factor for disseminating information in a way that is meaningful to the people. For this reason, it may also be useful to establish more physical access points. This can be achieved by opening local social security offices or information terminals where people can take their queries or find out more. Staff in those offices should be trained in spreading information in an interactive and useful manner (see Box 3.1 and section 5.2).

#### **Box 3.1                      Increasing access to information through proximity in Madagascar**

In order to be closer to their members, the National Social Insurance Fund (CNPS) of Madagascar decided in 2012 to increase the number of its regional agencies. In some isolated areas, a mobile office was set up in order to disseminate information and raise awareness about social protection schemes and benefits. Populations that had earlier been cut off from information distribution now had access to knowledge on the social security institutions and programmes. That was especially useful as the team in the local offices could give people advice, services and information adapted to their specific needs. The team therefore raises awareness on social protection entitlements and prospects and on receiving and processing claims. Being close to the insured population means that people have a way to access relevant information at first hand.

Source: ISSA, 2014b.

### *What information channels can be used?*

Different channels and formats should be used to spread information, so that it is not restricted to users of a specific type of media or technology. Information can be broadcast through the print media, internet, radio, television, toll-free telephone numbers, text messages and billboards. This will ensure that access to information is not limited because of lack of a particular source or personal habits. Box 3.2 describes the public awareness campaigns conducted in the Republic of Moldova, Thailand and Viet Nam.

**Box 3.2****Using media to raise awareness about social security: experiences from the Republic of Moldova, Thailand and Viet Nam**

In Thailand, a public service announcement focused on the importance of social security for people. “[Why is social protection important to me, and to you?](#)” was the key headline for this campaign. This campaign was used in the context of the national dialogue on a social protection floor for Thailand in 2013 and was prepared with the support of the ILO.



In the Republic of Moldova, the Government, with the support of the ILO, initiated a media campaign to raise awareness about the pitfalls of undeclared work with a set of clear messages, such as: “Ask for your employment contract!” and “Say NO to envelope wages!” The key message on social security was: “[I contribute, therefore I benefit from social security](#)”. The campaign included a daily broadcast of video and radio clips, billboard panels and posters in public places and leaflets, all designed to reach a wide range of the population currently or potentially involved in informal employment across the country.

In Viet Nam, the Government, with the support of the ILO, disseminated video material to raise awareness about the importance of social protection benefits and inform people about available benefits for workers in the informal economy. One of the videos is specifically targeted at businesses, providing evidence-based information on the benefits of social protection for businesses.



Source: ILO website; Hirose and Hetteš. 2016.

**Box 3.3:****Raising awareness on extending social protection to workers in the informal economy**

Women in Informal Employment: Globalizing and Organizing (WIEGO) recently launched the “[Informal Economy Podcast: Social Protection](#)”, which aims at raising awareness on experiences of workers’ organizations in accessing and reforming social protection systems and their challenges. This podcast addresses various relevant aspects of social protection for workers in the informal economy, including with regard to access to health care and child care.

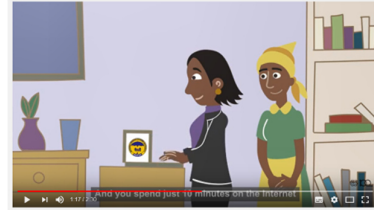


In reaching out to workers and employers, is important to disseminate information through appropriate communication channels to reach people where they are. Depending on the target group, unusual channels may be chosen. For example, in Jamaica, leaflets on the rights of domestic workers were distributed along popular transport routes, while in Paraguay, potential employers of domestic workers received information brochures attached to their electricity bill (ITUC and UN-Women, 2013; Both et al., 2018). In South Africa, the Basic Condition of Employment Act requires employers to display a statement with employees’ rights under the Act at the workplace where it can be read by employees in the official language spoken at the workplace.

For awareness-raising campaigns to be successful, it is important to use messages that resonate with the target audience. For example, in Zambia, awareness-raising campaigns were adapted to specific groups of workers, such as domestic workers and workers in MSEs (see Box 3.4).

**Box 3.4: Zambia: Raising awareness among employers of domestic workers and among workers and employers in MSEs in the construction sector**

In Zambia, most employers are not aware of their obligations to register their domestic workers with the National Pension Scheme Authority (NAPSA). An awareness-raising campaign directed at employers of domestic workers explains why old-age pension benefits are a necessity and how to register domestic workers with NAPSA. [DW]



The lack of knowledge and awareness on social security topics were identified as major obstacles to the extension of social protection coverage in the construction sector. The Zambia Green Jobs Programme (Zambia, 2016) supported the development of communication material and guidelines that were adapted to the construction sector. NAPSA and the Workers Compensation Fund Control Board used these materials to undertake sensitization and awareness-raising campaigns among employers and workers in MSEs in the construction sector, in collaboration with

workers' and employers' associations. The social security awareness materials reached over 1,500 workers, resulting in increased knowledge and appreciation of the importance of registering with social security schemes.

Source: Based on; see also ILO: YouTube video entitled "[Give your domestic workers a NAPSA pension today](#)".

It is important for information and awareness-raising campaigns to respond to the specific needs and characteristics of the workers and employers they expect to target. For example, an information and awareness-campaign targeting self-employed workers in Cabo Verde collaborated with different workers' organizations to effectively channel information to this group (see box 3.5).

**Box 3.5: Raising awareness among self-employed workers in Cabo Verde**

In Cabo Verde, a proactive approach was used to implement a well-planned, intense campaign that specifically targeted self-employed workers in urban and rural areas. The campaign included working with children and youth to make future contributors aware of the benefits of social protection and with the perspective that they might also encourage their parents to register. During workshops with different groups (e.g. religious, producers' and women's organizations), direct information on social insurance was passed on to the self-employed workers. Cabo Verde provides a good example of how this approach may be implemented in a comprehensive way (see box 5.3). [SE]

Source: Durán-Valverde et al., 2013.

In the case of agricultural workers, remoteness and often a lack of education may result in the fact that many agricultural workers are not well informed about their rights in general and existing public laws, policies and schemes in particular [AW]. Efforts to incorporate agricultural workers into social insurance schemes should take those constraints into account and adapt information/awareness-raising activities to the specific needs and situation of that group. For example, in Tunisia, a publicity campaign conducted by the Government, employers and workers organizations was an important element in the success of the reform of the social security system carried out in 1996 (see also Box 3.6).



**Box 3.6: Publicity campaign carried out in collaboration with employers and workers organizations in Tunisia**

In Tunisia, reforms of the social security system in 1996 were accompanied by an extensive publicity campaign, which was conducted by the Government, in collaboration with employers and workers' organizations, to raise awareness of the changes in legislation and to explain the new set-up. The campaign was an important element in the success of the reform, which brought a large number of employers and workers into the scheme. Trade unions also played an educational role in raising awareness of the importance of social protection.

Source: Based on Bailey, 2004; Olivier, 2009.

***Better understanding workers' and employers' needs***

Public authorities also need to ensure that they fully understand workers' and employers' needs and situations in order to be able to adequately respond to them. In that regard, surveys among enterprises and workers can also help establish the level of satisfaction with the benefits and services provided and facilitate interactions with the social security administration.

For example, in Cambodia, the National Social Security Fund undertook surveys to better understand the level of information among workers and enterprises, especially with regard to rights and obligations, and to gauge the level of satisfaction (NIER 2017b; 2017a). On that basis, it developed its communication strategy to raise awareness among employers and workers and increase social security coverage (NSSF Cambodia, 2018).

***Establishing partnerships with others***

Workers' and employers' organizations, including those representing those in the informal economy, can play an important role in disseminating information, raising awareness and facilitating access to social protection (ILO 2013d; RNSF 2017).

The engagement of civil society organizations can also be an important factor. In the Philippines, an information campaign by civil society organizations was an important factor in the implementation of the law and the recognition of domestic workers [DW] (see box 4.7). In Cameroon, the national social security institution accredits "social secretariats" to disseminate information (see Box 3.7).

**Box 3.7: Awareness and information campaigns to promote the coverage of self-employed workers in Cameroon**

In 2014, the National Social Insurance Fund of Cameroon (*Caisse nationale de prévoyance sociale* (CNPS)) established a voluntary insurance scheme for self-employed workers and other informal sector workers. In order to make the scheme known to potential beneficiaries, the CNPS accredited "social secretariats" (either physical entity or public institution) to reach out and educate interested individuals. The CNPS provided the accredited social secretariats with training and information kits and they received a fee for each new member. Since 2015, 137,574 people have become affiliated with the voluntary insurance scheme. Social security coverage increased from 10 per cent in 2014 to 16.34 per cent in 2016, including 1.54 per cent from the voluntary scheme.

Source: Based on ISSA, 2017a.

The toolkit on ILO Convention No. 189 developed by WIEGO and the International Domestic Workers Federation (IDWF) (WIEGO and IDWF 2018) for the African region offers practical guide to support awareness-raising among domestic workers (see Box 3.8).



**Box 3.8: WIEGO/IDWF toolkit on ILO Convention No. 189**

It is important for domestic workers and their organizations to fully understand the international legal framework and its role in guiding national legislation, as well as the relevant supervisory mechanisms. The [toolkit](#) prepared by WIEGO and IDWF (2018) for the Africa region is a useful tool to provide information in an easily understandable way and raise awareness of domestic workers' labour and social rights. It introduces the key elements of ILO Convention No. 189 and explains the importance of its ratification, application and effective supervision. It also includes a model contract of employment and tips for domestic workers' organizers and educators.

**Checklist 3.1: Informing workers and employers about their social protection rights and obligations**

- How can workers and employers be better informed of their social protection rights and obligations?
- How can such information be made better accessible?
  - Is information on social protection accessible in all the languages spoken in the country?
  - Is the information accessible to all, including illiterate persons and persons with disabilities?
  - Is information available in different forms (both simplified and more complex information, through different forms of media,
  - Do marginalized groups have access to this information?
- Do workers' and employers' organizations engage in the dissemination of information and awareness-raising? Could they engage more in raising awareness and providing information to their members? What other partners could be mobilized?
- What other information channels could be used?

**3.2.2 Individualized information on social security entitlements**

In many countries, social security administrations have stepped up their efforts to actively inform their members about their contribution records and entitlements. For example, in Jordan, insured persons receive a letter every year that informs them about the contributions paid on their behalf, details of their contribution period and deductible wage. This Annual Account System for insured persons provides them with an estimate of the level of pension that they can expect upon retirement (ISSA 2009d). The Mexican Social Security Institute (IMSS) has developed an online system to provide participating workers with information on the number of weekly contributions made per year and the contribution records of their five most recent employers (ISSA 2009a). In Turkey, insured members can check their insurance status online (see Box 3.9). In Uganda, insured workers can receive information about the contributions paid on their behalf by SMS message (see Box 6.13).

If they are more aware of their contribution records and social security entitlements, workers are more likely to monitor their own contribution records and also to insist that their employers pay contributions correctly and regularly on their behalf. The participation of members in their social security system makes it more accountable, thereby enhancing its effectiveness and efficiency.

**Box 3.9: Online information for insured members about health insurance in Turkey**

Turkey created a unified information system combining the databases of three different social security institutions in 2012. By using only their citizenship identification number and date, members can gain quick access to information on pension and health insurance status, registration and premiums, without the need to make burdensome trips to the social security office. Updates are made in the system automatically every time there is a change in a member's entitlements (payment of contributions, change in insurance status, benefit payments, etc.).

Through this unified database, information from three independent social security establishments has been combined in one database so as to make it easier for individual members to easily access information on their insurance entitlements.

Source: Based on ISSA, 2013.

**Checklist 3.2: Individualized information on social security entitlements**

- Do social security schemes actively inform their members about their contribution records and entitlements?
- Do social security schemes encourage workers to participate by providing sufficient information?

### 3.2.3 *Educating youth about social security and building a social security culture*

In order to raise awareness of social security rights and responsibilities, some countries have introduced social security awareness-raising programmes as part of the general education curriculum and as part of vocational training. This is the case, for example, in Argentina, Belize, Ghana and Peru. The most comprehensive social security education programme exists in Uruguay, where learning units adapted to different ages are incorporated in school curricula at various levels, starting at age 5 and continuing until university and vocational training (see Box 3.10).

**Box 3.10: Social security education in Uruguay**

In Uruguay, the social security institution (Banco de Prevision Social (BPS)) develops activities that aim to inform and educate citizens about the social security system, their rights and duties, as well as the role and relevance that social security has in people's lives.

A sophisticated social security education programme is part of the curriculum of public schools and universities, as well as vocational training institutes, starting from a very early age (5 years) until graduation. The programme includes learning units adapted to every age, ensuring that children learn about social security every year of their education as part of civic education.

Source: Based on BPS Uruguay, 2018; see also ILO: YouTube video entitled "[Uruguay: Building a culture of social protection](#)".



Such social protection education can be a core element of building a “social security culture” that ensures that people are aware of their rights and obligation and understand the value of social protection coverage (ISSA 2007). It is part of broader civic education that is particularly important for children and youth and is also an important component of vocational training programmes (ILO 2017c).

Even where a comprehensive education programme does not (yet) exist, punctual initiatives may help to raise awareness from an early age. For example, in Madagascar, the convening of junior clubs and other activities during festive celebrations have been used to raise awareness (ISSA 2015d). In some countries, awareness-raising of social security coverage is also linked to initiatives to enhance financial literacy and improve knowledge about pension coverage.

More broadly, social protection education aims to improve people's understanding and awareness of the different risks faced across the life cycle; raise awareness about their social security rights and responsibilities; provide information about available social security schemes and benefits and how to use them effectively; and enable them to make informed choices and take effective actions to improve their social security coverage.

**Checklist 3.3: Educating youth about social security and creating a social security culture**

- Do the education curricula at the primary, secondary and tertiary levels include lessons on social security rights and responsibilities?
- Are social security rights and responsibilities part of all curricula for vocational education and training?

### 3.2.4 Promoting “social security literacy” in entrepreneurship and business development programmes

Information on social security rights and obligations should be made widely available through sources that have the potential to reach a large variety of people. This may be achieved by integrating knowledge on social security programmes and benefits into other forms of educational training programmes.

One such possibility is to include modules on social security in relevant training, skills development and entrepreneurship programmes since they are accessed by people to whom information on social security would be extremely relevant (see Box 3.11).

**Box 3.11: Know about business, know about social security: Social security in entrepreneurship and business training programmes and related tools [MSE]**

The ILO provides a broad range of different training packages for entrepreneurs who seek to start their own business or expand and improve their business, including:

- The [Start and Improve Your Business Programme \(SIYB\)](#) is a management training programme with a focus on starting and improving small businesses as a strategy for creating more and better employment in developing economies and economies in transition.
- The [Women's Entrepreneurship Development \(WED\) Programme](#) has been empowering women entrepreneurs in developing countries and supporting them in starting and growing their businesses since the mid-2000s.
- The [Know About Business \(KAB\)](#) training package is widely used worldwide to teach entrepreneurship in vocational, secondary and tertiary schools.
- The [Sustaining Competitive and Responsible Enterprises \(SCORE\)](#) programme supports practical training and in-factory counselling that improves productivity and working conditions in small and medium enterprises.

In addition, the [Enabling Environment for Sustainable Enterprises \(ESEE\)](#) methodology allows governments, employers and workers to identify the major constraints hampering business development; fosters dialogue among workers, employers and governments to reach shared policy recommendations; and supports the adoption of effective reforms in order to unlock entrepreneurial potential, boost investments, generate overall economic growth, create better jobs and reduce poverty.

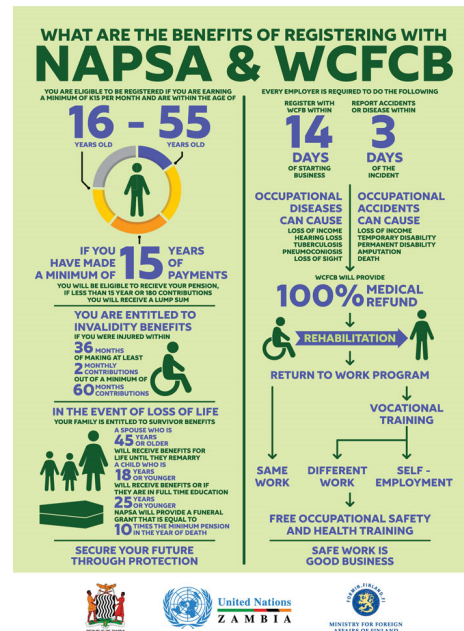
These tools highlight the importance of social security for entrepreneurship and business development. For entrepreneurs and owners of micro and small businesses, risks such as sickness or employment injury, whether affecting themselves or their workers, are not only a personal issue but in many cases threaten the existence of their business. It is therefore very important for entrepreneurs to be aware of the importance of social security, their rights and responsibilities and how to ensure social security coverage. At the same time, tools such as the ESEE tool can also help to enhance the policy environment with regard to facilitating social security coverage for MSEs.

Source: Based on ILO website.

In addition, information campaigns tailored to the needs and situations of workers and economic units in specific sectors are a very useful tool to reach out to specific groups. This can be particularly useful for micro and small enterprises, own-account workers and agricultural workers because those groups may not necessarily see their situation and interests reflected in general information campaigns. For example, in **Zambia**, an information campaign specifically targeted micro and small enterprises in the construction sector (see Box 3.12).

**Box 3.12: Making the business case for social security: Tailored information for micro and small enterprises in the construction sector in Zambia**

In Zambia, an information campaign was launched in the construction sector with the support of the ILO, focusing specifically on compliance with the labour law for micro and small enterprises in the construction sector. The campaign includes a section entitled “Why insure workers against workplace accidents?”, which demonstrates the business case for employment injury and pension insurance. Posters and videos explain the benefits of social security coverage for employers and provide concise information on key rules and



procedures.

Source: ILO website; see also ILO: YouTube video entitled [“Labour laws in Zambia: What are their benefits?”](#)

**Checklist 3.4: “Social security literacy” in entrepreneurship and business development programmes**

- Do training and capacity-building programmes for entrepreneurs and business development programmes systematically include a section on social security? If yes, does it provide adequate information on why social security is important, rights and responsibilities and how to access social security? Can the information be further improved?
- Do social security institutions, business development services or other institutions provide accessible information and advice to current and future entrepreneurs and small business owners regarding their social security rights and responsibilities? Could the information and advice be further improved?

**Further reading on raising awareness, communication and social security education**

- ILO. Forthcoming. *Guide on social protection education and culture* [working title].
- ISSA. 2014. [\*ISSA Guidelines: Service Quality\*](#).
- –. 2016. [\*ISSA Guidelines: Administrative Solutions for Coverage Extension\*](#).
- –. 2016. [\*ISSA Guidelines: Communication by Social Security Administrations\*](#).
- –. 2016. [\*ISSA Guidelines: Information and Communication Technology\*](#).
- RNSF. 2017. [\*Extending coverage: Social protection and the informal economy\*](#).

**3.3 Strengthening transparency, accountability and good governance**

The governance of a social protection system, in particular how accountable and transparent it is, has a strong impact on not only how the system is viewed from the outside but also how its members participate. Where employers and workers do not have adequate information on how social protection schemes operate and where they do not perceive them as reliable and efficient schemes, they are less likely to contribute to those schemes (ILO 2011). Strengthening transparency, accountability and good governance is therefore essential for building trust and ensure that the social protection system lives up to people's expectations.

Building on human rights principles and the rule of law, ILO international social security standards set out a range of principles that are relevant to good governance and the extension of social protection coverage (see Box 3.13).

### Box 3.13 Good governance principles in ILO social security and other international labour standards

ILO social security standards and Recommendation No. 204 include a set of principles that contribute to ensuring good governance of social security systems, such as the following:

- **Overall and primary responsibility of the State.** (Convention No. 102, Art. 71(3), Recommendation No. 202, para. 3).
- **Entitlements anchored in national law.** The scope, coverage and level of benefits, including basic social security guarantees, should be prescribed in national law or regulations (particularly Convention No. 102, Arts 1, 5; Recommendation No. 202, paras 3b, 6, 7).
- **Right of appeal.** Persons protected should have a right of appeal “in case of a refusal of the benefit or complaints as to its quality and quantity (Convention No. 102, Art. 70). Complaint and appeal procedures should be impartial, transparent, simple, rapid, accessible, inexpensive and free of charge to the applicant (Recommendation No. 202, paras 3o, 7).
- **Participation.** Participation of representatives of protected persons and employers in the management of administering institutions (Convention No. 102, Art. 72); tripartite participation, consultation and social dialogue with regard to social protection floors and strategies for the extension of social security (Recommendation No. 202, paras 8d, 13(1), 19); full respect for collective bargaining and freedom of association for all workers (Recommendation No. 202, para. 3q).
- **Accountability and transparency.** Transparent, accountable and sound financial management and administration (Recommendation No. 202, para. 3j); Convention No. 102, Art. 71(3)).
- **Financing.** Solidarity in financing while seeking to achieve an optimal balance between the responsibilities and interest among those who finance and benefit from social security schemes (Recommendation No. 202, para. 3h); collective financing through social insurance contributions or taxation or both in a manner which avoids hardship to persons of small means (Convention No. 201, Art. 71) and limited contributory capacity (Recommendation No. 204, para. 20).
- **Promotion of gender equality, non-discrimination and responsiveness to special needs** (Recommendation No. 202, para. 3d; Recommendation No. 204, para. 7h).
- **Rights and dignity.** Respect for the rights and dignity of people covered by the social security guarantees (Recommendation No. 202, para. 3f); effective promotion and protection of the human rights of all those operating in the informal economy (Recommendation No. 204, para. 7e); special attention to the most vulnerable (Recommendation No. 202, paras 2, 3e, 16; Recommendation No. 204, paras 7i, 19).

These principles complement and concretize the related principles embodied in human rights instruments and other relevant international standards (ILO 2017a; 2017f).

An integral element of good governance is also financial governance. Transparency and accountability are effective safeguards against corruption and wastage and curbing corruption can yield fiscal benefits. A recent study by the International Monetary Fund found that curbing corruption has significant fiscal benefits: measured in terms of gross domestic product, taxes collected by the least corrupt governments are valued at 4 per cent more than taxes collected by the most corrupt governments at the same level of economic development.

### 3.3.1 Enhancing delivery

Providing quality benefits that meet people’s needs is the best way to build trust in social protection systems and convince workers and employers to honour their obligations. Social protection systems that work effectively and efficiently and deliver quality benefits earn the trust of the population (ILO 2017f; ISSA 2016a). Trust in the institutions and processes involved is essential in that respect. This is particularly important in voluntary schemes that aim to increase coverage to groups that may otherwise be excluded – people are unlikely to feel engaged in those systems unless they have sufficient



knowledge about the processes, are aware of why they may be beneficial and have access to mechanisms of redress in case it is needed.

Workers need to know that they are effectively protected and can access the benefits they are entitled to. Similarly, employers need to know that their workforce is well protected, that administrative processes are efficient and that social protection supports them in maintaining and enhancing the productivity of their workforce, so that they honour their obligations, register workers and pay social insurance contributions. If the system is seen as inefficient or corrupt, employers are less likely to take an active interest in the social security of their workers. Trust that the registration of workers and payment of contributions is not a burden but an investment will mean that employers feel more engaged in the social protection system.

How is this trust developed? Good governance and an effective administration are key. One important element is social dialogue among the government, employers' and workers' organizations so as to create a common understanding of the situation and enhance governance and service quality. Such social dialogue should also be inclusive of organizations of those in the informal economy (ILO 2017e). Social protection administrations are an important interface of the government towards its citizens. The more open, approachable, accountable and transparent they are, the more people are likely to engage and perceive the administration in a positive way. However, if such administrations are perceived as remote, technocratic and with little understanding of their clients, they will not be able to effectively engage and extend coverage (RNSF 2017, 61–62). Accountability and transparency, other than being ends in themselves, are thus essential to building a social protection system that people can trust and ensure that people can realize their rights but also respect their obligations. This is essential for a social protection system to function effectively in a credible, equitable and sustainable way, as well as for a broader agenda on building institutions, as reflected in SDG goal 16 (ILO 2017f).

Lessons may be also drawn from a reform in the state of Lagos, Nigeria, where the local government started with relatively simple but highly visible improvements in the public services, which helped to build trust in the effectiveness of public administration and to increase people's willingness to comply with their tax obligations (see Box 3.14).

#### **Box 3.14: Improving public services and building trust in the state of Lagos, Nigeria**

In the state of Lagos, Nigeria, a set of policy reforms initiated by the Governor during 2007–2015 improved the provision of public services, including more efficient and transparent administrative procedures, as well as investments in roads and education that led to a significant improvement in quality. These reforms significantly enhanced trust in public authorities. Since 2007, regular tax stakeholder conferences with representatives from the private sector, labour unions, civil society groups and informal sector associations have helped to enhance public support through discussions of progress achieved and expectations from the government.

As a result, people were more willing to pay taxes (including a new consumption tax on eateries) and tax compliance significantly increased. Tax revenue of Lagos State increased from less than 40 billion Naira in 2000 to more than 180 billion Naira in 2011 in 2012 prices (Gaspar, Jaramillo, and Wingender 2016, 264).

Starting with relatively simple but highly visible reforms, such as the cleaning and improvement of public spaces like parks and roadsides, the reforms helped to boost government legitimacy, including among marginalized groups, and to reduce informality. This experience demonstrates that prioritizing tangible services to the population and raising awareness of rights and responsibilities can generate positive change.

Source: Based on Gaspar, Jaramillo, and Wingender 2016; IIG 2011; 2013.

### **3.3.2 Strengthening transparency and accountability in social protection systems**

Transparency and accountability are at the heart of good governance and are critical in social protection systems, as well as providing safeguards against corruption and wastage.

Key information on social protection institutions should be made available to stakeholders on a timely basis and should be reliable, relevant and accurate. Those making decisions within social security



institutions should also be held legally accountable for their decisions and be liable for their actions. Without adequate systems of transparency and accountability in place, there is an increased likelihood of funds allocated to social protections being misused or mismanaged. People are also more likely to support higher social protection investment if they know that such systems are reaching the right beneficiaries and that accountability mechanisms can be used to hold people/institutions responsible if that is not the case.

**Box 3.15: Strengthening the Pension Fund's governance to improve efficiency in Morocco**

In 2011, the Pension Fund (*Caisse marocaine des retraites* (CMR)) of Morocco, which is managed by a tripartite Board of Directors, further strengthened its governance system by setting up an Asset Allocation Committee and an Audit Committee with a view to better ensuring the implementation of their decisions and the dissemination of the information to the stakeholders. That goal was achieved through the appointment of independent experts who supervise and guarantee the transparency of the decision-making process. Strengthening the Fund's governance system has improved the quality of the management of the pension schemes entrusted to the CMR.

Source: Based on ISSA, 2017b.

Where social security institutions are managed with the active participation of employers' and workers' representatives on the board, those representatives play an important role in ensuring the good governance of such schemes (see Box 3.16).

**Box 3.16: Participation of employers' and workers' representatives on the boards of social security institutions**

In most social insurance institutions, the boards include social partners (government, workers and employers) as members. Those boards play a key role in ensuring the good governance of the social security schemes administered by each organization.

The role of the board includes financial governance – ensuring that resources entrusted to the social protection scheme are used effectively and efficiently so as to avoid waste or inadequate delivery of promised benefits. Inefficiency and ineffectiveness undermine the credibility of a scheme, lead to contribution evasion and result in financial problems. They can also lead to the failure of the scheme and possibly the entire national social protection system. Credibility is a social protection system's most important capital. Inefficient use of resources also has an opportunity cost in terms of the social protection that could otherwise have been provided.

The participation of employers' and workers' representatives on the boards of social security institutions is also set out in Convention No. 102, which states that “where the administration is not entrusted to an institution regulated by the public authorities or to a Government department responsible to a legislature, representatives of the persons protected shall participate in the management, or be associated therewith in a consultative capacity, under prescribed conditions; national laws or regulations may likewise decide as to the participation of representatives of employers and of the public authorities.” (Art. 72 (1)). The State retains, however, the general responsibility for the proper administration of the institutions and the benefits and services provided by the social security system.

Ensuring the effective representation of both workers and employers is essential for the functioning of participatory governance in social security institutions. A particular challenge is organizing those in the informal economy so that they can represent their interests in an effective way.

Source: Based on ILO 2005; ITCILO 2010.

For transparency to be a genuine part of social protection programmes, it should not be limited to financial management and administration. Different components of programmes must have transparency mechanisms in place, such as targeting mechanisms, eligibility criteria, benefit levels and complaint and redress mechanisms. People will then have access to information on how authorities are performing their obligations. Internal and external monitoring and evaluation programmes may also be made public to increase transparency (Sepúlveda and Nyst 2012). For example, in India, transparency and accountability has been strengthened with the Right to Information Act.

### 3.3.3 *Effective and efficient procedures (“value for money”)*

Effective and efficient administrative procedures are a precondition for well-functioning social security systems. Administrative procedures that are complex, inaccessible, ineffective or inefficient can significantly hinder people from accessing social protection benefits and contributing to social insurance. Workers and economic units on the margins of the informal economy tend to be more affected by administrative hurdles than those established in the formal economy, because they have limited administrative capacities and cannot afford to spend time off work to deal with administrative procedures.

Even the perceived inefficiency of a social protection scheme may constrain people’s trust and support for the social protection system and create a situation where the system is seen as a web of bureaucratic procedures rather than an open and engaging process. Efforts to improve the administration of social security and make administrative procedures more accessible and efficient are thus extremely important.

“Value for money” in this scenario does not simply mean that costs need to be minimized but that the impact of the money spent should be maximized so as to carry out the aims of the social security programmes as far as possible. Instead of looking at cutting costs, this approach supports a comprehensive cost-benefit analysis at all stages of a programme – design and appraisal, implementation and evaluation. The idea is to make sure that all that is being spent on social security programmes pays off in terms of output (what is given to beneficiaries) and impact (achieving the initial aim of the project). By creating a system in which the “value for money” of social protection programmes can be calculated and evaluated, it becomes easier to gain wider support for such programmes and increase investments and build the trust of citizens (White, Hodges, and Greenslade 2013).

#### **Checklist 3.5: Ensuring effective and efficient administrative procedures**

- Are administrative procedures accessible, effective and efficient enough for workers to be enrolled in and contribute to programmes?
- Is the impact of social protection programmes maximized compared to the money spent?
- What administrative adjustments need to be made in order to facilitate access for those in the informal economy?

#### **Further reading on strengthening accountability, transparency and good governance**

- ILO. 2005. [Social Security Governance: A Practical Guide for Board Members of Social Security Institutions in Central and Eastern Europe](#).
- Social Protection and Human Rights website, [www.socialprotection-humanrights.org](http://www.socialprotection-humanrights.org).
- International Training Centre of the International Labour Organization (ITC-IL). 2010. [Governance of social security systems: A guide for board members in Africa](#).
- ISSA. 2014. [ISSA Guidelines: Good Governance](#).
- ISSA. 2014. [ISSA Guidelines: Service Quality](#).
- Sepúlveda, M.; Nyst, C. 2012. [The Human Rights Approach to Social Protection](#).

### 3.3.4 *Access to complaint and appeal procedures*

Access to complaint and appeal procedures is an integral part of a social security system that is based on the rule of law and in which entitlements to social security are anchored in national legal frameworks. As set out by Convention No. 102 and Recommendation No. 202, national law should offer the possibility of challenging the decisions of the administration regarding social security benefits through accessible and effective complaint and appeal procedures, which should be free of charge to the applicant (see Box 3.13). Such mechanism are an important element of ensuring the effective realization of the right

to social security, including the basic social security guarantees of the nationally defined social protection floor (ILO 2017a; Behrendt et al. 2017).

**Box 3.17: Provisions on access to complaint and appeal procedures in ILO social security standards**

ILO social security standards provide specific guidance on complaint and appeal procedures.

Recommendation No. 202 includes the following provisions:

3. Recognizing the overall and primary responsibility of the State in giving effect to this Recommendation, Members should apply the following principles:

(b) entitlement to benefits prescribed by national law;

(o) efficiency and accessibility of complaint and appeal procedures;

7. Basic social security guarantees should be established by law. National laws and regulations should specify the range, qualifying conditions and levels of the benefits giving effect to these guarantees. Impartial, transparent, effective, simple, rapid, accessible and inexpensive complaint and appeal procedures should also be specified. Access to complaint and appeal procedures should be free of charge to the applicant. Systems should be in place that enhance compliance with national legal frameworks.

Convention No. 102 includes the following provisions:

Art. 70 (1) Every claimant shall have a right of appeal in case of refusal of the benefit or complaint as to its quality or quantity. (2) Where in the application of this Convention a Government department responsible to a legislature is entrusted with the administration of medical care, the right of appeal provided for in paragraph 1 of this Article may be replaced by a right to have a complaint concerning the refusal of medical care or the quality of the care received investigated by the appropriate authority. (3) Where a claim is settled by a special tribunal established to deal with social security questions and on which the persons protected are represented, no right of appeal shall be required.

Where decisions made by the administration are found to be flawed, effective solutions need to be found to reinstate the rights of beneficiaries. For example, in Argentina, an effective solution was found to review cases and implement settlement agreements through an efficient procedure that significantly reduced the waiting time for pensioners (see Box 3.18).

**Box 3.18: Argentina's national settlement agreements for pensions' adjustments**

Owing to the large amount of errors committed in pension payments by the National Social Security Administration (ANSES) over the last 25 years, hundreds of thousands of complaints were filed against the State, thus generating an unsustainable level of litigation. In order to address the problem, the ANSES implemented the National Historical Reparation Programme – a voluntary settlement agreement mechanism to settle pension debts owed to beneficiaries who met the criteria laid out in Act No. 27.260. Concomitantly, a tax disclosure programme was established to meet the outlay involved, in line with the parameters set out by the Organisation for Economic Cooperation and Development (OECD) and the Financial Action Task Force.

As a result, more than a million pensioners were awarded adjustments within nine months, compared with an average waiting time of eight years prior to the implementation of the National Historical Reparation Programme.

Source: Based on ISSA, 2017c.

## 4 Extending legal coverage: Bringing previously uncovered workers under social security legislation

### Key questions

- ? What are the legal barriers that workers and employers in the informal economy face? What groups of workers are excluded from the scope of social security and labour legislation and what are the gaps with regard to the implementation and enforcement of the law?
- ? How can workers in the informal economy be brought under the scope of legislation in an effective way that is adapted to their needs and circumstances?
- ? How can legal frameworks be adapted to cover previously uncovered workers and what other measures are necessary to ensure effective protection?

### Key messages

- \* In order to extend social security coverage to workers in the informal economy, legal frameworks need to be adapted so that they can effectively cover and protect those workers – not just on paper but in reality.
- \* International labour standards in general – and social security standards in particular – provide important guidance for more effective national legal frameworks that are adapted to the realities of both workers and employers.
- \* The extension of legal coverage is not sufficient to achieve effective coverage and facilitate the transition to the formal economy. Additional actions are necessary to ensure that legal frameworks are effectively implemented and enforced, including awareness-raising and building trust; removing administrative and financial barriers to coverage; and ensuring that such measures take into account, and are adapted to, the specific needs and circumstances of workers and their employers.

### 4.1 Bringing previously uncovered workers under the scope of social security and labour legislation: What are the challenges?

Many workers in the informal economy are not protected – or not sufficiently protected – by existing legal framework, namely social security and labour legislation. Several factors may account for this lack of protection.

First, many workers in the informal economy work in sectors of the economy, in occupations or types of employment that are outside the scope of the existing legal framework – they are simply not regulated. For example, social security legislation may explicitly or implicitly exclude agricultural workers, domestic workers, self-employed workers or workers in enterprises with less than five workers. In addition, workers in “new” forms of employment may not be covered, such as workers on digital platforms (Berg et al. 2018; Behrendt and Nguyen 2018).

Second, legislation may exist but may not have been implemented at all or only partially implemented. In some cases, that may be explained by a lack of sufficient institutional capacity for its implementation. In other cases, a law may have been enacted at some point but may have since lost touch with its environment and in need of amendments or detailed regulations (ILO, 2013a). Under those circumstances, non-implementation may be a conscious political choice if it is felt that poorly drafted legislation may do more harm than good to those who earn their living in the informal economy. Meanwhile, however, the lack of implementation leaves workers unprotected.

Third, legislation may have been implemented but may not have been enforced — or not fully enforced. In many cases, such a lack of enforcement may be associated with a lack of inspection capacity, particularly in sectors of the economy that require a higher level of resources than others owing to their geographic remoteness or the structure of their economic units. However, in addition to leaving many workers unprotected, the incomplete enforcement of legislation also leads to an unequal treatment of workers and enterprises (see Chapter 7).

In order to extend social security coverage to workers in the informal economy, legal frameworks need to be adapted so that they can effectively cover and protect those workers – not just on paper but in reality.

International labour standards in general – and social security standards in particular – provide important guidance for establishing more effective national legal frameworks that are adapted to the realities of both workers and employers. For workers, compliance with international social security standards usually implies, for example, more certainty, higher income security, better social protection and better access to health and education, all of which have positive spillover effects on the economy and the society (ILO 2013d). For employers, compliance implies healthier and better educated workers, higher productivity, less absenteeism and worker turnover, better workplace relations, a more predictable cost structure and a more level playing field for competing companies. If competition based on wages and minimum employment costs is eliminated, for instance, then competition based on productivity, improved management, efficiency of work and worker competence is likely to emerge and will squeeze out inefficient firms leading to a more efficient economy overall (ILO 2013d).

**Box 4.1: Relevant international standards and principles for the extension of social security coverage to workers in the informal economy**

The internationally defined normative framework of the ILO provides detailed guidance for the extension of social security to workers in the informal economy. Elaborated and adopted by the ILO's tripartite constituents, governments, employers' and workers' representatives of all ILO member States, the Conventions and Recommendations establish standards that States set for themselves, building on good practices and innovative ways of providing enhanced and extended social protection in countries from all regions of the world. They are built on the notion that there is no single perfect model for social security; on the contrary, it is up to each society to develop the best means of guaranteeing the protection required. Accordingly, they offer a range of options and flexible routes for their application that can be achieved through a combination of contributory and non-contributory benefits, general and occupational schemes, compulsory and voluntary insurance and different methods for the administration of benefits, all directed at ensuring an overall level of protection that best responds to each country's needs.

The Social Security (Minimum Standards) Convention, 1952 (No. 102) provides minimum coverage standards for each of the nine classical social security contingencies (medical care, sickness, unemployment, old age, employment injury, family responsibilities, maternity, invalidity, survivorship).

Aiming at closing social security coverage gaps and achieving universal coverage, the Social Protection Floors Recommendation, 2012 (No. 202) calls upon States to guarantee at least minimum levels of protection to all and progressively ensure higher levels of protection. National social protection floors should comprise basic social security guarantees that ensure effective access to essential health care and basic income security at a level that allows people to live in dignity throughout the life cycle, including at a minimum:

- access to essential health care, including maternity care;
- basic income security for children;
- basic income security for persons of working age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability;
- basic income security for older persons.

Recommendation No. 202 provides that social security extension strategies should apply to persons both in the formal and the informal economy and support the growth of formal employment and the reduction of informality (para. 15).

The Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) further specifies that, in building and maintaining social protection floors within their social security systems, countries should pay particular attention to the needs and circumstances of those in the informal economy and their families (para. 19). It also emphasizes the important role of the extension of social insurance coverage to those in the informal economy (para. 20), which may require the adaptation of administrative procedures, benefits and contributions, taking account their contributory capacity.

Note: Convention No. 102 has been ratified to date by 58 countries, most recently by Argentina (2016), Benin (2019), Brazil (2009), Bulgaria (2008), Chad (2015), the Dominican Republic (2016), Honduras (2012), Jordan (2014), Morocco (2019), Romania (2009), the Russian Federation (2019), Saint Vincent and the Grenadines (2015), Ukraine (2016) and Uruguay (2010), and provides guidance for all 187 ILO member States. ILO Recommendations are not open for ratification.

Source: Based on ILO, 2017a, p. 8; see also ILO, 2017b.

This chapter addresses the extension of coverage from a legal perspective, focusing on bringing previously uncovered workers under the scope of social security and labour legislation. The chapter discusses specific challenges and policy options, guided by international social security standards and good practices. It will focus particularly on four of the five categories of workers identified in Chapter 2, which are often fully or partially excluded from social security coverage: workers in micro and small enterprises (section 4.2); domestic workers (section 4.3); agricultural workers (section 4.4); and self-employed workers, including own-account workers (section 4.5).

### Further reading on extending legal coverage to previously uncovered workers

- ILO. 2016. [\*Non-standard employment around the world: Understanding challenges, shaping prospects\*](#).
- ILO. 2017. [\*Building Social Protection Systems: International Standards and Human Rights Instruments\*](#).
- ILO. 2017. [\*World Social Protection Report 2017–19: Universal Social Protection to Achieve the Sustainable Development Goals\*](#).
- ILO. Forthcoming. *How-to guide to drafting social security law in line with international social security standards (working title)*.
- ISSA. 2016. ISSA [\*Guidelines: Administrative Solutions for Coverage Extension\*](#).
- RNSF. 2017. [\*Extending coverage: Social protection and the informal economy\*](#).

## 4.2 Extending legal coverage to workers in micro and small enterprises

### 4.2.1 What are the specific challenges with regard to including workers in micro and small enterprises under social security legislation?

The large majority of employees worldwide work in MSEs.<sup>10</sup> Globally, MSEs and own-account workers account for 70 per cent of employment and as much as 90 per cent of employment in some low-income countries (ILO 2019j).<sup>11</sup> For example, in Indonesia, MSEs represent 99 per cent of all enterprises, absorbing 97 per cent of the total workforce (Torm 2019).

However, for various reasons, workers in MSEs tend to be less likely to be covered by social security than workers in larger enterprises. As a result, many of them find themselves among the 71 per cent of the global population with no or insufficient social protection coverage (ILO, 2017a). Many MSEs operate at a low level of productivity and according to a short-term horizon and face difficulties in complying with minimum wage regulations and social security legislations owing to their limited administrative and financial capacities. Many MSEs are informal, which means that they are not covered or are insufficiently covered by laws or other formal arrangements, for example they may not be duly registered. The lack of formalization of small economic units also entails a lack of social protection coverage for their workers (ILO 2017e; 2019f).

However, many employees in formal MSEs are not protected either. This may be due to gaps in the social security legislation or non-compliance with applicable legislation and in many cases is also linked to their limited administrative and financial capacity. In some cases, legal frameworks do not apply to employees in micro and small enterprises below a certain minimum size, leaving the labour force of workers in micro and small firms unprotected by statutory social insurance (Mesa-Lago 2008a, 82; ILO 2013d, 408). For example, in Viet Nam, workers in enterprises with less than ten employees were not covered by social security legislation until 2005 and were therefore not covered by social insurance until then.

In some countries, social security legislation may specify that enterprises below a certain minimum size may be exempted from obligations with regard to social security coverage, which leaves workers in these MSEs unprotected by statutory social insurance. In some cases, , the introduction of social insurance mechanisms prioritized workers in larger enterprises, while the extension to smaller

<sup>10</sup> There is no single definition of MSEs, and definitions usually are based on the number of employees, the annual turnover or the value of enterprises. Some definitions that include self-employed workers in the category of micro-enterprises, others do not. In this brief, we use following definition, based on ILO (2019c): Micro-enterprises are defined as enterprises with 2 to 9 employees, small enterprises as those that have 10 to 49 employees (ILO, 2019c, p. 1). Micro-enterprises are defined as enterprises with 2 to 9 employees, small enterprises as those that have 10 to 49 employees. Self-employed workers are addressed in a separate section 4.4.

<sup>11</sup> The estimates presented here are based on a new ILO database that draws on national household and labour force surveys (as opposed to firm-based surveys) from 99 countries in all the world's regions except for North America.



enterprises has not yet been undertaken, sometimes owing to concerns about the limited administrative capacity of small enterprises. Such legal exclusion of MSEs contributes to the low coverage rates of their workers. For example, in Latin America, the level of social insurance coverage in microenterprises is about half the level of coverage in large enterprises (ILO 2014d).

In addition to their exclusion from labour and social security legislation, incomplete enforcement may further hamper the social security coverage of workers in micro and small enterprises (Pena, Durán Valverde, and Castillo Rivas 2012). A further complication arises from the fact that in some cases, the employment relationship may not be easily identifiable or may be ambiguous or hidden, which is often the case in micro and small enterprises (ILO 2013d).

#### **4.2.2 How can workers in micro and small enterprises be included under social security legislation?**

Legally including employees of all firms into social security legislation can be achieved by:

- a) lowering or removing minimum thresholds with regard to enterprise size in social security or labour legislation;
- b) including additional categories of workers in such legislation to take account of the diversity of employment situations.

##### ***Lowering or removing minimum thresholds with regard to enterprise size***

Many countries have gradually lowered or removed minimum thresholds with regard to enterprise size in their social security legislation.

In **Thailand**, coverage of social security legislation was gradually extended within 12 years – from enterprises with 20 or more employees in 1990 to enterprises with 10 or more workers in 1993 and to those with 1 or more employee in 2002 (Thailand Development Research Institute, n.d.).<sup>12</sup> In 2017, the National Social Security Fund in **Cambodia** extended coverage by reducing the minimum threshold from firms with 8 or more employees to those with 1 or more employees (Both et al. 2018). In the **Republic of Korea**, health and pension coverage was also gradually expanded to workers in smaller companies. The compulsory health insurance scheme was initially implemented in 1977 for those working in companies of more than 500 employees but was expanded in 1979 to firms with more than 300 employees, in 1981 to those with more than 100 employees, in 1983 to those with more than 16 employees and in 1988 to firms with more than 5 employees. Mandatory pension coverage started in 1988 for companies with more than 10 employees and was expanded to those with more than 5 employees in 1992 (Kwon 2009).

In **Jordan**, the Temporary Social Security Law of 2010 extended coverage to workers in enterprises with less than 5 employees, which had previously been excluded from social insurance, as well as Jordanians working abroad. In order to facilitate that extension of coverage, the Government's Outreach to All Strategy included an information and awareness-campaign that subsequently targeted enterprises in workers in all regions (see box 4.2 and country profile).

<sup>12</sup> This extension of coverage was also accompanied by an expansion of benefits in 1998, adding old-age pension and child allowances to the existing sickness, maternity, invalidity and death benefits.

**Box 4.2: Jordan's strategy to expand social security for workers in small enterprises**

The Jordanian Social Security Corporation (SSC) initiated in 2008 its Outreach to All Strategy in order to extend social security coverage. The strategy was based on three components: (a) extend social security coverage to enterprises employing less than 5 workers; (b) reach Jordanians working abroad; and (c) redefine the insured person in the social security law to establish the right for the SSC to cover employers, housewives, the self-employed, agricultural workers, fishermen and those working in the informal sector.

Regarding the first component, the target was to extend social security coverage to 150,000 enterprises with less than 5 workers, thereby covering approximately 340,000 workers; that target was successfully reached by gradually extending coverage to enterprises on a geographic basis, zone by zone. In addition, the scope of benefits was expanded from old age, disability, death insurance and work injuries to include maternity and unemployment.

Source: ISSA, 2009b; NSour, 2011.

In **Viet Nam**, the Labour Code (Law of 23 June 1994, art. 138) states that the State shall establish policies with the aim to gradually expand social security and protect workers and their families in the event of sickness, maternity, termination of working age, death, occupational accidents and diseases, loss of work, mishaps and other difficulties for each category of beneficiaries of enterprises (section 140 (1)). While mandatory coverage was originally restricted to enterprises with 10 or more employees (section 141), it was expanded in 2005 to all enterprises for employees with a labour contract of three months or longer (Castel 2009; Daza 2005). Pursuant to the 2014 revision of the Law on Social Insurance, coverage was further expanded to all employees with a labour contract of one month or longer in 2018. Thus, in theory all employees with contracts of at least one month should be covered by social security. While social insurance coverage has increased over the past ten years, in 2015 less than 60 per cent of all salaried workers were covered by the Viet Nam Social Security Fund (OECD 2018). The low compliance rate is partly attributed to limited regulatory knowledge and weak enforcement mechanisms, which hinder the Government from ensuring that the relevant laws are implemented (Lee and Torm 2017).

### *Extending legal coverage to additional categories of workers*

Some countries have also extended legal social security coverage by broadening the scope of covered workers, for example by including those that do not have a formal contract under the category of "employee".

In **Eswatini**, the Industrial Relations Act 1 of 2000 extended the scope of labour legislation to workers who do not have a written employment contract by defining an employee as "a person, whether or not the person is an employee at common law, who works for pay or other remuneration under a contract of service, or under any other arrangement involving control by, or sustained dependence for the provision of work upon, another person". "Arrangements", indicating control by or sustained dependence upon another person, will be sufficient to trigger the protective labour rights contained in the legislation.

Similarly, in **Malawi**, the Employment Act of 2000 defined an employee as a person "who offers his services under an oral or written contract of employment, whether express or implied", and as "any person, including a tenant share cropper, who performs work or services for another person for remuneration or reward on such terms and conditions that he is in relation to that person in a position of economic dependence on, and under an obligation to perform duties for, that person more closely resembling the relationship of employee than that of an independent contractor".

In **India**, the Unorganized Workers' Social Security Act, 2008 defined different categories of workers in the unorganized sector, including wage workers, home-based workers, self-employed workers, considering the specific circumstances in the informal economy. Wage workers are defined as "persons employed for remuneration in the unorganised sector, directly by an employer or through any contractor, independent of place of work, whether exclusively for one or more employers, whether in cash or in kind, whether as a home-based worker, or as a temporary or a casual worker, or as a migrant worker, or workers employed by households including domestic workers..." (art. 2(n)). A home-based worker is defined as a "person engaged in the production of goods or services for an employer in his or her home or other premises of his or her choice other than the workplace of the employer, or remuneration, irrespective of whether or not the employer provides the equipment, materials or other inputs." (art. 2(b)). The Act guides the extension of coverage to workers in the informal economy, as set out in specific legislation.

While the extension of legal coverage is an important step towards the extension of effective coverage, it may be necessary to combine the extension of legal coverage with other measures to raise awareness and facilitate registration, the payment of contributions and compliance (see Chs 3, 5, 6 and 7).

#### 4.2.3 *What else needs to be considered when aiming to include workers in micro and small enterprises in social protection schemes?*

Bringing workers in micro and small enterprises under social security and labour legislation is obviously a critical step in extending coverage for these groups, yet in many cases this will not be sufficient to effectively ensure coverage for them. Additional measures are needed to ensure that administrative processes do not pose an overly high burden on small enterprises (see Ch. 5); that contribution rates do not pose an excessive burden on small enterprises (see Ch. 6); that social security and labour inspection mechanisms are effective and adequate and compliance is encouraged (see Ch. 7); and that both workers and employers are informed of the regulations in place and are aware of the importance of social security coverage (see Ch. 3). Considering that low productivity and weak financial capacity are among the key constraints faced by MSEs, it is important to complement those measures with a coherent and comprehensive strategy to enhance productivity growth of MSEs and ensure a conducive business environment so that their transition to the formal economy is facilitated.

##### **Checklist 4.1: Considerations for bringing employees in micro and small enterprises under social security legislation**

- What are the main obstacles to extending legal coverage to workers in small enterprises? Is there a legal threshold that defines a minimum enterprise size for the coverage of employees? Is the definition of “employee” overly restrictive? Are there any other relevant provisions?
- If there is an existing legal threshold with regard to the minimum size of enterprises covered, could it be eliminated or gradually reduced? What additional measures would be necessary to ease the administrative burden for micro and small enterprises and facilitate the registration of their employees? (see Ch. 5 for more guidance).
- If the definition of “employee” in existing legislation excludes many workers in micro and small enterprises, is there scope to revise that definition? What additional measures would be needed to facilitate social security coverage for a larger group of workers?

##### **Further reading on extending legal coverage to workers in medium and small enterprises**

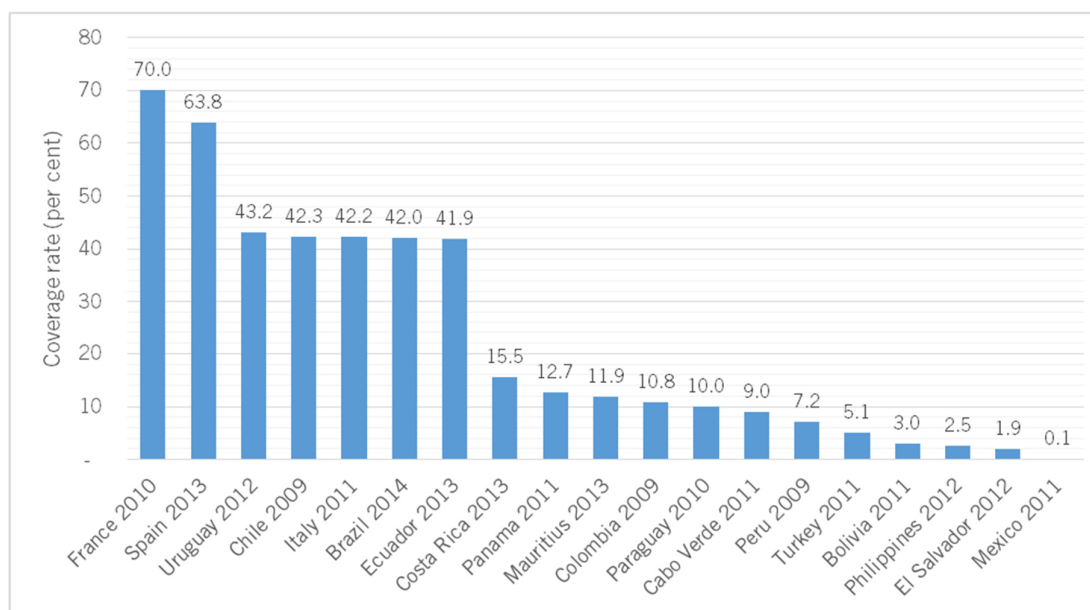
- ILO. 2013. [The informal economy and decent work: A policy resource guide: Supporting transitions to formality](#).
- ILO. 2015. [Small and medium-sized enterprises and decent and productive employment creation](#), Report IV, International Labour Conference, 104th Session, Geneva.
- ILO. 2019. [Small matters: Global evidence on the contribution to employment by the self-employed, micro-enterprises and SMEs](#).
- ILO; GIZ. 2014. [Enterprise formalization: Fact or fiction? A quest for case studies](#).
- ISSA. 2016. ISSA [Guidelines: Administrative Solutions for Coverage Extension](#).

### 4.3 Extending legal coverage to domestic workers

#### 4.3.1 What are the specific challenges with regard to including domestic workers under social security legislation?

In many countries, domestic workers represent a large share of those not covered by social security schemes, despite progress made in recent years (ILO 2013a; 2016i). While 70 countries have established legal provisions to provide social protection to domestic workers, a considerable deficit exists in terms of effective coverage (ILO, 2016e; see also Box 4.3). In addition, more than a third of domestic workers are excluded from key maternity protection provisions, such as maternity leave with adequate compensation to ensure income security. Pregnancy therefore often entails job loss for domestic workers.

**Box 4.3: Social protection coverage of domestic workers**



Source: Based on ILO, 2016, p. 68.

One reason for the low level of effective coverage lies in the exclusion of domestic workers from the scope of labour and social security legislation. Estimates show that only 10 per cent of all domestic workers are covered by general labour legislation to the same extent as other workers, while 47.8 per cent are partially covered and 29.9 per cent are not covered at all (ILO 2013a, 51).

Domestic workers may be explicitly excluded from legislation as a category or implicitly excluded because they are less likely to comply with the eligibility criteria set out in the legislation, such as with minimum working hours or salary thresholds. For example, in Belgium, domestic workers are excluded from social security if they work less than 24 hours a week. In Panama, domestic workers working less than three days per week for the same employer are excluded from medical coverage and the retirement pension. In Brazil, domestic workers who work two days or less for a household are not covered under the social insurance scheme (IPEA 2015). In Argentina, medical coverage is provided only if a domestic worker works at least 6 hours for the same employer, which excludes many of those working for shorter hours or for multiple employers (ISSA 2012, 49). In addition, they may not have clear terms of employment or a formal employment contract (Mesa-Lago 2008a) or may be excluded on the grounds of their nationality since some legislation covers only nationals, effectively excluding migrant domestic workers.

Even where legislation exists, workers may be excluded from social security coverage in practice because legislation is not enforced. This may be because domestic work is carried out in private homes, making domestic workers less visible and more prone to informality and vulnerable to abusive practices (ILO, 2013d). Social security registration is also difficult to monitor and enforce owing to the generally low capacity of labour inspectorates to access households for legal, financial and practical reasons (ILO

2015f). Inspections may not be conducted where inspectors do not have the legal power to enter private homes and even if they do, the dispersion of workplace makes inspections more costly and time-consuming compared to inspection of other worksites (Daza, 2005b; see also Chapter 7). In addition, domestic workers often have few options for accessing grievance mechanisms and voicing their concerns, which is related, among other factors, to the dispersion of their workplaces (ISSA 2012) (see also Chapter 7).

While labour laws and associated regulations still exclude the majority of domestic workers worldwide, many countries have reformed their labour and social security laws to include domestic workers, including in Argentina, Bolivia (Plurinational State of), Brazil, Chile, France, South Africa, Spain, Switzerland and Uruguay. The extension of labour protection to these workers is a first step towards extending social security to this group and bringing national legislation in line with the relevant international human rights and labour standards (see Box 4.4) (ILO, 2013c, 2012b; ITUC and UN-Women, 2013).

**Box 4.4: The situation of domestic workers and their rights as set out in international instruments**

With at least 67 million domestic workers over the age of 14, this sector accounts for 4 per cent of the global workforce (ILO 2016i). Domestic work occupies 1 in 25 women workers globally and 1 in 4 female employees in Latin America. The ILO estimates that about 75 per cent of the sector is in the informal economy and thus represents a significant share of informal employment among women, particularly in urban areas (ILO 2016b). Demographic changes and the privatization of care suggest the sector will continue to grow (ITUC and UN-Women, 2013). Many domestic workers (on average 17 per cent globally) are international migrant workers, which also affects their social security coverage (ILO, 2013d).

Domestic workers are not a homogenous group, so that their demographic profiles (age and gender, as well as migration status) vary, as well as the nature of their jobs (full-time or part-time; live-in or live-out) and the tasks they perform (cleaning, looking after elderly people or children, guarding homes, driving children to school, gardening or cooking and so on). This means that a definition of the term “domestic worker”, should not rely on a listing of specific tasks or services but rather find a general formulation that draws on the common feature of domestic workers, which is that they work “in or for a private household or households”.

The ILO Domestic Workers Convention, 2011 (No. 189) is based on the following definitions (Art.1):

- (a) the term “domestic work” means work performed in or for a household or households;
- (b) the term “domestic worker” means any person engaged in domestic work within an employment relationship;
- (c) a person who performs domestic work only occasionally or sporadically and not on an occupational basis is not a domestic worker.

At the international level, these definitions have been recognized and, building on Convention No. 189, various standards on domestic work have recently been adopted, such as the Domestic Workers Recommendation, 2011 (No. 201). The Convention calls upon member States to extend protections to domestic workers equal to those enjoyed by workers generally with respect to their terms and conditions of employment, the fundamental principles and rights at work and social security, among other considerations.

The rights of domestic workers are also set out in the Convention on the Elimination of All Forms of Discrimination against Women and in general recommendation No. 26 on women migrant workers (including domestic workers), adopted by the Committee on the Elimination of All Forms of Discrimination against Women in 2008. The Committee on the Protection of the Rights of All Migrants and Members of their Families adopted a general comment on migrant domestic workers in 2010.

#### **4.3.2 How can domestic workers be included under social security legislation?**

Including domestic workers in labour and social security legislation is an important first step towards ensuring better protection (ILO 2019d). This can be done through extending the coverage of existing

legislation to include domestic workers or by developing legislation that specifically targets them.<sup>13</sup> Such legislation should take into account the specific nature of domestic work, including the fact that many domestic workers work for more than one employer.

In recent years, several countries have developed and implemented labour and social security legislation for domestic workers. South Africa has extended legal coverage of unemployment, maternity and sickness insurance to domestic workers through the Unemployment Insurance Amendment Act adopted in 2003, which has led to a significant improvement in the protection of domestic workers (see box 4.5). In Brazil, mandatory unemployment and employment injury insurance was extended to domestic workers in 2013 (see box 4.6). In the Philippines, the Domestic Workers Act 2013 made social security benefits legally available to domestic workers (see box 4.7). In the Plurinational State of Bolivia, legislation protecting domestic worker has existed since 2003 but was not implemented until 2008; that changed with the introduction of new legislation, strong government commitment and a strong women-led advocacy (see box 4.8). In Saudi Arabia, domestic workers were covered for medical care and sick leave in 2013.

**Box 4.5: Extending unemployment and maternity insurance to domestic workers in South Africa**

In 2003, domestic workers in South Africa were legally granted some social protection benefits for the first time. The Unemployment Insurance Amendment Act included domestic workers in the Unemployment Insurance Fund, which provides (a) relief in case of partial or full unemployment due to dismissal, retrenchment, illness or death of the employer; and (b) maternity benefits for pregnant domestic workers before or after their children are born, depending on their contributions. Recognizing the specific situation of domestic workers, the right to unemployment benefits is recognized even for workers who are still partially employed e. g. when they have lost employment with one employer but still work for another. It also entitles workers to unemployment benefits in the case of the death of the employer. Employers and domestic workers each contribute one per cent of the monthly salary into the Fund. The implementation of the law was accompanied by the provision of financial and human resources to train and employ additional labour inspectors to strengthen control mechanisms.

By 2008, the number had reached 633,000 registered domestic workers – of whom 324,000 had received benefits – employed by 556,000 employers. By April 2009, an additional 23,000 employers (total 579,000) had registered their workers.

Source: Based on ILO, 2012, p. 146; ITUC and UN Women, 2013; Olivier, 2009

**Box 4.6: Unemployment and employment injury insurance for domestic workers in Brazil**

In Brazil, constitutional amendment No. 72/2013 established the equality of labour rights between domestic and other workers. On top of the already existing right to maternity leave, the amendment added the right to unemployment insurance and insurance in case of occupational accidents for domestic workers. Previously, domestic workers had been covered by unemployment benefits only if the employer had contributed to the Time-In-Service Guarantee Fund (Fondo de Garantía por Tiempo de Servicio). Since that was an optional payment by the employer, coverage was very low (just 11,793 of 6.7 million domestic workers). The unemployment insurance has not been put in practice yet as the amendment states that payment to the unemployment compensation fund and unemployment insurance must await the establishment of regulations before they enter into effect.

Source: Based on ILO, 2013d, p. 33.

<sup>13</sup> Examples of countries with specific laws on domestic work include Bolivia (Plurinational State of) (Act No. 2450, law to regulate domestic work); the Philippines (Domestic Workers Act, 10361/2013); Mozambique (decree No. 40/2008 on domestic workers); Uruguay (Act 18.063 on domestic work) and Brazil (constitutional amendment No. 72/2013 on domestic work).



**Box 4.7: The Philippines: The Domestic Workers Act (Batas Kasambahay)**

The Domestic Workers Act, 10361, 2013 (Batas Kasambahay) extends social security rights, including health insurance, to an estimated 1.9 million domestic workers, drawing on Convention No. 189. Workers that have rendered at least one month of service are eligible and will be covered by the Social Security System (SSS), the Employees Compensation Commission, the Philippine Health Insurance Corporation (PhilHealth) and the Home Development Mutual Fund (Pag-IBIG Fund). Contributions are fully paid by employers for domestic workers who earn less than 5,000 pesos per month and are shared between employers and workers for those who earn higher wages, as defined by the law.

The Act also provides for mechanisms to provide a quick response to abuse and accessible means for grievances. To implement the act, civil society organizations have conducted a campaign with the objective of changing attitudes towards domestic workers, which among other things established the official Philippine term for “domestic worker” as “*kasambahay*” (household helper). The Government declared a National Domestic Workers Day, to be held every 30 April. Media outreach is also being conducted regularly and a National Domestic Workers’ Summit is organized periodically.

These awareness-raising tools, together with strong political commitment at the national and local levels, have contributed significantly to the successful implementation of the law.

Source: ILO, 2013d, p. 33

**Box 4.8: Expanding social security coverage for domestic workers in the Plurinational State of Bolivia**

In the Plurinational State of Bolivia, domestic work has been legally regulated since 2003 by Act No. 2450 (*ley de regulación del trabajo asalariado del hogar*). However, the Act was not implemented until 2008, when the National Plan for Equal Opportunities (decreto supremo No. 29850) placed domestic work again on the political agenda by recognizing that “domestic work is a social contribution without which the economic system cannot function”. In the same year, a law was passed that extends health care coverage to domestic workers, providing health care and hospitalization coverage for workers and their children and making doctors available in the evenings (from 5p.m.-9p.m.) so that workers can actually access medical care.

With the adoption of a new constitution in 2009, the implementation of Act No. 2450 and other related provisions was reprioritized, focusing on two priority phases: eliminating informal and insecure employment of domestic workers through labour laws; and enforcing social security by proposing unemployment benefits and extending pension coverage to domestic workers. The latter phase, which was implemented in 2010, allows domestic workers to join the Comprehensive Pension System and make a monthly contribution of about 14 per cent of the minimum wage. If they contribute over 10 years, they can apply for a pension. However, most domestic workers are likely to be excluded from that pension as many will probably not be able to afford contributions.

Relevant factors for successfully bringing the rights of domestic workers back onto the political agenda in the Plurinational State of Bolivia can be seen in strong women-led advocacy and a government committed to empowering women workers.

The Labour Code provides domestic workers with better maternity leave entitlements than other workers – granting them a total of 90 days of maternity leave, rather than the 60 days granted to other workers, which is an exceptional example of more than equivalent maternity leave provisions for this category of workers.

Source: Based on ITUC and UN Women, 2013, ILO, 2013d, p. 33, ILO, 2012b, p. 146, ILO, 2013d, p. 33.

Including domestic workers in social security and labour legislation not only provides better social protection for domestic workers but also contributes to valuing social protection as work rather than a voluntary, non-valuable activity. Thus, in various cases, the implementation of new laws was accompanied by campaigns that aimed to change people’s attitude so that they would see domestic work as valuable and necessary work that needs to be respected and adequately remunerated. In South Africa, domestic workers were described as professionals with skills; in the Philippines, the Government



introduced a National Domestic Workers Day. In Mozambique, it was stated by law that domestic work is a “social contribution without which the economic system cannot function”.

All countries discussed here that have expanded social security coverage to domestic workers have been able to count on strong political commitment and the support of civil society organizations. In South Africa, “... political will, policy determination and public awareness, backed by some measure of international support, have been central to the relative success of extending protection to domestic workers ...” (Olivier, 2009). In the Plurinational State of Bolivia, the engagement of women-led advocacy was crucial for a successful start to implementing the law on domestic work in 2009.

Therefore strong government commitment at different levels of government will be essential when designing and implementing laws and schemes for domestic workers, which should be accompanied by collaboration with civil society and domestic workers’ organizations and perhaps some international support as well. Lawmakers also need to be involved in the developmental stage.

### ***4.3.3 What else needs to be considered when aiming to include domestic workers under social security legislation?***

While the extension of legal coverage is essential, legislation itself does not guarantee the inclusion of domestic workers into social protection schemes. Therefore, legislation should be accompanied by mechanisms to ensure the application of laws in practice. Such mechanisms may include the creation of incentives for registration (see Ch. 5), facilitating the payment of contributions and developing adequate financing mechanisms (see Ch. 6), the adaptation of labour inspection mechanisms to the situation of domestic workers (see Ch. 7), effective grievance mechanisms (see Ch. 7) and/or the raising of awareness regarding existing laws and schemes (see Ch. 2).

#### ***Policy coherence***

As domestic workers legislation interacts with various public policy fields, policy coherence is also relevant. Multi-stakeholder social dialogue and consultation, including the participation of domestic workers’ organizations, is important.

#### ***Collective bargaining***

Although not directly related to social protection, collective bargaining and the right to organize can play an important role in advancing legislation that includes domestic workers in social protection schemes and/or implementation instruments that guarantee that they also have access in practice. Owing to the generally personalized and private, individualized nature of domestic work, as well as its geographic dispersion and isolation, domestic workers tend to be less organized and/or have no bargaining rights. However, where they are organized, domestic workers’ groups have played a leading role in improving the situation of domestic workers, as for example in the Plurinational State of Bolivia. It is therefore essential to support the organization of domestic workers.

#### ***Adapted solutions***

Finally, it needs to be stressed that domestic work is very diverse, including live-in and live-out workers; full-time and part-time work; and vulnerable categories of workers such as child labourers, migrant workers and internal migrants from rural areas. As a result, there cannot be one solution for all countries and probably not even for all domestic workers within one country. Policy responses need to take those differences into account and combine the extension of legal coverage with complementary measures.

#### Checklist 4.2: Considerations for bringing domestic workers under social security legislation

- What are the main obstacles to extending legal coverage to domestic workers? Are they excluded from coverage altogether? Are the criteria used to define an “employee” overly restrictive?
- Does the legislation require private households employing domestic workers to register them with the social security institute?
- If there are legal thresholds with regard to the minimum hours of work per day, week or month, could they be reduced? Could measures be taken that allow for the recognition of total working hours performed for more than one employer?
- If the definition of “employee” in the legislation excludes many domestic workers in practice, how could it be adapted to cover them more effectively? What additional measures would be needed to facilitate social security coverage for a larger group of domestic workers?
- If the legislation excludes migrant workers, what measures could be taken to eliminate discrimination and ensure equal treatment?
- What additional measures would be necessary to ease the administrative burden for employers of domestic workers? (see Chapter 5 for more guidance)
- What additional measures would be necessary to ease the financial burden for employers and domestic workers? (see Chapter 6 for more guidance)
- What additional measures can be taken to ensure that enforcement and inspection mechanisms are adapted to the specific nature of domestic work? (see Chapter 7 for more guidance)
- What additional measures could be taken to ensure that domestic workers and their employers are aware of the legislation that applies to them and that they can effectively access appropriate grievance mechanisms? (see Chapter 2 for more guidance)

#### Further reading on the extension of legal coverage to domestic workers

- ILO, 2012. [Effective protection for domestic Workers: A guide to designing labour laws](#).
- ILO, 2015. [Labour inspection and other compliance mechanisms in the domestic work sector: Introductory guide](#).
- ILO, 2016. [Formalizing domestic work](#).
- ILO, 2016. [Social protection for domestic workers: Key policy trends and statistics](#).
- WIEGO; IWDF, 2018. [Your Toolkit on ILO Convention No. 189: The Domestic Workers Convention](#).

## 4.4 Extending legal coverage to agricultural workers

### 4.4.1 *What are the specific challenges with regard to including agricultural workers under social security legislation?*

According to the estimates of the United Nations Population Division, nearly half of the world’s population – more than 3 billion people – live in rural areas. In many countries, rural areas play a significant economic role. About 28 per cent of the people in employment are estimated to work in the agricultural sector, which amounts to nearly 1 billion people worldwide (ILOSTAT 2019). Regional disparities, however, are large. Every second person in Africa and every third person in Asia work in agriculture, yet less than 1 out of every 10 persons in the Americas and in Europe and Central Asia work

in agriculture. Many agricultural workers operate in the informal economy (93.6 per cent), with variable and often low levels of income (ILO, 2018a) and without adequate social protection coverage (FAO 2017; 2015; ILO 2017f; 2015d). Agricultural workers are a heterogeneous group with regard to their employment status, income level, land size and ownership status, and nature of agricultural production. Given such diversity, the potential factors behind non-coverage differ and therefore the analysis of the current situation, social protection gaps and barriers to coverage should be as detailed and specific as possible.

Agricultural workers are often legally or practically excluded from social protection coverage. That is especially the case for self-employed peasants, sharecroppers and squatters. Estimates for Latin America show that the level of social security coverage for rural populations is between one third and one sixth of the level of coverage for urban populations (Mesa-Lago, 2008b). Regarding health coverage, many categories of rural workers are often legally excluded, while rural populations in general face much greater difficulties in accessing health care services than urban populations (Mesa-Lago 2008b; Scheil-Adlung 2015).

Several factors contribute to the legal exclusion of agricultural workers from social security coverage. In some countries, workers in the agricultural sector – or some categories of workers in this sector – are excluded from coverage of the main social security or labour legislation or may be subject to separate legislation that provides for a lower level of protection. However, even where the legislation does not explicitly exclude agricultural workers, criteria on the duration of employment or working hours may effectively exclude large groups of agricultural workers, such as temporary/seasonal workers, in particular day labourers or part-time workers. For example, in Tunisia, seasonal agricultural workers are not included in the general scheme for the self-employed (see Box 4.10).

In addition, many agricultural workers do not have an identifiable employment relationship and may therefore not be included in legislation that covers employees only. Moreover, low and fluctuating incomes due to seasonality, the remoteness of the work and living place, high labour mobility and a lack of organization also contribute to the exclusion of many agricultural workers from legal or effective coverage.

#### ***4.4.2 How can agricultural workers be included under social security legislation?***

Measures to include agricultural workers under social security and labour legislation should recognize the specific conditions of work in the agricultural sector, including seasonality and the remoteness of the home and workplace (ILO 2019c).

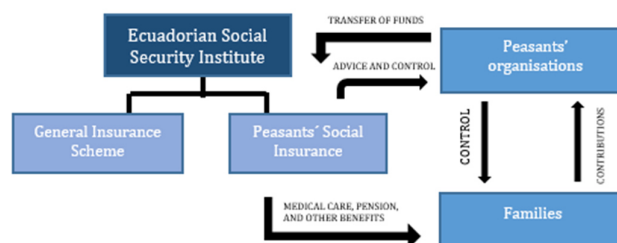
To expand legal protection for agricultural workers, some countries have implemented specific legislation or have extended their general social security legislation. Ecuador covers agricultural workers through the Peasants' Social Insurance Scheme, which is regulated by the general social security law and administered by the main social security institution (see Box 4.9). Tunisia unified the schemes for self-employed non-agricultural workers and for self-employed agricultural workers in 1995, with the objective of expanding coverage of agricultural workers (see Box 4.10).

**Box 4.9: Ecuador: Peasants' Social Insurance**

Regulated as part of the general social security law, the Peasants' Social Insurance (*Seguridad Social Campesino* (SSC)) covers own-account workers in agriculture; SSC includes health and maternity coverage for the whole family and coverage in case of old age, invalidity and death of the insured person.

The SSC is managed by the Social Security Institute (Instituto Ecuatoriano de Seguridad Social (IESS)), which also manages the general social security scheme. Agricultural workers can register individually or through a peasants' organization, which is responsible for collecting contributions and for transferring them to the IESS. Access to the scheme is facilitated through a good and reliable service infrastructure in all provinces. Based on the principle of solidarity, the scheme is financed through a combination of contributions by the insured, cross-subsidization by employers and employees registered in the general insurance scheme, contributions by public and private insurance entities and a state subsidy.

SSC has enabled the Ecuadorian rural population to benefit from social insurance based on the principle of solidarity. It is the main social security mechanism for rural workers, of whom 73 per cent are covered under the SSC (23 per cent under the IESS general insurance scheme). In 2017, the SSC covered 1.2 million people and provided pensions to 74,000 people.



Source: Based on Durán-Valverde et al., 2013; IESS, 2016; ILO, 2018.

**Box 4.10: Tunisia: Unifying social protection schemes for non-agricultural and agricultural own-account workers**

Tunisia introduced new legislation in 1995 that, among other things, created a unified social insurance scheme for the self-employed, merging the existing separate schemes for the self-employed in the non-agricultural and agricultural sectors, thereby unifying rules and benefits and significantly increasing the number of those insured.

In addition, a scheme of free medical assistance was introduced for low-income groups of the population not covered by other social insurance systems. Eligible persons include seasonal agricultural workers under a certain income threshold.

Those changes, together with the establishment of different income categories (see Ch. 6) contributed to a considerable improvement in social security coverage for health care, old-age pension, maternity and employment injury. Within 10 years, the coverage of workers and their families increased from 60 to 84 per cent. However, although nearly all Tunisians who work in the public and private non-agricultural sectors are covered today, the coverage of agricultural workers and self-employed workers remains below 50 per cent. Those who are still legally excluded are mainly casual and seasonal agricultural workers (working less than 45 days per quarter for the same employer).

Source: Based on Bailey, 2004; Ben Cheikh, 2013; Olivier, 2009.

Extending legal coverage to agricultural workers may not only necessitate adjustments in the law but may also require adjustments to the regulations accompanying the law. For example, many agricultural workers do not have stable incomes throughout the year – their income fluctuates with the seasonal and productive cycles. Owing to the structural characteristics of their economic activity, they are prone to experience difficult economic situations that may result in the reduction of their income and consequently of their contributory capacity. Adapting the regulatory framework to take account of those characteristics may help to facilitate their coverage and provide better protection for them.

For example, in Colombia, various decrees have been enacted to better adapt the regulatory framework to the circumstances of agricultural workers, including with regard to the assessment of incomes and

the possibility of temporarily opting out of pension insurance in case of lack of contributory capacity (see box 4.11).

**Box 4.11: Adapting legislation to the specific situation of agricultural workers in Colombia**

In Colombia, laws No. 100 of 1993 and No. 797 of 2004 determine the framework guidelines for the social security system and its subsystems. However, since it was recognized that many of those guidelines were not practicable for certain groups of workers, a number of subsequent decrees have led to a series of regulatory changes to facilitate access for agricultural workers, including:

- allowing insured persons to declare their income throughout the year (instead of only at the beginning of the year, as was previously the case) in order to take into account the productive cycles and variations of economic activity over each year (see Ch. 6);
- introducing the option to inform the social insurance system of changes in their circumstances (“news report”), which allows the insured self-employed, employees or their employers to adjust their contribution;
- allowing own-account workers to temporarily opt out of pension insurance if they do not have the contributory capacity to contribute to both health and pension insurance.

With such adjustments in the regulations, Colombia facilitated the extension of social protection for agricultural workers.

Source: Based on Durán-Valverde et al., 2013.

When adapting schemes to the situation of agricultural workers, it should also be taken into account that different groups of agricultural workers may be excluded for different reasons, including their employment status, income level, land size and ownership status and the nature of their agricultural production. Although the majority of agricultural workers may be low-income own-account or temporarily employed workers with no land or very little land, some agricultural workers are employed on a permanent basis and some are employers, usually possessing large plots of land.

In order to ensure the effective coverage of agricultural workers, schemes should be designed to be as specific to their needs and financial capacities as possible. That usually requires conducting a detailed assessment of different groups of agricultural workers in order to better understand their specific situation, such as their contributory capacity and available infrastructure (Chaabane 2002). Such assessments should be conducted, if possible, with the participation of social partners and other stakeholders. For example, in Argentina, the Convenios de Corresponsabilidad Gremial scheme resulted from the active participation of trade union entities. In Tunisia, part of the successful implementation of social protection is attributable to the fact that, although the Government initiated the scheme, it always consulted representatives of the groups to which coverage was being expanded, as well as employers’ and workers’ representatives.

#### **4.4.3 What else needs to be considered when aiming to include agricultural workers in social security legislation?**

In addition to extending legal coverage, other measures are necessary to ensure that the legislation is applied in practice and leads to the effective coverage of agricultural workers. Such mechanisms may include allowing for flexibility regarding the time and amount of contributions (see Ch. 6), facilitating registration and administration (see Ch. 5), the adaptation of labour inspection mechanisms to the situation of agricultural workers (see Ch. 7), effective grievance mechanisms (see Ch. 7) and informing agricultural workers about existing schemes and how to access them (see Ch. 3).

**Checklist 4.3: Considerations for bringing agricultural workers under social security legislation**

- What are the main obstacles to extending legal coverage to agricultural workers? Are they excluded from coverage altogether? Are the criteria used to define an “employee” overly restrictive?
- If there are legal thresholds with regard to the minimum duration of employment, could they be reduced to take into account temporary (seasonal) employment?
- If the legislation excludes many agricultural workers in practice, is there scope to broaden the definition of covered workers? What additional measures would be needed to facilitate social security coverage for a larger group of agricultural workers?
- If the legislation excludes migrant workers, what measures could be taken to eliminate discrimination and ensure equal treatment?
- What additional measures would be necessary to ease the administrative burden for employers of agricultural workers? (see Chapter 5 for more guidance)
- What additional measures would be necessary to ease the financial burden for employers and workers? (see Chapter 6 for more guidance)
- What additional measures can be taken to ensure that enforcement and inspection mechanisms are adapted to the specific nature of the agricultural sector? (see Chapter 7 for more guidance).
- What additional measures could be taken to ensure that agricultural workers and their employers are aware of the legislation that applies to them and that they can effectively access appropriate grievance mechanisms? (see Chapter 3 for more guidance)

## 4.5 Extending legal coverage to self-employed workers, including own-account workers

### 4.5.1 *What are the specific challenges with regard to including self-employed workers under social security legislation?*

In many countries, social security legislation has traditionally focused on the protection of employees. Although many countries have extended social security coverage for self-employed workers, in many other countries own-account workers and other categories of self-employed are still excluded from legal coverage (ILO 2013d; Mesa-Lago 2008a).

The exclusion of self-employed workers from legal coverage has often been explained by the following factors (ISSA, 2012):

- the diversity of circumstances, needs and contributory capacities among self-employed workers. The situation of liberal professions or business owners is very different from the situation of small farmers, contractors, members of cooperatives or contributing family workers (see box 4.12);
- the “double contribution challenge” – the requirement that self-employed workers assume the full contribution (employer and employee contribution) unless specific measures are in place to reduce the contribution rate;
- the administrative burden in terms of income declaration, record-keeping, contribution collection and benefit claims.

Yet, in many countries, self-employed workers — or at least certain categories of self-employed workers — have been brought under social security legislation. Those countries have found ways to address the specific challenges through a range of measures for adjusting to the situation of self-employed workers and extending coverage to them (ISSA 2012; ILO 2019e).

However, even if workers are formally covered by labour and social security legislation, in practice they may not have access to the available social and labour protection, either because the law is not applied or not enforced or because compliance with the law imposes excessive costs and procedures may be complex or inappropriate. Also, existing legislation and schemes may not respond to the situation and needs of own-account workers and other categories of self-employed, such as regarding contribution terms and amounts and benefits or because of a lack of information (Bertranou, 2007; ILO, 2013a).

A particular challenge in that context is the correct classification of an employment relationship in situations in which an employment relationship is unclear or ambiguous, in order to avoid a misclassification of employment or “disguised self-employment” for dependent contractors (ILO 2016e; Eichhorst, Braga, and Famira-Mühlberger 2013). Dependent contractors may depend on a single client, a single supplier of the material input, or an intermediary for access to clients<sup>14</sup>; in such situations the client, supplier or intermediary exert a similar level of control over their working conditions as an employer; therefore the terms and conditions of employment of dependent contractors resemble paid employment. In such cases, it is important to clarify whether they work in an employment relationship in order to ensure the necessary protection of the worker. Preventing the misclassification of employment is essential to ensure that employers do not unduly transfer economic risks to workers and avoid the responsibilities associated with formal employment contracts, including labour protection and social protection. It may also be that in some cases, workers may declare themselves as self-employed in order to avoid rigid tax and contribution obligations, without considering the adverse consequences of a lack of social protection. The clarification of the employment relationship<sup>15</sup> is particularly relevant in the digital economy, in which self-employment is becoming more prevalent (Berg et al. 2018; Behrendt and Nguyen 2018; Behrendt, Nguyen, and Rani 2019).

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<sup>14</sup> Examples for these three categories could be (1) a graphic designer exclusively working for one company; (2) a homemaker subcontracted to preform assembly work and where the material for the production is provided by the trader; and (3) a ride-hailing driver working through a digital platform.

<sup>15</sup> See ILO Employment Relationship Recommendation, 2006 (No. 198).



**Box 4.12: Taking into account the diversity of situations of work for profit and independent work**

Self-employment is traditionally understood as non-salaried employment that is employment that generates profit rather than being compensated by a salary. However, this classification does not take into account that these workers exert different degrees of authority and control over the organization of their work. The revised Classification of Status in Employment (ICSE-18), adopted by the International Conference of Labour Statisticians in 2018, introduces a classification of jobs according to two dimensions:

- the **type of authority**, referring to the nature of the control that the worker has over the organization of his or her work, the nature of authority that he or she exercises over the economic unit for which the work is performed, and the extent to which the worker is dependent on another person or economic unit for organization of the work and/or for access to the market
- the **type of economic risk**, referring to the “extent to which the worker may be exposed to the loss of financial or other resources in pursuance of the activity; and experience unreliability of remuneration in cash or in kind or receive no remuneration

Based on this classification, different categories of workers can be distinguished along these two dimensions:

		ECONOMIC RISK	
		Workers in employment for pay	Workers in employment for profit
AUTHORITY	Independent workers	<ul style="list-style-type: none"> <li>• Employers in corporations</li> <li>• Owner-operators of corporations without employees</li> </ul>	<ul style="list-style-type: none"> <li>• Employers in household market (unincorporated) enterprises</li> <li>• Own-account workers in household market (unincorporated) enterprises without employees</li> </ul>
	Dependent workers	<ul style="list-style-type: none"> <li>• Permanent employees</li> <li>• Fixed-term employees</li> <li>• Short-term and casual employees</li> <li>• Paid apprentices, trainees and interns</li> </ul>	<ul style="list-style-type: none"> <li>• Dependent contractors</li> <li>• Contributing family workers</li> </ul>

This guide is concerned in particular with the different types of workers in employment for profit, noting that particular challenges exist for dependent workers in this category, that is dependent contractors and contributing family workers. In some contexts, independent workers in employment for pay may be in comparable situations as workers in employment for profit with regard to their social security coverage, and will therefore also be considered in this guide.

Source: Based on ICLS, 2018a, 2018b.

### 4.5.2 How can self-employed workers be included under social security legislation?

There are different approaches and measures to legally extending social security coverage to own-account workers and the self-employed at large. In view of securing large risk pools and facilitating labour market mobility, it would be preferable to prioritize the extension and adaptation of existing social insurance schemes to self-employed workers; otherwise, specific schemes may be established for this group.

The success of strategies of extending coverage to the self-employed will depend on the extent to which the legislation and its implementation takes into account the circumstances and needs of self-employed workers, particularly with regard their ability to pay contributions, priority needs and adapted administrative procedures.

### *Inclusion of self-employed and own-account workers in social security legislation and schemes*

Various countries have included the self-employed and own-account workers in their general social security scheme, including Brazil, Cabo Verde, Costa Rica, Ghana, Jordan, Kenya, Mexico and the United Kingdom (ISSA, 2012).

The inclusion of self-employed workers under the general social security scheme has the advantage of allowing workers to remain in the same social security scheme, independently of their employment status, and of allowing for adequate coverage in situations where workers combine (part-time) paid employment with self-employment. Given that the self-employed do not have a (clear) employment relationship, it may be necessary to establish specific provisions for self-employed workers, especially with regard to the calculation of contributions.

In addition, the inclusion of self-employed workers will also require the redefinition of relevant terms in the legislation, such as “contributor” or “insured person”. For example, in Jordan, in order to expand social security to all people working inside the country and to Jordanians abroad as part of the “Outreach for All” initiative, the definition of covered workers in the Social Security Law was changed. Instead of “the employee”, the definition now includes “any person”, thus the law also applies to self-employed and own-account workers (ISSA 2009b). In Brazil, an important step for including own-account workers into social security legislation was the creation of the legal concept of self-employed micro-entrepreneur (*Microempreendedor Individual*, MEI) and the facilitation of their coverage through the Plan Simples (see Box 4.13; see also section 6.2.3).

#### **Box 4.13: Brazil: Microempreendedor Individual**

Brazil established the legal category of self-employed micro-entrepreneurs in 2008 through the Complementary Law No. 128, which was revised by subsequent laws. Micro-entrepreneurs are defined as self-employed persons with a maximum gross annual income of R\$ 81,000 (c. US\$ 20,800) who do not participate in another company as a partner or shareholder and have no more than one employee.

This law simplified registration and payment by combining tax payments and social security contributions for the entrepreneur into one flat payment. It is part of the special unified taxes and contributions scheme known as the Simples Nacional, which targets micro and small enterprises. However, the rates charged under the Microempreendedor Individual (MEI) mechanism are lower than those under the regular Simples Nacional.

Micro-entrepreneurs covered under the law are provided with access to a basic pension, disability and survivor benefits and health and maternity protection, as well as a family allowance in the case of imprisonment or death of the household’s main income-earner. Medical care is provided through the public system (Sistema Único de Saúde), as is the case for workers affiliated to the general system. Micro-entrepreneurs can access additional benefits provided under the general system, such as old age pensions based on individual contributions, by opting to change their status, paying a 20 per cent contribution rate and covering any other differences. Micro-entrepreneurs can also hire one employee at reduced social insurance contribution rates (8 per cent instead of 20 cent for employer contribution), which provides the employee with the same social security entitlements as all other employees.

Between 2009 and 2018, the number of registered MSEs increased from about 3 million to 5 million. The monotax regime also facilitated the formalization of workers; the entities registered under this regime reported 10.6 million employed workers in 2017 – one quarter of all employees in Brazil. The main motivation to participate in this regime is to gain access to social security.

Source: Based on ILO, 2019d; Santiago, 2018.

The reforms conducted in Costa Rica and Cabo Verde are good examples of how self-employed workers have been included into general pension and/or health insurance schemes by making participation mandatory, reducing contribution levels and adapting benefits to those of employed workers (see Box 4.14 and Box 4.15). In Latin America, similar reforms were implemented (Bertranou, 2007; Bertranou, 2014).

**Box 4.14: Costa Rica: Making social health and pension insurance mandatory for self-employed workers**

In 2000, the Worker Protection Law made registration for social health and pension insurance mandatory for the self-employed, establishing a gradual implementation procedure. In 2004, a regulation established that the self-employed must register within eight working days after the start-up or acquisition date of the company or business. Initial registration requires name, personal data, identification number, company name, worker activity, physical address, telephone numbers, fax and email address. In March 2005, a national programme for the registration of self-employed workers established different registration requirements for different categories of the self-employed (active physical employers, liberal professionals, other economic activities and those linked to collective insurance agreements by small and medium farmers).

Contributions are subsidized for low-income self-employed workers – the smaller the income of the insured person, the lower the contribution (see box 5.16). The strategy was accompanied by actions to control payment deadlines of participating employers and own-account workers. For that purpose, new inspectors were hired to focus on those economic activities, country areas and working shifts that tend to be more likely sources of evasion (see also Ch. 7).

Source: Based on Durán-Valverde et al., 2013.

The example of Cabo Verde (see Box 4.15) demonstrates that legislative reform alone is not likely to be enough and that additional measures need to be taken to ensure the implementation of social protection laws.

**Box 4.15: Expanding coverage for self-employed workers in Cabo Verde**

In Cabo Verde, coverage of the self-employed was enacted in 2003 (decree-law No. 28). However, in practice that law only started to be implemented during a subsequent reform (decree-law No. 49/2009) in 2009, accompanied by a plan of action extending social security to self-employed and domestic workers (Plano Operacional para a Extensão da Segurança Social aos Trabalhadores Independentes e Domésticos) in 2010. Among other things, registration of the self-employed was made mandatory and contribution rates were established according to income categories.

Within one year of implementation, coverage rates for self-employed workers increased from 0 to 9 per cent; it is expected that coverage will continue to improve in the short and medium terms.

Source: Based on Durán-Valverde et al., 2013.

In the Republic of Korea, mandatory health insurance has been gradually extended from large to smaller companies and eventually to self-employed workers through three social insurance schemes. Once everyone was covered under one of the three schemes, they were merged (see Box 4.16).

#### Box 4.16: Republic of Korea: Gradually expanding health insurance to the whole population

Between 1977 and 1989, the Republic of Korea gradually extended health insurance to the entire population, starting with mandatory coverage of employees of large corporations, government employees and teachers and gradually including smaller companies. In 1981/82, a pilot was conducted to extend insurance coverage to the self-employed in five rural areas and one urban area. In 1988, it was extended to all rural areas and one year later to urban self-employed workers. In 2000, the three existing health insurance societies (for employees; government and private school employees; and self-employed workers) were merged into a single national health insurer, the National Health Insurance Corporation.

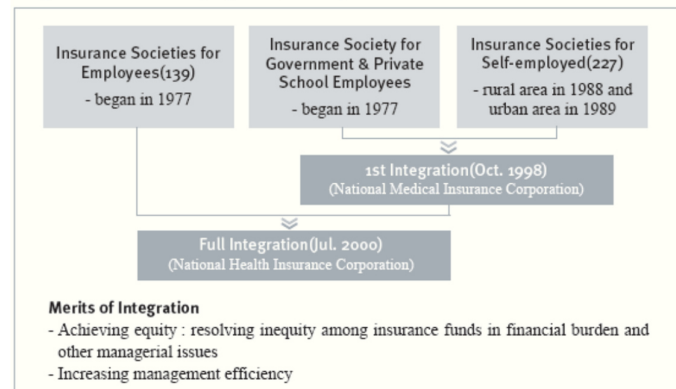
For the self-employed in low-income brackets, contributions are subsidized by the Government, including by a tobacco tax. With the merger of the three main schemes, solidarity mechanisms were created through larger risk pools, which allowed the reduction of government contributions over time. Administrative costs were also reduced to 3.8 per cent in 2008 from 4.8 per cent previously for government and school employees and 9.5 per cent in the scheme for self-employed workers.

The coverage of self-employed workers increased from 83.6 to 92.7 per cent between 1989 and 1999. In

2007, total coverage of health-care insurance amounted to 96.3 per cent of the population.

Source: Based on Kwon, 2009; ISSA, 2012.

##### Integration Reform for Equity and Efficiency of NHI



Although many countries, such as Ghana and Namibia, have opened pension insurance to the self-employed on a voluntary basis, this has not led to a significant expansion of coverage. In the case of Ghana, while the uptake of voluntary pensions coverage has been very low, the Ghana NHIS has been able to extend protection mandatory coverage to the self-employed through flat-rate contributions and exemptions (ILO, 2015d, see Box 6.23).

#### *Establishment of specific social insurance schemes for own-account/self-employed workers*

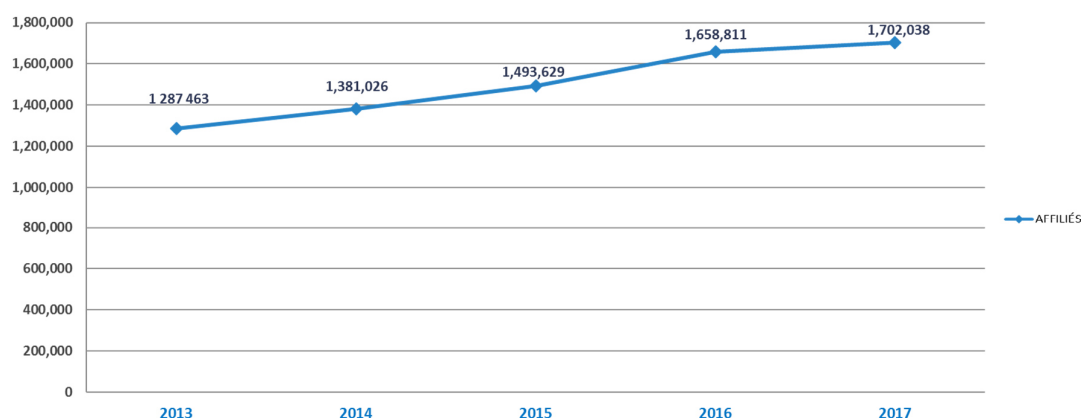
Some countries have established specific schemes for (different categories of) self-employed workers that address their particular situation by introducing either one scheme for all self-employed workers (e.g. Algeria, Belgium; see Box 4.17) or separate schemes for different categories of self-employed workers (e.g. France, Germany, Spain) (ISSA 2012; Spasova et al. 2017; Eurofound 2017).

Such separate schemes may not cover the same range and level of benefits as the schemes for salaried workers. In many countries, unemployment protection is not included under those schemes, and in many countries cash sickness benefits may be missing or may be voluntary (OECD 2015, 181). For example, in Colombia, coverage for old-age pensions and health is mandatory, while employment injury coverage is voluntary (ISSA 2012).

**Box 4.17: Algeria: social insurance scheme for non-salaried workers (CASNOS)**

Algeria's national social security fund for non-wage earners (Caisse nationale de décurité sociale des non-salariés (CASNOS)) was established in 1992 to consolidate and improve social protection for different categories of the self-employed and other non-wage earners, including business owners, artisans, farmers and members of liberal professions.

The CASNOS ensures mandatory coverage of all non-wage earners based on the principles of solidarity and the collective sharing of risks. The fund covers health protection (medical care), maternity, disability, survivorship, old age pensions. In 2017, it had 1.7 million affiliated members.



The CASNOS follows a strategy that combines the simplification of procedures and the facilitation of access, information and awareness-raising to ensure the effective extension of coverage and promote the formalization of employment.

Source: Based on a presentation by Dr Acheuk Youcef Chawki at a meeting held in Turin, Italy, in November 2018.

The creation of separate social insurance schemes for specific groups always entails the risk of creating barriers for labour mobility, particularly if they are not managed by the same institution. Such difficulties may occur if workers move between different jobs or between paid employment and self-employment, or if they combine (part-time) paid employment and self-employment (ILO 2016e). Appropriate mechanisms need to be found to account for such situations in a way that minimizes negative effects on labour mobility and protects workers' entitlements. Such mechanisms may include, for example, a unified social security number that facilitates the portability of social security entitlements across institutions in the case of a change in employment status (ISSA 2016a; ILO 2018d). The absence of such mechanisms may constitute a barrier to labour mobility and favour the informalization of employment.

Thailand provides an example of a voluntary social insurance scheme for self-employed workers that provides sickness benefits, invalidity benefits, death benefits, child benefits and lump sum old-age benefits. This scheme is partly subsidized and is based on flat-rate contributions, which facilitates its administration. Members of the scheme can select between three different levels of contributions that give rise to three different benefit packages. It is assumed that members will automatically choose the category that fits their contributory capacity and/or necessity. In Kenya, the Mbaao Pension Plan is a voluntary individual savings account plan targeting own-account workers who are members of different *jua kali* associations (see Box 6.16). However, as discussed in section 2.1.2, voluntary schemes usually do not lead to a substantial extension of coverage.

#### **4.5.3 What else needs to be considered when aiming to include self-employed workers in social security legislation?**

Given the specific characteristics of self-employed workers and the heterogeneity of this group, a range of additional measures is necessary to ensure that legislation is applied in practice and can be effectively enforced. Such measures may include adapting the modalities for facilitating registration and other administration procedures (see Chapter 5), calculating and paying contributions (see Chapter 6), the adaptation of labour inspection mechanisms to the situation of different groups of self-employed workers

(see Chapter 7), effective grievance mechanisms (see Chapter 7); and informing and sensitizing self-employed workers about existing schemes and how to access them (see Chapter 3).

#### Checklist 4.4: Considerations for bringing self-employed workers under social security legislation

- What are the main obstacles to extending legal coverage to self-employed workers? Are they excluded from coverage altogether? Are the criteria used to define the categories of covered workers overly restrictive?
- If the legislation covers self-employed workers, does it provide a sufficiently differentiated approach that takes into account the contributory capacities, circumstances and needs of the different groups of self-employed workers?
- What additional measures would be needed to facilitate social security coverage for a larger group of domestic workers?
- What additional measures would be necessary to ease the administrative burden for the self-employed? (see Chapter 5 for more guidance)
- What additional measures would be necessary to ease the financial burden for self-employed workers with limited contributory capacities? (see Chapter 6 for more guidance)
- What additional measures can be taken to ensure that enforcement and inspection mechanisms are adapted to the different categories of self-employed workers? (see Chapter 7 for more guidance)
- What additional measures could be taken to ensure that self-employed workers understand the importance of social protection, are aware of the legislation that applies to them and can effectively access appropriate grievance mechanisms? (see Chapter 3 for more guidance)

#### Further reading on the extension of legal coverage to the self-employed

- ILO. 2017. [Building social protection systems: International standards and human rights instruments](#).
- ISSA. 2012. [Handbook on the extension of social security coverage to the self-employed](#)
- ILO. 2016. [ISSA Guidelines: Administrative Solutions For Coverage Extension](#).
- Spasova, S., et al. 2017. [Access to social protection for people working on non-standard contracts and as self-employed in Europe: A study of national policies](#).

## 5 Removing administrative barriers: Facilitating access and simplifying procedures

### Key questions

- ? What are the administrative barriers that workers and employers in the informal economy face, particularly with regard to registration, accessing benefits and other administrative procedures?
- ? How can access to, and registration in, social protection systems be facilitated for both employers and workers in the informal economy?
- ? How can administrative procedures be adapted to the needs and circumstances of workers and employers in the informal economy, such as by facilitating access and simplification of procedures?

### Key messages

- \* Removing administrative barriers is key to enhancing the coverage of workers and employers in the informal economy.
- \* Much can be done within current legal frameworks and budgets, yet some measures may require additional efforts in adapting laws and regulations and strengthening administrative capacity.
- \* Reaching out to workers in the informal economy and facilitating access to registration and other administrative procedures can help to enhance social protection coverage. International experiences demonstrate that expanding physical access points by using mobile technology and digital services and coordinated IT solutions and delivery mechanisms offers a range of possibilities that can help to expand coverage.
- \* Simplifying procedures can also help to expand coverage by making information more accessible, reducing the need for supporting documents, facilitating registration through collective registration agreements and accounting for labour market mobility, and can facilitate the transition to the formal economy.
- \* Administrative procedures should be made as accessible, comprehensible, simple and efficient as possible in order to ensure that potential barriers to access by potential members are reduced. Outreach and registration campaigns can help to raise awareness and facilitate access to schemes, yet they need to be accompanied by a broader set of measures to remove administrative barriers for workers and employers in the informal economy.

### 5.1 What are the administrative barriers faced by workers and employers in the informal economy?

Many workers in the informal economy face difficulties that arise from administrative procedures in social protection schemes, including registration, and may find themselves unprotected even if they are covered by the relevant legislation. While employees in formal employment can rely on employers to register them with the social security institution and pay contributions on their behalf, most workers in the informal economy do not benefit from that intermediary role of an employer.

Those who are self-employed (own-account workers, contributing family members) do not have an employer who can act as an intermediary to handle the interaction with social security institutions. Their



own capacities are often very limited – they may not have the necessary knowledge about social security coverage and how to benefit from it; they cannot afford to spend the time away from their business to go through lengthy registration procedures; and many of them face additional obstacles, such as illiteracy, in coping with the requirements of administrative procedures (ISSA 2012; RNSF 2017). [SE]

For domestic workers, their employers are private households who often have a limited capacity to deal with complex registration procedures. As a result, even where domestic workers are included in legislation and insurance is mandatory, many employers do not comply with the obligation to register their workers with the social insurance fund. For instance, in Namibia, employers are obliged to register domestic workers who work at least one day per week with the Social Security Commission (SSC), yet fewer than 20 per cent of all domestic workers are registered (ILO, 2013d). [DW]

Moreover, even many of those who work in a dependent employment relationship in an enterprise often cannot count on being duly registered and covered.

- Some employers (especially micro and small enterprises) may not have the administrative capacities and/or the necessary knowledge/information to register workers with the social security institution or may be reluctant to do so. [MSE]
- Employers may be particularly reluctant to register workers who are employed for a short time, particularly short-term, seasonal or casual workers, as well as those with varying work schedules (unspecified hours of work). [AW] [DW]

As many social security schemes were designed for employees in the formal economy, the extension to workers in the informal economy usually requires adaptations to the administration of the scheme in order to reduce its complexity and the direct and indirect costs of registration and accessing benefits (ISSA 2016a). It will also be essential to make sure that all workers and employers are well informed about existing schemes, in particular about how to register, contribute and access benefits (ISSA 2016b). In many cases, a review of administrative procedures and the adaptation of such procedures will not only benefit those who can join the scheme but will also streamline administrative procedures for the already existing members.

The cost of complying with administrative requirements creates significant barriers to social security coverage for different categories of workers in the informal economy, namely:

- those who do not have an employer (self-employed workers, including own-account workers);
- those whose employers have limited administrative capacity (workers in micro and small enterprises; domestic workers employed by private households);
- those whose situation is particularly complex owing to frequent changes of employer and employment status (workers on temporary contracts, seasonal workers), work for multiple employers (domestic workers) or have unstable incomes (self-employed workers, workers in agriculture).

In many cases, workers in the informal economy fall into more than one of these categories.

The following sections discuss specific barriers that all or different groups of workers in the informal economy may face – geographical barriers, barriers related to complex procedures and lack of information, as well as financial barriers and the cost of compliance.

In addition, some groups of workers may face additional barriers. For example, persons with disabilities may have difficulties in accessing an office or reading written information unless it is provided in an accessible format. In the interests of ensuring an inclusive social protection system, ensuring accessibility should be a priority for social security administrations.

### **5.1.1 Lack of information and awareness**

Remoteness or isolation of the workplace and home, illiteracy and/or a low degree of organization may also result in a lack of information on the right to social protection in general and existing laws, policies and schemes and the costs and benefits involved, as well as on how to access them.

A lack of information and awareness can be addressed through registration campaigns that are tailored to the specific needs and situation of the workers and employers (see section 5.2); more general awareness-raising campaigns also play an important role (see section 3.2). In addition, simplifying administrative procedures and facilitating access (sections 5.3 and 5.4) also contribute to enhancing access to information.

### 5.1.2 *Geographical barriers: access to social security offices*

If social security offices are not located in areas close to the enterprise, workplace or home of the targeted person, information and registration can become particularly difficult and costly. In many countries, social security offices may not be available in rural and remote areas and transport facilities to the next office may not be available or may be expensive. Visiting social security offices may impose significant transportation costs as well as an investment in time for both employers and workers. Such cost are particularly prohibitive for micro and small enterprises and self-employed workers, given that most of them have limited administrative capacity and the time spent on administrative procedures has a direct opportunity cost in terms of lost earnings [MSE]. Especially for the self-employed, long distances and inadequate opening hours can also involve an indirect cost (opportunity cost) if they have to close their business for the time required to visit a social security office during working hours, which causes a loss of income [SE].

Such geographical barriers are a particular concern for workers and employers in rural areas. Remoteness and sometimes illiteracy renders registration and payment of contributions more challenging and costly for farmers and agricultural workers. As farms are scattered and often located far away from local branches of social security institutions and there is usually a small number of persons concerned in one zone, attendance may become very costly and workers may need to travel, increasing the costs and time required for registration and contribution.

For agricultural or construction workers, a frequent change of workplace may become an additional barrier to registering in social security institutions. As a result, employers or workers may therefore not have the opportunity to visit the social security offices [AW].

Several options exist with regard to overcoming geographical barriers. Providing additional access points to facilitate access to services is one option (see section 5.3.1), as are collective registration agreements (see section 5.4.4). In addition, mobile and online access may be able to facilitate access, provided that employers and workers have access to the internet and feel comfortable using this channel (see section 5.3.2).

### 5.1.3 *Barriers due to complex registration procedures*

Registration procedures can be complex and demanding, especially where separate registration procedures are required for each scheme. Filling out complex registration forms may be an enormous challenge for workers and employers in the informal economy, particularly for those who cannot read or write (illiteracy) or if documents are not available in the language spoken by the applicant.

In addition, the requirement to provide supporting documents may become a hurdle where such documents do not exist or are difficult and/or expensive to obtain. Providing the necessary documents for registration may involve considerable costs and require a significant amount of time.

Overcoming such barriers necessitates a careful analysis of the potential for simplifying complex registration and other administrative procedures (see section 5.4). Facilitating access to services through more physical access points or innovative services delivery mechanism that take full advantage of the potential of technology (see section 5.3) may also help to overcoming such barriers.

### 5.1.4 *Cost of compliance*

Financial barriers include not only the regular cost of paying contributions (see Chapter 6) but also the cost associated with complying with administrative requirements, including transportation to the offices of the social security institution, as well as indirect costs such as foregone earnings (opportunity costs) during the time spent on administrative processes.

Micro and small enterprises tend to have limited administrative capacities to deal with administrative requirements, as opposed to larger enterprises that normally employ specialized staff to deal with social security matters for a larger number of employees. [MSE]

Other categories of workers and employers in the informal economy may face even greater financial barriers. In particular, own-account workers face significant opportunity costs because they need to close their business when they go to a social security office.

The main entry point for containing the cost of compliance are the facilitation of access and the simplification of administrative procedures (see sections 5.3 and 5.4).

### 5.1.5 What are possible options for overcoming administrative barriers?

In order to facilitate registration in social security schemes and other administrative procedures, different mechanisms may be used as outlined below (see also table 5.1). Administrative procedures that are related to the payment of contributions, if any, are specifically discussed in Chapter 6.

Table 5.1: Barriers to access registration and other administrative procedures and possible responses					
Possible response	Barrier	Lack of information and awareness	Access to social security offices	Complex registration procedures	Cost of compliance
Information and registration campaigns (section 5.2)		+	(+)		(+)
Simplifying registration procedures (sections 5.3 and 5.4)		+	(+)	+	+
Expanding the number of (physical) access points, including mobile offices and officers, information terminals (section 5.3.1)		+	+		+
Better use of technology, such as electronic registration (section 5.3.2)			+	(+)	+
Integrated services (single-window services) (section 5.3.3)		(+)	+	+	+
Collective registration agreements (section 5.4.4)		+	+	+	+
Changing the burden of proof		+		+	

Efforts to facilitate registration and other administrative procedures, as well as access to benefits, should take into account the specific circumstances and adapt existing mechanisms as necessary. It may be necessary to combine several of the strategies outlined below.

## 5.2 Reaching out to workers and employers: Registration campaigns and other outreach measures

Reaching out to workers and employers in the informal economy is essential to ensure their effective coverage. In addition to general information and awareness-raising campaigns (see section 3.2), registration campaigns can also be an effective tool to raise awareness about the importance of social security; disseminate information about available schemes, rights and obligations; and facilitate registration for both employers and workers (see also section 3.2). Such campaigns are important ways to overcome the lack of knowledge on social protection, particularly among workers and employers in the informal economy.

Registration campaigns should not constitute a one-way street – public authorities and social security institutions should actively listen to the concerns voiced by workers and employers during such campaigns. In fact, it may be useful to organize specific social dialogue forums where such concerns can be voiced and addressed. This is key to address shortcomings, ensure good governance and build trust.

### 5.2.1 Reaching out, raising awareness and disseminating information through different channels

Facilitating access to information on available schemes and benefits, employers' and workers' rights and obligations, as well on the registration procedures, is a precondition for extending social security coverage to those in the informal economy. This seems obvious, yet in many cases employers and workers in the informal economy are not sufficiently informed about their rights and obligations.

Making information on registration procedures easily available for employers and workers is a key component of any effort to simplify administrative procedures. Disseminating this information through various channels (see sections 5.3.1 and 5.3.3) is essential. Where appropriate, forms and

documentation should be made available in multiple languages so as to facilitate access for those who do not read the dominant language.

One of the key elements of any registration campaign should be awareness-raising and the dissemination of information, which ideally should be customized to the specific situation of the targeted group(s). As outlined in section 3.2, workers as well as employers should be informed about:

- their rights to social protection and their obligations in that respect;
- existing social security legislation;
- existing social protection schemes and benefits;
- the benefits of coverage, and the costs involved;
- registration procedures;
- possible sanctions.

Such information should be accessible, correct, adequate and easy to understand. Thus, adequate channels for reaching those targeted need to be identified, while staff should be well informed and information (material) should be as interactive as possible. Since individuals are often not aware of existing legislation and available schemes and benefits, appropriate channels should be found to actively approach workers and employers in the informal economy. Such active approaches can include information campaigns that address the needs of the target group or outreach activities that directly approach workers with information on available benefits and eligibility criteria, as well as their rights and obligations (Daza 2005; ISSA 2012; RNSF 2017).

Outreach activities can use various channels, such as TV and radio spots, newspapers, leaflets and/or online information, combined with direct interaction with the social security administration, e.g. through the involvement of mobile social security officers (see Chapter 3 and section 5.3).

Media campaigns can be a useful instrument to support efforts to reach uncovered workers and raise awareness. If adequate channels are chosen, media campaigns can also be successful in reaching targeted groups and should combine different, well designed channels to reach them. Experiences in several countries (see box 5.1) demonstrate that media campaigns can play an important role in supporting registration campaigns.

#### **Box 5.1: Using the media to support registration campaigns: country experiences from Jordan, the Philippines and Uruguay**

Different media channels can play an important role in supporting registration campaigns.

In Jordan, the expansion of social security to workers in micro and small enterprises within the Outreach to All Strategy was accompanied by a media campaign that was specifically targeted at both workers and employers and aimed to raise awareness of the importance of social security. It was launched by the Government in cooperation with employers' and workers' organizations and also involved students. [SE]

In the Philippines, the implementation of the Domestic Workers Act in 2013 was accompanied by an information campaign conducted by civil society organizations, which was not only targeted at domestic workers and their employers but also at the general population and, among other things, aimed to change attitudes towards domestic workers. Media outreach exercises are regularly conducted and the Government has declared 30 April as National Domestic Workers' Day. [DW]

In Uruguay, the adoption of law 18.065 regulating domestic work was followed by a broad-based information campaign in 2006, which helped to widely publicize the law. [DW]

Source: Based on ITUC and UN Women, 2013; Kwena and Turner, 2013; ISSA, 2009c.

### **5.2.2 Actively reaching out to individuals, communities and employers**

Registration campaigns should aim at actively reaching out to uncovered workers and addressing their concerns. In so doing, making use of detailed knowledge of target populations and their social security coverage is critical. The involvement of local organizations can be a very effective means of multiplying information, particularly in rural areas.

Experiences from Rwanda (see box 5.2), Cabo Verde (see box 5.3) and Brazil (see box 5.13) demonstrate the importance of an active involvement of the administration. [AW] [SE] Such involvement is essential to ensure that the social protection administrations fully understand the situation and needs of informal workers and find effective ways of engaging with them. In Azerbaijan, the social security institution created a specialized unit to reach out to employers and workers in the informal economy (Enoff and McKinnon 2011). It is important to note that successful registration campaigns require strong social security administrations that are well governed.

**Box 5.2: Encouraging registration in Rwanda's Community-Based Health Insurance Scheme**

Membership in Rwanda's Community-based Health Insurance Scheme (CBHI) is annually renewable. In order for people to take an active interest in their insurance scheme, be aware of the annual registration mechanisms and know the benefits of CBHI, the Ministry of Health organizes regular sensitization campaigns across the 30 districts. The campaigns target local political and administrative authorities and health officials, who in turn are encouraged to spread the message and mobilize the population to join the scheme. About 45,000 community health care workers are involved in mobilizing individual enrolments in the scheme.

Source: Makaka et al., 2012; Ministry of Health, Rwanda, 2012.

**Box 5.3: Cabo Verde: Proactive approach to extending coverage to self-employed workers**

In Cabo Verde, part of the strategy to expand social insurance to self-employed workers, as set out in the Operational Plan for Extending Social Security to Self-employed and Domestic Workers, is the adoption of a proactive approach, which consists of communication campaigns that specifically target self-employed workers and are accompanied by a set of education and awareness-raising activities at the local level in urban and rural areas, with the objective of increasing knowledge of the topic. The activities conducted by the National Institute of Social Security (INPS) can be divided into three stages:

1. **Targeting groups that are easier to access, such as the self-employed in urban areas and those working in a concentrated area** (e.g. traders, fish sellers). The strategy included the analysis and verification of already registered people, the elaboration of a contact plan of those excluded and the provision of regular reports on the development of registration. The eligible people are contacted through continuous information campaigns using different channels, such as information brochures, TV spots and advertisements in printed newspapers. A radio station was also launched. In addition, collaboration with municipal chambers and associations of different labour groups (doctors, engineers, architects, artists, etc.) was initiated, with the objective of increasing publicity through those associations and thus facilitating contacts with self-employed workers.
2. **Development of partnerships and international cooperation.** In this stage, the focus was on establishing alliances and partnerships with different agents, institutions and associations, such as self-employed workers' organizations, development agents, community associations, syndicates and religious institutions, as well as on jointly realizing communication and awareness-raising activities, such as workshops providing information on social security.
3. **Consolidation of the presence of INPS in the country's rural areas, where most self-employed workers are located.** The strategy included the identification of leaders in each community and the initiation of cooperation with leaders regarding the implementation of educational and sensitization activities adapted to specific groups, such as women. The strategy also focused on working with children and teenagers, with the objective of showing future contributors the benefits and importance of social security and mobilizing them to encourage their parents to register.

Thus, the INPS moved from a passive strategy that relied on workers' own initiative to an active intervention strategy that includes different components addressing the situation in both rural and urban areas. The INPS actively approaches the target group and cooperates with workers' organizations and communities, aiming to educate, raise awareness, promote and facilitate registrations.

Source: Durán Valverde et al., 2013; Pena et al., 2012.

Local authorities can also play an important role in engaging with informal workers, which may facilitate outreach activities. For example, the municipality of Belo Horizonte (Brazil) has allocated space for child care facilities for waste-pickers (RNSF 2017, 66).

For any campaign, it will be important to find channels through which workers and employers in the informal economy can be reached. In addition to those mentioned above (e.g. workers' organizations, professional associations, media, local authorities, community leaders, mobile social security officers), there are also other ways to establish contact to uncovered workers and employers, as exemplified in Kenya: to reach and sensitize members of different *jua kali* associations<sup>16</sup> on the importance of saving for old age and the set-up of the MBao Pension Plan, the "Operation Ear Drop Kenya Hearing Conservation Programme" offered free ear check-ups for artisans during which they were informed (Kwena and Turner 2013).

<sup>16</sup> The term "*jua kali*" is derived from two Kiswahili words, "*jua*", which means "sun", and "*kali*", which means "hot", and refers to workers who eke out a living by manufacturing products and/or providing services outdoors under the tropical sun; *jua kali* has also been defined as "a skilled artisan operating his/her small business" (Maundu 1997).



### 5.2.3 Involving employers' and workers' organizations

Employers' and workers' organizations, including trade unions, professional organizations and cooperatives, usually know best the situation of their respective constituencies and have direct contact with their members. Therefore, registration campaigns are often more effective when such organizations are included in the set-up and implementation of campaigns.

In Cabo Verde for example, an important element of the proactive campaign was the cooperation with workers' and employers' organizations (see box 5.3). In Tunisia, employers' and workers' organizations played a strong role in raising awareness of social security (see box 3.6). In Morocco, the progressive extension of coverage to the self-employed under the *autoentrepreneur* scheme is undertaken in close collaboration with professional associations.

#### Checklist 5.1: Reaching out to workers and employers

- What channels could be used for raising awareness and disseminating information on registration?
- What mechanisms could be used to identify the concerns voiced by workers and employers and receive their feedback? Consider social dialogue mechanisms, focus group discussions or a dedicated (real or electronic) mailbox?
- How can the registration campaign actively reach out to workers, employers and communities? What innovative mechanisms could be used in that respect?
- How can employers' and workers' organizations be actively involved in the campaign?

## 5.3 Facilitating access to benefits and services

Facilitating access to benefits and services is key to removing barriers to social protection coverage. The following sections will thus focus on different options to facilitate such access, namely the expansion and optimization of physical access points (section 5.3.1), the better use of technologies, including mobile technologies (section 5.3.2) and integrated service delivery and information management (section 5.4.4).

Such measures are not only relevant for facilitating registration procedures but will also help to bring benefits and services closer to the people and to ensure adequate benefits and quality services.

### 5.3.1 Facilitating physical access

Access to registration and other administrative procedures can be enhanced by expanding the number of physical access points. Expanding the number of physical access points may be facilitated by the use of new information technologies.

#### Expanding or adapting opening hours

Many workers and economic units in the informal economy face particularly high constraints with regard to the time that they can spend following up administrative matters. Many workers and employers in the informal economy, especially women, face significant time constraints and often face poverty as well, which can significantly limit their ability to visit offices during opening hours (Lund and Douglas 2017).

In order to ensure that a greater number of employers and workers can benefit from personalized support from social security officers, office hours may be adapted to their needs, considering in particular their work schedule. For example, office hours may be extended in the early morning or late evening or during the weekend.

For example in the Plurinational State of Bolivia, the law that extends health coverage to domestic workers and their children (adopted in 2008) also provides for the availability of medical services in the evenings (5–9 p.m.) when domestic workers actually have time to consult medical services (ITUC and UN-Women, 2013).



### *Offering greater flexibility with regard to contact points*

Many workers in the informal economy also face difficulties in securing transport from their homes to their workplaces and are often away from their homes over extended periods. Many of them also move from one workplace to another, depending on the nature of their work.

However, for them to be registered in a social security programme, they are often required to report in person to one specific office (often close to their registered home). The same often applies with regard to accessing benefits and services. Restrictions established for administrative reasons (such as the obligation to use a particular health centre) or understaffing (leading to long waiting times) can effectively exclude some workers in the informal economy from accessing social security benefits, even where universal coverage has been realized (see box 5.4).

#### **Box 5.4: Barriers to accessing health services in India, South Africa and Thailand**

Even in countries that offer universal health coverage, workers in the informal economy can face difficulties in accessing health services. A study conducted by WIEGO in collaboration with partners in India, South Africa and Thailand found that workers in the informal economy faced a set of specific difficulties when accessing public health services, which often forced them to forego the use of health services or use private facilities instead, often with negative consequences for their health and income security.

One specific challenge is the time that is needed to access the health facility and wait for consultation and treatment, which keeps workers away from their economic activity – time is very literally money. Another challenge involves restrictions that require people to use only specific health facilities close to their home rather than others which may be closer to their workplace. Such restrictions can effectively prevent many workers in the informal economy, many of whom work very long hours, from accessing health services.

Overcoming such barriers to accessing health services requires a good understanding of the constraints that workers in the informal economy face and adjustments to how services are delivered to ensure that they actually benefit people. Policy dialogue platforms may be helpful in identifying the constraints and finding innovative ways to address such challenges. In addition, mobile services can be used to deliver health prevention messages and inform workers in the informal economy about the availability of health services.

Source: Based on information from WIEGO and Alfars et al., 2018; see also WIEGO: YouTube video entitled [“Informal workers’ access to health care”](#).

Offering greater flexibility in the choice of contact points (offices, services) can greatly facilitate access to benefits and services for those in the informal economy. Digital technology can be harnessed to facilitate such improved service offers through better identification mechanisms and better access to information (shared databases). For example, the Philippines Health Insurance Corporation (PhilHealth) opened offices in highly-frequented areas, such as malls and shopping centres, to make enrolment more convenient for workers in the informal economy, who can register, receive their PhilHealth identification numbers and cards, access their contributions records and pay contributions in those more accessible offices (Results for Development 2015a).

### *Increasing the number of local offices*

Another approach to improving access to social protection schemes is to increase the number of local offices/access points in rural and remote areas, thereby reducing time and costs associated with registration and other administrative procedures and enhancing access to benefits and services. However, this requires greater investment in the number and qualification of staff. In order to provide for a more efficient decentralized service network, integrated service delivery mechanisms (see section 5.4.4 below) may be considered.

Increasing the number of access points can also facilitate the dissemination of information about existing social security schemes, their set-up and their costs and benefits, which can be directly explained to workers so that officers can support them with the registration process. This is especially relevant where illiteracy is an issue.

Increasing the number of contact points for the population is an important part of efforts to bring services closer to people and extending social security coverage, as the example of Cabo Verde (see box 5.5) shows.

**Box 5.5: Cabo Verde: Opening of service centres**

As part of the proactive approach of the Operational Plan for Extending Social Security to Self-employed and Domestic Workers, service centres were opened to serve as an information point and facilitate procedures for registering, payment and withdrawal of benefits. All centres are equipped with an integrated computer system (Sistema Integrado de Previdência Social), which allows about 80 per cent of administrative procedures to be completed on site. Sites for the opening of service centres were chosen according to where the flow of self-employed workers is highest. The first centre was opened in 2010 in the capital's largest popular market. By 2011, about nine service centres had been opened in several cities across the country.

Source: Durán-Valverde et al., 2013.

The decentralization of social security administration and services may need to be combined with the implementation of an efficient information and communication technology (ICT) structure, including the necessary infrastructure as well as training for local staff (ISSA 2012). In addition, such a strategy also requires adequate investment in human resources, making sure that enough staff are available and are well trained. Such investments can significantly enhance the effectiveness and efficiency of operations and contribute to enhancing coverage of workers in the informal economy, as the example of Rwanda demonstrates (see box 5.6).

**Box 5.6: Rwanda's decentralization strategy**

Before 2007, most social security services were only provided at the administrative head office in Kigali. Although local offices existed, they acted as "post offices": local decision-making was not possible and the branches typically had unqualified staff and poor record-keeping. The result was low coverage, problems with compliance and poor customer service. The Social Security Fund of Rwanda embarked on a significant decentralization process in 2006–2007. Offices were opened in all 30 districts of the country, staffed by highly qualified personnel, and ICT systems were introduced. The average time required to process a claim was reduced from two months to two weeks. The impact was immediate – the number of contributions collected increased by more than 50 per cent from 2006 to 2007, a significant extension of coverage of workers in the informal economy.

Source: ISSA, 2012.

When considering such an approach, it needs to be considered that setting up additional local offices involves considerable costs for social security institutions, arising from the provision of the necessary infrastructure as well as the need for additional personnel and training. This needs to be calculated carefully and the locations of permanent offices should be determined according to where most people can be reached. Experience shows that the setting up of new offices has especially been successful when they were placed close to potential members (ISSA 2012).

Decisions about the number and location of additional offices will have to balance the objective of bringing services closer to the people and ensuring access with not incurring excessive costs for offices that serve only a small number of people. In the case of remote areas, the cost of setting up offices may be disproportionately high. However, under no circumstances should people living in remote areas be neglected. If permanent offices are not feasible, alternative solutions should be envisaged, such as mobile offices (see below) or single-window services (see section 5.4.4).

**Mobile social security offices**

Mobile offices can be an effective and efficient way to reach populations in remote areas, including rural populations [AW]. Such mobile offices may be set up for one or more days or weeks in one village and then move to another one, thus reaching a larger number of persons (ISSA, 2012).

Such offices are being used, for example, in **Brazil** and **South Africa** (see box 5.7). In **Jordan**, the extension of social insurance to workers in small enterprises was supported by an outreach initiative supported by mobile offices (ISSA 2009b).

### Box 5.7: Mobile social security offices in Brazil and South Africa

In Brazil, mobile agencies (*agências móveis*) consisting of buses and ships are used to reach potential beneficiaries of the rural pension scheme (Prêvidência Rural) who live in very remote areas. They are mainly used in the North (Amazonas, Pará, Rondonia) and provide the same services as permanent offices.



In South Africa, mobile services of the Integrated Community Registration Outreach Programme (ICROP) facilitate the registration and payment of social assistance benefits (grants). Mobile services regularly visit remote villages in order to allow rural populations to access benefits and services.



Source: ILO, 2015e; MPS Brazil, 2014; SASSA and UNICEF, 2013

Depending on the equipment and time schedules, mobile offices can be used for information and registration only or also for more regular services, such as contribution collection, payment of (some) benefits and delivery of services. Mobile offices may require a higher level of technology than fixed-term offices and specific staff training, so investment costs may be high. However, these costs are likely to repay the investment by reaching a larger number of people.

#### Outreach officers

Social protection administrations can also deploy outreach officers to visit remote areas or areas where social security coverage is generally low [AW]. They can explain the costs and benefits of social protection schemes, eligibility conditions and administrative procedures and can directly support the registration process, ideally supported by mobile computer facilities (tablets, laptops, smartphones). Visits may be timed to ensure that a maximum number of staff can be reached, e.g. to coincide with staff meetings or payment days. Mobile office operations can also be organized in partnership with employers and workers organizations, which may also help to enhance collaboration and trust.

For example, in Brazil, outreach officers are used as part of the *campanhas de busca*. Within the Brasil Sem Miséria Plan, this approach aims to reach those extremely poor people who are not yet registered under the Bolsa Família programme (Governo Brasileiro, 2014).

Setting up a network of outreach officers requires adequate human and financial resources but may be less costly than the setting up of fixed local offices, while at the same time increasing the number of people reached (ISSA 2012). However, while outreach officers can inform potential beneficiaries and support their registration, they are not usually able to provide the full range of services available in offices.

#### Self-service terminals

Self-service terminals can be used for delivering information and – depending on the functions – for registration and other administrative procedures. If they are adequately equipped and secured, they may also serve to provide personal data, e.g. regarding contribution payments. However, such terminals can provide a limited number of services and may be less accessible for some categories of the population, especially those who are illiterate. On the other hand, they can reduce personnel costs. In any case, it is essential that the user surface is designed in a self-explanatory way and that indications are clear. Self-service terminals need to be very robust and frequently checked.

In the **Philippines**, self-service terminals have been used to facilitate administrative procedures in social security offices (see box 5.8).

**Box 5.8: Installing self-service information terminals in the Philippines**

The Social Security System (SSS) of the Philippines introduced three innovations to increase efficiency, effectiveness and quality of information. First, the SSS implemented the issuance of smart cards to registered persons and programme beneficiaries; second, it installed self-service information terminals (SSITs); and third, it initiated the use of a web platform with free access to members.

SSITs were placed from 1999 onwards in different parts of the country. They consist of touchscreen machines, designed with a user-friendly interface. The use of the SSS card at the terminals allows registered persons to obtain information on contribution payments and balances and other information on existing loans, as well as to perform other operations. While providing that service to members, the machines can also be used for advertisement since they have the capacity to display signs and electronic alerts. The terminals are also used to perform searches on different themes related to the services provided as they allow information-gathering on registered persons at low cost.

Source: Based on ISSA, 2009d.

***Increasing the number of access points through agreements with other agencies, organizations or private sector enterprises***

Another way of expanding access points without significantly increasing costs is to enter into agreements with other agencies, organizations or enterprises that are already present in the area and can assume part of the services provided by social security offices, such as postal services, commercial banks, community organizations, cooperatives or local small shops/kiosks. Such partnerships can greatly facilitate access by offering a denser network of contact points, especially in remote areas and more flexibility with regard to opening hours.

Experience shows that such partnerships work particularly well for simple processes, such as the provision of simple information, awareness-raising and payment of contributions, provided that the staff is sufficiently trained (ISSA 2012). However, such external access points provide a limited capacity for information and decision-making since staff will often not have the required specialized knowledge. Entrusting external partners with more responsibilities requires the training of the respective staff. In **India**, post offices, banks and other agencies are authorized to carry out operations on behalf of the National Pension Scheme. In the **Philippines**, cooperatives support the enrolment of members as well as the collection of contributions which has reduced costs and improved coverage levels (ISSA 2012). In **Indonesia**, community members are recruited to perform some social protection functions on behalf of BPJS Health (see Box 5.9).

**Box 5.9: Involving community members as intermediaries in Indonesia**

In 2017, BPJS Health created the Kader JKN programme as a new approach to facilitate access to health insurance for informal sector workers and other individuals through selected members from the closest communities. The agents mainly perform four functions: outreach and communication; enrolment of new members; collection of contributions and their transfer to the scheme; and handling of complaints. In order to qualify as a Kader JKN agent, candidates must fulfil certain criteria: (a) be registered as a payment point for online banking in order to facilitate online payments by informal sector workers or others who find it difficult to access traditional payment facilities; (b) have their domicile near the area of targeted members; (c) possess a senior high school diploma; (d) preferably have some work experience with a social organization. The selection of agents usually goes through a thorough five-step process, including selection by local communities, submission of application documents to BPJS and an interview process. Once selected, the agents must participate in compulsory training to attain the minimum necessary qualification and skills.

While BPJS acknowledges that there are potential risks in implementing such a programme and ensuring appropriate accountability and control mechanisms, the programme increased the contribution collection rate by about 14 per cent from 2017 to 2018, thanks to a total of 2,000 active agents who managed two million members.

Source: Based on ISSA, 2018a.

***Making the right choice: advantages and disadvantages with regard to the expansion of physical access points***

In light of the above, the expansion of physical access points requires careful consideration of the advantages and disadvantages of different options, which are listed in table 5.2.

**Table 5.2: Options for expanding physical access points: advantages and disadvantages**

Possible solution	Advantages	Disadvantages
<b>Permanent offices</b>	+ comprehensive services possible; + staff can explain set-up, costs and benefits.	- may only be efficient where offices can be accessed by many people (urban or semi-urban areas); - high investment and current costs (ICT structure, training of staff, infrastructure).
<b>Mobile offices</b>	+ can efficiently reach people in rural areas and directly target those not yet covered; + staff can explain set-up, costs and benefits; + comprehensive services may be possible (depending on equipment and schedules).	- high investment costs; - may only be used for information and registration if mobile offices are less well equipped.
<b>Outreach officers</b>	+ can efficiently reach people in rural areas and directly target those not yet covered; + staff can explain set-up, costs and benefits; + low investment costs.	- limited services (probably only for information, possibly for registration as well).
<b>Self-service information terminals</b>	+ low costs of operation; + can provide information and perhaps be used for registration.	- not adequate for complex procedures; - not adequate for illiterate people.
<b>Agreements with other organizations / enterprises</b>	+ greater proximity; + low additional costs and more convenient opening hours; + facilitates access and reduces opportunity costs for employers and workers.	- only suitable for simple procedures unless staff are sufficiently trained; - decisions on registrations and benefit claims must be referred to social security institution.

A combination of a higher number of physical access points and electronic services (see section 5.3.2 below) may offer a viable solution in many contexts.

**Checklist 5.2: Expanding physical access points**

- Do social security institutions have enough physical access points, including in rural and remote areas?
- Are services available in a sufficient quality and quantity? What is the feedback from users?
- Could services be improved to facilitate the extension of coverage to workers in the informal economy? Could an increase in the number of offices, the use of mobile offices, mobile officers or self-service terminals or possible partnerships with other agencies or organizations provide a cost-effective solution to facilitate access for workers in the informal economy and their employers?
- Could services be combined by mobile, online or other remote access points (see section 5.3.3) or incorporated in single-window services (section 5.4.4)?

**5.3.2 Facilitating access through digital services (phone and online services)**

The expansion of physical access to social security offices should be complemented by making online and/or telephone registration possible. This may be especially relevant for those groups that have access to the internet and are generally well informed about existing schemes and their set-up.

Where possible, information and registration should be made available through electronic means as this reduces cost, time and errors for both applicants and social security administrations (ISSA 2016c). It is important, however, to ensure that personal data are being accessed, processed and stored in a way that ensures privacy and the protection of personal data (Sepúlveda Carmona 2018).

**Telephone helplines**

Telephone helplines may be used to provide information or facilitate access to registration and other administrative procedures. If they are free of charge for the applicant, this can considerably reduce the time and cost of registration. If they are served by (well trained) social security officers, information can be comprehensive and individualized but administrative costs for operating the helplines will be higher. However, if they are operated by automated services, administrative costs may be lower but the information and services provided will be more limited and less individualized. Telephone helplines may be especially useful where there is no stable access to the internet, such as in rural areas. [AW], [SE], [MSE]

**Mobile phone applications and services**

Given that mobile phones have become more and more common in many parts of the world, social security institutions should consider facilitating access to registration and other administrative procedures through mobile phones. Such mobile phone services can be particularly important for rural populations and very mobile workers (transport workers, street vendors) provided that they are adapted to the situation of those populations.

Governments and social security institutions should make sure that their websites are adapted to being displayed on mobile phones. They can also develop specific applications to allow employers and insured workers to consult their personal information, contribution and benefit payment records, provided that adequate data security mechanisms are in place to protect personal information and ensure privacy. Mobile payment applications may even allow for the payment of contributions or benefits (see section 6.4 for more information).

In Hungary, the registration of a new domestic worker can be made by SMS message to the responsible social security institution (ILO 2015f, 23). In Mexico, the Social Security Institute (Instituto Mexicano del Seguro Social (IMSS)) provides insured persons with easy access to relevant information and administrative procedures through a popular application running on smartphones and tablets (see Box 5.11). In Indonesia, a mobile one-stop-shop application allows insured members to obtain information and access various administrative services (see Box 5.11).



### Box 5.10: Facilitating access to social security through a digital mobile application in Mexico

The Mexican social insurance institution launched a mobile application in 2015 (IMSS DIGITAL) to facilitate access to its services. The design is based on an innovative service and business model and provides several services to members, such as the allocation of the social security number; information to locate clinics according to the user's address; booking primary medical care appointments; and support for users' inquiries on existing rights. The application has contributed to saving time and money for members and more efficient assistance. Between 2015 and 2017, the IMSS DIGITAL application was downloaded more than 1.3 million times, processing more than 4.4 million requests per month.

Source: ISSA, 2017d.



### Box 5.11: Transforming social protection services through a mobile application in Indonesia

The JKN mobile application in Indonesia is an ICT-based one-stop shop, developed by the National Health Insurance Programme in 2016. Participants receive real-time information and no longer need to visit the branch offices. The application is tailored to the needs of health insurance members and allows them to register to the scheme, update personal data, access the digital participation card and submit complaints. Since the implementation of Mobile JKN, participant satisfaction has improved and the average number of member visits to branch offices has declined by 68.5 per cent, contributing to higher operational efficiency.

Source: ISSA, 2018b.

## Online platforms and other electronic services

Online platforms or other electronic services represent an interactive approach that, depending on the particular set-up and functions, provides services without the need to physically visit the office. Depending on the set-up and staffing, services can also be provided in the early mornings, late evenings and on weekends. Services provided include:

- general information on existing schemes and benefits, including eligibility conditions, benefit levels, contribution requirements (if any) and administrative procedures
- calculation of specific individual contribution requirements
- registration
- payment of contributions
- estimation of benefit entitlements (e.g. pension levels)

In addition to facilitating access for workers and employers, ICT can also reduce errors and costs for social security administrations as data is directly saved in an online databank. Thus, it is a very powerful tool that generally leads to increased efficiency, effectiveness and quality of information, provided that access to ICT infrastructure is available and that alternative methods are found for those who do not have access to online services (ISSA 2012). For example, in Brazil's MEI scheme, registration for micro-entrepreneurs is free of charge and can be done through an online portal (see box 4.13). There is no need to present any documents and entrepreneurs can count on the support of an accounting firm free of charge for a first consultation. In Mexico, a pilot project includes the design of an electronic registration system to promote the formalization of domestic workers [DW] (see Box 5.12).



### Box 5.12: Mexico and Uruguay: Electronic and mobile registration for domestic workers

In Mexico, as part of a pilot, an electronic registration system was developed to facilitate the formalization of domestic workers. The system allows employers to register and pay social insurance contributions quickly and easily for their domestic employees. In addition, the payment of contributions was facilitated by changing from the requirement of annual contributions to monthly contributions. The success of this measure is evidenced by the number of registrations of domestic workers: within two months, the number of registered domestic workers increased fourfold.

In Uruguay, the Social Security Institution launched a free mobile application for employers to ease registration and compliance concerning domestic workers rights. For domestic workers to access their rights and benefits, the only condition is that they need to be registered with the Instituto de Seguridad Social (BPS), which centralizes registrations with other institutions. The mobile application allows employers of domestic workers to register and deregister workers, modify information on workers and pay the bill for the pension system; it also provides information billing, due dates and last payment. To facilitate the payment of contributions for employers, different methods of payment are offered, such as online payment, bank debit and payment via decentralized collection agents. Together with awareness-raising activities and a dissemination campaign, these measures have led to a reduction of contribution evasion from 60 per cent in 2006 to 24 per cent in 2017.

Source: Based on information provided by the ILO country office in Mexico; ILO, 2019e

### Checklist 5.3: Mobile, online and other remote access points

- Do social security institutions already use mobile and online services to facilitate access for workers and employers?
- Are these services available in a sufficient quality and quantity? What is the feedback from users of these services?
- Could these services be improved to facilitate the extension of coverage to workers in the informal economy?

## 5.4 Simplifying procedures and improving services

The simplification of registration procedures can lower some of the barriers faced by workers and employers in the informal economy by providing easy and free or low-cost registration and payment mechanisms. Such simplification is particularly important for own-account workers and other categories of workers who cannot count on the administrative capacity of an employer.

### 5.4.1 Reducing the need for supporting documents and simplifying other procedures

Registration procedures can be facilitated by reducing the number of supporting documents required for registration. In order to account for the fact that many workers and employers in the informal economy may lack some of the documents required for registration, it may be necessary to relax requirements for supporting documents, where possible, or to allow alternative ways of providing the necessary proofs. For example, in **Brazil's** rural pension scheme (see box 5.13), registration procedures were modified to facilitate access for workers.

**Box 5.13: Reducing the need for supporting documents: Registration procedures in Brazil's Bolsa Família and Rural Pension**

In Brazil's rural pension scheme, until 2010, rural subsistence workers with not more than one employee and owning land below a determined size ("specially insured") had to provide documentary proof that they had been working for the last 15 years in a family activity in agriculture – such as sales receipts; purchase, rental or leasing contracts of the land used; or a professional license issued by the rural trade union Instituto Nacional de Colonização e Reforma Agrária (Casa Civil and Presidência de República, 2008). Since the introduction of the Cadastro Nacional de Informações Sociais Rurais (CNIS-Rural) in 2010, however, such documents are no longer necessary. Registration only requires a questionnaire that can be filled out online or during an interview with social security officers. To reach people living in remote areas, social security officers use mobile offices (see above). Once registered, the person receives a number and access to data saved about them. When becoming eligible for the payment of the pension, insured persons can request the disbursement of the pension with their personal number and one identification document

Registration in Brazil's means-tested conditional cash transfer programme Bolsa Família is conducted at the municipal level. The local staff conducts an interview with the applying family, during which the family makes a self-estimation of its income. The interview is done through a standardized questionnaire (*cadastro único questionário*) which is based on the multidimensional index for the measurement of poverty and living conditions (*índice de desenvolvimento familiar*). In addition to information regarding household composition and income, other indicators of the level of vulnerability are also determined, such as access to knowledge, development of children and living conditions. If the interviews are not conducted at the applicant's home, municipalities must make random ex-post visits with at least 10 per cent of applicants to confirm the information collected.

Source: Based on Lindert et al., 2007; MPS Brazil, 2010; Receita Federal do Brasil, 2015.

In **Cameroon**, the National Social Insurance Fund reviewed administrative procedures and achieved a significant improvement of the claim processing procedure (see box 5.14).

**Box 5.14: Streamlined administration of claims in the National Social Insurance Fund of Cameroon**

In Cameroon, members of the National Social Insurance Fund (Caisse nationale de prévoyance sociale (CNPS)) were experiencing very long waiting times as their files had to be reviewed by several departments (reception, benefits and accounting). In order to fix this weakness in the system, the CNPS developed and implemented a unified process for processing and validating files – the "Total Office" (Bureau Total). All client benefit application forms are now processed at one central facility and all departments involved in processing are housed at the same location. Implementation of this system is said to have reduced processing time for old age, disability and survivors' files from 30 days to a maximum of 48 hours. For family benefits, the processing time has been reduced from a week to less than one hour.

Source: ISSA, 2014c.

### Box 5.15: Facilitating social security declarations through electronic services in Côte d'Ivoire, Thailand and Fiji

The National Social Insurance Fund (IPS-CNPS) of Côte d'Ivoire has facilitated the declaration of worker data by employers through the introduction of an electronic tool. Introduced in 2013, it was used for about 65 per cent of declarations by 2016.

The Social Security Office (SSO) of Thailand initiated a significant digital service reform in 2017 to incentivize electronic contribution payments for employers via computers and mobile phone web browsers and to provide insured persons with access to relevant information (such as registered hospitals, contribution and claim records and retirement savings) through the SSO mobile application. Both targets were achieved by the end of 2017: the number of enterprises paying contributions online increased by almost 50 per cent and 20 per cent of all insured persons have downloaded the application.

The Fiji National Provident Fund created in 2016 an employer online portal through which employers can report their social security declarations. As a result, contribution compliance increased significantly, reaching 98 per cent of due payments in 2017. In addition, while staff productivity and data integrity improved, errors in the posting of contributions diminished considerably.

Sources: ISSA, 2017e, 2018c, 2018d.

With the development of better ICT systems, better coordination of information between different public authorities, such as through a unified database or the linking of databases, can help to reduce the demands on workers and employers to bring supporting documents based on the principle of “give once for multiple use”. For example, if another government department already has records of the individual's date of birth and family status, the validation of such information can be facilitated through direct exchange of information between the social security administration and other government units. Such centralized databases or data exchange among public authorities can help to improve administrative procedures, provided that it takes place within a legal framework that ensures the effective protection of personal information and privacy (Sepúlveda Carmona 2018).

### Checklist 5.4: Reducing the need for supporting documents and simplifying procedures

- Is the amount of information and supporting documents required for registration really necessary?
- Could some of the documents be acquired through a direct exchange of information between public authorities, e.g. through linked databases?
- How could the registration procedure and other procedures be simplified to facilitate access for workers in the informal economy and their employers?

## 5.4.2 Facilitating labour market mobility, ensuring portability and transferability of entitlements

Many workers in the informal economy move between different occupations, economic sectors and categories of employment. Many also combine dependent employment and self-employment. In countries with multiple social security schemes for different sectors of the economy or different types of workers, high labour market mobility is often associated with a high risk of exclusion from coverage. This may be the case, for example, where workers do not meet the minimum requirements for contribution periods, length of contract or earnings (ILO 2016e).

How can this challenge be addressed? The most far-reaching solution would be to merge existing schemes into one unified scheme that covers all sectors and all types of workers. However, other possibilities exist to deal with such a situation.

First, social security schemes may cover not only employees but also self-employed workers and may even allow combining wage employment and self-employment. For example, in **Costa Rica**, the general social insurance scheme covers both employees and self-employed workers, which facilitates labour

market mobility and ensures access and right to benefits (see Box 5.16). This takes into account the fact that self-employed workers often switch between different types of jobs.

**Box 5.16: Costa Rica: Social insurance coverage for self-employed workers**

Costa Rica's social security system is public and universal and based on the principles of solidarity, contributory equity and State subsidiarity. As a consequence, social insurance is mandatory for all workers – including self-employed workers, who represent nearly one third of active workers – and all those who combine wage employment and self-employment.

The law defines self-employed workers as “any person who runs on their own account any type of activity that generates income”. Those with earnings greater than the minimum wage contribute to social insurance, covering disability/invalidity, maternity, old age and survivor benefits, with some government subsidies for those with low contributory capacities.

Currently six out of ten independent workers contribute to the health insurance system and four out of ten contribute to the pension insurance system.

Source: Based on Duran-Valverde and Pacheco, 2012; ILO, 2014a; Schwarzer et al., 2016.

Second, the portability of social security entitlements across schemes can be improved through various mechanisms. This allows workers to remain insured when changing the sector of employment (in the case of schemes covering a specific sector), geographic area (in the case of state/province/district-level schemes) or status of employment (in the case of schemes covering specific types of workers). Such mechanisms could include a uniform system of social security numbers to facilitate the identification of workers and the tracking of their insurance records and entitlements, possibly with unified smart cards such as used in the Philippines (see box 5.17).

Third, mechanisms should be in place to facilitate social security coverage and access to social security for migrant workers, many of whom find themselves in informal employment due to a combination of factors. In some countries, legislation does not provide for equal treatment of non-nationals with regard to social security coverage. In addition, migrant workers are more likely to work in sectors or types of employment that are not covered or are insufficiently covered by social security legislation and thus face practical difficulties of coverage.

**Checklist 5.5: Accounting for labour market mobility**

- How can the portability of social security entitlements across schemes be facilitated in order to guarantee that workers remain insured if they change their status of employment or economic sector or move from one place to another? That may be achieved through better coordination or possibly the merging of separate schemes.
- What can be done to facilitate social security coverage and access to social security for migrant workers? What can be done to avoid discrimination and ensure equal treatment? Would it be necessary to improve legal frameworks or their application? Could specific measures to raise awareness help to enhance compliance and ensure social protection for migrant workers?

### 5.4.3 Coordinated ICT solutions

Coordinated ICT solutions can improve the exchange of information between different institutions and can thus also facilitate access to social security for workers and employers, particularly those with a high degree of labour mobility. For example, unified social insurance numbers that are stored in a central database used by all institutions can facilitate cooperation, avoid problems such as double registration and ease the portability of entitlements. This facilitates access, increases administrative effectiveness and reduces costs. It is essential, however, to control the use of data and ensure that the appropriate legal framework is in place to protect the right to privacy (Sepúlveda Carmona 2018).

Multifunctional national social security identity card systems may also facilitate the connection of different parts of administration and of different schemes. They may be an effective tool for enhancing record-keeping, improving the quality of service delivery and extending coverage to different groups. (ISSA 2012, 29). Countries that use such smart cards include India and the Philippines (see box 5.17).

Single-window services (see above) combined with the necessary ICT infrastructure would also make registration, contribution and payment processes more effective and by definition would require good coordination among the institutions and ministries involved.

**Box 5.17: The Philippines: using multifunction unified smart cards**

Since 2005, the main social security institutions of the Philippines established a multifunction unified card (Unified MultiPurpose ID (UMID)), which stores information that allows users to perform transactions across several institutions, including the Social Security System (SSS), the Government Service Insurance System, the Home Development Mutual Fund and PhilHealth. All insured and beneficiaries in these programmes have the same card, which aims to identify social protection participants, facilitate the implementation of procedures and monitoring and combat fraud. Such a unified card system can facilitate access to social security, especially for self-employed workers and those in temporary employment.

The UMID card built on the SSS card system introduced in 1998, which facilitated the management of administrative procedures and contribution compliance and has improved management transparency.

Source: Based on Durán-Valverde et al., 2013; ISSA, 2009d.

In **Argentina**, a simplified online registration system allows the registration of domestic workers and the administration of their social security contributions and payslips (see box 5.18). [DW]

**Box 5.18: Argentina: Simplified online registration system for domestic workers**

Argentina has introduced a simplified online registration system for domestic workers that is linked to all social security bodies, including the National Social Security Administration, the health insurance system and occupational risk insurance companies, which receive contributions on behalf of workers. This registration system facilitates the social security coverage of domestic workers and guarantees them the full exercise of their rights.

Employers of domestic workers are responsible for uploading relevant information, using their tax identification number, including current domestic work employment relationships and information on the hiring and dismissal of staff. Registration can be carried out via three channels: the web page of the Federal Public Revenue Administration (Administración Federal de Ingresos Públicos (AFIP)), online banking and a free telephone line, which facilitates compliance by employers and ensures real-time registration in AFIP databases. The computer application generates employment certificates, payslips and electronic payment receipts of contributions via online banking.

Source: Based on ISSA, 2015b.

**Box 5.19: Coordinated information system connecting the four national social insurance schemes in the Republic of Korea**

In 2003, The National Pension Service of the Republic of Korea introduced the Social Insurance Information Centre, which allows citizens to access all four social security schemes (pensions, health, employment and workers' compensation) by visiting in person or electronically any of the three administering organizations. The integration of information systems facilitates administrative procedures since insured persons can more easily make inquiries and change, request or submit claims, while the administration has made significant efficiency gains by simplifying and streamlining various application forms and documents. This one-stop processing of claims or applications and the issuance of integrated statement on insurance history is estimated to save a significant amount of working hours and money for insured persons, employers and the administration itself.

Source: Based on ISSA, 2018e.

**Checklist 5.6: Coordinated IT solutions**

- How can coordinated IT solutions facilitate access to social security for workers and employers?
- Could institutions store unified social insurance numbers in a central database in order to avoid unnecessary procedures?
- Could the implementation of a multifunctional social security identity card system facilitate the connection of different parts of administration and of different schemes?
- Could a simplified online registration system increase employers' compliance?

#### **5.4.4 Integrated service delivery mechanisms (single-window services, one-stop shops)**

Integrated service delivery mechanisms, such as single-window services (SWSs) or one-stop shops, can help to improve access to social protection, in particular in rural areas, and realize economies of scale in the administration of social security schemes. Through the provision of one integrated point of service, workers and employers can access several social protection programmes and other services (e.g. employment services, business services) at one facility. Depending on the institutional set-up, one office may be able to provide the full range of administrative services related to social protection, such as information, registration, contribution collection (if any) and benefit payment. Such social protection-related services can be combined with other services, including employment services, business services or the possibility to register for tax payments combining municipal, state and federal registration procedures in one office.

Such integrated services can considerably reduce time, costs and effort for future and present members by avoiding multiple visits to different offices. Single-window services can facilitate registration in social security schemes by providing contact points close to the workplaces or homes of the groups targeted, which cover several social protection schemes or programmes, as well as other public services. Thus, a single contact point facilitates not only access but also the referral between different social protection, employment and business services. SWSs can facilitate access to (individualized) information, for example, regarding available programmes and their eligibility, as well as the costs, benefits and processes involved. Applicants can receive individual advice by an assigned “case manager”, who assesses the vulnerabilities and skills of potential beneficiaries, develops a personal plan and provides assistance for registration to schemes, among other things. SWSs thus allow for a close response to the individual needs of current and future members and avoid the necessity of multiple visits to different offices, thus reducing the time and costs of registration.

For example, in Mongolia, public service delivery through one-stop shops ensures access to quality social services in one of the most sparsely populated countries in the world (see Box 5.20). In Australia, the reform of service delivery mechanisms combined the reorganization of public services through a network of community engagement officers with easier electronic access, which facilitated access, especially for those in rural communities (ISSA 2015c). In Cambodia, a single-window delivery service was piloted in two provinces (see Box 5.21). In Brazil and South Africa, mobile social protection offices fulfil a similar function (see Box 5.7). The Philippines Business Registry (PBR) is an online one-stop-shop, aimed at simplifying the business registration process and facilitating enter-prise registration. It integrates multiple agencies involved in the business registration process, such as the Department of Trade and Industry (DTI), Bureau of Internal Revenue (BIR), Social Security System (SSS), Home Development Mutual Fund (Pag-IBIG), Philippine Health Insurance Corporation (PhilHealth), and Local Government Units (LGUs) (Bhattarai 2018). In other countries, similar integrated solutions have been found to facilitate access to benefits and services (see Box 5.22).



**Box 5.20: Integrated service delivery mechanism in Mongolia: One-stop shops**

Living in the most sparsely populated country in the world, workers in Mongolia previously needed to travel great distances to access different government services. Launched in 2007, the one-stop shop (OSS) initiative increased the accessibility, transparency and efficiency of public service, while enhancing coordination between institutions and reducing duplications. The OSS is a delivery point that enables people to access information on existing schemes, programmes and facilities, such as social insurance, social welfare, employment promotion, land management, civil registration and bank and notary services. In addition, telephone hotlines have been installed by many local administrations in order to provide information about services and documents needed when visiting the OSS. More than 60 per cent of the population use the OSS on regular basis (1.8 million in 2011).

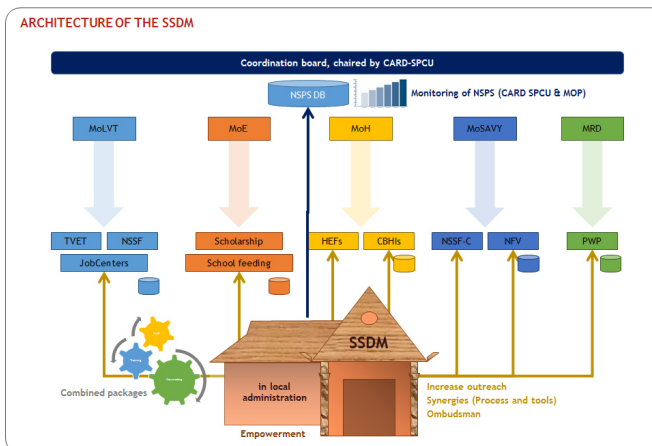


Source: Based on ILO, 2016i; see also ILO: YouTube video entitled "[The one-stop shop: The Mongolian experience for delivering social protection and employment services](#)".

**Box 5.21: Cambodia's Social Service Delivery Mechanism**

In **Cambodia**, the Social Service Delivery Mechanism (SSDM) was designed as the main tool to operationalize the National Social Protection Strategy for the Poor and Vulnerable, launched in December 2011 by the Prime Minister. The mechanism was piloted at the central level and in two provinces of Siem Reap and Banteay Meanchey from June 2014 to June 2016. The main objectives of the SSDM were (a) to extend social protection effective coverage and reduce vulnerabilities, (b) to increase efficiencies and traceability, (c) to trigger cross-ministerial coordination and (d) to empower communities and local administrations in the provision of social services.

The main advantages of an integrated SSDM are the possibility for families or individuals to register in a single office at the subnational level and access support provided through an assigned "case manager" in order to assess their situation; develop a personalized plan for them covering skills development, enterprise creation or job placement; channel information on all social services they are entitled to; provide support for registration to the schemes; deliver social protection ID cards; facilitate access to benefits in cash or in kind; and collect contributions (if any).

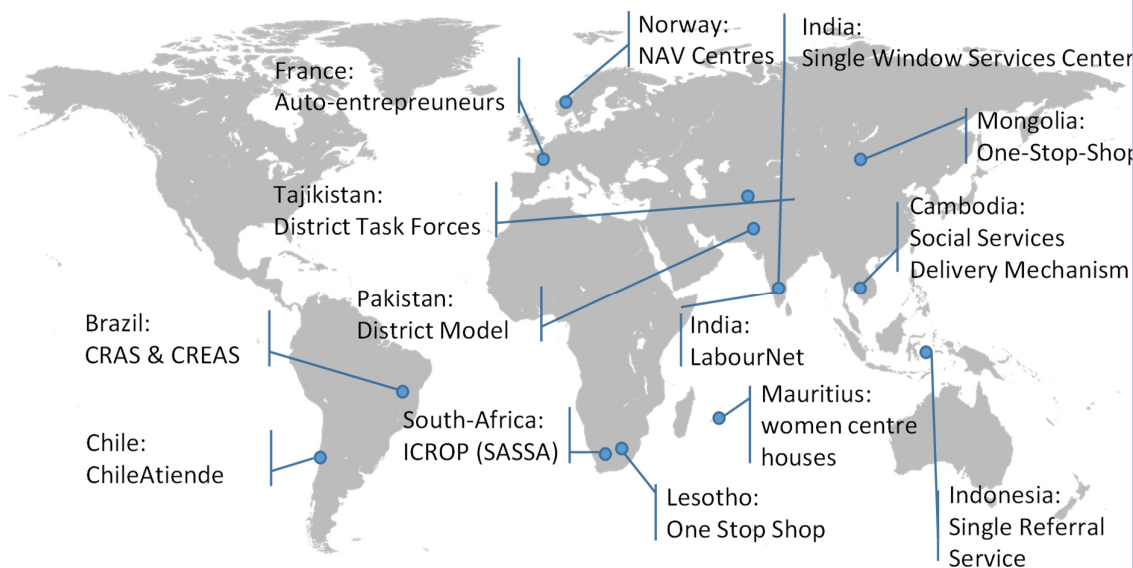


Source: Based on ILO, 2015f, 2014f.



**Box 5.22: Examples of integrated service delivery mechanisms: single-window services, one-stop shops and related mechanisms**

A wide variety of integrated service delivery mechanisms are used worldwide, in a number of different forms. For example, in Chile, social protection benefits, social services and other public services are delivered through an integrated portal (ChileAtiende), which are accessible through local administration centres or mobile offices, or by internet or phone. In Brazil, the Social Assistance Reference Centres (CRAS) and Social Assistance Specialized Reference Centres (CREAS) channel social protection services to the population using a unified registry (Cadastro Único) as the backbone of service delivery. In Mongolia, one-stop shops offer access to social insurance, social assistance and other services in a single location at the local level of the administration.



Source: ILO, 2016i, 2015e; UNDP et al., 2011.

In order to provide the population with integrated service delivery, a significant level of coordination is necessary to ensure the efficient provision of services. Such coordination is necessary on several levels. On the one hand, integrated service delivery requires horizontal coordination between different schemes and programmes, which can be facilitated by a single registry, or coordinated databases (ILO, 2015g; ILO and GIZ, 2014). On the other hand, such integrated delivery mechanisms also require a sufficient degree of vertical coordination between different levels of government, from the national/central level to the local level, in order to ensure that policy development, planning and service delivery, as well as monitoring and evaluation, are adequately aligned in order to ensure the effective and efficient provision of benefits and services to the population.

One-stop shops have also been established to facilitate access to public services for micro and small enterprises and to promote business registration with a view to facilitating formalization (see Box 5.23). [MSE]

**Box 5.23: One-stop shops to facilitate registration of micro and small companies and promote formalization in Colombia, Mexico and Peru**

One-stop shops could add social protection-related services to business services. In that regard, it is useful to consider examples of using one-stop shop services to promote business registration and formalization. Such services have been used to lower administrative barriers to business registration and facilitate transitions to the formal economy (Bruhn and McKenzie 2014). However, results differ according to the context. Lowering the cost and complexity of registration is a necessary step, but it may be necessary to combine simplified administrative procedures with other measures in order to strengthen incentives and ensure the enforcement of simplified rules.

- In Mexico, a reform launched in 2002 that combined municipal, state and federal business registration procedures reduced the time to start a business from 30.1 to 1.4 days, which increased the number of registered business owners by 5 per cent (Bruhn 2011) and the number of new firm registrations with the Mexican Social Security Institute by 5 per cent. The reform also created jobs (Kaplan, Piedra, and Seira 2007). The increase in registered business was mainly due to previous wage earners opening new businesses. While some informal business owners became workers due to the reform and others registered their businesses, these effects remain small and most informal business owners remain informal (Bruhn 2011; 2013; Kaplan, Piedra, and Seira 2007).
- In Colombia, the introduction of a one-stop shop reduced the time taken to register a business from 55 days to less than 9 days and reduced registration fees by 20 per cent, leading to a 5 per cent increase in business registrations in six major cities where administrative data was analysed (Cárdenas and Rozo 2007).
- In Peru, a municipal licensing reform in Lima assigned a single contact person to each business owner and reduced fees for registration, which increased the number of firm registrations from 1,758 in the year before the reform to 8,517 in the year after the reform; 75 per cent of firms were previously informal while 25 per cent were new firms. However, the majority of newly issued licenses were provisional and many firms did not renew them after they expired after a year. The number of registrations fell again to 3,500 in the second year after the reform (Mullainathan and Schnabl 2010).

Source: Based on Bruhn and McKenzie, 2014; ILO and GIZ, 2014.

**Checklist 5.7: Integrated service delivery mechanisms**

- Could geographic and administrative barriers to coverage be addressed through the introduction or expansion of single-window services or one-stop shops?
- Are integrated service delivery mechanisms, such as one-stop shops or SWSs for public services, already effective in the country? Do they include access to social protection? If not, could they be added to existing service delivery mechanisms or newly created?
- How could coordination and monitoring mechanisms for SWSs be organized to ensure the effective and efficient delivery of services?

### Further reading on integrated service delivery mechanisms

- ILO. 2016. [Social protection assessment-based national dialogue: A global guide](#).
- ILO. Forthcoming. Guide on social security for migrant workers [working title].
- ILO and UNDG, 2016. [UNDG social protection coordination toolkit: coordinating the design and implementation of nationally defined social protection floors](#).
- ISSA, 2016. ISSA Guidelines: [Communication by Social Security Administrations](#).
- ISSA. 2016. [ISSA Guidelines: Administrative Solutions for Coverage Extension](#).
- RNSF, 2017. [Extending coverage: Social protection and the informal economy](#).

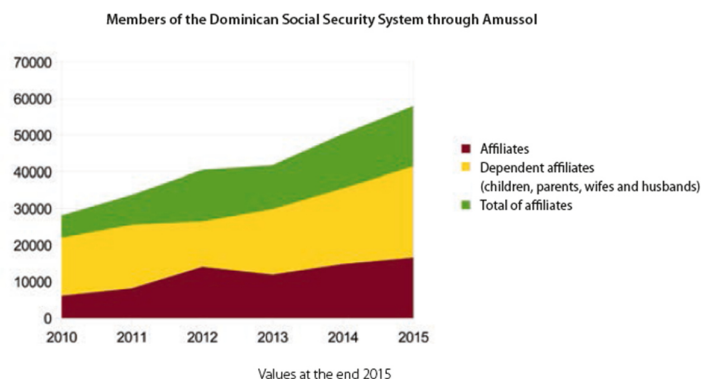
## 5.5 Collective registration or insurance agreements

Collective registration agreements can constitute a practicable way to overcome some of the barriers to extending coverage and facilitate administrative procedures through using an organization of workers (such as a trade union, cooperative or rural producers' association) as an intermediary between workers and the social security institution. Such agreements allow own-account workers to enter collective or group insurance agreements with a social insurance scheme, provided that they belong to an organization which has the capacity to be an effective partner in such an agreement. [AW] [SE]

For example, the trade-union-supported association the Mutual Association of Solidarity Services (AMUSSOL) in the Dominican Republic facilitates access to the public social insurance scheme for self-employed workers and other categories of vulnerable workers (see Box 5.24).

### Box 5.24: AMUSSOL: Extending social protection coverage to self-employed and informal workers in the Dominican Republic

In the Dominican Republic, law 87-01 provides that self-employed workers should be covered by a subsidized scheme under the Dominican System of Social Security (SDSS), however the scheme has not yet been implemented. In order to facilitate coverage for those workers, the AMUSSOL was founded in 2005 at the initiative of the Confederación Autónoma Sindacal Clasista, which works in collaboration with 129 organizations of informal workers (trade unions, cooperatives or associations). As a "virtual employer", AMUSSOL operates as an intermediary for workers who should be eligible for the contributory-subsidized regime but are in practice excluded, collecting the social security contributions from its members and transferring them (minus a 1 per cent fee for operating expenses) to SDSS. AMUSSOL members thereby gain access to social security for health insurance for themselves and their families, as well as employment injury coverage, old-age, disability and survivor pensions and workplace accident insurance, while also gaining access to a pension fund. AMUSSOL covers about 60,000 people to date.



Source: Based on WSM, 2016.

Normally, the organization is responsible for grouping and registering workers and collecting previously negotiated contributions from its members, which it then transfers to the social insurance institution. It works in cooperation with the state institution responsible for the management of the social insurance scheme. In this way, registration and payment procedures are organized and conducted by the

organization, while members are provided with the benefits granted by social insurance. Thus, procedures are simplified for workers and the costs of social security administration are reduced. Especially among organized self-employed workers in the agricultural sector, experience shows that this mechanism can have very favourable impacts in rural areas (Durán-Valverde et al., 2013). In addition, such organizations can play an important role in enhancing the voice and agency of organized workers (Daza 2005). In addition to facilitating social security coverage, organizing into cooperatives can also mean improve legal recognition, enhance economic efficiency and security and provide a basis for accessing credit (Durán-Valverde et al., 2013).

However, such a mechanism requires the existence of a rural organization that is willing and able to take over the task of administering and conducting activities related to the affiliation of its members to social security programmes. It may also be necessary to find mechanisms to guarantee that everyone has the same opportunities to join such agreements and avoid discrimination, such as discrimination that might result from certain (power) relationships within a community.

Examples of collective registration with public social insurance schemes can be found in Ecuador (Peasants' Insurance Scheme, see Box 4.9), Costa Rica (see Box 5.25), Argentina and Colombia.

#### **Box 5.25: Collective insurance agreements with farmers in Costa Rica**

In Costa Rica, own-account workers, including farmers, have been able to join organizations and enter collective insurance agreements with the social insurance system since 1984.

To register, the organization files an application with the social insurance system, together with documentation proving its legal personality and associate number. After the organization is accredited, the negotiation procedure begins. Only own-account workers and those performing activities consistent with the nature of the organization may participate. The organization also negotiates group contributions with the Board of Directors. It is responsible for collecting the previously negotiated contributions from the insured and transferring them, together with a monthly report, to the social insurance institution (Caja Costarricense de Seguro Social (CCSS)). The CCSS Board of Directors is responsible for establishing general guidelines, approving increases in contribution scales and settling force majeure disputes. Collective agreement registrants have the same rights as those established for employed workers. The agreement may be terminated with three months' notice by any of the parties subscribing to it within the one-year duration term.

Contribution levels are set according to the specific productive activity performed by the registered workers of the organization and according to the contributory capacity of the registered group. They are established on the basis of specific and regular reference incomes for certain members, rather than according to income categories as in the case of individual registration. Within the same organization, different contribution scales are established for individual members. The organization itself decides what scale is most appropriate to the person's income. This is periodically verified by inspectors.

This mechanism has had a favourable impact on rural development in Costa Rica, especially for organized own-account workers in the agricultural sector and among female farmers. In addition to improving access to social insurance schemes, it represents a tool for strengthening social cohesion and organizational and political capacity for farmers organized into cooperatives and associations.

Source: Based on Durán-Valverde, 2013.

Where public social insurance schemes are not available, group insurance with a private scheme may provide an alternative option to provide protection to uncovered workers, such as the group insurance through a waste-picker cooperative (Kagad Kach Patra Kashtakari Panchayat) sponsored by the municipality in the city of Pune, India, in recognition of the value of the services of waste-pickers to the public (Chikarmane and Narayan, no year).

**Checklist 5.8: Collective registration or insurance agreements**

- Could collective registration agreements facilitate the registration of workers and ensure access to benefits?
- What existing organizations (e.g. trade union, cooperative, rural producers' association) may be interested and able to conclude collective registration or insurance agreements for their members?
- What adjustments in administrative procedures would be necessary to allow for a collective registration or insurance agreements with the social security institution?
- If public social insurance schemes are not available to address workers' needs, would other forms of insurance be available?

## 6 Facilitating contribution collection and financing mechanisms

### Key questions

- ? How can contributions be determined in a way that is better adapted to the needs of workers in the informal economy in order to take account of their often low and volatile incomes?
- ? How can the payment of contributions be facilitated for both workers and employers, as well as the social security administration?
- ? How can differentiated income categories facilitate the establishment and calculation of contributions? How can they be established?
- ? How can the subsidization of contributions for some categories of workers from government funds facilitate the extension of coverage?

### Key messages

- \* Low and volatile incomes constitute important barriers to the extension of coverage to workers in the informal economy. Policies to extend social security coverage will need to address those challenges by (a) adapting the way contributions are determined; (b) facilitating contribution payment mechanisms and/or (c) combining non-contributory and contributory financing mechanisms.
- \* Adapting the way contributions are determined can facilitate coverage of workers in the informal economy, including by redefining reference incomes for the calculation of contributions; using contributory categories to determine earned income; using simplified contribution and tax payment (monotax) mechanisms; or considering alternative reference incomes other than earnings.
- \* Facilitating the payment of contributions can further support the extension of coverage, including through the expansion of access points for the payment of contributions; the provision of individual support for the declaration of contributions; unified social insurance contributions; or adapting the timing of contribution collection schedules.
- \* For those workers with limited contributory capacities, it may be necessary to combine non-contributory and contributory financing mechanisms to ensure universal coverage and financial sustainability.

### 6.1 What are the main challenges with regard to contribution collection and financing mechanisms?

One of the key obstacles to social security coverage for those in the informal economy is the payment of contributions to social insurance schemes and other contributory schemes for different reasons: (a) low incomes and limited contributory capacity, (b) volatile incomes and (c) the lack of an employer.

#### 6.1.1 *Low incomes and limited contributory capacity*

Many workers and employers in the informal economy generate low incomes that hardly allow them to make ends meet. Many of those currently not covered by social protection live in poverty or are vulnerable to fall into poverty and have limited contributory capacity.

Particularly vulnerable are those in temporary employment (particularly day labourers) and underemployment and those in subsistence self-employment. Among self-employed workers (many of whom are own-account workers and contributing family members), poverty risks are high: Close to 70 per cent of self-employed workers worldwide live in poor households and that percentage rises to more than 80 per cent in sub-Saharan Africa (Cho, Robalino, and Watson 2014; Gindling and Newhouse 2014).

### **6.1.2 Volatile incomes**

Another challenge to the extension of coverage to workers in the informal economy is the fact that many social insurance schemes are built around the notion of a worker in a clear and stable employment relationship, with regular wages and a long-term contract.

However, many workers in the informal economy have volatile incomes, associated with forms of employment with high job insecurity (such as casual labour), seasonality (especially in the case of agricultural workers) and/or self-employment. Workers and enterprises in the informal economy may also be more strongly affected by unforeseen shocks that can cause a (complete) loss of income, such as natural disasters. In addition, informal employment is often characterized by a high level of mobility in terms of status of employment (between dependent employment and self-employment), sector of employment (e.g. between construction and agriculture) and in some cases also between formal and informal employment. Variable income may also be caused by a time lag between the time when the work was done and when the payment was received. For those reasons, workers and firms in the informal economy may not be able to always contribute the same amount at the same time (ISSA 2012, 33).

### **6.1.3 Double contribution challenge**

A third challenge for the extension of coverage is that many workers in the informal economy, particularly those working on their own account, cannot count on the support of an employer for the payment of contributions.

In the case of self-employed workers, social insurance schemes may provide for mandatory or voluntary coverage, yet in many cases they may not be in a position to pay the full amount of contributions, which in such cases cannot be shared between workers and employers (ISSA 2012).

In addition to limited financial capacity, many self-employed workers also lack sufficient capacity to administer the regular payment of contributions. Complex, time-consuming and costly declaration and payment procedures can be another barrier to formalization and participation in social security schemes. Similar challenges arising from limited financial and administrative capacity also apply to some micro and small enterprises.

### **6.1.4 Multiple employers**

If a worker has employment relationships with several employers, it may be difficult to identify the respective obligations of each employer or the social insurance administration may not be able to handle multiple employers. That situation may affect part-time workers with more than one job, casual workers, temporary workers or temporary agency workers (ILO 2016e). In many cases, workers with more than one employer may end up not being covered at all or being covered partially through one main employer, yet underreporting their total earnings and as a result not enjoying the level of benefits that they should be entitled to.

### **6.1.5 Possible solutions**

While the three above-mentioned challenges render the coverage of workers in the informal economy difficult, many countries have found solutions to address them and their experiences are outlined in this chapter.

Workers and employers may not be able to provide regular monthly contributions, yet they may be able to follow alternative contribution payment schedules (see section 6.2). It may be possible to calculate contributions not based on monthly earnings but on other reference values (see section 6.3). They may face difficulties in using regular contribution collection mechanisms, but simplified contribution collection



mechanisms may overcome those difficulties (see section 6.4). However, in some cases, limited contributory capacity requires that other resources be found to guarantee coverage of those groups, such as the use of government resources to fully or partially finance the coverage of those on low incomes (see section 6.5).

**Checklist 6.1: Main challenges with regard to contribution collection and financing mechanisms**

- What are the main challenges with regard to contribution collection and financing mechanisms?
- To what extent do low incomes and limited contributory capacity negatively affect social security coverage? What groups are particularly affected? Have specific studies been conducted to assess their contributory capacity?
- To what extent are social protection gaps related to the volatility of incomes? Are there specific mechanisms in place to facilitate contribution collection for workers with volatile incomes?
- Are there mechanisms in place to ensure the social security coverage of own-account workers and other categories of self-employed workers? Are there mechanisms in place to ensure social security for those with multiple employers?
- Is the contribution collecting mechanism simple enough for informal workers and micro and small firms?

## 6.2 Adapting the way contributions are determined

One of the options for facilitating social security coverage for workers and employers in the informal economy is to adapt the way contributions are determined. This can facilitate coverage, especially for workers with low and volatile incomes for whom it is difficult to calculate social insurance contributions as a certain percentage of their monthly salary. For self-employed workers, including own-account workers, such adaptation mechanisms may be particularly relevant, because they cannot count on the sharing of contributions between workers and employers and therefore have to cover the full contribution rate by themselves (double contribution challenge) (ISSA 2012).

Such measures may also address the difficulties that many workers in the informal economy face, such as difficulties in estimating, proving and documenting their exact level of earnings, which further hampers the calculation of contribution levels. Therefore, calculating contributions on the basis of (monthly) income can be complex and subject to errors (ISSA 2012).

Calculation methods should therefore be made as simple as possible in order to facilitate the preparation of declarations by employers and insured persons and to avoid errors by the social security administration. Enabling insured persons to better understand the calculation of contributions and expected benefit levels, e.g. through the provision of an online calculation tool, can also facilitate registration.

Various approaches have been developed to address the difficulties of fluctuating incomes and the challenge of estimating exact earnings for the purpose of calculating contribution rates. Such approaches aim to reduce the information that needs to be provided by the insured person or the employer and thereby to facilitate or eliminate the preparation of declarations while facilitating the calculation and recording of contributions for social security administrations (ISSA 2012).

Table 6.1 summarizes the advantages and disadvantages of each approach, which may be used alone or in combination.

**Table 6.1: Different options for determining contribution levels: advantages and disadvantages**

Dimension	Advantages	Disadvantages
Considering quarterly or annual rather than monthly incomes	<ul style="list-style-type: none"> <li>+ can facilitate coverage for those with volatile incomes;</li> <li>+ limits number of declarations that need to be prepared by the insured person;</li> <li>+ facilitates record-keeping for social security institutions.</li> </ul>	<ul style="list-style-type: none"> <li>- if readjustment needs to be done at the end of the year, well trained staff will be essential, increasing administrative costs of the system.</li> </ul>
Uniform contributions (capitation payments)	<ul style="list-style-type: none"> <li>+ simple rules;</li> <li>+ easy to implement.</li> </ul>	<ul style="list-style-type: none"> <li>- less exact and equitable than other measures as it does not reflect contributory capacity.</li> </ul>
Contribution categories based on earnings	<ul style="list-style-type: none"> <li>+ facilitates or eliminates necessity to prepare income declarations (eliminates the necessity to prove exact incomes);</li> <li>+ facilitates administrative procedures for the social security system;</li> <li>+ reduces errors in the calculation of contributions.</li> </ul>	<ul style="list-style-type: none"> <li>- may not be the most exact and equitable way to determine income (some people might pay more than they would using percentages, while others might pay less).</li> </ul>
Contribution categories based on proxy measures	<ul style="list-style-type: none"> <li>+ facilitates or eliminates necessity to prepare income declarations (eliminates the necessity to prove exact incomes);</li> <li>+ reduces errors in the calculation of contributions (easier to determine than income);</li> <li>+ declaration of income not necessarily needed.</li> </ul>	<ul style="list-style-type: none"> <li>- may be less exact than categories based on earnings;</li> <li>- may require staff to visit workplaces or home of insured persons, which could create additional costs for the system.</li> </ul>

### 6.2.1 Redefining reference earnings

Determining social security contributions based on monthly incomes may not be appropriate for those in the informal economy who face a high volatility of income on a daily or seasonal basis. It may therefore be necessary to adapt reference incomes to the situation of the target group.

For some categories of employers and workers, determining contributions based on annual or quarterly basis can facilitate coverage for employers, workers and the social security administration. For example, Brazil's *Simples Nacional*, which covers microenterprises, requires just one annual payment (see Box 6.1).

**Box 6.1: Facilitating coverage for micro and small enterprises and own-account workers in Brazil (Simples Nacional and Microempreendedor Individual)**

The simplified tax regulation for micro and small enterprises was introduced in Brazil by the Simples Federal Law 9317 in 1996 and further reformed by the introduction of the Simples Nacional in 2007. This mechanism allows eligible companies to file a single simplified annual tax declaration, instead of monthly tax declarations for eight different taxes. Micro and small businesses with a gross annual income of less than R\$ 3.6 million can use this option. Micro-entrepreneurs with a maximum of one employee can use the MEI mechanism (see Box 4.13), which allows for one flat payment integrating seven different taxes and social security contributions.

Regarding the preparation of declarations, accounting firms support the micro-entrepreneur with the first tax declaration free of charge. Payments can be effectuated online, through *casas lotéricas* (units that enter contracts with and provide the services of the federal bank Caixa at municipal level) or through banks. They can be made monthly or quarterly in order to attend to the situation of workers with income fluctuations or seasonable revenues.

Between 2009 and 2018, the number of registered MSEs increased from about 3 million to 5 million. The monotax regime also facilitated the formalization of workers; the entities registered under this regime reported to have employed 10.6 million workers in 2017 which is equivalent to a quarter of all employees in Brazil. The main motivation to participate in this regime is to gain access to social security.

Source: Based on ILO, 2019f; Santiago, 2018b.

For other categories of workers, namely those in the agricultural sector, seasonal contributions (e.g. in Brazil's rural pension scheme (see Box 6.5) may be more appropriate.

For other categories of workers, such as self-employed traders or drivers, a weekly or daily contribution collection schedule may be more appropriate. Mechanisms to allow for the deposit and transfer of very small amounts can facilitate their coverage. For example, the contribution collection boxes used in the AlkanSSSy programme in the Philippines (see Box 6.2) allow workers to contribute on a weekly or even daily basis. Similarly, digital payment mechanisms that allow the possibility to transfer small amounts by mobile phone (such as in Kenya's Mbao programme (see Box 6.16)) can also facilitate coverage for certain categories of workers.

**Box 6.2: Innovative contribution collection for self-employed workers: the AlkanSSSy programme in the Philippines**

The AlkanSSSy programme of the Philippines introduced an innovative mechanism to facilitate contribution collection for workers with irregular earnings in 2011. Supported by associations of informal workers (informal sector groups), contribution collection boxes were introduced that allow workers to save small amounts in an individual slot when they have money available, allowing for daily or weekly deposits of small amounts. Those amounts are then counted and collected on a monthly basis, using computer-generated payment transaction reports. The collection boxes are installed in or close to people's workplaces, such as at tricycle transport terminals. As of the end of April 2015, 107,091 workers were covered.

Source: Based on Damerau, 2015; ISSA, 2015.

**Checklist 6.2: Redefining reference earnings**

- If the determination of income at a monthly level constitutes a barrier to coverage for those with volatile incomes, would it be possible to consider annual incomes for these categories of workers? How could the mechanisms of assessing incomes and fixing contributions be adapted to the needs of those with volatile incomes?
- What mechanisms, if any, could be put in place for adjustments to account for differences in expected and actual income?

**6.2.2 Uniform contributions (capitation payments)**

When capitation payments are used, the same uniform flat contribution is fixed for all workers in a certain category. As contributions are not calculated as a percentage of the income, it will not be necessary to proof exact incomes (ISSA 2016a; 2012). Capitation payments can be based on an average notional income for a certain activity or region. For example, in China, average income is fixed region by region and used to calculate contributions (ISSA 2012). In the Philippines, PhilHealth provides the possibility for those not covered under another category to contribute as “self-earning members”, offering two contribution categories based on average monthly income,<sup>17</sup> allowing the option to contribute on a monthly, quarterly, semi-annual or annual basis.

In voluntary schemes, it is common to establish one or several contribution levels. For example, under Article 40 of the Social Security Act in Thailand, the self-employed can decide between three contribution categories with different levels of contributions and different benefit packages for sickness, child benefits, disability benefits, invalidity and death benefits and a lump-sum old-age benefit (ESCAP 2011; ISSA 2012).

While this approach may be helpful in simplifying administrative procedures, the contribution level needs to be carefully fixed. The level of contributions should be low enough to allow for the coverage of those with limited contributory capacities but high enough to ensure at least a basic level of benefits without jeopardizing the financial sustainability of the scheme, unless the government concerned is committed to make the necessary resources available to ensure broad coverage.

**6.2.3 Contribution categories**

Many countries also use broad contribution categories for categories of workers for whom the tracking of exact earnings is too difficult. Such an approach allows differentiation according to the contributory capacity of the worker yet does not require exact proof of the level of income (Durán-Valverde et al., 2013, p. 17). Such an approach may be particularly relevant for extending coverage to self-employed workers. Contribution categories may be defined based on earned income or proxy measures for earned income (see below).

The income of the insured person is obviously relevant when deciding on the contribution level and rate (and possible subsidies for low-income group). In Costa Rica, different contribution rates are applied for the different income categories (see Box 6.3), while in Cabo Verde the same rates are applied for all income groups (see Box 6.4).

<sup>17</sup> Those earning on average up to Pts 25,000 contribute Pts 200 monthly Pts 2,400 per year; those earning Pts 25,000 and above pay Pts 300 monthly or Pts 3,600 per year.

**Box 6.3: Costa Rica: Contribution categories for the self-employed: subsidization rates inversely proportional to contributory capacity**

In Costa Rica, the mandatory social insurance for the self-employed uses contributory categories. Depending on the income of the self-employed person, the State subsidizes part of the self-employed person's contribution to achieve a total contribution rate of 11 per cent of their monthly income for health and 7.75 per cent for pension insurance. To facilitate the calculation of income, self-employed workers are grouped into different income categories based on the national minimum wage. In order to determine reference income, they are required to submit proof of income and expenses for the last six months as well as an income tax statement and other administrative forms and certificates.

Contribution rate (%) Income range	Health insurance			Pension insurance		
	Contributors	State	Total	Contributors	State	Total
Up to CRC 110,000	3.75	7.25	11.00	4.25	3.50	7.75
CRC 110,001 < 2 MW	5.50	5.50	11.00	6.00	1.75	7.75
2 MW to less than 4 MW	6.25	4.75	11.00	6.25	1.50	7.75
4 MW to less than 6 MW	7.25	3.75	11.00	6.50	1.25	7.75
6 MW to less than 8 MW	8.25	2.75	11.00	6.75	1.00	7.75
8 MW to less than 10 MW	9.50	1.50	11.00	7.25	0.50	7.75
More than 10 MW	11.00	0.00	11.00	7.75	0.00	7.75

Note: MW is the minimum wage for unskilled workers, set at CVEsc 206,045 (US\$ 368.80) in January 2010.

This financing mechanism takes into account that self-employed workers are a very heterogeneous group, which allows for State subsidies for those on lower incomes.

Between 2005 and 2009, the proportion of self-employed workers contributing to health and/or pension social insurance grew from 30.5 to 59.9 per cent in the case of health insurance and from 15.9 to 44.8 per cent in the case of pension insurance.

Source: Durán Valverde et al., 2013, Caja Costarricense de Seguro Social website.

**Box 6.4: Cabo Verde: free choice of contributory category for the self-employed**

In Cabo Verde's mandatory social security scheme for the self-employed, the contribution rate is fixed and amounts to 19.5 per cent of the reference income that reflects the minimum wage for public sector workers. The contribution rate of 19.5 per cent of income is lower than the total contribution rate of 25 per cent of the salary of employed workers, yet higher than the 8 per cent employee contribution rate, which complements the employer contribution rate of 17 per cent (2013).

*Contribution base for self-employed workers: 2009 category calculation contribution amounts (for reference income of CVEsc 13,986)*

Reference income category	Formula	Contribution
1	1 x reference income x 19.5%	2.730
2	2 x reference income x 19.5%	5.460
3	3 x reference income x 19.5%	8.190
4	4 x reference income x 19.5%	10.920
5	5 x reference income x 19.5%	13.650
N	n x reference income x 19.5%	n * 13.986 * 19.5%

Benefits granted to the self-employed correspond to those granted for employed workers and include the events of disability, old age, survivorship, maternity and paternity leave and sickness. In order to receive old age benefits, the worker must have contributed for at least 15 years, whereas for disability and life benefits, the worker must have contributed for at least 5 years.

Source: Durán Valverde et al., 2013, 2012; SSA, 2013

The main disadvantage is that the stepwise increase in the level of contributions, which is not strictly proportional to the level of earnings, may have some dysfunctional effects. Thus, someone whose earnings increase might move from one category to another and thus increase their social security

contributions, which can mean that they may be worse off than before the increase of earnings. This may provide a disincentive to earn more or encourage the underdeclaration of income.

Some countries use proxy measures to estimate earned income and determine the contributory capacity of the worker, where this is difficult to establish directly. Using proxy measures can facilitate the calculation of contributions and reduce the necessity to prepare declarations for the insured person. Such proxy measures can for example refer to the size of the land or firm, the number of employees, the value of a person's house or the type of activity carried out. Usually a number of such measures are combined.

In Brazil's rural pension scheme, contribution categories for self-employed farmers are established according to the size of the land and the number of employees, while contribution categories of employed workers are based on their salary (see Box 6.5).

**Box 6.5: Brazil's rural pension scheme: Establishing different contributory categories for agricultural workers**

In Brazil's rural pension scheme, rural workers are classified into three categories for which different contribution rules are established: employees, individual contributors and the "specially insured" (*segurados especiais*).

- Employees are classified in three income categories, to which different contribution rates (8-11 per cent of reference income) apply.
- Individual contributors include self-employed farmers with land more than 4 *módulos fiscais* in area (1 *módulo fiscal* refers to between 5 and 110 hectares, depending on the municipality) who employ fixed-term workers. Individual contributors can choose the contribution rate. They can contribute the minimum rate of 20 per cent of the minimum monthly salary or a minimum contribution fee set at 11 per cent of their earnings. The system provides the flexibility to increase or decrease contribution percentage at any time.
- The category of the "specially insured" refers to rural subsistence farmers without employees other than family members and with land of less than 4 *módulos fiscais* in area. They contribute 2.1 per cent of the total sales value of their products (+0.2 per cent for the National Rural Learning Service (Serviço Nacional de Aprendizagem Rural (SENAR)). (Ministério da Previdência Social, n.d.).

Members of all three categories have access to the same benefits as those under the General Social Welfare Scheme. Their pension is calculated on the basis of the minimum wage.

Along with other efforts on the part of the national social security institution (Instituto Nacional de Seguro Social), this type of differentiated contributory mechanism has enabled one in four own-account workers in Brazil to be protected by the social insurance system.

Eligibility for benefits is determined by the number of years worked in the rural activity but not by the number of contribution years.

Source: Based on Barbosa, 2010; Durán Valverde et al., 2013; Schwarzer, 2003.

In the Niger, contribution rates for taxi drivers in the main social insurance scheme (voluntary coverage) are based on an assessment of typical earnings for different activity profiles (ILO 2016k).

In Tunisia, categories depend on the activity carried out and the size of firm or land (see Box 6.6). In Argentina, the law to promote registered work and prevent labour fraud (Ley de Promoción del Trabajo Registrado y Prevención del Fraude Laboral) provides subsidies for a defined period of time for micro and small enterprises, which differ according to the number of employees of the firm (see section 6.4). In the Republic of Korea, the car used, rent paid or value of a person's house, among other factors, can be used to determine the income class (ISSA 2012).

**Box 6.6: Tunisia: establishing contribution categories for the self-employed**

In Tunisia, the self-employed are grouped into ten income brackets regarding the occupational group (physician, shopkeeper, architect, artisan, etc.) and the size of the firm or farm. The scale is based on the average incomes for each occupation and income brackets vary from 1 to 18 times the inter-trade minimum wage or the minimum agricultural wage. Insured persons must contribute according to the income bracket on this scale. They are free to contribute on the basis of a higher income bracket and can request to be grouped into a lower bracket, if they can prove that the real income is lower than the income set for their category.

Benefits provided are the same as for employed workers and include old-age, disability, survivorship, illness and maternity benefits.

While in 2009 nearly all Tunisians who work in the public and private non-agricultural sectors were covered by social security schemes, in the informal sector — in particular among agricultural and/or self-employed workers — coverage was still less than 50 per cent. Those workers still excluded were mainly casual and seasonal agricultural workers (working less than 45 days per quarter for the same employer), domestic workers and fishers in rural areas.

Source: Based on Ben Cheikh, 2013; Chaabane, 2002; Olivier, 2009.

**Checklist 6.3: Contribution categories**

- Could the use of contribution categories help to overcome the difficulties that workers with volatile incomes face?
- How could such contribution categories be determined and what implications would they have for setting benefit levels?
- How could contribution categories be taken into account in the calculation of benefit entitlements?

### 6.2.4 Simplified contribution and tax payment mechanisms (monotax mechanisms) [MSE] [SE]

Monotax (*monotributo*) mechanisms offer the possibility for some categories of micro and small enterprises and own-account workers to pay one (monthly) flat payment instead of various tax and social security contributions. The level of contributions usually differs according to income categories. While participation in monotax mechanisms is usually voluntary, simpler procedures and in some cases lower contribution rates as well render this mechanisms attractive for eligible categories of self-employed workers and microenterprises. The subsidization of monotax schemes aims to provide incentives for the formalization of enterprises, under the assumption that, as these enterprises grow, they will be able to pay the regular level of tax and social security contributions at a later stage.

One of the major advantages of these mechanisms is that they facilitate the payment of social security contributions and taxes, considering the limited administrative capacities of micro-entrepreneurs and micro and small enterprises, which can constitute a considerable barrier to formalization. Monotax mechanisms reduce the need to keep accounting records and facilitate the declaration of incomes and effecting payments to different social security and tax subsystems.

The example of Uruguay shows that monotax mechanisms can lead to a marked increase in social security coverage of the self-employed and microenterprises (see Box 6.8).

In Brazil, the Simples National mechanism has contributed to an increase in registration and more effective tax collection (see Box 6.1 and Box 6.7). Between its introduction in 2007 and 2012, the number of micro and small enterprises registered nearly doubled from 2.5 million to 4.4 million. Studies also confirm that 32 per cent of entrepreneurs report that Simples National reduced their total tax burden. Tax revenues significantly improved, from R\$ 8.3 billion to R\$ 46.5 billion in the same period as more small firms joined the formal sector (ILO 2014e).

While the most prominent examples of monotax mechanisms were implemented in Argentina, Uruguay and Brazil in 1998, 2001 and 2006, respectively (see Box 6.7), a number of other countries have also



implemented such mechanisms or are considering their introduction, including Bosnia and Herzegovina, North Macedonia, the Republic of Moldova, Morocco, Senegal and Serbia (ILO, 2015h).

#### *How can monotax schemes facilitate payment procedures?*

In many countries, tax and contribution obligations require various payments to different subsystems at different levels of government (municipal, regional and state) and to different social security institutions, often according to different calculation methods and payment schedules (ILO 2014h). Combining different contributions into a single simplified payment therefore facilitates the payment process (see Box 6.7).

#### **Box 6.7: Monotax mechanisms: simplification of payment procedures**

In **Argentina**, *monotributo* contributors can make one payment instead of payments to four different systems. Payments have to be effected monthly before the 20<sup>th</sup> of the following months in cash, online, by credit or by debit card. Contributors do not need to submit a sworn declaration concerning value-added tax (VAT) and income taxes and do not have to keep accounting records. They have to make a self-categorization into one of the 11 contributory groups every four months, which is subject to verification by the entity in charge.

In **Brazil**, companies can file one single simplified annual tax declaration instead of the various tax and social security declarations that they had to present at the municipal, state and federal levels previously. Instead of paying each tax or contribution separately and according to different calculation methods and payment schedules, taxpayers contribute one single amount through the Plan Simples.

In **Uruguay**, small businesses that fall into the category of *monotributo* contributors can choose between paying a *monotributo* on revenue generated by their activities or paying the ordinary social security contributions and normal taxes. Monotax contributions are collected by the Uruguayan Social Security Institute (BPS), which transfers the tax share to the fiscal authority and uses the contribution share to finance social security benefits for those members affiliated through the scheme and their families.

Source: Based on ILO, 2014e, 2014g; ILO and GIZ, 2014; and national sources .

In addition, the establishment of a fixed contribution amounts for a small number of contributor categories reduces the necessity to provide regular detailed income declarations. Instead, an estimation of income and the classification into the adequate contributory group is sufficient.

#### *How are payment obligations assessed?*

In some countries, classification into contribution categories is usually based on the annual income of self-employed workers or microenterprises and the number of their employees, and in some cases also the area of land used and electricity consumption (see Table 6.2).

**Table 6.2: Contribution categories within the monotax schemes of Argentina, Brazil and Uruguay**

	Argentina	Brazil	Uruguay
<b>Annual income limits for participation</b>	US\$ 34,520 US\$ 51,780 for firms selling goods	Micro-entrepreneur: US\$ 20,000 Microenterprises: US\$ 120,300 Small enterprises: US\$ 1.2 million	One-person business: US\$ 15,793 Micro and small enterprises: US\$ 26,321
<b>Limits regarding the number of employees</b>	No limits (registration as employer and simplified monthly statements regarding number and salaries of employees are required)	Micro-entrepreneur : 1 Microenterprises: 5	Only enterprises without employees (but up to two partners or three partners in the case of family businesses)
<b>Criteria taken into account for the determination of contributions</b>	Depending on annual turnover, area of land used and level of electrical energy consumed	Progressive contributions: according to income group (MEI, micro or small enterprise), a different percentage on income is set	One-person business: depending on inclusion of spouse and benefits provided (health included or not)  Micro and small enterprises: depending on the number of partners
<b>Level of contribution</b>	Depending on category: Arg\$ 429 -3,090 (US\$ 50.5-363.6)	Micro-entrepreneur: 5 % of minimum wage Microenterprises: 3-5 % of gross revenue Small enterprises: 5.4-8.6 % of gross revenue	Depending on category, inclusion of spouse/children and benefits provided: fixed amount of Ur\$ 541-2,924 (US\$ 21.6-117)
<b>Taxes and contributions replaced</b>	Income tax, VAT and social security contributions to the health and pension system	Eight (until 2014 seven) different taxes (five federal, one state and one municipality tax) and social security contributions	All taxes and social security contributions
<b>Benefits provided</b>	Health care (general scheme), minimum pension	Same social insurance benefits as salaried employees	All social security benefits except for unemployment protection; affiliation to health insurance is voluntary; voluntary coverage for spouse and children

Source: Amarante and Perazzo, 2013; ILO, 2014e, 2014g; ILO and GIZ, 2014; and national sources.

All three countries have introduced special schemes for the lowest-income self-employed and/or lowest-income micro firms. Argentina and Uruguay have implemented the *monotributo social* scheme and Brazil the MEI scheme, through which contributors benefit from additional reductions of contributions.

#### *Which social security branches are covered?*

Monotax mechanisms can provide access to a range of social security benefits. In Argentina, the monotax mechanism is linked to health insurance coverage and pensions, yet limited to minimum pensions. Brazil's monotax mechanism opens the way for access to all social insurance benefits. In Uruguay, the monotax mechanism provides access to all social security benefits except for unemployment benefits. Given the objective of encouraging affiliation and addressing low incomes, there is some flexibility regarding social security contributions. While the contribution to pension coverage is mandatory, affiliation to the health insurance regime is voluntary. The entrepreneur may also choose to make voluntary contributions to include his/her children and spouse (see Table 6.3).

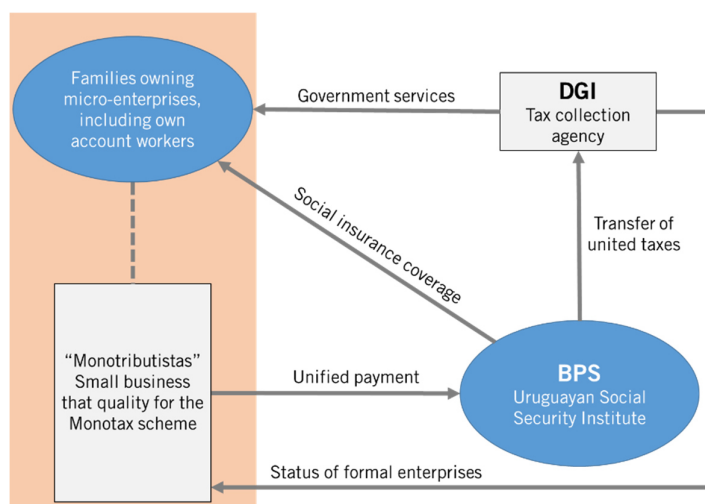
Monotax mechanisms can replace a broad range of different taxes and social security contributions. The more taxes and contributions are included, the greater the effect of facilitating payment procedures will be for the contributor and the stronger the incentive to participate. However, it should also be considered that the system must have the capacity to coordinate between different institutions.

#### *What administrative capacity is necessary to implement monotax mechanisms?*

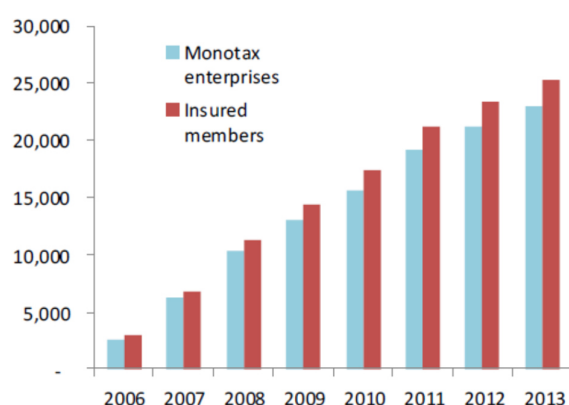
Monotax mechanisms require coordination among different social security institutions and tax authorities and often also different levels of government (municipal, state, federal). One entity is usually responsible for collecting the payment and then passes on the agreed part to the different institutions and authorities. In Uruguay, for example, contributions are collected by the BPS, which then transfers the share corresponding to tax payments to the fiscal authority (see Box 6.8).

**Box 6.8: Administration of the monotax scheme in Uruguay**

Eligible own-account workers and small businesses eligible can choose between paying a monotax (*monotributo* or unified contribution) on the revenue generated by their activities or paying regular social security contributions and taxes (with the exception of import taxes). Monotax payments are collected by the Uruguayan Social Security Institute (BPS), which is also responsible for transferring the share corresponding to tax payments to the fiscal authority.



**Uruguayan Social Security Institute: Registration of Monotax enterprises and insured members**



Source: Based on ILO, 2014g; Sotelo, 2014.

The introduction and expansion of the monotax mechanisms has led to a significant expansion of social security coverage among microenterprises. While less than 3,000 microenterprises were insured in 2009, by 2013 their number had almost tripled, leading to a marked improvement of the level of social security of owners of microenterprises and their workers.

Combining social security contributions and taxes requires coordination among social security institutions and tax authorities and different levels of government (municipal, regional, state). For example, the introduction of the Simples Nacional in Brazil required closer cooperation between states and municipalities, including the adaptation of state-level legislation and signed agreements with the Federal Revenue Secretariat.<sup>18</sup> At the municipal level, the same procedure was required regarding taxes on services.

Such improved coordination between tax authorities and social security institutions play an important role in establishing simplified and unified collection schemes for small contributors and extending coverage to self-employed workers and workers in micro and small enterprises. It thus can incentivize formalization and improve social security coverage.

<sup>18</sup> In Brazil, before the introduction of the Simples Nacional, states and municipalities levied taxes directly, among others on the movement of merchandise and services, interstate and inter-municipal transport and communications service.

**Checklist 6.4: Simplified contribution and tax payment mechanisms**

- Could simplified contribution and payment mechanisms overcome some of the constraints faced by the self-employed and microenterprises?
- What mechanisms could be used to assess payment obligations?
- What social security branches could be included in such a mechanism?
- What administrative capacity is necessary to implement monotax mechanisms?
- If the subsidization of contribution and taxes for low-income earners is anticipated, how could it be financed? (see section 6.4).

### 6.2.5 *Considering alternative reference values (other than earnings) for the determination of contributions*

In some contexts, it may not be feasible to base contributions on earnings. For example, in sectors where many workers tend to be employed on a casual basis for a short period of time (often only a day) and there is a very high turnover of workers, more flexible approaches can facilitate the coverage of the most vulnerable workers. Additional factors, such as unclear employment relationships, can further complicate the coverage of workers.

An example of that situation is the construction sector, where many workers are hired through subcontractors and labour brokers for only days or weeks. One of the approaches employed to ensure at least a minimum of social security coverage for construction workers has been to base contributions not on the payroll but rather on the overall value of the construction project in order to ensure coverage for all workers involved in this project (ILO, 2015i). In India, under the Building and Other Construction Workers' Welfare Cess Act, 1996, 1–2 per cent of the value of construction projects is channelled into worker welfare funds for construction workers, which cover contributing workers for employment injury, access to health care (through the Rashtriya Swasthya Bima Yojana (RSBY) scheme) and pensions (see Box 6.9).

#### **Box 6.9: Worker welfare funds for construction workers in India**

The Indian central Government obliged federal states in 1996, through the Building and Other Construction Workers' Welfare Cess Act, to establish tripartite worker welfare boards, which offer a range of social protection benefits to workers and their families through worker welfare funds (WWFs). While the set of benefits varies across states, most include old age pensions (payable after 60 years); immediate assistance in the case of an accident; coverage of medical expenses for the treatment of major illnesses or injury for workers and their families; health insurance for all other medical needs; and guaranteed payment of maternity benefits for women.

These funds are financed through a nominal (flat-rate) contribution of the worker, combined with a levy or "cess" of 1–2 per cent of the total value of construction projects to the WWF. The responsibility for paying the levy rests with the principal contractor, yet all workers involved in the project, including those employed by subcontractors, are eligible for benefits. By linking the main funding source to the value of the project rather than to the earnings of individual workers, the WWFs address some of the challenges for the coverage of workers in the construction sector, namely the complex relationship between contractor and different levels of subcontractors and the difficulties associated with covering workers who work for a short period of time with the same employer. While the implementation of such funds varies across states, some states (Kerala, Tamil Nadu, Madhya Pradesh) have achieved coverage rates of 70–99 per cent of construction workers. In some states, such as Tamil Nadu, success is related to the strong involvement of trade unions. For example, the Construction Workers Panchayat Union counts a total of 520,000 workers, of whom 60 per cent work in the informal economy and about 20 per cent are women workers. The Union has actively engaged with the WWFs to realize the right to social security of informal workers.

Similar WWFs exist in some states in other sectors of the economy, including for transport and agricultural workers. They are all based on the principle of raising funds through a levy on the value of the production, sale or export of goods and services.

Source: Based on Kalpana, 2019; Newitt et al., 2014.

A similar situation exists in other sectors with a high prevalence of short-term and casual work, such as arts professions, including performing arts professions. In **Uruguay**, workers in this sector can register in the national Register of Artists and access social security through the *monotributo* mechanism (see section 6.2.3; (E. Ortiz 2016).

In **Germany**, an adapted social insurance financing model has been found to cover self-employed artists and publicists through mandatory coverage in the Künstlersozialkasse (KSK) (see Box 6.10). In recognition of the value of art and publishing for society, the model mandates enterprises that contract with self-employed artists and publicists to pay a global contribution of a certain percentage of the total value of the contracts to the KSK to complement the workers' contribution and a government subsidy.

**Box 6.10: Providing social security to artists and publicists in Germany: The Künstlersozialkasse [SE]**

In Germany, since 1983, self-employed artists (e.g. musicians, actors, graphic designers) and publicists (e.g. journalists) are covered on a mandatory basis by the Künstlersozialkasse (KSK), provided that they earn more than €3,900 per year (or less in the case of those starting their careers). The KSK administers the contributions paid by the members and transfers their contributions to the pension insurance and health and long-term care insurance systems.

The self-employed members of the scheme pay the same contribution rate as employees (50 per cent of total contribution rate) on the remuneration received. The employer share of the contribution (50 per cent) is financed through a government subsidy (20 per cent) and a global contribution from enterprises that regularly contract self-employed artists, publicists, journalists, etc., such as publishing companies, theatres, radio and TV stations, art galleries and advertising and public relations companies (30 per cent). The global contribution is calculated as 5.2 per cent of the total remuneration paid to self-employed artists and publicists.

In this way, the KSK ensures the coverage of workers in this sector, whose employment is usually characterized by casual work that is often arranged on a short-term basis outside a regular employment relationship.

Source: Based on information from the KSK website, [www.kuenstlersozialkasse.de](http://www.kuenstlersozialkasse.de).

The German example provides an interesting solution for a sector with a high prevalence of “dependent contractors” (see Box 6-11). The method of calculating the global contribution as a percentage of the total value of contracts recognizes the responsibility of the contracting enterprises as “employer”, while facilitating the payment of contributions through one global contribution instead of individualized contributions. However, such a solution can only be applied in sectors and contexts where the compliance of contracting enterprises can be effectively ensured.

**Box 6-11: Dependent contractors: definition and challenges**

According to the International Classification of Status in Employment (ICSE-18), dependent contractors are workers who work for profit and thus are exposed to high economic risk (similar to own-account workers or employers in unincorporated market enterprises), yet they have little authority over the organization of their work, that is, they are still dependent on another person or economic unit for the organization of their work and/or for access to the market (similar to employees). Dependent contractors may depend on a single client (for example, a graphic designer exclusively working for one company), (b) a single supplier of the material input (for example, a homemaker subcontracted to preform assembly work and where the material for the production is provided by the trader), or (c) an intermediary for access to clients (for example, a ride-hailing driver working through a digital platform). In such situations the client, supplier or intermediary exert a similar level of control over their working conditions as an employer; therefore the terms and conditions of employment of dependent contractors resemble paid employment.

Preventing the misclassification of employment is essential to ensure that employers do not unduly transfer economic risks to workers and avoid the responsibilities associated with formal employment contracts, including labour protection and social protection. It is therefore essential to clarify whether dependent contractors work in an employment relationship, in line with the ILO Employment Relationship Recommendation, 2006 (No. 198).

Source: Based on ICLS 2018a; 2018b; ILO 2019.

#### **Checklist 6.4: Alternative reference incomes for the determination of contributions**

- In sectors with a high prevalence of casual work and high turnover, could alternative forms of reference incomes be considered?
- What are the options for alternative reference incomes, other than earnings? These could include the total value of contracts in a certain sector.
- Could existing social insurance schemes incorporate alternative reference incomes in their operations? If yes, how?
- How could equity between different categories of workers be ensured in such a context?
- How can compliance be ensured in such a setting?

### **6.3 Facilitating the payment of contributions**

Many employers and workers in the informal economy face practical difficulties in paying social insurance contributions, for different reasons, as follows:

- Own-account workers, as well as some other categories of the self-employed, may not have the necessary IT skills, knowledge and/or the time to provide, prepare, process and send the information requested and effect payments (ISSA, 2012). [SE]
- Employers, particularly in micro and small enterprises, may also not have the administrative capacity and/or knowledge to prepare declarations and effect payments. [MSE]
- For those living in remote areas – who are often agricultural workers – payment procedures may require additional time and costs for traveling since they often do not have access to locations where payments can be effected. [AW]

Having to declare income and make payments to different social security (and tax) subsystems may be administratively challenging and costly for many micro-entrepreneurs and micro and small firms. It is therefore relevant to reduce the burden and costs of settling contributions. There are various approaches and technologies for accomplishing this (see table 6.4).

The strategy needs to be adapted to:

- the situation of the country (e.g. administrative capacity; availability of technology, including central databanks; resources);
- the situation of each group targeted (e.g. availability and use of the internet and mobile phones; ability of those living in cities to visit an office or bank to settle payments versus the need for other solutions for those living in remote areas; access of the latter to the internet).

A combination of different approaches is usually necessary.

In general, coordination among different ministries/institutions (e.g. for monotax mechanisms) or different companies/institutions, such as banks and kiosks, is essential; collaboration with banks or other institutions that can take over the collection of contributions can improve access for the insured while reducing costs for the system

Facilitating declarations and payment procedures not only reduces costs and time for the insured but also for social security systems. However, it must be guaranteed that contributions can still be calculated as exactly as possible to avoid underfinancing of the system

Declaration statements should be made as easy to understand as possible, without requiring the provision of many documents and, if possible, support should be provided for completing forms.



<b>Table 6.3: Approaches to facilitate declaration and payment procedures</b>		
<b>Dimension</b>	<b>Advantages</b>	<b>Disadvantages</b>
<b>Expansion of number of social security offices</b>	<ul style="list-style-type: none"> <li>• saves travel time and costs for insured people;</li> <li>• provides individual support in preparing declarations.</li> </ul>	<ul style="list-style-type: none"> <li>• high investment costs for social security administration;</li> <li>• high costs of operation for social security administration.</li> </ul>
<b>Online services</b>	<ul style="list-style-type: none"> <li>• can provide a wide range of services;</li> <li>• reduction of cost and time for preparing declaration and effecting payments (visit to an office not necessary);</li> <li>• facilitation of administration of contributions for social security contributions;</li> <li>• low costs of operations for social security administrations.</li> </ul>	<ul style="list-style-type: none"> <li>• may not be the adequate method for all groups;</li> <li>• no direct support;</li> <li>• may require high investment costs.</li> </ul>
<b>Mobile phone services</b>	<ul style="list-style-type: none"> <li>• may be accessible to more groups than online services, including in rural areas;</li> <li>• reduction of cost and time for effecting payments for insured persons;</li> <li>• facilitation of administration of contributions for social security administrations;</li> <li>• if done through a human telephone operator, may be more individualized than online services;</li> <li>• low investment costs for social security administrations.</li> </ul>	<ul style="list-style-type: none"> <li>• limited services possible;</li> <li>• may be more costly for insured people than online services;</li> <li>• if done through a human telephone operator, high costs of operation.</li> </ul>
<b>Agreements with banks or other institutions</b>	<ul style="list-style-type: none"> <li>• saves travel time and costs for insured people;</li> <li>• low costs of operation for social security administration;</li> <li>• low investment costs for social security administration.</li> </ul>	<ul style="list-style-type: none"> <li>• limited services, e.g. no individual support in preparing declarations (exception: if banks are involved that take an active role in the collection of contributions).</li> </ul>
<b>Free/low-cost support for preparing declarations</b>	<ul style="list-style-type: none"> <li>• facilitation of declarations for insured workers;</li> <li>• reduction of errors, which may save time for social security institutions.</li> </ul>	<ul style="list-style-type: none"> <li>• high costs of operation for social security administration;</li> <li>• may be time-consuming for insured persons.</li> </ul>

### 6.3.1 Expanding access points for the payment of contributions

The payment of contributions can be facilitated by expanding the number of access points and offering alternative channels of payment, such as an increased number of physical access points, online platforms and mobile services.

#### Physical access points

To avoid travel costs and time, locations where the payment of contributions can be made should be close to the workplaces or homes of the workers or enterprises concerned. Such decentralized service points may be local social security offices; alternatively, social security institutions may integrate contribution payment services into the services offered by other public institutions that are already present in the region or may conclude agreements with public or private sector entities, such as post offices or local bank branches. Such decentralized services may include the provision of additional pay points for the payment of contributions and benefits (banks, post offices). Social security institutions may



also conclude service agreements to devolve specific services to those entities, such as to provide support for the calculation of contributions or record contribution payments in a central database.

Such partnerships may reduce administrative costs for social security institutions. In **Singapore** for example, the Service Standards for Members and Beneficiaries of the Central Provident Fund, among other things, increased the access points available to its members. In addition to smartphone applications and an online platform, those access points include private sector news kiosks in the street for those who prefer that approach to paying contributions (ISSA 2012).

### *Online platforms*

Declaration and payment procedures may be significantly facilitated by using online services, such as electronic statements, online money transfers and online platforms that provide a wide range of services. For example, being able to make payments online saves time and the cost of traveling to the payment office. Some countries have implemented more comprehensive online services, including for the processing of declarations and payments, which may be calculated and made online without the need to physically visit the office, as in **Uganda** (see Box 6.13). PREVIRE in Chile is an online platform which aims to simplify the declaration and payment of social insurance contributions for micro and small enterprises and own-account workers (see Box 6.12). When using an online platform, it is essential for the interface to be easy to understand and self-explanatory.

#### **Box 6.12: PREVIRE: Simplifying payment and declaration procedures in Chile**

PREVIRE in Chile was launched in 2001 with the aim of offering a single interactive entry portal to the processes of all social security institutions in the country. Members may make an integrated payment for contributions to pensions, health, employment injury, family allowances and unemployment insurance. The platform is connected to all financial banking institutions and some non-banking institutions, such as credit card companies, in order to facilitate online payments. PREVIRE provides a flexible online 24-hour service that is free of charge, thereby reducing the complexity of payment procedures and substantially reducing the transaction costs for users.

Source: Based on ILO, 2019f.

**Box 6.13: Uganda: Moving from the necessity to visit offices to electronic statements**

When seeking information about their social security accounts, members of the National Social Security Fund (NSSF) of Uganda previously had to visit NSSF offices to access its services. Member statements were only issued in hard copy and following up claims also required visiting NSSF offices. This was costly and inconvenient to both the members and NSSF as members needed to travel long distances and queues were long.

To make access to its services more convenient for members and reduce the costs of its operations, the NSSF introduced electronic service delivery channels, which enable members to view their contribution balances and follow up their claim processing on mobile phones, through the internet and via a toll-free line managed through the call centre. The NSSF took advantage of already existing resources, such as an existing website, phone networks, the staff required and full-time internet access, thereby reducing the necessary investment costs.

To gain access to electronic statements, clients must send an email requesting a password and including their 13-digit NSSF number, full name, date of birth, father's and mother's full names and name of their employer. Within 24 hours, the NSSF automated system sends a password to the member's email, who then only has to enter the 13-digit NSSF number and password on the website and log in. A recently launched mobile application helps members to keep track of their contributions.



The screenshot shows the NSSFgo mobile application interface. It displays a user's profile with the name 'Test User' and NSSF Number '999999999999'. The period shown is '30-04-2009 to 28-02-2015'. The grand total contribution is '80,515,527'. Below this, there is a table of transactions showing contributions from 'ABCD Test Company' for three periods: 30-04-2009 (197,850), 31-05-2009 (197,850), and 30-06-2009 (259,038). The NSSFgo logo is visible on the right side of the screen.

Name: Test User	
NSSF Number: 999999999999	
Period: 30-04-2009 to 28-02-2015	
Grand TOTAL: 80,515,527	
Transactions:	
Contribution	30-04-2009
ABCD Test Company	197,850
Contribution	31-05-2009
ABCD Test Company	197,850
Contribution	30-06-2009
ABCD Test Company	259,038

In addition, the NSSF introduced an SMS platform to allow members to access services on their mobile phones, reducing the time and costs of travel to the NSSF offices. Members can now send an SMS to the Fund and query their balance via their mobile phone. Today, more than 270,000 registered members use the platform, which led to a reduction of 30 per cent in the number of walk-in customers in 2013–2014.

This has made the process easier for members while reducing the NSSF administrative costs: 46 per cent of statements are now issued electronically, meaning that there are 4,041 clients every day who do not need to visit an NSSF office, giving staff time for other administrative tasks and thus improving its efficiency. Feedback from members indicates that services through the electronic channels are quicker, cheaper, customer friendly, convenient and have improved service delivery.

Source: Based on ISSA, 2011b, 2014d; Waiswa and Okello-Obura, 2014.

Obviously, these approaches are only applicable where there is access to the internet and where people are able and used to working with computers and the internet. As this may not be the case for everyone – especially not for those living in rural areas and the elderly – such an approach should be accompanied by other ways to make payments that are addressed to those groups, as is the case in Colombia (see Box 6.14).

**Box 6.14: Colombia: Integrated Form for Contribution Settlement**

The Planilla Integrada Para Liquidación de Aportes (PILA) is an electronic platform through which contributions to the General System of Social Security can be settled. It works through an internet-authorized operator that is connected to banks and the central repository of the social security system. It may be used by both employers and self-employed workers and aims to facilitate smoother user access to the social security system. Users may make payments to several social security subsystems in a unified way. The PILA therefore saves time for users and other people involved in the procedure. Payment through the PILA is mandatory (decree 1931 of 2006). People or firms who do not have access to computer and internet can use the assisted form procedure and request the settlement of their contributions by telephone to a human telephone operator, who registers the data, settles the contributions and gives them a form number and code they must use to make the payment. Payments may be cancelled between one and five days after the settlement in a financial institution in cash, by check, debit or credit card.

By the end of 2007, all firms with more than 30 employees were paying social security contributions for their workers through the PILA. The platform has enabled great progress in the collection effectiveness by facilitating user access to Colombia's social security system, while at the same time promoting effective monitoring and supervision through centralized payments.

Source: Durán Valverde et al., 2013; The World Bank, 2007; Calderón, n.d.

In the **Philippines**, service-level agreements with banks have facilitated contribution payments (see Box 6.15).

**Box 6.15: Facilitating payments through the banking system in the Philippines**

With the objective of facilitating contribution payments to workers and employers and thus reducing their transaction costs, the Philippines Social Security System (SSS) has entered into agreements with local banks. Contributors settle their payments through the banks' service platform. Thus, collection management has been transferred to the banks, generating efficiency and reducing administrative costs for the SSS.

The SSS also developed an auto-debit arrangement (ADA) system, which allows affiliates to register voluntarily in order to make automatic payments of contributions and other commitments with the institution, such as the payment of debts on loans (Ortega, 2006). Affiliates may voluntarily register in any of the banks that offer the service, allowing the bank to make automatic monthly debits to their savings or checking account and transfer funds to the SSS to pay their social security contributions. Registration in the system may be made online in most banks. Through this measure, the SSS aims to reduce non-payment or delay fees since the bank debit takes place on the day of payment. In addition, the development of the ADA system reduces the transaction costs that workers must otherwise bear to make the monthly payment of their contributions to social security.

Source: Durán Valverde et al., 2013.

Online services can considerably reduce cost and time for insured people as well as for the social security system. However, they need to be easy to use and will only be accessible for some people. Therefore alternative ways should also always be offered.

**Mobile phone services**

Mobile phones are increasingly being used around the world, including in low-income countries and rural areas. In some contexts, mobile phones are used more commonly than computers. Therefore, mobile phone services can provide a good alternative to online services in some countries and/or for some groups. For example in Colombia, those who do not have access to the internet may facilitate payments via a telephone operator (see Box 6.14).

Mobile phone services can allow contribution payments to be made and/or balances to be accessed conveniently from anywhere and at any time. If they work through a human telephone operator, services can be more individualized than online services, although requiring hire costs of operations for the system. Services are likely to be more limited than those that can be offered through online platforms. The costs involved for members also need to be evaluated. Examples of such services are the mobile money transfers of the MBao Pension Plan in Kenya (see Box 6.16) and the introduction of SMS services by Uganda's National Social Security Fund (see Box 6.13).

**Box 6.16: Mobile phone money transfers in Kenya's MBao Pension Plan [SE]**

The Mbao Pension Plan was launched at the end of June 2011 after a study had shown that only 15 per cent of the total workforce were covered by a registered retirement plan. It is a voluntary individual account savings plan addressed to workers that are members of different *jua kali* associations (artisans operating their own small business in open air). Despite its name, the plan does not provide periodic pensions but lump sum payments that can be withdrawn before people reach old age. In 2018, the Inua Jamii Senior Citizens' Grant was introduced to provide a universal pension to older persons aged 70 and over.

The main innovation of the Plan is the possibility of making a minimum daily contribution of KSh20 through mobile phone money transfers (e.g. through M-Pesa or Airtel) that allow for payments to be made conveniently from anywhere and at any time, even for people living in remote rural areas. Members need to settle a registration fee of KSh100 and can then save at least KSh20 per day, KSh100 a week or KSh 500 a month – savings of K Sh4,800 (about US\$47) per year. The transaction fee is 10 per cent of the value of the amount transferred up to KSh25 per transaction. In 2018, about 100,000 people – some 8 per cent of the 12 million members of the *jua kali* associations – were members of the plan.

Source: Based on ISSA, 2011a; Kabare, 2018; Kwenya and Turner, 2013.

Mobile phone services may be accessible for more people, including those in rural areas, and may therefore provide a good alternative to online services and/or complement online services. However, they are usually limited regarding the services they can provide.

It is essential to reduce costs in order to provide access to these services to as many members as possible, and to provide clear instructions on how to use them.

### 6.3.2 Providing individual support in preparing declarations

Preparing declarations can be facilitated by providing free or low-cost support at the social security office directly or via accounting firms, as done for micro-entrepreneurs in **Brazil** (see Box 6.1) or in Japan. This support can be provided for the first declarations or on a longer-term basis, but requires some investment and therefore the costs and benefits need to be considered carefully. [MSE] [SE]

Collective registration agreements (see section 5.5) may also facilitate payment procedures for both the insured person and the social security administration, as the organization takes over an intermediary role by collecting contributions from its members and transferring them to the responsible social security entity. This means that they members do not have to prepare declarations and have to travel to settle their contributions but are approached directly by the organization. However, this requires that such an organization exists and is able to assume the tasks related to the collection of contributions. [AW]

**Checklist 6.5: Facilitating the collection of contributions**

- How could more payment options facilitate the payment of contributions for both worker and employers?
- How could the number of physical access points for the payment of contributions be increased, particularly in rural areas?
  - Could existing government structures at the regional/district/municipal level be used for this purpose?
  - Could post offices or public banks be charged with this function?
  - Could bank transfers be facilitated and ensured at no or little additional cost?
- How could individualized support mechanisms facilitate the payment of contributions for certain groups of workers and enterprises?
  - Could group insurance mechanisms be considered to facilitate coverage for certain groups of workers?
- If several social security systems exist in the country, could contribution collection procedures be unified to reduce the number of interactions that employers and workers need to make with several institutions for the payment of contributions?
- How could online and mobile channels be used to facilitate the collection of contributions, considering the penetration of online and mobile services in the country?
  - Could online and mobile services facilitate the checking of contribution obligations and payment balances?
  - Could mechanisms be established to allow insured persons and employers to pay contributions through online and mobile services?
  - What measures can be taken to prevent the exclusion of those without access to online and mobile services and to facilitate access for them?
- Are adequate legal frameworks and enforcement mechanisms in place that ensure the protection of personal data and privacy?

**6.3.3 Unified social insurance contributions**

Some countries have put unified social insurance contributions in place, so that all social security contributions are collected by a single social security institution, which is then responsible for transferring the funds to other institutions. This facilitates contribution payment procedures by reducing complexity and allowing workers and employers to interact with a single institution instead of several different social security schemes.

Unified social insurance contributions have been used as a tool to facilitate the extension of social security coverage for domestic workers. In France and Luxembourg, the employer pays the net wage to the domestic worker, completes a single declaration form and sends it to social security, which calculates the gross salary and collects the contribution from the employer; every six months, a declaration showing the payments made is sent to the domestic worker and the employer (ILO 2013a; 2015f). Similar arrangements, often combined with the option of deducting social security contributions from workers' taxable income, exist in some other countries (see Box 7.10). [DW]

**Checklist 6.6: Unified social insurance contributions**

- Are contributions currently collected as one unified contribution? Or do employers and workers interact with different social security institutions?
- Could unified contributions help to overcome some of the barriers that workers and employers face, particularly for categories of workers that are prone to find themselves uncovered, such as workers in MSEs, domestic workers or self-employed workers?
- Could a system of unified contributions be implemented? What would be necessary in terms of the coordination of institutions, management and information systems, etc.?

**6.3.4 Adapting contribution collection schedules**

As outlined above, the volatility of incomes poses one of the major obstacles to social insurance coverage for workers in the informal economy.

Greater flexibility in scheduling the collection of contributions may contribute to overcoming obstacles to coverage for some categories of workers. Allowing the payment of contributions according to seasonal patterns can facilitate social insurance coverage, especially for agricultural workers. In other cases, weekly or daily payments may be more appropriate. Greater flexibility with regard to the temporary reduction or interruption of contribution obligations may help to facilitate further coverage for workers in the informal economy (see Table 6.4).

When considering how to adapt contribution payment schedules to fluctuating incomes and non-continuous work, the administrative and financial challenges faced by the social security system should always be taken into account. Thus, non-continuous contributions represent a cost for programmes and systems that may pose a challenge to the sustainability of the scheme and may require transfers or subsidies from other sources (see section 6.4)

**Table 6.4: Approaches to the adaptation of contribution payment periods**

Approach	Can respond to....	Implications
Allow for greater flexibility regarding the scheduling of contribution payments (quarterly or seasonal; occasional lump sum contributions).	<ul style="list-style-type: none"> <li>seasonality; [AW] [CW]</li> <li>volatile incomes. [SE] [MSE]</li> </ul>	<ul style="list-style-type: none"> <li>Contributions need to be well registered (IT system may be necessary).</li> <li>If a different payment modality (quarterly, annual) is agreed beforehand, social security institutions can make better plans.</li> <li>Allowing for occasional lump sums adds more complexity with regard to the recording of contributions and calculation of entitlements.</li> </ul>
Allow for contribution levels to change in response to the situation of the worker, including reduced earnings.	<ul style="list-style-type: none"> <li>job insecurity; [AW] [CW] [DW]</li> <li>labour mobility; [AW] [CW] [SE]</li> <li>delayed payments for work done. [SE]</li> </ul>	<ul style="list-style-type: none"> <li>Contributions should be well registered (IT system may be necessary).</li> <li>Financing and financial planning mechanisms may need to be adapted to any change in the level of contributions.</li> </ul>
Allow for contribution payments to be delayed or interrupted, or for the temporary suspension of membership.	<ul style="list-style-type: none"> <li>job insecurity; [SE] [AW] [DW]</li> <li>labour mobility; [SE] [AW]</li> <li>seasonality; [CW] [AW]</li> <li>delayed payments for work done. [SE]</li> </ul>	<ul style="list-style-type: none"> <li>Data regarding the payment and non-payment of contributions should be well registered (IT system may be necessary).</li> <li>Adequate regulations must be in place to define adequate criteria for the maximum duration of suspension and recovery mechanisms.</li> <li>Financing and financial planning mechanisms may need to be adapted to temporary shortfalls in contributions.</li> </ul>
Allow for contributing to priority social security branches.	<ul style="list-style-type: none"> <li>low earnings. [SE] [AW] [DW] [MSE]</li> </ul>	<ul style="list-style-type: none"> <li>Exclusion from membership for some social security branches implies a lack of coverage unless alternative protection mechanisms are available.</li> </ul>

### ***Allowing for daily, quarterly, seasonal or annual contribution payments or occasional lump sum contributions***

Regular monthly contributions may not be a good option for many workers and employers in the informal economy. Efforts should therefore be made to make payment terms as flexible as possible. A number of approaches have been used, as illustrated in Table 6.1.

In order to adapt contribution collection mechanisms to the situation of workers in the informal economy, contribution collection schedules may be spaced over time, allowing workers to make daily, quarterly or annual contributions, or allowing for occasional additional lump-sum contributions. Allowing for contributions to be made at a time when workers' income is highest may facilitate social security coverage, especially for those in the agricultural sector, who depend on crop schedules, weather conditions and opportunities to market their harvest [AW]. Similarly, many self-employed, including own-account workers, may benefit from such more flexible payment schedules to account for variability in their economic activity.

Such an approach may also include planning different contribution levels for seasons of low income and seasons of higher income. Providing for payments that are less frequent than monthly (e.g. quarterly) may give workers the option to offset lower incomes of some months with higher incomes of subsequent months, thus reducing the difficulty of contributing during months of low income. Allowing for occasional lump sum contributions provides even more flexibility for insured persons to contribute whenever they are able to.

While these approaches are likely to facilitate payment of contributions for the insured and may provide additional incentives to register, they may also create administrative challenges by requiring that contributions be registered in a more flexible way. A centralized IT system may be necessary. Allowing for occasional lump sums involves a financing challenge since social security administration may have difficulties in planning the amounts received by the insured. It is likely that additional financing will be needed.



Examples of flexible payment terms may be found in several countries. Brazil's Plan Simples provides micro, small and medium-sized firms with the opportunity to choose whether they want to contribute on a monthly or quarterly basis (see Box 6.1). The *convenios de corresponsabilidad gremial* in Argentina are agreements between workers associations and producers of the rural activity, in which the employer is allowed to replace the monthly contribution to the social security system by a "substitutive" rate (*tarifa sustitutiva*) paid in the "most adequate moment of the productive cycle" (F. Bertranou and Casanova 2013, 128). This is only possible for activities with a rural character for which, owing to seasonality and a high incidence of short-term contracts, the registration and control of obligations of social security is difficult.

For some categories of informal workers, allowing for the daily payment of contributions may be useful. For example, in Kenya, workers may contribute to the Mbao Pension Plan on a daily basis through their mobile phones (see Box 6.16). In the Philippines, the AlkanSSSy scheme uses individual savings boxes as a possibility for workers to accumulate the necessary contributions for participation in the scheme (Damerau 2015).

#### **Checklist 6.7: Adapting contribution collection schedules to the situation of workers and employers**

- To what extent do the existing regulations and practice allow for the choice of different contribution collection schedules depending on the situation of workers and employers?
- Could contribution collection schedules be adapted to allow for more flexibility and facilitate contribution collection for workers and employers?
- How would eligibility rules and benefits need to be adapted?
- How would existing enforcement mechanisms need to be adapted to take account of more flexible contribution collection schedules?

### **Accounting for volatility of earnings**

Many self-employed workers in the informal economy are very vulnerable to income shocks that might arise as a result of economic shocks, such as a drop in the market price of their product or the loss of a major client, natural or human-made disasters, illness or death. The extension of social security to such workers should therefore take into account that they may not always be able to contribute the same amount. Therefore, mechanisms to accommodate volatility in earnings are important for extending coverage to self-employed workers, such as through mechanisms that allow for the rapid adjustment of contribution levels or the temporary reduction or suspension of contributions, in case of an economic shock or reduction in earnings. Such arrangements are necessary to ensure that the right to access benefits are maintained to the extent possible, while at the same time ensuring that such arrangements do not lead to financing gaps.

For example in Colombia, employers and workers may inform the health insurance scheme of major income fluctuations that affect their ability to contribute (see Box 6.17).

#### **Box 6.17: Colombia: Allow for adaptation of contribution levels for the self-employed**

In Colombia, various changes have been made to social security legislation (laws No. 100, 1993 and No. 797, 2004) to adapt existing rules to the reality of the self-employed.

The first change refers to the declaration of the basic contribution income, which originally had to be made in January. There was no possibility to make changes throughout the year. With the objective of taking into account the productive cycles and variations of the economic activity over the circle of the year, that rule was made flexible and workers are now able to make changes to their basic contribution income and thus adjust their contributions.

Secondly, the "news report" was introduced. This is an information note that can be drafted by self-employed workers to inform the institution of any circumstances that affect the amount to be contributed to health insurance (partially or permanently). Thus, self-employed workers have been given a legal tool that allows them to conform to the law while taking into account fluctuations.

Source: Based on Durán Valverde et al., 2013.

Ensuring an appropriate level of flexibility regarding contribution levels can also include allowing for changes of the reference income on which contributions are calculated. This is especially relevant for the self-employed, who may not know at the beginning of the year how much they will earn each month. In Colombia for example, they can therefore make changes to their base income throughout the year (see Box 6.14).

More flexibility may also include allowing contributions to be delayed without losing access to benefits, or even to allow for a temporary suspension of membership during difficult times with facilitated rejoining procedures. That would require ensuring that benefit entitlements do not depend on a minimum length of uninterrupted service and that minimum contribution periods may be spaced over a longer period of time (Durán-Valverde et al., 2013). For example, rather than requiring an uninterrupted contribution period over the last five years, a scheme could require the equivalent of five years of contributions during the last 10 years.

Such an approach also provides the challenge that reduced contributions, which will mean a reduced revenue for the scheme, will be difficult to plan. Thus, flexible alternative financing mechanisms and reserves of resources will be necessary.

**Checklist 6.8: Adapting contribution collection schedules to changes in the situation of the worker**

- How quickly do the existing social insurance schemes adapt the level of contributions to a change in the level of earnings?
  - Are there limits to how often the declared earnings can change during a year?
  - Is the notification process easy or does it require a lot of paperwork and time?
- Does the government provide enough support to ensure that informal workers continuously contribute?
- Is there a flexible system to allow informal workers the option of temporary suspension of membership during a period of reduced earnings?

*Ensure continuous contributions through government support*

Social security schemes may not only allow for the interruption of contributions for a certain period of time but also allow for the continuation of the payment of the contributions funded by the government under certain circumstances, in order to ensure social protection coverage and prevent people from falling into poverty at present or in the future.

For example, in Mauritius, the Government pays contributions to the pension scheme on behalf of laid-off workers participating in a workfare programme (see Box 6.18). Through this measure, the Government ensures that unemployed workers continue to be insured and have access to health insurance.

**Box 6.18: Mauritius: continued pension contributions for unemployed workers**

Mauritius' workfare programme guarantees laid-off workers a minimum benefit of at least MUR 3,000 per month for a maximum period of 12 months. During this time, the worker's pension contributions are continued to be paid: the Government assumes the full contribution to the National Pensions Fund – that is, both the employee's share (3 per cent) and the employer's share (6 per cent). The workfare programme is funded by employee contributions to the National Saving Fund Account of 1 per cent of basic salary, subject to the National Pensions Fund ceiling.

The workfare programme, with its large panoply of benefits for laid-off workers, has significantly helped to reduce the negative impact of closures. Under the previous legislation, when an enterprise closed on the grounds of insolvency or receivership, many redundant workers did not receive any compensation owing to lack of funds.

Source: Based on ISSA, 2011c.

**Checklist 6.9: Ensuring continuous contributions through government support**

- Are mechanisms in place that allow the continuation of the payment of contributions funded by the government, e.g. during periods of unemployment; during maternity, paternity or parental leave; or during sick leave?
- If not, could the introduction of such mechanisms support the continued social security of workers during such periods out of work, or periods of reduced earnings?

*Maintaining acquired rights during the temporary suspension of social insurance membership*

If social insurance membership cannot be maintained, it is important to ensure that acquired rights are maintained and that mechanisms are in place to facilitate rejoining the scheme without losing the access to rights and benefits.

A temporary suspension of social insurance membership should guarantee that contributions already made are taken into account in benefit levels when rejoining. This may require adapting rules on the minimum length of uninterrupted service. Minimum contribution periods may be adapted, for example by spreading the number of required months of contributions over a longer period (e.g. requiring six months of contributions within the last 12 months instead of an uninterrupted contribution period of six months) (see ILO, 2016b). For example, in Cabo Verde, it is possible to temporarily suspend contributions (see Box 6.19).

**Box 6.19: Cabo Verde: Allowing for the temporary suspension of contributions**

In Cabo Verde, the self-employed have the right to the same benefits as employed workers. They can access benefits in the event of disability, survivor and old age, sickness, maternity, paternity and adoption.

In order to receive those benefits, the insured person must have contributed for a defined minimum period. However, legislation allows for the temporary suspension of contributions. Thus, for an old-age pension, workers must have contributed for at least 15 years, while for disability and survivor benefits they must have contributed for at least 5 years. But contributions may be interrupted. For a period to be counted as one contribution year, at least 120 days of contributions must be paid within the year.

To be eligible for sickness, maternity, paternity and adoption benefits, the insured person must have contributed for at least four months, even if interrupted, with a minimum contribution of 30 days during the three previous months.

Source: Based on Durán Valverde et al., 2013, 2012; and national sources.

Such an approach should expedite rejoining procedures when the economic situation of the worker improves. This may be facilitated by adapting registration procedures or ensuring that all data and already submitted documents of the insured, as well as contributions made and times of suspension, are registered in a central database (ISSA, 2012; Durán Valverde et al., 2013).

**Checklist 6.10: Maintaining acquired rights during the temporary suspension of social insurance membership**

- Are there mechanisms in place to ensure the maintenance of acquired rights during the temporary suspension of social insurance membership?
- Could the introduction of such mechanisms facilitate social insurance coverage for categories of workers who experience breaks in employment and volatile earnings?
- Could alternative mechanisms, such as ensuring continued contributions through government support (see checklist 6.9), be considered?

*Allowing for contributions to selected (priority) social security branches*

For people with low incomes, it may not be possible to contribute to all social security branches. If other solutions are not available (such as the subsidization of contributions; see section 6.4), countries may

consider giving people a choice between affiliating to all branches or just some, according to their needs, priority benefits and contributory capacity.

For example in Colombia, own-account workers may decide if they want to contribute to the health and pension systems or only to the health insurance system (Durán-Valverde et al., 2013). This takes into account that they may not be able to contribute to both insurance systems: instead of excluding them completely, it allows them to contribute to at least one priority scheme. In Uruguay's Monotax scheme, it is the other way around: affiliation to the pension scheme is mandatory for micro and small firms, while affiliation in the health insurance regime is voluntary. The entrepreneur may in addition choose to make voluntary contributions to protect their children and spouse as well. In Indonesia, a scheme for casual workers differentiates the scope of coverage, depending on the duration of employment, covering employment injury and life insurance for all workers and health and old age only for those working at least 20 days a month (see Box 6.20).

**Box 6.20: Differentiating the scope of coverage for casual workers in Indonesia**

In Indonesia, a social security programme was introduced for casual workers and workers with single job or piecework contracts in 2000. It provides economic benefits for the events of work-related accidents, illness, maternity, old age and death. The scope of coverage depends on the duration of employment. If it is less than three months, a contribution is made to cover work-related accidents and life insurance, while if the work lasts for more than three months – or for casual workers, at least 20 days per month – contributions are also made to health and old-age pension schemes.

Source: Based on Daza, 2005a.

**Checklist 6.11: Allow for contributing to priority social security branches**

- Does the social protection system allow certain categories of workers to select priority social security branches if not all branches are equally important for this category of workers?
- Are there mechanisms in place to ensure that coverage is ensured, either through contributory or non-contributory mechanisms, for priority social protection needs?

## 6.4 Subsidizing contributions for workers with insufficient contributory capacities

The adaptation of contribution collection mechanisms described in sections 6.2 and 6.3 may go a long way towards facilitating social security coverage for workers and employers in the informal economy. However, they may not be enough to ensure coverage for workers and employers with limited contributory capacity. In order to ensure broader coverage, countries have either chosen one of the following two broad policy options or use a combination of both:

- Coverage through non-contributory schemes financed by general taxation or other sources, which should be well coordinated with contributory schemes (see Chapter 2).
- Coverage through partially contributory schemes that supplement financing with subsidies derived from general taxation or other sources to ensure coverage for workers with limited contributory capacity. Governments may decide to subsidize benefits, e.g. by guaranteeing a minimum level of benefits, subsidizing contributions (see below) or a combination of both.

### 6.4.1 Rationale for the subsidization of the contributions of workers with insufficient contributory capacity

Why do countries opt to subsidize the contributions of workers with insufficient contributory capacities?

The rationale for such subsidization is that it is preferable to have workers and employers with low contributory capacity contribute to social insurance schemes, even at a reduced rate, assuming that they may be able to contribute more at other times. This allows those workers to remain insured in a social insurance scheme throughout their lifetimes, even in difficult periods when their own contributory

capacity is insufficient. They can therefore continue building entitlements, which facilitates labour mobility and contributes to greater stability, better protection and an effective safeguard against the informalization of employment.

Second, such an approach is particularly relevant for young workers, for whom this approach facilitates joining the social insurance scheme at an early age, thereby enhancing their protection and preventing them from slipping into informal employment.

Third, such an approach can also avoid a fragmentation of the social protection system, by providing for schemes to cover a large proportion of the population and allowing for large-scale risk-pooling and sustainable financing based on the principle of solidarity.

However, subsidizing contributions is attended by a number of challenges, especially regarding the financial sustainability of the system. Government subsidies may account for a significant proportion of the total cost of a scheme. For example, for schemes covering agricultural workers, government subsidies can cover from 30 to 80 per cent of the total cost of social security benefits (ISSA 2012). Ensuring the financial sustainability of such subsidized schemes is a key challenge.

When setting contribution rates, it is therefore essential to find ways to reduce or waive contributions for those with limited means, while at the same time guaranteeing the financial sustainability of the system. Establishing contribution levels that adequately reflect the contributory capacity of workers is one of the key challenges for the extension of social security coverage to workers in the informal economy.

Furthermore, while subsidization of contributions is important to support workers with limited contributory capacities, informality status should not be the criterion for eligibility since that may create undesired incentives to remain in informality status or even to move from the formal to the informal economy. For example, in Mexico, the introduction of a virtually free health insurance for informal workers (*Seguro Popular*) weakened incentives for workers to join the formal sector, and even led to decline in the number of employers and employees formally registered in small and medium firms (Bosch and Raymundo 2014; Levy 2010; Antón, Hernández, and Levy Algazi 2012); in response to these concerns, the two parallel schemes for formal and informal workers are now being combined under a unified structure.

For this reason, in order to strengthen incentives to transition from the informal to the formal economy, government subsidization should not be linked to informality status, but to other criteria to measure limited contributory capacity, such as income status or proxy measures for poverty and vulnerability. In addition, exemptions for children, pregnant women, older persons or poor households have also been used in many countries (e.g. Ghana, see Box 6.23 below). While at least a basic level of protection should be universally guaranteed, the payment of contributions should be associated with higher levels of benefits in order to ensure incentives for workers to join the formal economy and acquire full benefits (ILO 2016i).

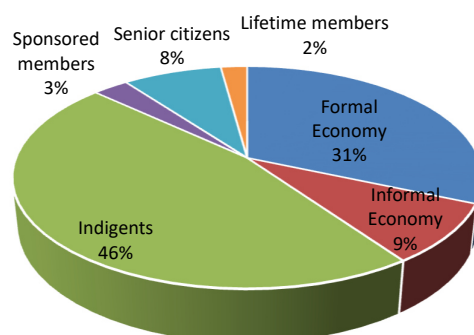
### ***Subsidizing health protection coverage***

Health protection is probably one of the areas where government subsidies to a contributory scheme have been most significant. The examples of Colombia (see Box 6.17) and Thailand (see Box 2.6) demonstrate how the establishment of an integrated health-care financing system that combines contributions and taxes can lead to the fast extension of coverage and the granting of universal access to health protection for the population (ILO, 2017a, Ch. 5). In the Philippines, the national health insurance scheme known as PhilHealth covers 93 per cent of the population, based on a differentiated contribution schedule based on people's ability to pay (PHIC, 2017) (see Box 6.21). In all three countries, large-scale government subsidies have allowed the achievement of virtually universal health-care coverage.

### Box 6.21: Subsidizing health insurance contributions in the Philippines

Since 1995, the Philippine Government has continuously worked towards the expansion of health insurance coverage to all segments of the population, including those in the informal economy and other hard-to-reach groups of workers. Mandatory coverage under the National Health Insurance Programme was extended to the entire population in 1995. Those engaged in the informal sector are covered under three programmes, as follows:

- The indigent programme covers the poorest, who have no or insufficient visible means of income as identified by the Department of Social Welfare and Development. Premiums are fully subsidized by the national Government, partly financed from taxes on tobacco and alcohol.
- The sponsored programme covers people whose contributions are subsidized by the local government or other sponsors. The programme covers a highly diverse group, including the near-poor, which comprises the second income quintile, all older persons over 60 and other vulnerable groups, such as orphans, persons with disabilities.
- The informal economy programme covers those who do not qualify for any other programme on a mandatory basis, including non-poor self-employed workers, migrant workers (both foreigners living in the Philippines or Philippine workers abroad), farmers, fishers and unemployed workers. Members are required to pay a flat contribution rate.



PhilHealth has continuously expanded its coverage since 1995 to reach 93 million individuals – or 93 per cent of the population – in 2017. Subsidized members make up almost half of all PhilHealth members.

Source: PhilHealth, 2017; Results for Development, 2015a.

### Box 6.22: Viet Nam: Mandating social health insurance participation and subsidizing health insurance contributions

In 2009, the Government of Viet Nam merged the mandatory and voluntary health insurance schemes into a single pool-funded scheme, which covers the entire workforce. Mandatory coverage was incrementally expanded to reach different groups of the population, such as the poor, ethnic minorities, all salaried workers, children, the near-poor and the rural non-poor population, by 2012.

The introduction of government subsidies facilitated the extension to difficult-to-reach groups. For members of poor and near-poor households, ethnic minorities in difficult areas and people living on islands, the Government subsidizes 100 per cent of health insurance contributions. Contributions of near-poor households that are not eligible for full government subsidization are subsidized at 30 per cent by the central Government, complemented by local subsidies of 10 to 20 per cent. Full-time students and families in agriculture, fishery, forestry at a medium living standard are entitled to 30 per cent subsidization (law on health insurance No. 25/2008/QH12; law No. 46/2014/QH13). In addition, family-based membership, with reduced contribution amounts for family members, replaced the individual membership system. Health coverage has expanded from 4 per cent to 72 per cent since the launch of the implementation of the social health insurance system (Ministry of Health of Vietnam, 2016).

Source: Results for Development, 2015b.

Among African countries, Ghana (see Box 6.23) has achieved health coverage of about one third of the population through an innovative health-financing mechanism that involves a combination of social insurance contributions, earmarked taxes (VAT on all goods and services supplied in or imported into



Ghana) and other government sources. Rwanda has almost achieved universal health coverage through an integrated health protection strategy based on a combination of adapted contributions, taxes and external grants (ILO 2017f, chap. 5).

**Box 6.23: Progressively reaching universal coverage through a differentiated financing strategy: Ghana's NHIS**

Ghana's NHIS aims to achieve universal health coverage through a national social health insurance scheme based on a differentiated financing strategy that takes into account people's contributory capacity and exempts vulnerable segments of the population: children under 18, people aged 70 or more, pregnant women and the indigent do not pay contributions.

The scheme was established by the National Health Insurance Act (No. 650) in August 2003. Benefits include outpatient and inpatient services – such as diagnostic testing, specialist care, most forms of surgery, hospital accommodation, maternity care services, emergency care and drugs.

The NHIS is funded by three main sources: social security contributions from employees in the formal sector; flat-rate contributions from workers in the informal economy; and an earmarked VAT on all goods and services supplied in or imported into Ghana (national health insurance levy (NHIL)). According to government sources, the NHIL is by far the largest source of financing and in 2016/2017 accounted for about 74 per cent of the NHIS's total income. In those two years, contributions from employees in the formal sector provided 16.9 per cent and 15.6 per cent, respectively, of the NHIS's income, while employees from the informal sector provided only 5.0 per cent and 3.8 per cent, respectively.

In 2012, the NHIS reported that 8.2 million persons (33.4 per cent of the population) were registered, of whom more than half (55.8 per cent) were in one of the exempt categories. The largest group (3.9 million) was made up of children under the age of 18, followed by 392,000 persons aged 70 and over (not counting Social Security and National Insurance Trust (SSNIT) pensioners) and 335,000 indigents. In order to facilitate registration for vulnerable groups, beneficiaries of the Livelihood Empowerment against Poverty (LEAP) cash transfer programme are being registered automatically, which is expected to increase the registration of indigents by at least 200,000 individuals.

Source: Based on ILO, 2017a, 2015d.

Other countries have taken measures to subsidize health insurance contributions for specific groups of vulnerable workers with limited contributory capacities.

For example, in India, contributions to health insurance for domestic workers are fully subsidized by the Government (see Box 6.24) [DW]. As their health insurance coverage is financed by the state government and central Government, there are no costs involved for the employer or the employee, but domestic workers are granted access to health insurance while at the same becoming registered and thus legally “visible”.



**Box 6.24: India: fully subsidizing health insurance contributions for domestic workers**

In India, subsidized health insurance under the Rashtriya Swasthya Bima Yojana (RSBY) programme, which was introduced in 2008, initially targeted only the poorest and was later extended to cover domestic workers, construction workers, licensed railway porters, street vendors, rural workers, beedi workers, sanitation workers, mineworkers, rickshaw pullers, rag pickers and auto/taxi drivers and their families (up to five members per family). It was co-financed by the central Government (75 per cent) and state governments (25%).

Funds are allocated from the National Social Security Fund for Unorganized Workers. Insured persons only need to pay an annual amount of INR 30 as a registration/renewal fee, which covers their inpatient health expenses up to INR 30,000 (US\$ 420) per year. In addition, transport expenses of INR 100 per hospitalization are paid to the beneficiary up to a maximum of INR 1,000 per year per family.

The State Nodal Agency – in coordination with insurance companies, hospitals, district authorities and other local stakeholders – is responsible for implementing, monitoring and partially financing the scheme. The use of smartcards makes the scheme cashless and easier to administer.

RSBY covered 41 million households below the poverty line in 2016. RSBY outcomes were closely monitored and the need for coverage of outpatient care in order to achieve effective financial protection has been reiterated. In recent years, a number of states have opted for state-level schemes that include outpatient care. As a result, the federal Government decided to reform the scheme and relaunch it with a more comprehensive package.

Source: Based on ISSA, 2012.

Under some circumstances, public subsidies for health insurance coverage may take a different form. For example, in the city of Pune in India, the municipality is funding from the municipal budget a group health insurance for waste-pickers under an agreement with the local waste-picker cooperative (Kagad Kach Patra Kashtakari Panchayat), in recognition of the value of the services of waste-pickers to the public (Chikarmane and Narayan, no year).

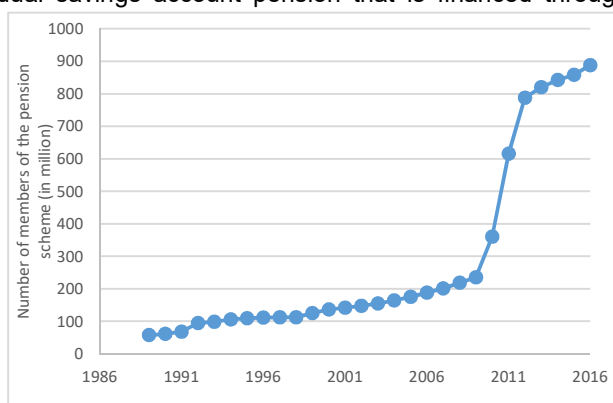
### ***Subsidizing social insurance coverage in pensions and other areas***

In areas other than health protection, subsidized contributions for workers with low contributory capacities often aim to facilitate entry into the labour market for young people or are focused on vulnerable categories for workers, such as agricultural workers or domestic workers. For example, many countries that envisage subsidized social insurance coverage focus on agricultural workers, many of whom have limited contributory capacity. This is the case for example in Brazil's rural pension scheme (see Box 6.5), Ecuador's Peasants' Social Insurance Scheme (see Box 4.9) or the Basic Pension Scheme in China (see Box 6.25).

### Box 6.25: China: Subsidizing pension insurance contributions for rural residents and non-salaried urban residents

The Basic Pension Scheme for Rural Residents and the Basic Pension Scheme for Non-salaried Urban Residents were established in 2009 and 2011 with the aim of covering population segments which until then were not covered by any pension scheme. In 2014, the two schemes were merged into the Residents' Pension Scheme. Membership of the scheme is voluntary but the Government sets strong incentives for participation, including a high level of subsidies.

Upon retirement, members receive a pension that includes two components: a social pension entirely funded by the Government and an individual savings account pension that is financed through individual contributions and subsidies of pension benefits by the central Government and local governments. In 2016, the average monthly pension amounted to about US\$ 18, of which the tax-funded part is about US\$ 16. From 1989 to 2016, the number of contributors to the pension scheme increased significantly, from 57.1 million to 887.7 million, most of whom (508.4 million) are urban and rural residents, while the rest are urban employees covered by the Basic Pension Scheme for Employees.



Source: Gongcheng et al., forthcoming; National Bureau of Statistics of China, 2017

It is not always clear to what extent the funding gap is accommodated through risk-sharing within the social insurance scheme or through transfers from the general budget.

In addition to subsidizing contributions directly, some countries also provide minimum benefit guarantees for insured persons with a minimum number of years of contributions to their social insurance schemes. These provisions benefit workers whose lifetime contributions are not sufficient to reach a minimum threshold level of contributions.

#### ***Tax incentives***

Another method of indirect subsidization of social insurance coverage is the provision of tax incentives for employers to register their workers. For example, in Argentina, employers may deduct social security contributions for domestic workers from their taxable income (see section 7.3.4).

### **6.4.2 Estimating financing needs for the extension of coverage to workers in the informal economy**

Proper financing is crucial to ensure the financial sustainability of the system in both the short and long terms. A key question when extending social protection is the issue of financing – how to make sure that resources are available to meet costs when they have to be paid (Cichon et al. 2004). A detailed costing, ideally accompanied by an ex-ante assessment of the expected impacts, together with financial (including actuarial) and institutional feasibility studies, are paramount to the establishment of sound policy frameworks with a view to progressively ensuring that resources are available to extend social protection to all within a reasonable time frame (ILO, 2019b).

In order to ensure that the extension of coverage to previously uncovered groups of workers does not jeopardize the financial sustainability of existing social insurance schemes, a careful assessment should be conducted of the envisaged policy options and their financial implications in the short, medium and long terms. Such an actuarial assessment should assess the financial implications of the planned reform (ideally considering several reform scenarios), including the expected revenue from contributions, general budget allocations and other sources, as well as the expected expenditure on benefits and the administration of the scheme.

While there is much variety in the configurations of social protection systems around the world, many countries opt for a combination of financing sources, including social insurance contributions, general

state revenues and other sources, taking into account the contributory capacities of different groups of the population (ILO, 2019b).

### *Estimating the contributory capacity of categories of workers*

For contributory schemes, it is important to take into account the contributory capacities of different categories of workers and employers in defining contribution rates and related modalities. Social insurance contribution rates are usually calculated as a proportion of workers' salaries, which already by definition take contributory capacity into account. However, that mechanism may not be sufficient to cover workers with very low contributory capacity and some categories of microenterprises. In order to facilitate the extension of coverage to them, a thorough assessment of the contributory capacity of different categories of workers and employers should inform decisions about the need for temporary or permanent adjustment measures, such as subsidized contributions for certain categories of workers and enterprises (e.g. microenterprises), provided that they can be financed in a sustainable way from the general government budget.

It is crucial to base estimates of the contributory capacity of workers on a detailed assessment of the scope and level of coverage, identifying those who are covered and those who are excluded from existing social protection schemes, disaggregated by sex, age groups and geographical location. Reliable data on workers' salaries and consumption and expenditure levels, disaggregated by sex and age, are needed to assess contributory capacity. To assess how much uninsured workers can afford to contribute, their earnings may be compared to national or regional minimum wages, national poverty lines or similar benchmarks. In addition, it is important to analyse the regularity of their earnings over time so as to develop contribution payment mechanisms that are adapted to their situation (e.g. monthly, weekly or quarterly contributions; see section 6.3.4).

Particular attention should be given to categories of workers who live below or near the poverty line and are likely unable to (fully) contribute to social security. Information on the poverty rates among different categories of workers to be covered should ideally be complemented with data on income and poverty dynamics. Poverty is a dynamic concept and many people, particularly in developing countries, move in and out of poverty and up and down the income distribution ladder.

Survey data from labour force surveys, household income and budget surveys or similar surveys can provide a detailed statistical profile of the characteristics of workers and guide policymaking (ILO 2018f). Where information from existing survey data does not provide sufficiently detailed and reliable data for self-employed workers and workers in the informal economy, such data may need to be complemented by additional tailored surveys or estimates. For example, in order to determine the contribution base for specific categories of workers, their earnings may be estimated based on the average wages of specific sectors or occupations.

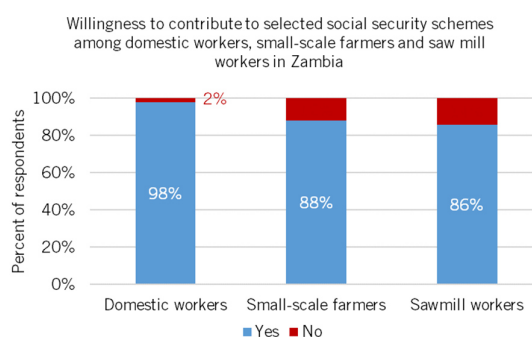
Ultimately, contribution rates should be determined based on an actuarial assessment and should ensure the financial sustainability of the scheme, while taking into account the contributory capacity of workers. If certain categories of workers have a limited contributory capacity, there may be a need to subsidize contributions, at least on a temporary basis, from the general government budget. The assessment of financing needs should therefore also include an assessment of the financial requirements and the sustainability of such subsidies.

**Box 6.26: Assessment of contributory capacity and willingness to contribute: example from Zambia**

In Zambia, the Government collaborated with the ILO, with the support of Irish Aid, to conduct a study on contributory capacity and the willingness to contribute to social security for three categories of informal workers: domestic workers, small-scale farmers and casual sawmill workers. A survey was conducted among those categories of workers to explore their willingness to pay a hypothetical level of contributions based on average incomes in the respective industries and applicable contribution rates. The following contribution rates were assumed:

- domestic workers: social health insurance contribution of 2.5 per cent of earnings, with an equivalent contribution from employer; workers' compensation (employment injury; employer only: 3.72 per cent of earnings);
- sawmill workers: social health insurance (2.5%) and pension (5%) with equivalent contribution from employer; workers' compensation (applicable rates);
- small-scale farmers: social health insurance (5% from farmer only, as there is no employer).

More than 85 per cent of the domestic workers, small-scale farmers and casual sawmill workers who were interviewed stated that they would be willing to contribute the hypothetical proposed contribution amounts towards social security. Among employers, the willingness to pay was less pronounced, but despite a lack of recognition of social security entitlements and challenges associated with compliance, 65 per cent of employers of domestic workers and 62 per cent of sawmilling enterprises stated that they would be prepared to contribute on behalf of their workers to the Workers Compensation Fund and the National Pension Scheme Authority.



Source: Based on ILO, 2016k.

### Assessing financing options

In order to ensure social security coverage for workers with limited or no contributory capacity, governments may decide to rely on non-contributory schemes (see Chapter 2) or subsidize the contributions of those workers, at least temporarily, from the general government budget. The latter solution has the following advantages:

- broad social insurance coverage for a maximum number of workers, allowing for a larger risk pool and facilitating the portability and transferability of rights throughout the life course, thereby ensuring continued coverage and facilitating labour mobility;
- social insurance schemes tend to offer higher benefit levels than non-contributory schemes;
- reduced fragmentation and greater economies of scale in the management and administration of the scheme;
- social security schemes that cover both employees and self-employed workers on a mandatory basis through adapted mechanisms tend to generate less labour market distortions than more fragmented schemes.

It is necessary to carefully consider subsidization modalities to ensure that the financing arrangements are fiscally sound and do not have a negative impact on incentives. Governments may consider one or more of the following options:

- flat subsidization rates, in situations where contribution categories are used (see section 6.2.3);
- scaled subsidization rates that are inversely proportionate to the contributory capacity of the worker;

- providing matching contributions to complement contributions paid by employers and employees in order to reinforce incentives for compliance. Countries often cap the state contribution; however, careful design is necessary to avoid more resources being allocated to relatively well-off workers and less support to those with the least capacity;
- deficit coverage, whereby the government commits itself to covering future deficits of the social insurance scheme.

**Box 6.27: Key elements of a feasibility study on the financing of a scheme**

A financial feasibility study should include the following elements:

- an assessment of the existing social protection system with a view to identifying coverage gaps, including an assessment of the number of contributors, affiliated members and beneficiaries (including voluntary members); a review of the range and types of benefits and their levels, as well as an assessment of the revenue and expenditure of the current scheme, including financial projections;
- a socioeconomic profile of the categories of workers to be covered, by sex and broad age group and by sector/occupational category and region, including an assessment of their employment situation (employment relationship, job tenure, etc.), their earnings (average earnings, structure, regularity) and their contributory capacity;
- an estimation and projection of the current and future financing requirements of an extension of coverage (benefit and administrative expenditure), based on an actuarial model under different reform scenarios;
- possible financing options, such as expected revenue from contributions and financing requirements from other sources, including from the general government budget;
- an assessment of possible measures to facilitate the payment of contributions, such as adapted contribution schedules, decentralized and/or digital contribution collection mechanisms or possible linkages with the tax system (e.g. monotax mechanisms, tax incentives);
- summary of findings and recommendations as to possible policy options and the need for further analysis.

## 6.5 Regular monitoring at the scheme and systems levels

Regular monitoring is key in ensuring that social protection systems, schemes and programmes operate in an effective, equitable and sustainable way (ILO 2017f; Behrendt et al. 2017). In the context of the extension of coverage to previously uncovered groups, regular monitoring is particularly essential to track progress achieved and provide a solid evidence base for future policy decisions.

The regular monitoring of the financial sustainability of social security schemes should include annual reports on key performance indicators of the scheme, including the number and structure of contributors and beneficiaries, as well as the level and composition of scheme revenue and expenditure (ILO 2017f). In addition, periodic actuarial valuations should be conducted, depending on national legal requirements, every three to five years.

In addition to the regular financial and actuarial assessments of each scheme, a social budget can provide an important tool for policymakers, offering a systematic account of social protection expenditure and financing for the entire social protection system (Cichon et al. 2004). Such a social budget, complemented by a comprehensive analysis of the performance of social protection systems in terms of coverage, adequacy, expenditure and financing, can serve as a solid analytical basis for the further improvement of social protection systems (Scholz, Cichon, and Hagemejer 2000).

**Checklist 6.12: Considerations regarding the financial sustainability of social protection schemes**

- Does the State fulfil its overall and primary responsibility to secure sustainable financing for the establishment of social protection systems, including floors?
- Are the levels of financing adequate and reliable?
- Is the financing of the social protection scheme equitable and based on the principles of solidarity? Is there a balance between the responsibilities and interests of those who finance and benefit from social security schemes? Are financing mechanisms in line with the contributory capacities of different population groups?
- Has due consideration been given to different financing mechanisms, individually or in combination, including social insurance contributions, general state revenue and other sources?
- Is the financial management and administration of the scheme transparent, accountable and sound?
- Do budget allocations and expenditures reflect political objectives and priorities?

**Further reading on subsidizing contributions for workers with limited contributory capacities**

- Cichon, M., et al. 2004. [Financing social protection, Quantitative Methods in Social Protection Series](#) (ILO and ISSA).
- ILO. 2017. [World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals](#).
- ISSA, 2012. [Handbook on the extension of social security coverage to the self-employed](#).
- ISSA. 2015. ISSA [Guidelines: Contribution Collection and Compliance](#).
- ISSA and ILO, 2016. [Guidelines: Actuarial Work for Social Security](#).

## 7 Compliance and incentives: Adapting inspection mechanisms and strengthening incentives for formalization

### Key questions

- ? How can labour and social security inspections be better adapted to promote social security coverage for workers in the informal economy?
- ? What are the challenges regarding labour and social security inspections in the informal economy?
- ? How can labour and social security inspection mechanisms be introduced or enforced to reach workers in the informal economy?

### Key messages

- \* Compliance and incentives have an important role to play in promoting the extension of social security to workers in the informal economy. Ensuring the uniform application and enforcement of the law not only promotes the protection of workers but also contributes to creating an enabling environment for employers, in particular with regard to creating a level playing field in which all enterprises comply with the applicable rules.
- \* Labour and social security inspection approaches may need to be adapted to take account of the specific circumstances and needs of employers and workers, particularly in sectors with high levels of informal employment. In order to meet those needs, it may be necessary to adapt the applicable legal framework in order to enhance the human and financial resources available for inspection, as well as to adapt the way inspections are conducted.
- \* Extending the reach of labour and social security inspections beyond larger enterprises often requires additional human and financial resources to ensure that all enterprises and workers can be effectively reached, including microenterprises, self-employed workers and domestic workers and those in rural and remote areas. With regard to human resources, the extension of inspection services requires investments in both the number of staff and their equipment, as well as in their qualifications.
- \* Information about social security is essential for ensuring compliance. Adequate mechanisms to disseminate information and raise awareness about the importance of social security among workers and employers and their respective obligations with respect to social security are essential.
- \* IT solutions and good coordination among the different institutions, organizations and agencies involved (at different levels of government), can support the implementation of effective labour inspection mechanisms.
- \* An adequate balance needs to be found between sanctions and incentives in order to promote a sustainable and equitable approach to ensuring compliance and the uniform application of the law.
- \* Well-designed linkages to other policy areas such as public procurement policies and access to government credit and business services should be harnessed to encourage compliance and the extension of social security coverage.



## 7.1 The role of compliance and incentives for the extension of social security coverage

Effective mechanisms to promote compliance with regulatory frameworks and enhance incentives are key for the extension of social protection to those in the informal economy. Ensuring the uniform application of the law and its effective enforcement not only ensures the protection of workers but also contributes to creating an enabling environment for employers, in particular with regard to creating a level playing field in which all enterprises comply with the applicable rules (Daza 2005; RNSF 2017). Effective labour and social security inspection services are one of the mechanisms that governments have at their disposal to ensure well-functioning social protection systems that are financed in an equitable and sustainable way (ILO 2017f; 2015f). These issues are discussed in section 7.2 below.

Compliance can be fostered through a coherent policy framework that provides the right incentives for desirable behaviour. Smart linkages between the social protection system and other policy areas can potentially enhance incentives for social security compliance and facilitate transition to the formal economy. For example, public procurement policies, access to government credit and business services, tax policies and employment policies may play a key role in that respect (see section 7.3).

The importance of a policy framework conducive to encouraging compliance and providing the right incentives is highlighted in Recommendation No. 204 (see box 7.1).

### **Box 7.1: Guidance provided by Recommendations Nos 202 and 204 with respect to compliance and incentives**

Recommendation No. 202 states in section II, “National social protection floors”:

7. Basic social security guarantees should be established by law. National laws and regulations should specify the range, qualifying conditions and levels of the benefits giving effect to these guarantees. Impartial, transparent, effective, simple, rapid, accessible and inexpensive complaint and appeal procedures should also be specified. Access to complaint and appeal procedures should be free of charge to the applicant. Systems should be in place that enhance compliance with national legal frameworks.

11(1) Members should consider using a variety of different methods to mobilize the necessary resources to ensure financial, fiscal and economic sustainability of national social protection floors, taking into account the contributory capacities of different population groups. Such methods may include, individually or in combination, effective enforcement of tax and contribution obligations, reprioritizing expenditure, or a broader and sufficiently progressive revenue base.

11(2) In applying such methods, Members should consider the need to implement measures to prevent fraud, tax evasion and non-payment of contributions.

Recommendation No. 204 states in section VI, “Incentives, compliance and enforcement”, that:

22. Members should take appropriate measures, including through a combination of preventive measures, law enforcement and effective sanctions, to address tax evasion and avoidance of social contributions, labour laws and regulations. Any incentives should be linked to facilitating the effective and timely transition from the informal to the formal economy.

23. Members should reduce, where appropriate, the barriers to the transition to the formal economy and take measures to promote anti-corruption efforts and good governance.

24. Members should provide incentives for, and promote the advantages of, effective transition to the formal economy, including improved access to business services, finance, infrastructure, markets, technology, education and skills programmes, and property rights.

25. With respect to the formalization of micro and small economic units, Members should: ...

(b) reduce compliance costs by introducing simplified tax and contributions assessment and payment regimes; ...

(f) improve access to social security coverage.

26. Members should put in place appropriate mechanisms or review existing mechanisms with a view to ensuring compliance with national laws and regulations, including but not limited to ensuring recognition and enforcement of employment relationships, so as to facilitate the transition to the formal economy.

27. Members should have an adequate and appropriate system of inspection, extend coverage of labour inspection to all workplaces in the informal economy in order to protect workers, and provide

guidance for enforcement bodies, including on how to address working conditions in the informal economy.

28. Members should take measures to ensure the effective provision of information, assistance in complying with the relevant laws and regulations, and capacity-building for relevant actors.

29. Members should put in place efficient and accessible complaint and appeal procedures.

30. Members should provide for preventive and appropriate corrective measures to facilitate the transition to the formal economy, and ensure that the administrative, civil or penal sanctions provided for by national laws for non-compliance are adequate and strictly enforced.

Source: ILO Recommendations No. 202 and 204; see ILO, 2017b.

## 7.2 How can labour and social security inspections mechanisms be better adapted to effectively reach workers in the informal economy?

Ensuring effective labour and social security inspections in sectors that are prone to high levels of informality constitutes a particular challenge. On the one hand, most workers in such sectors are particularly vulnerable and in need of protection; on the other hand, labour and social security inspectorates often lack the capacities to effectively intervene in the informal economy (Lund 2012; Lund and Nicholson 2003). This may create a vicious cycle: the limited ability to intervene and enforce national laws means that the vulnerable situation of informal economy workers cannot be properly addressed, which may in turn encourage enterprises to engage in informal employment practices if they believe that the probability of being detected and inspected is very low (ILO, 2015j, p. 20).<sup>19</sup> It is important, therefore, to ensure that employers take their responsibilities seriously, including with regard to ensuring social protection coverage (ILO 2013d; Alfars, Lund, and Moussié 2018).

The proper registration of workers with social security institutions and full payment of social security contributions (ISSA 2015a) is one of the relevant areas of inspection. There are also important linkages with respect to the inspection of working hours, wages, health and safety at work, and maternity protection. In some countries, those areas are monitored through integrated inspectorates; in others, labour and social security inspectorates operate separately.

Various questions will need to be considered to improve labour and social security inspection mechanisms for workers in the informal economy, including the legal provision of inspections, the resources allocated to the employment and training of inspectors and the effectiveness of the administration of inspections, which may be improved through IT solutions. Effective warning and sanctioning mechanisms are also relevant but should be combined with awareness-raising and educational activities regarding existing legislation.

The following factors are particularly relevant in determining the specific challenges and strategies for extending labour and social security inspection to those in the informal economy:

- the characteristics of the economic units, with high numbers of micro and small enterprises, own-account workers and private households as employers of domestic workers;
- the characteristics of the workplace, such as private homes as workplaces for homeworkers and domestic workers, or of public spaces as workplaces for street vendors, waste-pickers, etc.;
- the geographic dispersion of the economic units and workplaces, particularly with respect to covering rural areas;
- the characteristics of the employment relationship, with the strong preponderance of different forms of self-employment, including own-account work, contributing family workers and members of cooperatives;
- the characteristics of the work itself, such as long and irregular working hours, short-term or seasonal employment and irregular incomes;

Each of these challenges can render inspections more demanding and expensive. Given that labour and social security inspections already face serious resource constraints in many countries, an

<sup>19</sup> Studies have showed that inspection visits at 577 randomly allocated firms resulted in the registration of between 22 and 27 per cent of firms (de Andrade, Bruhn, and McKenzie 2013; Bruhn and McKenzie 2014).

extension of the scope of labour and social security inspection to new areas can constitute enormous challenges. As a result, in many countries, inspections are effectively concentrated on larger enterprises and often on activities in urban areas, where more people can be reached at shorter distances and controls are therefore more cost-effective (Mesa-Lago 2008a).

The extension of labour and social security inspection to new categories of economic units and workers can incur specific challenges (ILO 2010, 73; Daza 2005), including as follows:

- For micro and small firms with no or few employees, inspections may be more demanding and costly than for larger enterprises, partly because inspectorates cannot benefit from the same economies of scale as larger enterprises; that is, they can cover only a small number of workers for every visit to the enterprise. Given their more limited administrative capacity, smaller enterprises may also have a greater need for information and guidance from labour and social security inspectors [MSE] [SE].
- For domestic workers, a particular challenge is that work is typically performed in the private home of the employer, which renders inspections more complex and will require legal and practical mechanisms to allow for home inspections, while ensuring the employer's privacy. [DW]
- Inspections in rural areas can be challenging because of longer distances, the often seasonal nature of work in the agricultural sector and in some cases additional challenges, such as higher levels of illiteracy. [AW]

For those reasons, it is necessary for labour and social security inspections that aim to enhance access to social protection to use adapted mechanisms where relevant, including participatory approaches (ILO 2018a). In that respect, it is essential for labour and social security inspectors and their managements to be familiar with specific strategies for improving working conditions and access to social security and promoting the transition from the informal to the formal economy.

### **7.2.1 Raising awareness and developing partnerships**

Raising awareness about the need for social protection and related rights and obligations is critical for the extension of social protection to those in the informal economy

#### ***Tackling information deficits***

Non-compliance with social security regulations is often associated with a lack of information and awareness. It is often not well known that labour and social security inspectors are not concerned only with sanctioning but play a strong role as well in providing information and guidance on how to respect legislation (ILO 2013d). Experience shows that approaches that prioritize education, persuasion, transparency and participation tend to be particularly successful in reaching the informal economy (ibid.). Awareness-raising and information campaigns (see also Chapter 2) should be implemented alongside sanction mechanisms. In Finland, France and the Netherlands, for example, labour inspection campaigns for farmers are combined with education and awareness-raising activities focusing on serious occupational hazards.

In China, under the grid-based management system, labour inspectors and assistants follow clear, traceable steps to promote awareness of laws, monitor compliance and carry out enforcement in specific areas (ILO 2013d). In Peru, inspectors must give preventive technical guidance to employers and workers in the informal sector (ILO 2013d).

Some countries, such as Chile, have integrated information and capacity-building into their sanctioning frameworks (see box 7.4).

#### ***Ensuring effective grievance mechanisms***

Another element of an effective compliance strategy to ensure effective grievance mechanisms for both employers and workers (RNSF 2017). Especially for workers, such mechanisms may help to ensure that they can submit complaints if their employers do not register them at all or do so incorrectly (for example by underestimating their salaries). It should be noted that Recommendation No. 202 requires that complaint and appeal procedures be impartial, transparent, effective, simple, rapid, accessible and inexpensive, that they be free of charge to the applicant and that systems be established to enhance compliance with national legal frameworks (para. 7).

### *Developing partnerships*

In order to reach sectors with a high incidence of informal employment more effectively, approaches that build on partnerships with other stakeholders are key to facilitating outreach and a sustainable approach. Potential partners include ministries with strong community outreach, such as ministries of health or of agriculture and rural development; local governments; tax inspectorates; trade unions, employer associations and other organizations of concerned employers and workers; and communities. Tripartite partnerships are particularly effective. Methods of action include voluntary codes of conduct, monitoring mechanisms, and information and capacity-building campaigns (ILO 2013d).

Such partnerships are particularly important in sectors with a low penetration of other government control mechanisms, such as domestic work, home work or agricultural work. Given the high incidence of informal employment in those sectors, it is essential for governments to forge partnerships to disseminate information about workers' and employers' rights and obligations.

Workers' organizations can play a key role in disseminating information and facilitating registration. For example, in the Philippines, an organization of domestic workers (Samahan at Ugnayan ng Manggagawang Pantahanan sa Pilipinas) organizes trips to social security registration booths, counselling centres and other government agencies (ILO 2015f, 38).

#### **Checklist 7.1: Raising awareness and developing partnerships**

- Could partnerships be further explored to support the sharing of information and monitoring, such as with trade unions and other workers' organizations, particularly organizations of vulnerable groups of workers (e.g. domestic workers or agricultural workers), employer organizations or others?
- How could employers' and workers' knowledge about their rights and obligations be strengthened? How could they be made more aware of the importance of social protection?
  - Consider information and awareness-raising campaigns, partnerships (see above) and the linking of labour inspections with education and awareness-raising sessions.
  - Do workers have access to accessible and effective complaint and appeal mechanisms? (see Chapter 3)

### *7.2.2 Ensuring adequate legal frameworks for labour and social security inspection*

In order to ensure that the legal framework for labour and social security inspection can apply to sectors with a high level of informality, it may be necessary to adapt certain aspects of this framework and ensure that the mandate of labour and social security inspection services, as well as their resource allocations, are in line with the extent of legal social security coverage.

#### *Facilitating the inspection of small enterprises*

Legal thresholds with regard to the size of the enterprise (number of employees or turnover) may need to be reduced or removed to allow for the inspection of micro and small enterprises and the self-employed. It may also be necessary to adopt measures to enable inspectorates to conduct inspections for micro and small enterprises.

For example, Peru specifically initiated annual inspections of microenterprises by law. The Small and Medium Enterprises Promotion and Formalization Act, 2003 (law 2,815) provides for annual inspections of 20 per cent of registered microenterprises (Daza 2005, 45). In the Dominican Republic, Law 87-01 gives pensions and occupational safety inspectors the power to carry out investigations, as appropriate, for early detection of evasion or fraud by both employers and/or workers. They also have the power to examine any documents or records of the employer (Daza 2005, 45).

### *Adapting regulations on the inspection of private households*

Legal frameworks may need to establish specific regulations for inspections of private households as workplaces of domestic workers and homeworkers. Such regulations should address not only the needs of workers but also the needs of the household, particularly with regard to privacy. The implementation of such legal frameworks may require specific capacity-building of labour and social security inspectors in conducting house visits.

For example, in South Africa, the extension of unemployment and maternity insurance to domestic workers (see box 4.5) required the allocation of additional human and financial resources. Inspectors were trained on how to conduct house visits while maintaining employers' privacy, which worked well and elicited little negative feedback from household employers, even though labour inspections were sometimes conducted without notice (ITUC and UN-Women, 2013). [DW]

In Uruguay, a special inspectorate was founded that is legally allowed to enter the house of an employer provided that it has a court decision (see box 7.2). [DW]

#### **Box 7.2: Enhancing labour inspection for domestic workers in Uruguay**

In Uruguay, Act No. 18.065, adopted in 2006, has established norms for regulating domestic work that require all employers, including employers of domestic workers, to register with the social security institution (Banco de Prevision Social). A special unit within the labour inspectorate monitors the compliance and regularization of domestic workers with respect to the payment of social security contributions (General Labour and Social Security Inspectorate). The inspectorate is authorized to inspect workplaces, including private residences "in cases of presumed non-compliance with labour and social security regulations provided that it has obtained a court order issued by a Labour Court of First Instance or a Court of First Instance of the Interior in full possession of the facts" (art. 13).

The law also allows domestic workers to file complaints with the inspectorate. In order to publicize information about the new regulations, the adoption of the law in 2006 was followed by a broad-based information campaign to inform domestic workers and potential employers.

In terms of implementation, there are also formidable challenges. First, 100,000 households employ at least one domestic worker, which makes routine inspection difficult in practical terms. By dedicating additional resources, the authority conducted routine inspections of 9,200 households between 2010 and 2011. Second, it may take time to encourage employers to comply with the law. The inspection found that 80 per cent of the cases reviewed lacked compliance, mostly related to some aspect of social security coverage.

Source: Based on ILO 2012; ITUC and UN Women 2013.

#### **Checklist 7.2: Legal framework for labour and social security inspection**

- What are the main obstacles to extending labour and social security legislation to employers and workers in the informal economy in the context given?
- Is the existing legal framework adequate to provide for the inspection of micro and small enterprises, the self-employed and private households? Does it provide an adequate mandate to labour and social security inspectorates that is in line with the legal provisions for social security coverage (see Chapter 4)? If not, would it need to be adjusted, and how?
- Does the legal and institutional framework include thresholds with regard to the size of the enterprise (number of employees, turnover) that exclude micro and small enterprises from the reach of inspection services, although they should be covered according to the law?
- Does the legal and institutional framework provide adequate provisions for maintaining the privacy of private households during labour and social security inspections?

### **7.2.3 Ensuring adequate resources for monitoring compliance**

One of the barriers to the effective monitoring of compliance is the limited resources allocated to inspection services. In view of the specific requirements of extending inspection services to the informal

economy, it is essential to allocate adequate human and financial resources to inspection services and improve their efficiency in order to achieve the desired results.

### ***Increase the resources allocated to inspection services***

Expanding the scope of labour and social security inspections to workers in the informal economy will in most cases require an increase in the resources allocated. Such resources are needed for increasing the number of labour and social security inspectors; administering inspections and information and awareness-raising activities; and for covering the costs of transportation to reach remote areas. It will also be relevant to provide sufficient resources for training labour and social security inspectors and the staff of other services involved in some aspects of this work (e.g. customs officers, police officers, immigration officials).

Ensuring adequate funding is one of the linchpins of labour and social security inspections, because funding levels determine the ability of inspectorates to address problems associated with employment in the informal economy. Especially in countries where the informal economy is the main source of employment, available resources are often very limited. Nonetheless, even in those contexts, measures may be taken to organize inspection services more effectively and better exploit synergies (ILO, 2015j).

For example, better coordination of labour and social security inspection or even the integration of some elements of their work can help to create synergies and allow a more efficient allocation of resources (see also section 7.3 below). For example, in Latin America, integrated inspection services exist in Argentina, Bolivia (Plurinational State of), Colombia, Cuba, Chile, Paraguay and Peru, while specific social security inspectorates exist in Honduras and El Salvador (Vega Ruiz 2009).

Various countries have increased the number of inspectors in order to ensure effective inspections. For example, in Guatemala and El Salvador the number of inspectors has been doubled, while in the Dominican Republic and Honduras it has been tripled. In Costa Rica, additional resources were provided for inspections (see box 7.3).

#### **Box 7.3: Costa Rica: Allocating resources for inspections**

Costa Rica's social insurance institution has implemented a range of measures to improve the collection of social insurance contributions by self-employed workers and employers. The institution employs a group of specialized inspectors to oversee the registration of self-employed workers. The inspectors work in several economic sectors and according to different schedules so as to enable both daytime and night-time supervision. In addition, more administrative staff and inspectors have been hired to enhance the administrative capacity to follow-up cases of evasion. The institution has also allocated more resources to acquire the physical, material and technological resources needed to successfully implement this strategy, which has allowed the extension of contributory coverage to all parts of the country, including to self-employed workers in rural areas.

Source : Based on Durán Valverde et al., 2013.

### ***Improving efficiency by using automatized solutions and effective coordination mechanisms***

The costs of social security inspections – especially of administration – may be considerably reduced by using ICTs, which were for example introduced in **Colombia** (see Box 7.6). Such technologies may be used to follow up contributions of enterprises and workers who are already registered. A central database to record contributions, for example, would allow enterprises to be visited physically only when there was a discrepancy between the expected and actual contribution payments (ILO 2013d).

Automated solutions and effective IT systems not only help in identifying non-declaration but are an important tool for identifying cases of underdeclaration (ILO 2015f). For example, Malaysia and Saudi Arabia use digital tools to support social security inspections (see Box 7.4).



**Box 7.4: Using digital tools to strengthen enforcement in Malaysia and Saudi Arabia**

In Malaysia, the introduction of a mobile application to verify enterprise registration and a mobile application that locates unregistered enterprises with a GPS via Google have significantly reduced the time required to detect and verify unregistered enterprises. Between 2015 and 2016, the total number of enterprises visited increased by 14 per cent, while the number of unregistered enterprises visited increased by 23 per cent.

In Saudi Arabia, the General Organization for Social Insurance implemented a new system to consolidate all inspection data (paper-based and electronic) and reduce the duration of inspection processes by organizing field inspections based on the inspector's geographical location and expertise. That full business intelligence system uses real-time field inspection data and is able to calculate information in seconds, allowing for a significant increase in the number of field visits.

Source: Based on ISSA, 2018a, 2018b.

In Qingdao, China, the inspectorate has developed an integrated IT system to build up a more efficient labour and social security inspections mechanism and thereby extend coverage (see Box 7.5).

**Box 7.5: Developing digital tools to promote an effective labour and social security inspections mechanism in Qingdao, China**

The labour and social security inspectorate of Qingdao in Shandong Province, China, has developed a set of tools that enhance the allocation of inspectors and the collection and analysis of data. In addition, a mobile phone application allows real-time filming and transmission of data to ensure a fairer inspection mechanism and better enforcement. The introduction of those tools was accompanied by a campaign to promote compliance and an improved monitoring system. As a result, social security coverage has expanded significantly thanks to more effective inspections, leading to an increase in social insurance coverage of 43,000 previously uncovered workers between 2012 and 2014.

Source: Based on ILO, 2016; see also ILO: YouTube video entitled "[Twin networks: Labour and social security inspection in China](#)".

Colombia uses an integrated registry of contributors to manage the administrative records of workers insured in its different social security schemes (see Box 7.6).

**Box 7.6: Colombia: Integrated Form for Contribution Settlement and Single Registry of Contributors**

In Colombia, the Single Registry of Contributors (RUA) allows for cross-referencing information about insured workers registered in several social security subsystems: the General System of Social Security in Health, the General System of Pensions and the General System of Occupational Hazards. Together with the introduction of the Integrated Form for Contribution Settlement (PILA), an electronic platform through which contributions can be settled, RUA has facilitated the supervision and control of the population registered in the social security system. The RUA has established itself as a tool for detecting irregularities such as contribution evasion, levy evasion or multi-registration. When irregular cases are detected, the information is reported to the competent authorities and different control bodies, who verify such information and take any necessary corrective measures.

Source : Based on Durán Valverde et al. 2013.

In India, an initiative in the state of Maharashtra for extending labour inspection to the informal economy uses a computerized labour management system that enables employers to access online all the necessary forms to obtain and renew licences, providing workers with bank cards and accounts for the



payment of their wages. In addition to removing bureaucratic hurdles, the initiative also allows labour inspectors to detect irregularities through an automatized warning system (ILO 2013d, 224).

In terms of effectiveness, it is also relevant to guarantee good coordination among the different institutions involved regarding the exchange of information. For example, in the Dominican Republic, coordination and collaboration between the Secretariat of State for Labour, the Directorate of Inland Taxes and other public and private agencies that could provide relevant information was established by law 87-01 in order to ensure registration and control (Daza 2005).

Specific registration requirements may also help to render labour and social security inspection more effective, especially for self-employed or domestic workers. For example, in Mali, a copy of any labour contract that exceeds three months' duration or is of indefinite period must be filed with the labour inspectorate. In the Philippines, employers are required to register their domestic employees with the *barangay* (local district). If employment is facilitated by a private employment agency, the agency must keep a copy of all contracts of domestic workers that must be available for inspection by the Department of Labour and Employment.

Regularization campaigns may also enhance compliance. In Spain, a deadline for the registration of domestic workers who were already employed was set (1 July 2012), after which employers faced sanctions. By April 2012, the social security registration rate had risen to 47 per cent of the total estimated number of domestic workers in the country (ILO, 2013e).

Automatic exchanges of information are difficult to establish, however, in contexts where there is no established registry that could be used for that purpose. For example, in many countries there are no registries of domestic workers and the households where they are employed (ILO 2015f, 19). The lack of such registration and of written employment contracts renders domestic work invisible and therefore hard to detect and regulate. [DW]

One way to address such challenges to compliance is the introduction of an automatic enrolment mechanism for certain categories of employers. For example, in Argentina, where the employment of domestic workers is very common among better-off households, it is assumed that – unless otherwise demonstrated – that households with an income above a certain level employ a domestic worker. This is not only a successful mechanism to improve compliance with the law but also means that compliance may be checked through a central social security database without requiring visits to all households in person. [DW]

### ***Integrated strategies to enhance labour and social security inspections***

Strengthening coordination among labour and social security inspection mechanisms or providing integrated services can help to overcome some of the obstacles to effective inspection mechanisms, especially with regard to overcoming resource constraints.

For example, **Argentina** has pursued a differentiated strategy to enhance labour and social security inspection in sectors that are prone to high levels of informality, including most of the elements mentioned above (see Box 7.7).

#### **Box 7.7: Argentina: Integrated labour and social security inspection as an element of national strategies for the formalization of employment**

Argentina launched a national plan for the regularization of workers in 2003. One measure to increase compliance was to link information in different databases, combining information collected by inspectors with data on social security contributions. Fines imposed on the enterprise were reduced if workers were regularized. Those efforts were also supported by an increase in the resources allocated to inspection, including an increase in the number of staff, as well as investments in capacity-building and equipment (cars, IT systems). Those measures resulted in an increase of the workers visited being regularized by 24 per cent and also took account of the capacity of the enterprise to pay contributions so as not to penalize formal enterprises in financial difficulty.

The Integrated Plan to Reduce Non-Registered Employment, adopted in 2013, provides for the strengthening of integrated labour and social security inspection, a public registry of employers with labour sanctions and awareness-raising campaigns on workers' rights, particularly for domestic workers and in the rural economy.

Source: Based on ILO 2013, 224; 2014; Bertranou and Casanova 2013; Vega Ruiz 2009.

The sharing of information among inspection services can also be a useful strategy to improve compliance. For example, strengthened minimum wage inspections in Costa Rica have also been associated with an increase in social security compliance (Gindling, Mossaad, and Trejos 2015).

In other contexts, it may be useful to set up specialized groups or units responsible for labour and social security inspections for certain categories of workers in the informal economy. Such groups could also foster collaboration with partners other than labour and social security inspectorates (see above).

#### Checklist 7.3: Ensure adequate resources for monitoring compliance

- Do labour and social security inspectorates dispose of adequate information to improve awareness of the services beyond larger enterprises?
- Do labour and social security inspectorates dispose of adequate human resources, equipment and IT systems to be able to effectively extend their services beyond larger enterprises?
- Could labour and social security inspection mechanisms be rendered more effective and efficient by using automatized solutions and establishing coordination mechanisms? This could include:
  - Automating the exchange of information and linking databases, while respecting and protecting personal data and the right to privacy;
  - Closer coordination among different inspection services and between inspection services and other parts of government;
  - Integrated labour and social security inspection services or integrated inspection units for certain categories of workers in the informal economy may further enhance the effectiveness and efficiency of inspection services;
  - Could a closer coordination between labour and social security inspection enhance the monitoring of compliance and a more efficient use of resources?
- Could integrated strategies for labour and social security inspection mechanisms contribute to enhancing compliance and the protection of workers?

### 7.2.4 Applying meaningful and adequate sanctions

The design and application of meaningful and adequate sanctioning mechanisms are particularly important for labour and social security inspection in sectors that are prone to a high incidence of informal employment. Possible sanctions should be applied carefully, considering that for many people in the informal economy the non-respect of rules is not a choice but a result of the various barriers described in previous chapters. Given that ineffective sanctions are a major obstacle to law enforcement, fines and other forms of sanctions should effectively deter non-compliance and should set incentives for compliance in the future.

With a view to encouraging lasting change, it is important to consider financial penalties (fines) in conjunction with information and awareness-raising. It is important, however, to consider other measures beyond fines within the sanctions framework. A graduated system of penalties may be useful, ensuring in particular that those with a high degree of vulnerability are not adversely affected.

For example, in **Chile**, the level of fines is dependent on the size of the enterprise and the number of workers affected (ILO 2013d, sec. 4.c2). The sanctions framework also provides for the possibility that small enterprises may discharge themselves from sanctions by regularizing workers and attending training sessions (see Box 7.8). Given that senior staff time is usually a scarce resource small enterprises, participation in such training session has a penalty element (foregone revenue), as well as an awareness-raising element.

**Box 7.8: Integrating information and capacity-building into the sanctioning framework in Chile**

Chile has introduced a system whereby enterprises with fewer than nine workers may apply for replacing the fine by free training for the employer, provided that the situation in question is corrected. Employers may not exercise this option more than once a year and if they fail to attend the course, they are liable to pay a 100 per cent surcharge.

Source: Based on ILO, 2013a, sec. 4.c2.

Finally, giving due consideration to the setting of adequate incentives for compliance will further help to facilitate transition from the informal to the formal economy (see Chapter 8).

**Checklist 7.4: Applying meaningful and adequate sanctions**

- How can penalties and other sanctions be rendered more effective and meaningful?
- Are the sanctions applied appropriate? Consider introducing a graduated system of sanctions that ensures that penalties are meaningful, effective and appropriate.
- Could sanctions be combined with promotional measures to raise awareness and build capacities, where appropriate?

**Further reading on labour and social security inspections**

- ILO. 2013. [The informal economy and decent work: A policy resource guide: Supporting transitions to formality](#); see, in particular, section 4.c2.
- ILO. 2015. [Extending labour inspection to the informal economy: A trainer's handbook](#).
- ILO. 2018. [A guide on labour inspection intervention in the informal economy: A participatory method](#).
- ISSA. 2014. [ISSA Guidelines: Contribution Collection and Compliance](#); see, in particular, sections D, E and F.

Specifically on domestic workers:

- ILO, 2012. [Effective protection for domestic workers: A guide to designing labour laws](#).
- ILO. 2015. [Labour inspection and other compliance mechanisms in the domestic work sector: Introductory guide](#).

### 7.3 Strengthening incentives for formalization: harnessing linkages to other policy areas

Smart policies for strengthening incentives for the extension of social security coverage and the formalization of employment should also consider linkages to other policy areas. This includes, as mentioned in Recommendation No. 202, policies that promote productive economic activity and formal employment, such as public procurement, government credit provisions, labour market policies and tax incentives, as well as policies that promote education, vocational training, productive skills and employability.

Similarly, innovations in other policy areas may be harnessed to provide incentives for the extension of social security coverage and the formalization of employment. Such measures may provide positive incentives for enterprises to honour their social security obligations and may reward compliance by adopting measures at little or no additional cost to the government. Such policies contribute to creating a more level playing field between enterprises and ensure a fairer competition.

Particular care should be taken, however, to making sure that such policies do not formally or de facto exclude microenterprises, particularly those that have recently been created. It may be necessary to establish specific measures to make sure that microenterprises can also benefit from such measures, so that their potential for enterprise development and growth can be fostered in a way that ensures at the same time the social protection of their workers.

### **7.3.1 Enterprise policies**

Enterprise policies that promote sustainable enterprises, in particular the conditions for a conducive environment, may enhance business productivity, promote enterprise development and thereby enable the transition to the formal economy.<sup>20</sup> Measures may include providing support and targeted business development services for MSEs and enhancing financial inclusion through improved access to financing loans for small enterprises (ILO 2017b).

### **7.3.2 Public procurement and investment policies**

Public procurement and investment policies can support the formalization of employment and the extension of social security coverage by ensuring that enterprises participating in public tenders and publicly financed investment projects comply with the applicable legislation. Such policies should be accompanied by effective monitoring to ensure that the promotion of compliance is effective and sustained.

For example, in South Africa, companies that intend to submit a public tender need to submit a “Letter of Good Standing” from the Department of Labour, which confirms that the enterprise has duly paid its contributions to the Compensation Fund which ensures workers’ coverage in case of employment injury.

At the international level, the environmental and social safeguard guidelines of the World Bank (2012; 2018) and other development banks provide a guiding framework that includes dedicated sections on workers’ rights, including with respect to social security, which applies to workers directly or indirectly employed in projects financed by those banks. Governments and other stakeholders may refer to those frameworks to promote compliance with them and with national law.

### **7.3.3 Access to government credit and business services**

Some countries have also established policies on access to government credit and business services, which positively support the extension of social security and the formalization of employment.

Streamlined services for the registration of new businesses, including social security registration, may greatly reduce administrative burdens for new entrepreneurs. For example, in Portugal, enterprises can be created in hours and the necessary documents are immediately available (ILO, 2013e, p. 36).

In Costa Rica, the Business Information System of the Ministry of Economy, Industry and Trade does not issue MSE certificates to companies that are behind on their tax or social security payments (ILO 2014f). Those certificates are necessary, among other things, for exempting MSEs from paying some types of taxes, such as the tax for legal persons.<sup>21</sup> In addition to creating financial incentives, enterprises may also be motivated to formalize and contribute to tax and social security systems through the provision of access to credit, training and/or technology, as in Costa Rica’s Programa de Apoyo a la Pequeña y Mediana Empresa (see bBox 7.9).

<sup>20</sup> See ILO: [Conclusions concerning the promotion of sustainable enterprises, International Labour Conference, 96th Session, Geneva, 2007](#).

<sup>21</sup> This tax is based on the Ley de impuesto a las personas jurídicas (No. 9,024 23/12/2011) (tax law for juristic persons), which establishes an annual tax equivalent to 50 per cent of the monthly minimum wage to be paid by all corporations and limited liability companies. The same law exempts small and microenterprises from paying this tax provided that they are registered with the Ministry of Economy, Industry and Trade and the internal revenue service and that they are not behind on their tax or social security payments.

**Box 7.9: Costa Rica's SME support programme: providing non-financial incentives for formalization**

The Programa de Apoyo a la Pequena y Mediana Empresa was implemented in 2002 (Law 8.262). It co-finances projects of micro, small and medium enterprises in the areas of technology development and innovation (up to 80 per cent of the project value). It also introduces mechanisms to increase their participation in public procurement, internal trade promotion programmes, sectorial training and technical assistance programmes. To be eligible, SMEs must comply with social security contributions, tax regulations and labour standards. They must also be up to date on their contributions to the national social security system (Caja Costarricense de Seguro Social) and the Family Welfare Fund (Fondo de Desarrollo Social y Asignaciones Familiares). Funding comes from the national budget and the Ministry of Finance. Although the law was implemented in 2002, promotion and implementation effectively began in 2010 with the launch of the Costa Rica Entrepreneurship Programme (Costa Rica Emprende). To date, the beneficiaries of the programme are mainly SMEs of a certain size and the participation of microenterprises has been limited.

Source: Based on ILO 2014b.

### 7.3.4 Tax policies

#### *Monotax mechanisms*

Monotax mechanisms contribute to simplifying contribution and tax payment mechanisms by offering the possibility for some categories of micro and small enterprises and own-account workers to pay one (monthly) flat payment instead of various tax and social security contributions, as is the case in countries such as Argentina and Uruguay. Such mechanisms reduce the need to keep accounting records and facilitate the declaration of incomes and effecting payments to different social security and tax subsystems (see section 6.2.3).

#### *Tax incentives for the registration of workers*

The provision of tax incentives for employers may provide incentives for the registration of workers. For example, in many countries, such as France and Belgium, employers of domestic workers may deduct part of their social security contributions from their taxable income. Such mechanisms provide an indirect way to subsidize the social security coverage of this vulnerable category of workers from general taxation and promote their employment in the formal economy (see Box 7.10). In Argentina, employers are mandated by law to pay the total amount of contributions, while domestic workers are exempted and may contribute only on a voluntary basis. Similarly, in the Philippines, employers are responsible to pay the full social security contributions of domestic workers who earn less than Pts 5,000 (ILO 2016i).

### Box 7.10: Fiscal incentives to favour social insurance coverage for domestic workers in France and Belgium

In France, social insurance coverage of domestic workers is facilitated through a service voucher system that has significantly contributed to the formalization of the sector since 2006. Through the Chèque emploi service universel (CESU) mechanism, employers of domestic workers may easily register their workers and pay contributions. Employers may deduct half of the social insurance contributions of domestic workers from their income tax up to a limit of €6,000 per year. In addition, households of persons with disabilities (assessed degree of disability of at least 80 per cent) and other categories are entitled to a full exemption. Studies have demonstrated that two thirds of CESU users have declared a previously undeclared employee (Farvaque 2013).



In Belgium, fiscal incentives are provided through a service voucher system (*titres-services*), which was introduced in 2004 at the initiative of the Government. In contrast to the French model, domestic workers are employed by a temporary agency (i.e. the formal employer) and households are considered to be users of their services. The service voucher system is managed by the firm Sodexo. From the taxation point of view, users can benefit from a twofold benefit: a 30 per cent discount on voucher purchases (up to an annual deductible of €1,400) and a further nominal reduction of €0.9 on each voucher for the first 156 vouchers. Between 2008 and 2011, the number of *titres-services* users increased from 557,482 to 834,959 and the number of employees under the scheme increased from 103,437 to 149,827; in the same period, approximately 17 per cent of Belgian households used *titres-services* vouchers.

Source: Based on ILO, 2016b, 2016c.

## 7.3.5 Labour market and employment policies

Labour market and employment policies may also play an important role in setting the right incentives for social security coverage. Such incentives are critical when designing and implementing policies that aimed at employment promotion and job creation. Such policies should factor in social security coverage so as to ensure the protection of workers and the facilitation of the transition to the formal economy. They may include temporary wage and contribution subsidies for marginalized groups of workers (see Box 7.11) that ensure social protection coverage for participants in public employment programmes or additional measures to facilitate the transition from education or public employment programmes into formal employment.

This is particularly important for young workers. As young people are at a particularly high risk of being in the informal economy and becoming trapped in informal employment, it is important to ensure that youth employment policies also include measures to ensure social security coverage so as to facilitate the transition into formal employment for young people. For example, if employment programmes for young people ensure their social security coverage, young workers will enjoy better coverage, will be more familiar with the social security system and will be more likely to continue their careers in the formal economy. Such coverage is not only an important mechanism to promote the employment of young workers in the formal economy but also has a positive effect on raising their awareness about the importance of social protection and building a social security culture (see Chapter 3).

Apprenticeship programmes and other vocational training programmes may play an important role in this respect (ILO 2017c). For example, in Austria and Germany, vocational training programmes (apprenticeships) include compulsory social insurance coverage that allows young workers to be



insured from the beginning of their career. In addition, such measures also contribute to awareness-raising, particularly where dedicated learning units are incorporated in vocational training and employment promotion programmes (see Chapter 3).

#### **Box 7.11: Promoting job creation in the formal economy in Argentina**

As a response to the economic crisis, Argentina introduced in 2008 the *régimen de promoción y protección del empleo registrado* (law no. 26.476, “Scheme to promote and protect registered work”). Employers’ social security contributions for newly registered workers were reduced by 50 per cent for the first year and by 25 per cent for the second year and payment and registration procedures were facilitated. Through that anticyclical programme, more than 330,000 workers were registered between end-2008 and mid-2009 despite the economic crisis. Most of those workers were in the service sector (20.3 per cent), followed by the trade (14 per cent), construction (12.2 per cent) and industrial (12.2 per cent) sectors, traditionally the sectors with the highest informality. In 2010, 714, 000 jobs were created in the formal economy thanks to this measure.

Source: Bertranou and Casanova, 2013; ILO, 2015k.

#### **Checklist 7.5: Considerations for strengthening incentives through linkages with other policy areas**

- Can innovative measures in other policy areas can be harnessed to provide incentives for the extension of social security coverage and the formalization of employment?
- Do public procurement and investment policies incorporate conditions for the fulfilment of social security obligations? Could such conditions be introduced or strengthened?
- Do tax policies include provisions that facilitate access to social security, such as simplified tax and contribution payment mechanisms (monotax) or tax breaks for the employment of domestic workers? Could such mechanisms be introduced or strengthened?
- Do labour market and employment policies include provisions to facilitate access to social security coverage? Could such mechanisms be put in place, particularly for young workers?

#### **Further reading on strengthening incentives for the extension of coverage and transitions from the informal to the formal economy**

- Durán, J. and G.-J. Lindeboom. 2014. [Enterprise formalization: fact or fiction? A quest for case studies.](#)
- ILO. 2013. [The informal economy and decent work: A policy resource guide: Supporting transitions to formality](#); see in particular sections 7.1 and 7.2.
- ILO. 2016. [Formalizing domestic work.](#)
- ISSA. 2015. [ISSA Guidelines: Contribution Collection and Compliance.](#)



## 8 Extending social protection coverage and building universal social protection systems: Lessons learned and way forward

### Key questions

- ? How to provide adequate coverage for workers in all forms of employment, including those in “new” forms of employment?
- ? How to extend social protection coverage to workers in the informal economy and facilitate their transition to the formal economy?
- ? How to prevent the informalization of formal employment and ensure that workers in “new” forms of informal employment can transition to the formal economy?
- ? How to ensure a level playing field and fair competition between enterprises in the “old” and “new” economy?
- ? How to ensure a good financing mix for social protection systems, based on a combination of contributions and taxes? How can social insurance and other contributory social protection schemes be better adapted and strengthened to changing circumstances in the world of work and how can they be best complemented by non-contributory (mostly tax-financed) social protection mechanisms?

### Key messages

- \* The extension of social protection to workers in the informal economy requires a comprehensive approach that addresses the various barriers to social protection coverage, provides coverage solutions adapted to their needs and facilitates their transition towards the formal economy.
- \* To guarantee effective social protection for all, it is essential to close coverage gaps and adapt social protection systems to the evolving demands in the world of work. In particular, social protection systems should be adapted to the specific situations and needs of workers, including those in new forms of employment. Social insurance will continue to play a key role in ensuring broader scope and higher levels of protection.
- \* Some of the policy measures instituted by countries to facilitate the coverage of workers in the informal economy may provide valuable pointers on how to extend coverage to workers in new forms of employment. However, additional measures need to be taken into account and more needs to be done so as to realize the right to social security for all.
- \* Strengthening and adapting social protection systems for the future of work requires a combination of different social protection mechanisms, with appropriate financing mechanisms available through contributions or taxes. Non-contributory social protection schemes are essential for guaranteeing social protection floor for all, in line with the Social Protection Floors Recommendation, 2012 (No. 202).

### 8.1 Lessons learned on the extension of social protection coverage to workers in the informal economy

The extension of social protection coverage to workers in the informal economy requires a comprehensive and integrated strategy to overcome the various barriers to social protection coverage. In most cases, a combination of different measures will be necessary to address different barriers and offer an effective, equitable and sustainable solution. As described in detail above, there is no one-size-fits all approach – solutions always need to respond to concrete challenges and realities. However, from the various country experiences discussed in this volume, a number of general lessons may be drawn, as summarized below.

### ***Promoting a comprehensive and integrated strategy for the extension of coverage***

The extension of coverage to workers in the informal economy should be part of a comprehensive and integrated national social protection strategy, led by the government and built around fundamental principles, including the universality of protection; the adequacy and predictability of benefits; financial, fiscal and economic sustainability; non-discrimination, gender equality and responsiveness to special needs; transparent and sound administration; and tripartite participation. Such an approach not only allows for broader risk-sharing but also strengthens a rights-based approach to social protection so as to leave no one behind, grounded in human rights and international social security standards.

### ***Meeting priority needs and designing adapted solutions***

The extension of social protection coverage to workers in the informal economy requires a comprehensive understanding of the situation of different groups of workers, their current social protection gaps and needs and the different factors that contribute to their vulnerability. These may include their exposure to specific types of risks associated with working conditions and the environment, as well as their social, family and health status. Social protection benefits should be designed to meet people's priority needs, covering both short-term and long-term risks and providing quality benefits and services in a transparent way.

Strengthening the voice and participation of those in the informal economy is essential for ensuring that social protection responds to their needs and circumstances. Their participation in decision-making processes may contribute to ensuring that policy solutions meet their needs and are adapted to their situations. In particular, governments should ensure that the views of workers and employers are reflected in the formulation of strategies to extend social protection coverage or broader strategies on the transition from the informal to the formal economy. See Chapter 2 for more details.

### ***Raising awareness, sharing information and enhancing trust***

Awareness-raising is important to inform both workers and enterprises about social protection and the benefits of formalization. This may include educational and awareness campaigns to enhance knowledge and understanding of the operations of social insurance schemes. Information programmes, information centres, helplines, publications, leaflets, websites and visits to employment centres may also be developed, tailored to the needs and circumstances of specific categories of workers and employers.

In addition, it is important to ensure that workers and the population at large have access to adequate communication channels and receive information on the level of benefits available. Information may be provided through information campaigns or online platforms (more common in developed countries), where beneficiaries may learn about eligibility requirements, rights, obligations and entitlements. See Chapter 3 for more details.

### ***Extending legal coverage and adapting the legal framework***

It is necessary to ensure that legal frameworks are appropriate and adapted to the needs of both workers and employers and encourage the transition to the formal economy. Adapting social protection mechanisms to labour market realities and including categories of workers outside the employment relationship, based on a review of legal frameworks and their applications that identifies gaps in coverage, is essential so as to cover a larger group of workers. See Chapter 4 for more details.

### ***Facilitating access and simplifying administrative procedures***

In order to address the barriers to coverage, administrative procedures may be simplified – including procedures for the registration of enterprises and workers and the payment of taxes and contributions — while ensuring that they are adapted to the needs and capacities of the target group. In that respect, it is essential to facilitate access to the administration (e.g. through more physical, online or mobile access points); the simplification of procedures and a reduction in the number of required documents; the pooling of different administrative services in single-window services or one-stop shops; and the simplification of tax and contribution payment mechanisms. See Chapter 5 for more details.

### ***Taking into account the financial capacity of workers in the informal economy***

Given that the income of most workers in the informal economy is rather low, their contributory capacities are limited. It is therefore necessary to design schemes that take into account the contributory capacity of workers and provide appropriate mechanisms to adapt contribution rates and contribution schedules. The combination of contributory and non-contributory schemes or the subsidization of contributions for those with limited contributory capacity may help to overcome those barriers. See Chapter 6 for more details.

### ***Facilitating the enforcement of the law and enhancing compliance***

Ensuring compliance with the legal framework is essential to enforcing the law in a uniform way and ensuring a level playing field for enterprises. In that regard, labour and social security inspections should be better adapted to the situation in sectors with a high prevalence of informal employment. An appropriate balance between sanctions and incentives should be found. See Chapter 7 for more details.

### ***Complementing the extension of contributory coverage with non-contributory schemes, and building national social protection floors***

To guarantee a basic level of protection and avoid the exclusion of those groups of workers that do not have access to any other mechanisms, especially low-income groups in the informal economy, the extension of contributory social protection coverage should be complemented by efforts to build and strengthen non-contributory schemes. Many countries that have combined contributory and non-contributory schemes have managed to achieve a significant extension of coverage and guarantee at least a basic level of social protection for all, while also progressively providing higher levels of protection to those who have some contributory capacities. Given the high labour mobility of workers in the informal economy, it is essential to ensure effective coordination between contributory and non-contributory benefits for the continued coverage of workers.

### ***Embedding access to social protection in an integrated approach to facilitate transition from the informal to the formal economy***

The extension of social protection coverage is one important component of larger strategies to facilitate the transition from the informal to the formal economy. Linking different policy areas and strengthening synergies can multiply positive impacts. For example, training and skill-upgrading programmes with social protection can help to develop the productivity of workers and enhance their employability. Furthermore, enterprise policies that promote sustainable enterprises and promote a conducive business environment can enhance the business productivity of MSEs, facilitate their transition to the formal economy and promote positive conditions for the formalization of their workers. See Chapter 7 for more details.

## **8.2 How to provide universal and adequate social protection for the future of work?**

The world of work is undergoing a fundamental transformation, shaped by global trends such as digitalization, automation and globalization. While some of the more traditional forms of employment are disappearing or being transformed, new forms of employment have been emerging, including in new sectors, such as the so-called “platform” economy (ILO 2017d; OECD 2019b). The shifts in the world of work undoubtedly offer many new opportunities, but they also present challenges to social protection systems so that they guarantee full and effective coverage to workers in all forms of employment, including those in new ones.

### **8.2.1 Making social protection systems future-proof**

The demand for adequate and comprehensive social protection systems remains as relevant as ever. Effective social protection policies are key to reducing and preventing poverty and ensuring that the fruits of economic prosperity are shared on a more equitable basis (ILO 2017f). In the face of the labour

market transformations under way, social protection may enable workers and their families to better navigate future work and life transitions, stabilizing their incomes and helping them to participate in labour markets (Global Commission for the Future of Work, 2019; OECD, 2019b). However, more than half of the world's population remains completely unprotected, while a significant portion is only partially covered by social protection schemes and changes in the organization of work have generated new gaps that need to be filled (ILO 2017f). Many social protection systems are not well equipped to deal with the faster pace of job reallocation that is likely to accompany automation and digitalization; in the majority of OECD countries, less than one third of unemployed persons receive unemployment benefits (OECD 2019b).

In many cases, “new” forms of employment are found in “non-standard” forms of employment, a range of contractual arrangements that deviate from a “standard”, open-ended, full-time, dependent employment relationship. Those work arrangements include application-based work provided locally, such as transport services (for example through Uber, Grab or DiDi); delivery services (e.g. Deliveroo or Foodora); or crowd-based work provided in a global setting (e.g. Mechanical Turk or Crowdfunder). Much of the work is part-time and temporary, with blurred lines between genuine self-employment and dependent self-employment. Many workers – although not necessarily all – have lower job and income security and poorer working conditions, coupled with significant deficits in social protection coverage, compared to workers in standard forms of employment (ILO 2018d; 2016e; OECD 2019b; Behrendt and Nguyen 2018). Where social protection coverage exists, it often stems from the workers’ previous or additional jobs or through family members, which raises questions about the new economy “freeriding” on the traditional economy with regard to the financing of social security (Berg et al. 2018; De Stefano 2016; Huws et al. 2017).

The extension of social protection to groups of workers who are still uncovered is one of the key priority areas of a human-centred agenda for the future of work, as proposed by the Global Commission on the Future of Work (2019) and reaffirmed in the ILO’s Centenary Declaration for the Future of Work. Policies for the extension of coverage should extend beyond traditional forms of informal employment to include newly emerging forms of informal work. Many countries have stepped up their efforts to extend coverage to those types of workers. While some of the challenges are not necessarily new, the prospect of evolving changes in the organization of work emphasizes the urgency of tackling them. Ensuring universal social protection for the future of work will require closing coverage gaps and adapting to the evolving realities of the world of work, such as the emergence of workers in new forms of employment, as well as the specific situation and needs of such workers, in order to realize the right to social security for all. This will not only guarantee fairness and better protection for workers and their families but also create a more level playing field for different forms of employment and facilitate labour market transitions and labour mobility (Behrendt and Nguyen 2019). Given the growing relevance of non-standard and new forms of employment, the large disparities in social protection provisions between different contractual arrangements, such as reduced contribution/tax burdens or voluntary membership, may act as unintended incentives that distort employment and hiring decisions (OECD 2019b). Unless appropriate steps are taken, further increases in new forms of employment may exacerbate the current gaps in social protection provision, with negative consequences for inclusive development and equity.

Social protection systems have a remarkable capacity to adapt to changing circumstances and provide valuable suggestions for policy options to facilitate social protection coverage, including for workers in new forms of employment. Strengthening and adapting social insurance schemes will be key to protecting workers in new forms of employment in order to offer broader scope and higher levels of protection.

## 8.2.2 Policy innovations

While most of the policy measures presented in this guidebook may also apply to, and benefit, workers in new forms of employment, some additional issues should be taken into account. Some countries have introduced adapted mechanisms to facilitate coverage for groups of workers that are at particular risk of being exposed to protection gaps, such as part-time workers, temporary workers, self-employed workers and workers with unclear employment relationships and workers on digital platforms, who often share characteristics with the categories defined above. For example:

- **Adapting legislative frameworks and ensuring compliance:** In many cases, workers on digital platforms lack a clear legal status with respect to their employment relationships. In many cases, they are regarded as self-employed even though they may receive instructions from digital platforms on when and where to work. It is therefore important to adapt legislative

frameworks, alongside policies that can help clarify the nature of the employment relationship,<sup>22</sup> prevent misclassification and clearly establish rights and responsibilities of platforms, requesters and workers (see Chapter 4). In many ways, this may be the most important and urgent issue since the recognition of their employee status would immediately grant workers a number of benefits and rights (Berg et al. 2018). In France, a platform driver for the Uber competitor LeCab was classified as employee thanks to an exclusivity clause imposed by the company (Forde et al. 2017). Seeking to address the issue of misclassification of platform workers, some countries have taken action to ensure equal treatment of dependent self-employed workers and curb disguised self-employment. For example, in Spain, dependent self-employed workers – defined as self-employed workers who work predominantly for a single client on whom they depend for at least 75 per cent of their income – are mandatorily covered under employment injury insurance (Eichhorst, Braga, and Famira-Mühlberger 2013).

- **Adapting and simplifying the administration and financing of social protection, harnessing the potential of digital innovation:** for example, through simplified tax and contribution collection mechanisms (e.g. in Argentina, Brazil, France and Uruguay); more flexible contribution collection schedules or using flat contributions or broad contribution categories (e.g. in Brazil, Cabo Verde, Costa Rica and Thailand); and developing electronic and mobile registration and payment systems, coordinated data systems, smart cards and other emerging technologies, such as artificial intelligence and big-data analytics (see Chapters 5 and 6). Some countries, such as Uruguay and Indonesia, have introduced digital mechanisms whereby ride-hailing applications will automatically add a small social insurance contribution to the price of the ride to ensure that platform workers are covered (BPS Uruguay 2017; Susanto 2017).
- **Adapting schemes to workers with multiple employers and developing effective mechanisms that facilitate labour market transitions and ensure the portability of rights and entitlements:** for example, by streamlining administrative procedures, including the simplification and facilitation of electronic access to registration, consultation and contribution payment mechanisms, as well as unified social security numbers (e.g. in Mexico) (see Chapter 5).
- **Developing mechanisms to deal with situations of complex or unclear employment relationships:** for example through alternative financing arrangements. Such mechanisms may draw on the experience of India and Germany (see section 6.2.5). For example, worker welfare funds in India offer a mechanism to ensure social protection coverage for workers in the construction sectors by requiring main contracting firms to contribute 1 to 2 per cent of the value of construction projects into the Fund to finance social protection benefits for all construction workers involved in the project.
- **Establish coordination mechanisms and clarify the applicable legislation and institutional arrangements:** Where workers, platforms and clients are based in different countries, it is important to clarify the applicable legislation and institutional arrangements to ensure social protection in the case of cross-border arrangements (Behrendt and Nguyen 2018).
- **Strengthening the role of workers' organizations.** Trade unions may contribute to facilitating social protection for platform workers. For example, the trade union 3F has negotiated the world's first collective agreement in the platform economy through the Danish online platform, Hilfr.dk, which offers cleaning services. The platforms' freelance workers are reclassified as "employees" once they have performed at least 100 hours of work, which provides them with higher wages and social protection (Vandaele 2018). Thanks to the lobbying efforts of the trade union IG Metall, the German government recently established the policy goal to include all self-employed workers, including workers in new forms of employment, in the statutory pension scheme (Berg et al. 2018).

<sup>22</sup> See ILO Employment Relationship Recommendation, 2006 (No. 198).



### 8.3 Principles for universal social protection systems

The way forward to achieving universal social protection requires a combination of contributory and non-contributory social protection mechanisms.

Non-contributory schemes are key to ensure a basic level of protection for everyone, in particular for those groups who do not have access to any other social protection mechanisms. At a time when social protection budgets are already under pressure in many countries, a greater emphasis on tax financing requires that governments mobilize the necessary resources and ensure adequate resources for financing social protection through general taxation and other financing sources, based on the principles of risk-sharing, equity and solidarity. Proposals to move towards more universality through a universal basic income have received considerable attention as a potential policy response to the possible disruption of jobs, but they have also raised fundamental questions about the meaning of work in individuals' lives and for societies, as well as the fair distribution of responsibilities between employers and workers with regard to social security contributions (Behrendt and Nguyen 2018; OECD 2019b; I. Ortiz et al. 2018). Exclusive reliance on non-contributory, tax-financed social protection mechanisms would not only have an impact on the adequacy of benefits but also eliminate the more direct link with the productive capacities of an economy that is reflected in employers' responsibility to contribute directly (not only through taxation) to the financing of social protection.

Contributory social protection mechanisms, in particular social insurance, will continue to play a key role in providing a broader scope and higher levels of protection and fulfilling the social protection needs of the larger groups of the population, including the middle classes (ILO 2017f). Social insurance plays a very important role in that respect by providing an effective mechanism to provide adequate levels of protection to workers in different types of employment, based on the principles of risk-sharing and solidarity. Social insurance mechanisms are particularly well equipped to support labour mobility and ensure the portability of entitlements in countries where they cover self-employed workers and where the social protection system is integrated and well-coordinated. Policies to reduce fragmentation and guarantee adequate protection to workers in all types of employment, including self-employed workers, through appropriate mechanisms are therefore well equipped to face future challenges (ILO 2018d; OECD 2019b). In contrast, weakening social insurance favour of private insurance and individual savings arrangements risks increasing poverty and exacerbating inequality, including gender inequality, shifting financial and economic risks to workers and weakening the fundamental responsibilities of employers towards their workers (Alfers, Lund, and Moussié 2017; ILO 2016e). Proposals to decouple social protection from employment would severely limit risk-sharing and redistribution. Reducing employers' social insurance contributions, introducing very low ceilings for insurable earnings or relying on private insurance or savings would severely undermine the ability of social protection systems to guarantee adequate levels of protection by constraining their inflow of resources and would contribute to higher levels of poverty and inequality. Individual savings arrangements can only act as a voluntary option to supplement adequate public provision through stable, equitable and adequate mandatory social insurance benefits and tax-financed benefits (Global Commission for the Future of Work, 2019).

Many countries are combining contributory and non-contributory schemes with a view to achieving universal coverage (see Chapter 2). The two-track approach to extending social protection, as outlined in the ILO Social Protection Floors Recommendation, 2012 (No. 202), underlines the importance of effectively coordinated schemes that combine contributory and non-contributory mechanisms in order to close coverage gaps, thereby ensuring a social protection floor and more adequate and comprehensive social protection.

The surge of non-standard and new forms of employment and the associated coverage gaps for workers in such employment, especially for women, implies that there is a pressing need to ensure that those workers are adequately covered by social protection systems. It is important to close coverage gaps and adapt social protection systems to the evolving demands of the world of work. In particular, social protection systems should be adapted to the specific situations and needs of workers, including those in new forms of employment. The social protection systems of the future will need to be based on a set of broad policy principles that can ensure universal, comprehensive and adequate coverage, as well as sufficient adaptability to new requirements (Behrendt, Nguyen, and Rani 2019; Behrendt and Nguyen 2018; ILO 2018d). The following broad principles, which are rooted in international human rights and

ILO social security standards, may help to guide policymakers in strengthening social protection systems, including floors<sup>23</sup> (European Commission 2018a; ILO and OECD 2018):

- **universality of protection and accessibility:** ensuring effective access for workers in all types of employment, adapted to their situation and needs;
- **adequacy:** ensuring that social protection systems not only effectively prevent poverty but provide appropriate income replacement in an equitable and sustainable way;
- **transferability:** ensuring that social protection systems positively support labour market mobility, ensure the portability of rights and benefits and take into account the structural transformation of the labour market and the economy;
- **transparency:** ensuring that all actors are fully aware of their rights and responsibilities; that legal frameworks provide for clear and predictable entitlements; and that administrative procedures are as simple and clear as possible, fully harnessing the potential of digital technology while protecting personal data and respecting privacy;
- **gender equality:** ensuring that social protection systems are responsive to the realities that women and men face in the labour market, employment and society and that they promote gender equality;
- **good governance:** ensuring that social protection systems are financed in a sustainable and equitable way, as well as their efficient management and administration.

In addition, an integral element of any reforms is effective social dialogue that involves social partners, including the voice and representation of those in non-standard and new forms of employment and in the informal economy (ILO, 2019b; Behrendt and Nguyen, 2018).

Strengthening and adapting social protection systems for the future of work requires a combination of different social protection mechanisms, with appropriate financing mechanisms available through contributions or taxes. Strong and responsive social protection systems that provide guaranteed universal social protection from birth to old age, based on the principles of solidarity and risk-sharing, are key to supporting workers and their families through future-of-work transitions (Global Commission for the Future of Work, 2019). Universal social protection is a vital element of a human-centred agenda for the future of work and encompasses the following three elements (ILO, 2019b):

- **Universal coverage in terms of persons protected.** Nationally defined social protection floors should guarantee at least a basic level of social security for all throughout their life course, in line with ILO Recommendation No. 202. Those guarantees should cover at least all residents and all children. Social protection systems should respect and promote the principles of non-discrimination, gender equality and responsiveness to special needs; social inclusion (including those persons in the informal economy); and respect for people's rights and dignity.
- **Comprehensive protection in terms of risks covered.** Universal social protection also requires comprehensive protection to address a broad set of social risks throughout the life cycle. This should encompass the core policy areas of social protection systems, including child and family benefits, sickness and health-care benefits, maternity benefits, disability benefits, old-age benefits, survivors' benefits, unemployment benefits and employment injury benefits.
- **Adequacy of the protection provided.** Adequate protection is important to achieve the expected policy outcomes. ILO standards provide a framework of internationally accepted minimum standards with regard to social protection systems. With respect to social protection floors, the basic social security guarantees should prevent or at least alleviate poverty, vulnerability and social inclusion and should allow all to live a life of dignity.

The international human rights framework, international social security standards and the 2030 Agenda for Sustainable Development set out a clear internationally agreed framework for achieving universal social protection. The Global Partnership for Universal Social Protection to Achieve the Sustainable Development Goals (USP2030) calls on all countries to live up to their commitment to develop nationally owned social protection systems for all, including floors, by undertaking five actions (see Box 8.1).

<sup>23</sup> These principles are derived from core social security principles and reflect the principles anchored in human rights frameworks (UN CESCR, 2008; Sepúlveda and Nyst, 2012) and ILO social security standards, including the Social Security (Minimum Standards) Convention, 1952 (No. 102) and the Social Protection Floors Recommendation, 2012 (No. 202) (ILO, 2019b, 2017b, 2017a). European Commission (2018). See also Behrendt and Nguyen (2019); Behrendt et al. (2017).



### Box 8.1: Call to Action by the Global Partnership for Universal Social Protection to Achieve the Sustainable Development Goals (USP2030)

The Global Partnership for Universal Social Protection to Achieve the Sustainable Development Goals (USP2030) calls on all countries to live up to their commitment to develop nationally owned social protection systems for all, including floors, in line with the 2030 Agenda for Sustainable Development, in particular SDG target 1.3. Countries and development partners should undertake the following five actions to support the global commitment on universal social protection:

- **ACTION 1.** Protection throughout life cycle: Establish universal social protection systems, including floors that provide adequate protection throughout the life cycle, combining social insurance, social assistance and other means, anchored in national strategies and legislation.
- **ACTION 2.** Universal coverage: Provide universal access to social protection and ensure that social protection systems are rights-based, gender-sensitive and inclusive, leaving no one behind.
- **ACTION 3.** National ownership: Develop social protection strategies and policies based on national priorities and circumstances in close cooperation with all relevant actors.
- **ACTION 4.** Sustainable and equitable financing: Ensure the sustainability and fairness of social protection systems by prioritizing reliable and equitable forms of domestic financing, complemented by international cooperation and support where necessary.
- **ACTION 5.** Participation and social dialogue: Strengthen governance of social protection systems through institutional leadership, multi-sector coordination and the participation of social partners and other relevant and representative organizations, to generate broad-based support and promote the effectiveness of services.

USP2030 brings together a number of governments, development partners and civil society organizations under the co-leadership of the World Bank and the ILO to increase the number of countries that provide universal social protection and support them in designing and implementing universal and sustainable social protection systems. Actions include coordinating country support to strengthen national social protection systems; promoting knowledge development to document country experience and provide evidence on financing options; and advocating for the integration of universal social protection.

Source: USP 2030 website, <https://www.usp2030.org/gimi/USP2030.action>.

### Further reading on lessons learned and the way forward

- Behrendt, C.; Nguyen, Q.A. 2018. [Innovative approaches for ensuring universal social protection for the future of work](#), ILO Future of Work Research Paper Series, No. 1 (ILO).
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## Annex: Glossary

This glossary focuses on the basic concepts, definitions and methodology that guide the analytical work of the ILO on social security or social protection.<sup>24</sup> It does not set out to assert any universal definitions; its purpose is rather simply to clarify relevant terms and concepts as they are used in the ILO.

**Cash transfer programme:** a non-contributory scheme or programme providing cash benefits to individuals or households, usually financed by taxation, other government revenue or external grants or loans. Cash transfer programmes<sup>25</sup> may or may not include a means test.

Cash transfer programmes that provide cash to families subject to the condition that they fulfil specific behavioural requirements are referred to as conditional cash transfer programmes (CCTs). Such conditions may mean, for example, that beneficiaries must ensure that their children attend school regularly or that they utilize basic preventive nutrition and health-care services.

**Contributory scheme:** a scheme in which contributions made by protected persons directly determine the entitlement to benefits (acquired rights). The most common type of contributory social security scheme is a statutory social insurance scheme, which usually covers workers in formal wage employment and in some countries also covers the self-employed. Another common type of contributory scheme that – in the absence of a social insurance scheme – provides a certain level of protection is a national provident fund, which usually pays a lump sum to beneficiaries when particular contingencies occur (e.g. old age, invalidity or death).

In the case of social insurance schemes for those in waged or salaried employment, contributions are usually paid by both employees and employers (though in general, employment injury schemes are fully financed by employers). Contributory schemes may be wholly financed by contributions but are often partly financed by taxation or from other sources; this may be done through a subsidy to cover the deficit or a general subsidy that supplants contributions altogether, or by subsidizing only specific groups of contributors or beneficiaries (e.g. those not contributing because they are caring for children; studying; in military service; unemployed; or have too low a level of income to fully contribute or receive benefits below a certain threshold because of low contributions in the past).

**Employment guarantee scheme:** a public employment programme that provides a guaranteed number of workdays a year to poor households, generally providing wages at a relatively low level (typically at the minimum wage level if that is adequately defined).

**Informal economy:** all activities that are, in law or practice, not covered or insufficiently covered by formal arrangements (see box A.1).

<sup>24</sup> The glossary is largely based on the *World Social Protection Report 2014/15: Building economic recovery, inclusive development and social justice* (ILO 2014i, 161–70).

<sup>25</sup> Strictly speaking, this term encompasses all social transfers provided in cash, including fully or partially contributory transfers; however, it is usually understood to be limited to non-contributory transfers.

**Box A.1: Key definitions regarding the informal economy**

In the statistical community, the application of accurate terminology is important. To the layperson, the terms “informal sector”, “informal economy”, “employment in the informal sector” and “informal employment” may all seem to be interchangeable. They are not. The nuances associated with each term are extremely important from a technical point of view. To provide a clear point of reference, the following are proposed as definitions of the key terms associated with informality and their technical definitions.

It is generally understood that the term “**informal economy**” covers all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements” (ILO Recommendation No. 204, para. 2).

“**Employment in the informal sector**”: an enterprise-based concept, it is defined in terms of the characteristics of the place of work of the worker. According to the international standards adopted by the Fifteenth ICLS (ILO 1993), the informal sector consists of units engaged in the production of goods or services with the primary objective of generating employment and incomes for the persons concerned. The informal sector is a subset of unincorporated enterprises that are not constituted as separate entities independently of their owners, which typically operate at a low level of organization, on a small scale and with little or no division of labour and capital as factors of production.

“**Informal employment**”: a job-based concept, it is defined in terms of the employment relationship and protections associated with the job of the worker (ILO 2003; Hussmanns 2004). This concept includes certain categories of employees (wage workers) and the self-employed:

- “**self-employed**”: employers (self-employed with hired workers) and own-account workers (self-employed without hired workers) if their enterprise is classified as informal, as well as all contributing family members independently of whether the enterprise in which they are working is informal or not;
- “**employees**”: those whose employment relationship is, in law or in practice, not subject to national labour legislation income taxation, social protection or entitlement to certain employment benefits. In practice, the formal or informal nature of a job held by an employee is determined on the basis of operational criteria, such as the payment of social insurance contributions by the employer on behalf of the employee and entitlements to paid sick leave and paid annual leave.

Informal employment includes informal workers employed in formal enterprises.

Source: Based on (ILO 2018f, 7–12).

**Means-tested scheme:** a scheme that provides benefits upon proof of need and targets certain categories of persons or households whose means fall below a certain threshold, which is often referred to as a “*social assistance scheme*”. A means test is used to assess whether the individual’s or household’s own resources (income and/or assets) are below a defined threshold and to determine whether the applicants are eligible for benefits at all and if so at what level such benefits will be provided. In some countries, proxy means tests are used: that is, eligibility is determined without actually assessing income or assets but instead on the basis of other household characteristics (proxies) that are deemed more easily observable. Means-tested schemes may also include entitlement conditions and obligations, such as work requirements, participation in health check-ups or (for children) school attendance. Some means-tested schemes also include other interventions that are delivered on top of the actual income transfer itself.

**Non-contributory schemes:** schemes, including both non-means-tested and means-tested schemes, that normally require no direct contribution from beneficiaries or their employers as a condition of entitlement to receive relevant benefits. The term covers a broad range of schemes, including universal schemes for all residents (such as a national health service); categorical schemes for certain broad groups of the population (e.g. for children under a certain age or older persons over a certain age); and means-tested schemes (such as social assistance schemes). Non-contributory schemes are usually financed by taxes or other state revenues, or, in certain cases, external grants or loans.

**Public employment programme:** a government programme that offers employment opportunities to certain categories of persons who are unable to find other employment. Public employment programmes include both employment guarantee schemes and “cash for work” and “food for work” programmes).



**Social assistance scheme/programme:** a scheme that provides benefits to vulnerable groups of the population, especially households living in poverty. Most social assistance schemes are means-tested.

**Social insurance scheme:** a contributory social protection scheme that guarantees protection through an insurance mechanism, based on: (1) the prior payment of contributions (i.e. before the occurrence of the insured contingency); (2) “risk-sharing” or “pooling”; and (3) the notion of a guarantee. The contributions paid by (or for) insured persons are pooled and the resulting fund is used to cover the expenses incurred exclusively by those persons affected by the occurrence of the relevant (clearly defined) contingency or contingencies. Contrary to commercial insurance, risk-pooling in social insurance is based on the principle of solidarity as opposed to individually calculated risk premiums.

Many contributory social security schemes are presented and described as “insurance” schemes (usually “social insurance schemes”) despite being in actual fact of mixed character, with some non-contributory elements in the entitlement to benefits that allow for a more equitable distribution of benefits, particularly for those with low incomes and short or interrupted work careers, among others. Such non-contributory elements take various forms and financed either by other contributors (redistribution within the scheme) or the State.

**Social protection:** the term “*social protection*” is used in institutions across the world with a wider variety of meanings than the term “*social security*”. It is often interpreted to have a broader definition than social security (including protection provided between members of the family or members of a local community). However, it is also used in some contexts with a narrower definition to comprise only measures targeted at the poorest, most vulnerable or excluded members of society. Thus, in many contexts the two terms, “*social security*” and “*social protection*” may be largely interchangeable and the ILO certainly uses both in discourse with its constituents and in the provision of relevant advice to them. In this report, reference is made to “*social protection*” both as an alternative expression for “*social security*” and to denote the protection provided by social security to manage social risks and needs.

**Social protection floor:** ILO Recommendation No. 202 provides that member States should establish and maintain national social protection floors as a nationally defined set of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion (ILO, 2012a). Such guarantees should ensure at a minimum that, over the life cycle, all in need have access to at least essential health care and basic income security, which together ensure effective access to the essential goods and services defined as necessary at the national level. More specifically, national social protection floors should comprise at least the following four social security guarantees, as defined at the national level:

- (a) access to essential health care, including maternity care;
- (b) basic income security for children, providing access to nutrition, education, care and any other necessary goods and services;
- (c) basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability;
- (d) basic income security for older persons.<sup>26</sup>

Such guarantees should be provided to all residents and all children, as defined in national laws and regulations, and should be subject to existing international obligations.

Recommendation No. 202 also states that basic social security guarantees should be established by law. National laws and regulations should specify the range, qualifying conditions and levels of the benefits giving effect to those guarantees, and should provide for effective and accessible complaint and appeal procedures.

Social protection floors correspond in many ways to the existing notion of “core obligations” to ensure the realization of, at the very least, minimum essential levels of rights embodied in human rights treaties (OHCHR, 2012).

**Social protection programme/scheme (social security programme/scheme):** a distinct framework of rules on the provision of social protection benefits to entitled beneficiaries. Such rules should specify the geographical and personal scope of the programme (target group); the entitlement conditions; the types of benefit; the benefit amounts (cash transfers); the periodicity and other benefit characteristics; and the financing (contributions, general taxation, other sources), governance and administration of the programme.

<sup>26</sup> Recommendation No. 202, para. 5.

While the term “*social protection programme*” may refer to a wide range of programmes, the term “*social protection scheme*” is usually used in a more specific sense to refer to a programme that is anchored in national legislation and characterized by at least a certain degree of “formality”.

A programme/scheme can be supported by one or more social security institutions that govern the provision of benefits and their financing. It should, in general, be possible to draw up a separate account of receipts and expenditure for each social protection programme. It is often the case that a social protection programme provides protection against a single risk or need and covers a single specific group of beneficiaries. Typically, however, one institution will administer more than one benefit programme.

**Social security:** the fundamental right to social security is set out in the Universal Declaration of Human Rights of 1948 and other international legal instruments. The notion of social security adopted here covers all measures that provide benefits, whether in cash or in kind, to secure protection, inter alia, from:

- (a) a lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age or the death of a family member;
- (b) a lack of (affordable) access to health care;
- (c) insufficient family support, particularly for children and adult dependants;
- (d) general poverty and social exclusion.

Social security thus has two key (functional) dimensions, namely “income security” and “availability of medical care”, as reflected in the Declaration of Philadelphia of 1944, which forms part of the ILO’s Constitution: “social security measures to provide a basic income to all in need of such protection and comprehensive medical care” (III(f)).<sup>27</sup> Recommendation No. 202 sets out that, at least, access to essential health care and basic income security over the life cycle should be guaranteed as part of nationally defined social protection floors, and that higher levels of protection should be progressively achieved by national social security systems in line with Convention No. 102 and other ILO instruments.

Access to social security is essentially a public responsibility and is typically provided through public institutions and financed either by contributions or taxes or both. However, the delivery of social security can be and often is mandated to private entities. Moreover, there exist many privately run institutions (of an insurance, self-help, community-based or mutual character) that can partially assume selected roles usually played by social security, such as the operation of occupational pension schemes, which complement and may largely substitute for elements of public social security schemes. Entitlements to social security are conditional either on the payment of social security contributions for prescribed periods (contributory schemes, most often structured as social insurance arrangements) or on a requirement, sometimes described as “residency plus”, under which benefits are provided to all residents of the country who also meet certain other criteria (non-contributory schemes). Such criteria may make benefit entitlements conditional on age; health; labour market participation; income; other determinants of social or economic status; and/or in some cases even conformity with certain behavioural requirements.

Two main features distinguish social security from other social arrangements. First, benefits are provided to beneficiaries without any simultaneous reciprocal obligation (it does not, for example, represent remuneration for work or other services delivered). Second, it is not based on an individual agreement between the protected person and the provider (such as a life insurance contract); the agreement applies to a wider group of people and therefore has a collective character.

Depending on the category of applicable conditions, a distinction is also made between non-means-tested schemes (where the conditions of benefit entitlement are not related to the total level of income or wealth of beneficiaries and their families) and means-tested schemes (where entitlement is granted only to those with income or wealth below a prescribed threshold). A special category of “conditional” schemes includes those which, in addition to other conditions, require beneficiaries (and/or their

<sup>27</sup> Those two key dimensions are also identified in the ILO’s Income Security Recommendation, 1944 (No. 67), and Medical Care Recommendation, 1944 (No. 69), respectively, as “essential element[s] in social security”. Those Recommendations envisage that, first, “income security schemes should relieve want and prevent destitution by restoring, up to a reasonable level, income which is lost by reason of inability to work (including old age) or to obtain remunerative work or by reason of the death of a breadwinner” (Recommendation No. 67, para. 1); and, second, that “[a] medical care service should meet the need of the individual for care by members of the medical and allied professions ...” and “[t]he medical care service should cover all members of the community ...” (Recommendation No. 69, paras 1, 8). Recommendation No. 202 also includes those two dimensions in the basic social protection guarantees that should form part of national social protection floors (for more detail, see box 1.13).

relatives or families) to participate in prescribed public programmes (e.g., specified health or educational programmes).

**Social security system/social protection system:** the totality of social security/protection schemes and programmes in a country, taking into account that the latter term is often used in a broader sense than the former.

All the social security schemes and institutions in a country are inevitably interlinked and complementary in their objectives, functions and financing and thus form a national social security system. For reasons of effectiveness and efficiency, it is essential to ensure that there is close coordination within the system and – especially for coordination and planning purposes – that the receipts and expenditure accounts of all the schemes are combined into one social security budget for the country so that future expenditure and financing of the schemes comprising the social security system are planned in an integrated way.

**Social transfer:** all social security benefits comprise transfers, either in cash or in kind, because they represent a transfer of income, goods or services (e.g. health-care services). This transfer may be from the active to the old, the healthy to the sick or the affluent to the poor, among other types of transfer. The recipients of such transfers may be in a position to receive them from a specific social security scheme because they have contributed to such a scheme (contributory scheme); because they are residents (universal schemes for all residents); because they fulfil specific age criteria (categorical schemes); because they fulfil specific resource conditions (social assistance schemes); or because they fulfil several of these conditions at the same time. In addition, it is a requirement in some schemes (employment guarantee schemes, public employment programmes) that beneficiaries accomplish specific tasks or in other schemes (conditional cash transfer programmes) that they adopt specific behaviours. In any given country, several schemes of different types generally coexist and may provide benefits for similar contingencies to different population groups.

**Targeted scheme/programme:** see “social assistance scheme/programme”.

**Universal scheme/categorical scheme:** strictly speaking, universal schemes provide benefits under the single condition of residence. However, the term is also often used to describe categorical schemes that provide benefits to certain broad categories of the population without a means test. The most common forms of such schemes transfer income to older persons over a certain age or children below a certain age. Some categorical schemes also target households with specific structures (one-parent households, for example) or occupational groups (such as rural workers). In some schemes, the entitlement to benefits may be conditional on the performance of specific tasks. Most categorical schemes are tax-financed.