

► Social protection extension strategies to workers in the informal economy

Workshop on the extension of social protection to informal workers
Kigali, 5 December 2023



▶ Let's get warmed up!

1. Getting to know each other – Icebreaking
2. Your expectations for this course
3. Agenda and objectives



Outline

- 1. Challenges and opportunities in extending social security to workers in the informal economy**
 - ▶ Informal employment and social protection coverage gaps
 - ▶ Challenges and barriers to the extension of coverage
- 2. Addressing barriers to coverage and developing adapted solutions**
 - ▶ Identifying and addressing different types of barriers
 - ▶ Zooming in on specific types of workers (group work)
- 3. Strategies for protecting workers in all types of employment**
 - ▶ Building comprehensive and rights-based universal social protection systems
 - ▶ Contribution of the extension of social security to broader formalization strategies
- 4. Putting learnings into practice**
 - ▶ Developing adapted solutions to remove barriers to coverage - Peer consulting exercise

Extending social security to workers in the informal economy

ILO Policy Resource Package: electronic platform

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

Advancing social justice, promoting decent work



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tools

EXTENDING SOCIAL SECURITY TO WORKERS IN THE INFORMAL ECONOMY

Lessons from international experience

► Objectives►

This ILO policy resource package “Extending social security to workers in the informal economy: Lessons from international experience” (click here to access the French version) serves as a reference for policy makers, workers’ and employers’ organizations and other stakeholders engaged in the development of social protection strategies, or the planning, design, implementation and monitoring of systems and schemes. This practical tool can help in developing viable policy options to address the multi-fold challenges of extending social protection to workers in the informal economy and facilitating transitions to formality. It includes the following elements:

- Good practices guidebook (english) and (russian).
- Issue briefs on lessons learnt for specific categories of workers and topics
- Training materials

This policy resource package is intended to be a living toolkit. 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.

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Language: Français



For most workers in the informal economy, the lack of social protection is not only a challenge in their daily struggles to make ends meet, but it also holds them back in their aspirations for 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 term “informal economy” refers to all economic activities by workers and economic units that are – in law or in practice – not covered

COURSE MAP

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

- POLICY RESOURCE PACKAGE
Extending social security to workers in the informal economy
- GOOD PRACTICES GUIDE
Extending social security to workers in the informal economy: Lessons from international experience
- Chapter 1
Introduction: Challenges and opportunities in extending social security to workers in the informal economy
- Chapter 2
Formulating strategies for the extension of coverage
- Chapter 3
Raising awareness, ensuring good governance and building trust
- Chapter 4
Extending legal coverage: Bringing previously uncovered workers under social security legislation
- Chapter 5
Facilitating access and simplifying administrative procedures
- Chapter 6
Facilitating contribution collection and financing mechanisms
- Chapter 7
Compliance and incentives: Adapting inspection mechanisms and strengthening incentives for formalization
- Chapter 8
Lessons learnt and way forward
- ISSUE BRIEFS
Specific challenges and good practices for selected sectors and categories of workers
- Self-employed workers
Extending social security to self-employed workers
- Domestic workers
Extending social security to domestic workers
- Workers in MSEs
Extending social security to workers in micro- and small enterprises
- Agricultural workers
Extending social security to agricultural workers
- Construction workers
Extending social security to construction workers
- Cultural and creative sectors
Extending social security to workers in the cultural and creative sectors

Session 1

Challenges and opportunities in extending social security to workers in the informal economy



Underinvestment in social protection constitutes not only a social challenge, but also an economic challenge

Positive economic impacts of investments in social protection:

Micro level individuals and households

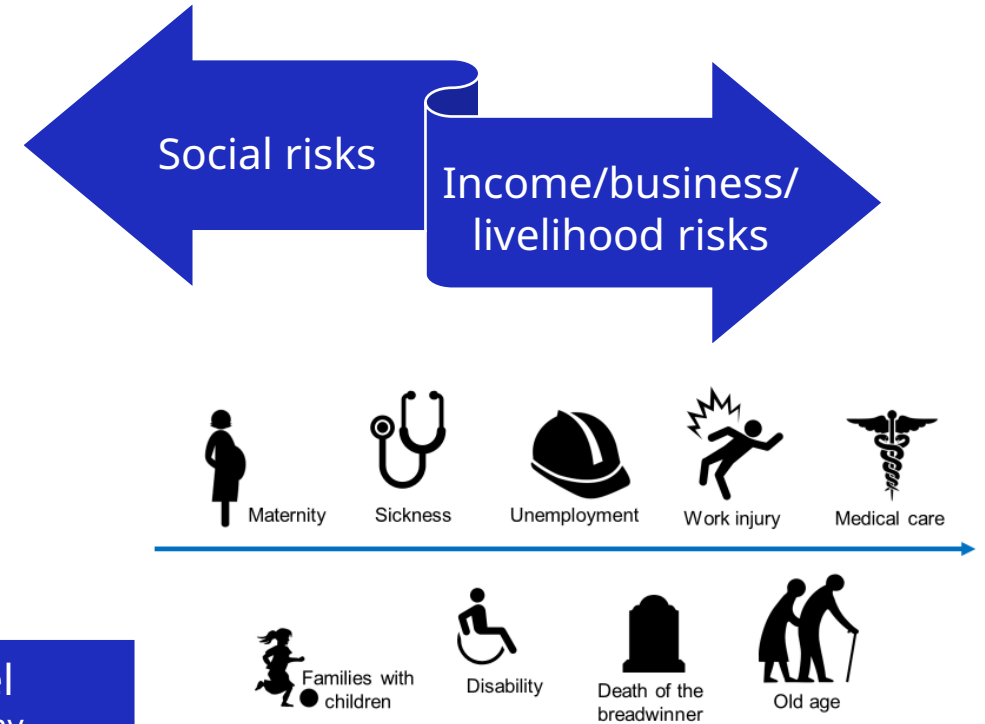
- Building and protecting human capabilities
- Empowering poor individuals to invest or to adopt higher return strategies
- Enhancing productivity and employability

Meso level local economy

- Enhancing community assets and infrastructure
- Positive spillovers from beneficiaries to non-beneficiaries

Macro level overall economy

- Stabilizing aggregate demand
- Facilitating structural change
- Rendering growth-enhancing reforms more politically feasible
- Enhancing social cohesion



Only 46.9% of the global population are protected in at least one area - 4.1 billion people are excluded (SDG indicator 1.3.1, see World Social Protection Report 2020-22)

What is the informal economy?

Questions for discussion:

1. What is the informal economy? Is it the same as the informal sector? What is the difference with informal employment?
2. How does your country define informality? What are the criteria used?



► Informal sector? Informal employment?



Informal sector:

“unincorporated economic units (not constituted as separate legal entities independently of their owners) engaged in the production of goods or services to generate employment and revenues”



Informal employment:

“an employment relationship that is, in law or in practice, not covered by national labour legislation, income taxation, social protection or entitlement to certain employment benefits”

**Informal
economy**

Source: Resolution concerning statistics of employment in the informal sector adopted by the Fifteenth International Conference of Labour Statisticians (January 1993).

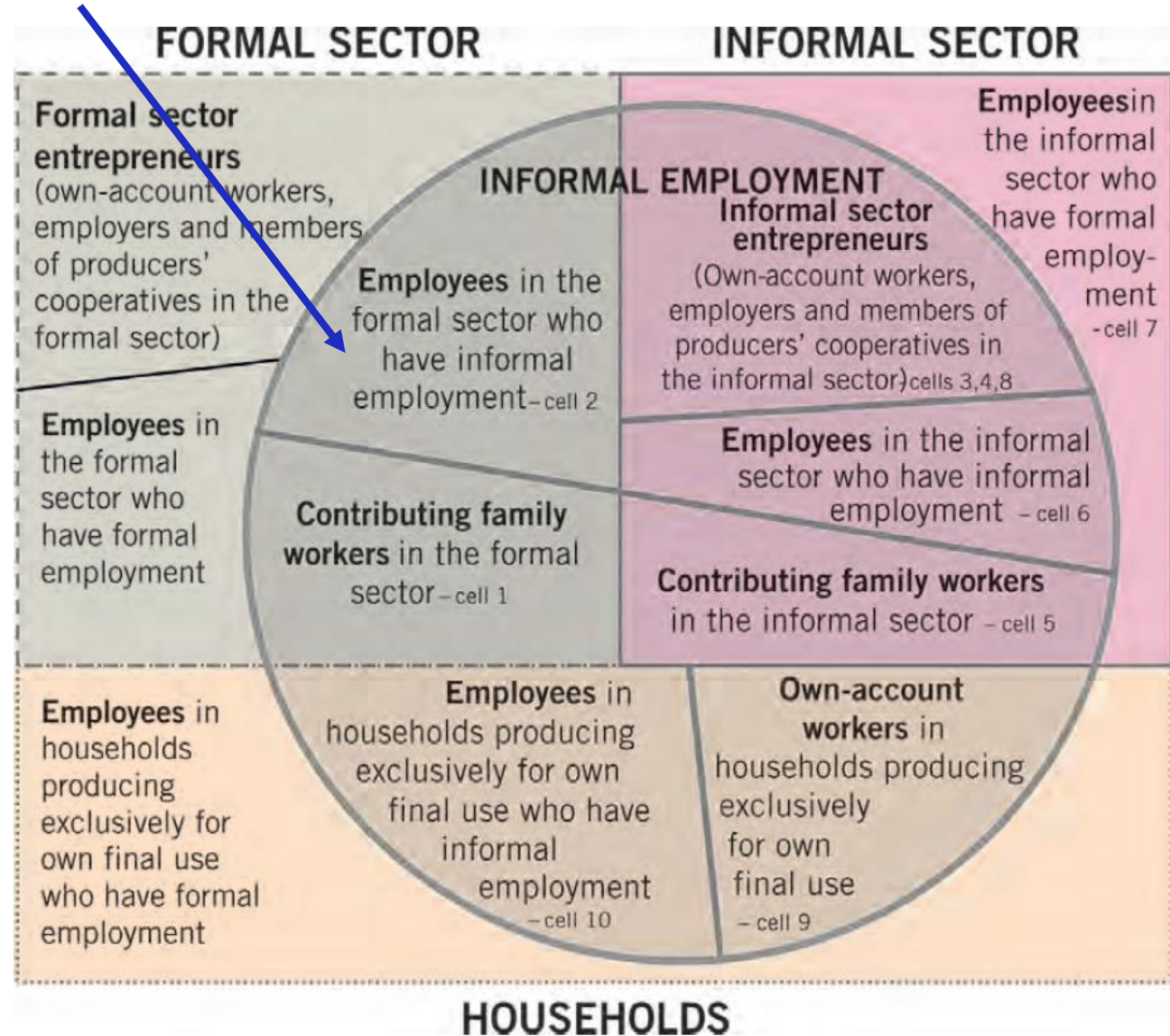
Informal employment also exists in the formal sector...

Informal economy? Informal sector?

Definition of the informal economy:

“all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements”

International Labour Conference (Resolution concerning decent work and the informal economy, 2002,) also reflected in Recommendation on Transitions from the Informal to the Formal Economy, 2015 (No. 204).



Self-employed? Employee? Own-account worker?

The remuneration is not directly dependent upon the revenue of the unit

Employed
population

Employee

Self-employed

The remuneration is directly dependent upon the profits derived from the enterprise

Employer

Own-account
worker

Contributing
family worker

Producers in
cooperatives

Employers and own-account workers are considered to be informal when their economic units belong to the informal sector

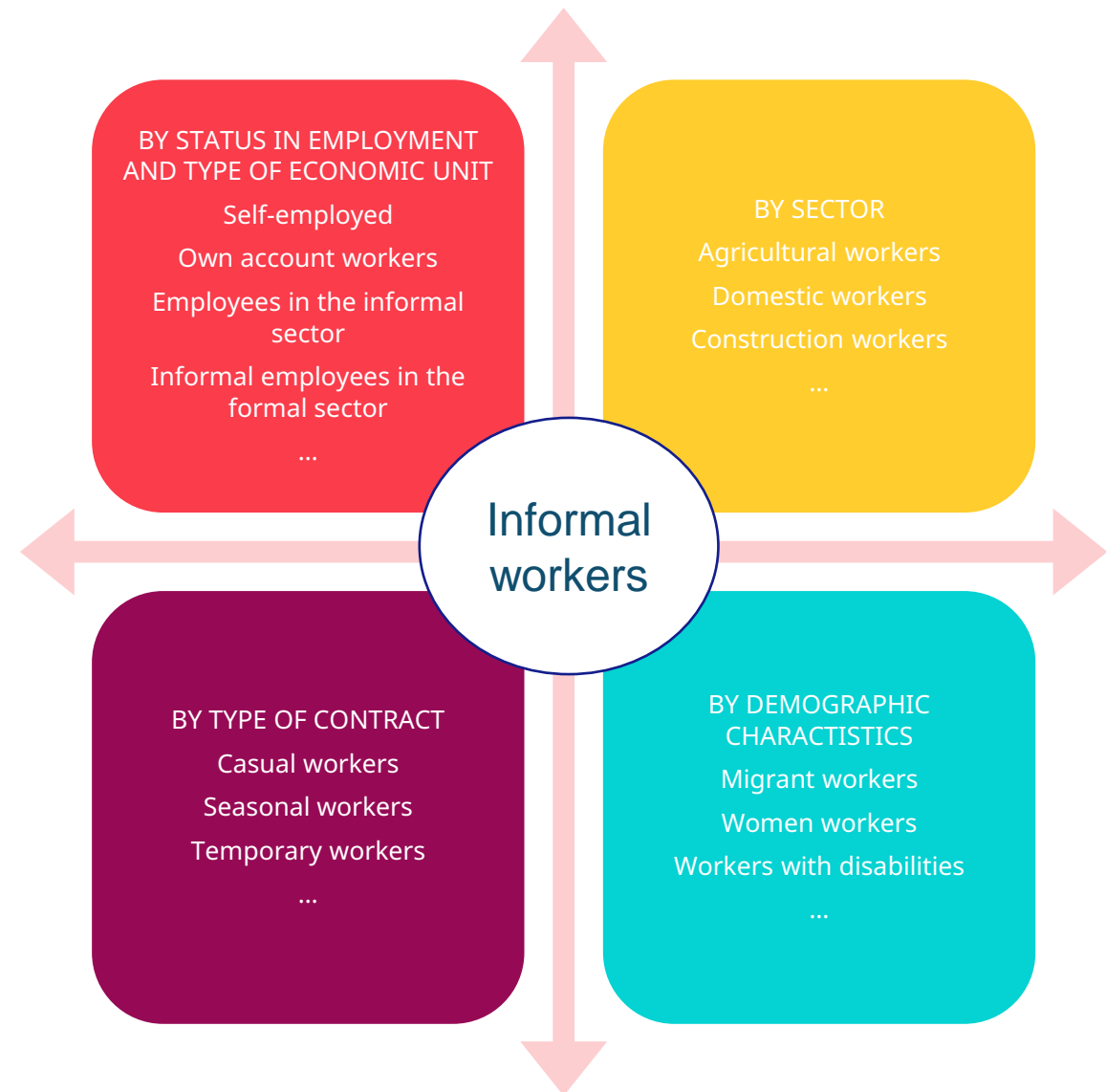
Always informal

TO BE CHECKED

Workers in the informal economy. Who are they?

Common decent work deficits

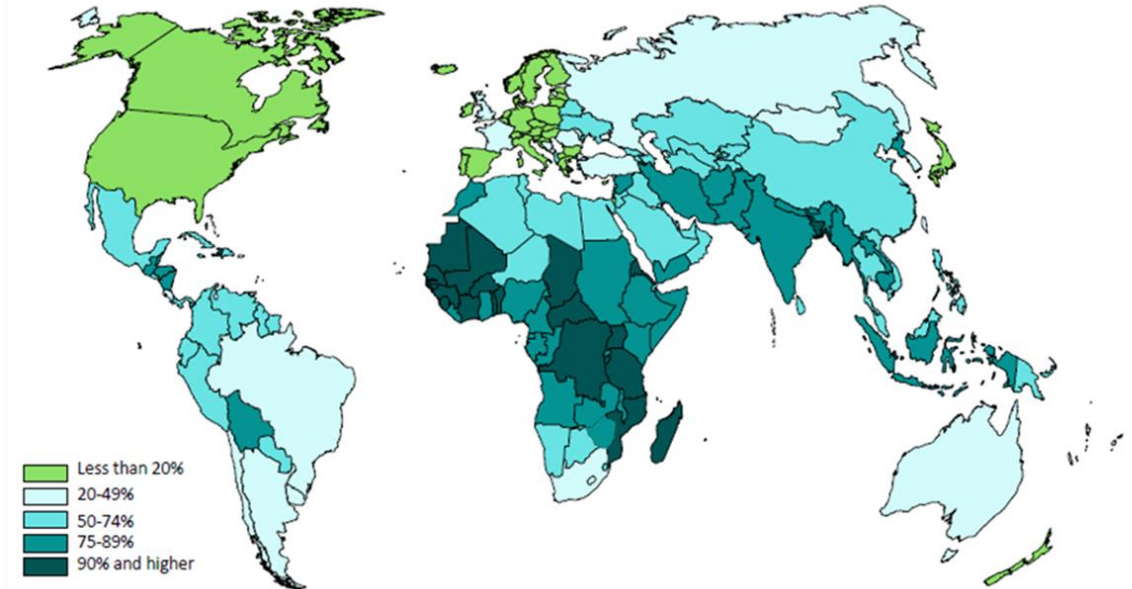
- ▶ Low and irregular revenues
- ▶ Low productivity and low level of educations and skills (but not always!)
- ▶ Usually longer or shorter working hours (underemployment)
- ▶ No employment protection and social security
- ▶ Poor, hazardous working conditions
- ▶ Lack of organization & representation
- ▶ In most countries, the majority are women (but not always!)



Informal employment and its multiple drivers

- ▶ Inability of the economy to create enough formal jobs
- ▶ Low productivity
- ▶ Inadequate or absent regulatory framework
- ▶ Weak enforcement systems
- ▶ Lack of transparency and accountability of public institutions
- ▶ Lack of worker voice and representation
- ▶ Lack of social protection
(cause and consequence of informality)

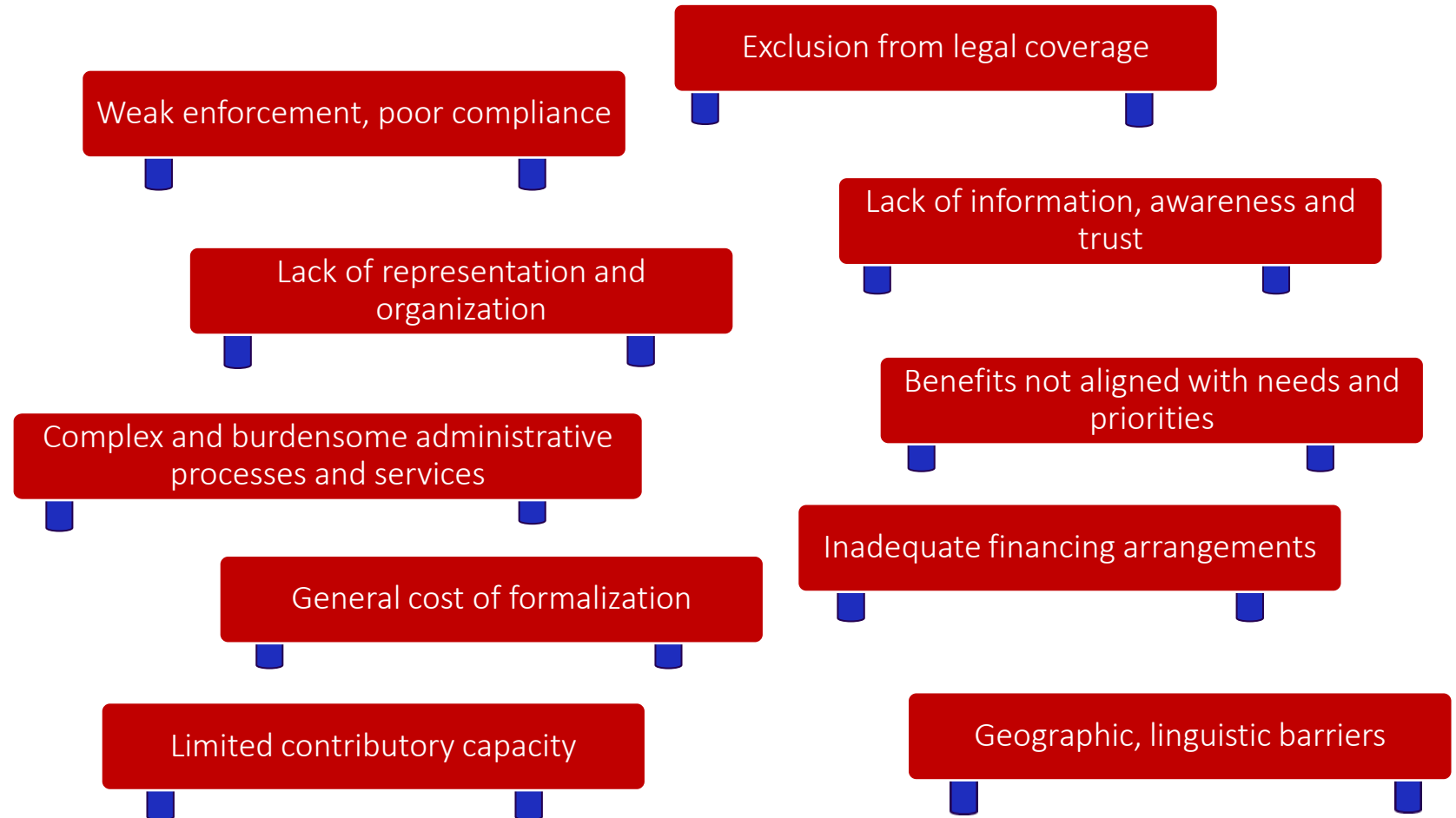
Over **60%** of the world's workforce operates in the informal economy.



Share of informal employment in total employment (percentages, 2019)

Source: ILO, 2023. Women and men in the informal economy: a statistical update. Geneva.
https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_869188.pdf

Barriers to accessing or extending social protection coverage



Legal barriers



Financial barriers



Administrative barriers



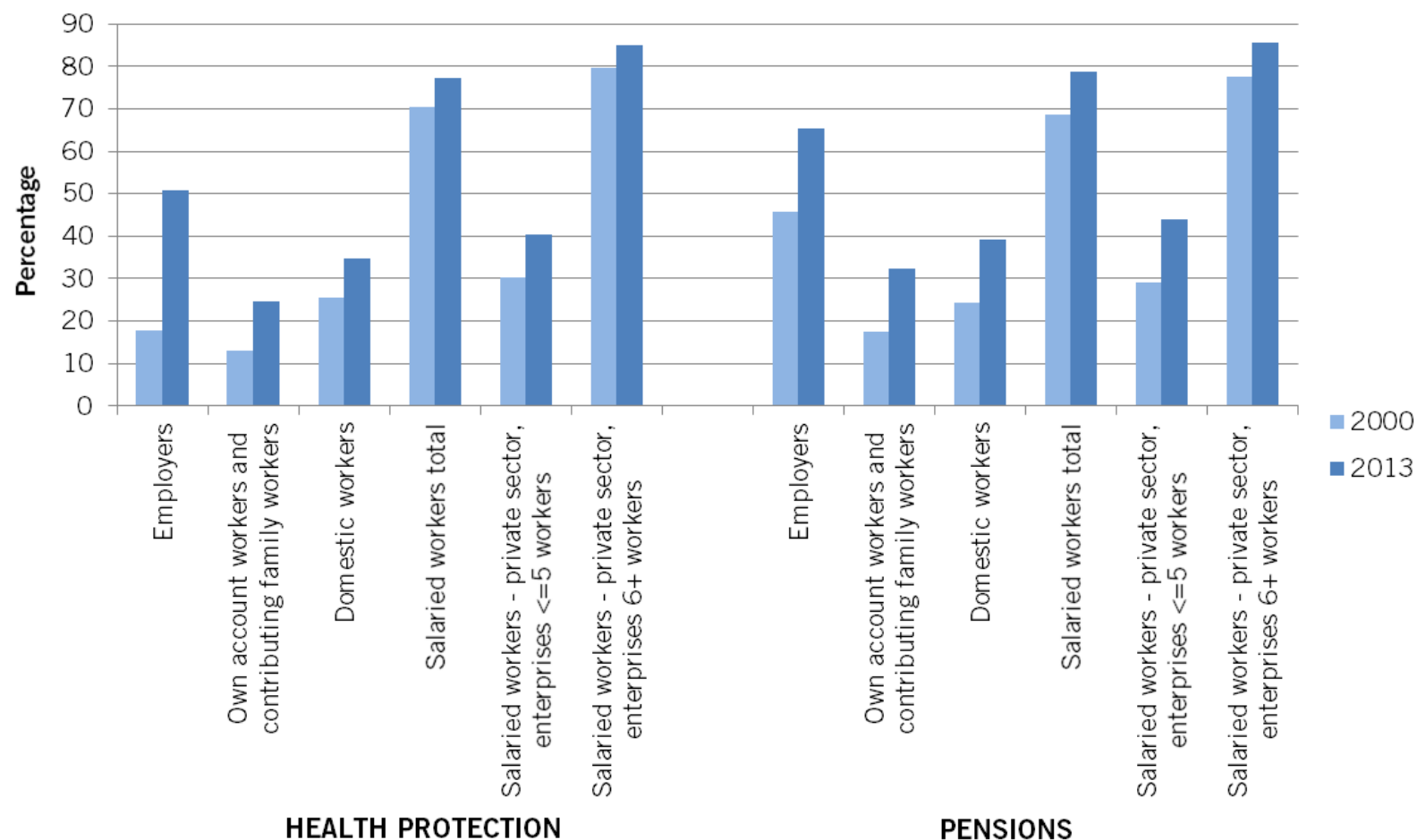
Enforcement gaps



Lack of information/awareness

Extending social security coverage is possible!

Health and pension coverage by status in employment in Latin America



Source: Based on ILO 2015: Panorama Laboral.

ILO promotes a transformative approach to the extension of coverage

«Informal workers»

Extension without a clear policy vision

Workers (recognizing heterogeneity)

Differentiated and adapted approach

- ▶ Wage workers
 - ▶ Sector of employment
 - ▶ Occupation
 - ▶ Size of enterprise
- ▶ Self-employed workers
 - ▶ Employers
 - ▶ Own-account workers
 - ▶ Contributing family members

Need to open the black box of «informal workers» to find adapted, sustainable and equitable policy solutions

Extension of social security coverage with a clear focus on facilitating transitions from the informal to the formal economy

Transformative approach:
Extending social security to informal workers eventually renders them formal (by definition)!
Thus, extension strategies focus on specific categories of workers who are already close to the formal economy to facilitate their transition to the formal economy.

to voluntary
savings
mechanisms

Transformative approach

More decent work, higher productivity, strengthened human capabilities, more sustainable and equitable social protection systems