

► Policy Brief

July 2022

► Extending social protection coverage to informal economy workers: What workers' organizations need to know

Key points

- More than 60 per cent of the global workforce, two billion men and women, are in informal employment. Multiple factors give rise to social protection coverage gaps, including exclusion from legal coverage, lack of information and representation, lack of enforcement and low compliance as well as high costs, complex administrative procedures, and lack of policy coherence.
- While almost all countries expanded their social protection programmes and systems in unprecedented ways in response to the COVID-19 crisis, the pandemic has laid bare the huge social protection coverage gaps of workers in the informal economy.
- International experience demonstrates that the extension of social protection coverage is feasible even in low-income countries if there is the political will, and that positive results can be achieved when social protection policies and reforms are based on influential and inclusive social dialogue.
- Extending social protection coverage to informal economy workers is a priority for the ILO and a key factor towards building comprehensive, adequate and sustainable social protection systems for all, in accordance with the ILO social security standards and the UN 2030 Agenda for Sustainable Development. It is also a pivotal factor for the transition to the formal economy as well as for access to health and income security throughout the life cycle. It benefits workers, employers, and the society at large.
- The ILO two-dimensional strategy for the extension of social security adopted by ILO constituents at the International Labour Conference in 2011 provides guidance to countries to establish and maintain national social protection floors and progressively ensure higher levels of protection to as many people as possible, through the expansion of non-contributory and contributory schemes or a combination thereof.
- More recently the Resolution and conclusions concerning the second recurrent discussion on social protection (2021) called upon ILO Member States, with the support of the Organization, to commit with strong political will and through strong social dialogue to build and maintain universal, comprehensive, sustainable, and adequate social protection systems.
- It is of utmost importance that workers' representatives build up solid technical knowledge and strengthen their capacities to contribute effectively to the design, implementation, monitoring and evaluation of social protection policies and reforms, which aim at the extension of coverage to informal economy workers.
- Workers' organizations should regard the COVID-19 crisis as a wake-up call for contributing to building forward better with a human-centred approach, in line with the priorities set out in the ILO Centenary Declaration, the Global call to action as well as in the 2030 Agenda for Sustainable Development. The achievements made during the crisis should serve as a stepping-stone for a recovery with social protection for all, including workers in the informal economy.
- This policy brief therefore aims at helping workers' representatives to better understand the complexity of and challenges for extending social protection coverage to informal economy workers, and the different policy choices which countries have implemented to overcome these challenges. Its ultimate purpose is to provide a basis for workers' representatives to contribute effectively to policy discussions on the extension of social protection to informal economy workers.

1. Introduction

Social protection is a human right and an investment with high social and economic returns. It reduces poverty and inequality while enhancing social inclusion, peace and resilience. It bolsters productivity and aggregate demand, especially during economic downturns, while providing income security and support to people over the life cycle. Universal social protection systems are also a key policy element for contributing to the achievement of the UN 2030 Agenda for Sustainable Development, most notably the Sustainable Development Goal (SDG) targets on social protection (1.3) and universal health coverage (3.8).

Despite progress in recent years in extending social protection in many parts of the world, the COVID-19 crisis has exposed deep-seated inequalities and significant gaps in social protection coverage, comprehensiveness and adequacy across all countries. As of 2020, only 46.9 per cent of the global population were effectively covered by at least one social protection benefit, while the remaining 53.1 per cent – as many as 4.1 billion people – were left wholly unprotected (ILO 2021a).

While social protection systems have been playing an indispensable role in the coordinated policy response to the unfolding crisis, the crisis has also laid bare the huge social protection coverage gaps of workers in the informal economy, as they typically lack coverage through contributory¹ mechanisms and at the same time are excluded from programmes explicitly targeted towards poor individuals or households with limited earning capacities. A regular income, health insurance, unemployment benefits if they lose their jobs, and a pension when they retire, are a distant dream for workers in the informal economy, who in many countries make up most of the workforce. Many of them have suffered severe economic losses due to the COVID-19 crisis with hitherto no or limited access to social protection measures, resulting in potentially long-lasting negative effects on their households and livelihoods.

Governments across the world have made unparalleled efforts in responding to the socio-economic challenges brought by the COVID-19 pandemic, through extending social protection measures, including to vulnerable groups such as workers in the informal economy who were disproportionately affected due to the lack of coverage and/or inadequate levels of protection. Between 1 February 2020 and 16 February 2022, 1,721 social protection measures have been announced by 209 countries around the world (ILO 2021b; Razavi et al 2020).²

However, despite all these efforts, the effects of the pandemic have reversed much of the progress made in reducing poverty, with global extreme poverty rising in 2020 for the

first time since the Asian financial crisis of the late 1990s (UN 2021a). If informal economy workers do not have access to healthcare and at least a basic level of income security, they are likely to be trapped in a vicious cycle of vulnerability, poverty and social exclusion. Ensuring that workers in the informal economy benefit from social protection is essential not only for social reasons, but also for economic development.

Experiences from various countries have shown that social protection can be extended to workers in the informal economy. It is thus fundamental that countries progressively build on or transform the temporary relief measures adopted in the context of the pandemic into comprehensive and shock-responsive social protection systems that provide income security and healthcare for all workers and their families, including those in the informal economy. With less than nine years to go to achieve the 2030 Agenda, countries are urged to act towards universal social protection, otherwise SDG target 1 of ending poverty by 2030 will remain beyond reach.

2. What are informal economy and informal employment?

The term **“informal economy”** refers to all economic activities 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 **“informal sector”** refers to 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 (ILO 2021b).

The term **“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. They include 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 (ILO-FAO 2021; ILO 2021b).

¹ Contributory schemes are schemes in which contributions made by protected persons (actual or potential beneficiaries) directly determine entitlement to benefits (acquired rights). The most common form of contributory social security scheme is a statutory social insurance scheme, usually covering workers in formal wage employment and, in some countries, the self-employed.

² See ILO Social Protection Monitor, available at: <https://www.social-protection.org/gimi/ShowWiki.action?id=3426>.

3. Why is extending social protection to informal economy workers a priority?

Why do informal economy workers need social protection?

Social protection helps to facilitate access to health and education and provides income security to workers in case of sickness, unemployment, employment injury, maintenance of a family, maternity, disability, death of the breadwinner and old age. It also prevents high out-of-pocket payments for medical care. It thus contributes to poverty reduction, sustaining livelihood development and enabling workers to better plan their future and take greater risks. It thereby generates positive results in terms of human capital and productivity that will facilitate the formalization of employment in the medium and long terms.

What are the benefits for employers?

Employers benefit from higher labour productivity and competitiveness, for example through improved health status of workers, lower absentee rates, higher employee retention and higher motivation. Employers also benefit from the transfer of their individual liability (employer liability) in the case of employment injury, sickness, maternity or dismissal, to the social security system, which is an important instrument for pooling the financial risks of enterprises.

How does social protection contribute to formalization?

One driver is the contribution of social protection to furthering labour productivity, which helps set informal jobs on sustainable growth paths. At the same time, the formalities required for social security coverage, such as the registration of households or individuals with the public authorities, can constitute a first step towards their formalization and the realization of their civil, economic and social rights. Experiences show how social protection, combined with other economic and labour instruments provides pathways to formalization (ILO 2021b).

What are the benefits for governments and societies at large?

As social protection constitutes an investment in people and has impacts on human capital, human development and

labour productivity, it yields not only benefits for workers and employers but also aggregate benefits for societies as a whole, e.g. through facilitating the formalization of employment and supporting economic growth. Social protection contributes also to strengthening state legitimacy by increasing the ability of States to meet the expectations of their citizens. It further contributes to reducing social exclusion and advancing social justice by reducing vulnerability and inequality, and helping to overcome structural disadvantage due to its redistributive impact. Finally, the extension of social protection to all, including informal economy workers, not only helps States to achieve the SDGs, in particular targets Nos. 1 and 3, but also to make the human right to social security a reality for all.

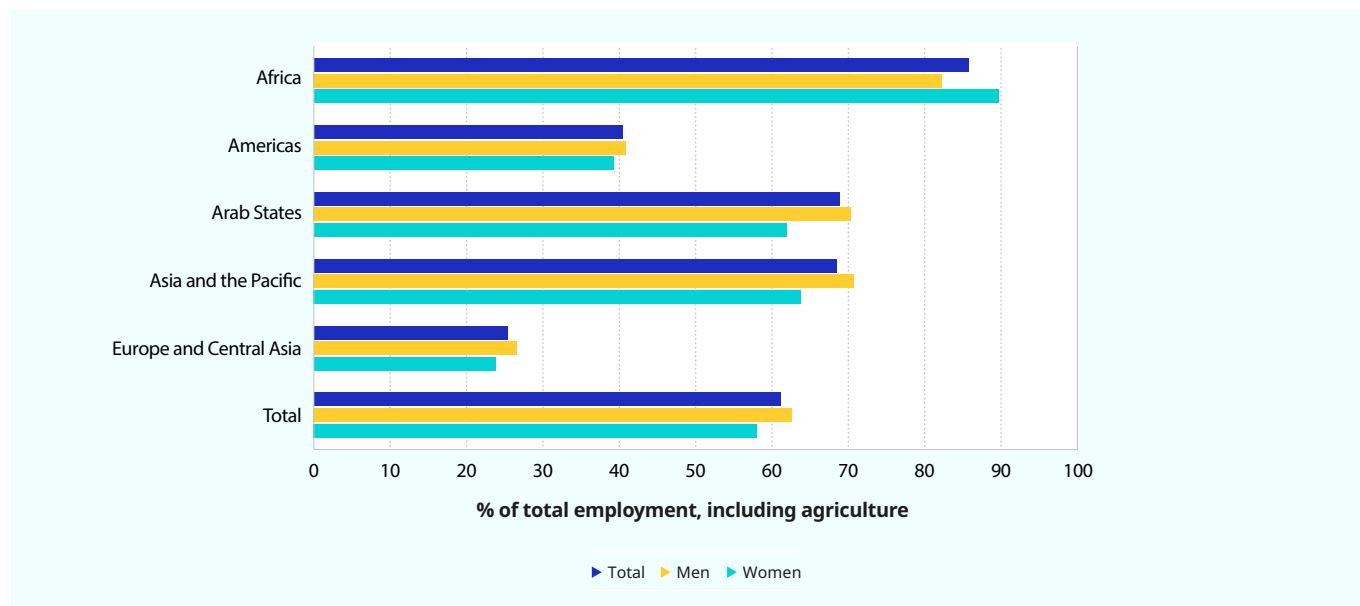
4. What are the challenges in extending social protection to informal economy workers?

More than 60 per cent of the global workforce, two billion men and women, are in informal employment, with 93 per cent of them working in emerging and developing countries. In Africa, 85.8 per cent of employment is informal, while the proportion is 68.2 per cent in Asia and the Pacific, 68.6 per cent in the Arab States, 40.0 per cent in the Americas and 25.1 per cent in Europe and Central Asia (ILO 2018; see figure 1). Women are more exposed to informal employment in most low- and lower-middle income countries and are more often found in the most vulnerable situations. More than 60 per cent of the global workforce is in informal employment and many of the workers in the 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 (ILO 2021b).

Workers in the informal economy typically lack coverage through contributory mechanisms (social insurance and other contributory schemes), due to a variety of factors. At the same time, most informal economy workers are excluded from programmes explicitly targeted towards poor individuals or households with limited earning capacities, leaving many informal economy workers, many of them women, without effective social protection coverage. For this reason, informal economy workers are often described as the “missing middle”.

Considering the diversity of informal employment, it is important to identify the factors that give rise to coverage gaps in the context of each country in order to develop policies to protect this vulnerable category of workers and facilitate

► Figure 1. Share of informal employment in total employment including agriculture, by sex, latest data



their transition to the formal economy. A number of different factors contribute to social protection coverage gaps, such as (ILO 2021b):

- **Exclusion from legal coverage:** National legal frameworks often exclude or constrain the participation of certain categories of workers in social insurance schemes, e.g. due to their type of contract, kind of work, or lack of employment relationship, or due to minimum thresholds with regard to size of enterprise, length of contract, number of working hours or salary. Consequently, certain categories of workers are left unprotected.
- **Lack of information, awareness, and trust:** A lack of information about and awareness of social security contributes to weak incentives to register. Illiteracy and language barriers, usually higher among rural populations, make it more difficult for workers to understand legal rules that are usually written only in official languages. In addition, if workers and employers lack trust in the social security institution, or regard it as inefficient, not well governed or not able to deliver the benefits which address workers' needs, they may be reluctant to join the social security system.
- **Benefits not aligned with priorities:** In some cases, where social security systems do not meet the priority needs of workers, e.g. exposure to certain types of risks at the workplace, workers as well as their employers may be reluctant to join and contribute to the system.
- **Costs and inadequate financing arrangements:** For informal economy workers with low or irregular incomes, the cost of participation in contributory social insurance schemes seems too high when weighed with their immediate needs, especially if they have no employer and need to pay both workers' and employers' contributions.
- **Complex and burdensome administrative procedures and services:** Complex and burdensome procedures may discourage employers and workers from registering for social protection schemes, particularly if they must travel long distances or face high opportunity costs to be able to register, pay contributions or receive benefits and services.
- **Badly designed and implemented social insurance schemes:** Badly designed and implemented social insurance schemes may create an incentive for informalization. This is one of the reasons why efforts to improve the governance and efficiency of social insurance should be considered among the set of policies required to reduce informalization of employment and extend coverage (ILO 2013).
- **Lack of enforcement, control, and low compliance:** The lack of effective enforcement of the applicable labour and social security legislation can contribute to a low level of compliance. Inspections are even more difficult where employment relationships are concealed or undeclared. The characteristics of some workplaces, such as private

homes used as workplaces for home workers and domestic workers, or public spaces used as workplaces for street vendors and waste-pickers, also pose challenges for labour inspectors. In addition, governments may neglect inspections of small enterprises owing to the higher resources or complex procedures involved.

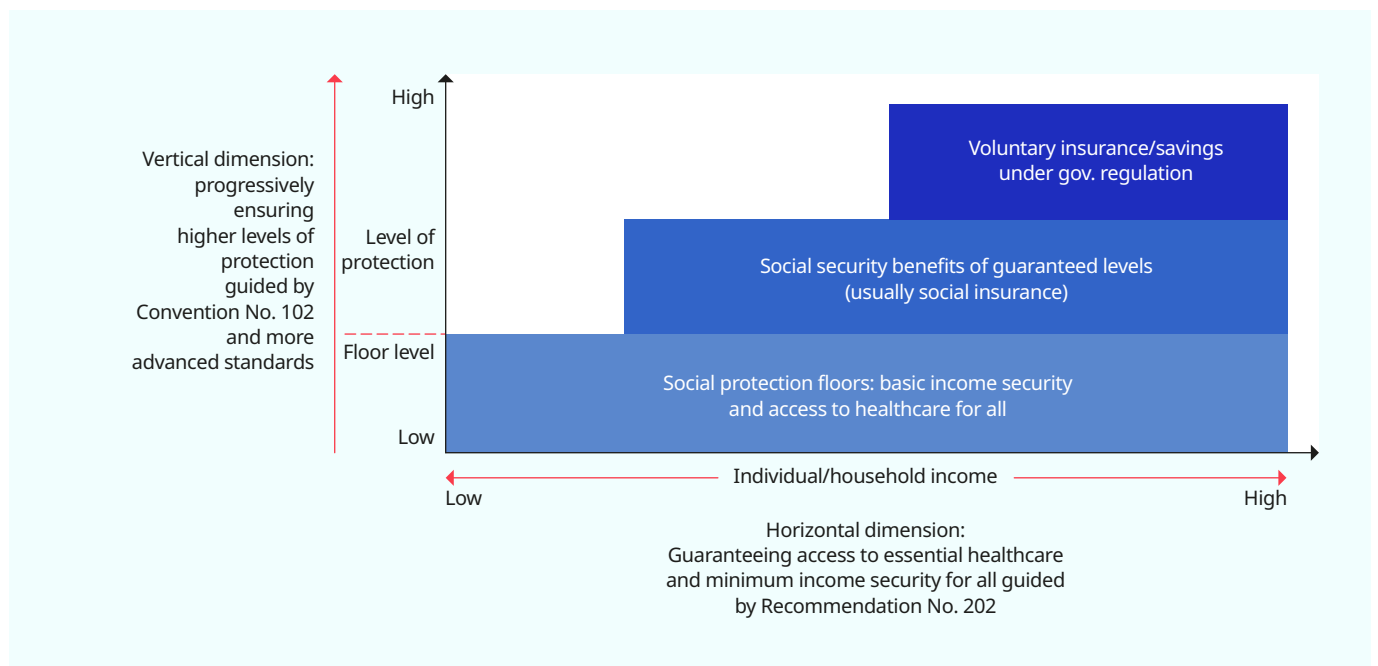
- **Lack of an integrated national social security strategy and policy coherence:** In many countries there is a high degree of fragmentation within the social protection system, and a lack of coordination between the social protection system and other relevant policy areas such as enterprise formalization policies, or labour market and employment policies. Fragmented systems do not contribute to the identification of informal economy workers and their work and thus make it more difficult to register them with the social protection system.
- **Lack of representation and organization:** It is widely acknowledged that there is a direct link between the capacity of workers to organize and the ease of including them in contributory social security schemes. The lack of organization of some categories of workers makes them more marginalized and reduces their chances of being represented and supported when considering their inclusion in the social security system.

5. What is the ILO's strategy for the extension of social protection coverage to informal economy workers?

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. Extending social protection coverage to these categories of workers is a priority for the ILO and a key factor towards building comprehensive and sustainable social protection systems for all, in accordance with the ILO social security standards and the UN 2030 Agenda for Sustainable Development.

The ILO's approach to social protection is based on international labour standards and is centred on a two-dimensional social protection extension strategy that was adopted by ILO constituents at the first recurrent discussion on social protection at the 100th Session (2011) of the International Labour Conference (see figure 2).

► Figure 2. The ILO's two-dimensional social protection extension strategy



The ILO's two-dimensional strategy provides clear guidance on the future development of social security in countries at all levels of development. The strategy aims at the rapid implementation of rights-based national social protection floors,³ containing basic social security guarantees over the life cycle that ensure universal access to essential healthcare and basic income security at a nationally defined minimum level (horizontal dimension) as a fundamental element of national social security systems, in line with the [Social Protection Floors Recommendation, 2012 \(No. 202\)](#). At the same time, countries should aim to progressively achieve higher levels of protection for as many people as possible (vertical dimension), guided by up-to-date social security standards including the [Social Security \(Minimum Standards\) Convention, 1952 \(No. 102\)](#), the only international treaty with a systemic vision of social security (see also ILO 2021f). Together, these two dimensions aim at building comprehensive social security systems in line with national priorities, resources and circumstances.

The two-dimensional strategy also requires that social protection policies and their implementation and monitoring should be based on tripartite participation with representative organizations of employers and workers, as well as consultation with other relevant and representative organizations of persons concerned.

The urgency to establish universal, comprehensive, sustainable and adequate social protection systems placed under the overall and primary responsibility of the State and following the ILO's two-dimensional strategy has been reaffirmed by the **Resolution and conclusions concerning the second recurrent discussion on social protection** adopted by the ILO tripartite constituents at the 109th International Labour Conference (ILC) in June 2021 (ILO 2021c).

The Resolution and conclusions also called on Member States to **extend social protection coverage to workers in all types of employment** whether in formal or informal work to **facilitate transitions from the informal to the formal economy** and **ensure adequate and sustainable financing through a combination of contributory and non-contributory⁴ sources of financing**.

Further, the Organization **committed to reinforce its leadership role in ensuring policy coherence on social protection in the multilateral system**, including through strengthening existing inter-institutional cooperation mechanisms aimed at promoting policy coherence at the national as well as international level.

In addition, Member States are called upon to **build and maintain universal social protection systems** through

strong social dialogue, in line with ILO social security standards. For this purpose, the ILO committed to **leverage inclusive social dialogue in all its forms** with a view to involving social partners in the design, implementation and monitoring of social protection policies and strategies, and in the governance of national social security systems and funds, where existing.

"The conclusions underline that many measures implemented during the pandemic have thrown a lifeline to many vulnerable workers and families throughout the world and have allowed many enterprises to survive. However, the development of effective social protection systems cannot be achieved through one-off crisis response measures; it requires sustained action and political commitment. Our conclusions address this issue, and we managed to agree to solid conclusions that set out a framework for action at the Member State level and help define the ILO's work on social protection for the coming years." – **M. Norödhahl, Workers' Vice-Chair of the Recurrent Discussion Committee**

Complementary to the Resolution and conclusions, the Conference also adopted a Global call to action for a human-centred recovery from the COVID-19 crisis that is inclusive, sustainable and resilient, in which Member States reiterated their commitment to achieving universal access to comprehensive, adequate and sustainable social protection.

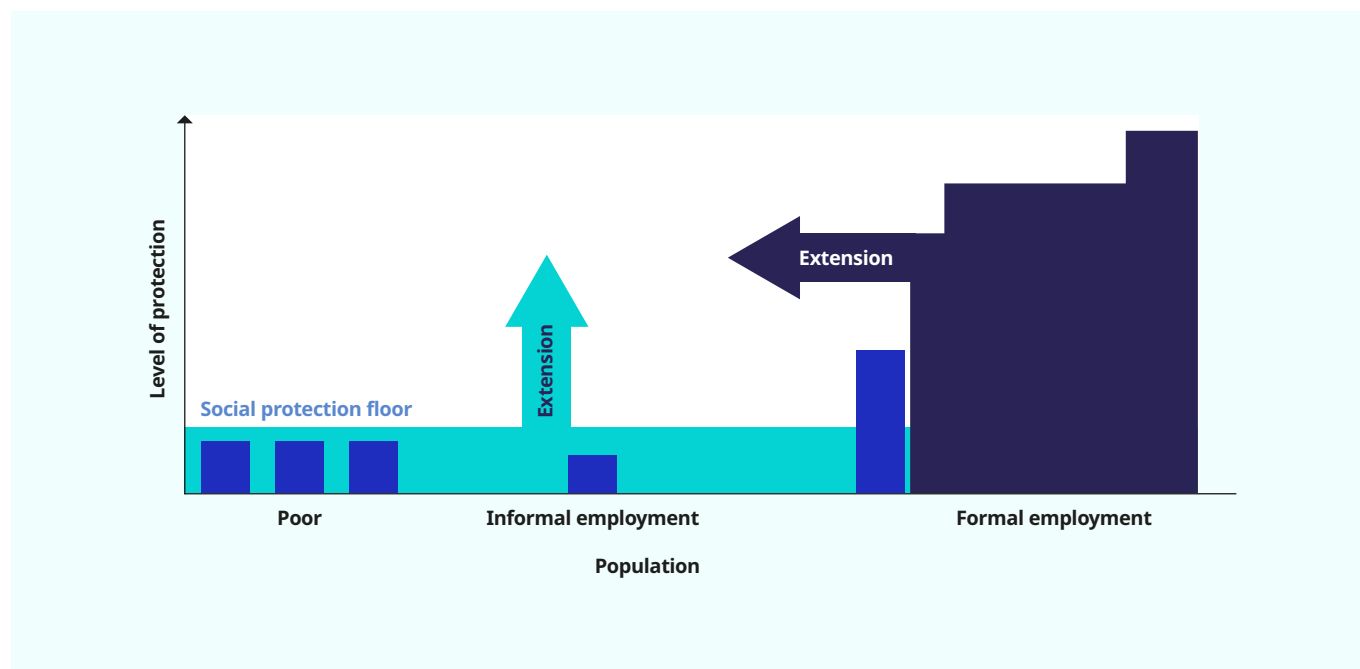
6. How can social protection be extended to informal economy workers?

The informal economy includes workers with very different characteristics in terms of income (level, regularity, seasonality), status in employment (employees, employers, own-account workers, casual workers, etc.), sector of activities (trade, agriculture, industry, etc.) and needs. Extending coverage to such a heterogeneous set of workers requires the implementation of several instruments adapted to the specific characteristics of the different groups, to the contingencies to be covered and to the national context (ILO 2013; ILO 2021b; ILO and FAO 2021).

3 Social protection floors should comprise at least the following social security guarantees, as defined at the national level: (a) access to essential healthcare, 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; (e) basic income security for older persons (Recommendation No. 202, para. 5).

4 Non-contributory schemes are usually financed through taxes or other state revenues and do not require a 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 national health services), categorical schemes for certain broad groups of the population (such as children below a certain age, or older people above a certain age) and means-tested schemes (such as social assistance schemes).

► Figure 3. Strategies for the extension of social protection coverage to workers in the informal economy



Source: ILO 2021, 17, box 1.12.

The two-dimensional social protection strategy takes into account that rights-based universal social protection coverage will require the implementation of a number of complementary instruments adapted to the specific characteristics of the different groups, namely contributory social insurance schemes, non-contributory tax-financed social assistance or universal schemes, and a combination thereof.

The expansion of contributory mechanisms to those informal economy workers who have the capacity to contribute to a social insurance scheme can facilitate their transition to the formal economy and help to achieve a better financing mix for the social protection system, through alleviating pressures on tax-financed social assistance benefits. However, to avoid the exclusion of some groups of workers, especially of low-income groups in the informal economy, contributory schemes usually need to be adapted or complemented by non-contributory schemes addressing those with limited or no capacity to pay contributions (ILO 2021b). Figure 3 shows the strategies for the extension of social protection coverage to workers in the informal economy, while box 1 summarizes the strengths and weaknesses of contributory and non-contributory schemes for such extension.

- Bringing uncovered workers under the umbrella of existing social insurance schemes or establishing new schemes (dark blue arrow in figure 3).

- Establishing a nationally defined social protection floor through non-contributory and contributory mechanisms (light blue arrow in figure 3). Such a social protection floor guarantees a basic level of social security to all, providing at a minimum effective access to healthcare and a basic level of income security.

7. What are good practice examples of the extension of social protection coverage to workers in the informal economy?

Good practice examples of the extension of social protection coverage to workers in the informal economy have focused on a combination of **contributory and non-contributory schemes**, combining social insurance with universal or categorical schemes⁵ and social assistance (ILO 2017), as called for by the ILO's two-dimensional social protection extension strategy and reiterated by tripartite constituents at the 2021 International Labour Conference. Hardly any country has ever achieved universal coverage and adequate benefit levels with either of these approaches alone (see box 1).

⁵ *Categorical social assistance schemes* provide benefits, under specific conditions, to certain population groups such as people with disabilities, the elderly or the families with children below 15 years. People who belong to such categories and fulfil the conditions can receive benefits whatever their occupational situation. The levels of benefits provided by such schemes tend to be lower in principle than those provided through social insurance or universal tax-financed schemes. Examples of such schemes include conditional cash transfers or targeted "social pension" schemes.

► **Box 1. 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"> + Social insurance can cover those with contributory capacities; however, for those with limited contributory capacity, subsidization mechanisms are necessary. - Other contributory mechanisms (provident funds, mutual funds, private insurance) offer no or limited potential for redistribution. 	<ul style="list-style-type: none"> + Universal/categorical schemes can cover the broad majority of the population, including those in the informal economy. + 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.
Adequacy	<ul style="list-style-type: none"> + Can offer a higher level of protection. + Legal frameworks usually set out benefit formulas, eligibility conditions and rules for the indexing of benefits. 	<ul style="list-style-type: none"> + Usually offer a basic level of social protection. + Legal framework may not exist or may not specify benefit levels and indexing procedures.
Financing and sustainability	<ul style="list-style-type: none"> + Financing through contributions provides a certain insulation from the political dynamics of budgetary processes. + Willingness to pay is potentially higher for social insurance compared to general taxation. 	<ul style="list-style-type: none"> + 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. - Programmes are vulnerable to annual budget decisions, which has a negative impact on financial sustainability. - Where financial resources are derived from external grants or loans, sustainability may be limited.
Governance and administration	<ul style="list-style-type: none"> + Social insurance is usually based on a strong legal framework. + Social security institutions are normally administered with the participation of representatives of protected persons and employers. 	<ul style="list-style-type: none"> + Universal/categorical schemes usually enjoy broad political support, means-tested programmes less so. - Complex targeting mechanisms may limit transparency and accountability.

Source: ILO 2021b.

Extension of social protection through contributory schemes (social insurance schemes)

In many countries, the extension of social protection coverage through contributory schemes targets specific groups of workers who are already close to the formal economy and

have some contributory capacity. In addition, many countries have adapted their social insurance schemes to the specific characteristics of workers in the informal economy, for example by facilitating administrative processes as well as taking into account seasonality in designing contribution rates and benefit packages for rural workers and producers. The following countries provide examples of this strategy:

Brazil's rural pension scheme; partnerships with cooperatives and professional associations in **Costa Rica** and the **Philippines**; the introduction of contribution categories to facilitate social insurance coverage of the self-employed in **Cabo Verde** and **Mongolia**; the establishment of a scheme for non-salaried workers in **Algeria**; measures to facilitate the inclusion of domestic workers in maternity and unemployment insurance in **South Africa**; extension of coverage to the self-employed in **Guyana** and **Morocco** (*régime des autoentrepreneurs*), which provides for mechanisms to be tested and adjusted; measures to facilitate the inclusion of self-employed workers in social insurance schemes in **Ghana**, **Kenya** and **United Republic of Tanzania**; the extension of health protection through adapted contributions in **Rwanda**; and the facilitation of microenterprise registration and tax/contribution collection through monotax mechanisms in **Argentina**, **Brazil** and **Uruguay**.

Source: ILO 2021b.

Some countries have extended their social insurance scheme not only to workers with contributory capacity, but also to vulnerable groups through subsidizing their inclusion. Ghana provides an example of this strategy:

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; other workers pay a reduced flat-rate contribution; and several other categories of the population (children, older persons, pregnant women, and indigenous population) are partially or fully exempted from payment of contributions. Besides workers' and employers' contributions, the financing strategy includes an earmarked proportion of VAT on alcohol, tobacco and luxury goods.

Source: ILO 2021b.

Extension of social protection through non-contributory schemes (tax-financed schemes)

Non-contributory mechanisms (cash transfers and health protection) 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. This approach facilitates access to health and social services, enhances income security and enables workers to take greater risks. It seeks to combine transfers to overcome the immediate and fundamental needs of those not covered by social insurance schemes with active support to strengthen their access to economic opportunities and basic social services. Thereby positive results on human capital and productivity can be generated towards the formalization of employment in the medium and long terms. The following countries provide examples of this strategy:

Cash transfer programmes for children and families in **Argentina, Brazil, Mexico** and **Mongolia**; social pensions in **Lesotho, Mauritius, Namibia, Nepal, South Africa** and **Timor-Leste**; the extension of health protection funded through a combination of progressive taxes and contributions in **Colombia, Gabon, Ghana, Mexico, Rwanda** and **Thailand**; and public employment programmes in **Ethiopia, India, Nepal** and **Uzbekistan**.

Source: ILO 2021b.

8. How can extension of coverage be financed⁶?

While contributory schemes are usually financed through social insurance contributions paid by workers and their employers, and in some countries through additional subsidization by the government, non-contributory schemes (cash transfers) are largely financed through government revenue stemming from taxation, mineral resource revenue, or reallocation of public expenditures, among others, as demonstrated by the following examples:

- Costa Rica and Thailand reallocated military expenditures for universal healthcare.
- Brazil used a financial transaction tax to expand social protection coverage.
- Bolivia is taxing hydrocarbons to finance "Renta Dignidad", a universal social pension for all older persons.
- Mongolia financed a universal child benefit from a tax on copper exports.
- Botswana and Zambia are taxing mineral extraction for social investments.
- Ghana, Liberia and Maldives have introduced taxes on tourism.
- Chile, Norway and Venezuela, among others, are using fiscal reserves to support social development.
- Ecuador and Iceland restructured their sovereign debt and are using savings from debt servicing for social programmes.

9. Mandatory or voluntary schemes?

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 (**Namibia, Viet Nam**) (ILO 2019a).

In the following examples, faced with low coverage rates of voluntary schemes, governments have made the effort to establish large-scale schemes with mandatory coverage (ILO 2021b)⁷.

⁶ For further information see also ILO 2019b.

⁷ See also ILO 2021b, Box 6.7 on Monotax mechanisms in Argentina, Brazil and Uruguay.

In the **Philippines**, three years after its implementation in 1999, the Individual Paying Programme targeting self-employed workers covered only 8.4 per cent of the target population. The Government subsequently established the mandatory PhilHealth scheme, which led to a significant extension of coverage.

In **Thailand**, the Voluntary Health Card Scheme was implemented between 1983 and 2002 and aimed to provide access to healthcare for workers in the informal economy. The programme, which targeted 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.

Rwanda has gradually extended its health insurance coverage since 2000, ensuring mandatory coverage in mutual health organizations. 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.

Algeria's national social security fund for non-wage earners (Caisse nationale de sécurité 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, and old-age pension. In 2017, it had 1.7 million affiliated members.

10. How can social protection systems be adapted to the needs of informal economy workers?⁸

Many countries all over the world have adapted mechanisms in various ways to enable social protection coverage to be extended to self-employed workers, informal economy workers and workers in non-standard forms of employment (ILO 2021a). These adaptations include the following:

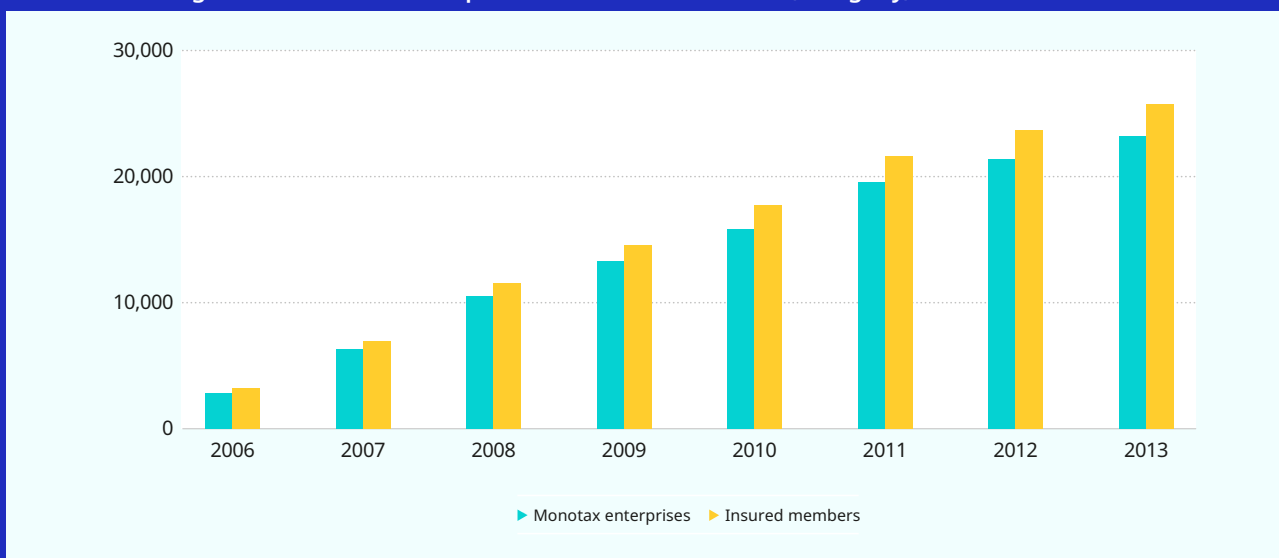
- **Extending legal coverage, taking into account the situation of different types of workers** (e.g. domestic workers in *Uruguay, South Africa*; agricultural workers in *Brazil, Ecuador*)
- **Redefining the concept of “employee” in the social security legislation** (employment relationship) (*India, Malawi*)
- **Lowering or removing minimum coverage thresholds with regard to enterprise size** (*Jordan, Republic of Korea, Thailand, Viet Nam*)
- **Adapting financing mechanisms, enhancing coordination and reducing fragmentation in social security systems:** reducing costs and streamlining registration, and offering small-scale contributors “simplified schemes” in terms of both registration and compliance with tax obligations (**e.g. monotax, rural economy**, **subsidizing low-income groups through progressive taxes** (*Uruguay*, see box 2))
- **Adapting the level, frequency, calculation and collection of contributions**, e.g. taking into account income fluctuations or seasonal revenues, and introducing specific mechanisms to determine contribution levels for employees and self-employed workers where real incomes are difficult to assess (*Brazil, Ecuador, China, Philippines*)
- **Simplifying administrative procedures, facilitating access and ensuring portability and transparency** (e.g. integrated service delivery solutions in *Mongolia, Cambodia*; expansion of physical and mobile/electronic access points in *South Africa, Mexico*, among others).
- **Ensuring adapted inspection, compliance and incentive mechanisms for compliance** (*Chile, Costa Rica, Malaysia, Saudi Arabia*)
- **Strengthening awareness-raising and information, often actively reaching out to specific categories of workers** (*Argentina, Costa Rica, Kyrgyzstan, Uruguay, Zambia*)
- **Facilitating organization of workers** (e.g. awareness raising in *Cabo Verde, Tunisia*; collective registration agreements in *Dominican Republic*)
- **Strengthening incentives for formalization** (e.g. public procurement policies in *South Africa*; SME support programme in *Costa Rica*; tax incentives for employers of domestic workers in *France* and *Belgium*)

8 For further readings, see ILO briefs on specific categories of workers or specific social protection aspects at <https://www.social-protection.org/gimi/Emodule.action?id=127>. See also further readings below, under References.

Box 2. Extending social protection and facilitating transition to the formal economy: Uruguay's Monotax

Monotax is a simplified tax and contribution collection mechanism for small contributors in Uruguay. The microentrepreneurs who select this option, as well as their workers, are automatically entitled to the benefits of the contributory social security system (except for unemployment protection). Through the monotax mechanism, a single payment covering taxes and contributions is collected by the Uruguayan Social Security Institute (BPS), which transfers the tax payments to the fiscal authority and then uses the remaining share to finance social security benefits for affiliated members and their families. The monotax mechanism has proved an effective tool to extend social security coverage to self-employed workers, especially women, and to formalize micro- and small enterprises. Argentina, Brazil and Ecuador have developed similar mechanisms.

► Number of registered monotax enterprises and insured members, Uruguay, 2006–13



Source: Based on ILO, 2014g. Link: <http://www.social-protection.org/gimi/gess/RessourceDownload.action?ressource.ressourceId=54798>.

The following countries provide examples of the increased use of mobile services and electronic means of administration and communication:

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. 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.

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 **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.

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.

Source: ILO 2021a.

11. How can awareness among workers and employers be strengthened?

Social protection coverage extension depends also on the awareness of workers and employers about their rights and obligations, and about the need to extend social protection coverage to those in the informal economy. It is of utmost importance that workers' organizations advocate for and set up awareness-raising and information campaigns. Here are some examples of awareness-raising measures based on countries' experiences:

- Employers and workers need to be informed about their rights and obligations. Information should be provided in a **simple, straightforward and accessible language** and ideally translated into all the languages spoken in the region or country, including those spoken by ethnic minorities and migrants. The example of Georgia illustrates this:

In the context of the COVID-19 crisis, the **Georgian** Trade Union Confederation (GTUC) has launched a nation-wide awareness campaign in support of 10,000 self-employed and informally employed market vendors, who were eligible for financial support as a compensation for the lockdown (ILO 2021d).

- It is important to make key information available and accessible for all and disseminated **through multiple channels**:

In the **Republic of Moldova**, a media campaign aimed at raising awareness of the pitfalls of undeclared work included a daily broadcast of video and radio clips, the placement of billboards and posters in public places and the distribution of leaflets to reach a wide range of the population.

In **Jamaica**, leaflets for raising awareness on the rights of domestic workers were distributed along popular transport routes.

In **Paraguay**, potential employers of domestic workers received information brochures attached to their electricity bill.

In **South Africa**, under the Basic Condition of Employment Act, employers are obliged to display a statement about employees' rights at the workplace, which must be written in the official language used at the workplace.

- It may be useful to **increase the number of physical access points** (physical proximity), such as social security offices or information terminals where people may seek answers to their queries or obtain more information. The following countries provide examples of this strategy:

To be closer to its members, the National Social Insurance Fund of **Madagascar** increased the number of its regional-level agencies in 2012. In some remote areas, a mobile office was established to disseminate information and raise awareness about social protection schemes and benefits.

In **Cabo Verde**, a communication campaign to target self-employed workers located in urban areas was developed, using several channels including information brochures, TV spots, radio programmes and newspaper advertisements. Later, physical proximity to rural workers was established by enhancing the presence of the social security institution in rural areas.

Since 2013, the One-Stop-Shops (OSSs) - a single delivery point that enables people to access information on existing social protection programmes and avail social services and transfers, significantly contributed to the extension of social protection coverage in **Mongolia** (ILO 2016a).

- **Building partnerships** with workers' and employers' organizations, civil society organizations and other development partners is an effective approach to disseminating information and raising awareness, particularly when countries implement new social protection laws. The following countries provide examples of this strategy:

In the **Philippines**, a sensitization campaign for the declaration of National Domestic Workers' Day, which was conducted by civil society organizations, significantly contributed to raising awareness and creating a foundation for national dialogue and political commitment at the national and local levels, ultimately leading to the implementation of the Domestic Workers Act in 2013.

In **Tunisia**, a publicity campaign conducted by the Government together with employers' and workers' organizations played an important role in the success of the reform of the social security system in 1996.

- **Providing individualized information about social security entitlements:** Many countries have recently become more active in informing their members about their contribution records and entitlements (e.g. **Jordan**, **Mexico** and **Turkey**). With better knowledge of their contribution records and entitlements, workers are **more likely to monitor their own contribution records** and insist that their employers pay contributions correctly and regularly on their behalf. Participation of members in the social security system **increases accountability and thereby enhances its effectiveness and efficiency**.
- **Raising awareness among employers** is essential for any strategy to extend social security. Employers should know why social protection is important for their workers and their enterprises, and how they can register their employees and pay contributions on their behalf. Integrating knowledge on social security programmes and benefits into relevant training programmes targeting specific types of businesses or economic units may be particularly effective for SMEs, own-account workers and agricultural workers, whose interests may not be reflected in general information campaigns. For example, in **Zambia**, an information campaign specifically targeted micro- and small enterprises in the construction sector.
- **Educating society:** Social protection education can help societies create a favourable culture and environment in which to extend social security coverage. In order to raise awareness for social security rights and responsibilities, some countries, such as **Argentina**, **Belize**, **Ghana**

and **Peru**, have integrated education programmes into general education curriculums and vocational training. The most comprehensive social security education programme exists in **Uruguay**, where 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. In **Tajikistan**, the Government aims to raise the public's awareness about the consequences and risks of informal employment through a mobile theatre that travels across the country and calls on workers to join trade unions. After every performance, leaflets with information on national legislation and the advantages of formal employment are distributed (ILO 2021b).

12. How can workers support the extension of coverage?

Workers' organizations must regard the COVID-19 crisis as a wake-up call for doing their utmost to ensure that the social protection achievements made during the crisis serve as a stepping-stone for a recovery with social protection for all. The clock is ticking for a new social contract.

In this sense, the recurrent discussion on social protection at the 2021 International Labour Conference could not have been timelier (ILO 2021e). On that occasion, ILO constituents called upon Member States to commit with strong political will and tripartite social dialogue to progressively, and as soon as possible, build and maintain universal, comprehensive, sustainable and adequate social protection systems. It also recognized the important role of social dialogue in shaping national social protection policies for an inclusive and human-centred COVID-19 recovery towards universal social protection, in line with the priorities set out in the ILO Centenary Declaration and the 2030 Agenda for Sustainable Development (SDGs 1.3, 3.8, 5.4, 8.5 and 10.4⁹).

Contributory and non-contributory schemes are complementing each other, and workers' organizations have a vital role in setting the terms of national debates to orient them around life-cycle benefits within the ILO's two-dimensional strategy. Integrating this perspective into national policy frameworks requires a high-level strategic vision, and it is vital that workers' organizations fight for the space for social dialogue to generate consensus for the transformative changes necessary to "build forward better".

In light of this and the solutions presented above, workers' organizations' agenda for resilience and empowerment in the context of COVID-19 crisis and recovery should aim at the following:

⁹ SDG target 5.4 refers to the need to recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate; SDG target 8.5 sets the objective of achieving by 2030 full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value; and SDG target 10.4 stresses the need to adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.

- Social protection extensions must be based on **national social dialogue**. Social dialogue and consultations with social partners are particularly important for devising coordinated policy responses, including policy responses to the COVID-19 pandemic. Workers' organizations should therefore work towards the **creation of a political will among decision-makers**, as this represents a prerequisite to establishing an enabling environment for constructive social dialogue.
- Workers' organizations should play a key role in **strengthening social dialogue mechanisms and institutions**, to ensure that the necessary infrastructure is provided so that these mechanisms and institutions can operate better during periods of crisis and beyond.
- **Workers in the informal economy have often been excluded from or under-represented in social dialogue institutions and processes. Workers' organizations have to increase their representative capacity** through the development and implementation of innovative strategies and services to attract, retain and represent all workers, regardless of their vulnerability in the labour market and their employment relationships, including informal economy workers. **The COVID-19 pandemic is an opportunity to strengthen partnerships with workers in the informal economy and their representative organizations**. It is also an opportunity to strengthen women's participation so that their specific constraints in the informal economy are included in the measures.
- Workers' organizations should **identify who are the informal economy workers, and which of them have at least some contributory capacity** to be progressively included in the national social security system.
- **As the prolonged COVID-19 crisis continues, as countries emerge from it and as pressures increase to reduce spending and put in place austerity measures**, it will be crucial for workers' representatives to be actively engaged and consulted to ensure that they can effectively shape any potential reform measures to safeguard social outcomes.
- **Strengthening the capacity of workers' organizations** is essential to ensure that effective social dialogue can take place and contribute to building coordinated policy responses to address the current crisis and recovery. **Sound technical knowledge among workers' representatives** contributes also to the formulation of national social protection policies and legal frameworks and their implementation in line with Convention No. 102, Recommendation No. 202 and Recommendation No. 204. Informed policy design improves implementation effectiveness and contributes to ownership of the measures adopted as well as trust amongst tripartite actors and workers in general.
- Workers' organizations have an important role to play in **promoting the ratification, implementation and monitoring of the Social Security (Minimum Standards) Convention, 1952 (No. 102)**, e.g. through initiating ratification campaigns as well as the application of the Social Protection Floors Recommendation, 2012 (No. 202).
- Workers' organizations should also **use the ILO's assessment tool/matrix to raise awareness** on the main policy and implementation issues regarding their national social protection systems.
- Workers' organizations play a key role in **disseminating information to workers and employers and raising their awareness about their social protection rights and obligations**.
- **Workers' representatives on tripartite boards of directors of social security institutions should fight for good governance of the social protection system**. Board members are "trustees" for social security schemes and have to exercise a reasonable standard of care on behalf of all the beneficiaries of that entity, including acting in accordance with the rules of the scheme and within the framework of the law, as well as acting prudently, conscientiously, and with good faith and in the best interests of the scheme's constituents and striking a fair balance among the different categories. Representatives of workers' organizations represent the interests of workers as a whole, not just those in their own federation. At the same time, a board member needs to be balanced and fair in his/her approach, because the member is on a board that is looking after the whole social security scheme, not just the part that most affects his or her own organization (ILO 2010). The extension of coverage should be regarded as a policy option in the interest of the workers. Workers' representatives on tripartite boards of directors should also address the concerns about the sustainability of the fund through, for instance, the government subsidizing the contributions of workers with low contributory capacities.
- Further, it is important that workers' representatives **engage with the UN processes on sustainable development**, which offer workers' organizations and other ILO constituents in general the space and impetus necessary to participate in democratic and transparent multilateral decision-making (see UN 2021a and 2021b). They also offer them the opportunity to demand enhanced policy coherence, improved enforcement and better accountability. Workers' organizations can demonstrate the important role of social dialogue and social partnership for national development.

- Finally, workers' organizations must engage and actively **contribute to the Global Accelerator for Jobs and Social Protection and to the current debate on a new international financing mechanism**, such as a Global Social Protection Fund, giving voice to workers' needs and making sure that the commitments made at international level are **transformed into concrete policy and financial commitments at country level leading to tangible progress towards achieving the 2030 Agenda, based on strong**

social dialogue. This includes actively participating in the coordination mechanisms among line ministries at the national level, alongside with employers' organizations and civil society. This also implies building and sharing concrete proposals for more and better investments to achieve universal social protection and advising on integrated policy approaches to overcome the crisis, accelerate recovery, tackle informality, and facilitate the green, care and digital transformations of the economy and society.

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