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EXTENSION OF SOCIAL SECURITY

TO WORKERS IN INFORMAL EMPLOYMENT

IN THE ASEAN REGION

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Programme



Extension of social security to workers in informal employment in the ASEAN region

Quynh Anh Nguyen and Nuno Meira Simoes da Cunha



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Extension of social security to workers in informal employment in the ASEAN region

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Foreword

Despite considerable progress in expanding social protection in recent years, available data show that nearly two-thirds of the Asia and Pacific population live without any social protection coverage. For most Member States of the Association of Southeast Asian Nations (ASEAN), the extension of social protection will depend on how well they can reach some 250 million workers in informal employment – or nearly 80 per cent of the region’s workforce.

Yet, there is no single solution capable of achieving such coverage. Extension strategies must address diverse challenges, including legal, administrative and financial barriers. The International Labour Organization’s (ILO) “Extension of Social Security to Workers in Informal Employment in the ASEAN Region” is the first comprehensive study analysing social protection coverage for informal workers. Through it, we sought to compile a range of solutions for reaching different categories of workers in the informal economy.

This report covers a panoply of core questions relevant to governments: How many workers make a living in informal employment per country and sector? What types of employment arrangement do they have? What challenges do they face to participate in social protection schemes? How can governments make social protection systems more inclusive? What roles should workers, employers, governments and social security institutions have to realize the extension?

In this time of persistent inequalities and major transformations, with profound impacts on the nature and future of work, ILO member States adopted the Centenary Declaration for the Future of Work. It is a call for a human-centred approach to work conditions – an approach that puts workers’ rights and the needs, aspirations and rights of all people at the heart of economic, social and environmental policies.

Social protection is a pivotal element of this human-centred approach. It is also instrumental to achieve the overall objective of the 2030 Agenda for Sustainable Development: “a world where no one is left behind”.

The ASEAN Member States also adopted the Declaration on Strengthening Social Protection in 2013, the Declaration on Transition From Informal Employment To Formal Employment Towards Decent Work Promotion in ASEAN in 2016 and the ASEAN Labour Ministers’ Statement on the Future of Work in 2019. These instruments make the extension of social protection, particularly to workers in informal employment and in new forms of employment, one of the most important political agendas in the region.

Driven by the ILO agenda to achieve decent work as well as the ASEAN political commitments, this study can support the development of impactful strategies towards universal social protection coverage. The study was conducted by the ILO in collaboration with the Ministry of Labour of Thailand, the ASEAN Secretariat and the ASEAN Senior Labour Officials with data and information from workers, employers and government officers.

I hope this report becomes an evidence-based resource for social protection-related discussions among the ASEAN Member States and encourages policy-makers to strengthen their pursuit of social protection for all people in the ASEAN region.

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Executive summary

Social protection, or social security, is a human right and an economic and social necessity. Despite the central role of social protection in achieving sustainable development and promoting inclusive and equitable growth, it is not yet a reality for the majority of the population among the ten countries of the Association of Southeast Asian Nations (ASEAN). Some 244 million workers, representing 78 per cent of the ASEAN region's population, are in informal employment, facing serious decent work deficits, including no or limited social protection coverage. The lack of a basic level of income security and essential health care, at the least, keeps many of these workers trapped in a vicious cycle of poverty and vulnerability. This not only affects their welfare and denies them the right to social security but it also constitutes enormous challenges for national economic and social development.

In recent decades, the ASEAN community strengthened its commitment towards ensuring social protection for all people, with the most prominent framework being the ASEAN Declaration on Strengthening Social Protection that was adopted in 2013. The Declaration underlines the importance of implementing social protection systems for all as a basic human right and reaffirms the global commitment towards the extension of social security as specified in the Social Protection Floors Recommendation (No. 202), adopted in 2012 by the governments and employers' and workers' organizations of the 187 member States of the International Labour Organization (ILO), including all ten ASEAN Member States.

This study outlines recent trends in informal employment along with the challenges and opportunities for the extension of social security at the regional and national levels. It also highlights the gaps and needs of specific groups of workers that are more likely to be excluded from social protection coverage, including own-account workers, wage employees in micro, small and medium-sized enterprises; agricultural workers; migrant workers; domestic workers; home workers; workers in temporary, part-time and on-call work; and workers in digital platforms. Structured around a proposed typology of strategies, the study documents relevant country experiences and lessons from those experiences. Based on those insights, including on the main challenges to extending coverage, the study draws conclusions and recommendations to further nurture regional and national policy debates on the extension of social protection coverage.

Highlights

An estimated 244 million workers are in informal employment in the ASEAN region, with large disparities between developed and developing countries.

Nearly 79 per cent of all workers in the ASEAN region are in informal employment, exceeding the world average. The levels of informal employment differ significantly across countries. Informal employment is found mostly in informal economic units (the informal sector), which indicates a strong association between lack of social protection and the informalization of economic units. Thus, expanding social security coverage will require both social security extension strategies and the formalization of informal businesses. There is also a share of informal employment in the formal and household sectors, which concerns mostly employees and contributing family workers who are not entitled to social security or other employment-related benefits, despite the formally recognized nature of their workplace.

An estimated 81.8 per cent of all own-account workers operated informally in 2017, equivalent to 93 million workers. There were 51 million contributing family workers, all of whom were considered as having informal status by definition. Employees, however, are less exposed to informality than own-account workers and contributing family workers, even though they make up the largest group among workers in informal employment (at 94 million workers). Women often find themselves in more vulnerable situations, for example, as contributing family, domestic and migrant workers.

Among the three economic sectors, agriculture employs the majority of workers in informal employment, at 44 per cent, followed by the services sector, at 37 per cent, and then the industry sector, at 19 per cent. “New” forms of work that have emerged in the wake of automation and digitalization can offer advantages for workers and employers but, in many instances, may also be associated with a lack of protection, which can potentially exacerbate the challenge of informality in the region.

Despite considerable progress in the extension of social protection in recent years, many people in the ASEAN region essentially remain unprotected.

Despite the unevenness across countries, the expansion of coverage has significantly progressed in recent decades. Nonetheless, effective coverage and adequate protection in most of the countries remain limited. Only a minority of the ASEAN population is effectively covered by a comprehensive social protection system. Public expenditure on social protection is low in many ASEAN Member States, considerably below the average level in the Asia-Pacific region. Country differences become more evident when analysed in more detail.

The challenges to extend social protection are manifold and diverse and vary across countries and types of workers.

The challenges to extending coverage in the ASEAN region include (i) legal barriers; (ii) weak enforcement of laws and regulations; (iii) lack of policy coherence and integration among social protection policies and between social protection and other policy areas; (iv) burdensome and lengthy administrative procedures and processes; (v) limited contributory capacity; (vi) weak governance structures; (vii) limited institutional capacities and supply-side constraints; (viii) lack of incentives or a weak perception of value for money; (ix) limited public awareness and information of social protection; (x) lack of organization and representation as well as (xi) knowledge gaps about workers in informal employment.

Challenges to the extension of coverage vary across types of workers. Depending on their characteristics, such as their employment arrangement and sector, certain workers are found to have a greater likelihood of working in informal employment. These include own-account workers, wage employees in micro, small and medium-sized enterprises and workers in temporary, part-time and on-call work, agricultural workers, migrant workers, domestic workers, home workers and workers in digital platforms.

Many challenges related to the extension of coverage go beyond the scope of social security policies and administration.

The challenges related to formalization and extension of coverage often go beyond the scope of what can be achieved through social protection policies, and solutions often exceed the mandate of the social security administration. In many ASEAN Member States, social protection policies and strategies are not well coordinated or integrated with other policy areas, such as business registration, labour legislation and tax policies. The lack of coordinated policy efforts can impede the extension of coverage through an integrated, holistic framework to facilitate the transition to formalization.

There is no one-size-fits-all solution for the extension of coverage. In many cases, a combination of approaches and measures is more effective in extending social protection in an effective and equitable manner.

Many countries in the ASEAN region and beyond have put in place a range of approaches and measures to extend coverage, adapted to their national context. This study documents country experiences in extending social protection, organizing them according to a proposed typology of interventions and measures.

1. Expansion and adaptation of existing schemes

A range of strategies implemented relied on the adaptation and expansion of existing schemes, mostly to facilitate the inclusion of previously uncovered groups of workers into employment-based schemes (typically social insurance schemes and other contributory schemes). These strategies typically targeted, but were not limited to, categories of workers closer to the formal economy and have some contributory capacity and therefore were relatively easier to be covered by contributory social protection mechanisms.

Measures include:

- reducing the legal barriers that uncovered groups of workers face, including the extension of legal coverage;
- providing government subsidies for social insurance contributions or financing benefits of low-income or other vulnerable workers;
- simplifying and facilitating access to registration and contribution payment processes;
- establishing innovative delivery models and harnessing the potential of digital technologies and partnerships with workers' and employers' representatives and civil society;
- strengthening enforcement and incentives to encourage compliance; and
- increasing the attractiveness of schemes by better responding to the needs of workers and employers in the informal economy.

2. Creation of separate schemes

Another strategy for the extension of coverage concerns the establishment of separate (new) schemes that directly or indirectly lead to the extension of coverage to workers in the informal economy. These include:

- contributory schemes that target hard-to-cover groups, such as self-employed workers or rural populations;
- sector and occupation-specific schemes; and
- non-contributory, tax-financed schemes, including means-tested schemes, insurance-tested schemes and universal schemes.¹

3. Enhancing governance and strengthening awareness and access to information

An important part of the strategies to extend coverage are measures that enhance the governance of social protection schemes, improve the quality of services, create better value for money through client-oriented procedures and raise awareness among workers and employers to thus ensure accountability and transparency of the scheme and build public trust.

4. Interventions outside the scope of social security

A number of countries have launched comprehensive efforts in other policy areas, such as business formalization, labour legislation and tax policies, which contributed to the extension of social protection coverage.

Integrated and comprehensive social protection systems, based on risk-pooling and social solidarity, are important to achieve a people-centred ASEAN community.

A comprehensive, government-led approach to extend social protection is preferred to piecemeal, decentralized approaches. A national social protection system, comprising a combination of contributory and non-contributory social protection mechanisms, allows for broader risk-pooling and increases the scope for redistribution and solidarity among members. Within this comprehensive approach, it is important to account for the different situations of workers and employers and, where needed, introduce tailor-made measures to adapt schemes to their specific requirements. Special attention should be given to vulnerable groups, such as women, persons with disabilities, older persons, migrant workers, rural workers, indigenous people and persons living with HIV/AIDS, when designing and implementing extension strategies.

Overall, experiences from countries reinforce that successful extension strategies are based on the recognition that the provision of social protection is primarily a government responsibility, for which adequate resources should be ensured. Strong social dialogue, the active involvement of employers' and workers' organizations and a good governance of the scheme are also integral elements across all strategies.

Extension strategies should be part of a comprehensive, holistic policy framework towards formalization.

The extension of social protection coverage is an integral element to address decent work deficits in the informal economy and therefore an important element of broader strategies to facilitate the transition from the informal to the formal economy. Again, experiences from many countries suggest that isolated policy measures are less likely to succeed because the barriers to formalization are manifold. The extension of social protection requires a re-thinking of policy formulation and implementation "in silos" to a more comprehensive and holistic approach. Integrated formalization strategies that address a broad range of barriers to formalization in several policy areas, such as labour legislation, business formalization and tax policies, have been more adept at facilitating the transition to formality and the extension of coverage.

Recommendations

To realize a socially responsible and people-centred ASEAN community that is in line with the ASEAN Declaration on Strengthening Social Protection, Member States need to reinforce their efforts in developing and implementing social protection systems, including a social protection floor, as well as facilitating the transition from the formal to the informal economy. The recommendations presented in the report are also in line with the international standards on social security, in particular, the ILO Social Security (Minimum Standards) Convention, 1952 (No.102), the Social Protection Floors Recommendation, 2012 (No. 202) and the ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204).

Follow a comprehensive and integrated approach to tackle the diverse impediments to extending coverage: ASEAN Member States should step up their efforts to formulate and implement a national, government-led extension strategy, and integrate social protection policies and measures into a comprehensive, holistic policy framework that is capable of facilitating the transition towards formalization, based on effective social dialogue.

Combine the extension of contributory coverage with the establishment of a national social protection floor: Member States are called upon to continue their efforts in strengthening tax-financed mechanisms so as to guarantee a social protection floor for all.

Ensure adequate resources for the extension of coverage, based on equitable and sustainable financing sources, including contributions and taxes: Many of the successful strategies in the region and beyond demonstrate that the extension of coverage necessarily involves additional public expenditure. Countries should therefore increase social protection expenditure and explore new sources of fiscal space, including the combination of different financing sources, such as contributions and taxes.

Enhance coordination and integration across and beyond social protection programmes: There is a need for increased coordination and integration at both the policy and operational levels. Different dimensions can be targeted when it comes to coordination: coordination among different social protection schemes; a combination of different sources of revenue; and administrative and operational frameworks.

Broaden the level and scope of protection: Although some ASEAN Member States have continuously sought to increase the level and scope of protection offered, it is important to continue reinforcing those efforts to adapt the level and range of social protection benefits so that workers' needs are adequately addressed. Adequate, predictable and regular benefits are important because they affect how affiliates perceive the value for money.

Strengthen enforcement and compliance: ASEAN Member States are called upon to further encourage compliance with the law and strengthen the enforcement of their legislation, based on an appropriate balance between sanctions and incentives.

Simplify administrative processes and develop innovative delivery mechanisms: Administrative processes and procedures need to be simple, accessible, streamlined and tailored to the specificities of different categories of workers and employers. It is recommended to explore innovative measures, such as partnerships with workers' and employers' organizations; simplified tax and contributions assessment and payment regimes; and new technologies and digital services, including mobile telephone and electronic registration and payment systems, coordinated databases and smart cards.

Promote trust in the system: Social security schemes need to be accessible, accountable and transparent to nurture people's positive perceptions regarding the benefits of participating and thus enhancing their trust.

Enhance the knowledge base on the informal economy: ASEAN Member States should bolster their efforts to collect and improve evidence on the nature of the informal economy through national assessments and then develop tools for benchmarking social protection policies.

1. Introduction

This study provides a comprehensive assessment of regional trends, challenges and opportunities for the extension of social protection to, or social security,¹ to all people within the Member States of the Association of Southeast Asian Nations (ASEAN). Based on a review of relevant country experiences and lessons learned, it provides general recommendations for extending social protection coverage, intended to augment the regional debate and stimulate further discussion as well as uptake within each country.

Beyond the introduction, the report is organized as follows: Chapter 2 provides an assessment of the economic, social and labour market trends in ASEAN Member States. Chapter 3 reviews the situation of social security systems in ASEAN Member States and highlights the challenges to the extension of social security coverage associated with legislative provisions, administrative and operational barriers, information gaps as well as gaps in other policy areas. Because the informal economy covers a diverse group of workers with different socioeconomic characteristics, the chapter also aims to deepen the understanding of the needs of and gaps within different groups of workers. Chapter 4 reviews strategies used and country experiences² in ASEAN and beyond for extending coverage, structured around a proposed typology of interventions. In addition to analysing what has worked, the section also touches upon the respective challenges that countries have encountered. Based on the analysis in the previous chapters, Chapter 5 draws out the lessons, and Chapter 6 presents recommendations to overcome the challenges of coverage extension. The study does not provide definitive policy solutions to be implemented at a country level but instead offers recommendations for inspiring national dialogue that leads to the design of national solutions.

1.1 Research methodology and definitions

The study used several methodologies, including the direct collection of information from ASEAN Member States, a desk review of secondary literature and statistical analyses (based on available data, particularly from Labour Force Surveys). An additional series of background studies were produced to complement the desk research and fill knowledge gaps on the challenges to the extension of coverage in the ASEAN region. These papers are listed in Annex II.

The report also relied on inputs from a tripartite Committee of Experts that met twice to review the research findings and provide technical feedback. The study also benefited from discussions and inputs received during a joint consultation among workers' and employers' organizations of the ASEAN Member States and an Expert Meeting on Challenges and Opportunities for the Extension of Social Protection Arising from the New Forms of Employment.

1.1.1 Defining social protection

In line with the ASEAN policy framework, social protection is defined as

“...interventions that consist of policies and programmes designed to reduce poverty, inequalities, and vulnerability by assisting the poor, at-risk, vulnerable groups, such as but not limited to persons with disabilities, older people, youth, women, children, undernourished, victims of disasters, migrant workers, as well as families and communities, to enhance their capacities to better manage risks and enhance equal access to essential services and opportunities on a rights-based/needs-based approach”(ASEAN, 2013).

¹ Social protection is generally used interchangeably with the term social security. Social protection is sometimes understood in a broader sense than social security, including protection provided between members of the family or members of a local community; on other occasions it is also used with a narrower meaning, understood as comprising only measures addressed to the poorest, most vulnerable or excluded members of society. It is defined as the set of policies and programmes aimed at reducing and preventing poverty and vulnerability throughout the life cycle and includes benefits for children and families, maternity, unemployment, employment injury, sickness, old age, disability, survivors and health protection (ILO, 2017a).

² We avoid the use of the expression “good practices”. This chapter goes beyond focusing on success stories and assessing their impacts to reflect experiences with interventions that have not proven to be fully successful yet might still include particular elements that are inspiring for other countries.

Reaffirming the principles of the International Labour Organization's (ILO) Social Security (Minimum Standards) Convention, 1952 (No. 102) and the Social Protection Floors Recommendation, 2012 (No. 202), the ASEAN Declaration on Strengthening Social Protection refers to the importance of implementing social protection systems for all people as a basic human right.

The ILO defines social protection as the set of policies and programmes designed to reduce and prevent poverty, vulnerability and social exclusion throughout the life cycle. Social protection includes child and family benefits, maternity protection, unemployment support, employment injury benefits, sickness benefits, health protection (medical care), old-age benefits, disability benefits and survivors' benefits (ILO, 2017a). This protection can be provided through a mix of contributory (social insurance) and non-contributory tax-financed benefits, including social assistance and universal benefits.³

The large share of workers in informal employment poses an enormous challenge to effective social protection. It is therefore necessary to take a closer look at the way different forms of social protection are (potentially) linked to employment (ILO, 2016a). The implications for workers' level of protection differs, depending on whether social protection is linked to a contract with a specific employer, employment status (being an employee or self-employed) or linked to participation in gainful employment. Table 1-1 illustrates how different forms of social protection can be potentially linked to employment and roughly indicates how they comply in terms of six broad principles that can help to guide extension strategies, including coverage and effective access, adequacy, portability, transparency, risk-sharing and gender equality.

Social protection benefits linked to a contract with a specific employer, such as workers' compensation and employer-financed (private) health or pension insurance, are mostly limited to formal employees with a standard employment relationship; benefits are usually lost once the contract with that employer is terminated. Under the ILO normative framework and policy advice, such forms of protection are considered less effective than forms of protection based on collective risk-sharing and solidarity (ILO, forthcominga and 2017d.; Behrendt et al., 2017).

Similarly, contributory schemes for specific sectors or occupations also carry the risk that benefits are lost once workers move from one sector or occupation to another. Social insurance schemes that cover salaried employees can, in principal, achieve adequate levels of protection but can also lead to poor effective coverage when certain minimum thresholds apply in regard to working hours, income or employment duration set out in national legislation. Workers in non-standard employment, such as part-time and temporary employees, are covered in principal, but they may face a higher risk of being excluded than workers in standard employment relationships. Non-salaried workers, such as own-account workers and contributing family workers, are usually not covered by these schemes, unless they are adapted. Social insurance schemes that cover all types of workers, including self-employed workers, can ensure that workers remain covered throughout their lives and better support labour mobility. In contrast, more individualized forms of protection, such as private insurance or individual accounts, are not in line with most social security principles.

Non-contributory forms of protection that are usually provided through tax-financed schemes, in particular universal or categorical schemes, constitute an integral element of a social protection system that is not linked to employment. Such schemes cover large groups of a population, or the entire population in the case of universal schemes, and are thus a key means to realizing the right to social security for all people.

³ See Annex I for the definitions in the glossary.

Table 1-1: The (potential) link between social protection coverage and employment

Link to employment		Examples	Coverage or access	Adequacy	Transferability	Transparency	Risk-sharing	Equality
<div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 10px;">↑</div> <div style="margin-bottom: 10px;">STRONG</div> <div style="margin-bottom: 10px;">↓</div> <div style="margin-bottom: 10px;">WEAK</div> <div style="margin-bottom: 10px;">↓</div> </div>	Employment contract with specific employer	Employer liability for paid maternity leave or employment injury; severance pay; employer-provided health insurance	X	✓	X	X	X	X
	Employment in specific sector or occupation	Occupational and sector-specific schemes: occupational pensions; some microinsurance schemes	✓	?	X	?	?	X
	Salaried employment	General social insurance limited to employees	?	✓	?	✓	✓	✓
	Gainful employment (including self-employment)	General social insurance, including self-employed	✓	✓	✓	✓	✓	✓
		Private insurance; individual savings accounts	X	?	✓	?	X	X
	None (tax financing)	Non-means-tested (universal or categorical) schemes for broad categories of the population: universal old-age pensions; universal child benefits; national health service; universal basic income	✓	?	✓	✓	✓	✓
Means-tested schemes for persons living in poverty: social assistance or safety-net programme		✓	?	✓	?	✓	?	

Note: The table includes an approximate assessment of different types of social protection with regard to six principles.

✓ usually strong performance with regard to the principle

? unclear – performance depends on design

X usually weak or problematic performance with regard to the principle

Source: Based on Behrendt and Nguyen, forthcoming.

1.1.2 Defining informal employment

Defining informality is a challenging task and includes both conceptual considerations (What is meant by informal?) and operational and practical considerations (How can informality be measured?).

The concept of informality has been subject to much research and debate over the past three decades since its conceptual “discovery”. From an earlier narrow terminology of informal sector, the definition of informality has considerably broadened to “informal economy” to account for the diversity and heterogeneity of the involved actors and activities. Today, the informal economy is broadly defined as:

“...all economic activities by workers and economic units⁵ that are – in law or in practice – not covered or insufficiently covered by formal arrangements.”
(17th International Conference of Labour Statisticians)

For conceptual and statistical purposes, international standards differentiate between employment in the informal sector and informal employment and either refer to the nature of the enterprise or the employment relationship.⁶

⁵ In line with Recommendation No. 204, “economic units” in the informal economy entail: (i) units that employ hired labour; (ii) units that are owned by individuals working on their own account, either alone or with the help of contributing family workers; and (iii) cooperatives and social and solidarity economic units (ILO, 2014a).

⁶ See Annex I for the criteria to define the two concepts.

i. Employment in the informal sector

Employment in the informal sector is an enterprise-based concept that entails all jobs in informal sector enterprises or all persons who, during a given reference period, were employed in at least one informal sector enterprise, irrespective of their status in employment and whether it was their main or a secondary job (Hussmanns, 2004).

The international standards adopted by the 15th International Conference of Labour Statisticians define the “informal sector” as consisting of unregistered and/or small unincorporated household enterprises engaged in the production of goods or services for sale or barter. The enterprises typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale, depending on casual and family workers rather than on employees with written contracts and formal guarantees.

Informal sector enterprises are to be understood in a broader sense as production units that employ hired labour as well as those that are owned and operated by single individuals working on their own account as self-employed persons, either alone or with the help of contributing family workers (Hussmanns, 2004).

ii. Informal employment

The concept of informal employment, coined during the 17th International Conference of Labour Statisticians, reflects that there are aspects of informality that can exist outside of informal sector enterprises. For instance, casual, temporary and seasonal workers could be informally employed – lacking social protection coverage, entitlement to employment benefits, legal status – but when they are employed in the formal sector, they are not captured within the measure of employment in the informal sector. Workers in informal employment are a diverse group, with different employment statuses (own-account workers, employers, contributing family workers or wage employees) and work in different sectors (formal, informal and household sectors). Informal employment is the sum of employment in the informal sector and informal employment found outside the informal sector (formal sector or households).

The definition of informal employment differs, according to employment status. Employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.). Employers and own-account workers are considered to be in informal employment when their economic units belong to the informal sector. The informal sector is a subset of household unincorporated enterprises (not constituted as separate legal entities independently of their owners) that produce for sale in the market, even if partly, and who do not have a complete set of accounts and/or are not registered under national legislation. Finally, all contributing family members are considered as informally employed.

Because informal employment is one of the important issues regarding the extension of social protection coverage, it is the central focus of this study and defined as:

“Total number of 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 the 17th International Conference of Labour Statisticians)

This study encapsulates the challenges to extending coverage for workers who are more likely to work in informal employment (box 1-1), including own-account workers, wage workers in micro, small and medium-sized enterprises (MSMEs), part-time and temporary employees, agricultural workers, migrant workers, home workers, domestic workers and workers in digital platforms.

Box 1-1 Likelihood of being in informal employment

Certain characteristics influence the likelihood of being in formal or informal employment. Depending on their characteristics, workers can find themselves at different points of the continuum between more or less likely to be in informal employment. It is important to recognize that these characteristics do not necessarily result in exclusion from social protection.

- **Employment relationship:** The absence and lack of recognition of an employment relationship in law increases the likelihood of being in informal employment. The definition of what constitutes an employment relationship depends on national legislation (such as an employment contract).
- **Employment security:** Workers in non-standard employment, such as part-time and temporary workers, are more likely to be in informal employment than those in a continuous and full-time employment relationship (Behrendt and Nguyen, 2018; ILO, 2018a and 2016a).
- **Employer:** Employees with an identifiable, direct employer are typically less likely to be in informal employment than those without an employer or multiple employers.
- **Size of enterprise:** Employees in smaller enterprises are typically more likely to be in informal employment than those in larger enterprises. Employees who receive a salary are less likely to be in informal employment than non-salaried workers.
- **Earnings:** Workers with higher, regular earnings are less likely to be in informal employment than those with lower, irregular earnings.

Certain criteria are more relevant in determining the likelihood of a worker's social insurance coverage than others. For example, workers whose activity is not recognized as a job in labour legislation, such as domestic workers, exhibit a high risk to informality and social protection exclusion. The more criteria a worker fails to meet, the more likely they are to work in informal employment. For example, workers on part-time or temporary contracts may be covered, depending on the rules set out in national legislation and their effective implementation. In comparison, workers with seasonal or casual employment who have low earnings and no identifiable employer (such as construction workers) have a lower likelihood of coverage.

1.2 A typology of strategies for the extension of social protection, including to workers in the informal economy

Extending social protection is a crucial element in promoting decent work for workers in the informal economy. Yet, there is no one-size-fits-all approach. Countries around the world have sought to extend social protection by developing new approaches, including in many cases the combination of contributory and tax-funded social protection mechanisms that are in line with national priorities and capacities.

Two main policy approaches can be distinguished with respect to the extension of coverage. One approach focuses on the extension of employment-based social protection mechanisms (social insurance) (see the blue arrow marked "Extension" in Figure 1-1). Contributory social protection schemes are usually related to earnings and based on the principle of membership. They are financed through contributions by the insured persons, their employers and possibly the government.⁸

⁸ Although many contributory social security schemes are described as social insurance schemes, they are actually of mixed character, with some non-contributory elements in entitlements to benefits, such as minimum pensions. This allows for a more equitable distribution of benefits, particularly for workers with low incomes and short or interrupted work careers, among others. These non-contributory elements take various forms, being financed either by other contributors (redistribution within the scheme) and/or by the State (ILO, 2017a).

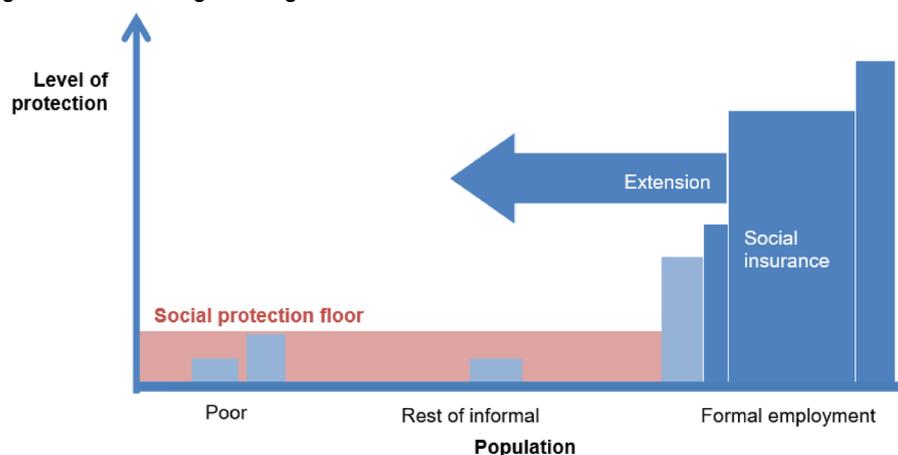
They typically provide a higher level of protection than schemes funded by general revenues, aiming at keeping a certain standard of living in the event of a risk and smoothing consumption across the life cycle. Expanding social insurance coverage is key to protecting workers because it usually provides a higher level of protection than non-contributory, tax-financed schemes. The second approach focuses on the development of a social protection floor, mainly through the extension of non-contributory social protection mechanisms to larger groups of a population, independent of their employment status. Non-contributory schemes are important for ensuring that all persons in need of protection, including those not covered by contributory schemes, can at least benefit from basic social security guarantees throughout their lifecycle. These scheme may also benefit some workers in informal employment (see the light blue shaded area in figure 1-1).

Under the ASEAN Declaration on Strengthening Social Protection, ASEAN Member States have called for the expansion of social protection coverage, particularly social insurance (ASEAN, 2013). In line with the regional policy framework, this study mostly, but not exclusively, focuses on practices to extend contributory social insurance coverage by means of formalization of wage employment. In other words, it looks at those approaches that ensure that more persons in informal employment move towards formal employment through their participation in a social security scheme. In fact, social insurance coverage is often used as a criterion to differentiate between workers in formal and informal wage employment. The contribution to social security for self-employed workers is often conditioned by the registration of their units.⁹

In practice, these approaches are not mutually exclusive; countries combine different approaches in different ways. Interventions particularly show success when the approaches are undertaken within an integrated, comprehensive strategy or policy framework. Due to the importance of integrated approaches, the study also explores strategies for the expansion of non-contributory social protection mechanisms.

While the provision of universal access to at least a basic level of social security is a critical step to closing the coverage gaps, countries also need to progressively ensure higher levels of protection, guided by the ILO social security standards (vertical dimension), with a view to building comprehensive and adequate social security systems (box 1-2). Thus, this study not only analyses relevant country strategies for the extension of population coverage but also the extension of vertical coverage (contingencies covered and level of benefits). This is also in line with the ASEAN Declaration, which stresses the gradual expansion of coverage in terms of persons covered, availability, quality, equitability and sustainability (ASEAN, 2013).

Figure 1-1: Extending coverage in the horizontal and vertical dimensions



Source: ILO, forthcominga.

The described approaches 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 1-2).

⁹ Employers and own-account workers are considered to be in informal employment when their economic units belong to the informal sector.

Box 1-2

Extending social security coverage: Guidance from international standards

International social security standards stress the importance of extending social protection coverage, including to workers in the informal economy. Social security is a human right, set out in the Universal Declaration of Human Rights (articles 22 and 25) and the International Covenant on Economic, Social and Cultural Rights (Articles 9 and 11).

The Social Protection Floors Recommendation, 2012 (No. 202) calls for the rapid extension of at least a basic level of social security to all people through a nationally defined social protection floor. As a first step towards achieving higher levels of protection, the floor should guarantee at least access to essential health care and basic income security throughout the life cycle. This Recommendation complements earlier social security standards, including the Social Security (Minimum Standards) Convention, 1952 (No. 102).

The development of a social protection floor should form part of a national social security extension strategy, which should:

(a) prioritize the implementation of a social protection floor 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 system; 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.

The Recommendation emphasizes that “extension strategies should apply to both persons in the formal and informal economy and support the growth of formal employment and the reduction of informality” (Paragraph 15).

The Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) provides guidance for ensuring appropriate coverage and protection of workers in the informal economy and facilitating their transition to the formal economy. Taking into consideration 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 role of employers’ and workers’ organizations, as well as data collection and monitoring.

Regarding social protection, Recommendation No. 204 specifies that the development of any policy strategy for informal workers requires a comprehensive assessment of the factors, characteristics, causes and circumstances of informality in the national context. The Recommendation calls upon countries to progressively extend social security, maternity protection, decent working conditions and a minimum wage in law and practice to all workers in the informal economy. It calls for the progressive extension of social insurance coverage to workers in the informal economy through the transition to the formal economy. If necessary, measures may entail the adaptation of administrative procedures, benefits and contributions, taking into account the contributory capacity of the workers. It also highlights that the needs and circumstances of workers in the informal economy and their families be taken into account in building and maintaining a national social protection floor within the social security systems and facilitating the transition to the formal economy (paras 18–20). With respect to the formalization of micro and small economic units, countries shall reduce costs related to compliance by introducing simplified tax and contributions assessment and payment regimes and improve their access to social security coverage

(Paragraph 25).

Expansion of social security coverage, including to informal economy workers, also helps to accelerate progress towards the achievement of the Sustainable Development Goals in the 2030 Agenda for Sustainable Development, in particular, SDG target 1.3 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” and SDG target 8.3 to “promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro, small and medium-sized enterprises, including through access to financial services”.

Based on: ILO, 2014a and 2012a.

In this study, we developed a typology of interventions that provides a possible classification of different country strategies to extend social protection coverage.¹⁰ This typology facilitated the analysis of good practices presented in Chapter 4 and contributed to systematizing the development of policy options and recommendations.

We looked at the following areas of interventions:

- 1. Expanding and/or adapting existing schemes (section 4.1):** This category captures efforts that aim at including previously uncovered groups of workers into existing, mainly employment-based social security schemes (typically social insurance schemes and other contributory schemes). These measures primarily target, but are not limited to, groups of workers who have some contributory capacity and are closer to the formal economy and thus can be more easily included in contributory schemes. Measures include reducing legal barriers and extending legal coverage; introducing financial incentives; and simplifying and facilitating access to administrative and operational processes.
- 2. Creating separate or new schemes (section 4.2):** Measures included in this category are related to the creation of separate schemes rather than the adaptation of existing ones. Separate schemes include those that target specific groups, such as self-employed workers or workers in certain occupations or sectors.¹¹ This category also captures means-tested schemes, insurance-tested schemes and universal schemes that are not linked to the employment status of a worker and are tax financed.
- 3. Ensuring good governance and strengthening awareness and access to information (section 4.3):** Because the lack of trust in public authorities and limited awareness and information are often found among impediments to the extension of coverage, the importance of ensuring accountability, transparency and good governance as well as awareness-raising should not be underestimated. And because this is a cross-cutting issue, which is important across all abovementioned strategies, it is intentionally placed as a separate category.
- 4. Efforts outside the scope of social security (section 4.4):** Many of the challenges related to the extension of coverage go beyond the scope of social security. Thus, an important element in extending coverage includes policy measures outside that scope. Efforts under this category are to be seen as complementary elements that contribute to an integrated and coordinated approach to the extension of coverage. Strategies can cut across policy areas, including business formalization, labour regulation, promotion of workers' organization, tax policies, support to entrepreneurship, skills and finance, local economic development and good governance (ILO, 2013c).

¹⁰ Another possible classification of interventions can be found in ILO, forthcominga.

¹¹ In some countries, schemes were also designed to specifically cover workers in the informal sector (such as the National Savings Fund in Thailand).

The categories proposed do not imply that the approaches embedded are mutually exclusive. In reality, many countries that have successfully extended social protection coverage use a combination of measures and approaches rather than only a single approach. Strong social dialogue institutions with the participation of employers' and workers' organizations, including representatives from the informal economy, are also instrumental to the effectiveness of policies. Most of the successful experiences are based on the recognition that the extension of social protection to uncovered groups of the population is a priority policy objective in itself, which involves investments that have a positive impact on people's welfare and a nation's economic and social development (box 1-3).

While recognizing the relevance of formalization of employment, it is important to ensure that adequate resources are allocated for the extension of coverage. If the main policy objective is to increase the fiscal or contributory basis, strategies most likely will be unsuccessful. The extension of coverage might involve costs in the short term, but it is an investment with both immediate and long-term effects on millions of people's lives that should be supported by adequate resources.

Box 1-3 Positive impacts of extending social protection

Extending social protection coverage can lead to several impacts for workers, enterprises and countries.

- The extension of social protection constitutes a fundamental element to reduce decent work deficits among workers. With social protection, people are less vulnerable to falling (back) into poverty. It ensures that they enjoy income security and have access to health care and other social services and are empowered to better plan for the future. By raising household incomes and fostering workers' productivity, social protection can contribute to raising productive economic capacities of workers.
- Social protection can have a positive impact on enterprises' competitiveness by improving workers' labour productivity and their access to health care and helping enterprises attract and retain talent (Lee and Torm, 2017; Scheil-Adlung, 2014).
- Social protection contributes to economic development by increasing household income and supporting domestic demand and consumption (ILO, 2014b). It is a critical tool for supporting the formalization of economies and structural transformation of economies (ILO, 2017a; Atkinson, 1999). Social protection promotes social and political stability by helping to reduce inequalities and creates an environment that is conducive for sustainable and inclusive growth.

Source: ILO, 2017a; Bastagli et al., 2016; Ocampo and Gomez-Areaga, 2016; ESCAP, 2015; Ostry, Berg and Tsangarides, 2014; ILO, 2013c.

2. The regional context

Main points

- The ASEAN region continues to achieve economic growth well above the global average, which has contributed to impressive results in terms of poverty reduction. Despite the significant progress, however, millions of workers have not yet experienced tangible benefits from that economic growth. An estimated 12.2 million workers in the region still live in extreme poverty, while many remain working poor and vulnerable to sliding back into extreme poverty.
- Migration and ageing populations are shaping the ASEAN labour markets. Gender gaps in labour force participation and high rates of informal and vulnerable employment are persistent. The rise of new forms of work are opening up economic and social opportunities, but they also risk exacerbating insecurity for workers who typically operate outside the realm of national labour laws and social security.
- Informal employment stands at 78.6 per cent of the region's workforce, equivalent to an estimated 244 million people. Excluding agriculture, the average level of informal employment is 71.2 per cent.
- Informal employment takes places in the informal sector to a large extent. This implies that the lack of social protection coverage is strongly associated with the formalization of economic units and requires integrated policies and strategies for the extension of coverage and the transition to formality.
- Own-account workers are more likely to work in informal employment, but employees in informal employment are more significant in terms of number. This counters the common narrative that workers in informal employment are mostly own-account workers. Women often find themselves in more vulnerable forms of informal employment, for example, as domestic workers, home workers or contributing family workers.

2.1 Labour market and social trends in the ASEAN region

Recent years in the ASEAN region are marked by strong economic growth, which has contributed to a reduction in extreme poverty. Yet, millions of workers have not experienced tangible benefits: An estimated 12.2 million workers in the region still live on income that is below the international poverty line of US\$1.90 per day, and many people are vulnerable to falling back into extreme poverty. Inequality is increasing within and across countries. The longer-term challenge of many countries is to maintain strong economic growth while promoting greater inclusion, reducing precariousness of employment and providing adequate social protection to all people. The gap in male and female labour participation rates remains considerably large in the region. Around 148 million are still in vulnerable forms of employment, many of whom are women or migrant workers facing serious decent work deficits, including no or little labour and social protection (ILOSTAT, 2018).

While some countries in the region still have young populations, other countries are ageing rapidly before even developing robust social protection systems (DESA, 2017). This not only affect individuals and families but also strains the financial sustainability of social protection systems. Labour migration can, and probably is already starting to, offset labour shortages: The ASEAN region hosted an estimated 10.2 million international migrants in 2013, two-thirds of whom were intraregional (ILO, 2018b).

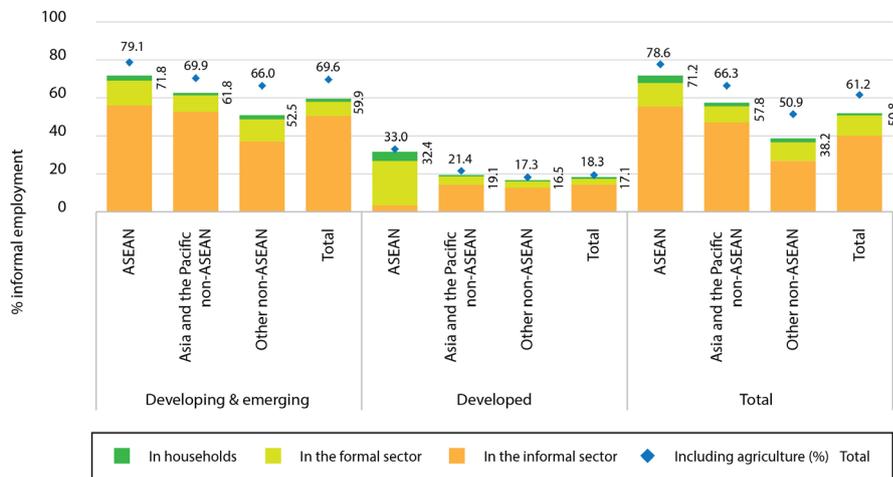
Transformations in the world of work may potentially add to these challenges. In the wake of globalization, digitalization and automation, traditional forms of employment are disappearing or transforming, while “new” forms of employment¹² are emerging, with new occupations and economic sectors, including the digital economy (ILO, 2017b and 2017c; OECD, 2016). Such employment arrangements can entail advantages for workers and employers, but most of the workers tend to lack legal protection in law or practice, with potential overlap with workers in informal employment (ILO, 2018c and 2016a). Although there are knowledge gaps concerning the relevance and impact of the new forms of employment in the ASEAN region, their rise is already adding a new dimension to the longer-term challenge of informal employment and low social protection levels that many countries in the region have faced.

2.2 Nature of informal employment

In the ASEAN region, informality is at stubbornly high levels of informality.

The ASEAN region’s informal economy remains vast, with an estimated 244 million people in informal employment, representing as much as 78.6 per cent of the region’s workforce aged 15 and older. Excluding agriculture, the average level of informal employment for the ASEAN Member States falls to 71.2 per cent.¹⁵ Informal employment in the region is significantly above the world average (at 50.8 per cent when agriculture is excluded) and higher than the average in developing and emerging countries (at 59.9 per cent, excluding agriculture) (figure 2-1).¹⁶ The diversification of employment arrangements and the rise of new forms of employment in the wake of technological advances can, depending on how policies are designed and implemented, exacerbate high levels of informality.

Figure 2-1: Informal employment (% total employment) in the informal, formal and household sectors in the ASEAN region, regional and global estimates, 2017



Note: Non-ASEAN does not include an estimate for Arab States or high-income countries.
Source: ILO, 2018a. ILO calculations based on national labour force or similar household survey data.

¹² Many of these new forms of employment are found in non-standard employment. They entail four employment arrangements that differ from the standard employment relationship, understood as open-ended, full-time work that is part of a subordinate relationship between an employee and an employer (ILO, 2016a). The four types are (i) temporary employment; (ii) part-time employment; (iii) temporary agency work and other forms of employment involving multiple parties; and (iv) disguised employment relationships and dependent self-employment.

¹³ There is no one-to-one relationship between informality and non-standard forms of employment. Non-standard work can include work in the formal economy, while standard forms of employment can also be informal.

¹⁴ Informal employment is calculated as the sum of informal employment that takes place in the informal sector and outside the informal sector and in the formal and the household sectors. To follow the common analytical framework, the estimates are based on a systematic approach to measuring informal employment and based on a common set of operational criteria to determine informal employment and employment in the informal sector. As a consequence, the estimates are comparable across countries; it is important to stress that they might differ from national data where they exist.

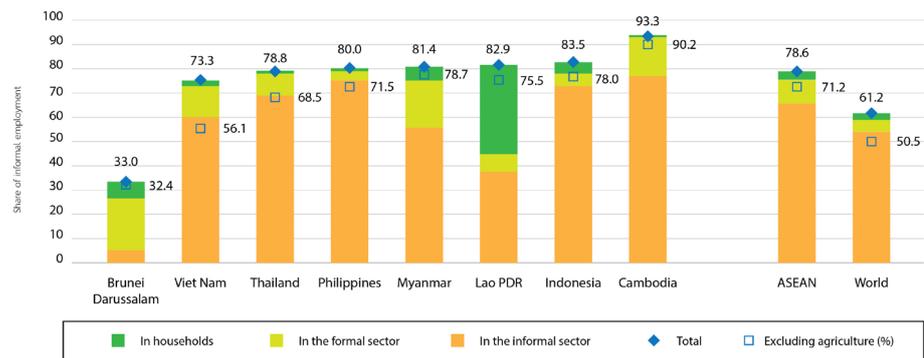
¹⁵ It is recommended to identify informal workers in agriculture separately, particularly for countries with a large share of agricultural production in the economy. The exclusion of agriculture is for various reasons: first, the distinction between agricultural production for consumptions and production is not always possible in a national accounts system. Second, the criteria for identifying informal sector enterprises may not be applicable to agricultural business units, especially individual household units (ILO, 2013d). Except for Brunei Darussalam, informal employment, including agriculture, is higher for all countries for which data were available, than for non-agricultural informal employment.

¹⁶ The lack of comparable data over time does not enable conclusions on regional and national trends.

Magnitude and composition of informality varies significantly among ASEAN countries.

The economic development of ASEAN Member States varies, and this is also reflected in the proportions of workers in informal employment. There is a huge disparity between developing and emerging and developed countries¹⁷, with countries displaying lower levels of informal employment as their economies grow. Informal employment (excluding agriculture) ranges from 32.4 per cent in Brunei Darussalam to more than 70 per cent in Indonesia, the Lao People's Democratic Republic, Myanmar¹⁸ and the Philippines and more than 90 per cent in Cambodia¹⁹ (figure 2-2). The estimates, based on national definitions of informal employment where available, may differ from the estimates based on the international definition.

Figure 2-2: Informal employment outside agriculture (% total employment) in the informal, formal and household sectors in selected ASEAN Member States, country and regional estimates, 2017



Note: For the Philippines and Thailand, estimates are based on criteria that are not in line with international guidelines (including agriculture). The estimate for Thailand, based on the Informal Employment Survey 2016 (Q3) is far higher than what can be seen on this graph. No data for Singapore and Malaysia were available to calculate informal employment. All indicators refer to informality in the main job.

Source: ILO, 2018a. ILO calculations based on national labour force or similar household survey data.

Informal employment represents a large share of the informal sector.

Informal employment can be in the informal sector (informal economic units), in the formal sector (corporations, government units and non-profit institutions) or in the household sector (as paid domestic workers or own-account workers producing goods exclusively for own final use by the household). Dividing the total share of informal employment into these components can help determine the composition of informal employment and contributes to the development of evidence-based extension and formalization policies and strategies.

In line with the global pattern, employment in the informal sector in the ASEAN region is the largest of the three elements of informal employment. The 78.6 per cent of employment that is informal in the region comprises around 65.8 per cent of the informal sector enterprises, 8.4 per cent of the formal sector and 4.4 per cent in households. In all countries except Brunei Darussalam, employment in the informal sector is the largest of the three components of informal employment. In Cambodia, Indonesia, the Philippines and Thailand, informal employment in informal sector enterprises constitutes more than 60 per cent of total employment. This means that the lack of social protection coverage is strongly associated with the lack of formalization of economic units. And it suggests that in these countries enhanced social security will not only be achieved through extension strategies but the formalization of informal businesses will be required (ILO, 2017d).

¹⁷ Developed countries include Brunei Darussalam, developing and emerging countries include Cambodia, Indonesia, the Lao People's Democratic Republic, Myanmar, the Philippines, Thailand and Viet Nam.

¹⁸ Estimates following the national definition of informal employment are different. The 2015 Labour Force Survey findings estimated the nature of employment at 61.5 per cent, of which 38.5 per cent are employees and 61.5 per cent are self-employed, of which 3.8 per cent were employers, 45.9 per cent were own-account workers and 11.8 per cent were unpaid contributing family workers.

¹⁹ Estimates following the national definition of informal employment are different. The 2012 Labour Force Survey findings estimated the overall rate of informal employment at 60 per cent of total non-agricultural employment (Both et al., 2018).

The share of informal employment in the formal sector includes primarily employees and, to some extent, contributing family workers. The largest proportion is in Brunei Darussalam, where most workers in informal employment are employees in formal enterprises with no social security or other employment-related benefits. Informal employment in the formal sector is in the order of more than 10 per cent in Brunei Darussalam, Cambodia, Myanmar and Viet Nam (figure 2-2). Their exclusion from coverage might be related to policy or legal gaps (such as minimum thresholds with regard to income or working time that can lead to the effective exclusion of workers) or enforcement gaps (such as lack of compliance with labour and social security legislation) (see Chapter 3).

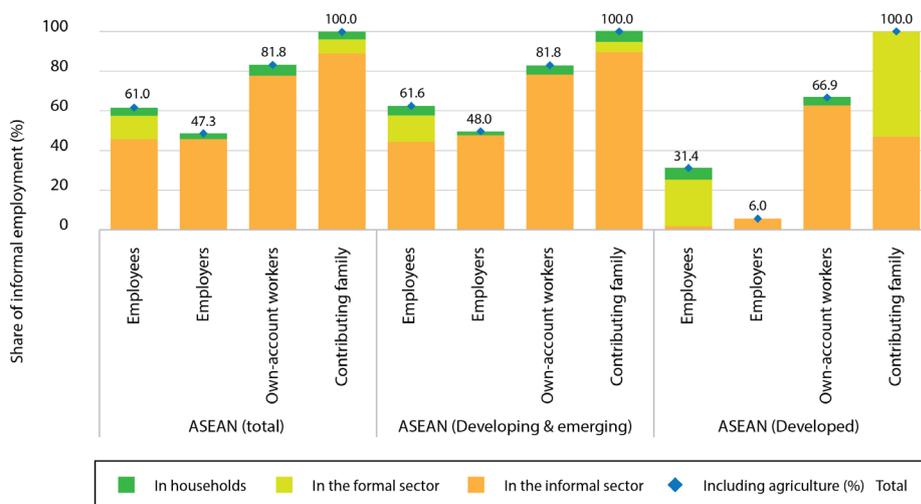
The share of informal employment in households is smaller than in the formal and informal sectors in all ASEAN Member States. Nearly 40 per cent of all workers the Lao People’s Democratic Republic are informally employed in the household sector.

Own-account workers are more affected by informality, while employees make up the biggest group of workers in informal employment.

At the regional level, own-account workers and contributing family workers are more likely to be in informal employment than other types of workers, such as employees or employers (figure 2-3). These workers are considered vulnerable and are particularly difficult to reach with usual social policies. In 2017, an estimated 81.8 per cent of all own-account workers were informal, equivalent to 93 million workers or 29 per cent of the total labour force.²⁰ There were 51 million contributing family workers, all of whom were considered informal by definition.

On the other side, employees are less exposed to informality than own-account workers and contributing family workers, but they make up the largest group of workers in informal employment (at 94 million workers, or 30 per cent of the total labour force). This is because they are the largest group of workers in the labour force. While the composition varies across countries, this counters the narrative that the informal economy primarily consists of own-account workers. Knowing which workers are more exposed to informality than others or which workers are most significant in size can help guide the design of policies, including with regard to social protection.

Figure 2-3 : Informal employment as a percentage of total employment, by employment status and sector in ASEAN Member States, 2017 (%)

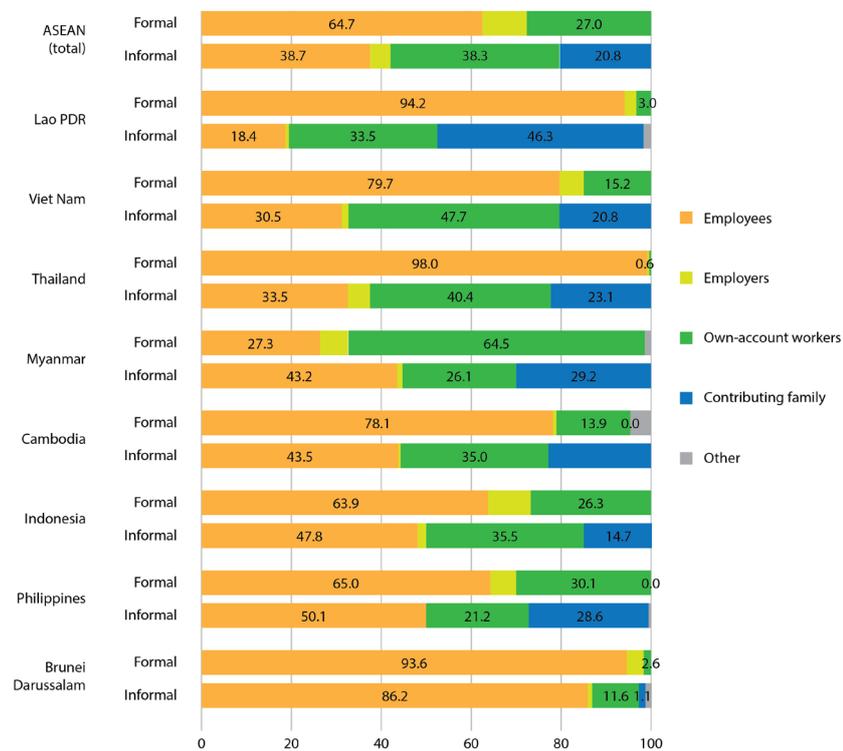


Source: ILO, 2018a. ILO calculations based on national labour force or similar household survey data.

²⁰ The source for the number of own-account workers is ILOSTAT.

Figure 2-4 shows the composition of the informal and formal employment by employment status in ASEAN Member States. While formal employment primarily consists of employees in most countries, the situation for informal employment varies. In Thailand and Viet Nam, own-account workers make up the largest share of informal workers. In Brunei Darussalam, Cambodia, Indonesia, Myanmar and the Philippines, employees outnumber own-account workers in informal employment. Notable is also the large share of contributing family workers in the Lao People's Democratic Republic and Myanmar, where they account for almost half and a third, respectively, of all informal workers. This information can provide countries an indication where to focus their public policies.

Figure 2-4 : Composition of informal employment (including agriculture), by employment status (%) in selected ASEAN Member States, latest available year

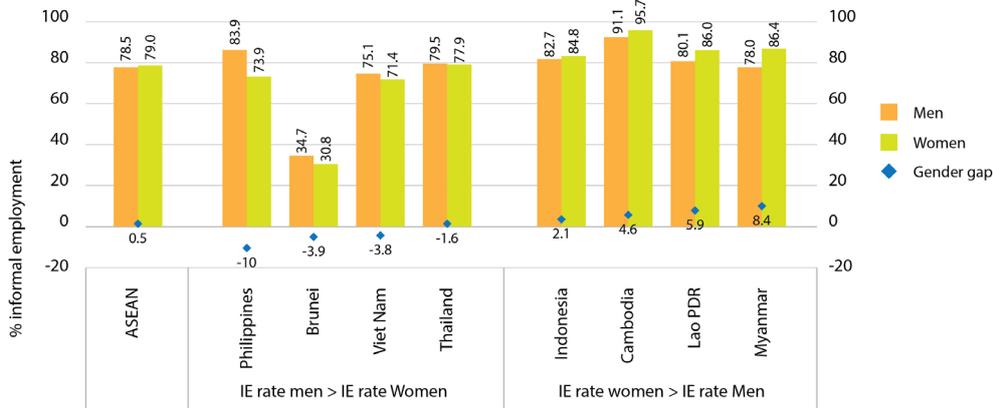


Note: Estimates based on international guidelines were not available for the Philippines and Thailand.
Source: For Thailand: NSO, 2016; and the Philippines: Department of Labour and Employment, 2018. No data for Singapore and Malaysia were available to calculate informal employment. All others: ILO, 2018a. ILO calculations based on national labour force or similar household survey data.

Women and men are equally affected by informality, but women work under more vulnerable situations.

At the regional level, women and men are equally exposed to informality. The regional data can nonetheless hide differences across countries. While women are more likely to be informally employed than men in Cambodia, Indonesia, the Lao People's Democratic Republic and Myanmar, men face a higher risk of informality than women in Brunei Darussalam, the Philippines, Thailand and Viet Nam (figure 2-5).

Figure 2-5: Size and composition of informal employment, by sex in selected ASEAN Member States



Note: Estimates for the Philippines are estimates based on criteria that are not in line with international guidelines. Agriculture is included. The gender gap is positive or negative if the informal employment rate of women is higher or lower than that of men. No data for Singapore and Malaysia were available to calculate informal employment.

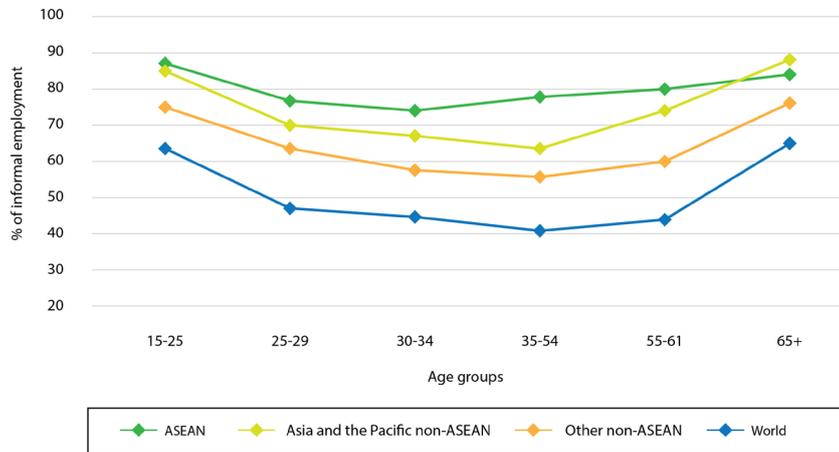
Source: ILO, 2018a. ILO calculations based on national labour force or similar household survey data.

Although informal work is equally common among men and women, women tend to work in more vulnerable categories of work than men, for example, as domestic workers, home workers or contributing family workers (ILO, 2018d). A major difference between women and men in informal employment is the proportion of female contributing family workers, usually considered as unpaid. For example, in Indonesia, the proportion of contributing family workers is nearly six times greater among women than men. Contributing family workers generally are considered the most vulnerable group in the informal economy. In the ASEAN region, the share of these workers ranges from less than one per cent in the higher-income countries (such as Brunei Darussalam) to more than 45 per cent in the Lao People’s Democratic Republic.

Informality is higher among youth and older persons.

The level of informality in the ASEAN region is slightly higher among young people and older persons (figure 2-6). This is a sign of vulnerability, indicating that youth face barriers when entering the formal labour market that oblige them to take and stay in jobs that are less likely to be formal. At the same time, older persons have difficulty finding a formal job due to their age. Contributing to this situation is the fact that they do not enjoy adequate income protection during old age through public pension mechanisms, forcing them into informal employment arrangements.

Figure 2-6: Share of informal employment in total employment, by age, 2016 (%)



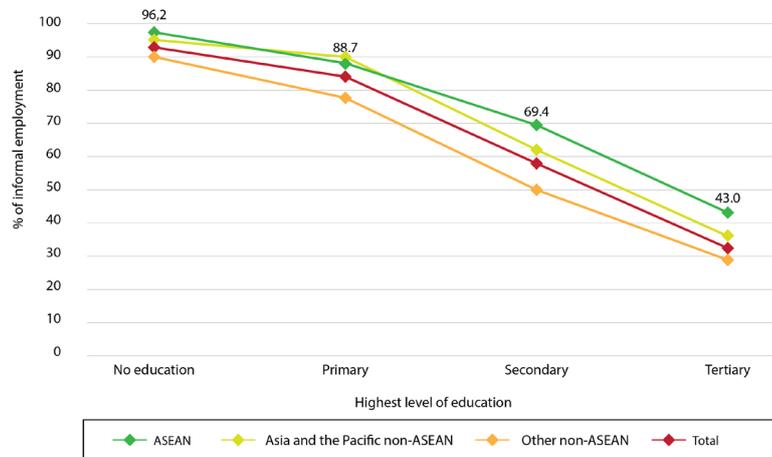
Note: The world average does not include an estimate for Arab States or high-income countries.
 Source: ILO, 2018a. ILO calculations based on national labour force or similar household survey data.

Informal employment increases with lower education level.

Although education is not a guarantee for formal and productive employment, the level of education achieved is another factor affecting the level of informality. Training and skills can improve competencies and employability of the labour force, increasing productivity and thereby contributing to the transition to the formal economy (ILO, 2018e).

Globally, when the level of education increases, the level of informality decreases for all statuses of employment. Those who have completed secondary and tertiary education are less likely to be in informal employment than workers who have either no education or only completed primary education. In the ASEAN region, the share of informal employment decreases from 96.2 per cent among workers with no education to 43 per cent among those with a tertiary level of education (figure 2-7).

Figure 2-7: Share of informal employment in total employment, by level of education, 2016 (%)

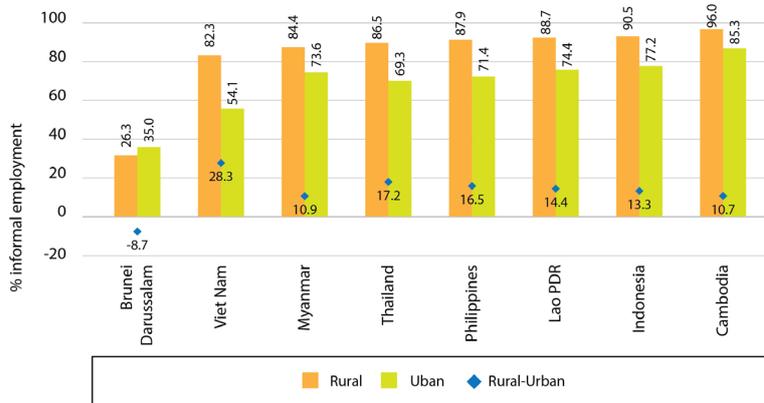


Note: No estimate for Arab States or high-income countries.
 Source: ILO, 2018a. ILO calculations based on national labour force or similar household survey data.

Informality is more likely to occur in rural areas.

When considering total employment, including agriculture, informality is more prevalent in rural than urban areas in all countries for which data are available, except for Brunei Darussalam (figure 2-8). The problems of informality are often compounded in rural areas, where a large share of working poor persons live and decent work deficits are severe (ILO, 2017d).

Figure 2-8: Informal employment, by rural or urban location in selected ASEAN Member States, latest available year (%)

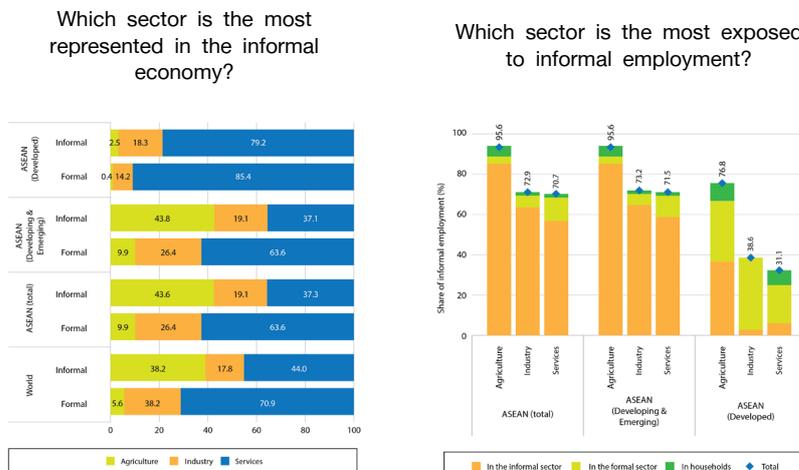


Source: ILO, 2018a. ILO calculations based on national labour force or similar household survey data.

Informal employment is more prevalent in the agriculture sector.

The high persistence of informality is partly linked to the predominance of the agriculture sector, which, on average, employs the largest share of informal workers (at 43.6 per cent of all informal workers) (figure 2-9, left side) and is the sector with the highest likelihood to informality when compared to industry and services (figure 2-9, right side).

Figure 2-9: Distribution of informal and formal employment, by sector in ASEAN Member States, 2017 (%) and share of informal employment, by sector



Source: ILO, 2018a. ILO calculations based on national labour force or similar household survey data.

3. Main challenges to extending social security coverage in ASEAN Member States

This section reviews the social protection schemes and programmes in ASEAN Member States and their coverage, with particular focus on commonly hard-to-reach groups of workers (section 3.1). Section 3.2 describes common barriers to the extension of social protection coverage, covering the policy, legal, administrative, implementation, financing and other areas. To illustrate the diversity of workers in informal employment and better understand the gaps for specific groups of workers, section 3.3 examines barriers by different type of workers, including self-employed workers and own-account workers (section 3.3.1), wage employees, particularly those in MSMEs and non-standard employees (section 3.3.2), agricultural workers (section 3.3.3), migrant workers (section 3.3.4), domestic workers (section 3.3.5), home workers (section 3.3.6) and on-demand workers and workers in digital platforms (section 3.3.7).²¹ These workers often find themselves in more vulnerable, informal employment arrangements and unprotected by labour and social protection. When analysing the needs and gaps of workers, particular attention is given to workers who face high risk of being trapped in the most vulnerable and precarious situations in the informal economy, including women, youth, older persons, migrants, persons with disabilities and subsistence farmers, particularly in the rural economy.

A comprehensive assessment of each ASEAN Member State would exceed the scope of this study. Instead, we assess common barriers and gaps to social security coverage across countries and different types of workers. The findings of the country background studies are incorporated in this chapter to give examples of gaps and barriers at the country or sector level. The examples only serve illustrative purposes, and the barriers in one country can hold true in other countries. Wherever possible, the insights on the gaps identified by workers and employers in the informal economy and by a broad range of stakeholders are included, such as government agencies, informal workers' organizations, employers' organizations and civil society groups.



²¹ There may be an overlap between categories.

3.1 Social protection systems in ASEAN Member States

Main points

- Despite considerable progress in the extension of social protection in recent years, many people in the ASEAN region remain effectively unprotected. An even smaller proportion has access to a comprehensive social protection system. Despite diversity across countries, the common trend is positive, with many ASEAN governments progressively developing their systems or extending the coverage of their existing system, covering an increasing number of risks across the life cycle or enhancing the level of benefits. Six Member States have statutory schemes covering at least six of the social security policy areas. The most commonly covered branches set out in national legislation include old age, invalidity and survivors' pensions, employment injury and health care.
- In the area of health care, most Member States are committed to achieving universal health care. However, effective access to health care is still limited, particularly for self-employed workers, rural workers and other hard-to-reach groups. There are various efforts to extend social health insurance, for example, through the introduction of partially subsidized premiums and the introduction of tax-funded schemes. Challenges remain regarding equity, access and quality of health care services.
- Social protection programmes for children in the ASEAN region suffer from low coverage, inadequate benefit levels and fragmentation. Child and family benefits, when in existence, are limited to only poor households through means-tested programmes.
- Social protection for the working-age population is often limited to a minority of the population. Maternity benefits, unemployment protection and sick leave are predominantly an employer's liability. This results in the exclusion of workers without a formal employment relationship from any form of protection. Although ASEAN countries perform relatively well with regard to the legal coverage for employment injury and disability, effective protection is significantly lower.
- While all Member States have statutory old-age schemes anchored in their national legislation, older persons in the ASEAN region mainly rely on family support or income from work rather than a public pension. The rapid ageing of the population in some ASEAN Member States underscores the urgent need to ensure social protection for older persons. A recent trend in the region is the proliferation of tax-funded universal or means-tested social pensions to ensure at least a basic level of old-age security, including for those who could not reach the minimum required contributions during their working career.
- The extension of coverage is a policy priority among ASEAN Member States. Legal coverage of some social protection schemes and programmes has been expanded to hard-to-cover groups of workers, mostly on a voluntary basis. To enhance effective protection among these neglected groups, additional measures are required.
- ASEAN Member States need to increase public expenditure on social protection. It is important to extend population coverage and realize the right to social protection for all people but also to ensure adequate and meaningful benefits.
- The lack of social protection data requires more efforts at the national level to collect data and harmonize data collection methods to enable effective monitoring of the progress of the ASEAN Declaration on Strengthening Social Protection.

Since its inception, the ASEAN community has maintained its vision for increasing the living standards and welfare of its population (ASEAN, 2007). The repercussions of the Asian financial crisis that began in 1997 and the global financial crisis in 2008–09 underline the importance of social protection systems in protecting people against vulnerabilities and preserving economic and social stability in times of crises. In recent decades, many countries in the region have increasingly advocated for the extension of coverage following the life-cycle approach, acknowledging that social protection is an indispensable pillar of their renewed inclusive growth models (ILO, 2017a).

Over the past few decades, the ASEAN community embraced commitment towards ensuring social protection for all, culminating to date with the 2013 ASEAN Declaration on Strengthening Social Protection (ASEAN, 2013) (box 3-1). The expansion of social protection to workers in informal employment is high on the regional agenda, with a number of approaches being adopted across countries according to national contexts and domestic priorities.

Current efforts at the regional level include the definition and establishment of a monitoring framework to measure progress in extending social protection coverage based on, among other measures, relevant SDG targets and indicators. This framework is used to measure the progress of the Member States in implementing the 2013 Declaration (ILO, 2017a). A particular challenge relates to the coordination and harmonization of data collection, indicators and targets so as to build an effective regional monitoring framework.

Box 3-1

ASEAN commitment to extend social protection to all people, including workers in informal employment

The ASEAN Declaration on Strengthening Social Protection, adopted by the Heads of State at the 23rd ASEAN Summit in Brunei Darussalam in October 2013, reaffirms the ten Member States' commitment to build a socially responsible and people-oriented ASEAN Community, notably, by fostering social protection floors for all people (ASEAN, 2013). The Declaration reflects a growing consensus among Member States that social protection systems, including floors, are key tools to reduce and prevent poverty, contain inequalities and achieve growth with equity.

The Declaration refers to the guiding principles prescribed by the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) and the Social Protection Floors Recommendation, 2012 (No. 202). The principles and mechanisms laid out in this Declaration are necessary to move forward, collectively and individually, towards the extension of social protection and the achievement of higher levels of protection. The first principle specifically sets out that “everyone, especially those who are poor, at risk, persons with disabilities, older people, out-of-school youth, children, migrant workers, and other vulnerable groups, are entitled to equitable access to social protection”, which is a basic human right, that reflects a rights-based and needs-based life-cycle approach and covers essential services as needed.

The Declaration also underlines that the progressive realization of social protection is primarily a government responsibility for which adequate resources need to be made available.

Committed to making the objectives of the Declaration a reality, the Member States agreed on the ASEAN Regional Framework and Plan of Action for the implementation of the Declaration on strengthening social protection (ASEAN, 2015a). Under articles 11 and 12 of the Declaration, ASEAN labour ministers and senior labour officers intend to:

- “support efforts to review and enhance policies, where necessary, on social insurance, social welfare/assistance, social safety net and labour market interventions for vulnerable groups including but not limited to persons with disabilities, older people, victims of disasters and informal workers, especially women, including those in MSMEs, small farmers and fisher folk;
- where appropriate and allowing for domestic policy consideration, provide for a mechanism so as to institute government subsidies/loans as an incentive for informal workers, including but not limited to self-employed, micro entrepreneurs, small farmers and fisher folk to contribute to the voluntary social insurance system; or explore the possibility of having a voluntary social insurance system if none was created;
- encourage the participation of workers’ organizations and employers’ organizations and explore possible partnership with the civil society to raise awareness of and better reach to the informal workers.”

In addition, the Vientiane Declaration on Transition from Informal Employment to Formal Employment Towards Decent Work Promotion in ASEAN (2016) underscores the importance of social protection as one of the tools to achieve the transition from informal to formal employment.

Source: ASEAN, 2016 and 2015b.

Over the past two decades, ASEAN governments have progressively introduced new branches covering an increasing number of risks across the life cycle (Ong and Peyron Bista, 2015). Social protection systems differ across ASEAN Member States with respect to the contingencies or policy areas they cover, the scope and levels of benefits they provide as well as the criteria set out to determine coverage and eligibility.

Table 3-1 shows the diverse situation of social protection in ASEAN in terms of branches legally covered.

Table 3-1: Overview of national social security programmes in ASEAN Member States

Country	Existence of statutory programme									
	Policy areas covered by a statutory social protection programme (excluding employer liability)	Health care	Sickness (cash)	Maternity (cash)	Old age	Work injury	Disability and invalidity	Survivors	Child and family	Unemployment
Brunei Darussalam	6	√	Σ	√ ^a	√	Σ	√	√	√	NONE
Cambodia	4	√	√	√	Δ	√	Δ	Δ	NONE	Σ
Indonesia	6	√	Σ	Σ	√	√	√	√	√	Σ
Lao PDR	8	√	√	√	√	√	√	√	NONE	√
Malaysia	7	√	Σ	Σ	√	√	√	√	√ ^a	√
Myanmar	5	√	√	√	Δ	√	Δ	Δ	√ ^b	Δ
Philippines	8	√	√	√	√	√	√	√	NONE	Σ
Singapore	8	√	√	√	√	√	√	√	√	NONE
Thailand	9	√	√	√	√	√	√	√	√	√
Viet Nam	9	√	√	√	√	√	√	√	√ ^b	√

Note: None=No statutory programme anchored in national legislation.

√ = At least one programme anchored in national legislation.

Σ = Limited provisions via employer's liability under national labour code (includes company sick leave and severance pay provisions).

Δ = Programme has yet to be implemented.

^a = In Brunei Darussalam, cash maternity benefits are an employer liability. There is an employment-related programme that offers cash benefits for people registered with the Employees' Trust Fund. Under this programme, 100 per cent of the gross monthly wage is paid for 13 weeks (the employer pays the first eight weeks; the Government pays the next five weeks, and the employee is entitled to two additional weeks of unpaid leave).

^b = The 2012 social insurance law is gradually being implemented. Family benefits have been implemented.

^c = Malaysia has both conditional and unconditional cash transfer programmes.

Source: SSA and ISSA, 2016; Ong and Peyron Bista, 2015.

Despite the considerable progress, the right to social protection is not yet a reality for many people in the ASEAN region. While the rapid extension of legal social protection coverage in many countries can be considered a positive achievement, effective coverage and adequate protection remain limited. In many countries, social protection schemes are only accessible for workers in the formal economy who contribute to social insurance and for poor households that qualify for social assistance. This leaves a large part of the population, the so-called missing middle, without any form of protection. In the Philippines and Viet Nam, for example, only around 40 per cent of the population is effectively covered by at least one social protection benefit. Many of them usually operate in the informal economy, experience decent work deficits and are in need of social protection support (ILO, 2017a). In addition to gaps in population coverage, benefits are often insufficient, which is associated with increased economic insecurity, particularly for poor and vulnerable groups.

²² Data for other countries are not available. This reveals the challenge of collecting national data to calculate the majority of indicators, which would also serve as basis for effective monitoring and evaluation of the ASEAN Declaration and the SDGs. This will continue to be challenging unless the lack of standardized data collection methods in ASEAN countries is addressed.

The lack of effective social protection can be partly attributed to the low levels of public expenditure dedicated to social protection. Table 3-2 shows generally low levels of public social protection expenditure in ASEAN Member States, which are below the average spending of 7.4 per cent in the Asia-Pacific region. Over the recent decade, most countries, with the exception of Brunei Darussalam, Indonesia and Thailand, saw their total social protection expenditure rise as a percentage of gross domestic product (GDP). Expenditure on social protection differs across countries from 6.3 per cent of GDP in Viet Nam and around 3–4 per cent in Malaysia, Singapore and Thailand to around one per cent in Cambodia, Indonesia, the Lao People’s Democratic Republic and Myanmar (ILO, 2017a).

Table 3-2: Public social protection expenditure in ASEAN Member States, including health as share of GDP, 2005 or latest available year (%)

Country	2005	2010	Latest available	Year
Brunei Darussalam	2.5	...	2.3	2011
Cambodia	0.6	0.6	1.2	2013
Indonesia	2.0	0.9	1.1	2015
Lao PDR	0.7	0.7	1.2	2013
Malaysia	2.5	3.4	3.8	2012
Myanmar	0.4	...	1.0	2011
Philippines*	0.9	1.6	2.2	2015
Singapore	1.1	2.3	4.2	2015
Thailand	3.7	2.7	3.7	2015
Viet Nam	4.2	4.6	6.3	2015

Note: (*) = The expenditure on social protection and health refers only to the central government sector.
Source: ILO, 2017a

Health protection

Many countries in the region are committed to achieving universal health protection (Rachawong, 2016; Ong and Peyron Bista, 2015), with five countries setting specific targets for universal health coverage, including Viet Nam (by 2014),²³ Indonesia (2019), the Lao People’s Democratic Republic (2025), Myanmar (2030)²⁴ and the Philippines (2030).²⁵

In terms of population coverage, several Member States have achieved near or universal health coverage, including Brunei Darussalam, Malaysia, the Philippines, Singapore, Thailand and Viet Nam. However, considerable coverage gaps still exist in some parts of the region. Many people in need do not have access to affordable health care and are not effectively protected against catastrophic health expenditures and are thus forced to shoulder the bulk of health expenditure on their own or by their family (table 3-3).

²³ This target (Law on Health Insurance of 2008) was revised to 70 per cent health coverage by 2015 and 80 per cent coverage by 2020. The revised Law on Health Insurance took effect in 2015 and extended compulsory social health insurance participation to all citizens (Results for Development, 2015a).

²⁴ Indonesia’s universal health coverage target is stipulated under the 2012: Roadmap toward UHC – Peta Jalan Jaminan Kesehatan Nasional 2012–2019. For the Lao People’s Democratic Republic and Myanmar, targets were included in the respective health strategy up to 2020 and Myanmar Health Vision 2030 (Ong and Peyron Bista, 2015).

²⁵ Under the National Objectives for Health 2011–16, universal health coverage was set to be achieved by 2016 (Department of Health, 2011).

Table 3-3: Health financing system and health expenditure, 2015

Country	Main health system financing	Current health expenditure (% of GDP)	Total health expenditure percapita, US\$, PPP	Out-of-pocket expenditure (% of total health expenditure)
Brunei Darussalam	Tax-based national health system	2.3	1 778	6
Cambodia	Social health insurance and social assistance	6.1	183	74
Indonesia	Social health insurance	3.1	299	47
Lao PDR	Social and community-based health insurance coverage and social assistance	2.4	98	39
Malaysia	Tax-based national health system	3.8	1 040	35
Myanmar	Social and community-based health insurance coverage and social assistance	5.1	104	51
Philippines	Social health insurance	4.4	329	54
Singapore	Tax-based social health insurance and individual savings account	4.5	42 948 (2 935)	31 (30)
Thailand	Tax-based national health system and social health insurance	3.7	600	12
Viet Nam	Social health insurance	5.7	390	37

Source: Ong and Peyron Bista, 2015; World Bank and WHO National Health Accounts Database 2017, at <https://www.who.int/health-accounts/en/> (accessed 12 Oct. 2019).

The mechanisms for financing health services vary across the ASEAN countries. These range from (predominantly) tax-financed national health systems in Brunei Darussalam, Malaysia and Thailand to contributory social health insurance schemes in Cambodia, Indonesia, the Philippines, Singapore, Thailand and Viet Nam or community-based health insurance schemes, such as in Myanmar. Singapore has a multilayered healthcare financing system consisting of tax-financed subsidies, a basic social health protection insurance tier, a mandatory individual savings account administered by the Government and an endowment fund set up by the Government to provide a safety net for healthcare expenditure (Ong and Peyron Bista, 2015).

Singapore achieved high coverage rates with its unique system, whereas countries with a large informal economy still struggle to reach universal coverage within their contributory schemes. Thailand's system is a good example in which the switch from a purely contributory scheme to a mix of tax and social insurance financing facilitated the extension of social protection to the large informal economy. Indonesia, the Philippines and Viet Nam introduced voluntary or mandatory coverage for self-employed workers with the use of subsidies (Results for Development, 2015a, 2015b). These groups constitute the majority of workers in many ASEAN Member States yet are often effectively excluded from health schemes. Despite significant progress, countries still face challenges in extending their health insurance schemes, either because voluntary schemes suffer from adverse selection issues or mandatory coverage is challenging to enforce (Ong and Peyron Bista, 2015; ISSA, 2012). For example, BPJS Health in Indonesia counted only 15 million households in the informal sector as of 2016. While this is a sign of progress, this group only represents less than 10 per cent of all registered members in BPJS Health, which is insignificant, considering that 80 per cent of total employment in Indonesia is considered informal (BPJS Kesehatan, 2018; Dartanto et al., 2016).

Lower-income countries, such as the Lao People's Democratic Republic and Myanmar, provide limited health coverage through various small schemes (Ong and Peyron Bista, 2015). Social health protection in the Lao People's Democratic Republic consists of the health insurance branch of the National Social Security Fund for formal sector workers and their dependants, the Health Equity Fund for the poor; the voluntary health insurance for self-employed workers administered by the National Health Insurance Bureau (formerly Community-based Health Insurance) and the Maternal, Neonatal and Child Health programme for new mothers and children younger than 5 years. The main schemes in Myanmar include the Medical Care Scheme covering private sector workers under the Social Security Board and several free healthcare programmes operated by the Ministry of Health. The fragmentation of both systems as well as limited personal scope lead to gaps in health protection and do not allow for risk-pooling and efficiency gains. Community-based health insurance schemes seem to be ineffective in reaching their target groups because they suffer from adverse selection issues and irregular payment of contributions. Targeted social assistance schemes, such as health equity funds, mostly rely on funding from external donors, which makes their financial sustainability questionable. Both countries are in the process of merging existing schemes and establishing a national social health insurance system.

Many ASEAN Member States still have a long way to go towards universal health coverage. In addition to limited population coverage, health systems in the region face challenges with respect to the range and quality of health services provided as well as financial and supply-side constraints. The lack of an adequate health workforce and other capacities, low levels of public health funding and limited health care infrastructure are among the factors that affect the provision and quality of health services (ILO, 2017a). Physical barriers to health care access particularly affect rural populations in remote, hard-to-reach regions. Even in tax-based national health systems, funding constraints can lead to lower quality of health services, for example, by rationing services or reducing the range of available services (Ong and Peyron Bista, 2015).

In many countries the utilization of health services among poor and vulnerable households is low, partly due to the high out-of-pocket expenditure required as well as the lack of services available (Ong and Peyron Bista, 2015). In 2015, out-of-pocket expenditure reached beyond 50 per cent in Cambodia, Myanmar and the Philippines, creating a high financial burden for many households. This keeps workers in, or pushes them into, particularly those in informal and vulnerable employment, poverty and impoverishment because they lose a major part of their earnings once they fall sick. The rural population is often more affected than urban population in many dimensions, including gaps in legal coverage, workforce shortages, financial deficits, out-of-pocket expenditure and higher maternal mortality ratios (Scheil-Adlung, 2015). In most countries, significant deficits in equity and access to quality and affordable health services remain (Ong and Peyron Bista, 2015).

Higher-income countries, such as Brunei Darussalam, Malaysia and Singapore, tend to exhibit higher degrees of health coverage, service provision and service quality than the low- or middle-income countries. However, households in Malaysia, for instance, still experience high out-of-pocket expenditure, which can lead to impoverishment. Thailand displays high levels in health coverage, service quality and financial protection while still experiencing a considerable service gap due to the health professional staff deficit. The Philippines exhibits high out-of-pocket expenditure and high financial deficit (ILO, 2014c). At the other end, health coverage in Cambodia and the Lao People's Democratic Republic is still limited across many dimensions, including population coverage, service availability and quality. Viet Nam and Indonesia rank average in terms of deficits in access to health services (Ong and Peyron Bista, 2015).

Considering the unfolding of population ageing in some Member States, a pivotal concern is the public provision of long-term care for older persons. This includes a range of services and cash benefits that address the reduced functional capacity and/or cognitive capacities of older persons. Despite changing family values and cultural perceptions in the region, there is still a normative basis for family care of older persons (Turalde-Babaran, 2017). Long-term care is still mainly the responsibility of the children towards their ageing parents and predominantly left in the hands of (unpaid) female family members who need to leave the labour market to provide care for their relatives. Public long-term care systems are still meagre in the region, and the majority of the ASEAN region's population has no right to social long-term care protection by law (ILO, 2017a; Asia Research Institute, 2016). The lack of public health and social services for the growing older population renders older persons and their families vulnerable to financial hardship as they encounter high out-of-pocket expenditure and foregone employment and income opportunities of female family members, but it also contributes to additional gender inequality because care work is disproportionately borne by women. At the same time, the demographic transition and change in family structures will challenge the traditional model whereby children take care of their old parents, reinforcing the need for public provision of old-age protection and long-term care.

Social protection for children

The majority of ASEAN countries have cash transfer programmes for families with children in place.²⁷ Such benefits can help enhance children's overall outcomes by supporting families with children with social investments in health and education and smoothing household consumption, thereby reducing the impacts of poverty and income shocks on children (ILO, 2017a). Brunei Darussalam, Indonesia, Malaysia, the Philippines, Thailand and Viet Nam have means-tested social assistance programmes for families with children. However, these schemes cover only a small share of the population and suffer from exclusion errors, usually failing to cover families that are most in need (Kid et al., 2017). Some of the cash benefit programmes, such as the Program Keluarga Harapan in Indonesia and the Pantawid Pamilyang Pilipino Programme in the Philippines are conditioned upon obligations, such as children's school attendance and/or health check-ups. Despite their prominence in the region, conditional cash transfer schemes require extensive administrative capacity (Ong and Peyron Bista, 2015).

In Cambodia and the Lao People's Democratic Republic, social protection for children is limited to pilot schemes with little outreach, although the share of children and young people in these countries is large. This calls for exploiting the demographic window of opportunity through investments in the future labour force. Cambodia recently announced the launch of a conditional cash transfer programme for pregnant women and children younger than 2 years, which is implemented by the Ministry of Health starting from 2019 until the Ministry of Social Affairs, Veterans and Youth rehabilitation is ready to take over, which is expected in January 2020. Under the Ministry of Health, a cash benefit of US\$190 is planned for mothers and children. The design of the benefit under the Ministry of Social Affairs, Veterans and Youth is still under discussion.

In 2015, Myanmar established a universal cash allowance for all mothers in the last six months of their pregnancy and children up to age 1 year, which was extended to cover all children up to age 2 in 2017 (MSWRR, 2014). Standing out among the ASEAN countries, Thailand combines the Child Allowance, which is part of the social insurance scheme, with the Child Support Grant, a non-contributory means-tested cash benefit for families with children aged up to 3 years. Singapore's Baby Bonus scheme has two components, comprising a cash benefit gift given to parents of newborn babies (up to the fourth child) and a Child Development Account for eligible Singaporean children, to help parents defray the costs of child-raising. The Child Development Account is a special savings account, whereby savings are matched dollar for dollar by the Government, up to a different quantum for different children (Ong and Peyron Bista, 2015).

²⁷ In this study, we only focus on cash benefits. Other important measures specifically designed for children include school feeding and immunization programmes, in-kind transfers, such as free school books, childcare services, education programmes, parental and other childcare leave benefits as well as tax rebates for families and children (ILO, 2017a).

In general, social protection programmes for children in the ASEAN region suffer from low coverage, inadequate benefit levels and fragmentation. In the Philippines, fewer than one in five children receives child benefits. Coverage is generally low, as is the expenditure for social protection benefits for children (ILO, 2017a).

With the low coverage of families with children, an essential guarantee of a nationally defined social protection floor is missing. This not only exposes children to a poverty risk and unfavourable health and education outcomes but also puts greater financial burden on families, particularly those with low incomes who have limited capacity to contribute to social insurance schemes when their priority needs are to care for their children.

In addition to allocating adequate public resources for child and family benefits, it is equally important to strengthen supply-side factors, such as the availability and accessibility of high-quality and accessible education and health care services (Ong and Peyron Bista, 2015).

Social protection for the working-age population

Social protection for the working-age population is organized into the following branches according to the Social Security (Minimum Standards) Convention, 1952 (No. 102): maternity protection, unemployment protection, employment injury protection and disability benefits. In ASEAN countries, social protection for the working-age population is limited. Many of those benefits only cover people who have been economically active and in formal employment (ILO, 2017a).

Maternity protection

Social protection for maternity is still limited in the region. In many countries, including Brunei Darussalam, Indonesia and Malaysia maternity protection is an employer's liability, requiring employers to bear the full economic costs when their employees get pregnant.²⁸ The fact that the contingency is the sole responsibility of the employer may affect the receipt or level of benefits negatively and expose women to employment discrimination because employers avoid the costs of maternity benefits and staff replacement (ILO, 2017a). Only a minority of workers receive benefits, with these schemes linked to a formal contract with a specific employer, but the entitlements end once the workers move to another job.

Most maternity cash benefit schemes solely cover women in formal employment, given that they comply with the qualifying conditions set out in national legislation. Benefits provided range from 50 per cent to 100 per cent replaced income and are paid for a period of between 60 days in the Philippines and six months in Viet Nam (Ong and Peyron Bista, 2015).

Only the Lao People's Democratic Republic, Myanmar and Thailand allow self-employed women to participate in their contributory systems on a voluntary basis (ISSA and SSA, 2016). The effectiveness of voluntary schemes to reach a large number of workers is nonetheless questionable. Moreover, voluntary schemes face the issue of adverse selection so that only women in fertile age are likely to join the scheme; this not only creates coverage gaps but also creates unfair risk-pooling. Thailand and Viet Nam only cover two out of five women giving birth.

The Philippines is the only country that stipulates mandatory maternity coverage for self-employed workers (with earnings above a certain threshold). However, coverage for women giving birth is a mere 9 per cent. The lack of maternity cash benefits forces many women, including those in informal employment, to work during pregnancy and to return to work immediately after giving birth, posing health risks for themselves and their children (ILO, 2017a and 2016b).

²⁸ Brunei Darussalam and Singapore complement employer liability schemes with government-subsidized maternity benefits.

Paternity leave is available in Indonesia,²⁹ Myanmar, the Philippines, Singapore, Thailand and Viet Nam (ILO, 2017a; MOLISA, 2013). Paternity leave and parental leave are crucial complementary elements to maternity protection policies and contribute to promoting gender equality through a more equal distribution of family responsibilities (ILO, 2014c).

Unemployment protection

Unemployment protection is limited across ASEAN Member States. Most countries have employer liability schemes that require employers to provide severance payments in the case of dismissal of their employees. Linked to a contract with a specific employer, these mechanisms are not available to the majority of the population in countries with a large informal economy. Moreover, these payments, often provided as lump sums, provide inadequate protection and little support to facilitate workers' return to the labour market (ILO, 2017a). There are often cases of non-compensation, for example, in case of bankruptcy, and non-compliance due to a high financial burden on enterprises. In Indonesia, only one third of dismissed workers entitled to severance pay reported receiving it, and, on average, workers received only 40 per cent of the payment due to them (Brusentsev et al., 2012).

Unemployment insurance schemes are only available in Malaysia (as of 2018), the Lao People's Democratic Republic, Thailand and Viet Nam. Myanmar has yet to implement the unemployment benefit programme as stipulated in its 2012 Social Security Law. Effective coverage for unemployment benefits is still limited, for example reaching only roughly 40 per cent of all unemployed persons in Thailand and Viet Nam (ILO, 2017a). The majority of workers in the ASEAN region do not benefit from any protection in the event of unemployment.

Similar to unemployment benefits, only a small proportion of the population has access to public employment programmes and active labour market policies (Ong and Peyron Bista, 2015).

Employment injury

Employment injury is mainly provided through social insurance-based programmes and schemes, with the exception of Brunei Darussalam and Singapore,³⁰ where the employer is solely liable (ISSA and SSA, 2016). Many workers in the ASEAN region remain in a vulnerable position in case of an employment injury. Legal coverage rates of employment injury schemes differ across countries, ranging from 6.7 per cent of the labour force in the Lao People's Democratic Republic and 15.3 per cent in Cambodia to more than 80 per cent in Brunei Darussalam and Indonesia (ILO, 2017a).

Although informal workers tend to work in hazardous sectors with higher health risks, they often have no access to employment injury benefits. Self-employed workers can voluntarily affiliate to the statutory employment injury schemes in Myanmar, the Philippines and Thailand. Indonesia extended compulsory work injury insurance coverage to construction workers through a specific scheme (Ong and Peyron Bista, 2015).

The low coverage of employment injury insurance schemes can be partly explained by the large share of self-employed workers that make up a big bulk of the labour force in many ASEAN countries (ILO, 2017a). Data on effective coverage is limited, but it is often lower than legal coverage due to incomplete enforcement of the legislation or limited impact of voluntary schemes.

²⁹ Paternity leave only applies to civil servants.

³⁰ To address the shortcomings of employer liability schemes, Singapore has introduced the requirement for a private employment injury insurance (Ong and Peyron Bista, 2015).

Social protection for persons with disabilities

All ASEAN Member States, except for Myanmar, have at least one statutory programme in their legislation providing disability benefits. However, effective coverage is still limited. In Cambodia, the Philippines and Viet Nam, less than 10 per cent of persons with severe disabilities receive benefits (ILO, 2017a).

Social protection for older persons

The importance of providing people with adequate old-age income protection once they grow older is acknowledged in the region, considering the constant efforts by countries to extend their pension schemes. The relative rapid ageing of the ASEAN region's population will increase the number of people in pensionable age significantly, not only impacting the financial sustainability of systems but also increasing the demand for adequate old-age pension schemes.

Despite their importance, pensions are only available to a few workers. Workers usually face income insecurity in old age because they are excluded from the statutory pension schemes or they face challenges to accumulate pension entitlements. In the absence of effective public pension schemes, many older persons in the ASEAN region rely on informal protection mechanisms provided by their families or communities or they need to continue working (UNFPA and Help Age International, 2012). While children are still the major source of financial support for older persons (for example, in Singapore it is more than 50 per cent of persons aged 65 and older), cultural attitudes and values with regard to retirement have slowly changed in the region (DSS, 2015). A survey by Jackson and Peter (2015) found that the majority of today's working-age population in Malaysia, the Philippines, Thailand and Viet Nam expects to be less dependent on their family for retirement support and expects a more active role by government for providing income security in old age.

The situation across ASEAN Member States is diverse, both with respect to the design of schemes and coverage. Eight out of ten Member States have statutory pension schemes anchored in their legislation. Cambodia and Myanmar are still in the process of implementing a national old-age protection scheme for private sector workers, although legal provisions are already in place. The Lao People's Democratic Republic, the Philippines and Viet Nam have contributory social insurance pension schemes, usually operated as defined-benefit schemes.

As part of their historical heritage (British colonial rule), national provident funds are still at the core of the old-age protection scheme in Malaysia and Singapore. Brunei Darussalam combines a national provident fund with a supplementary defined-contribution scheme, while Indonesia combines its provident fund with a recently launched mandatory defined-benefit pension scheme (ISSA and SSA, 2016).

These schemes are mostly accessible to only employees, given that they meet the qualifying conditions to receive benefits. To extend pension coverage to self-employed workers, ASEAN countries have introduced several measures, either extending existing employment-based schemes or establish tax-funded or other specific mechanisms. Although most countries have contributory pension schemes in place, the considerable size of the informal economy in many of them indicates that tax-funded solutions, such as universal or social pensions, are required, at least in the short term, to tackle the old-age income problem. A recent trend in many countries in the region is the creation of tax-funded pensions to provide older persons with at least a basic level of old-age protection. Despite some improvements, effective old-age protection is still limited in the region, with the exception of Brunei Darussalam and Thailand, both of which achieved broad coverage levels by establishing tax-funded schemes to expand pension coverage to population groups with limited contributory capacities.

The share of older persons receiving a pension ranges from around 80 per cent in Brunei Darussalam and Thailand to only around 40 per cent in the Philippines and Viet Nam and significantly less in Malaysia, Indonesia and the Lao People's Democratic Republic. Similarly, the share of active pension contributors in the working-age population (aged 15–64 years) also varies from country to country, from 48.1 per cent in Singapore to around 30 per cent in Thailand and Malaysia and less than 10 per cent in Indonesia and the Lao People's Democratic Republic (ILO, 2017a).

Public pensions, where they are provided, are relatively low across many ASEAN Member States. The low level of public spending on pensions in all ASEAN Member States is an indicative sign of the low level of protection offered both in terms of coverage and replacement levels. Expenditure on pensions vary from country to country, but with 5.5 per cent of GDP in Viet Nam to less than 1 per cent in the Lao People's Democratic Republic, Malaysia, Myanmar, Philippines and Singapore, they are generally lower than the average level in the Asia-Pacific region (ILO, 2017a). For example, under Thailand's "young" scheme, new pensioners receive a low amount of contributory pension because they were not able to accumulate entitlements based on long contribution careers.

The amount of the tax-funded pension is often also far below the national poverty line or average or minimum wages. For instance, the Social Assistance for Older Persons in Indonesia for all persons older than 70 amounts to 11.2 per cent of the minimum wage (ILO, 2017a). The current social pension in Viet Nam for all persons older than 80 is equivalent to 5.6 per cent of GDP per capita, which is far below the value of social pensions found in many other countries – for instance, Brazil and Lesotho, have percentages as high as around 35 per cent of GDP per capita (ILO, forthcominga). The level of the Old-Age Allowance in Thailand, which covered 83 per cent of persons older than 60 in 2016 is also inadequate to ensure a decent living. In 2016, the benefit level was equivalent to less than half of the national poverty line (ILO, 2017a). This is compounded by the fact that the pension amount is not automatically indexed to inflation or wages, or a combination thereof, resulting in a progressive erosion of the value of pensions over time (ILO, 2017a and 2016d).

Social assistance

Although not all informal workers are poor, many are living in or vulnerable to falling (back) into poverty once experiencing risks across the life cycle. Social assistance benefits are important for providing at least a basic level of social protection for persons who are still uncovered by contributory schemes and face significant social and economic vulnerabilities. While data on social assistance coverage for vulnerable populations is scarce, the coverage in countries with available data is extremely low. For example, in the Philippines and Viet Nam, only 7.8 per cent and 10 per cent of all vulnerable persons receive social assistance benefit, respectively. Women, persons with disabilities, rural populations, young people, older persons, persons living with HIV or AIDS and contributing family workers often tend to be among the most vulnerable groups of the population. The lack of basic social protection exposes them to a vicious cycle of vulnerability, poverty and social exclusion.

3.2 Legislative, administrative, financing and other barriers

Main Points

- Some legislation explicitly excludes certain groups of workers from social insurance coverage, based on employment status, occupation, sector or implicitly through exemptions in compulsory social insurance coverage. Commonly excluded workers include domestic workers, migrant workers, own-account workers and agricultural, casual and temporary workers.
- Ineffective or weak enforcement of applicable labour and social security regulations obstruct the expansion of coverage. Weak capacities to intervene and enforce legislation can result in low compliance among employers and workers.
- In many countries, the lack of integrated and coordinated policies limits the ability of governments to extend coverage.
- Many workers and employers in the informal economy have little income or have volatile income, live in poverty or are at risk of falling into poverty, which limits their capacity to contribute (regularly) to a social insurance scheme.
- Weak governance structures, limited awareness about social protection issues and burdensome and lengthy administrative procedures make the extension of coverage challenging and considerably limit the public's trust. Compounded by the lack of incentives for formalization and social security registration, workers and employers may be discouraged from operating in the formal economy and joining social security schemes.
- The lack or absence of workers' representation and organization in the informal economy makes it difficult for workers to voice and defend their rights, including with respect to social protection.
- Large knowledge gaps about workers in the informal economy make it challenging to understand their size and characteristics, or their employers if they have one, and to guide and monitor the extension process.

Despite strong regional and national commitments in ASEAN countries to extend social security coverage, the current policy and implementation frameworks are inadequate for the expansion of coverage. The following sections discuss the factors that impede the extension of coverage.

Legal barriers to the extension of coverage, including legal exclusion

In many countries, certain sectors, occupations or employment types are explicitly excluded from general labour and social security legislation. For example, social security legislation excludes self-employed workers in several countries: agricultural workers, temporal and seasonal workers in Thailand, migrant workers in Brunei Darussalam and Singapore and domestic workers in Cambodia, the Lao People's Democratic Republic, Myanmar and Thailand (ISSA and SSA, 2016). Domestic workers are typically excluded from labour law, such as in Brunei Darussalam and Cambodia (ILO, 2018f) (see section 3.3.5).

Legal frameworks may also implicitly exclude certain groups of workers through minimum thresholds with regard to the size of the enterprise, working time, duration of employment or salary. Workers in non-standard forms of employment, such as part-time, temporary or seasonal workers, often encounter difficulties in fulfilling these requirements. For example, the mandatory social insurance scheme in Viet Nam only covers employees with at least a one-month contract. In Myanmar, the law only provides for compulsory social security coverage for private sector companies with more than five employees and voluntary coverage for companies with fewer than five workers, students, self-employed workers and farmers. In Cambodia, social protection coverage was, until recently, only applied to enterprises with more than eight employees (ISSA and SSA, 2016). In addition, legislation may include rules based on place of work, which can effectively exclude some categories of workers, such as domestic workers or home workers. Other workers, such as home-based or on-demand workers, may have ambiguous and unclear employment status or work in unregulated sectors (Haspels and Matsuura, 2015). As a result, some categories of workers are often not captured by the law and employers are not required to register their workers or pay social security contributions on their behalf.

Many ASEAN countries have increased their efforts to cover self-employed workers through voluntary social insurance schemes, albeit not for all policy areas (table 3-4). In Singapore, it is mandatory for all citizens, including the self-employed, to have social health insurance and disability insurance. In the Lao People's Democratic Republic, Malaysia, Thailand and Viet Nam, the self-employed can voluntarily participate in the social insurance system to receive long-term benefits, including old-age pensions, disability and survivors' benefits. Throughout the region, self-employed workers are more likely to be excluded from short-term benefits,³¹ such as maternity, sickness, employment injury and unemployment. The Lao People's Democratic Republic, Myanmar and Thailand allow self-employed persons to opt into the sickness and maternity benefit schemes, while Myanmar also provides voluntary coverage in case of employment injury.



³¹ See Annex I for the definitions of long-term and short-term benefits.

Table 3-4: Social protection for self-employed workers in ASEAN Member States

Country	Health care	Sickness (cash)	Maternity (cash) ^a	Old age ^b	Work injury ^c	Invalidity	Survivors	Child and family benefits (cash) ^d	Unemployment
Brunei Darussalam	√ ^e	E	E	V	E	V	E	√	NONE
Cambodia	E	E	E	NONE	E	NONE	NONE	NONE	E
Indonesia	√	E	E	V	√	V	V	√ ^f	E
Lao PDR	V	V	V	V	V	V	V	NONE	E
Malaysia	√ ^u	E	E	V	E	E	E	√	E
Myanmar	V	V	V	NONE	V	NONE	NONE	√ ^f	NONE
Philippines	√	√	√	√	V	√	√	√ ^f	NONE
Singapore	√ ^e	E	√	√	E	√ ^e	V	√ ^e	NONE
Thailand	V	V	V	V	V	V	V	V	E
Viet Nam	√	E	E	V	E	V	V	√ ^f	E

Note: V = Voluntary participation for self-employed workers.

E = Excluded.

√ = Mandatory coverage for self-employed workers.

None – no scheme in place.

^a = In Thailand, self-employed workers have voluntary coverage for cash benefits; the medical benefits are covered through the universal coverage scheme.

^b = In Malaysia and Indonesia, self-employed persons can voluntarily participate in the provident fund. In Malaysia, they are excluded from the social insurance scheme. In Singapore, self-employed persons with an annual net trade income greater than SGD6,000 are required to contribute to the provident fund for their healthcare needs and can voluntarily contribute for their retirement needs. In Indonesia, mandatory coverage of self-employed workers by the old-age benefit will be gradually extended according to the Law on the National Social Security System (Sistem Jaminan Sosial Nasional).

^c = In Malaysia, registration to the occupational insurance is only compulsory for self-employed taxi and e-hailing drivers; other self-employed workers and domestic workers are excluded from the scheme. In Viet Nam, the Law on Occupational Safety and Health (2014) includes an extension of employment injury insurance to all workers, including self-employed.

^d = In Singapore, the benefit is universal and unconditional for newborn babies. In Thailand, the cash benefit for children aged 0–6 years is unconditional and non-means tested. Malaysia has both unconditional and conditional cash transfer for children and families.

√^e = Universal coverage (independent of work status).

^f = means-tested.

Source: Produced for this report based on information in ILO, 2017; SSA and ISSA, 2016; Ong and Peyron Bista, 2015; ISSA and SSA, 2016.

However, even in countries with universal legal coverage, the voluntary nature of the affiliation for some groups of workers creates a situation in which they are excluded from mandatory coverage and, in most of the cases, excluded from any sort of coverage (box 3-2).

Box 3-2 Limited impact of voluntary schemes

Experience in the ASEAN region and beyond indicates that attempts to extend social security coverage through voluntary affiliations of self-employed workers rarely lead to significant increases. As an illustrative example, the voluntary scheme in Viet Nam only covered around 200,000 workers in 2017, equivalent to only 0.4 per cent of all workers, despite government contribution subsidies and efforts to reduce the administrative burden on self-employed workers (see sections 4.1.2 and 4.1.3) (ILO, forthcomingb). In addition, voluntary schemes tend to suffer from adverse selection as well as high drop-out rates, partly due to the limited contributory capacity of workers and the lack of effective incentives for registration. In some instances, the terms and conditions of voluntary schemes are different (often less favourable) to those enjoyed by salaried employees; for example, different benefit packages, stricter conditions with respect to the period of receipt or the waiting period or lower benefits that are paid as a lump sum rather than in relation to earnings.

A dual system with a voluntary and mandatory regime to cover different workers often poses a problem of portability of benefits, especially if they are not well coordinated and integrated under a common framework. Moreover, voluntary schemes can create perverse incentives for enterprises to employ workers under a certain arrangement that provides less protection so as to reduce their labour costs. Mandatory coverage, taking into account the contributory capacities of workers, is thus preferable to voluntary coverage because it ensures a larger pool of risks, allows for more equitable financing mechanisms and can provide more stable and sustainable protection for all members.

Weak enforcement

The ineffective enforcement of the applicable social security regulation obstructs the expansion of coverage in many ASEAN Member States. The large share of informal employment in both the formal and informal sectors in some countries indicates that enforcement is an important policy area when it comes to the extension of coverage.

Labour and social protection inspection mechanisms in some ASEAN Member States are relatively weak. Some countries, such as the Lao People's Democratic Republic, do not have systematic mechanisms to enforce compliance, such as regular inspections or penalties. Many countries struggle to ensure sufficient investment and sufficient human, financial and administrative resources for inspection, which often results in few inspections. Information and communications technology (ICT) systems are either non-existent or ineffective to monitor and facilitate compliance and inspection processes, while the lack of well-trained personnel impedes the proper enforcement of regulations in the informal and formal economies. While these challenges are not limited to the informal economy, they may add to the challenges that inspectors face in the informal economy.

In many cases, labour inspectorates do not have the mandate to undertake their work in the informal economy because the scope of labour inspections does not extend to all workers but is limited to workers and enterprises covered by the law. On the other side, it is not sufficient to extend the reach of the law without increasing the funds dedicated to labour inspection. Labour inspection is particularly relevant in cases in which rights that should be applied are not; for example, when a worker in a formal business is undeclared or underdeclared or when the self-employed declared situation serves to disguise the employer-employee relationship (ILO, 2013a).

Inspection mechanisms or processes are often not tailored to the situation of economic units and workers in sectors with a high likelihood of informality. Labour inspections are especially difficult when the workplace is private, such as for domestic and home-based work, or the nature of the work is more dispersed, hidden and often invisible, such as in agriculture and MSMEs. In these cases, inspections can be expensive and burdensome for the labour administration.

Weak capacities to intervene and enforce legislation can result in low compliance and even encourage enterprises to engage in informal employment because they believe that the probability of detection is low (ILO, 2015a). For example, in Cambodia, Indonesia and Viet Nam, the inefficient and ineffective enforcement processes affect compliance among businesses because they know the referral process takes a long while (Singh, forthcoming; Both et al., 2018).

Lack of policy coherence and coordination

The lack of consistency and coherence between policies as well as the lack of coordination limits the ability of governments to extend coverage. This can relate to two dimensions: coherence between social protection policies and related institutions and between social protection and other policy areas.

Between social protection policies and related institutions

Social protection schemes are often weakly coordinated and fragmented, leading to overlapping functions and inefficiencies among different programmes and government agencies. Multiple laws and decrees often lead to a lack of coherence in the overall social protection strategy, if there is one. The lack of a government-led integrated and comprehensive social protection framework can considerably hamper the extension of social protection.

A high degree of system fragmentation (between different contributory schemes, between contributory and non-contributory schemes and between different government bodies involved in social protection) not only contributes to inefficiencies in the system but also creates obstacles to effective access. Where there are several fragmented social security schemes but no provisions for portability of benefits, effective access is limited for workers who frequently move between jobs as well as migrant workers (see details on challenges for migrant workers in section 4.3.4). Workers with high labour mobility encounter difficulties with portable entitlements because they frequently change between the formal and informal economies, different employment statuses, sectors and geographical location. The provision of social protection through different schemes for different groups of workers, coupled with the lack of portability, such as in Thailand, can lead to the exclusion of coverage. To guarantee the continued protection for workers, some countries introduce unified social insurance numbers or integrated national registries (as in the Philippines), while others adopt a more overarching approach to include all types of employment under a single scheme.

Between social protection and other policy areas

The challenges related to formalization and extension of coverage often go beyond the scope of what can be done through social security policies and measures and by the social security administration. The reasons for informality are diverse, which implies that they cannot be addressed through a single policy area but require coherence between several policy areas. In many countries, the lack of integration and coordination of social protection policies with other policy areas results in limited collaboration between the agencies; for example, the registration of enterprises and workers as well as the monitoring and enforcement of compliance.

One of the major reasons for the high rate of informal employment in ASEAN countries is the sizable number of unregistered enterprises. These enterprises may not be covered by labour regulations or may choose to not register due to the perceived advantages of operating in the informal sector. Barriers to business formalization include high financial requirements (such as taxes, entry costs, under-the-table payments), long and tedious administrative procedures related to business registration, the lack of policies to support MSMEs and the lack of business development services. For example, in Myanmar, the system for business registration is considered complicated and fragmented by employers and creates inefficiencies and disincentives for them to enter the formal economy. The lack of business registration, in turn, often blocks the registration to social security.

The lack of labour regulation for certain sectors, occupations or employment types is also another area that needs to be addressed when extending coverage. For example, domestic workers are typically not protected by national labour legislation and do not work under the same conditions as other workers in terms of employment conditions and wages, which affects their access to social security. The newly emerging on-demand workers are not regulated under any legislation yet, and difficulty is often compounded by the fact that workers, buyers and platforms are located in different countries (ILO, forthcomingc).

Although taxes constitute the major source of revenue for financing social protection policies, tax revenue is still low across ASEAN Member States. Tax-to-GDP ratios vary among the countries but are commonly lower than the average of Organisation for Economic Co-operation and Development (OECD) countries (at 34 per cent) and the average of 21 African countries (at 18.2 per cent).³² For example, based on statistics published by the OECD in 2018, the tax-to-GDP ratios in 2015 ranged from only 11.6 per cent in Indonesia to around 13–14 per cent in Malaysia and Singapore and 17–18 per cent in the Philippines and Thailand (OECD, 2018a). These are partly linked to narrow tax bases and low taxation levels as well as issues of non-compliance and tax avoidance. Digitalization and the rise of the platform economy could potentially exacerbate these challenges (OECD, 2018b).

Burdensome and lengthy administrative procedures and processes

Registration, contribution payment, delivery and claiming mechanisms are often designed without taking into account specific characteristics and the needs of hard-to-cover workers. They tend to be lengthy and may impose a high burden on workers and employers, especially those with limited administrative capacity. Contribution payment schedules or methods may not be in line with the characteristics and income patterns of own-account workers, agricultural workers or domestic workers.

As an example, an assessment by the ILO (2017d) found that registration, payment and delivery mechanisms under the National Social Security Fund in Cambodia are not amenable to the realities of most of the country's workforce. Registration procedures require employers, as separate legal entities, to register their workers, which makes enrolment impossible for self-employed workers and domestic workers. Workers also need to present themselves for the validation of their documents, although many do not have the necessary documentation. The procedures are considered burdensome, especially by micro and small businesses that have limited administrative capacities. Similarly, in Myanmar, time-consuming and tiresome administrative procedures for the registration and payment of contributions are among the main reasons for private sector enterprises to not register their employees, despite mandatory membership. The ILO found that the likelihood of non-compliance was higher for micro and small enterprises, which together account for 94.6 per cent of all enterprises. The requirement to pay fixed monthly contributions makes compliance challenging for seasonal workers engaged in farming and fishing activities in rural areas (ILO, forthcomingc).

³² Botswana, Burkina Faso, Cameroon, Cabo Verde, Congo, Côte d'Ivoire, the Democratic Republic of the Congo, Egypt, Kingdom of Eswatini, Ghana, Kenya, Mali, Mauritius, Morocco, Niger, Rwanda, Senegal, South Africa, Togo, Tunisia and Uganda.

Limited contributory capacities

Many workers and employers in the informal economy have little income or have volatile income, live in poverty or are at risk of falling into poverty, which limits their capacity to contribute (regularly) to a social insurance scheme. This situation is particularly serious for certain categories of self-employed persons because they must bear both the workers' and employers' share of contributions.

Weak governance structures

Weak governance of social protection programmes, both at the policy design and the operational level, can have a negative effect on the efficiency, effectiveness and equity of service delivery and considerably limit the trust of participants in the system. Considering the limited fiscal space in light of low fiscal basis and high competing needs, more efficiency and effectiveness is needed in the design and delivery of social protection policies. Reforms are taking place in several Member States, such as Cambodia and Indonesia, to decentralize the administration to tackle bottlenecks in coordination and to improve governance (Ong and Peyron Bista, 2015). At the operational level, many countries face governance challenges regarding communication and outreach to possible beneficiaries, delivery of benefits, monitoring, evaluation and complaint and appeal procedures (RNSF, 2017).

Where transparency and accountability regarding the financial situation of a scheme are limited, the public trust in institutions is also reduced. When employers and workers perceive the system as corrupt or administrative structures as inefficient and ineffective, they are more likely to collude to avoid contribution payments. For example, field research in Viet Nam found that the public misperception about the financial depletion of the pension fund discouraged many workers from joining the social insurance scheme (ILO, forthcomingb).

Lack of incentives or weak perception of value for money

Lack of incentives for formalization and social security registration may also discourage workers and employers from operating in the formal economy and joining social security schemes. If workers do not perceive the "value for money" due to, for example, the poor quality of services, inadequate benefits or the mismatch between benefits and priority needs, their willingness to join a scheme might be limited, even if they could afford to pay contributions. Value for money in this context does not only mean that costs should be kept at a minimum but rather to ensure that the money spent on social protection programmes pays off in terms of what is given to beneficiaries and its impact (White, Hodges and Greenslade, 2013). This is particularly relevant in voluntary schemes that are the more common form of social protection provided for self-employed workers in ASEAN Member States.

Limited institutional capacities and supply-side constraints

Limited institutional capacities can hamper the extension of coverage and make it difficult to implement well-intended policies. Insufficient matching of demand and supply not only creates obstacles to effective access to social protection but also leads to a low level of trust in social security institutions. In many countries, the lack of investment is associated with limited technical, administrative and personal resources (Wening Handayani, 2016). Poorly trained staff, the lack of equipment and data management systems as well as the lack of high-quality services make it difficult for the social security administration to serve a large number of workers.

Because social security administrations were often designed and equipped to deal with traditional employer-employee relationships, the extension of coverage to other groups usually requires adaptations. Given that workers in the informal economy tend to have high labour mobility, administrative systems may not be able to correctly and timely reflect changes in the records, with potential undue interruptions in workers' contribution

history. The institutional capacities to deal with MSMEs or self-employed workers are often limited because the interaction with these target groups usually requires much greater capacity.

Limited capacities for monitoring and evaluation can make it more difficult to determine and tackle barriers to the extension of social protection, such as improving the quality of schemes.

Limited awareness and information on social protection

Limited awareness of and information on social security rights and responsibilities, available schemes and programmes, registration and claiming procedures and other related issues can hamper extension efforts. In several case studies on informal workers in Cambodia, Indonesia and Viet Nam, there was limited awareness and information among workers, even those in the formal sector. Many workers reported they have never heard of the scheme or had no information on how to register or claim benefits. Their interest in joining the scheme was nonetheless high (ILO, forthcomingb). In many countries, extension strategies are accompanied by communication and outreach campaigns. Nonetheless, strategies and channels used to disseminate information about social security may not be accessible to all or not tailored to the target group.

Knowledge gaps about workers in informal employment

Workers in informal employment are a heterogeneous group with different needs, gaps and challenges to access social protection. The data that fed into this report is a starting point, but it requires more research at national levels on workers in informal employment. There are large knowledge gaps about the situation of workers in the informal economy, including their working conditions, earnings, poverty status and social protection needs and gaps.

The lack of statistics, compounded by the lack of clear definitions, makes it challenging to understand the size and characteristics of workers or their employers, if they have one, and to guide and monitor extension policies. Disaggregated data on informal employment are scarce or not publicly available in a few ASEAN Member States. The national measurement of informal employment may differ from country to country, which makes it difficult to undertake comparative analyses. In some countries, informality only captures “employment in the informal sector”, not taking into account the fact that informality can also exist outside of informal sector enterprises.

Operational obstacles include limited capacities and high costs to record and monitor the informal economy. The “invisibility” of some groups of workers makes it difficult to collect accurate data for evidence-based policy-making. In particular, groups such as domestic, (undocumented) migrant, home-based and contributing family workers are difficult to capture in national accounts due to their so-called invisibility (RNSF, 2017).

To identify gaps at the national level, more rigorous and specific assessments of barriers to social security coverage need to be conducted across different dimensions (table 3-5).

Table 3-5: Potential barriers to the extension of coverage

Potential barriers	
Policy priorities	Expansion of coverage may not be a concrete priority of the national policy framework.
Policy coherence and consistency	Lack of coherence or coordination between social protection schemes and policies and institutions. Lack of national comprehensive social protection framework. Lack of integration and coherence between social protection and other policy areas, such as business registration and labour regulation.
Eligibility	Legal exclusion of certain categories of workers or enterprises, such as agricultural and seasonal workers. Minimum thresholds for enterprise size, earnings, working time, etc. may exclude certain categories of workers, such as part-time, temporary and casual workers.
Qualifying conditions	Legally covered workers may not be covered by contributory systems because they fail to meet long qualifying periods, such as a minimum contribution history for pension insurance.
Contributory capacity	Contribution rates that are (perceived as) too high may exclude those with limited contributory capacities.
Enforcement	Lack of enforcement and control mechanisms (no periodic inspections). Limited human, financial and administrative resources to enforce regulations resulting in inefficient and ineffective inspection processes.
Administrative procedures and processes	Registration and claiming procedures may be too complex and burdensome for workers and enterprises (such as the need for documentation and supporting documents). Access to social security registration and other procedures may be restricted (such as too few offices in rural areas). Contribution payment schedules and procedures may not be adapted to the situation of workers, such as those with irregular or seasonal incomes (such as only monthly payment possible, lack of flexibility regarding contributions).
Institutional capacities	Lack of administrative capacities and human and financial resources can obstruct the effective implementation of the scheme. Supply-side constraints, such as poor infrastructure and inequity of service quality, can prevent people from accessing social protection and lead to low trust in the system.
Incentives	Lack of incentives for formalization and social security registration may discourage workers and employers from operating in the formal economy and joining social security schemes. If members do not perceive the value for money due to, for example, the low quality of services, inadequate benefits or the mismatch between benefits and priority needs, their willingness to join a scheme might be limited even if they could afford to pay contributions.
Information and awareness	Workers and employers may have limited information and awareness of different social security topics, such as their rights and obligations, available schemes and programmes, registration and payment procedures.
Good governance	Lack of transparency and accountability of the system, ineffective administrative structures and service delivery can limit the trust of participants in the social security system and institutions.
Organization and representation	Lack of organization and representation of workers may affect their capacity to claim their social security rights.

Source: Adapted by the authors, based on ILO, forthcomingd.

3.3 Specific social protection gaps and needs by type of workers

Main Points

- Self-employed and own-account workers – who account for a sizable share of workers in ASEAN – are often excluded from mandatory social insurance schemes. The absence of an employer means that their financial (double contribution challenge) and/or administrative capacity are limited, which can hinder them from accessing benefits.
- Wage employees in informal employment are significant in terms of size, partly because they also form a significant part of the labour force in many countries. In particular, workers in MSMEs, part-time and temporary employees and workers in multiparty arrangements are more exposed to informal employment and lack of social protection.
- The majority of agricultural workers – many of them seasonal workers, day labourers or part-time workers – are excluded from social protection coverage. They are either explicitly excluded from coverage in some countries or unable to meet eligibility criteria on working hours, duration of employment or earnings.
- Access to social protection is absent for the majority of migrant workers. Some social security schemes limit coverage to citizens or permanent residents. Another reason for non-coverage is workers' immigration status (including those who are undocumented).
- The majority of domestic workers, many of whom are women and/or migrants, do not enjoy any social protection benefits. In almost all ASEAN countries, they are excluded from labour and social security legislation.
- Home workers and platform workers are among the groups of workers who tend to have unclear, ambiguous or hidden employment relationships, with often blurred lines between genuine self-employment and dependent or disguised employment.

While the preceding analysis provides a summary of common challenges at the regional level as well as some illustrative examples at the country level, the challenges to the extension of coverage vary across countries and even specific groups of workers within a country. There is a diversity of situations, needs and risks that induce workers to work in informal employment relations. As discussed earlier, informal employment can take place in different sectors, including the informal and formal sectors and private households. Despite the heterogeneity of workers in informal employment, certain workers are more likely to be in informal employment than others.

This section turns to the specific social protection gaps and needs by types of workers who typically have a higher risk of working in informal employment, including:

- own-account workers;
- wage workers, such as those working in MSMEs, part-time workers or those
- with multiple employers;
- agricultural workers;
- migrant workers;
- domestic workers;
- home workers; and
- workers in digital platforms.

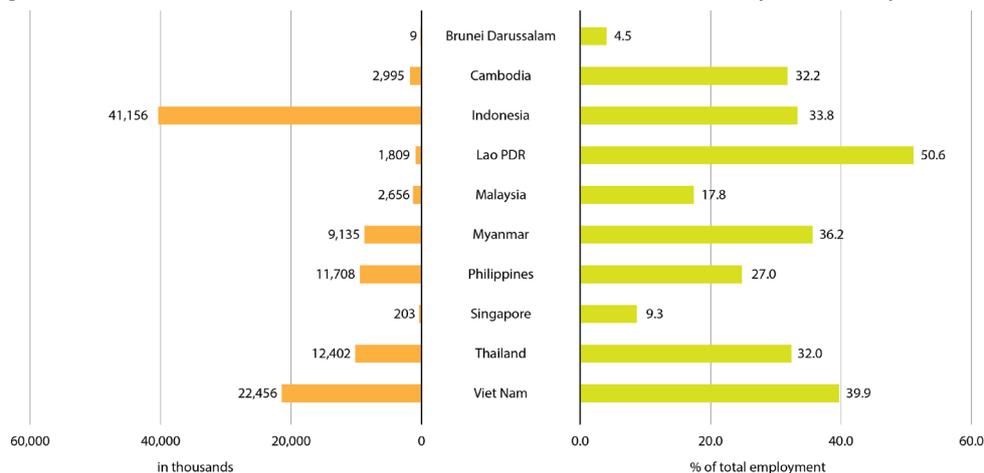
The section incorporates the national baseline studies on a range of sectors and draws from international literature and statistics, where available, to exemplify types of informal employment. It looks at the additional barriers that some groups of workers encounter in addition to the general challenges stated previously.

3.3.1 Self-employed workers and own-account workers

Self-employed and own-account workers³³ are a heterogeneous group, ranging from workers in liberal professions to street vendors, tuk-tuk drivers, waste pickers and subsistence farmers, to mention a few. They differ greatly in terms of the level and volatility of income and type of activity.

Own-account workers (self-employed workers who do not employ any paid workers) account for a large part of the workforce in many countries, representing, for instance, 50 per cent of total employment in the Lao People’s Democratic Republic (figure 3-1). Often working alone or with the help of contributing family workers, they experience high income insecurity because their earnings may vary from day to day. They typically have limited access to credit, skills, raw materials and markets (Chen, Bonner and Carre, 2015).

Figure 3-1 : Size of own-account workers, ASEAN Member States, 2017 (000s and %)



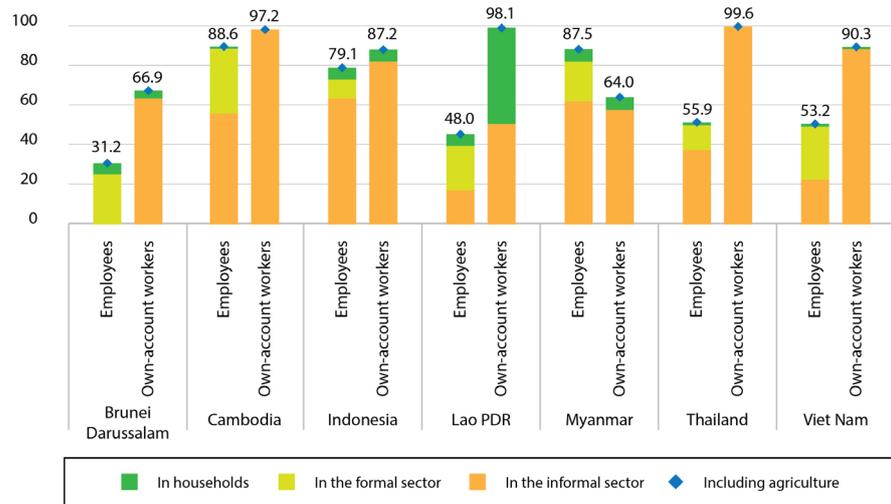
Note: Singapore’s employment definition does not include own-use production workers.

Source: ILOSTAT.

Own-account workers are in general more likely to work in informal employment than employees. A closer look at figure 3-2 reveals that Myanmar is an exception. In all countries for which data are available, except Brunei Darussalam, more than four out of five own-account workers were informal. In Cambodia, the Lao People’s Democratic Republic and Thailand, almost all own-account workers were in informal employment. The majority of own-account workers work in their own informal enterprise. In the Lao People’s Democratic Republic, many own-account workers also operate in the household sector, such as subsistence farming (figure 3-2).

³³ Own-account workers are a subgroup of self-employed workers. They have the same authority over the economic unit as “employers” but do not engage “employees” on a continuous basis.

Figure 3-2 : Informal employment, by employment status, country data



Source: ILO calculations based on household survey micro datasets, based on ILO, 2018a.

Our analysis reveals that the larger the share of own-account workers in total employment in a country, the higher is the level of informal employment. Own-account workers are often excluded from mandatory social insurance schemes, which only apply to workers with a formal employment relationship. In most countries, they are covered by voluntary schemes that suffer from a variety of drawbacks. This is why their effective coverage is often low.

The absence of an employer implies that own-account workers have a higher financial and administrative burden in terms of social security registration and contribution payment, when compared with employees. Unless appropriate support mechanisms are in place, self-employed workers with low income cannot afford to participate in social insurance schemes because they have to bear both the workers' and employers' share of contributions (the "double contribution" challenge). Higher income and job insecurity, coupled with short-term perspective, make it more difficult for self-employed persons to properly value the advantages of being covered. This is compounded by the difficulty to estimate, prove and document their earnings for contribution calculation purposes.

Due to the absence of an employer to act as an intermediary to handle the interaction with social security institutions, own-account workers may struggle to comply with the administrative requirements when procedures for registration and contribution payment are too complex and burdensome or simply not adapted to their circumstances (see box 3-3 for an example in Cambodia).



Box 3-3
Challenges to the extension of coverage to self-employed workers in Cambodia

According to the Cambodia Socio-Economic Survey findings (2015), around 47 per cent of the workforce is self-employed, representing approximately 57 per cent of the informal workforce. This group includes street vendors, tuk-tuk drivers, waste pickers and small-scale farmers, but information on the characteristics of these heterogeneous workers is limited. Around 53 per cent of women holding informal jobs are own-account workers, and 46.6 per cent are male workers (ILO, 2018e).

Under the current system, self-employed workers are not eligible for the National Social Security Fund schemes, which provide employment injury protection, disability benefits, survivor benefit pensions under the Employment Injury Insurance as well as access to healthcare, maternity and sickness benefits under the Social Health Insurance. A recent study by the ILO assessed the situation of self-employed tuk-tuk drivers. Many were working only part of the year in this occupation and returned to agricultural work during the crop season. Their high labour mobility made it hard for the social security administration to locate and reach out to them.

Even if legal coverage is extended, adjustments to the current system would be required to extend effective coverage to self-employed persons. The current system is not designed to handle non-standard and irregular employment relationships. Workers can only be registered by their employers as separate legal entities, which makes registration impossible for the self-employed. The number of registration documents required also presents a challenge for many workers. Payment procedures are not amenable to a large share of the population because the payment of contributions is currently only possible at contracted banks, whereas only 14 per cent of the respondents reported to have a bank access.

Source: Both et al., 2018.

A particular barrier to extending coverage to own-account workers can be dependent self-employment that occurs when a worker has the legal status of a self-employed worker but has an employee status in practice, for example when they are mostly dependent on one client for their earnings or contracted by the same employer every day. The employment relationships of such workers are often not specified in the legislation yet, potentially excluding them from social insurance coverage. In some cases, workers are deliberately classified as self-employed workers (“disguised self-employment”) to bypass the legal obligations of a standard employment relationship, particularly with regard to tax and social security liabilities.

Dependent and disguised self-employment can take place in traditional sectors, such as home workers in the handicraft sector. The emergence of the platform economy has fuelled the debate over whether the dependent self-employed workers often found in this sector need to be reclassified as employees. Because these workers have quite distinct challenges, they will be separately discussed in sections 3.3.6 and 3.3.7.

3.3.2 Wage employees, including workers in MSMEs, part-time workers and workers with multiple employers

While own-account workers are, on average, more likely to be informally employed, informal employees are more significant in terms of size, partly because they also form a huge part of the labour force in many countries. The fact that they are waged workers does not guarantee that they are covered because they might be hired by informal businesses or work in formal sector businesses or households without social security coverage.

Informal wage employment constitutes a large and growing segment in the ASEAN region, with 61 per cent of all employees in informal employment. Certain groups of wage workers are more likely to be informally employed, such as employees in informal enterprises, particularly MSMEs, part-time workers, casual day labourers and paid domestic workers (Chen, 2012). In some countries, such as Cambodia and Indonesia, their likelihood of being in informal employment is almost as high as for own-account workers. In Myanmar, employees are even more likely to work in informal employment than own-account workers (figure 3-2). Particularly, wage workers with low incomes have low bargaining power to negotiate working conditions, wages and social benefits with their employer.

For employees in the informal sector, informality mostly refers to the informality of the economic unit they are working in (although there are also the rare cases in which workers in informal enterprises are formal). Typically employed as casual workers or family workers, informal wage employees work in unregistered and/or small unincorporated household businesses that operate on a low level of organization and are small in scale. A large majority of employees in the ASEAN region work in MSMEs, facing a higher risk of working informally than those in bigger enterprises because many MSMEs operate in the informal economy (Wening Handayani, 2016) (see box 3-4 for examples in Indonesia and the Philippines).

Nonetheless, our statistical analysis reveals that many employees in the formal sector are also often uncovered because businesses in the formal economy increasingly employ workers without registering them and/or paying social insurance contributions (see the grey area in figure 3-2). In some cases, employers tend to register certain workers while other workers are not declared, which, for example, is the common practice in the construction sector. For employees in formal sector units, informality primarily relates to the absence of social security, which is usually covered through their employment relationship, with contributions paid by their employer on their behalf. The informal nature of their work can also mean the absence of other employment benefits, such as annual paid leave or paid sick leave (ILO, 2013b). The share is particularly large in Brunei Darussalam, Cambodia and the Lao People's Democratic Republic, where many workers employed in formal enterprises do not benefit from social security or other employment-related benefits. In Myanmar, Thailand and Viet Nam, they also make up a non-negligible part.

³⁴ Wage workers in households include, for example, paid domestic workers without social security coverage. These workers will be covered separately in the next section because they experience particular challenges and gaps than other wage workers.

³⁵ Definitions of MSMEs differ across countries and are usually based on the number of employees, the annual turnover or the value of assets of enterprises. Typically, microenterprises are defined as those with up to 10 employees, small enterprises as having 10–100 employees, and medium-sized enterprises as those with 100–250 employees (ILO, 2015b).

Box 3-4 Challenges to the extension of coverage to workers in MSMEs in Indonesia and the Philippines

The low social protection coverage in Indonesia and the Philippines is partly related to the large share of small and family businesses, which do not register and/or pay contributions on behalf of their employees. Many MSMEs operate on low productivity due to the limited access to capital and skilled labour as well as the lack of business development capacity. They encounter difficulties complying with minimum wage and social security regulations and are largely unregistered, which is also partly related to the complex and costly bureaucratic procedures to obtain business licenses, the financial implications as well as the lack of (perceived) advantages associated with formalization. Where entry costs and operational costs are (perceived as) too high, MSMEs may lack incentives to join or operate in the formal economy.³⁶ Employers (often in collusion with workers) might be induced to not declare their workers or under-declare workers' earnings to reduce the cost of labour for the employer and increase the take-home salary for the worker. This practice is even more common when workers and employers do not value the available social security benefits (ILO, forthcominga).

Administrative barriers may prevent MSMEs from providing social security benefits for their employees. MSMEs often have limited administrative capacities to deal with registration and payment procedures, particularly if they are complex and lengthy. Compliance among MSMEs tends to be low. Enforcement agencies often experience difficulties establishing effective enforcement mechanisms due to financial and institutional constraints and have limited inspection capacities for MSMEs.

In many countries, laws and regulations have mostly been designed for workers in formal enterprises. Burdensome and fragmented regulatory and institutional frameworks for businesses, red tape, inadequate labour legislation, high costs for formalization or lack of trust in government authorities can affect compliance among enterprises.

Source: Singh, forthcoming; Setyonaluri and Radjiman, 2016.

Often, effective coverage of employees by a contributory social protection scheme depends on having a formal employment contract, but also the type and duration of contract. Exclusion from legal coverage is more likely to affect workers in non-standard forms of employment, such as part-time, temporary or workers in multiparty employment relationships, as compared with permanent, full-time workers with a standard employment relationship (Behrendt and Nguyen, 2018; Spasova et al., 2017; ILO, 2016a; Bonnet, 2015). This is partly because some of these workers are explicitly excluded from social security schemes. For instance, in Thailand, agricultural and seasonal workers are explicitly excluded, while temporary agency workers³⁷ are not covered in Malaysia and Singapore (ISSA and SSA, 2016; FES and ASETUC, 2014).

³⁶ Entry costs include, for example, registration fees and opportunity costs that enterprises could potentially earn if they continue business as usual instead of spending time in the administrative process. Operational costs relate to all costs, associated with operating in the formal economy, such as taxes, license fees and social contributions, as well as costs to comply with labour regulations, the time required to obtain property registration and apply for formal loans (ILO, forthcominga).

³⁷ Temporary agency work refers to employment relationships that involve multiple parties and is usually mediated by a private employment agency or other form of labour provider (subcontractor or labour broker) who makes the worker available to a third party, under the supervision of the user enterprise (ILO, 2016a).

Another reason could be minimum thresholds set out in national legislation regarding income, duration of contract, working time or size of the enterprise lead to the effective exclusion of workers who do not meet these requirements (table 3-6). For example, in Myanmar, employees of enterprises with fewer than five workers are not covered, while in Viet Nam, only workers with a contract of at least one month are required to be registered and covered (ISSA and SSA, 2016).

Table 3-6 : Social insurance coverage of different categories of wage workers in non-standard forms of employment

Factors determining coverage or exclusion	
Part-time workers	Not covered if thresholds on minimum working hours or days and earnings are not met. In case of multiple employers, specific regulations may apply. Marginal part-time work often excluded or covered through special regulations.
Temporary workers	Not covered if thresholds on minimum duration of employment or continuity of employment are not met. Casual work often excluded.
Temporary agency workers	Generally covered through employing agency (thresholds regarding duration of employment and working time apply).

Source: Based on ILO, 2016a.

Temporary agency workers and workers in multiparty employment relationships who tend to have ambiguous or unclear employment relationships often stay outside of the realm of social protection coverage. Where the rights and responsibilities of the different parties concerned are not clearly defined, it can limit workers' access to labour protection and social protection (see box 3-5 for examples on construction workers in Cambodia and Viet Nam).

Box 3-5 **Challenges to the extension of coverage to construction workers in Cambodia and Viet Nam**

In both Cambodia and Viet Nam, the construction sector employs a significant number of undeclared workers. For example, the construction sector in Viet Nam is estimated to employ around 3.4 million informal workers (out of 3.8 million construction workers).

The construction sector is typically characterized by a complex value chain of contractors and unclear employment relationships. A main contractor or investor typically subcontracts a range of services to its subcontractors, which, in turn, outsource certain tasks to smaller subcontractors. The construction workers on-site are directly employed by small subcontractors. This widespread contracting practice is used by businesses to bypass their responsibilities as employer with respect to labour legislation, occupational safety and health and social insurance contributions. The multiple layers of subcontracting make it difficult to identify the employer and the party responsible for paying social insurance contributions on behalf of the workers.

Work in the construction sector is typically seasonal and casual, marked by a high intersectoral mobility. Workers tend to return to their village in the crop season to work as farmers and change between wage and self-employment. On one side, this means that the high labour turnover might discourage employers from complying with the necessary procedures. On the other side, workers' low and unstable incomes and their high job insecurity can affect their capacity to contribute to a social insurance scheme. For example, an ILO study in Cambodia found that members, on average, only paid seven months of contributions, which impacts the entitlement to benefits, such as maternity, and soon, pensions, which require contribution histories.

Compliance with the law is particularly low in the construction sector, partly due to the employers' lack of information about their social security rights and responsibilities. In Viet Nam, inspections in the construction sector are only undertaken in enterprises rather than on construction sites due to limited capacities. The scope of inspections is limited to the payment of contributions for registered (full-time) employees and neglects other more prevalent methods of evading social insurance payments in the sector, such as non-registration of employees.

Many of the characteristics of the construction sector are different to those of the wider labour force. More research is thus needed to understand their specific challenges and find adapted mechanisms to include them into social insurance.

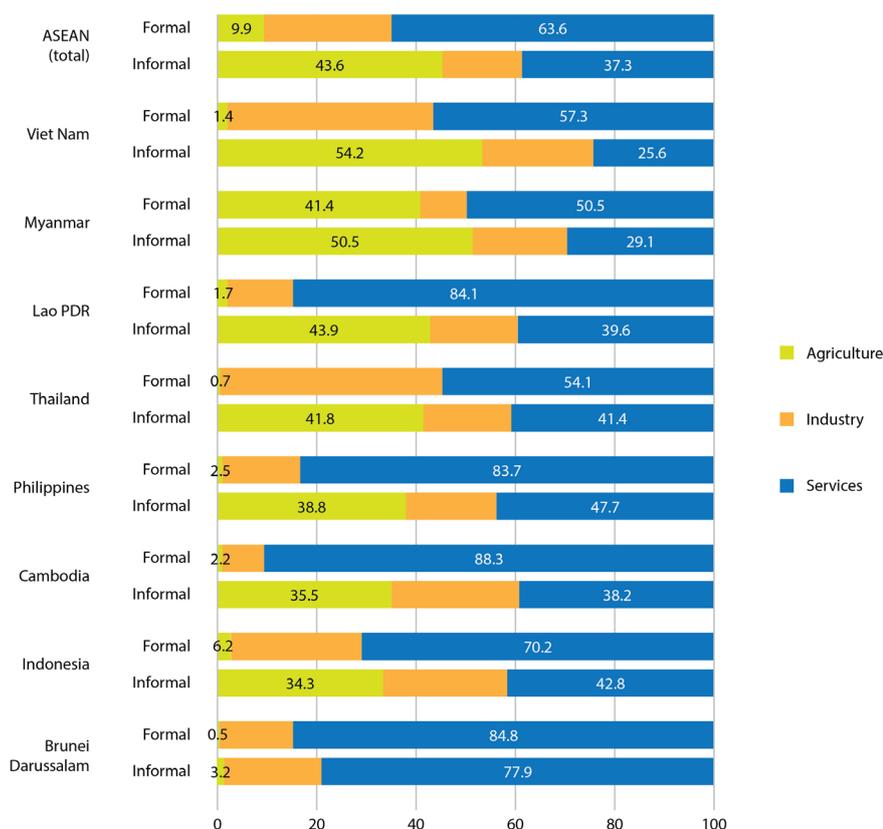
Source: ILO, forthcoming; Both et al., 2018.

3.3.3 Agricultural workers

Around 103.8 million people work in the agriculture sector in the ASEAN region, representing an estimated 32 per cent of total employment. The situation is diverse: Brunei Darussalam and Singapore virtually have no agriculture sector, while the sector employs more than half of all workers in the Lao People's Democratic Republic and Myanmar (ILO, 2018b).

Agricultural workers living in rural areas belong to the groups that traditionally have higher decent work deficits. Prevalence of poverty, low literacy levels and a heavy dependence on subsistence agriculture are common among rural populations. Agricultural workers are very exposed to informal arrangements: in Cambodia, Indonesia, the Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam, almost all agricultural workers are found to work in informal employment. Indonesia and Viet Nam have 34 million and 21 million agricultural informal workers, respectively. In the Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam, they represent the biggest group of informal workers, when compared with other economic sectors (figure 3-3).

Figure 3-3: Distribution of informal and formal employment, by sector in selected ASEAN Member States, 2017 (%)



Note: No data for Singapore and Malaysia were available to calculate informal employment.
Source: ILO calculations based on household survey micro datasets, based on ILO, 2018a.

Precarious employment and hazardous working conditions tend to expose these workers to high degrees of income security and limited occupational safety and health protections (FAO, 2015). Subsistence farmers, daily paid labourers, seasonal and migrant workers and landless people belong to the most vulnerable groups among agricultural workers. In addition, the agriculture sector is marked by a large number of household enterprises in which women and children operate as contributing family workers. Women in rural areas encounter a double challenge in accessing social protection, with rural areas being disadvantaged more than urban areas and women being disadvantaged more than men (ILO, 2017f).

The majority of agricultural workers is deprived of any form of social security coverage. They may be legally excluded from social security schemes, such as in Thailand, where agricultural, seasonal and/or casual workers are excluded from labour and social security legislation (ISSA and SSA, 2016) or fail to fulfil minimum thresholds set out in the national legislation regarding income, duration of employment or working hours.

The lack of administrative and delivery structures can lead to challenges when seeking to extend social protection in rural areas. For example, in social health protection, only 44 per cent of people living in rural areas are covered by a health protection scheme, compared with 78 per cent in urban areas. This is compounded by a lack of 7 million additional health workers to provide access to quality health care (ILO, 2017a). The social security administration may not have the capacity to locate agricultural workers due to the remoteness of the workplace. Registration and payment procedures are rarely adapted to the situation of agricultural workers, particularly regarding their seasonal income cycles and their intersectoral labour mobility (box 3-6). In rural areas, enforcement of legislation may be poor due to ineffective labour inspection as well as the dispersion and the so-called invisibility of rural work. This is compounded by the lack of information and understanding of the labour laws and workers' rights in rural areas (ILO, 2017d).

Box 3-6

Challenges to the extension of coverage to agricultural workers In the Lao People's Democratic Republic and Myanmar

One of the main factors behind the high informality in the Lao People's Democratic Republic and Myanmar is the prevalence of subsistence agriculture and small-scale farming, partially due to the lack of employment opportunities in the manufacturing and services sectors. The agriculture sector represents the biggest sector in both countries. In the Lao People's Democratic Republic, it employs around 61.3 per cent of all workers, mostly own-account workers or contributing family workers. Particularly, the latter group of mostly female and child workers are extremely vulnerable to poverty and social exclusion. Agricultural workers are legally covered by voluntary schemes and several free health programmes, but the majority remains unprotected. Most workers do not know how to register or have never heard of the schemes. Even those who have heard about social security lack incentives to participate in social security schemes because they might not perceive the long-time benefits of their participation, in contrast with the use of resources for more immediate needs. The lack of quality services in rural areas, coupled with the lack of adapted mechanisms for agricultural workers, discourages many workers from joining as they do not see the value for their contributions.

Source: ILO, forthcominga.

3.3.4 Migrant workers

Intraregional migration has been increasing, from 1.5 million to 6.9 million migrants between 1990 and 2015. Among the 9 million migrant workers in the ASEAN region in 2015, most migrate from Myanmar (2.1 million), Indonesia (1.2 million) and Cambodia (around 1.1 million), whereas the top destination countries are Malaysia, Singapore and Thailand (ILO, 2016d). Roughly 87 per cent of migrant workers in the region are either unskilled or low skilled (ILO, 2018g).

An estimated 60 per cent of intra-ASEAN migrant workers work informally. Many migrants are more likely to work as casual, temporary or domestic workers or in small enterprises that are either legally excluded from social security schemes or in which compliance with the law is poorly or not enforced (ILO, 2018g). In practice, conditions regarding access to social protection are far from equal between nationals and non-nationals. Migrant workers are often excluded from social protection schemes in both their home and host country. Some social security schemes limit coverage to citizens or permanent residents (ILO, 2018g).

But even if migrant workers have access to social protection by law, long contribution periods to qualify for long-term benefits can make them ineligible for those benefits. Another reason for non-coverage is a worker's immigration status (including those who are undocumented). Migrant workers often lack documentation, thus bureaucratic and administrative requirements may restrict their access to benefits. For example, in some countries, migrant workers do not have access to their passport or registration documents, which are required for social security registration. In other cases, they have breaks between different employment contracts and need to leave the country. These time constraints may disqualify them from receiving social security benefits, even if they would be eligible for them (ILO, 2018g) (see box 3-7 for an example in Thailand).

One additional barrier to the extension of coverage to migrant workers is the lack of coordination between origin and destination countries and the absence of bilateral or multilateral social security agreements, which provide for equality of treatment of nationals and non-nationals regarding coverage and entitlement to benefits in the destination country, the portability of benefits³⁸ and other social security coordination principles. This is particularly important to ensure the portability of long-term benefits where a certain contribution history is required to qualify. For example, migrant workers to Cambodia and Myanmar are legally covered by the contributory social security scheme, but due to the absence of portability arrangements, the access to benefits is effectively restricted. Usually, memoranda of understanding are concluded between two countries to provide some access to social protection benefits for migrants. For example, Cambodian workers in Thailand have access to workers' compensation (ILO, 2018g).

The Philippines is a good example within the region of a government providing its nationals working abroad with social protection through unilateral measures and dedicated bilateral social security agreements, albeit not with any ASEAN Member States. To date, there are no bilateral social security agreements between ASEAN Member States, although some countries, such as Thailand and the Philippines, are considering it (ILO, 2018g). Unilateral measures are or should only be implemented when receiving countries do not include migrant workers in their systems because the better solution would be their inclusion in the host country.

ASEAN countries have increased their efforts to enhance protection for migrant workers over the past two decades. Many Member States have undertaken measures to provide their nationals working abroad some social protection; these measures include the establishment of overseas welfare funds and/or the extension of compulsory or voluntary coverage in the country of origin. However, protection is invariably provided through regimes that are inferior to those for nationals (ILO, 2018g).

For example, in Malaysia, non-permanent resident migrant workers can only access the inferior Foreign Workers Compensation Fund instead of the employment injury and invalidity protection scheme applicable to nationals under the Social Security Organization – although there are signs that the situation will be reversed.³⁹ Brunei Darussalam, Indonesia, Malaysia and Singapore allow permanently residing migrant workers to participate in the pension provident funds and to withdraw lump-sum payment upon departure from the country (Ong and Peyron Bista, 2015).

³⁸ Benefit portability refers to the "ability to preserve, maintain, and transfer vested social security rights or rights in the process of being vested, independent of nationality and country of residence" (Avato, Koettland and Sabates-Wheeler, 2009). Benefit portability refers to the "ability to preserve, maintain, and transfer vested social security rights or rights in the process of being vested, independent of nationality and country of residence" (Avato et al., 2009).

³⁹ This is despite the fact that Malaysia has ratified the ILO Equality of Treatment (Accident Compensation) Convention, 1925 (No. 19), which calls upon equal treatment of national and foreign workers.

Box 3-7 Challenges to the extension of coverage to migrant workers in Thailand

A recent ILO survey assessed the working conditions of female migrant workers in the construction sector in Thailand, including their access to social security. Wages in the sector are low, with wage discrimination against women.

Thai law foresees that migrant workers, who come under a bilateral memorandum of understanding or have national verification documents, should have access to social insurance benefits after completing the three-month probationary period. Legally, all migrant workers, irrespective of their status, also have access to two worker compensation funds to claim compensation in the event of employment injury. The majority of respondents have no or only limited effective access to social protection. Some surveyed migrant workers with national verification documents had access to the less comprehensive Compulsory Migrant Health Insurance. Because access to health care is limited to one hospital location, many migrant workers are not able to make use of the migrant health insurance due to their high labour mobility.

Migrant workers rarely enjoy other benefits, such as pension or unemployment benefits, partly due to inconsistencies in the policy design. For example, migrant workers must leave the country seven days after the completion of their employment contract, which makes it difficult for them to claim unemployment benefits that are only available on the eighth day of unemployment.

Source: Napier-Moore and Sheill, 2016.

3.3.5 Domestic workers

Around 9 million domestic workers⁴⁰ are employed in South-Eastern Asia and the Pacific (ILO, 2018h).⁴¹ Considered a hard-to-cover group due to their atypical characteristics, domestic workers, many of whom are migrants and women, are typically more exposed to informality than other wage employees and at higher risk of exclusion from labour and social protection (ILO, 2018e). Around 90 per cent of domestic workers globally are legally excluded from social security systems (ILO, 2016e).

Domestic workers' employment arrangements differ considerably from those of regular employees: their work is performed in private households, which makes control and inspections difficult; the sector has high labour turnover; domestic workers often have multiple employers with in-kind payment of wages; receipt of salaries is highly irregular and they usually do not have an employment contract. These challenges are compounded by the lack of information and access to assistance, isolation and the lack of organization as well as the limited bargaining power of workers in the sector (ILO, 2016f). They are hence employed under the most vulnerable situations, exposed to poor working conditions, discrimination and social and economic vulnerability.

⁴⁰ The Domestic Workers Convention (No.189) defines domestic workers as "any person engaged in domestic work within an employment relationship" (ILO, 2011a). Domestic work is defined as "work performed in or for household or households". The definition comprises part-time workers, those working for more than one employer, nationals and non-nationals, and workers living in and outside the household. Activities can range from cleaning, cooking, washing, childcare or elder care, gardening, guarding and driving and even taking care of household pets (ILO, 2011a). The employer may be a member of the household or an employing agency (ILO, 2011b). A person who performs domestic work only occasionally is not considered a domestic worker (ILO, 2011b, 2011a, 2011c).

⁴¹ Note that the ILO does not further disaggregate data to South-Eastern Asia only.

Among the main barriers to extending coverage to domestic workers is their legal exclusion. Their employment relationship is typically not recognized under labour laws, such as in Brunei Darussalam and Cambodia (ILO, 2018f). They typically do not enjoy equal labour protection under national legislation, compared with other workers. In Malaysia and Thailand, for example, labour protection provisions are not extended to domestic workers, excluding them from maternity leave, minimum wage protections or overtime compensation (ILO, 2016f). The lack of labour protection affects the eligibility to social protection schemes, which implies that there are limits to what can be done by the social security institution when it comes to the extension of social protection to domestic workers.

One of the main barriers is related to the labour inspection of domestic work because inspectors often are not mandated to enter the workplace (private home). Even if they do have the legal power, inspection processes involve a higher cost due to the dispersion of the workplace (Daza, 2005). Inspection processes are compounded when domestic workers are undocumented.

Box 3-8
**Challenges to the extension of coverage
to domestic workers in Thailand**

In Thailand, domestic workers are legally covered by the voluntary social protection scheme (sections 33 and 40), which, depending on the option chosen, provides sickness cash benefits, invalidity benefits, funeral benefits, a child allowance and/or a pension lump sum. By providing this option to domestic workers, they are de facto classified as self-employed workers, even though in most cases they are employed by one or multiple employers. A recent survey found that the majority of domestic workers (96 per cent) were not covered by any social security scheme.

The main challenges include their limited contributory capacities and the limited awareness about social protection. Domestic workers are often undeclared, and written employment contracts are uncommon. Many workers are migrant workers, with no other choice than working as a domestic worker. Due to the unequal power balance, workers' have limited power to negotiate working conditions, wages and social benefits with their employer. For workers migrating from rural areas, access to benefits under the Universal Health Coverage Scheme is limited because they are registered at a hospital near their home and thus are unable to access medical care in the city of their workplace.

In a survey, domestic workers prioritized sickness benefits and employment injury protection, followed by death and old-age benefits. Around 40 per cent of the employers agreed that domestic workers should be covered under the mandatory scheme and stated they would allow labour inspectors in their homes.

Source: SSO and ILO, 2016c.

3.3.6 Home workers

Home workers are persons who agree to work for a particular enterprise or to supply a certain quantity of goods or services to a particular enterprise, by prior arrangement or contract with that enterprise, but whose place of work is not within any of the establishments that make up that enterprise (ILO, 1993). They manufacture goods in or around their own home, mostly operating in labour-intensive, low-productivity occupations. Predominantly women, they can only work from their home because of family care responsibilities and/or societal norms (Haspels and Matsuura, 2015).

Home workers tend to be at the bottom of a hierarchically organized supply chain with multiple layers of subcontracting, which makes it difficult to identify the employer. Scattered and mostly out of sight, they either operate on their own account or as subcontracted workers; in some cases, they involve contributing family workers during peak times (Haspels and Matsuura, 2015). Self-employed workers purchase their raw materials and supplies and sell the finished goods to local buyers. Subcontracted workers are working directly or indirectly for the employer or the intermediate contractor who outsourced work to them, typically on a piece-rate basis (Chen and Sinha, 2016).⁴²

The employment relationship of home workers is often ambiguous, hidden or disguised. Enterprises at the top of the value chain may disguise the employment relationship to limit their responsibilities with respect to labour protection and social protection (ILO, 2013). The employment relationship is ambiguous or disguised when, for example, the home worker outsources work to other home workers and is at the same time a home worker and subcontractor or when they are deliberately classified as self-employed although they work as dependent employees. The ambiguity of their employment status reinforces the lack of legal protection. In practice, subcontracted workers are neither fully dependent employees nor fully independently self-employed (Haspels and Matsuura, 2015). Another major challenge concerns labour inspections as – similar to domestic workers – because a private home is involved (ILO, 2013).

Home workers share many characteristics with agricultural workers, including the rural location of their work, poor working conditions, high job insecurity and holding multiple jobs (Haspels and Matsuura, 2015). Their incomes are often irregular due to seasonal patterns, value chain dynamics and economic downturns (Chen and Sinha, 2016). Most workers have low levels of education and spend long working hours to earn a subsistence income. Due to their isolation from other workers in their sector (except for those in their neighbourhood), home workers are rarely represented or organized to defend their interests regarding remuneration and social security (Chen and Sinha, 2016).⁴³

⁴² Home-based work does not include unpaid care work in one's own home, paid domestic work and care work in the household of others and subsistence production for household consumption (Haspels and Matsuura, 2015).

⁴³ There are successful examples of workers' organizations, such as HomeNet Thailand, with a pool of almost 30,000 members who have been able to voice their demands, including access to social security benefits.

Box 3-9
Challenges to the extension of coverage
to home workers in Viet Nam

The bamboo handicraft sector in Viet Nam employs roughly 1.4 million people, of which more than 60 per cent are female rural workers and mostly home workers. The majority of them are located in traditional trade villages in rural areas. Home workers work on piece-rate basis without formal contracts. Most workers are not covered by the social insurance scheme.

The complex subcontracting arrangements in the bamboo handicraft value chain render the employment relationships of home workers ambiguous, making it difficult to identify clear responsibilities with respect to the registration and payment of social insurance contributions. This excludes most workers from the mandatory scheme, which is only available for workers with a formal employment relationship.

Legally, home workers should be eligible to contribute to the voluntary scheme, which is designed for all workers not covered by the mandatory scheme. However, the scheme has shown limited effectiveness to attract their interest. Compared with the mandatory package, the voluntary package only includes long-term benefits, whereas current priority needs of workers, such as child benefits, maternity protection, sickness benefits and unemployment protection benefits, are not provided. Workers, especially those with short and interrupted working careers and low earnings, do not see the value of contributing largely also because they might fail to meet the long qualifying period to receive the old-age pension.⁴⁴

Source: ILO, forthcomingb and forthcomingf.

3.3.7 Workers in digital platforms

The recentrise of digitally mediated technology has led to new business models and new modes of work organization. Platform work includes two types (Berg, 2016):

- Web-based crowd work, which is mediated through global platforms, such as Amazon Mechanical Turk and Crowd Flower, and undertaken online. One of the characteristics of such work is that it is often transnational, and workers, clients and platforms are often not in the same location. India and the Philippines are attracting a growing share of the work.
- Locally based on-demand work, which includes traditional working activities, for example, in the transportation, food and beverages, or home services sectors, mediated through digital web-based applications.

While many platform workers are in so-called new forms of employment, they share many characteristics with traditionally vulnerable workers, such as home workers and dependent self-employed workers. The platform economy has received much attention in regional debates, yet there is limited knowledge of the sector and the workers. Both international and local platform businesses have penetrated many South-Eastern Asian economies but are rarely regulated (Gilchrist, 2016). Although data from the platforms

⁴⁴ The qualifying conditions of 20 years was recently reduced to ten years in the resolution No. 28-NQ/TW of 23 May 2018 on Social Insurance Policy Reform.

suggest that platform work has grown, these types of employment still represent a modest part of the labour force. For example, in the Philippines, they make up an estimated 4.8 per cent of the labour force, while it is 1.3 per cent in Indonesia (ILO, forthcomingd). An accurate measurement of the extent and trends is still lacking, although with many workers on platforms having multiple jobs to offset the low wages.

While platform work may provide greater flexibility for workers and businesses and allow people who otherwise are likely to be excluded from the formal labour market, such as persons with care responsibilities or persons with restricted mobility, to earn a (supplemental) income, many workers operate under rather precarious or insecure circumstances (ILO, 2016g). Much of the work on digital platforms is part-time, temporary, often casual in nature and deviates from standard employment.

The platform economy is not yet governed by labour regulation in any ASEAN Member State, which implies that labour provisions, such as minimum wage and working hours, do not apply. Many labour and social security frameworks are not yet sufficiently specific with regard to these new forms of employment. This creates grey areas in legislation, with workers finding themselves in unclear and ambiguous employment relationships and operating between self-employment and dependent employment (Behrendt and Nguyen, 2018).

The lack of a clear definition of what an employee or an independent worker means has important implications for workers with regard to labour and social protection. A common practice on digital labour platforms is to hire platform workers as independent contractors even where they are dependent on one platform to earn their income or operate under the management of the business. This suggests that the current challenges of these workers may resemble those of self-employed workers. Labour protection, health and safety regulations and social security contributions often fall on the shoulders of the workers alone, relieving the platforms from any legal requirements attached to a standard employment relationship (Spasova et al., 2017; ILO, 2016h). But even if they were re-classified as employees, it does not necessarily guarantee their coverage because they may work on part-time, temporary and casual contracts.

In ASEAN countries, the debate on the employment status of platform workers largely takes place across the ride-hailing companies providing taxi services, such as Grab in Malaysia, the Philippines and Singapore and GO-JEK in Indonesia, that state they merely act as technology service companies that connect drivers with users (ILO, forthcomingd). This debate underscores that the lack of social protection cannot be solved by the social security administration alone but requires collaboration with other policy areas, such as labour regulation and taxation. Moreover, it will require substantial research and statistics to understand the characteristics, needs and vulnerabilities of workers in the new forms of employment.

In advanced economies, where standard employment is still dominant, many platform workers are not or only partially covered by social protection systems, particularly employment-based schemes (Behrendt and Nguyen, 2018; Forde et al., 2017). Where social security coverage for workers is financed through the main employer in the “traditional” economy, issues of level playing field and fair competition concerning the financing of social protection systems arise (Rani et al., 2018). Workers who are mainly dependent on platform work as their income source are more likely to be unprotected (Berg et al., 2018).

The debate on extending social protection to platform workers largely overlaps with the debate on the expansion to informal workers. Countries already facing obstacles to extend social protection in the context of a large informal economy may find themselves with new challenges brought about by the rise of new forms of employment, especially for contributory social insurance schemes. However, it has to be underlined that, while non-standard employment might be a newly emerging phenomenon in advanced economies, many sectors in developing countries, such as the taxi sector and other service sectors, have traditionally been dominated by own-account workers. As opposed to informal employment, which takes place in informal businesses and forms the largest share of informal work, platform work involves a formal enterprise (the platform), which may open up opportunities for social protection administrations. This implies that digital platforms may provide opportunities for including workers in social protection schemes. In particular, digital technology can make work that traditionally has been hidden more “visible” and provide a basis for a range of public policies, including taxation and social protection (ILO, forthcomingd).

Box 3-10
Challenges to the extension of coverage
to on-demand workers in ASEAN Member States

The on-demand transport sector has become an evident feature in many countries, such as Indonesia, Malaysia, the Philippines, Singapore and Thailand. For example, in Indonesia, the ride-hailing service platform GO-JEK has expanded significantly, with currently some 1 million drivers and 250,000 service providers. Most of the workers are men in working age who entered the on-demand economy hoping to increase their earnings opportunity. While evidence from two surveys in Indonesia and Thailand corroborate this trend, most workers also report that their earnings significantly decrease after the initial inception phase, usually when the platform has attracted a sufficient number of drivers to meet the market demand.

The Social Security Organization in Malaysia recently introduced a separate mandatory employment injury insurance for self-employed taxi and e-hailing drivers, in addition to its Employment Injury Scheme for employees. Although the aim was to close the coverage gaps for self-employed workers, including in the emerging platform economy, the scheme had only covered 4.7 percent of the target group a year after its launch (Bernama, 2018). The low coverage may be related to the drivers’ low awareness of this programme. Drivers may have less incentive to participate because their partner company (for example, Grab Car) covers them with private premium-free accident insurance (Achariam, 2017). Another disadvantage common to such sector-specific schemes is that entitlements accumulated under one scheme may not be portable to another.

Source: Teerakowitkajorn and Wantanasombut, 2018; Shopova, 2018.

4.Relevant country experiences from ASEAN Member States and beyond for extending coverage to workers in informal employment

Countries have been putting in place different policy interventions and strategies to expand social protection coverage. Several of those strategies⁴⁵ are presented in this section, organized according to the typology highlighted in section 1.2. In line with the framework, the strategies and approaches are classified according to the following main areas and approaches used: expanding or adapting schemes; creating separate schemes; ensuring good governance; and strengthening awareness and access to information as well as interventions outside the scope of social security. As mentioned earlier, this categorization represents only one possible approach to structuring the diverse range of experiences. In addition, it is also important to take into consideration that strategies are not mutually exclusive and are more nuanced in practice. In many cases, a single policy measure consists of a combination of approaches. Finally, in addition to presenting the different experiences, this chapter explores the challenges faced by countries, concluding with lessons and recommendations.⁴⁶

4.1 Expanding or adapting schemes

This category describes extension strategies that are based on the expansion and/or adaptation of social security schemes, mostly to facilitate the inclusion of uncovered workers into existing, mainly employment-based schemes (predominantly social insurance schemes and other contributory schemes). This strategy is usually targeted at, but not limited to, categories of workers who, by their characteristics, are closer to the formal economy and have some contributory capacity and therefore are relatively easier to be covered by contributory social protection mechanisms.

Measures include:

1. Reducing legal barriers

Reducing legal barriers is often the first crucial step towards the expansion of population coverage. Relevant examples under this category include extending mandatory social insurance to self-employed workers (as in Indonesia and the Philippines); lowering minimum thresholds on the size of enterprises (as in Cambodia and Thailand); modifying eligibility conditions on the minimum period of employment or working hours (as in Viet Nam); extending the scope of legal coverage beyond contractual employees (as in Slovenia and the Kingdom of Eswatini); extending legal coverage to specific occupations, such as domestic workers (as in the Philippines) and construction workers (as in the Republic of Korea).

⁴⁵ We avoid the use of the expression "good practices" because this chapter goes beyond focusing on success stories and assessing their impacts to also describe experiences that have not proven to be fully successful but might still include particular elements that are inspiring for other countries.

⁴⁶ Each section contains a box summarizing the lessons learned.

However, the legal extension of coverage does not automatically translate into effective coverage automatically and additional efforts are often required. In addition to the extension of legal coverage, countries often use additional measures, including financial incentives, simplifying administrative procedures and enhancing access to services to encourage enrolment and compliance. Relevant laws and regulations outside the area of social security should also be reviewed and, if necessary, modified, particularly to clarify and adapt the scope of laws to guarantee effective protection for workers who have disguised or unclear employment relationships.

2. Introducing financial incentives

In recent years, many countries around the world have increasingly sought to extend coverage by subsidizing social insurance contributions or benefits,⁴⁷ usually by resorting to the general state budget. De facto, many contributory schemes include components of subsidization to facilitate and encourage participation of low-income or other vulnerable workers with limited contributory capacities. Thailand is an example of including self-employed workers and other groups who were not previously covered by the compulsory social insurance by subsidizing their participation in the general scheme. While these countries provide a more comprehensive package, other countries have started by targeting specific branches. The examples of Indonesia, the Philippines and Viet Nam reflect how the use of subsidies in health insurance schemes for certain population groups can lead to the fast extension of coverage and accelerate progress towards universal health coverage. Other countries, such as Mongolia and Viet Nam, provide subsidies to certain groups of workers for their pension insurance contributions.

3. Adapting administrative and operational frameworks

Adaptation measures can include changes in the administration and operations of schemes or programmes. Simplifying and facilitating access to registration and other administrative processes are examples of such measures. Such efforts are particularly relevant for self-employed workers who face high opportunity costs when taking time off to deal with administrative procedures. There is a range of measures, including, for example, simplified enrolment methods (as in Indonesia and Viet Nam), simplified contribution collection and payment regimes (as in Argentina, Brazil and Uruguay), the integration of social security services through single-window services or one-stop shops (as in Indonesia and Mongolia), the use of ICT (as in Cambodia, Indonesia, Malaysia, the Philippines and Thailand), the establishment of collective insurance agreements and partnerships with organized workers' groups that can function as aggregators (as in Indonesia and the Philippines).

Countries have also adapted mechanisms for the calculation and payment of contributions. On the one side, this aims at enhancing the operations of their schemes and increase administrative efficiency; on the other side, it facilitates the payment of contributions for workers and enterprises. Measures include the introduction of flexible payment schedules (as in the Philippines and Viet Nam) and the use of flat contribution rates or proxy income values to facilitate the calculation of contributions (as in China, Indonesia and Thailand).

Many countries have stepped up their efforts to redress the constraints on labour inspection, for example, by adapting the legal framework for social security and labour inspection interventions (as in Uruguay for domestic workers), improving the efficiency and effectiveness of inspection processes through, for example, coordinated IT solutions, effective collaboration

⁴⁷ Many countries subsidize social security contributions. An example for the subsidization of benefits are China and Japan. In China, the Government subsidizes benefits for rural and urban self-employed residents under the Urban Residents Basic Medical Insurance and New Cooperative Medical Scheme as well as Urban Residents Pension Scheme and Rural Resident Pension Scheme. The Japanese Government provides subsidies to fund part of the pension benefits under the National Pension System, depending on the category of the insured person (see section 5.2).

between different institutions and the development of partnerships (as in Malaysia, the Philippines and Singapore). Compliance can be encouraged by raising awareness and setting incentives for social security registration and formalization (as in Malaysia and Singapore).

4.1.1 Reducing legal barriers

As a first step to expanding coverage of their schemes, countries have sought to bring previously uncovered groups of workers under the scope of social security and labour legislation by reducing the legal barriers they face. Many countries have explicitly extended legal coverage to workers in non-standard employment relationships, sectors or occupations that are outside the scope of existing legislation. Other countries expanded the legal scope of their systems by promoting adaptations within their legislative frameworks that reduced the barriers for participation in the system, such as by lowering or reducing minimum thresholds set out in national legislation on earnings, duration of employment, working hours or size of enterprise. Country examples on the extension of legal coverage through new schemes are described in section 4.2.

Key barriers

- Certain sectors (agriculture, forestry, fishing), occupations (domestic workers), types of workers (own-account, part-time, casual, temporary, migrant workers) are often excluded from the legal framework.
- Where the legislation includes certain provisions on thresholds with regard to minimum income, working days or hours (part-time workers), duration of employment (temporary, casual or seasonal workers) as well as size of enterprise (workers in MSMEs), it can result in non-coverage of certain groups of workers.

Including specific types of workers, sectors, or occupations under social security legislation

Many countries have adapted their legal framework to include previously uncovered workers in their social security schemes, such as workers in MSMEs, temporary and seasonal workers, domestic workers, part-time workers, migrant workers and platform workers. Countries have typically adopted a gradual approach because the heterogeneity of informal workers can make it difficult to extend coverage to all people. Different legislative changes tend to benefit different categories of workers.

Coverage depends on the rules laid down in national legislation and how these rules are implemented and enforced. It has been a common practice for countries to specify thresholds regarding the minimum size of an enterprise and start by focusing on bigger companies, while increasing their administrative and outreach capacity. Lowering these thresholds has been an important means to extending coverage. In many occasions, **employees working in MSMEs** were legally included in their social security legislation by eliminating or lowering minimum thresholds on the size of the enterprise. For example, the National Social Security Fund in **Cambodia** recently reduced the minimum thresholds to all enterprises employing one worker or more. Until 2017, eligibility was limited to enterprises with eight or more workers (Both et al., 2018).

Similarly, **Thailand** gradually extended social health insurance coverage from larger enterprises with 20 or more employees in 1990 to those with ten or more workers in 1993 and small enterprises with more than one employee in 2002, as well as to self-employed workers (Walee-Ittikul, 2002).

In the **Republic of Korea**, social health insurance coverage was gradually extended from initially covering businesses with more than 500 employees to those with more than 300 employees, public sector employees and teachers (1979), businesses with more than 100 employees (1981) and more than 16 employees (1983) (Kwon, 2000). Similarly, it extended mandatory coverage of the employment insurance⁴⁸ scheme from companies with 30 employees to all companies. A few years later, voluntary coverage was extended to workers in non-standard employment, such as part-time workers (but only those working more than 15 hours per week), daily workers and, most recently, to self-employed workers.

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Viet Nam recently extended social insurance coverage by reducing the minimum threshold on employment duration for employees from three months to one month (Law on Social Insurance, 2014). While the government measure did not specifically mention any target group, it extended coverage to **temporary and seasonal workers**. However, the one-month threshold for employment contracts still leaves a loophole for enterprises to avoid enrolling and paying social insurance contributions for their workers, particularly casual workers and daily wage earners (ILO, forthcomingb).

Another measure that can facilitate coverage of **temporary workers** is to adapt the legislative framework to allow for more flexibility regarding breaks in working careers and interruptions in contribution payments. In **Malaysia**, for example, workers are eligible for unemployment benefits when they have been a member of the social insurance fund for 24 months, but they only need to have a period of contribution of at least 12 months before the first claim.

To facilitate coverage of **part-time workers**, countries have adapted their laws on minimum thresholds regarding working hours and earnings that could hinder certain groups or all part-time workers from accessing social security schemes or programmes (ILO, 2016a). This could include counting every hour worked towards social insurance contributions, as in the **Netherlands** (Gijsbert and Jansen, 2017).

In most countries in the region, only workers with a written employment contract are covered by labour and social security laws. Some countries have extended coverage by redefining the concept of worker or employee or including all types of work into the social security system. **Slovakia**, for instance, recently adopted an “every job counts” approach, whereby all forms of work, including non-standard work and self-employment, are included in the social security system (Pesole et al., 2018). **Kingdom of Eswatini** redefined the concept of an employee beyond that of a contractual wage employee in law. Not only employees but also persons who work under employment arrangements, which include control by or sustained dependence upon another person shall be covered by labour and social security law. A written employment contract is thus not required to qualify as an “employee” under the law (Swaziland Government Gazette Extraordinary, 2000). Such a legislative change can facilitate coverage of workers who have unclear employment relationships or are employed independent or disguised self-employment, such as home-based or platform workers. However, it would require enforcement, compliance and adaptation measures to translate legal coverage into effective protection.

⁴⁸ The Republic of Korea uses the term “employment insurance” because it puts greater emphasis on employment support programmes. The principles applying to the design and implementation of unemployment benefits remain the same (Ong and Peyron Bista, 2015).

The Domestic Workers Act in the **Philippines** was enacted in 2013 to regulate working conditions and establish labour standards for **domestic workers**. The Act stipulates that a domestic worker with at least one month of employment shall be covered by the social security system and the Philippine Health Insurance Corporation (PhilHealth). Contributions are solely paid by the employer, with the exception of workers with a monthly wage at more than 5,000 pesos (PHP) who need to contribute with the proportionate share required by the law (Republic of the Philippines, 2013). The Act provides legal access to social security for an estimated 1.9 million domestic workers in the country (ILO, 2013c). But even if workers are legally covered, challenges regarding administrative processes, financing requirements and awareness may prevent them from accessing benefits in reality. It has to be stressed that extension strategies and policies for the domestic work sector are part of a larger set of policies to formalize employment that include elements beyond the scope of social security (ILO, 2016e) (see box 4-11 in section 4.4).

Uruguay addresses some of the specific characteristics of the domestic work sector by allowing **domestic workers** who work part-time and/or with multiple employers to register with the Social Protection Bank. Workers can enrol if they work for at least 13 days per month, for a total of at least 104 hours, and have earnings of 1.25 contribution bases or more. Since the enactment of the associated law, an annual increase of more than 7 per cent in enrolment rates of domestic workers was recorded (Lexartza, Chaves and Carcedo, 2016).

The National Pension Service in the **Republic of Korea** recently reduced the minimum threshold of working days from at least 20 days per month to eight days per month, with a view to extending coverage to non-regular **construction workers** (ISSA, 2018a).

Extending legal coverage to self-employed workers: Mandatory vs voluntary coverage

In terms of the expansion of coverage, a trend observed in past decades is the inclusion of **self-employed workers** into national social security schemes and programmes. Strategies include expanding and adapting legislation and social insurance schemes or creating specific schemes (ILO, 2018i). For instance, in 1980, the Social Security Law in the **Philippines** was amended to gradually extend mandatory coverage to self-employed workers earning more than PHP1,000 per month. Such a requirement is in itself an innovation in a region where most countries only provide voluntary coverage for self-employed workers (Duran Valverde et al., 2013). Currently, the scheme covers independent professionals, business owners, farmers, fisher folk, art professionals, professional athletes, street vendors, drivers and others (SSS, 2018).

Indonesia has gradually extended social security coverage to self-employed persons, in line with the amendment of its Constitution in 2002, which stipulates the universal right to social security. Two laws passed in 2015 extended mandatory coverage to self-employed workers for the old-age security programme (Jaminan Hari Tua) as well as the work accident (Jaminan Kecelakaan Kerja) and the casualty (Jaminan Kematian) security programmes.

In other countries, participation for self-employed workers is often voluntary, but the experience has shown that in the large majority of cases, they are ineffective in reaching a majority of the self-employed. Countries have achieved more impact in terms of coverage when introducing mandatory participation for self-employed workers under existing schemes, often in combination with measures to subsidize the participation of low-income earners. Adapting schemes to include all types of workers under a common framework or scheme can better facilitate labour mobility and ensure the portability of entitlements and benefits between different jobs and employment statuses than creating separate schemes for the self-employed⁴⁹ (ILO, forthcoming).

⁴⁹ This is discussed in section 4.2, which focuses on the expansion through separate schemes.

While legislative reforms are a critical step towards the extension of coverage, they are often not sufficient on their own. Substantial coverage gaps exist, especially for self-employed workers, workers in non-standard employment and other vulnerable workers. Workers might be legally covered, but limited contributory capacities, complex administrative procedures, weak compliance and enforcement and lack of awareness and information may impede the uptake and adequacy of benefits (ILO, 2018i, forthcominga) (see sections 4.1.2 and 4.1.3). To provide effective protection to workers, further measures might be required to support the participation of low-income earners and vulnerable groups (see section 4.1.2); to simplify and facilitate the access to administrative and operational frameworks and procedures (see section 4.1.3); and to promote good governance of the schemes, raise awareness and access to information (see section 4.3). In addition to social security gaps, workers in the informal economy face a range of decent work deficits, including access to decent earnings, working hours, occupational safety and health and access to fundamental principles and rights at work. These multiple deficits require a comprehensive mix of policy responses to close regulatory gaps and reduce the decent work deficits (ILO and OECD, 2018) (see section 4.4).

4.1.2 Introducing financial incentives

Key barriers

Many workers and employers in the informal economy have low incomes, live in poverty or are at risk of falling into poverty and have low capacity to contribute (regularly) to social insurance schemes.

A major challenge for many workers and enterprises in the informal economy are their low and/or volatile incomes and limited capacity to contribute (regularly). Financial incentives can be important in facilitating the extension of coverage by reducing the contributory burden of workers (and their employers), making the contribution for social insurance more affordable and likely increasing the perceived value for money of these contributions. In many instances, social insurance schemes are not fully funded from contributions because they involve subsidies to increase the affordability for workers or enterprises with limited contributory capacities. Subsidies are often funded from the general state revenue or from a mix of general taxation and cross-subsidization (redistribution within contributors).

Countries either subsidize social insurance contributions or benefits. For example, China subsidizes the basic pension benefits for non-salaried urban and rural residents while it provides subsidies for the contributions to the Urban Residents Basic Medical Insurance and the New Cooperative Medical Scheme (as both schemes are described in more detail in section 4). While the premium is made “cheaper” with a subsidy for contributions, the benefit will be greater with a subsidy for benefits. The difference between the two approaches is not yet significant: under both approaches, the cost for the government is the same, and the cost of participation is lower for the target group than what it would have been for that particular level of benefit. An important factor is the perception of potential members on the existence of this benefit. In some cases, subsidies are not perceived by potential contributors, and in many cases, they are not sufficient to change the perception of the value for money among workers and employers. Countries need to provide adequate benefits and ensure that benefit packages are sufficiently attractive for people to enrol.

Thailand provides financial support to help people participate in the voluntary branch (as stipulated in Section 40 of the Social Security Act) managed by the Social Security Office for those not covered by the mandatory scheme.⁵⁰ The terms and conditions of the voluntary regime differ from those of the general regime for

⁵⁰ The social insurance scheme provides compulsory social protection coverage to employees aged 15–60 (under article 33 of the Social Security Act for seven types of benefits, including sickness, maternity, invalidity, death, child allowance, old-age pension and unemployment benefits. Persons who cease to be insured under article 33 and paid contributions for a period of more than 12 months can choose to remain insured under article 39.

employees. Members have three benefit package options: Option 1 offers disability, sickness cash and funeral benefits. Workers contribute 70 baht (THB) (US\$2.33) per month, which is complemented by a government contribution of THB30 (US\$1) per month. Option 2 offers the same benefits as option 1 but additionally includes an old-age lump sum. Under this option, participants contribute THB100 (US\$3.33) per month, matched by a government subsidy of THB50 (US\$1.67) per month (ISSA and SSA, 2016).

The Social Security Office recently introduced measures to increase the incentives for joining the scheme under Section 40 (SSO, 2018). For a contribution of THB300, matched by a government contribution of THB150, option 3 offers voluntarily insured members better benefits, including:

- THB300 per day of hospitalization, THB200 day for one-day hospital visit (combined up to 90 days per year);
- An additional THB3,000 on top of the THB40,000 funeral grant if the voluntarily insured person has paid contributions to the Social Security Office fund for more than six months;
- THB200 monthly child allowance (up to two children, up to age 6);
- THB500–THB1,000 disability allowance per month, depending on the period of contribution;
- Old-age savings benefit of THB150 per month, receivable at age 60 or older with interest, plus an additional THB10,000 bonus added to the account if the voluntarily insured person has paid contributions to the Social Security Office fund for at least 15 years (future expected return is 4 per cent per annum).

Brazil established contributory categories for certain groups of workers that are lower than the general rate applied to employed workers to address the limited contributory capacities of low-income workers (Duran Valverde et al., 2013). The Government subsidizes the difference between the contribution paid by the worker and the total contribution fee. The scheme distinguishes between employees, individual contributors and the special insured:

- Employees pay different contribution rates (8–11 per cent of reference income), depending on the income group that applies to them.
- “Individual contributors” includes self-employed workers with income of less than a defined threshold. Because they are considered among the more difficult to reach groups, the Brazilian National Institute of Social Security reduced their contribution from 20 per cent to 11 per cent of the minimum monthly salary. Workers are able to choose between the lower and higher contribution rates but do not accumulate pension entitlements in the former case. The system allows workers to increase or decrease their contribution share at any time according to their situation and needs.
- The category of “special insured” includes rural workers without no permanent employees and workers in family companies who need to contribute 2.1 per cent of the total market value of their production. They are entitled to the same benefits provided.

Subsidizing health insurance coverage

Many countries have established a social health insurance system on their path to universal health coverage. However, in some countries, the majority of populations still faces challenges in accessing effective health care, particularly vulnerable population groups. An approach to tackle these gaps has been the partial or full subsidization of contributions or premiums through general state revenue transfers to the health insurance fund or the exemption of certain groups from contributions.

Countries have adopted different approaches to subsidization, such as with the level of subsidy or the target groups (box 4-1). Subsidies can either be set at a flat level or vary inversely with contributory capacity; for instance, lower earnings are associated with a larger proportion of subsidies for contributions. The majority of countries use different levels of subsidy, depending on the category of workers, while some use a flat subsidy for all eligible persons. Another form of financial incentive is the use of differentiated contributory provisions, such as lower contribution rates or amounts and specific contributory bases (minimum wages) that are more favourable for vulnerable workers.

Depending on a government's priorities, different groups of the population may benefit from some form of financial support, including people who are poor and near poor (as in **Indonesia, Philippines** and **Viet Nam**), ethnic minorities (as in **Viet Nam**), children, students (as in Viet Nam), older persons, persons with disabilities (as in the **Philippines**), dependants of insured persons (as in Indonesia and **Viet Nam**) and the self-employed or workers outside of formal employment (as in **Indonesia, the Philippines** and **Viet Nam**). Depending on the degree of subsidization, the participation to the scheme can be either non-contributory or partially contributory for the beneficiaries. The poor and near poor are the most common groups to benefit from a full subsidy on their health premium, while the other groups usually benefit from a partial subsidy.

Box 4-1

Examples of membership categories and subsidization arrangements in social health insurance schemes

Countries that provide subsidies in their social health insurance schemes are unique in the way they categorize their members and determine the eligibility for the subsidization or exemptions from contributions.

- In **Viet Nam**: The Viet Nam Social Security differentiates between several member categories. The contribution for formal sector employees is 4.5 per cent of the reference wages shared between the employer (3 per cent) and the employee (1.5 per cent). The contribution of vulnerable population groups is set at 4.5 per cent of the monthly minimum wage and is subsidized at 30–100 per cent, depending on the category. For members of poor and near-poor⁵¹ households, ethnic minorities in difficult areas and people living on islands,⁵² the Government subsidizes 100 per cent of the health insurance contributions. Contributions of near-poor households that do not fall under the category eligible to full subsidization are subsidized at 70 per cent by the central Government, complemented by local subsidies of 10–20 per cent. Full-time students and families in agriculture, fishery or forestry and earning a medium-level living standard are entitled to 30 per cent subsidization (Law on Health Insurance). The government subsidy also applies to dependants,

⁵¹ This includes near-poor households for five years after the households escape poverty and near-poor households living in the poor districts listed in resolution 30A/20008/NQ-CP.

⁵² The following groups are also entitled to 100 per cent subsidization: (i) armed forces, police, civil servants and associates; (ii) children younger than 6 years; (iii) persons eligible for monthly social allowances; (iv) dependants of people with merits or martyrs; (v) persons who donated organs; and (vi) foreigners studying in Viet Nam through Vietnamese governmental scholarships.

increasing with every additionally registered family member: The subsidy for the health insurance contribution of the second member is 30 per cent and of the third member, it is 40 per cent, etc.

- In **Indonesia**: The Social Insurance Administration Organization differentiates three member categories: private and public sector employees, self-employed workers, and poor and non-poor members. The first group contributes 5 per cent of their monthly salary shared between employer and employee.⁵³ Their relatives can be covered at a lower contribution rate of 1 per cent, as compared with the normal 4.5 per cent of the employee's monthly salary. The self-employed and subsidized members have differentiated flat contributions. The self-employed pay contributions themselves, depending on the treatment class chosen (25,000 rupiah, 51,000 rupiah or 80,000 rupiah (IDR) per month for treatment classes 3, 2 and 1, respectively). Premiums of poor or near-poor individuals are set at IDR19,225 for treatment class 3 and fully subsidized by the national and regional governments (BPJS Kesehatan, 2018).
- In the **Philippines**: PhilHealth currently covers several membership categories through a range of programmes (Results for Development, 2015b), including public and private sector employees, domestic workers, older persons,⁵⁴ nationals working abroad, poor persons, self-employed and informal sector workers. Employer and employee equally share the contribution of 2.5 per cent of the monthly salary. People who are poor are covered under the Indigent Programme, and their premiums, set at a flat level of PHP2,400, are fully subsidized by the Government. The Sponsored Programme covers a highly diverse group, including persons who are near poor, defined as the second income quintile, persons older than 60 and other vulnerable groups, such as orphans and persons with disabilities. Members' contributions are also PHP2,400 and fully subsidized by the local government or other sponsors. The Informal Economy Programme covers persons who do not qualify for any other programme on a mandatory basis, including non-poor self-employed workers, migrant workers, farmers, fisher folk, unemployed persons and non-salaried earners. Their premiums are set at PHP2,400 or PHP3,600 for those with annual incomes below or above PHP25,000, respectively. They are required to pay their own contributions.

In the process of introducing subsidies, some countries, including the **Philippines** and **Viet Nam**, established an integrated pool for both the subsidized and the contributors in a single fund system that is administered by one institution.⁵⁵ In contrast to fragmented systems, such an architecture allows for greater risk-pooling and redistribution and equity in access and financing while reducing administrative costs (Vilcu et al., 2016).

⁵³ For public sector employees, the employer's share is 3 per cent, whereas it is 4 per cent for private sector employees.

⁵⁴ Older persons can be covered by the Senior Citizen Programme for all Filipinos older than 60 or the Life time Member Programme for pensioners who have reached the retirement age and paid at least 120 monthly contributions.

⁵⁵ In these cases, the Government contributes on behalf of those with partial or full discounted premiums.

Another financial incentive provided in social health insurance schemes concerns government involvement in terms of cost-sharing of the health expenses. For example, all subsidized members in Mongolia are exempted from nearly all co-payments. In Viet Nam, the social health insurance usually covers 80 per cent of the medical costs and requires a 20 per cent co-payment for inpatient and outpatient care. To enhance coverage, the Government revised the co-payment rates for the poor and near poor, whose health expenses are reimbursed 100 per cent and 95 per cent, respectively (before 80 per cent reimbursement) (Tran, 2016). Similarly in the Philippines, members under the subsidized PhilHealth programmes (Indigent Programme and Sponsored Programme) enjoy a No Balance Billing policy, whereby they are not liable to pay out-of-pocket health expenses, particularly for medicines (Cabalfin, 2016).

The fast pace of population expansion in some countries illustrates how important subsidization can be for extending coverage. In **Viet Nam**, for instance, health coverage expanded from 4 per cent to 72 per cent since the onset of the social health insurance scheme. Subsidies make up around 60 per cent of the social health insurance revenue, while individual members' contributions account for only 7 per cent of the total revenue, indicating the large proportion of fully subsidized participants (Results for Development, 2015a).⁵⁶

In the **Republic of Korea**, universal health coverage was reached in 1989, which is a significant departure from the 15 per cent level of coverage in 1977. Since 1995, PhilHealth has expanded its coverage, reaching 93 million individuals, or 91 per cent of the population in 2016 (PhilHealth, 2017).

While the success of each of those policies is predicated on the effectiveness of administration and law enforcement, an important element in enhancing enrolment is the mandatory membership of the eligible target groups and the actual level of subsidization, as well as ensuring adequate resources for the extension of coverage in an equitable and sustainable way (box 4-2). The expansion of voluntary coverage through subsidies often creates a situation whereby relatively, better-off self-employed workers are covered by the social health insurance, while the rest of the population, often the rural poor and urban informal workers, are not protected or are only inadequately protected. Moreover, voluntary schemes suffer from adverse selection, with members only joining the scheme when they need to access medical care (Morgan and Paina, 2014). In some countries, such as **Indonesia** and **Viet Nam**, where mandatory membership is incrementally implemented or enforcement is weak, many of the uncovered members appear to be those with partial subsidies. The assumption that higher subsidies can lead to higher enrolment is also supported by the example of China's health schemes (Urban Residents Basic Medical Insurance and the New Cooperative Medical Scheme).

⁵⁶ The remaining revenues are from the formal sector programme (Results for Development, 2015a).

Box 4-2

Ensuring adequate resources for the extension of health coverage

Countries that have successfully extended coverage through the use of subsidies have ensured adequate resources through different means, including increasing tax revenues. For example, in the Philippines, alcohol and tobacco taxes were introduced to finance the subsidies of the poor and near-poor population.

Some countries have used other methods to ensure financial sustainability, for example, by gradually adapting the benefits package in line with the fiscal space, as done in China (see section 4.2). The Republic of Korea was able to contain the initial financial burden of fast economic expansion by initially providing a smaller benefits package, albeit a rapidly ageing population increases the demand for a more comprehensive benefits package.

Source: Results for Development, 2015c.

Another essential element to ensure effective access to health care is the expansion and improvement of the healthcare supply side to ensure that facilities have the absorptive capacity for the increased demand for services. In China and Thailand, the extension of health coverage was particularly successful, partly because it was accompanied by gradually increasing investments in service quality (Gongcheng et al., forthcoming; ILO, 2016i).

Although many countries have made significant progress in extending coverage, many challenges impede the achievement of universal health coverage, such as regarding the quality, accessibility and equity of health services as well as the financial protection of the population (see box 4-3 for an example and Annex IV for detailed country challenges).

Box 4-3

Challenges to the extension of health coverage in Viet Nam

While Viet Nam made significant progress in the extension of social health insurance, coverage among some groups, such as the near poor workers in the informal sector, remains low due to their limited contributory capacities and lack of information and awareness. Enforcement of mandatory enrolment has not been effectively implemented. While the Government targets a coverage rate of 80 per cent by 2020, compliance among private enterprises is low, with only 50 per cent of all formal sector employees covered.

The system underperforms in terms of the quality of and access to health care services, especially in rural areas. Although benefit packages are the same for all beneficiaries,⁵⁷ differences in infrastructure and quality of care between rural and urban area hospitals affect the equitable access to health care benefits. Out-of-pocket expenditure for health is still high due to high ratios of co-payments and ceiling payment for high-tech services, which affects the attractiveness of the scheme.

The implementation capacity of the Government is still limited, and high administrative costs impact the financial sustainability of the health insurance fund.

Source: Tran, 2016; Results for Development, 2015a; Somanathan, Tien and Dao, 2013.

⁵⁷ The benefit package covers inpatient and outpatient care, medical rehabilitation, costs of drugs based on the list of the Ministry of Health as well as transportation costs for poor people and those living in mountainous areas.

Subsidizing pension insurance coverage

Many countries in the region introduced specific policies to integrate groups that are traditionally difficult to reach in their pension systems. While some countries, such as Brunei Darussalam, Thailand and Timor-Leste, established tax-funded schemes to provide at least a basic level of protection for all their older persons (see section 4.2.3), the strategy in other countries, such as China, Japan, the Republic of Korea, Mongolia and Viet Nam, is the extension of contributory pension coverage through government subsidies.

Eligibility varies across countries, but the examples below suggest that poor self-employed workers and farmers are commonly targeted groups of subsidization measures. Similar to health insurance schemes, the subsidies often vary, depending on the membership category.

- In **Viet Nam**, Decree No. 134/2015/ND-CP established three categories: members of poor households, members of households living on income just above the poverty line and other persons. The shares of the premium subsidized are 30 per cent, 25 per cent and 10 per cent of the poverty line in rural areas,⁵⁸ respectively (Government of Viet Nam, 2014).
- In **Mongolia**, self-employed workers benefit from lower contributions than employees, and herders are entitled to a full subsidy of their contribution (ILO, 2016k).
- In the **Republic of Korea**, contributions of self-employed workers, farmers and fisher folk are subsidized at a rate of 50 per cent of reported income. And under the Duru Nuri premium subsidy programme, low-income workers in small companies with fewer than ten employees receive subsidies on pension and employment injury insurance contributions. Recently, the subsidy was increased to 90 per cent of the premium for newly insured persons. Employers receive the same support for their contribution share (OECD, 2018c).
- **Japan's** universal mandatory National Pension is a unique contributory scheme with a high degree of subsidization. The contributions to be paid depend on the category:⁵⁹ Category 1 insured persons contribute a flat amount; category 2 insured persons pay earnings-related contributions for two public schemes (National Pension Programme and Employee's Pension Insurance), and category 3 insured persons do not contribute to the National Pension because their contribution is regarded as included in their spouse's contribution amount (ISSA and SSA, 2016). Recipients of the Disability Basic Pension and the Public Assistance as well as those with low incomes are exempted from contributing. Depending on their incomes and the number of family members, the exemption can range from 25 per cent to 50 per cent to 75–100 per cent of the contribution (OECD, 2017a).

A main factor that differentiates the more successful from the less successful examples is the type of membership of the subsidized (mandatory vs voluntary) and the degree of subsidization.

The attempt to cover self-employed workers and other hard-to-reach workers only, or at large, through voluntary participation, such as in Mongolia and Viet Nam, has shown insignificant impact regarding extension, even if their contributions are subsidized by the government. In contrast, making the affiliation to the pension scheme compulsory for self-employed workers, as in Japan and the Republic of Korea, has shown more success in extending pension coverage. In the Republic of Korea, coverage was expanded

⁵⁸ The rural poverty line is 700,000 dong for 2016–2020.

⁵⁹ Category 1 insured persons includes non-wage earners aged 20–59, self-employed persons, farmers, students and unemployed persons. Category 2 insured persons includes private sector and government employees. Category 3 insured persons is composed of dependent spouses of the category 2 insured person aged 20 or older but younger than 60 (ISSA and SSA, 2016).

steadily, and in 1999, the National Pension Scheme achieved nationwide coverage (NPSIM, 2018). In Japan, the high degree of subsidization significantly contributed to the success of the scheme, which covers around 97 per cent of the entire targeted population. The Government subsidizes approximately half of the total pension expenditure of the scheme every year and the total administrative costs, in addition to cross-subsidization for the Employees' Pension (ISSA and SSA, 2016). Pension payments make up around 10 per cent of Japan's nominal GDP (Japan Pension Service, 2016).

Another practice that is commonly used in defined contribution schemes as a financial incentive and to motivate participation is the provision of matching contributions, such as in the National Savings Fund in Thailand, whereby individual and employer contributions are matched by the Government (Palacios and Robalino, 2009). Countries typically employ a cap on the state contribution. However, in that circumstance, individuals at the lower bottom of the income distribution receive disproportionately less, while better-off persons, who can afford to make higher levels of own contribution payments, benefit more (OECD, 2018d).

4.1.3 Simplifying and facilitating access to administrative and operational frameworks

The extension of legal coverage and the provision of financial incentives on their own have been shown, in many cases, to be insufficient to significantly enhance social security coverage. Combining subsidies with measures to simplify administrative procedures, enhance operational frameworks and strengthen enforcement mechanisms can be more effective in reaching hard-to-cover groups. In particular, administrative and operational frameworks and procedures might need additional adaptation and modification to ensure the effective implementation of legislation.

Key barriers

- Complex and burdensome administrative procedures and processes can be challenging, especially for those with a low scale of operations. The time spent with lengthy bureaucratic processes can increase the opportunity costs for self-employed workers and micro and small businesses.
- The requirement to submit supporting documents (written employment contract, employment records) can impede the access to benefits for certain groups of workers who do not have the required documents.
- Geographical access to social security offices and services might be restricted for workers and employers, particularly those living in rural and remote regions, when they have to travel long distances and pay high transaction costs to access social protection benefits.
- The calculation and payment of contributions can be challenging due to workers' volatile and unpredictable incomes and the difficulty to assess real incomes in the informal economy.
- The lack of portable benefits and entitlements between and within social security schemes can hinder workers with multiple employers, temporary workers, casual workers and others with high labour mobility from accessing the system, even when legally covered.
- The enforcement of labour and social security laws is often weak in sectors with a high prevalence of informality due to limited inspection resources and capacities, lack of effective incentives, lack of awareness regarding legislation and lack of, or ineffective, legal provisions. In some cases, the dispersed, hidden and ambiguous nature of informal employment can pose difficulties for labour inspectorates to reach the informal economy.

Facilitating access and simplifying registration, payment and contribution collection procedures

Simplifying and facilitating registration and payment procedures

Many countries have put measures in place to simplify and facilitate the administrative procedures related to the registration of enterprises and workers as well as the payment of contributions and taxes to support the extension of coverage.

In **Indonesia** and **Viet Nam**, the extension of social health insurance to self-employed workers and other vulnerable groups of workers was not only aided by subsidies (see section 4.1.2) but also complemented by measures to reduce the administrative burden on workers related to registration and payment (Results for Development, 2015a). In Indonesia, subsidized members are identified by local government units that receive data on eligible poor and near-poor families from the Ministry of Social Welfare. Self-employed persons register either online or in person at branch offices or participating banks. Notably, partnerships with organized groups (such as farmers and fisher folk cooperatives) and institutions, such as universities or banks, significantly facilitate the enrolment of workers. The Kader JKN partnership programme stands out as a good practice example in this regard (see more details further on) (ISSA, 2018b). In Viet Nam, automatic enrolment is undertaken for households identified as poor and near poor by the District Office of Labour and Social Affairs. Students are registered individually at their school by the Viet Nam Social Security. Self-employed workers are enrolled through organizations, such as women's unions, cooperatives, veterans' associations and communes. Similarly, contributions are collected by the local commune government during household visits or by a designated local seller.

In **Argentina**, a simplified registration system for domestic workers helps facilitate social insurance coverage. Employers of domestic workers can register their employees through three options: the webpage of the Federal Public Revenue Administration, online banking and a free telephone call. The registration also acts as a certified declaration of the employment relationship. Based on the relevant information submitted by the employer, the computer system automatically creates the employment certificate for the worker, pay slips and receipts of payment. The information stored on the system can be accessed by all social security institutions that receive contributions. Within two years, the programme has recorded an additional enrolment of 297,000 domestic workers (ISSA, 2015).

Latin American countries, such as **Argentina**, **Brazil** and **Uruguay**, considerably enhanced coverage by simplifying the contribution collection and payment processes in their monotax programmes. The monotax is a unified payment for social security and tax contributions for self-employed workers and micro and small businesses, thereby addressing the high administrative burden for workers and enterprises with limited administrative and contributory capacities. In Brazil's Simples Nacional, for example, enterprises can pay a single contribution instead of five federal taxes and the social security contribution, each according to different calculation methods and payment schedules. In addition, participants also have lower administrative requirements. In Uruguay, members are only required to have a check book with consecutive bills. In Brazil, companies can file a single annual simplified tax declaration instead of various tax and social security declarations, which previously they had to provide at the municipal, state and federal levels every month. Another major factor that facilitated the payment processes for monotax payers is the strategic partnership between the social security institutions and the tax collection authority. In Uruguay, for example, the Social Security Institute collects the contributions of members, transfers the tax share to the tax authorities and uses the rest to fund social security benefits for members and their families (ILO, 2014d).

To facilitate the payment of contributions for workers, particularly those in seasonal and irregular work arrangements, the **Republic of Korea**, the **Philippines** and **Viet Nam** introduced more flexible payment schedules or allowed the deferment of contributions in case of cash flow problems. The National Pension Service in the Republic of Korea allows a mandatorily insured person to defer their contribution payments in the event of termination of business, unemployment or accident (National Pension Service, 2018). The AlkanSSSyA Programme for self-employed workers in the Philippines allows for the daily payment of contributions. Workers enrolled in the programme can deposit their contributions in a steel box installed in strategic locations, such as the tricycle transport terminal for tricycle drivers. In Viet Nam, participants can choose between monthly and quarterly payments as well as lump-sum payments (Damerau, 2015).

Because workers in the informal economy often have volatile and unpredictable incomes or their incomes are difficult to assess, countries have introduced measures to adapt or simplify the calculation of contributions. This simplifies the administrative process equally for workers as well as the social security administration. Simplified or flat contribution rates, proxy income measures as well as alternative reference values (other than earnings) have facilitated the determination and recording of contributions for social security administrations (ISSA, 2012). **Brazil**, for example, uses annual rather than monthly incomes as the contribution base in their Simples Nacional programme (ILO, forthcoming). In **Thailand**, self-employed workers can choose between two flat contributions under the voluntary branch. **China** uses flat-contribution rates based on the local average wage from the previous year under its Urban Residents Basic Medical Insurance and New Cooperative Medical Scheme for non-salaried urban and rural residents. Under its Basic Pension Scheme for non-salaried urban and rural residents, the Government allows for the annual contribution of payments by workers. This facilitates the operations of the scheme, while the low contribution amount also makes it more attractive for workers from a financial perspective.

Germany, **India** and **Indonesia** use alternative reference values (other than earnings) for determining employers' contributions, particularly for sectors in which it may be difficult to base contribution on workers' monthly earnings. For example, these countries use the global value of a total project to determine employers' contributions (see section 4.2). This approach is aimed at facilitating the coverage of workers who tend to be employed on a casual or daily basis, have high labour mobility or possibly work for multiple employers or clients with unclear employment relationships.

Facilitating the access to social protection services and benefits

Facilitating the access to registration and other administrative procedures, for example, through more physical or electronic access points, can help overcome barriers faced by workers and employers in the informal economy. In the **Philippines**, enrolment to PhilHealth can be undertaken at an expansive network of PhilHealth local health insurance offices. To increase the access to administrative services, express service offices were also opened in highly frequented places, such as shopping malls. These allow eligible members to register, receive their health insurance cards, access their contribution records and make contribution payments, and it simplified the administrative procedures.

An element that can extensively enhance the operations of a scheme and facilitate access to social protection services are single-window services or one-stop shops that provide an integrated service point for workers and employers to access several social protection programmes as well as other services (such as employment services). In these integrated service points, members can register, access information and undertake transfers for various public schemes. Countries that have put this in place seek to make service delivery more accessible, transparent and efficient, enhance the customer experience and reduce transaction costs.

The National Health Insurance programme, JKN, in **Indonesia** recently developed a one-stop shop mobile telephone application, whereby participants can register with the scheme, update their data, access their digital member card, receive information and submit complaints. Participants no longer need to visit a branch office for administrative purposes. This simplifies registration and benefit claim processes, thereby reducing the time and money spent in accessing services; it also improves service quality, which is reflected in an improvement of client satisfaction. Long waiting times in the JKN offices can now be avoided, and the average number of insured persons visiting branch offices has decreased by 68.5 per cent. Such a measure may also reduce the administrative costs of the social security administration and improve administrative efficiency (ISSA, 2018c).

Mongolia and **South Africa** established mobile one-stop shops in rural areas to deliver services to the doorstep to those who cannot travel, such as older persons or persons with restricted mobility. In these countries, the delivery of several public programmes in a single access point has proven to contribute to a more integrated and comprehensive social protection system where social insurance and social assistance are not considered as separate elements from an operational point of view. It also has fostered collaboration between social protection and employment promotion institutions and contributed to avoiding duplication and inefficiencies (ILO, 2016j).

Harnessing digital technologies

Modern ICT platforms, unified online databases and mobile telephone technologies, such as the use of smartcard solutions and mobile telephone and online registration and payment, can help enhance the accessibility to and delivery of social security services.

In the **Philippines** and **India**, the provision of smartcards for participants and beneficiaries has enhanced the delivery of services. In the Philippines, these cards usually allow registrants to undertake different transactions across several institutions and collect information about a member's social insurance contribution records and entitlements, which can be accessed by several social protection institutions. This does not only facilitate the identification of participants and the monitoring and supervision of contributors but also reduces administrative costs and inefficiencies due to better information sharing (Duran Valverde et al., 2013). In India, a biometric-enabled smartcard allows beneficiaries to access cashless health insurance cover of up to 30,000 rupees and to use it in any authorized hospital across India, which is particularly relevant for ensuring the protection of domestic migrant workers (Government of India, 2018). In this context, however, it is important to ensure privacy and protection of personal data (Sepulveda Carmona, 2018).

Many countries make use of mobile telephone and digital technologies to increase the efficiency of their administrative processes and make their services more customer-friendly. The social security administrations in **Kenya** and **Uganda** introduced the option of mobile telephone payments for their members. Efforts in the **Republic of Korea** and **Thailand** have focused on reforming their service delivery systems through a range of technology-based measures, including mobile phone application services, e-information services and the artificial-based chat programme to automate simple consultation services (ISSA, 2018d, 2018e).

Some countries have moved to address the gaps in social security coverage for platform workers by making use of digital technology. **Indonesia** and **Uruguay** introduced adapted mechanisms whereby the digital applications automatically add a social insurance contribution to the price of each ride (ILO and OECD, 2018; BPS Uruguay, 2017).

In **Singapore**, the Government is implementing a new contribute-as-you-earn scheme to help self-employed workers make their MediSave contributions in a more convenient manner. Under the scheme, a MediSave contribution is required as and when a service fee is earned. A service buyer or intermediary who contracts with self-employed workers will deduct and transmit the MediSave contribution to the workers' MediSave account upon payment. The Government, as a service buyer, plans to pilot the contribute-as-you-earn scheme in 2020 (Ministry of Manpower, 2019)

Partnerships with organized groups and collective insurance agreements

Developing partnerships with workers' and employers' organizations, civil society organizations, organized groups or private sector institutions, such as banks, is an innovative approach to facilitate coverage for hard-to-reach groups of workers. These groups often act as aggregators and enter into collective insurance agreements with the social security institution to assume registration and collection activities and communicate with members. Such an approach can reduce workers' and employers' opportunity costs as well as administrative costs for the social security institution. In many cases, the development of partnerships along side the provision of government subsidies, as in **Cambodia**, **Indonesia**, the **Philippines**, the **Dominican Republic** and **Costa Rica**, was crucial in supporting the fast extension of coverage for some groups of workers.

Workers' and employers' representatives have been integral to the extension of social protection. In the **Philippines**, the Social Security System has partnered with 1,235 informal sector groups. In the **Dominican Republic**, the Autonomous Confederation of Workers' Unions launched the Mutual Association of Solidarity Services to act as the interface between workers and the social security institution (box 4-4).

Box 4-4 **Aggregator model in the Dominican Republic**

Workers can join an affiliate of the Mutual Association of Solidarity Services through two ways, either individually in an office of the association or collectively through one of the 129 trade unions, associations or cooperatives affiliated with the Association. It receives the workers' monthly contributions, including 1 per cent for the operating expenses and transfers it to the national treasury. A total of 55,970 self-employed workers and their dependants are covered through the Association.

The Association has not only contributed to enhancing social security coverage but also used its role as intermediary to encourage the formalization of affiliated micro businesses. Measures have included raising awareness of the tax advantages associated with the formal status and providing support for the administrative procedures related to business registration. Affiliated informal microenterprises with more than three workers are encouraged to register as a formal company. Once the microenterprise registers and formalizes, the association remains the intermediary handling the interaction with the social security administration, subject to the payment of the administrative fee of 1 per cent.

Source: Ghesquiere, 2016.

Costa Rica, Indonesia and the **Philippine** have initiated partnerships with a range of institutions, including cooperatives, associations, NGOs and universities. An innovative approach in the Kader JKN programme in Indonesia is partnering with community agents who manage one or two groups of self-employed workers (box 4-5).

Box 4-5 Partnering with community members in Indonesia

The Kader JKN programme is based on the recruitment of agents from communities. To qualify as an agent, the candidate must be registered as a payment point for online banking to facilitate the online payment of contributions for insured persons, have a domicile near the area of targeted members, have graduated from senior high school and preferably have worked with a social organization. Agents mainly perform four functions: collection of contributions, enrolment of new members, outreach and communication on the handling of complaints.

The community approach has shown to be effective in reaching potential members living in remote areas, particularly in an island country like Indonesia. The community approach displays a utilization rate of 73 per cent, as compared to e-registration, at 4 per cent. Within one year after its implementation, the programme counted a total of 2,000 agents who managed two million members. Participants of the programme enjoy better access to information on procedures and rules and lower transaction costs; for example, they can pay their contributions directly to an agent or the agent can pick up the contribution from members. The contribution collection rate has increased by around 14 per cent with this programme. At the same time, BPJS Health has reduced its staff cost and increased its administrative efficiency and effectiveness.

Source: Based on ISSA, 2018b and government sources.

Some countries increasingly also explore the potential of partnering with private sector actors. PhilHealth in the **Philippines** has initiated public-private partnerships with banks and money transfer companies to facilitate the payment of contributions (PhilHealth, 2013). In **Cambodia**, the disbursement of the one-time government allowance for mothers with newborns (part of the National Social Security Fund maternity benefit) is facilitated through a partnership with the biggest local money transfer agent WING. In addition to a bank transfer, workers can cash money at any WING counter (available nationwide and in villages) after receiving a code from the National Social Security Fund on their mobile phone.

Encouraging compliance and ensuring effective enforcement

Many governments have stepped up their efforts to encourage compliance and ensure effective enforcement of the relevant legal provisions, acknowledging that they are important elements for the successful extension of coverage but also for creating a level playing field for enterprises. Labour inspections are important elements of compliance and enforcement and seek to perform three core functions: providing education and information on the requirements of the legislation; preventing violation of labour standards by providing advice, technical information, training and warnings and by punishing violations. Countries have sought to explore ways in which labour inspectorates can reach the informal economy. While an appropriate balance needs to be found between encouraging compliance and sanctioning non-compliance, education and awareness-raising and partnerships with a wide range of stakeholders have proven to be particularly effective (ILO, 2013a).

Given that labour inspections do not extend to all workers but only to workers and enterprises covered by law, some countries have adapted legal frameworks for inspections to the specific situation of workers and economic units in the informal economy. For example, provisions might be required to ensure the privacy of households that employ domestic workers or home workers. In **Uruguay**, a special unit within the labour inspectorate was created for the inspection of employers of domestic workers. It was granted the legal authority to inspect private homes in case of presumed non-compliance with labour and social security legislation, if it has obtained a court order (ITUC and UN Women, 2013; ILO, 2012b).

Improving the efficiency and effectiveness of inspection processes

Many countries have brought a large number of workers and businesses in the informal economy within the scope of labour inspection by addressing basic challenges of their labour inspectorate. Because the availability of well-trained inspectors and sufficient equipment (IT systems) can influence the ability of labour inspectorates to address specific challenges related to informal employment, some countries, such as **Costa Rica**, have moved to increase the resources allocated to inspections (Duran Valverde et al., 2013).

In the context of limited resources, some countries have been able to improve the efficiency of interventions by establishing and enhancing coordination between labour and social security inspections or by using ICT.

In **Malaysia**, two mobile phone applications were developed: One allows inspectors to verify the registration status of employers or employees and undertake online reporting in real time, while the other automatically transmits the location of unregistered employers with GPS via Google Maps. Each inspector has to detect at least 200 unregistered employers each year. Detection and registration of unregistered employers and employees is one of the key performance indicators for contracted inspectors. These measures have contributed to more efficient and effective inspection processes than the previous time-consuming door-to-door inspections by the Social Security Organization. The number of unregistered employers detected during the annual inspection in 2016 and 2017 was 3,152, after which the Social Security Organization registered and covered 12,810 employees (ISSA, 2018c).

In Qingdao Province in **China**, the inspectorate developed a series of innovative technology-based tools to address the lack of staff to deal with the increasing number of businesses to be inspected. A grid-based management tool divides all enterprises and workers in the city into a grid of 396 groups that are automatically allocated to nearby inspectors. The inspectorate also relies on the support of inspectors provided by communities, thereby addressing the lack of human resources available for inspections. During their visits, inspection teams collect information from enterprises and feed them directly into an integrated information database that contains all enterprise and worker-related information received from internal and external databases. A mobile telephone application connects inspectors to the database to make their inspection processes more efficient. A data management and analysis tool analyses the data, identifies cases of non-compliance and sends alerts to the inspection teams through the mobile telephone application. Over a period of two years, coverage increased by 43,000 additional workers, particularly to self-employed workers, migrant workers and workers in small or rural enterprises (ILO, 2016k).

With the Statistical Analysis System mining tool, the **Belgian** Government aims to catch the complex new types of offences that are challenging to detect. The knowledge management tool uses machine learning and artificial intelligence to detect fraud in the social security system. Based on big data, the tool offers automated predictive models that define alert levels concerning fraud risks. The average detection rate for the industries identified as being at a higher risk of non-compliance increased from an estimated 16 per cent to 45 per cent (SAS, 2019).

Promoting compliance through awareness raising and incentives

An important element regarding compliance is voluntary cooperation. Country experiences indicate that encouraging compliance is more effective in ensuring the application of legal provisions than imposing strict penalties and that punishment can even have counterproductive effects on compliance.

Capacity building and education are key to raising awareness of rights and obligations among employers and workers and promoting compliance. In **Finland, France** and the **Netherlands**, labour inspectorates undertake campaigns, including education and awareness-raising activities for farmers, their employees and their families, focusing on the most serious occupational hazards (ILO, 2013a). To encourage compliance in **Chile**, information and awareness-raising campaigns are integrated into the sanctioning framework. Enterprises with fewer than nine workers can replace the fine with a free training for the employer, given that they register or pay their contributions. If failing to attend the training course, the enterprises are liable for paying a 100 per cent surcharge. There is a gradual system of penalties according to the size of the enterprise and the number of workers affected (ILO, 2015a).

Some countries strengthened both financial and non-financial incentives for social security registration and formalization. In **Costa Rica**, registered micro and small enterprises have access to favourable tax exemptions as well as credit, training and/or technology, provided they pay their tax or social security contributions and comply with the labour standards (ILO, forthcominga). The simplified contribution regimes in **Brazil** and **Uruguay** provide incentives to MSMEs and self-employed workers to formalize and pay contributions by allowing them to pay a single and (often lower) contribution payment instead of various tax and social security contribution payments. This not only provides a financial incentive but, by reducing administrative requirements, it also creates a non-financial incentive.

In many countries, conditions related to compliance with social security apply in order to register a business or obtain a license. In some industries in **Zambia**, only businesses that comply with social security requirements can receive a license, which is required to operate or participate in the bidding for public work programmes (ILO, 2016l). Similar approaches have emerged in the platform economy. In **Uruguay**, Uber and comparable companies can only operate in the country under the condition that they ensure mandatory social security coverage for all drivers (BPS Uruguay, 2017). In **Singapore**, licensing authorities will only process their license renewal or application if the drivers' MediSave health care scheme contributions are up to date. Also in Singapore, a government-led initiative also encourages public procurement units to engage self-employed persons who contribute to their Medisave account (ILO, forthcomingd).

Measures to improve the quality and accessibility of the system and enhance the governance of the scheme are important to encourage compliance with the law (see section 4.1.3).

Lessons learned

Reducing legal barriers

- While the extension of legal coverage to previously uncovered groups is often the first crucial step towards the expansion of population coverage, it does not automatically translate into effective coverage. Workers might be legally covered, but limited contributory capacities, complex administrative procedures, weak compliance and enforcement and lack of awareness and information may impede enrolment and adequacy of benefits.

Voluntary vs mandatory coverage

- When countries have opted for voluntary membership for hard-to-reach groups of workers, coverage levels tend to remain low. Voluntary schemes risk adverse selection of members as well as high drop-out rates.
- Covering all types of workers under the same mandatory scheme contributes to a more comprehensive social protection system and allows for broader risk-pooling. If choosing mandatory coverage, the contributory capacities of workers need to be taken into account, and if necessary, subsidies for vulnerable groups of the population should be provided.

Providing financial incentives

- The government's participation in subsidizing contributions or benefits of low-income and vulnerable workers can facilitate the extension of coverage. The provision of subsidies requires sufficient government resources. Subsidization mechanisms need to be carefully designed to balance the financial sustainability of social protection systems as well as the equitable treatment of different types of workers.

Adapting administrative and operational frameworks

- Simple, flexible and convenient registration and payment procedures can encourage greater participation and enhance the (perceived) value for money for members. Innovative approaches, such as partnerships with organized groups and the use of digital technologies, help to reach hard-to-cover workers and employers.
- Integrated service points, such as one-stop shops, have shown to improve the service quality and make the delivery of services more efficient and client-friendly. They are important to facilitate the access to social security benefits and to improve client satisfaction and trust in government institutions and processes.
- Simplified-contribution regimes that combine social security and tax contributions in a single payment have the potential to facilitate coverage while promoting formalization among self-employed workers and MSMEs.
- It is important to establish measures that ensure the portability of benefits and the effective coordination between schemes to provide adequate and continued protection for workers, particularly those with high labour mobility and multiple employers.

Ensuring adequate benefits

- Countries need to provide an adequate level of benefits and ensure that the benefits package is sufficiently attractive for the groups to enrol. Providing a benefits package that includes immediate and short-term benefits and ensuring a high quality of services might be important to change perceptions and influence affiliation with the programmes.
- In the area of health protection, many countries need to step up their efforts to address issues of service quality, equity, efficiency and financial sustainability in their health systems.

4.2 Creating separate schemes and programmes

This section captures countries' efforts to extend social protection coverage in what this report categorizes as **separate social protection schemes or programmes**.⁶⁰ This includes specific contributory schemes for certain groups of uncovered workers and schemes that are targeted at certain sectors or occupations, such as agricultural workers, construction workers, taxi drivers as well as non-contributory schemes that are not linked to employment, including means-tested schemes,⁶¹ insurance-tested schemes and universal schemes.

4.2.1 Specific contributory schemes

Rather than adapting their existing social insurance schemes, some countries have established separate contributory schemes for specific groups of workers. These schemes often target hard-to-cover groups, such as rural workers and self-employed workers.

To address the heterogeneity of the self-employed, some countries, such as **Algeria** and **Belgium**, adopted a separate scheme covering all self-employed workers, while others, such as **China**, **France** and **Germany**, created a number of separate schemes for different types of self-employed workers (ILO, forthcominga).

In 2015, **Thailand** introduced the National Savings Fund as an alternative option for old-age protection under the subsidized voluntary Social Security Office branch. Farmers, vendors, taxi drivers, daily wage earners and self-employed people who are not members of the Government Pension Fund, the Social Security Fund or other provident funds are eligible. Members can voluntarily contribute THB50–THB13,200 per year to benefit from a pension of up to THB7,000 (US\$230) per month once they retire. The Government matches 50 per cent of contributions for workers aged 15–30, 80 per cent for workers aged 31–50 and 100 per cent for workers older than 50 (NSFA, 2011).

To address the gaps in health protection, **China** introduced the Urban Residents Basic Medical Insurance and the New Cooperative Medical Scheme, two health insurance schemes targeted at non-salaried urban and rural workers. Together, these schemes are intended to cover all persons who were excluded from the Urban Employees Basic Medical Insurance. The two separate basic pension schemes – the Basic Pension Scheme for rural residents (2009) and the Basic Pension for non-salaried urban residents (2011)⁶² – follow similar logic as the health schemes. Achieving quasi universal coverage of non-salaried urban and rural residents (NBSC, 2017), the pension and health schemes for rural and urban residents in China can be considered

⁶⁰ We define schemes as separate when they are not integrated into the general funding pool.

⁶¹ This expression is derived from the terminology "pension-tested" scheme that covers older persons who are not covered by existing contributory pension schemes.

⁶² They were merged into the Residents' Pension Scheme in 2014.

an exception in terms of effectiveness of voluntary schemes to extend coverage. This can be partially explained by the high level of subsidization involved and the role of local authorities (box 4-7). A major shortcoming of such a dual system, which distinguishes between mandatory and voluntary affiliation is the lack of integration of the system; entitlements accumulated may not be portable from one scheme to another. This leads to inequities in coverage levels and difficulties to access benefits and can be a major impediment to adequate social protection, particularly for individuals with high labour mobility that frequently change between wage employment and self-employment or formal and informal sectors.

Box 4-7

The introduction of subsidies in voluntary health insurance schemes for non-salaried workers in China

The experience in China demonstrates that universality can be achieved through the combination of tax-funded and social health insurance mechanisms. Together with the respective schemes covering employees, the rural and urban resident schemes have enabled China to achieve legal pension and health coverage of its entire population (Gongcheng et al., forthcoming). Resources from contributions and resources from general state revenues are combined within these schemes. Under the Urban Residents Basic Medical Insurance and the New Cooperative Medical Scheme, heavy government subsidies were initially provided to participants to facilitate rapid coverage extension (Yu, 2015). The premium of 500 yuan (CNY) consists of CNY120 paid by the insured person, which is matched by central and local governments, with an average contribution of CNY380 in 2015. The annual subsidy per person increased from initially US\$3 to US\$70 in 2016, representing around 70 per cent of total revenues (Gongcheng et al., forthcoming).

Participation in both schemes is voluntary, but they are de facto mandatory because local governments use incentives to enforce the schemes. The involvement of local governments is considered critical in the fast expansion of coverage (You and Kobayashi, 2009). The central Government links the allocation of central subsidies to the population coverage in each county. Only provinces with an enrolment of at least 80 per cent qualify for the central Government subsidies, which creates incentives for local governments to increase their efforts to enrol rural households. Matching central and local governments with individual contributions holds all three parties to account (Results for Development, 2015d).

Source: Qi et al., 2017; Results for Development, 2015d; Yu, 2015; Meng and Xu, 2014; Liu and Zhao, 2012; Yip et al., 2012;.

4.2.2 Sector-and occupation-specific programmes

Other countries, such as Brazil, Ecuador, Germany, France, India, Malaysia and China, have developed schemes that are targeted at certain sectors or occupations to take into account specificities of workers, such as farmers, construction workers, on-demand taxi drivers and workers in MSMEs. While some of these schemes are contributory, others are non-contributory and address the low contributory capacities of some target groups, such as rural farmers.

The Social Security Organization in **Malaysia** recently introduced a separate compulsory contributory scheme for self-employed taxi drivers and on-demand drivers. Members need to be registered with the Ministry of Transport, have a driver's license and an official letter of authorization for operating as a taxi driver. Members can choose between four contribution categories and pay 1.25 per cent of the chosen insurable earnings (Social Security Organization, 2017a). The rate is lower than under the general employment injury scheme for private sector employees, which is also linked to a smaller benefits package (Social Security Organization, 2017b). The impact of this recently created scheme has yet to be assessed, although it is commonly known that the number of participants has not been high thus far (see section 3.3.7).

Ecuador and **France** created special contributory schemes for agricultural workers, while **Brazil** established a non-contributory rural pension. The Peasants' Social Insurance in Ecuador is highly subsidized, with the contribution rates substantially lower than under the general mandatory scheme. Most registrations are undertaken collectively through a rural organization, which also takes on the responsibility to collect contributions and transfer them to the general social security institute. It is the main scheme covering the roughly 4.5 million rural population, among whom 73 per cent are registered (Duran Valverde et al., 2013). Brazil established a specific pension fund for rural workers, which, in combination with other government measures, has facilitated universal pension coverage in rural areas. Persons aged 70 and older can participate in the scheme if they can prove that they previously worked in the rural sector. The scheme is financed by an existing rural produce tax and a separate 2.5 per cent wage levy on urban enterprises (Schwarzer and Querino, 2002).

Some countries, such as **India** and **China**, created schemes for construction workers that address the specific barriers in that sector, including the complex subcontracting arrangements and the high labour mobility of workers. The main contractors of a construction project are usually required to pay a levy that is set at a percentage of the total project cost instead of being calculated based on workers' earnings and used to finance social protection benefits for all workers on-site. In India, the levy amounts to 1–2 per cent of the total production or output of the project (Building and other Construction Workers' Welfare Cess Act, 1996). In the Tong zhou Programme for construction workers in China, construction enterprises are asked to submit the certificate of employment injury insurance of the project before they can apply for construction permission. A real-time management system uses biometric identification to keep record of the employee roster and salaries. With an enrolment rate of 98 per cent of all building projects and more than 40 million workers covered, the programme is a breakthrough regarding the extension of employment injury coverage (ISSA, 2018g).

International experience suggests that sector-specific schemes or programmes may address protection gaps but risk introducing system fragmentation. When countries opt for separate schemes, efforts should be placed on ensuring the portability of benefits and ensuring coordination and integration between schemes so as to guarantee the effective coverage of workers.

4.2.3 Non-contributory schemes

To close coverage gaps, many countries have developed schemes that are not linked to employment or financed from general state revenues. Schemes can cover workers whose income is below a certain threshold, such as in the Republic of Korea (means-tested schemes) or all persons who are not covered by the contributory system, such as the Universal Coverage Scheme in Thailand and the social pension in Viet Nam (benefit-tested schemes). Universal tax-funded schemes, such as universal pensions in Brunei Darussalam, Timor-Leste and Thailand, the national health system in Malaysia and universal maternity benefits in Mongolia aim at providing at least a basic level of protection for the entire population.⁶³

In 2007, the **Republic of Korea** introduced the tax-funded means-tested Basic Old-Age Pension targeting older persons whose income and assets are less than 1.19 million won (KRW) (for individual) (KRW1.9 million won for a couple) (ISSA and SSA, 2016). The means-tested benefit can be combined with the contributory pension (below a certain threshold) to enjoy more adequate benefits. While the reach of means-tested schemes can sometimes be limited due to narrow targeting, around 70 per cent of persons aged 65 and older receive the basic pension (ILO, 2014g). This can partially be explained by the definition of the minimum threshold for eligibility but also due to the low amounts of the contributory system, related to the fact that the system is relatively young and only a few people have accumulated a sufficient number of years to benefit from an adequate pension.

Insurance-tested schemes tend to have a broader coverage than means-tested schemes because they are targeted at all persons not covered by any contributory scheme. In the area of health protection, **Thailand** launched the tax-funded Universal Coverage Scheme in 2001 to cover all persons not reached by the contributory schemes, which made up around one third of the population at that time.⁶⁴ While non-poor enrollees initially had to pay THB30 (US\$1) per hospital visit or admission, all members have been able to access free health care since 2006. Among all health insurance schemes, the Universal Coverage Scheme has the largest coverage, at 73.7 per cent. Within a year after the launch of the scheme, social health insurance coverage provided by the different schemes increased rapidly, from 71 per cent to 92.47 per cent, reaching 99 per cent in 2015 (HISRO, 2012).

Viet Nam launched a non-contributory tax-financed pension scheme, intended to provide basic old-age coverage to people in need and to address the limited coverage of the social insurance scheme, both among the formal and informal sectors (World Bank, 2018; ILO, 2017; ISSA and SSA, 2017). The first type of benefit is a pension-tested benefit granted to all persons aged 80 and older who do not receive any form of social insurance pension or social monthly allowance. Older persons aged 60–79 living alone in a poor household receive a higher-level means-tested benefit (ISSA and SSA, 2017). While tax-funded pensions are not specifically targeted at self-employed workers, they can have an important role, at least in the interim, in covering persons who otherwise are left without a pension because they did not have the means to contribute or accumulate sufficient entitlements during their working life. The coverage of the social assistance transfer is quite limited because it is merely directed towards persons living in poverty, whereas the social pension aims at covering all persons older than 80 (Kidd et al., 2016). However, de facto, coverage gaps are still large (ILO, forthcoming). Seeking to address the coverage gaps, the solution 28-NQ/TW passed in 2018 stipulates the extension of coverage through the development of a multi-tier pension system and, more specifically, through the extension of the pension-tested benefit. The gradual extension of the pension-tested scheme to younger age groups could show a higher impact in reaching uncovered populations (ILO, forthcoming).

⁶³ For more examples on universal schemes outside of the region, see Global Partnership for Universal Social Protection, <https://www.social-protection.org/gimi/gess/NewYork.action?id=34> (accessed 12 Oct. 2019).

⁶⁴ Previously, the health system in Thailand consisted of (i) the social health insurance for private sector employees; (ii) the Civil Servant Medical Benefit Scheme for government employees, retirees and their dependants; (iii) the Medical Welfare Scheme for persons who are poor, persons older than 60, children younger than 12 and persons with disabilities; and iv) the government-subsidized voluntary health insurance for the vulnerable and self-employed workers (ILO, 2016m).

In terms of extending pension coverage, two ASEAN countries, Brunei Darussalam and Thailand, created universal schemes to cover the entire population. Mainly owing to the tax-funded pensions, Brunei Darussalam and Thailand are among the countries in the region with higher levels of pension coverage. In fact, universal schemes are essential to cover people who do not have the capacity to contribute or accumulate sufficient entitlements during their working lives, especially in countries where contributory pension schemes have only recently been established.

Brunei Darussalam established a universal tax-funded pension, which provides a monthly benefit of BND250 (approximately US\$180) to all persons older than 60.⁶⁵ The scheme is fully tax financed, contributing 0.4 per cent to GDP in 2014. As of 2014, the scheme covered around 90 per cent of the population older than 60 (ILO, 2017a; ISSA and SSA, 2016).

The universal old-age allowance in **Thailand** covers all persons older than 60 living outside of old-age homes and without access to a regular pension (excluding public servants and recipients of pensions from central, local or public enterprises) (Wesumperuma and Suwanrada, 2013). While the scheme initially provided a flat-rate benefit of THB500, multiple monthly benefit levels were introduced in 2012: THB600 is paid to persons aged 60–69, THB700 to those aged 70–79, THB800 to those aged 80–89, and THB1,000 to persons aged 90 or older (equivalent to US\$18–\$30, which is below half of the poverty line) (Sakunphanit and Suwanrada, 2011). The introduction of a tiered benefits system according to age brackets is in line with the greater need for income protection as people grow older. The system allows retirees to complement their contributory pension with a non-contributory benefit (ILO, 2016n).

In **Timor-Leste**, the universal programme targets all persons older than 60⁶⁶ and persons with disabilities older than 18 (Republica Democratica de Timor-Leste, 2008). Beneficiaries receive a flat-rate benefit of US\$30. Within the first year, more than 80 per cent of older persons were covered by the universal pension programme, and by 2016, the programme covered 86,974 older persons, equivalent to 103 per cent⁶⁷ of the targeted population (Global Partnership for Universal Social Protection, 2016). Despite the progress in population coverage, one of the key challenges is to ensure adequate levels of protection for older persons.

The government of **Malaysia** provides a public health system for the entire population to citizens and non-citizens alike, irrespective of their employment status or occupation. The Government heavily subsidizes medical expenses, allowing for low user fees for patients and recovering only 2–3 per cent of total health expenditure (ILO, forthcomingd). The national health system is funded through different sources, mostly general taxes but also cross-subsidies. In the 1980s, the country achieved universal coverage for comprehensive primary health care (Joint Learning Network, 2015). However, vulnerable populations, including those living in remote areas, migrant workers and lower-income populations living in urban areas, still have challenges to accessing effective health care (see the country fact sheets in Annex IV for more details).

Mongolia provides maternity cash benefits to all pregnant women and mothers of children regardless of their employment status and nationality. Maternity care is provided through the universal tax-financed health care system. The benefit provided is around US\$20 per month (2015).

⁶⁵ To receive the benefit, persons must be 60 years old and have lived for at least ten years in the country before claiming the pension if born in Brunei and at least 20 years if born outside Brunei.

⁶⁶ Public servants are separately covered by the Transitory Social Security Scheme.

⁶⁷ Inclusion errors or underestimation of the number of people above 60 years might explain why coverage exceeds 100 per cent.

Lessons learned

- While sector- or occupation specific programmes can take into account the specific situation and needs of different groups of workers, they also risk inequities and fragmentation in the system and ineffective duplications and inefficiencies. A national, government-led strategy to extend coverage is preferred to piecemeal and decentralized solutions. When governments opt for separate schemes, they must make sure that the benefits are portable and that there is effective coordination and integration between the different schemes.
- Tax-funded schemes are essential to cover those who are not or insufficiently covered by contributory schemes. They are key to providing at least a basic level of social protection to all people. However, benefit levels tend to be modest. Governments should continuously seek to extend the coverage and scope of contributory mechanisms to ensure adequate protection, in line with international standards.
- A successful extension of long-term benefits, such as old-age pensions, can only be achieved through tax-funded solutions, universal in most cases, at least in the immediate term. Without a tax-funded solution, it would not be possible to provide income security for people who were not able to contribute or accumulate sufficient entitlements during their working career, particularly in cases with contributory systems that are not yet mature.
- Brunei Darussalam, Thailand and Timor-Leste are among the countries that have managed to expand coverage to previously uncovered groups of the population through an integrated mix of contributory and non-contributory mechanisms. The combination of different financing sources is key to ensuring a basic level of protection for all people, while progressively ensuring higher levels of protection for those who have some contributory capacity. Such an approach promotes risk-sharing and redistribution among different population groups, while contributing to the fiscal and economic sustainability of the system (ILO, forthcoming).

4.3 Ensuring good governance and strengthening awareness and access to information

Key barriers

- Limited access to information (information is unavailable for all languages spoken, long distance to offices) and low awareness can be a barrier to the extension of coverage. It can translate into low compliance and contribute to a lack of trust in the system.
- Where the quality of services is low or the system lacks accountability and transparency, members may not see the value for money and lack trust in the institutions and processes to deliver benefits in a reliable and efficient manner. They are thus less likely to join the scheme or pay contributions in line with the applicable legislation (ILO, forthcoming).

A number of countries have undertaken measures to promote information and awareness among the population, improve the quality of services, create better value for money through client-oriented procedures and to ensure accountability and transparency of the system. While these measures are not directly aimed at the extension of coverage, they often contribute to the successful implementation of a social protection scheme and greater public trust in the institutions and processes. As mentioned earlier, these are cross-cutting issues, which are essential across all these highlighted strategies (ILO, forthcoming).

Promoting information sharing and raising awareness

Countries have undertaken various measures to improve communication with (potential) beneficiaries and inform people about their entitlements and how to access the benefits. This not only includes identifying all aspects that workers and employers need to know and which channels to use but also providing the information in an accessible way.

The National Institute of Social Security in **Cabo Verde** undertook an extensive outreach campaign that targeted self-employed workers in urban and rural areas. Measures included targeted communication campaigns, complemented by a set of education and awareness-raising activities at the local level in both urban and rural areas. The campaign was undertaken in three stages, with measures adapted to different groups of workers (box 4-8). The shift from a passive approach, whereby workers are dependent upon their own initiative, to a more pro-active approach was a crucial element in promoting and facilitating registration and raising awareness on social security among the targeted population. The campaign contributed to higher enrolment rates and higher awareness among the self-employed population on social security topics, thereby facilitating the extension of social insurance coverage.

Box 4-8

Undertaking an outreach campaign in three stages in Cabo Verde

In the first stage, the campaign targeted easier-to-reach groups, such as self-employed in urban areas and those operating in more confined areas (traders, fish sellers). For this purpose, the National Institute of Social Security analysed and verified already registered people to determine excluded groups. Registration campaigns targeted eligible people through different communication methods, including information brochures, TV spots, advertisements in printed newspapers and radio announcements.

The essential element of the second stage was the development of strategic partnerships and alliances with different groups, institutions and associations, such as self-employed workers' organizations, development agents, community associations, syndicates and religious institutions. This was mainly to collaborate on communication and awareness-raising activities on social security.

In the third stage, the National Institute of Social Security increased its presence in rural areas, where most self-employed workers are concentrated. Local community leaders facilitated the implementation of educational and sensitization activities. The programme also had a component of working with children to raise awareness of the importance of social security among future contributors and thus create a culture of social security.

Source: Duran Valverde et al., 2013.

Another good example is the case of **Uruguay** where the Social Security Institute operates an extensive social security education programme raising awareness among citizens about the need for social protection coverage and their rights and duties. It particularly targets youth as means for creating a culture of social security among future contributors after having integrated the programme into the curriculum of public schools and universities (ILO, 2016o).

Countries have also sought to innovate on their communication channels. The Social Security Office in **Thailand**, for example, partners with the most popular radio channel nationwide and makes intensive use of social media to reach out and communicate with beneficiaries. A chatbot was set up on the Social Security Office website and Facebook page for customers to ask questions.

Other countries have undertaken efforts to provide their members with individualized information on social security contributions and entitlements. **Jordan** informs its members every year via mail about their social insurance contribution records, contribution period as well as an estimate of the pension amount that they can expect once retiring. Raising people's awareness of their records and entitlements allows them to monitor their contributions better and also helps them to hold their employer accountable for paying the contributions correctly and in due time on their behalf. This measure is considered effective at enhancing public trust in the system (ILO, forthcominga).

Partnerships with civil society organizations as well as workers' and employers' organizations are important for raising awareness among populations (as in **Indonesia**, the **Philippines** and the **Dominican Republic**). An example of a partnership programme with a strong awareness-raising component is the Kader JKN programme created by BPJS Health in **Indonesia**. As noted earlier (see section 4.1.3), it relies on a network of community agents, including housewives, freelancers and social volunteers. The agents disseminate information about the JKN scheme to help affiliated members have a better understanding of the regulations, major benefits of the programme as well as the service procedures in hospitals or other medical service providers (ISSA, 2018b).

Ensuring good governance

Strengthening good governance⁶⁸ is key for an effective and efficient functioning of social protection schemes. Important principles of good governance include accountability, transparency, predictability and participation (box 4-9).

Box 4-9

Good governance principles set out in ILO social security standards

Good governance principles set out in the ILO social security standards (particularly Convention No. 102 and Recommendation No. 202) include:

- overall and primary responsibility of the State;
- anchoring entitlements in law or regulation;
- tripartite participation and social dialogue in the formulation of strategies and policies and in the administration of the scheme;
- access to impartial, transparent, rapid, simple, accessible, inexpensive and free-of-charge complaint and appeal procedures;
- accountable and sound financial management and administration;
- solidarity in financing;
- promotion of gender equality, non-discrimination and responsiveness to special needs; and
- respect for the rights and dignity of people and special attention to the most vulnerable.

Strengthening governance involves measures to develop and promote efficient and transparent administrative processes that are accessible for all people and to enhance the delivery of services to targeted beneficiaries, such as the single-window services in **Indonesia** and **Mongolia** (see section 4.1.3).

Other elements to enhance good governance and build trust among citizens are effective social dialogue and the involvement of all stakeholders. In the **Occupied Palestinian Territory**, a tripartite National Social Security Committee was in charge of developing the national social security strategy. In **Mauritius**, the universal pension is governed by the tripartite National Pensions Board (ITC, 2010). In the **Dominican Republic, Indonesia** and the **Philippines**, workers' organizations contribute towards implementation of schemes (see section 4.1.3). Promoting the participation and involvement of workers' and employers' organizations and civil society organizations in the development of policies and the design, implementation and monitoring and evaluation of social protection schemes as well as the management of institutions is an important element of extension strategies.

Another important element in governance is ensuring transparency, particularly by making information available to the public on such issues as the financial situation of schemes and to define in legislation what kind of information needs to be published.

⁶⁸ While there are many different definitions, "governance" is defined as the manner in which the vested authority uses its powers to achieve the institution's objective, including with respect to the design and implementation of policies, systems and processes and to involve its stakeholders.

Other useful measures are ensuring access to justice systems and effective complaint and redress mechanisms, such as in **South Africa**, where domestic workers have access to the Commission for Conciliation, Mediation and Arbitration (Lexartza, Chaves and Carcedo, 2016).

Lessons learned

- Promoting awareness and making information about social security issues accessible and available for workers, employers and other relevant stakeholders are essential elements in any extension strategy. Workers and employers need to be aware of their rights, responsibilities, available schemes and benefits and how to access them.
- The entire population should have access to information through various channels, including media and technology; it should be provided in simple and accessible language, including for rural minorities or migrants. Measures need to be adapted to different circumstances of workers and can include educational and awareness-raising campaigns as well as information centres, leaflets, publications, websites and online and mobile telephone help lines. Measures to facilitate the access to information and raise awareness can translate into better compliance among workers and employers but also build trust in the system and thereby help the extension of social security coverage.
- Ensuring accountability, transparency and good governance are key for a successful implementation of a social protection scheme and building public trust in the institutions and processes.
- Workers' and employers' organizations have an important role in the formulation of strategies and policies and in the administration of schemes. It is important to strengthen their role and capacities so they can be more active in the design, implementation and monitoring of social protection schemes.
- Providing regular, predictable and adequate benefits and ensuring a good quality of social protection services are important so that members and potential members see the value for money and determine whether systems adequately respond to their needs.

4.4 Interventions outside the scope of social security

The reasons for operating and staying in the informal economy are diverse, and many of the challenges related to the extension of coverage go beyond the scope of social security; solutions exceed the mandate of the social security administration, for example, regarding the lack of business formalization and gaps in labour legislation.

Key barriers

The design and implementation of social protection policies and programmes are often undertaken in isolated silos. The lack of synergies with other policy areas, such as employment policies, tax policies, formalization of businesses, skills and training, and effective social dialogue can impede the extension of coverage.

A number of countries have initiated policy measures in such areas as business formalization, labour legislation, tax policies, support to entrepreneurship as well as skills and finance, which have contributed to the extension of social protection coverage. While the strategies listed under this category go beyond the subject of this report, the aim of this section is to highlight some examples of elements outside the reach of social security that are essential to support the expansion of coverage.

Formalization of enterprises

A number of countries have moved to address barriers to entering the formal economy and initiated measures to stimulate the formalization of informal businesses. This is important, given the large share of informal sector enterprises in the ASEAN region, particularly MSMEs and household businesses, that do not enrol their employees into the social security system.

Many labour administrations have sought to support the transition to formality by decreasing the cost of formality and increasing the cost of informality (ILO, 2013a). Efforts have focused on simplifying administrative procedures for business registration, reducing registration and compliance costs combined with incentives for formalization and business development initiatives, developing adequate taxation regulations and strengthening information and inspection systems. This entails a range of measures, including streamlining and simplifying business registration and licensing processes, such as reducing the number of registration steps and introducing e-registration, simplified reporting and accounting requirements as well unified tax and social security payments, as in **Argentina, Brazil and Uruguay** (see section 4.1.3). The National Pension Service in the **Republic of Korea** recently stepped up its efforts to increase the registration of non-regular workers. It collaborates with the National Tax Service and the Ministry of Employment and Labour to collect data on daily workers' earnings and verify their employment status. Based on the data, it identifies eligible persons for enrolment (ISSA, 2018d). The interagency collaboration and the strengthening of information systems facilitated the formalization of enterprises and jobs.

A number of countries have created and strengthened incentives for formalization through lower registration and licensing fees, temporary tax breaks for the registration of employees or lower tax and social security contributions for MSMEs, provision of loans, training and registration support as well as financial and business development services for MSMEs and the introduction of amnesty periods for unpaid tax and social security contributions (ILO, 2017g; Bruhn and McKenzie, 2014; ILO and GIZ, 2014).

In **Malaysia**, the Government encourages self-employed workers to enrol with the Companies Commission of Malaysia and establish a business entity by providing them with better tax rates and allowing them to claim business expenses and deductions (ILO, forthcomingd).

Singapore provides registered SMEs with better access to banking facilities and various grants and incentives. The Government continuously works towards more simplified tax policies to reduce the tax and administrative burden for small businesses. Partial tax exemption schemes are also available to newly incorporated companies to encourage entrepreneurship and growth. For example, MSMEs with less than 1 million dollars (SGD) annual taxable turnover are not required to register and are exempted from the payment of goods and services tax. SMEs are also exempted from paying corporate taxes for the first SGD100,000 of taxable profits and on 50 per cent of the next SGD200,000 (IRAS, 2018). Singapore has also undertaken innovative measures to encourage the business registration of unlicensed street hawkers to move into markets and shelters: The rent for market stalls was set at an amount close to the licensing fee previously charged on the open street by the police (ILO, forthcomingd).

Labour legislation and policies

Because informality is often associated with gaps in labour protection or poor regulation, countries have adapted or extended the scope and application of their labour laws and adapt regulations to close the regulatory gaps and legal loopholes. These measures are important for eliminating differences in labour protection for workers in non-standard forms of employment in relation to those in standard employment and to reducing incentives for employers to use certain work arrangements as a means to minimize labour costs and to maintain a level playing field for employers (ILO, 2016a; OECD, 2018).

Recognition of the employment relationship

Some countries or territories, such as **Bolivia, Hong Kong (China)** and the **Philippines**, have extended the scope of the law to include domestic workers and ensure their protection (ILO, 2013a). The establishment and recognition of an employment relationship is, in many cases, the first step to the application of national labour law and subsequently the social security law.

Assigning clear rights and responsibilities and clarifying the nature of the employment relationship

Some countries have clarified their labour laws so that they are sufficiently specific to situations of multiple as well as ambiguous, unclear or hidden employment relationships, such as by assigning clear rights and responsibilities regarding the employment relationship. A small number of countries, such as **Chile, Morocco** and **New Zealand**, developed legislation that defines home workers as employees. For example, in Chile, home workers who do not work on discontinuous or casual basis are considered as employees and not self-employed, which thus requires contractors to comply with labour regulations in terms of employment conditions, access to social security, occupational health and safety protection and other aspects wherever they are specified in the law (ILO, 2013b).

Addressing the issue of misclassification

Numerous legislative responses have emerged seeking to address regulatory challenges. Countries, such as China and the Philippines, have introduced several measures to discourage the misclassification of employees. Addressing the rise of non-standard forms of employment,⁶⁹ the **Philippines** issued a compliance order to promote the regularization of workers and also stepped up its inspection efforts in the private and public sectors. Under the revised labour law in **China**, an employment relationship can exist without a written employment contract (ILO, 2013a). Ensuring social protection for new forms of workers, including those in digital platforms, requires efforts outside the scope of social security, especially for clarifying the nature of the employment relationship and addressing the issue of misclassification (box 4-10). **Austria, Estonia, Germany, Italy, the Netherlands, Portugal, Romania, Slovakia** and **Spain** adapted their legislation to ensure equal treatment of dependent self-employed workers and to curb disguised employment (ILO, 2017h; Spasova et al., 2017). These include establishing criteria to determine dependent self-employment that is associated with obligations for “employers” in terms of labour and social protection. **Spain**, for example, defined those who mainly work for a single client on whom they rely for at least 75 per cent of their earnings as dependent self-employed workers (Eichhorst et al., 2013).

⁶⁹ In the Philippines, there is the common practice of hiring fixed-term workers (popularly known as “endo”), who, in reality, perform regular, full-time work, and 5-5-5 workers who are hired for five months on probation and then replaced with another batch of workers for the next five months. These arrangements are used to avoid the payment of social security contributions.

Box 4-10
Extending social protection to platform workers requires efforts outside the scope of social security

The extension of social protection to platform workers requires a comprehensive, integrated strategy that includes elements that go beyond the adaptation of social protection systems. These include:

- Adapting and completing legislative frameworks to cover workers in all forms of employment. It is key to clarify the nature of the employment relationship of platform workers, in line with the ILO Employment Relationship Recommendation, 2006 (No. 198), thereby specifying the respective rights and responsibilities of platforms, clients and workers. In France, a platform driver for the Uber competitor LeCab was classified as an employee due to an exclusivity clause imposed by the company (Forde et al., 2017). In Denmark, freelance workers on the online platform, Hilfr.dk, which offers cleaning services, are reclassified as “employees” when they have worked at least 100 hours on the platform and provides them with higher wages and social protection (Vandaele, 2018).
- Establish coordination mechanisms. It is important to ensure adequate coverage in the case of cross-border arrangements, where platforms, requesters and workers operate in different countries. Appropriate coordination mechanisms are required to determine the applicable labour and social security legislation and to ensure effective enforcement mechanisms.

Based on Behrendt and Nguyen, 2018.

Minimum wage policies

Many uncovered workers have low and volatile incomes, which, in turn, impact their capacity to contribute. In many instances, this barrier cannot solely be addressed by social security administrations but needs regulatory responses with respect to the regular payment of wages, fixing of minimum wage levels and the settlement of unpaid wages in case of employer insolvency (ILO, 2013b). To address the inequality between workers, **Chile** increased the minimum wage of domestic workers to the same level as for other workers (Lexartza, Chaves and Carcedo, 2016) (see box 4-11 for a comprehensive formalization approach to extending coverage to domestic work sector). **The Netherlands** intends to introduce a minimum earnings floor for self-employed workers who earn less than 125 per cent of the legal minimum wage (Government of the Netherlands, 2017).

Box 4-11

Extending social protection to domestic workers requires efforts outside the scope of social security

Although many of the extension measures for other groups of workers apply to and benefit domestic workers, they are among the difficult-to-reach groups of workers. The specific characteristics of the sector may require additional efforts, taking into account the situation and needs of workers. Policies and strategies to expand coverage to domestic workers should be seen as part of a larger set of policies designed to formalize employment. It requires a comprehensive integrated system of employment protection for the sector, which requires efforts outside the scope of the social security administration. This includes:

- minimum wage legislation and other wage policies (for example, regulations on in-kind payment) in general and for domestic workers in particular (as in Canada and Brazil);
- legislation and policy on working hours;
- legislation and guarantees for occupational health and safety;
- compulsory capacity for guaranteeing rights through the strengthening of the labour inspection system;
- access to information on rights and guarantees for labour protection (as in South Africa);
- promotion of unionization and organization in general (creation of workers' and employers' associations) (as in the Dominican Republic); and
- promotion of social dialogue among actors associated with the domestic work sector.

Source: ILO, 2016g and 2013.

Tax policies

Unifying tax and social security contributions

In **Argentina**, **Brazil** and **Uruguay**, the tax collection authority and social security administration collaborated to establish a simplified collection scheme for microenterprises and self-employed workers called *Monotributo*. This scheme allows members to pay a unified payment instead of several tax and social security contributions, thereby facilitating the registration and payment of contributions (see section 4.1.3). People covered by the scheme are entitled to the same benefits as those covered under the general regime.

Fiscal incentives for the registration of workers

Fiscal incentives can encourage enrolment. In **Argentina** and **France**, employers of domestic workers can deduct social security contributions from their taxable income. In **Singapore**, self-employed workers can receive a tax deduction relief for compulsory Medisave contributions and voluntary Central Provident Fund contribution, subject to a cap (ILO, forthcomingd). Other types of fiscal incentives include tax deductions for employers who participate in the service voucher system, such as in **Belgium** or **France** (box 4-12).

Box 4-12

Service voucher system to incentivize social security registration

Under the service voucher system, employers of domestic workers or other home workers can use service vouchers bought in tax offices to declare and pay for the services provided by the worker. Employers who use service vouchers get a tax reduction equivalent to 50 per cent of the annual remuneration of the worker, provided it is below a certain threshold. Workers submit the voucher they receive from their employers to the responsible authority, which then remunerates the worker, calculates the social insurance contribution and automatically debits it from each employer's bank account. Social insurance contributions can be calculated based on working hours or day, which helps to facilitate coverage of part-time or multi-employer workers.

Source: ILO, 2016e and 2013d.

Broadening the tax base

Because taxes constitute the major source of revenue for financing social protection policies and are among the tools to expand fiscal space, a number of countries have broadened their tax base through progressive taxes on income and wealth. Enhancing tax compliance and/or raising tax rates can mobilize additional revenue without necessarily sacrificing other spending priorities. The most common types of taxes include consumption or sales taxes, corporate taxes, taxes on financial activities, personal income taxes, property taxes, inheritance taxes, taxes levied on imports or exports (tariffs), taxes on natural resource extraction and tolls (fees for using roads, bridges etc.). For example, **Indonesia**, the **Philippines** and **Viet Nam** have earmarked sin taxes to partly fund their social health insurance scheme (Goursat and Pellerano, 2016). While these tax policies have contributed to the successful extension of coverage, introducing new taxes can increase government revenues only when they are well designed and executed. It is important to emphasize that tax increases may risk introducing inflation or increasing poverty because higher taxes on products are often passed on to customers or higher value added tax takes a larger share of poor households' income (Ortiz et al., 2017).

The rise of the digital economy, both globally and within the ASEAN region, presents many challenges to international taxation and domestic revenue mobilization. To address these challenges, it requires countries to step up their efforts in determining the legal status of workers operating on digital platforms, assessing who should be liable to pay taxes, collecting value-added taxes and exploring options for cross-border arrangements, in case workers and platform are located in different countries (Araki and Nakabayashi, 2018). Tax reforms not only aim to increase available resources but also are an important redistributive tool to ensure that the gains from economic growth and technological progress are equally shared among all members of society. It is important that countries explore all possible alternatives to extend the fiscal space. Several suggested options to expand fiscal space include the reallocation of public expenditures; expansion of social insurance coverage and contributory revenues; lobbying for aid and transfers; elimination of illicit financial flows; using fiscal and foreign exchange reserves; borrowing or restructuring existing debt and adopting a more accommodating macroeconomic framework (Ortiz et al., 2017).

Organization, representation and promoting the freedom of association and the right to collective bargaining

The organization of workers and employers in the informal economy and their representation is an important tool to defend and voice interests and increase the representation of the informal economy. For example, the Bakery, Confectionary, Manufacturing and Allied Workers' Union in **Kenya** was a major actor pushing the Government to reform and enforce the labour code (ILO, 2013b).

Some other practices have arisen, whereby typically non-organized groups of workers organize to voice their common interests. One of the most prominent examples, the Self-Employed Women's Association in **India**, is a trade union representing 1.2 million self-employed women, aiming at helping them move into formal employment and facilitating their social security coverage. For example, it has supported workers producing *bidis* (indigenous cigarettes) to access social protection by implementing a group insurance scheme and by establishing viable provident funds and welfare boards (Haspels and Matsuura, 2015).

In some countries, domestic workers are represented by active organizations, such as the National Federation of Household Wage Workers of **Bolivia**, the National Domestic Workers Union of the **Dominican Republic** and the Union of Paid Female Domestic workers in **El Salvador** (Lexartza, Chaves and Carcedo, 2016). In **Cambodia**, the Independent Democracy of Informal Economy Association, a union representing informal workers, including thousands of street vendors, taxi drivers and tuk-tuk drivers, advocates for workers' right to social protection benefits and supports workers in accessing the National Social Security Fund's ID card for free health care (Oxfam Cambodia, 2019).

Although they are not directly related to social protection, collective bargaining and the right to organize are important regulatory tools to address decent work deficits for workers, taking into account the particular situation of a sector or enterprise. The establishment of collective bargaining agreements for entire sectors or occupations allows workers in non-standard employment who may not be members of labour unions to discuss and negotiate terms and conditions of their work, including wages, working hours, occupational safety and health and additional benefits and facilitate coverage to social security. The reclassification of platform workers on the online platform Hilfr.dk in **Denmark**, as described earlier, was achieved through the involvement of the trade union 3F, which negotiated the world's first collective agreement in the platform economy (Vandaele, 2018).

Other policies, covering employment, skills, training and discrimination

Because informality is often associated with the lack of employment opportunities in the formal economy, countries have introduced measures to improve workers' skills and employability. This includes vocational training and skills development of vulnerable and older persons; job creation and public employment programmes; and internships and apprenticeships for young people and poor women. For example, the Dew Drop Programme in **China** offers targeted interventions for rural workers to facilitate their entry into the formal labour market. Measures include a combination of training, subsidies and relocation assistance to urban areas (ILO, 2013a).

Countries have also taken measures to eliminate discrimination and barriers to the formal economy, thereby supporting the transition of workers out of informality. This is particularly important for poor women, migrants, youth, persons with disabilities and ethnic minorities. To extend labour market opportunities to persons with disabilities, **Bolivia, Egypt** and **Jamaica** established recruitment quotas or created programmes that assist them to start an enterprise. In **Brazil, Chile** and **India**, promising efforts have been undertaken to provide quality childcare for children of informal workers as a means to promote greater employment opportunities for women. Acknowledging that the provision of childcare can improve the short- and long-term income security for female workers, **Costa Rica** and **Uruguay** have included childcare as an integral component of the broader social protection system (Moussie, 2016). Such measures are particularly significant for informal workers, as stated by the recent ILO Recommendation No. 202 on social protection floors and Recommendation No. 204 on the transition from the informal to the formal economy, both of which recognize the need for childcare as part of global social protection floors.

Lessons learned

- Social protection is a cross-cutting issue. Extension therefore requires a re-thinking of policy formulation and implementation from in silos to a more comprehensive and holistic approach. Integrated and comprehensive approaches that include a broad range of interventions in other policy areas have large potential to significantly extend coverage and facilitate a transformation of employment patterns.
- Countries should implement a comprehensive and integrated strategy across different policy areas. They may consider efforts in such areas as business formalization, labour regulation, tax policies, support to entrepreneurship, skills and finance, provision of quality care services, local economic development and good governance.

5. Conclusions

Social protection as a human right and economic and social necessity is an effective tool to reduce poverty and inequality, including gender inequality. It should be a key element of national development strategies centred on human development so as to support structural transformation of national economies and foster inclusive and sustainable growth (ILO, 2017a). This study collated challenges and opportunities for the extension of social protection coverage at the regional and national levels.

In recent decades, ASEAN countries have reinforced their commitment towards making social security a reality for all people. At the core of the normative policy framework, the ASEAN Declaration on Strengthening Social Protection underlines the importance of implementing social protection systems as a basic human right, reaffirming global commitments to the Social Protection Floors Recommendation No. 202 and international social security standards.

The ASEAN region has made rapid and significant progress in many areas, but in others there is still a long way to go

Over the past decade, ASEAN Member States have achieved fast and high economic growth, which contributed to significant results in poverty reduction. Despite the progress, around 244 million workers are still in informal employment, experiencing decent work deficits, including the lack of social protection. Despite progress in extending social protection, many workers are still vulnerable to social risks throughout their lives. Effective social protection coverage remains low, and benefits provided are not always sufficiently adequate to protect individuals and their families in the event of life contingencies. At the same time, the region continues to face a number of challenges, such as demographic change, migration and environmental problems.

The expansion of coverage involves cost, but it is an investment with impacts on people's lives and a country's development

It is important to ensure adequate resources for the extension of coverage and explore the potential of combining different financing sources. Most of the countries that have achieved universal social protection combined contributory and non-contributory social protection schemes in an integrated social protection strategy. Other countries have combined revenue from social insurance with revenue from the general budget within the same scheme through the use of subsidies.

A good definition of the ultimate policy objectives is extremely important and should be reflected in measures, including budget allocations. When the main policy objective and the respective focus is on the creation of an environment more conducive to enterprise formalization and to workers' protection, the conditions for success are likely to be greater. When the objective of formalization is mainly associated with increasing revenue, strategies are less successful.

There is considerable need to strengthen and adapt social protection systems

Extending coverage to all types of workers is not only about better protection for workers and their families but also about creating a more level playing field for different forms of employment and enterprises and facilitating labour market mobility. Strong and responsive social protection systems based on the principles of solidarity and risk-sharing are key to protect people, from birth to old age and to empower them to benefit from the opportunities of a changing world of work (GCFW, 2019). Social security institutions need to adapt their business models to new realities to prepare social protection systems for the future of work. Many ASEAN Member States have already implemented a diverse set of solutions to extend coverage, but more can and should be done to ensure that social protection systems continue promoting sustainable and equitable development.

There is no one-size-fits-all approach for extending coverage

Many countries that have successfully extended social protection coverage have been using diverse measures to expand effective social protection coverage for different groups and for various contingencies, in line with their national priorities and circumstances. Many policy measures are a combination of elements that can be found within the different categories or typologies we presented in this study. While innovative solutions “outside the box” might be required to tackle some of the existing and emerging challenges, countries should also strengthen measures to adapt and enhance their existing systems and promote knowledge on the practices and measures that have proven to work.

The extension of contributory coverage needs to be combined with efforts to ensure the establishment of national social protection floors

International experience in social protection reforms outlines the importance of developing comprehensive social protection systems, including social protection floors. Mandatory social insurance schemes financed by contributions are key to providing higher levels of benefits for large groups of a population, including the middleclass. Guaranteeing a social protection floor as part of a comprehensive social protection system is crucial to cover people who are not covered or insufficiently covered by contributory schemes. This approach is based on the ILO two-dimensional strategy for the extension of social security, which aims at the rapid implementation of national social protection floors, guaranteeing access to social protection benefits for all people at least at a nationally defined minimum level (horizontal dimension), in line with the Social Protection Floors Recommendation, 2012 (No. 202); and the progressive achievement of higher levels of protection (vertical dimension) guided by the Social Security (Minimum Standards) Convention, 1952 (No. 102) and higher standards.

Weak institutional coordination and the lack of integration across and beyond social protection programmes negatively influence the extension of coverage

An important factor that impedes countries in the extension of coverage is limited institutional coordination at various layers of the design and implementation of social protection programmes and policies. There is a need for increased coordination and integration at both the policy and operational levels. Different dimensions can be identified when it comes to coordination: coordination among different social protection schemes; a combination of different sources of revenue; and administrative and operational frameworks. The lack of coordination among fragmented social protection schemes and programmes, agencies and institutions in charge of designing and implementing social protection policies and sources of funding (such as social insurance contributions, general tax revenue and donor aid) has led to an inefficient use of resources and obstructed progress towards extending social protection.

A successful expansion of coverage requires complementary efforts in other policy areas and collaboration across government agencies

Comprehensive and well-coordinated social protection systems have been effective in closing coverage gaps and ensuring higher levels of protection to as many people as possible. Because many of the challenges for extending coverage go beyond the realm of social security, countries need to shift from the formulation and implementation of social protection policies “in silos” to a coordinated and holistic approach, based on the active involvement of social partners, civil society, the private sector, development partners and other stakeholders. It is also important to design solutions that address the actual and perceived needs of different types of workers.

While it is crucial to adopt comprehensive, holistic approaches, social security reforms are often not an easy undertaking. They may require gradual steps to achieve the defined policy objectives. Common to most of the successful experiences is that they are based on the recognition that the extension of social protection is a priority policy objective in itself, which involves investments that have a positive impact on people’s welfare and a country’s economic and social development.

New opportunities and challenges are coming

The world of work is undergoing fundamental transitions and transformations with new forms of work evolving in new sectors, such as the digital economy. While this can offer opportunities to improve people's lives if they are well leveraged, it also presents challenges to social protection systems to guarantee effective social protection coverage for workers in all kinds of employment, including those in new forms of employment. The newly emerging challenges are, in a way, new but also resemble old ones. On one side, countries already facing obstacles to extend social protection in the context of a large informal economy may find themselves with new challenges brought about by the rise of new forms of employment, especially for contributory social insurance schemes. On the other side, the fact that the work is being mediated through digital platforms may provide new avenues for including workers in social protection schemes.

The effective implementation of laws is challenged by weak enforcement mechanisms and low compliance

Even if systems require mandatory social security registration, compliance is low in many ASEAN Member States, sometimes even for workers in the formal economy. This is partly due to insufficient capacities to enforce legislation and ensure compliance regarding human, administrative and financial resources. Many countries lack labour and social security inspection capacities, notably in sectors or areas that require greater resources than others, such as domestic work or the agriculture sector. Inspections are more difficult in cases where employment relationships are ambiguous, hidden or not declared.

Weak enforcement mechanisms and low compliance not only contribute to the poor or lack of protection for workers, they also lead to unequal treatment of enterprises and workers and an uneven playing field. In such a context, compliance with laws might give enterprises a competitive disadvantage.

The design of most administrative processes and procedures was based on the model of standard employment, which is a barrier to coverage extension

In many countries, the design of administrative procedures and processes was mainly based on a model that assumes that most of the workforce is in employment relationships that are permanent, fulltime and involve one employer. This ignores the diversity of the labour force in most ASEAN countries. Processes to register enterprises and workers, pay contributions and claim benefits are in some cases burdensome, lengthy and complex. This often poses a high burden on workers and employers, particularly self-employed and micro and small enterprises, which have limited administrative capacities to comply with the procedures.

Awareness, information and trust on social security institutions are still limited

Information and awareness about the importance of social security, available schemes and how to avail of them is limited among many workers and businesses in the ASEAN countries. In a number of countries, this is an additional factor contributing to low participation rates.

Social security institutions in the region are often perceived as too bureaucratic, lacking a client-oriented culture to adapt to the specific needs of different members, while ineffective or absent grievance and complaint management mechanisms affect the public trust. Members often perceive the system as burdensome and inefficient or even corrupt and not transparent and do not see the value for money.

Countries that only recently introduced social protection schemes may face more challenges to build trust, especially in the case of long-term benefits that people only receive after having contributed for a number of years, depending on the eligibility conditions. It is difficult to encourage participation when there is no historical experience of people already receiving benefits – compounded by a lack of understanding beyond an abstract perception of what these benefits mean.



6. Recommendations

Recommendations for what can be done to expand social security to workers in informal employment were whittled out of the lessons learned, as follows:

Promote comprehensive government-led strategies

Countries need to avoid the formulation and implementation of social protection policies in silos and move towards a more coordinated and holistic approach, based on the active involvement of governments, social partners, civil society, the private sector, development partners and other stakeholders. The transition from the informal to the formal economy requires an integrated and holistic policy framework.

Ensure adequate resources for the extension of coverage, based on equitable and sustainable financing sources

Given the low expenditure on social protection in ASEAN Member States, countries are called upon to further increase their expenditure and allocate adequate resources for social protection in line with their national capacities. Social security institutions should give continuity to their engagement with the finance ministry and other relevant government bodies to explore alternative sources of funding.

Strengthen coordination mechanisms at the administrative and operational levels

Countries need to continue establishing and strengthening the coordination among various social protection agencies and institutions at the horizontal and vertical levels. Horizontal coordination concerns the coordination between the institutions and the ministries responsible for developing national social protection policies, while vertical coordination is between the different government levels (federal, national, regional, municipal) (ILO and UNDG, 2016). At the operational level, countries can enhance coordination by establishing a single central coordination unit or body for administering social protection, interagency registries of beneficiaries and integrated information systems or shared delivery facilities.

Reinforce coordination with other policy areas to promote an integrated, holistic framework towards formalization

The extension of social protection is an integral element of larger strategies to facilitate a transition to the formal economy, and it should be integrated in a holistic framework towards formalization. Coordination should go beyond social protection institutions, for instance, involving the ministry of commerce or the tax authorities. It is important to establish and strengthen links to other policy areas, such as business registration, labour legislation, taxation and employment policies.

Develop integrated solutions

The creation of separate schemes might be a good move to ensure that the heterogeneity of workers is well taken into account, but it also poses the risk of widening the gaps and differences in social protection provision and hampering labour market mobility and transition between different statuses (ILO, forthcoming). Integrating self-employed workers under the same scheme as the rest of the population has the advantage that all workers enjoy continued coverage under the same scheme, irrespective of their employment status and in cases in which they combine salaried employment with self-employment or frequently transit between employment statuses.

Large-scale schemes can benefit from economies of scale with respect to administration. In terms of operation, the development of a single institution that manages a common fund for a general social security system, would involve the lowest risk of fragmentation and system inefficiencies. Where several schemes exist for different groups of workers, coherence and coordination across programmes and institutions will be key to ensuring effective coverage for workers and promoting labour mobility through portable rights and benefits.

Explore the potential of combining different financing sources

Following some of the existing experiences, countries should consider the possibility of combining different sources of funding by bringing together social insurance revenue with revenue from the general state budget within single schemes. These mechanisms need to be carefully designed to ensure the financial sustainability of a social protection system. It is also important that these financing arrangements are equitable, and the type and level of incentives should be well designed.

Other countries have reached significant results in extending coverage through a combination of financing sources that complement social insurance schemes with non-contributory, tax-financed schemes.

Consider subsidizing the participation into social protection schemes for low-income workers

Based on an assessment of the contributory capacity of different groups, Governments should consider subsidizing the participation of workers with low contributory capacity. The design of these schemes should consider not only the capacity to contribute but also elements related to incentives for registration. For instance, if the eligibility for government subsidies is associated with the informal status of a worker rather than their income, it could lead to perverse incentives for operating in the informal economy (Bender et al., 2013). To address this issue, lower or subsidized contributions could be linked to lower benefit levels to ensure that workers and employers still have incentives to receive full benefits.

Follow a gradual extension strategy

Given the significant size of the informal workforce in many ASEAN countries, governments might want to follow a gradual extension approach. Despite the importance of comprehensive approaches, countries need to prioritize and sequence criteria for determining enterprises and workers to be enrolled (Both et al., 2018). Criteria could be based on workers' employment status, enterprise size, geography or the feasibility (which groups of workers in the informal economy are the easiest to reach?) or the impact (in terms of the targeted size of workers or the individual impact on workers) of the policy. A gradual approach contributes to a sustainable extension of coverage.

Promote as much as possible mandatory provisions

Successful extension experiences through voluntary schemes are rare. Unless voluntary schemes achieve a high coverage rate, they tend to risk adverse selection of members. Based on the lessons learned from country experiences, it is preferable to extend coverage on a mandatory basis, provided there are appropriate mechanisms, such as subsidies, to support the participation of low-income and vulnerable groups. Mandatory social insurance schemes in principle allow for more risk-pooling and redistribution and are important for enhancing social protection coverage, whereas voluntary schemes tend to achieve lower coverage rates (Mesa-Lago, 2008).

Reduce legal barriers and extend legal coverage to previously uncovered groups of workers

ASEAN Member States should identify and reduce the legal barriers that uncovered categories of workers experience. Bringing categories of uncovered workers under the scope of labour and social security legislation is key to closing coverage gaps and helps to ensure that social protection systems protect people most at risk. Special attention is required to ensure that legal frameworks are properly designed to allow the participation of all workers, including own-account, domestic, migrant, rural and other vulnerable workers.

Legal frameworks need to be adapted to cover workers in an effective way, ensuring that legal provisions translate into effective protection. Labour legislation should take into account the wide variety of employment situations, including new forms of employment. In particular, countries might need to remove or lower implicit barriers, such as minimum thresholds contained in national legislation on earnings, working hours, duration of employment and size of enterprise.

Provide adequate, predictable and regular benefits

It is important to determine and provide benefits that are adequate to ensure a decent living and, at the same time, encourage the participation of workers in social security schemes. Adequate, predictable and regular benefits are important because they affect the way participants perceive the value for money. When workers have low income, the perception of value for money is even more relevant, or in other words, it is even more important that the level and scope of benefits they (can expect to) enjoy for their contribution.

Tailor schemes, programmes and policy measures to the needs of workers

It is essential to take into account the different situations of workers and employers, including their income patterns and employment arrangements and, where needed, introduce tailor-made measures to adapt schemes to their specific requirements (regarding contribution rates and schedules, benefit packages, administrative processes, etc.).

When designing, implementing or enhancing strategies for the extension of coverage, it is paramount for countries to address the actual and perceived needs of workers, based on a solid understanding of their profiles and behavioural incentives.

Ensure that the priority needs of workers are met

Workers with irregular and low income usually place more value on immediate or short-term benefits. It is therefore important that immediate and short-term benefits are included in the benefits package. Health insurance, maternity protection and child and family cash benefits can be particularly important for households with low income, and their inclusion can contribute to changing perceptions on the intrinsic value of the benefits and motivate registration in a social security scheme, including among young people.

Benefits, such as child transfers, that address workers' immediate needs are even more important for vulnerable workers and low-income earners who rarely perceive the impact of long-term benefits because they need to focus on their immediate needs. Despite the importance of designing benefit packages that meet the priority needs of workers, countries should also properly address needs that arise in old age. Countries may provide a comprehensive package comprising immediate, short-term and long-term benefits, provided that contributions remain affordable for workers and employers.

Strengthen enforcement of laws and incentives to encourage compliance

Countries should further build on and reinforce their efforts to ensure compliance with the law and enhance the enforcement of their legislation. This not only contributes to a uniform application of the law but also to maintaining a level playing field for enterprises.

Labour and social security inspections need to be tailored to the situation of workers and employers in sectors with traditionally high levels of informality by adapting the applicable legal and operative frameworks for inspection interventions, for example, by establishing rules for the inspection of private homes in the case of domestic workers and home workers or removing thresholds regarding the enterprise size or increasing the number of inspection personnel.

It is important to ensure adequate financial resources for effective inspection processes. To improve the efficiency of inspection processes, countries need to continue harnessing the potential of ICT. Countries should also find an appropriate balance between imposing sanctions and setting appropriate incentives for compliance.

Simplify administrative procedures and develop innovative delivery mechanisms

Administrative processes and procedures, related to the registration, payment of taxes and contributions and benefits claiming need to be simple, accessible, streamlined and adapted to the specificities of different groups so as not to constitute a barrier for workers and enterprises that have low administrative capacities. This not only ensures accessible, effective and efficient procedures but also contributes to building public trust. ASEAN Member States can learn from countries that have innovative measures, such as partnerships with workers' and employers' organizations, single-window service mechanisms and one-stop shops for social protection services and simplified enrolment and payment mechanisms.

Enhance awareness and share information

Countries need to continue their efforts to raise awareness and educate workers and employers, including by ensuring the availability and easy access to information about social protection, the conditions and rules of available schemes and the benefits. It is important to avoid adhoc interventions and develop and strengthen comprehensive communication strategies that address workers' and employers' concerns, including hard-to-reach groups. Communication channels need to be adapted to the specific circumstances of workers, exploiting the potential of social and mass media and partnerships with workers' and employers' organizations.

Promote public trust

Building accessible, accountable and transparent schemes to increase people's perceptions regarding the benefits of participating in social security schemes is an important element of building and promoting trust. Concretely, efforts could be undertaken to design administrative procedures in an accessible, effective, efficient and cost-less manner and make the delivery of services more efficient and coordinated.

The availability of information in the public domain on the financial situation of the schemes is an important element that contributes to the creation of trust. The perception of transparency and accountability is essential for public trust in the system. Participation of social partners in the design and governance of the system can also contribute to the creation of this trust.

Bolster efforts to collect and improve evidence on the features of the informal economy

ASEAN Member States should conduct additional in-depth country research on the features of uncovered population groups, including those in the informal economy and, where possible, collect, analyse and disseminate statistics to gather baseline information on their current needs and gaps. This will also help determine legal barriers, demand-and-supply issues and the costs and fiscal space for extension strategies.

Definitions and methodology employed for the production of statistics and indicators on the informal economy should consider relevant guidance provided by the ILO, in particular, the guidelines concerning a statistical definition of informal employment adopted by the 17th International Conference of Labour Statisticians in 2003 and their subsequent updates (such as Recommendation No. 204 concerning the Transition from the Informal to the Formal Economy).

Build or strengthen monitoring and evaluation frameworks at the national and regional levels

Countries should build or enhance national and regional monitoring frameworks that include targets and indicators (such as coverage, target group, benefit levels, eligibility conditions and social protection expenditure) to evaluate the success of social protection policies and programmes. In line with the ASEAN Declaration on Strengthening Social Protection, they should particularly explore the development of assessment tools, regional statistical indicators and benchmarking of social protection delivery services to monitor and evaluate the implementation of social protection in Member States. It is important to involve tripartite social protection committees, at both the national and ASEAN region levels, in the process of defining indicators and monitoring.

Reinforce social dialogue

ASEAN Member States should establish and/or reinforce tripartite committees and boards, at the national and regional levels, to determine priorities and then to design, implement and monitor social protection policies and strategies. They should build and enhance the capacity of trade union representatives and employers' organizations to take an active and informed role in the management, monitoring and evaluation of the scheme. This contributes to building public trust and support while promoting ownership by the various stakeholders (ILO, forthcoming).

Strengthen ASEAN-level coordination

Coordinated mechanisms to ensure the capacity of government agencies and other stakeholders involved in social protection are required, such as for planning, programming, budgeting, implementation, monitoring and evaluating processes, and can range from technical assistance programmes over capacity-building and knowledge-sharing to pilot projects, subject to national capacities and strategies.

In terms of providing social protection for migrant workers, countries are called upon to further enhance their efforts to explore possible avenues to develop appropriate coordination mechanisms, such as bilateral social security agreements that, in the long run, can be developed into a regional multilateral agreement (Ong and Peyron Bista, 2015).

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Appendix I:

Glossary

This glossary provides a list of definitions that are relevant for the analytical work of the study. It does not intend to provide any universal definitions but rather clarify the terms and concepts as used in this report. Definitions are mainly drawn from the ILO *World Social Protection Report 2017–19* and other ILO sources (see www.social-protection.org).

Contributory scheme: A scheme in which contributions made by protected persons directly determine entitlement to benefits (acquired rights). The most common form of contributory social security schemes is a statutory social insurance scheme, usually covering workers in formal wage employment and, in some countries, the self-employed. Other common types of contributory schemes, providing – in the absence of social insurance – a certain level of protection include national provident funds, which usually pay a lump sum to beneficiaries when particular contingencies occur (typically 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 can be wholly financed through contributions but are often partly financed from taxation or other sources; this may be done through a subsidy to cover the deficit or through a general subsidy supplanting contributions altogether or by subsidizing only specific groups of contributors or beneficiaries (such as those not contributing because they are caring for children, studying, in military service or 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).

Defined-benefit scheme (design principle of social security systems): In a defined-benefit scheme, a pension is calculated on the basis of years of contributions and the insurable earnings, by using a pension formula that generally promises an annual pension, which is a certain percentage of the annual income (called the accrual rate) per contribution year. The pension is then generally calculated as the product of the replacement rate (which is the product of the accrual rate and the years of contribution) multiplied by the reference income of the beneficiary. The reference income can be the last income of the contributor or the average income over a certain number of years.

Defined-contribution scheme (design principle of social security systems): In a defined-contribution scheme, contributions are simply saved. The accumulating amounts of contributions earn interest during the active years of contribution and, at the point of retirement, the amount of lifetime savings is paid out either in the form of a lump sum or converted into an annuity (a yearly amount that is paid until death). Defined-contribution schemes payout what was paid in; the individual contributor carries the financial risk of financial market performance, of benefit adequacy and of longevity. Pure defined-contribution schemes are unable to react to economic crises, also their means to provide services apart from mere annuity payments are limited in comparison to defined-benefit schemes. Defined-contribution schemes are fashionable to governments and business in that they can be used for hiding the socio-financial costs of ageing.

Informal employment: The total number of 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 17th International Conference of Labour Statisticians).

Distinguishing terminologies relating to the informal economy

Informal economy: All economic activities by workers or economic units that are – in law or practice – not covered or sufficiently covered by formal arrangements (based on ILC 2002).

Informal sector: A group of production units (unincorporated enterprises owned by households) including informal own-account enterprises and enterprises of informal employers (based on 15th International Conference of Labour Statisticians, ICLS).

Informal sector enterprise: Unregistered and/or small-scale private unincorporated enterprises engaged in non-agricultural activities with at least some of the goods or services produced for sale or barter (based on 15th ICLS).

Employment in the informal sector: All jobs in informal sector enterprises or all persons who were employed in at least one informal sector enterprise, irrespective of their status in employment and whether it was their main or a secondary job (based on 15th ICLS).

Informal employment: Total number of 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 17th ICLS).

Informal wage employment: All employee jobs characterized by an employment relationship that is not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (based on 17th ICLS).

Source: ILO, 2013c.

Long-term benefits: Benefits that are aimed at replacing earned income in case of permanent loss of earnings resulting from old age, disability or the death of the household breadwinner (survivor benefits).

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, often referred to as social assistance schemes. 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 to determine whether the applicants are eligible for a benefit at all, and if so, at what level benefit will be provided. In some countries, **proxy means tests** are used; that is, eligibility is determined without actually assessing income or assets, 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.

Non-contributory scheme: A scheme that normally requires 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 national health services), categorical schemes for certain broad groups of the population (for children younger than a certain age or persons older than a certain age) and means-tested schemes (such as social assistance schemes). Non-contributory schemes are usually financed through taxes or other state revenues or, in certain cases, through external grants or loans.

Non-standard forms of employment: This term denotes different forms of employment that deviate from the so-called standard employment and includes temporary work, part-time work, temporary agency work and other multiparty employment arrangements, disguised employment relationships and dependent self-employment.

Scheme: A scheme is defined as a distinct body of rules, supported by one or more institutional units governing the provision of social protection benefits and their financing. Two schemes are defined as separate if they have a different pool of funding.

Short-term benefits: Benefits that are aimed at replacing earned income in case of temporary loss of earnings resulting from sickness, maternity or unemployment.

Social protection: Social protection is defined as the set of policies and programmes designed to reduce and prevent poverty, vulnerability and social exclusion throughout the life cycle. Social protection covers nine main policy areas, including child and family benefits, maternity protection, unemployment support, employment injury benefits, sickness benefits, health protection (medical care), old-age benefits, disability benefits and survivors' benefits. This protection can be provided through a mix of contributory (social insurance) and non-contributory tax-financed benefits (including social assistance and universal benefits) (ILO, 2017a).

Social assistance scheme or 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: (i) the prior payment of contributions, before the occurrence of the insured contingency; (ii) risk-sharing or pooling; and (iii) the notion of a guarantee. The contributions paid by (or for) insured persons are pooled together, 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 of mixed character, with some non-contributory elements in entitlements to benefits; this allows for a more equitable distribution of benefits, particularly for people with low incomes and short or broken work careers, among others. These non-contributory elements take various forms, being financed either by other contributors (redistribution within the scheme) or by the State.

Social protection floor: ILO Recommendation No. 202 sets out that member States should establish and maintain national social protection floors as a nationally defined set of basic social security guarantees that secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion (ILO, 2012a). These 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. These together ensure effective access to essential goods and services defined as necessary at the national level. More specifically, a national social protection floor 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;
- 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; and
- d. basic income security for older persons.

Such guarantees should be provided to all residents and all children, as defined in national laws and regulations, and 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 these guarantees and provide for effective and accessible complaint and appeal procedures. Social protection floors correspond in many ways to the notion of “core obligations”, to ensure the realization of, at the very least, minimum essential levels of rights embodied in human rights treaties (UN, 2014; OHCHR, 2013).

Tax funded: For reasons of simplicity, we use the commonly used term “taxfunded”. What is meant in this study by this term are schemes funded from general revenue, which includes funds from taxation but also other sources of funds, such as royalties, revenue from privatization and social games.

Universal schemes: 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 or a proxy means test. The most frequent forms of such schemes are those that transfer income to persons older than a certain age, to all persons with disabilities or to children younger than a certain age. Some categorical schemes also target households with specific structures (one-parent households, for example) or occupational groups (such as rural workers). Most categorical schemes are financed by public resources.

Appendix II:

Background papers

Both, N.; Evans, M.; Thewissen, S.; Ramirez-Lopez, B. 2018. *Practical options for the extension of social protection to workers in the informal economy in Cambodia* (Bangkok, ILO).

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ILO, 2019. *Challenges and opportunities for the extension of social protection arising from the new forms of employment in Indonesia and the Philippines* (Bangkok, Asian Development Bank, International Labour Organization and Ministry of Human Resources and Social Security of the PRC) (manuscript).

International Labour Organization. 2019. *Challenges and opportunities for the extension of social protection arising from the new forms of employment in Malaysia and Singapore* (Bangkok, Asian Development Bank, International Labour Organization and Ministry of Human Resources and Social Security of the PRC) (manuscript).

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Appendix III:

National definitions of informal employment and informal sector

Informal employment among employees is often determined by their social protection coverage or access to employment benefits. Informal employment among own-account workers and employers depends on the formal or informal character of their enterprise (being or not in the informal sector). The criteria to define the informal sector are used to determine informality of own-account workers and employers. Contributing family are all in informal employment by definition.

COUNTRY	Informal employment (among employees)	Informal sector (informal employment among own-account workers and employers)
Brunei Darussalam	Workers without social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual leave or sick leave).	The informal sector comprises all unregistered private business enterprises that did not keep record of accounts, including domestic workers engaged by households.
Cambodia	Workers without social protection coverage and workers in informal sector enterprises (excluding agriculture). ⁷⁰	Cambodia has defined activities in its informal sector as: any activities that do not have a firm, identifiable postal address, where workers are self-employed, roadside vendors, non-availability of data on such business through census survey, labour intensive nature of operations, quick turnover, part-time or full-time working, the use of energy input from human or animal source, activities not recognized, take place in a non-structured premises, not under any regulations, license, insurance and do not pay any tax (ILO, 2002).
Indonesia	Informal workers are defined according to a matrix of employment status and occupational sector (including agriculture).	
Lao People's Democratic Republic	Workers without social protection or work-related benefits, such as paid annual leave and paid sick leave (including agriculture).	Informal sector enterprises are those that are not registered and do not keep accounts of their business and their workers do not benefit from social protection and work-related benefits (LSB, 2018).
Malaysia	Workers without coverage by social security system, entitlement to paid annual leave and sick leave and written employment contract (excluding agriculture).	A unit of establishment that: (i) operates in the non-agriculture sector; (ii) has fewer than ten employees who are not subjected to labour legislation, social security regulations and collective agreement; (iii) has not been registered under the Companies Commission of Malaysia or any other agencies; and (iv) has at least one or more product or service that is to be sold or bartered (DOSM, 2011, 105).

⁷⁰ The definition of informal workers is inconsistent in Cambodia. The Inter-Ministerial Prakas No. 404, which serves as the legal document for the expansion of coverage of the Health Equity Fund defines "informal workers" as those who signed a labour contract for a period of time not exceeding eight hours per week (Kingdom of Cambodia, 2017)

Myanmar	Workers without social protection or without paid annual leave or paid sick leave (including agriculture)	In the Labour Force Survey 2015, the informal sector was defined as: (i) Ownership of the business is private or not government or joint venture; and (ii) Business or farm is not registered under any ministry.
Philippines	Proxy indicator: vulnerable and precarious workers (self-employed workers and unpaid family workers; short-term, casual, seasonal wage workers and casual workers with multiple employers on daily or weekly basis) ⁷¹ (including agriculture)	The informal sector refers to household unincorporated enterprises that consist of both informal own-account enterprises and enterprises of informal employers. Informal own-account enterprises are household unincorporated enterprises owned and operated by own-account workers, either alone or in partnership with members of the same or other households that may employ unpaid family workers as well as occasionally or seasonally hired workers but do not employ employees on a continuous basis. Enterprises of informal employers are household unincorporated enterprises owned and operated by own-account workers, either alone or in partnership with members of the same or other households, which employ one or more employees on a continuous basis.
Singapore	n.a.	n.a.
Thailand	Workers not covered by the labour law and without social security coverage from formal employment (including agriculture)	The National Statistical Office defines informal sector to include enterprises with fewer than ten employees, typically operating with a low level of organization on a small-scale, low and uncertain wages and no social welfare and security.
Viet Nam	Workers without social insurance (especially compulsory social insurance) or without labour contract with one-month term and over (excluding agriculture)	Informal economic sector is defined as the active area for all business production units, without legal status, producing at least one or more products and services for sale or barter without business registration.

Source: Brunei Darussalam: Economic planning and development, Prime Minister's Office, 2018; Cambodia: Labour Force Survey 2012; Indonesia: BPS (2012) Labour force situation in Indonesia, 2012, BadanPusatStatistik; Lao People's Democratic Republic: LSB, 2018, Survey Finding Report: LAO People's Democratic Republic Labour Force Survey 2017; Malaysia: Department of Statistics, Informal Sector Work Force Survey Report, Malaysia, 2015; Myanmar: Report on Myanmar Labour Force Survey, 2015; Philippines: Informal Sector Survey, 2008; Philippine Statistics Authority, resolution No. 15 Series of 2002; NSCB resolution No. 16 - Series of 2003; Singapore: [Statistics Singapore Newsletter September 2014](#); Thailand: National Statistics Office: The Informal Employment Survey, 2016; Viet Nam: GSO (2016): Labour Force Survey, 2016.

⁷¹ Short-term employment is defined as one lasting or expected to last less than one year. Seasonal or casual jobs also comprise contracting or subcontracting arrangements.

Disaggregation of employment in the formal and informal economy in Indonesia

Employment status	Main occupation									
	Professional, technical and related workers	Administrative and managerial workers	Clerical and related workers	Sales workers	Services workers	Agriculture, animal husbandry, forestry and fishing industry workers and hunters	Production and related workers	Transport workers and equipment operators	Labourers	Others
Own-account worker, working alone	F	F	F	INF	INF	INF	INF	INF	INF	INF
Own-account worker, assisted by temporary worker/unpaid worker	F	F	F	F	F	INF	F	F	F	INF
Employer	F	F	F	F	F	F	F	F	F	F
Employee	F	F	F	F	F	F	F	F	F	F
Casual employee in agriculture	F	F	F	INF	INF	INF	INF	INF	INF	INF
Casual employee not in agriculture	F	F	F	INF	INF	INF	INF	INF	INF	INF
Unpaid worker	INF	INF	INF	INF	INF	INF	INF	INF	INF	INF

Source: BPS, 2012.

Appendix IV:

Country fact sheets

Indicators and sources

Socioeconomics	SOURCE
Population (000s)	ILOSTAT
Population 65 years and older (000s)	ILOSTAT
GDP per capita (US\$)	ASEAN
GDP growth (%)	ASEAN
Proportion of population living on income less than PPP\$1.25/day (%)	ASEAN
Labour market and employment	
Labour force participation rate (% of working-age population), men & women	ILOSTAT
Unemployment rate (%)	ILOSTAT
Vulnerable employment (% of total employment), men & women	ILOSTAT
Average monthly wage (US\$)	ILOSTAT
Non-agricultural informal employment (% of non-agricultural employment, men & women)	ILO (2018)
Informal employment (% of total employment, men & women)	ILOSTAT
Social protection	
Out-of-pocket payment (% of total health expenditure)	ILO World Social Protection Database
Legal coverage for work injury (% working age 15–64 years)	ILO World Social Protection Database
Active pension contributors (% working age 15–64 years)	ILO World Social Protection Database
Old-age pension recipients (% population older than statutory pension age)	ILO World Social Protection Database
Total public social protection expenditure (% GDP)	ILO World Social Protection Database

Brunei Darussalam

Socioeconomics	YEAR	
Population (000s)	423.0	2016
Population 65 years and older (000s)	18.0	2016
GDP per capita (US\$)	26 492.7	2016
GDP growth (%)	0.8	2017
Proportion of population living on income less than PPP\$1.25/day (%)	...	2015
Labour market and employment		
Labour force participation rate (% of working-age population), men & women	74.7/59.0	2017
Unemployment rate (%)	7.1	2017
Vulnerable employment (% of total employment), men & women	5.0/5.0	2017
Average monthly wage (US\$)	1 651	2014
Non-agricultural informal employment (% of non-agricultural employment, men & women)	33.7/30.7	2017
Informal employment (% of total employment, men & women)	34.7/30.8	2017
Social protection		
Out-of-pocket payment (% of total health expenditure)	6.0	2015
Legal coverage for work injury (% working age 15–64 years)	85.3	2014
Active pension contributors (% working age 15–64 years)	...	...
Old-age pension recipients (% population older than statutory pension age)	81.7	2011
Total public social protection expenditure (% GDP)	1.2	2013

Source: For informal employment data: Labour Force Survey, 2014.

Economic and social trends

With an abundance of gas and oil, Brunei Darussalam has one of the highest GDP per capita levels in ASEAN. Its low growth rates over the past decade, however, indicate the need for the economy to shift away from a resource-dependent development model to a diversified economy to enhance productivity. In terms of population dynamics, the next decade will continue to see a decrease in the working-age population and a rise in the number of older persons. Concerning is that almost 30 per cent of younger people are unemployed. Roughly half of the total population are migrants, which makes Brunei Darussalam one of the 15 top immigration countries worldwide.¹

The informal economy employs around a third of all workers. While informal employment is usually more prevalent in the informal sector across ASEAN Member States, the formal sector supplies most of the informal jobs in Brunei Darussalam (at 89.7 per cent). Most of these workers are employees in formal enterprises not benefiting from social security or other employment-related benefits.

Social protection context²

Social security in Brunei Darussalam dates to the 1950s. Replacing an initial pension scheme for civil servants, the Employees Trust Fund, implemented in 1992, constitutes the basis of the social security system and provides old-age, survivors, disability and housing benefits for both public and private sector employees. Citizens and permanent residents are covered by the provisions of the law.

Old-age income protection provided through the provident fund is complemented by two tiers: As one of the few countries in the region, Brunei Darussalam has a universal non-contributory pension for all citizens and permanent residents aged 60 years and older. Further, a supplementary defined contribution pension (introduced in 2009) is available for public and private sector employees. For self-employed persons who are excluded from the Employees Trust Fund, voluntary coverage is possible. Migrant workers who are eligible to receive benefits (permanent residents) are allowed to withdraw a lump sum of their accrued pension contributions upon departure from the country.

The national health care system is entirely tax-financed and reportedly universal, covering all citizens and permanent residents, for a comprehensive range of services, including outpatient and inpatient care. Out-of-pocket expenditure makes up only 6 per cent of total health expenditure.

Work injury, maternity and sickness benefits are provided through employers' liability. The national labour code – the Employment Order – enacted in 2009, stipulates paid leave and maternity leave for all workers regardless of nationality.³

A range of tax-based social assistance benefits are provided. Noteworthy are the universal school feeding programme as well as cash benefits and skills training for poor and vulnerable persons, such as single mothers, persons with disability, and orphans.

Further challenges

To further advance progress in the extension of social protection to all, the following points deserve attention:

- Risk-sharing and redistribution in Brunei Darussalam's social security system are limited because most provisions are provided either through provident fund savings (old age, survivorship and invalidity) or employers' liability (maternity, employment injury and sickness).
- Compliance and enforcement in the formal sector need to be enhanced, considering that almost all informal workers are found in the formal sector.
- That the economy is highly dependent on oil and gas revenues could challenge the sustainability of the tax-funded schemes in times of economic disruption. Alternative sources of financing may need to be explored.
- Migrant workers who stay only for limited time only have limited access to benefits. They are excluded from the Employees Trust Fund. While healthcare is available for all people, public subsidies for foreign nationals at public healthcare facilities were reduced in recent years.⁴

² This section is based on Ong and PeyronBista, 2015.

³ Employment Sections 2 and 4.

⁴ ILO, 2018.

Cambodia

Socioeconomics

YEAR

Population (000s)	15 158.2	2016
Population 65 years and older (000s)	778.9	2016
GDP per capita (US\$)	1 266.3	2016
GDP growth (%)	7.0	2017
Proportion of population living on income less than PPP\$1.25/day (%)	24.0	2015

Labour market and employment

Labour force participation rate (% of working-age population), men & women	88.7/80.9	2017
Unemployment rate (%)	0.2	2017
Vulnerable employment (% of total employment), men & women	45.0/57.0	2017
Average monthly wage (US\$)		
Non-agricultural informal employment (% of non-agricultural employment, men & women)	86.9/93.8	2012
Informal employment (% of total employment, men & women)	91.1/95.7	2012

Social protection

Out-of-pocket payment (% of total health expenditure)	59.4	2015
Legal coverage for work injury (% working age 15–64 years)	15.3	2016
Active pension contributors (% working age 15–64 years)	...	...
Old-age pension recipients (% population older than statutory pension age)	3.2	2015
Total public social protection expenditure (% GDP)	1.2	2013

Source: For informal employment data: Labour Force Survey, 2012.

Economic and social trends

Favourable economic growth in Cambodia – attributable to the growth of manufacturing in the garment industry as well as the tourism and construction sectors – has led to increasing incomes and a reduction in poverty rates.⁵ Unemployment is low, with one of the highest labour force participation rates in the region. But the low quality of jobs is linked to a high incidence of working poverty. The agriculture sector still employs roughly onethird of all workers.⁶ Almost 90 per cent of all workers are in informal employment.⁷ Most workers are engaged in the informal sector, but there is also a significant portion in the formal sector (14.5 per cent) who have informal contracts.

⁵ OECD, 2017

⁶ ILOSTAT.

⁷ This is the estimate by the ILO in line with international standards. Nationally, there is no coherent definition of informal workers. The Labour Force Survey 2012 estimated the overall rate of informal employment at 60 per cent of total non-agricultural employment (Both et al., 2018).

Social protection context⁸

In 2017, the Cambodian Government launched a Social Protection Policy Framework, laying out its commitment until 2025 for building a comprehensive and coordinated social protection system to sustainably reduce poverty and vulnerability.

The National Social Security Fund was established in 2007 and was given the responsibility of managing the social security system in Cambodia. The scheme for private sector workers was recently rolled out. Social protection coverage was recently extended to workers in all enterprises (previously, it was limited to those working in enterprises with more than eight employees). The scheme provides access to two main benefits: the employment injury insurance, including medical care; disability cash benefit, funeral (death) benefit; survivor benefit pension and the social health insurance, which includes health care, maternity and sickness benefits. Self-employed and domestic workers are legally excluded from the National Social Security Fund.⁹

A (multitiered) pension scheme will be rolled out in 2019. Social protection for public sector workers and their dependants is provided through the National Social Security Fund for civil servants and National Fund for Veterans for sickness, work injury, maternity, old-age, invalidity and survivor benefits.

Social assistance is provided through several social welfare programmes, including cash-for-work and food-for-work programmes, the Maternal, Child Health and Nutrition Programme as well as the non-contributory Health Equity Fund, which provide poor and vulnerable households with access to healthcare. Access to the non-contributory Health Equity Fund was recently extended to self-employed workers. Most schemes are coordinated by NGOs and funded by development partners.

Further challenges

To further advance progress in the extension of social protection to all people, the following points deserve attention:

- Eligibility to the National Social Security Fund is limited to wage employees. However, the social insurance system is poorly developed. Of a total labour force of 8.4 million, National Social Security Fund counted nearly 1.4 million enrollees. But even among them, many workers struggle to contribute over the course of the whole year and thus qualify for protection. More than seven million workers, largely concentrated in rural areas, have no access to social insurance although they form the majority of the labour force.
- The social insurance system is highly fragmented, with different legislation, governance structures and financing arrangements. This affects the efficiency of programmes and limits the transparency of the social protection system. There is limited institutional coordination between the National Social Security Fund and social protection-related ministries and agencies, leading to systemic inefficiencies and capacity constraints.
- There is no clear definition of informal workers, which makes it difficult to guide and monitor the extension agenda of the Government.

⁸ This section is largely based on Both et al., 2018.

⁹ Domestic workers are explicitly excluded from the Labour Law.

Indonesia

Socioeconomics

YEAR

Population (000s)	258 705	2016
Population 65 years and older (000s)	13 730.1	2016
GDP per capita (US\$)	3 559.5	2016
GDP growth (%)	5.1	2017
Proportion of population living on income less than PPP\$1.25/day (%)	9.0	2015

Labour market and employment

Labour force participation rate (% of working-age population), men & women	81.8/50.7	2017
Unemployment rate (%)	4.3	2017
Vulnerable employment (% of total employment), men & women	42.0/56.0	2017
Average monthly wage (US\$)	136	2015
Non-agricultural informal employment (% of non-agricultural employment, men & women)	77.0/79.6	2017
Informal employment (% of total employment, men & women)	82.7/84.8	2017

Social protection

Out-of-pocket payment (% of total health expenditure)	48.3	2015
Legal coverage for work injury (% working age 15–64 years)	93.8	2015
Active pension contributors (% working age 15–64 years)	7.6	2015
Old-age pension recipients (% population older than statutory pension age)	14.0	2015
Total public social protection expenditure (% GDP)	1.1	2015

Source: For informal employment data: SAKERNAS (Q3), 2016.

Economic and social trends

Indonesia has maintained relatively balanced economic growth since the global financial crisis in 2008. While structural transformation processes have been an important motor for productivity gains and employment creation, there are major deficits regarding the quality of work as well as income, gender and geographical disparities. More than 57 million workers remain in vulnerable forms of employment, most of them female. The informal economy employs around 80 per cent of total employment, mostly in the services and agriculture sector.¹⁰ While around 17 per cent works as contributing family workers, the majority of informal workers are engaged as own-account workers (42 per cent) and employees (37 per cent). A large share of informal workers is in households, most of them female unpaid family workers or own-account workers.

¹⁰ Estimates following the national definition of informal employment are different. BPS, the statistical agency of Indonesia, estimates informal employment at 57.7 per cent of total employment.

Social protection context¹¹

The BPJS Social Security Service Providers Law, enacted in 2011, stipulates the consolidation of the four pre-existing social security schemes under two social insurance-administering bodies: BPJS Kesehatan for health benefits and BPJS Ketenagakerjaan for four other benefits:¹² employment-related accident, pension, provident fund and death benefit. While the National Social Security Law intends to cover the whole population on a mandatory basis, coverage is gradually being expanded in phases.

Started in 2015, the BPJS Ketenagakerjaan covers formal sector workers on a mandatory basis. Self-employed workers can contribute to the old-age pension programme on a voluntary basis, while enrolment in work injury and death benefits is compulsory. Unemployment protection, sickness and maternity benefits are provided under employers' liability.

BPJS Kesehatan aims to gradually expand social health insurance to the entire Indonesian population by 2019. The Jaminan Kesehatan Nasional scheme consolidated previously existing non-contributory schemes targeted at the poor, near-poor and informal sector workers (such as Jamkesmas and Jamkesda). All workers are mandated to enrol but coverage is de facto still voluntary for some groups until 2019. Self-employed and informal sector workers must pay differentiated flat contributions, depending on the treatment chosen (type of inpatient hospital accommodation). The Government fully subsidizes the premiums of the poor and near poor who are in the bottom 40 percent of the population. BPJS Kesehatan covered 203 million insured persons (78 per cent of the population) in 2018.¹³

Social assistance is provided through a number of programmes, such as the school assistance programme BOS, which enables free basic education until grade nine, the Program Keluarga Harapan, which offers a conditional cash benefit to poor households with children, and pregnant or lactating women, Raskin programme, which provides rice subsidies, and the Program Nasional Pemberdayaan Mandiri (National Programme for Community Empowerment) and the Dibentuknya Balai Latihan Kerja programme for social infrastructure and employment opportunities.

Further challenges

To further advance progress in the extension of social protection to all people, the following points deserve attention:

- BPJS Ketenagakerjaan coverage of the formal sector is limited due to weak enforcement and compliance. Around half of all members default on their contribution payments. In addition, the scheme has difficulties reaching the majority of workers in the informal economy. Of 19.9 million members, only 1.3 million workers in informal employment are estimated to be enrolled to the scheme.¹⁴
- Only 10 per cent of informal workers are covered by BPJS Health. The scheme faces adverse selection issues because it mainly attracts high-risk (and therefore relatively costly) individuals. In addition, the enforcement of legislation and compliance in the formal sector are still weak. There is significant scope to collect contributions from around 52 per cent of members. The lack of information among workers and employers as well as inaccessible payment channels are considered among the other reasons for non-payment of contributions.¹⁵
- The institutional capacity of the two administering agencies is limited due to difficulties in consolidating the pre-existing schemes. Due to limited administrative capacities, subnational authorities had challenges to cope with increased responsibilities in providing social services since the decentralization reform.¹⁶

¹¹ This section is largely based on national background studies. BPJS Ketenagakerjaan, 2016; Ong and Peyron Bista, 2015.

¹² Previously, PT Askes and PT Jamsostek managed social insurance schemes for private sector employees (PT Jamsotek), civil servants (PT Taspen and PT Askes), and the armed forces and police (PT Asabri).

¹³ Coverage for benefits (contribution coverage might be lower).

¹⁴ BPJS Ketenagakerjaan, 2016.

¹⁵ ISSA, 2018b; Mahendradhata et al., 2017; Dartanto et al., 2016; Gani, 2014.

¹⁶ Ong and Peyron Bista, 2015.

Lao People's Democratic Republic

Socioeconomics	YEAR	
Population (000s)	6 621.1	2016
Population 65 years and older (000s)	280.5	2016
GDP per capita (US\$)	2 401.9	2016
GDP growth (%)	6.8	2017
Proportion of population living on income less than PPP\$1.25/day (%)	17.0	2015

Labour market and employment

Labour force participation rate (% of working-age population), men & women	79.7/76.9	2017
Unemployment rate (%)	0.7	2017
Vulnerable employment (% of total employment), men & women	77.0/89.0	2017
Average monthly wage (US\$)	109	2010
Non-agricultural informal employment (% of non-agricultural employment, men & women)	72.0/79.6	2017
Informal employment (% of total employment, men & women)	80.1/86.0	2017

Social protection

Out-of-pocket payment (% of total health expenditure)	45.4	2015
Legal coverage for work injury (% working age 15–64 years)	6.7	2013
Active pension contributors (% working age 15–64 years)	1.3	2010
Old-age pension recipients (% population older than statutory pension age)	5.6	2010
Total public social protection expenditure (% GDP)	1.2	2013

Source: For informal employment data: Labour Force Survey, 2010

Economic and social trends

The Lao People's Democratic Republic is a lower-middle-income country that has experienced favourable economic growth over the past decade. Poverty fell considerably, but rapid growth has not translated into equitable development with good-quality education, employment creation and improved access to basic services, especially in rural areas. Despite a shift of employment from agriculture to manufacturing and services, three of every five workers are still in agriculture. The labour market is characterized by the largest share of vulnerable workers across ASEAN Member States (at 82.9 per cent), many of whom are women. Roughly 20 per cent of younger persons are unemployed, which is among the highest in the region.

The informal economy employs 93.6 per cent of total employment.¹⁷ More than 80 per cent of informal employment is concentrated in the agriculture sector, but there are also many people who work as domestic workers, street vendors, garment industry workers and in construction and tourism. The large share of informal workers comprises own-account workers (54.6 per cent). There is a large proportion of contributing family workers (32.3 per cent), which is the largest in the region. Migrant workers make up a third of the labour force, usually working in informal short-term or part-time jobs.

Social protection context¹⁸

Public social protection in the Lao People's Democratic Republic comprises a range of interventions by different ministries and agencies, frequently with donor support. Existing provisions mainly consist of the contributory social insurance scheme for public and private sector workers provided by the National Social Security Fund and social assistance programmes for the poor and vulnerable. Under the National Social Security Fund, beneficiaries can access a range of benefits, including a medical benefits package, old-age pension, disability pension, employment injury benefits, sickness and maternity benefits, a childbirth grant, unemployment benefit (for private sector workers only) as well as a survivor's pension and a funeral grant. The Voluntary National Social Security Fund coverage is available to informal and self-employed workers. Formal sector enterprises additionally have access to severance pay, employment injury benefits, paid sick leave and paid maternity leave, as stipulated by the Labour Law.

The Government has committed to achieving universal health coverage by 2025. The health protection system is fragmented: Under its health branch, the National Social Security Fund covers formal sector workers and their dependants as well as civil servants, military and police personnel under the State Authority for Social Security. The voluntary community-based health insurance targets non-poor self-employed workers, while the Health Equity Fund provides free health care to poor households. Other programmes include the Maternal, Neonatal and Child Health Programme for new mothers and children younger than 5 years.

Social assistance programmes include poverty reduction and livelihood schemes and provide disaster relief, scholarships for poor students, in-kind support for vulnerable groups, such as shelters for orphans, and conditional cash transfers. Many of these rely on donor funding and have a limited duration.

Further challenges

To further advance progress in the extension of social protection to all people, including to workers in informal workers, the following points deserve attention:

- Social protection schemes only narrowly cover formal sector employees, leaving the large rural informal sector and the many agricultural workers unprotected. The voluntary National Social Security Fund scheme is not effective in reaching its target group: fewer than 2,000 workers in informal employment participate in the scheme. Even the mandatory scheme for private sector workers operated by the Social Security Office covers only a small share of eligible workers due to the lack of mechanisms to enforce compliance.
- The existence of various health programmes run by the State Authority of Social Security, the Social Security Office, the Ministry of Health and other partners with parallel administrative arrangements and financing sources creates fragmentation and inefficiencies. The reliance on donor funding of the Health Equity Fund and the community-based health insurance could jeopardize their long-term sustainability. The voluntary community-based health insurance scheme suffers from adverse selection, irregular payment of contributions and high drop-out rates.
- Unreliable and limited funding for the health sector results in poor health infrastructure, lack of health centres and lack of trained health personnel, available medicines and good-quality equipment, especially in rural areas. This in turn results in low service utilization especially among the most vulnerable groups of the population who live in remote areas.

A better link between social protection policies, employment policies and relevant skills training is important to address the high levels of unemployment and informal employment among the youth.

¹⁸ This section is largely based on the national background study; Ong and PeyronBista, 2015.

Malaysia

Socioeconomics

YEAR

Population (000s)	31 633.5	2016
Population 65 years and older (000s)	1 913.0	2016
GDP per capita (US\$)	9 436.9	2016
GDP growth (%)	5.9	2017
Proportion of population living on income less than PPP\$1.25/day (%)	1.0	2015

Labour market and employment

Labour force participation rate (% of working-age population), men & women	77.4/50.8	2017
Unemployment rate (%)	3.4	2017
Vulnerable employment (% of total employment), men & women	20.0/25.0	2017
Average monthly wage (US\$)	594	2016
Non-agricultural informal employment (% of non-agricultural employment, men & women)	9.4	2017
Informal employment (% of total employment, men & women)	...	...

Social protection

Out-of-pocket payment (% of total health expenditure)	36.7	2015
Legal coverage for work injury (% working age 15–64 years)	71.6	2015
Active pension contributors (% working age 15–64 years)	28.1	2010
Old-age pension recipients (% population older than statutory pension age)	19.8	2010
Total public social protection expenditure (% GDP)	3.8	2012

Source: For informal employment data: Department of Statistics Malaysia.

Economic and social trends

Malaysia has experienced sustained economic growth over the past 20 years and will likely reach its objective of becoming a high-income country by 2020 if this trend continues. However, as indicated by a GINI coefficient of 0.46, its inequality is among the highest among ASEAN Member States. The economy is primarily based on the labour-intensive service sector, which contributes half of the GDP and employs more than 60 per cent of all workers. The difference in labour force participation across men and women is considerable, with the Malaysian female participation rate being one of the lowest in the region.

Nearly 1.4 million workers (9.4 per cent) in the non-agriculture sector are informally employed. The share of informal workers has risen by around 30 per cent since 2012, which could be attributed to the rise of the digital economy. While around one in five employees is informally employed, almost 70 per cent of the informal economy comprises own-account workers. The majority of informal workers are engaged in the services sector, mainly as services and sales workers or craft and related trade workers.

Social protection context¹⁹

The social protection provisions mostly provide coverage for formal public and private sector employees under the Employees Provident Fund for old-age and disability pensions, housing and educational allowances and under the Social Security Organization for employment injury protection and invalidity. Maternity protection, unemployment protection and sick leave benefits are available for formal sector employees, covered under employers' liability. Migrant workers can opt to contribute voluntarily to the Employees Provident Fund.

Self-employed workers can voluntarily partake in the Employees Provident Fund scheme, in the recently introduced government-operated 1 Malaysia Retirement Savings Scheme (now called i-Saraan) or the Pension Retirement Scheme, which was introduced as a third pension tier. In light of the rising platform economy, the Government recently launched a new mandatory employment injury benefit scheme under the Social Security Organization for self-employed taxi workers, including those working in digital platforms, such as Grab.

Malaysia has a national health care system that covers all citizens and non-citizens, regardless of employment type. It is primarily financed with tax revenue and the Employees Provident Fund contributions. Medical expenses are highly subsidized by the Government, and consultation fees for patients are low.

Social assistance programmes operated by the Ministry of Women, Family and Community Development include the Senior Citizen Aid for older persons living below the poverty line, child grants for families living under the poverty threshold or those having foster children as well as a financial assistance programme, the 1Malaysia People's Aid for low-income households.

Further challenges

To further advance progress in the extension of social protection to all people, the following points deserve attention:

- While 92 per cent of all eligible workers are enrolled in the Employees Provident Fund, only 52 per cent of them are active members – who regularly make their contribution payments (see the background study). Registered but inactive workers accumulate service years slowly, which affects the level of pensions significantly. The Employees Provident Fund retirement savings tend to be inadequate, especially with the current trends of longer life expectancy and higher living costs. Women are particularly affected considering their shorter working careers and contribution period, lower wages and engagement in unpaid and informal work.
- Despite the universal health care system, out-of-pocket expenditure makes up a third of total health-related expenditure. Service quality and health care provision is unequal between public and private facilities as well as rural and urban areas. The lack of quality health care results in a two-tier system, wherein the private sector mainly serves urban and better-off populations with fee for service and the public sector provides low-cost services for the poor and rural populations (Jaafar et al., 2013).
- While the demand for quality health care is rising, increasing health expenditure, coupled with increasing life expectancy and the spiralling of non-communicable diseases, could challenge the long-term sustainability of the national health system.²⁰

¹⁹ This section is largely based on government sources, national background study and Ong-Peyron Bista, 2015.

²⁰ Between 2010 and 2014, total health expenditure rose from MYR19 million to MYR25 million and as a percentage of GDP (Ministry of Health Malaysia, 2014).

Myanmar

Socioeconomics	YEAR	
Population (000s)	52 917.0	2016
Population 65 years and older (000s)	3 126.0	2016
GDP per capita (US\$)	1 297.1	2016
GDP growth (%)	6.8	2017
Proportion of population living on income less than PPP\$1.25/day (%)	...	2015

Labour market and employment

Labour force participation rate (% of working-age population), men & women	79.9/51.3	2017
Unemployment rate (%)	0.8	2017
Vulnerable employment (% of total employment), men & women	56.0/62.0	2017
Average monthly wage (US\$)	...	...
Non-agricultural informal employment (% of non-agricultural employment, men & women)	78.1/79.6	2017
Informal employment (% of total employment, men & women)	78.0/86.4	2017

Social protection

Out-of-pocket payment (% of total health expenditure)	73.9	2015
Legal coverage for work injury (% working age 15–64 years)	38.2(m)/61.0 (v)	2015
Active pension contributors (% working age 15–64 years)	...	...
Old-age pension recipients (% population older than statutory pension age)	...	...
Total public social protection expenditure (% GDP)	1.0	2011

Source: For informal employment data: Labour Force Survey 2015.

Economic and social trends

High growth rates in recent years in Myanmar were the main drivers for the reduction in poverty rates. However, poverty is still a major challenge, intensified by ethnic conflicts, stagnation and natural disasters. The faster growth of the manufacturing and services sectors has created differences in living standards between urban and rural areas, benefiting urban people more than rural people, who mainly make their living from subsistence agriculture.

The majority of workers are informally employed (at 85.7 per cent), which is among the highest rate in ASEAN countries.²¹ This is largely due to the fact that half of all employment remains in the agriculture sector, which mostly consists of informal and casual jobs. Whereas 38.5 per cent of all informal workers are employees, most of them are self-employed. While more than 70 per cent of workers are concentrated in the informal sector, a sizable portion also partakes in informal employment in the formal sector. The latter are usually employed in small-sized enterprises without a labour contract or with enrolment into a social security scheme. In addition to much lower participation in the labour market, women are more likely to work informally as domestic care workers, contributing family workers or garment workers. Informal employment rates are high among migrant workers, including international migrants and those migrating from rural to urban or rural to rural areas.

²¹ Estimates following the national definition of informal employment are different. The Labour Force Survey 2015 estimated the nature of employment at 61.5 per cent, of which 38.5 per cent were employees and 61.5 per cent were self-employed, which comprises 3.8 per cent employers, 45.9 per cent own-account workers and 11.8 per cent unpaid contributing family workers.

Social protection context²²

Myanmar has a fragmented social protection system, with several schemes implemented by different institutions, NGOs and international partners. The social protection provisions mainly include a contributory social insurance for public and private sector workers, various health protection programmes as well as social assistance schemes prioritizing the poor and vulnerable households.

The Social Security Board manages the mandatory social insurance schemes for public sector and private sector employees in enterprises with more than five employees as well as the voluntary scheme for enterprises with fewer than five workers, students, self-employed workers and agricultural workers. The Social Security Board benefits package provides medical care, a funeral grant, sickness cash benefits, maternity and paternity cash benefits and employment injury benefits. The Workmen's Compensation Scheme provides cash benefits in the event of occupational diseases, disability or death. Old-age pensions, disability and survivor's pensions, unemployment insurance and a housing allowance are anchored in the law but not implemented yet.

Social health protection for private sector workers is provided by the Social Security Board through its medical care scheme. Although the benefits package for insured persons is considered comprehensive, the Social Security Board scheme only reached 5 per cent of the total labour force as of 2017 (see the background study). The rest of the population relies on several free health programmes, if at all, such as the Hospital Equity Fund, the Free Medicine Programme, and the National Tuberculosis Programme. These programmes are mostly not anchored in legislation and operated by the Ministry of Health in coordination with NGOs and international agencies.

For the poor and vulnerable population groups, several social assistance programmes operated by different ministries (Ministry of Education, Ministry of Social Welfare, Relief and Resettlement and other ministries) provide emergency relief, school stipends and care for orphans and older persons.

Further challenges

For further progress on the extension of social protection, the following areas deserve attention:

- Social insurance coverage is low among the formal sector, while workers in informal employment and the large share of agricultural workers in rural areas are largely excluded.
- The fragmentation of programmes and the absence of provisions for the portability of benefits impedes access to protection for migrant workers and workers who have a high labour mobility.
- Limited funding for health protection is associated with the poor quality of public health services and infrastructure, especially in remote and rural areas. This often leads to people not utilizing public health care services and instead accessing private healthcare with high out-of-pocket expenditure.
- While public social protection expenditure has risen since the country's transition to democracy, they are still lower – only 0.7 per cent of GDP in 2014 – than the global average for lower-middle-income countries.

²² This section is largely based on the national background study and Ong and Peyron Bista, 2015.

Philippines

Socioeconomics

YEAR

Population (000s)	103 242.9	2016
Population 65 years and older (000s)	5 102.4	2016
GDP per capita (US\$)	1 297.1	2016
GDP growth (%)	6.7	2017
Proportion of population living on income less than PPP\$1.25/day (%)	22.0	2015

Labour market and employment

Labour force participation rate (% of working-age population), men & women	75.1/49.6	2017
Unemployment rate (%)	2.8	2017
Vulnerable employment (% of total employment), men & women	32.0/40.0	2017
Average monthly wage (US\$)	189	2016
Non-agricultural informal employment (% of non-agricultural employment, men & women)	74.4/67.4	2013
Informal employment (% of total employment, men & women)	83.9/73.9	2013

Social protection

Out-of-pocket payment (% of total health expenditure)	53.5	2015
Legal coverage for work injury (% working age 15–64 years)	55	2015
Active pension contributors (% working age 15–64 years)	21.4	2015
Old-age pension recipients (% population older than statutory pension age)	39.8	2015
Total public social protection expenditure (% GDP)	2.2	2015

Source: Informal employment estimates are not in line with international estimates.

Economic and social trends

The Philippines has experienced robust economic growth. However, poverty declined slowly between 2009 and 2015 and extreme poverty still affects one-fourth of the population. Inequality (Gini coefficient of 44.3) remains high: 60 per cent of families has 5.4 per cent share of income, while the top 40 per cent has 94 per cent share of income.²³

The services sector dominates the economy (at 56 per cent), followed by the agriculture (at 26 per cent) and manufacturing sector (at 18 per cent). Notable is the uneven labour force participation rate between men and women: The female labour force participation rate has barely moved in decades, hovering around 50 per cent, which is among the lowest in the region. The informal economy in the Philippines is estimated to employ 21 million people.²⁴ Half of all informal workers are working on their own account, almost 20 per cent are contributing family workers, and around one third are employees.²⁵ In particular, the number of workers in precarious employment increased between 2008 and 2017, possibly reflecting the rising trends of third-party contracting and short-term work. Most informal workers are engaged in the services sector, followed by the agriculture sector. Women often work in the services sector, particularly in sales and trade, as household workers in low-paid informal work or contributing family workers.

²³ Philippine Statistics Authority, National Accounts of the Philippines and Official Poverty Statistics.

²⁴ Using a proxy indicator, the Government estimates the share at 56 per cent.

²⁵ The estimate of informal employment in the Philippines is based on a proxy indicator, consisting of wage workers in precarious employment, own-account workers and contributing family workers (including the agriculture sector). In 2017, informal employment was 56 per cent of total employment, representing nearly 22.7 million workers.

Social protection context²⁶

The main social protection schemes in the Philippines include the Social Security System's social insurance scheme, the PhilHealth insurance as well as the social assistance scheme called Pantawid Pamilyang Pilipino Program. The Magna Carta for Workers in Informal Employment, which intends to promote and protect rights and expand social protection to workers in informal employment, is under discussion in the Senate.

The Social Security System is compulsory for private sector employees and offers coverage for maternity, disability, sickness, death benefits and old age (through retirement pensions and provident fund savings). It extends coverage to domestic workers, self-employed, nationals working abroad, non-working spouses of members as well as informal workers. Workers in informal employment (with a minimum earning of PHP1,000) can voluntarily enrol in the Social Security System through the micro savings AlkanSSSy scheme with a minimum monthly contribution of PHP330.

The mandatory National Health Insurance Program administered by PhilHealth covers the entire population and subsidizes the health premiums of the poor and near-poor population through sin taxes on tobacco and alcohol. Eligible members to the Informal Economy Programme pay flat premiums.

The Pantawid Pamilyang Pilipino Program (4Ps), launched in 2008, provides a conditional cash transfer to poor and vulnerable households and links beneficiaries with other social assistance programmes, such as the livelihood development and a rice subsidy programme. The programme is tax financed and had 4.3 enrolled households in 2017.

Further challenges

For further progress on the extension of social protection, the following areas deserve attention:

- The coverage of the formal sector by the Social Security System remains low due to a lack of enforcement whereas most of the self-employed and the informal economy are not participating. Of the 34.8 million total registered members, only 3.8 million are voluntary, self-employed members.
- Under PhilHealth, the majority of the remaining uncovered population is voluntary members. Of 93.4 million members, only 8 million work in the informal sector. The Informal Economy Programme mainly covers self-employed workers with higher incomes, such as doctors and lawyers, whereas most of the uncovered workers are urban and rural self-employed who do not qualify for the Indigent or Sponsored Program.
- The social protection system is highly fragmented, with potential risks of inefficiencies and duplications (PhilHealth, social security system, conditional cash transfer programmes, etc.). This can also lead to information and awareness gaps and increase members' administrative burden.
- A ten-year gap of internationally aligned statistics of informal employment makes it difficult to understand the situation of workers in informal employment and may impede the extension of coverage.

²⁶ This section is largely based on the national background study and Ong and PeyronBista, 2015.

Singapore

Socioeconomics	YEAR	
Population* (000s)	3 994.3	2018
Population 65 years and older (000s)	547.9	2018
GDP per capita (US\$)	64 567	2018
GDP growth (%)	3.1	2018
Proportion of population living on income less than PPP\$1.25/day (%)	...	...

Labour market and employment

Labour force participation rate (% of working-age population), men & women	76.8/59.8	2018
Unemployment rate (%)	3.1	2017
Vulnerable employment (% of total employment), men & women	11.9/6.4	2018
Average monthly wage (US\$)	3 767	2017
Non-agricultural informal employment (% of non-agricultural employment, men & women)	...	...
Informal employment (% of total employment, men & women)	...	...

Social protection

Out-of-pocket payment (% of total health expenditure)	36.7	2015
Legal coverage for work injury (% working age 15–64 years)	72.9	2014
Active pension contributors (% working age 15–64 years)	76.4	2018
Old-age pension recipients (% population older than statutory pension age)	48.9	2018
Total public social protection expenditure (% GDP)	4.2	2015

Note: * Refers to resident population (Singapore citizens and permanent residents).

Source: Singapore Department of Statistics.

Economic and social trends

Since its independence in 1965, Singapore's economic growth has been remarkable, benefiting its citizens. GDP per capita levels are the highest in the region, surpassing that of the lowest-income country in ASEAN by roughly 50 times.²⁷ The country is ageing at an unprecedented pace: Due to increased life expectancy and declining fertility, the number of persons aged 65 years and older will almost double by 2030.²⁸ While Singapore's female labour force participation is lower than the male rate, the gap is narrowing.²⁹

Data on informal employment are not available. Singapore is a highly formalized economy that monitors vulnerable segments of the workforce such as own-account workers. The number of residents in own-account workers increased from 2016 to 2017. Primary own-account workers, or those who did own-account work as their main job, tended to be older or less educated. Top occupations among primary own-account workers in 2017 included traditional occupations, such as taxi drivers, working proprietors, insurance sales agents and brokers and real estate agents, and newer occupations, such as private hire car drivers in online matching platforms.

²⁷ Authors' calculation.

²⁸ Government of Singapore statistics, based on the midpoint of the lower-bound and upper-bound scenarios (base year 2017). The lower-bound scenario assumes total fertility rate of 1, immigration of 20,000 Singapore citizens and 30,000 permanent residents per annum, while the upper-bound scenario assumes a total fertility rate of 1.5, immigration of 25,000 citizens and 35,000 permanent residents per annum. Source: Singapore Department of Statistics.

²⁹ Female labour force participation rate (aged 25–64) has improved. It was an average of 74.9 per cent in the past three years (2016–2018), up from an average of 72.9 per cent in the preceding three years (2013–2015).

Social protection context³⁰

At the core of Singapore's social protection system is the national savings plan – the Central Provident Fund, which addresses health care, retirement, education and housing. Employees and self-employed workers earning more than SGD6,000 are covered on a compulsory basis, while participation is voluntary for other self-employed workers. Migrants who are permanent residents have access to the Central Provident Fund. Both employees and employers are required to contribute to the Central Provident Fund, which is allocated into three separate accounts: funds from the ordinary account can be withdrawn mainly for housing, investment and education, funds from the special account for retirement and investment and funds from the MediSave account for health care expenditure. Sick leave and maternity benefits as well as employment injury protection are covered under employers' liability. Self-employed persons are required to contribute to their MediSave account, based on their annual net trade income, and can voluntarily contribute to their ordinary and special account.

The national health system is unique, consisting of a first tier, which provides heavy government subsidies (up to 80 per cent) across all public health care settings. The mandatory individual savings account under the Central Provident Fund, the MediSave, constitutes the second tier of the system and is a mandatory individual savings account. The third tier, the mandatory MediShield Life scheme, is organized on commercial principles and provides insurance against catastrophic health expenditures. It replaced the former MediShield scheme, providing higher pay-outs as well as protection for all Singapore citizens and permanent residents through premium subsidies. Finally, MediFund, a medical endowment fund, caters to needy groups who cannot afford to pay their health costs even after receiving premium subsidies.

To improve old-age protection, the Central Provident Fund's Lifelong Income for the Elderly annuity scheme was introduced in 2009 to provide lifelong monthly pension benefits to people who have reached the retirement age. This was followed by the Silver Support Scheme launched in 2016, which offers additional protection for the bottom quintile of older persons who had low incomes throughout their life and now have little or no family support. The Workfare Income Supplement Scheme supports low-income earners by topping up their salaries and the Central Provident Fund savings for their retirement, housing and healthcare needs through cash transfers and the Central Provident Fund contribution. Older workers receive higher pay-outs. The Drive and Save scheme, launched by the National Taxi Association, as well as the GrabCar Driver MediSave Match Programme encourage self-employed drivers to contribute to their MediSave account by offering a monthly co-contribution.

The Government undertakes social assistance interventions that are conditional to citizenship and means-tested, such as ComCare, which provides assistance to low-income households that are unable to meet their daily living expenses and lack family support. ComCare Short-to-Medium-Term Assistance provides temporary financial support to low-income individuals or families who are temporarily unable to work, are looking for a job or are earning a low income and require assistance, while ComCare Long-Term Assistance provides long-term support to those who are permanently unable to work due to old age, illness or disability and have little or no means of income and family support.

Further challenges

For further progress on the extension of social protection, the following areas deserve attention:

- The ageing of the population continues to exert pressure on the pension and health care system. The financial sustainability of the schemes will be challenged by the rising number of older persons who need health care and old-age protection for a longer time.
- The provision of old-age income security through the provident fund allows for a limited degree of risk-sharing and redistribution. The fact that many older persons are forced to continue to work as self-employed workers indicates that retirement savings may be insufficient to provide for a meaningful pension, although inflation and the rising costs of healthcare are also factors.

³⁰ This section is largely based on government sources and Ong and PeyronBista, 2015.

Thailand

Socioeconomics	YEAR	
Population (000s)	67 454.7	2016
Population 65 years and older (000s)	7 439.5	2016
GDP per capita (US\$)	6 034.4	2016
GDP growth (%)	3.9	2017
Proportion of population living on income less than PPP\$1.25/day (%)	18.0	2015
Labour market and employment		
Labour force participation rate (% of working-age population), men & women	77.3/60.5	2017
Unemployment rate (%)	1.3	2017
Vulnerable employment (% of total employment), men & women	49.0/52.0	2017
Average monthly wage (US\$)	420	2016
Non-agricultural informal employment (% of non-agricultural employment, men & women)	37.2/38.4	
Informal employment (% of total employment, men & women)	68.7/68.2	2016
	56.3/55.0	
	79.5/77.9	2016
Social protection		
Out-of-pocket payment (% of total health expenditure)	11.8	2015
Legal coverage for work injury (% working age 15–64 years)	41.0	2014
Active pension contributors (% working age 15–64 years)	33.6	2015
Old-age pension recipients (% population older than statutory pension age)	83.0	2015
Total public social protection expenditure (% GDP)	3.7	2015

Source: For informal employment data: ILOSTAT, Labour Force Survey 2016.

Economic and social trends

Economic growth in Thailand over the past several decades has been remarkable, turning the country into an upper-middle-income country. This has brought impressive social advancement. Poverty has plummeted while education and health services have expanded and improved.³¹

Yet, prosperity has not been shared equally and large disparities remain. Half of the total employment remains in vulnerable employment. Declining birth rates and improvements in fertility lead to a surge in the number of older persons, whereas the labour force in working age is decreasing.

Social protection context

The expansion of social protection is a high priority for the Thai Government, included as a target of the eleventh National Economic and Social Development Plan 2012–2016, with the objective to “create a more just society”.

The development of social protection in Thailand has been fragmented across different funds, including the Social Security Fund operated by the Social Security Office, the Workmen’s Compensation Fund, several provident funds and other funds for civil servants, employees of state enterprises and private school employees.

The Social Security Office offers different benefits packages, depending on employment status and contributory history: section 33 of the Development Plan covers formal sector employees and provides comprehensive coverage for all nine social protection policy areas. Former employees not insured under section 33 can continue their contributions under section 39. Self-employed and informal economy workers are covered by the section 40 voluntary and partially subsidized scheme, which offers mixed packages of benefits (depending on choice), including sickness cash benefit, invalidity benefit, funeral benefit, child allowance and/or old-age lump sum or pension. In addition, informal workers can make contributions to the National Savings Fund, from which they benefit from a co-contribution from the Government, depending on the contribution amount and the age.

The health care system includes the Civil Servants Benefit Scheme, the health branch of the Social Security Fund for insured persons under sections 33 and 39, and the Compulsory Migrant Health Insurance for migrant workers from Myanmar, the Lao People’s Democratic Republic and Cambodia, as well as the non-contributory Universal Coverage Scheme.

Two major non-contributory schemes constitute the pillars of the social protection floor in Thailand. The Universal Coverage Scheme provides health care to the majority of the population who are not covered by existing contributory health schemes. The package is comprehensive and includes general medical care and rehabilitation services, high-costing medical treatment and emergency care. Second, the tax-financed Universal Old-Age Allowance (initially the so-called 500 Baht Universal Pension Scheme) targets all persons older than 60 (except civil servants who have their own scheme). In 2012, the flat rate pension benefit was transformed into a multi-tiered system of benefits, according to age groups. Since 2015, the Child Support Grant is provided to all children aged up to 3 years.

Further challenges

For further progress on the extension of social protection, the following areas deserve attention:

- Social insurance coverage of informal economy workers remains a challenge. Despite government subsidization and other continuous efforts to increase the incentives for participation, less than 1.7 per cent of the target group is covered thus far.³²
- More efforts are needed to ensure adequate protection for all residents, especially vulnerable groups. The old-age allowance needs to be adjusted to a meaningful level because it far below the poverty line and cannot meet basic living costs of older persons.
- The fragmentation of the system leads to vertical inequities regarding the quality and scope of health care services between Social Security Office members who contribute for their coverage and Universal Coverage Scheme beneficiaries, who enjoy better protection without contributing.
- Ensuring financial and institutional sustainability of the system are among the obstacles in the face of sluggish economic growth and population ageing.

³² See <https://www.social-protection.org/gimi/ShowCountryProfile.action?iso=TH>.

Viet Nam

Socioeconomics

YEAR

Population (000s)	92 695.1	2016
Population 65 years and older (000s)	7 394.5	2016
GDP per capita (US\$)	2 138.2	2016
GDP growth (%)	6.8	2017
Proportion of population living on income less than PPP\$1.25/day (%)	17.0	2015

Labour market and employment

Labour force participation rate (% of working-age population), men & women	83.5/73.2	2017
Unemployment rate (%)	2.1	2017
Vulnerable employment (% of total employment), men & women	50.0/62.0	2017
Average monthly wage (US\$)	250	2016
Non-agricultural informal employment (% of non-agricultural employment, men & women)	60.1/51.5	2017
Informal employment (% of total employment, men & women)	75.1/71.4	2017

Social protection

Out-of-pocket payment (% of total health expenditure)	43.5	2015
Legal coverage for work injury (% working age 15–64 years)	38.4	2015
Active pension contributors (% working age 15–64 years)	20.6	2015
Old-age pension recipients (% population older than statutory pension age)	39.9	2015
Total public social protection expenditure (% GDP)	6.3	2015

Source: For informal employment data: Labour force Survey 2015; Viet Nam Household Living Standards Survey (VHLSS) 2008; WSPR.

Economic and social trends

Economic growth has helped Viet Nam transform from one of the poorest countries in the world into a fast-growing upper-middle-income country within only 20 years. This has increased the living standards of people, as continuously increasing GDP per capita levels indicate. Despite a significant alleviation of poverty, income inequality is a growing concern, and many people are still vulnerable to fall (back) into poverty.

Increasing life expectancy and declining fertility rates have made Viet Nam one of the fastest-ageing societies in the world. While the labour force continues to grow, informal and vulnerable employment remain concerning. Almost 60 per cent of workers are in informal employment. Most informal workers can be found in household businesses, but there is also a considerable portion who works in the formal sector without a formal employment contract or social insurance coverage. The majority of all informal workers are self-employed (at 48 per cent) or contributing family workers (21.9 per cent), while around 28 per cent are employees, most of them part-time and temporary workers.

Social protection context³³

Extension of social protection is one of the policy priorities of the Government, being the central element of the recently approved Master Plans on Social Assistance Reform and on Social Insurance Reform, which lay down the way forward in achieving universal social protection. The Government plans to achieve coverage extension through the establishment of a multitiered social protection system, combining contributory and non-contributory elements. Four laws currently govern the provision of social insurance: the Law on Social Insurance (2006, reformed in 2014), which remains the umbrella law covering seven branches; the Law on Health Insurance (2008); the Employment Promotion Law (2013), with provisions on unemployment insurance; and the Occupational Safety and Health Law (2014), with provisions on employment injury insurance.

The Law on Social Insurance covers public and private sector employees, including domestic workers³⁴ for disability, sickness, maternity, work injury, old-age and survivors' benefits. Legal coverage was recently extended from employees with an employment contract of at least three months to one month, but it still allows some employers to evade contribution payments through short-term contracts. Self-employed workers can participate in the voluntary scheme introduced in 2008 but only have access to the retirement and survivors' pensions.

The 2014 amendment of the Law on Health Insurance mandated coverage for the whole population. A range of measures, in particular the introduction of subsidies of the premiums for poor and near-poor households and other vulnerable groups such as farmers, has facilitated the extension of health coverage. Due to the continuous efforts of the Government, the health scheme currently covers 73 per cent of the population.

The social assistance programmes address several risks across the life cycle, related to childhood, disability, unemployment and old age. Among the largest schemes are the pension-tested benefit for persons older than 80 and the transfers for people with disabilities as well as school stipends for ethnic minorities and poor children.

Further challenges

For further progress on the extension of social protection, the following areas deserve attention:

- Social insurance coverage remains low in the formal sector due to a lack of enforcement and compliance, especially among the small and medium-sized enterprises, accounting for the large majority of business establishments. The one-month threshold for the employment duration excludes many workers, such as daily wage earners and casual workers, while creating a legal loophole for enterprises to avoid social insurance registration of their employees.
- The voluntary pension scheme has been ineffective in reaching its target group since its introduction. Informal workers, self-employed and rural workers remain largely excluded from social insurance coverage. Of 54.9 million workers, only 13.8 million (including 200,000 self-employed workers on a voluntary basis) are registered for social insurance.³⁵
- The fast pace of ageing is likely to affect the financial sustainability of the pension scheme and health system and, at the same time, increases the demand for adequate protection of the rising number of older persons. Under the status quo, more than an estimated ten million older persons will not have a pension in 2025.
- The social health protection scheme suffers from inequities in access and quality of health care services between people living in rural and urban areas. Although benefits packages are the same for all beneficiaries, differences in infrastructure and quality of care between rural and urban areas hospitals affect the equitable access to health care benefits. Out-of-pocket expenditure for health is still high due to high ratios of co-payments and a ceiling payment for high-tech services. The administrative capacity of the Government is limited to serve the increasing number of members, while high administrative costs impact the financial sustainability of the health insurance fund.

³³ The section is largely based on the national background study.

³⁴ Domestic workers were acknowledge under the Labour Code since 2014.

³⁵ ILO, forthcominga

Extension of social security to workers in informal employment in the ASEAN region

The report outlines recent trends in informal employment as well as the challenges and opportunities for extending social protection to all workers across the member countries of the Association of Southeast Asian Nations (ASEAN). It describes the gaps and needs of specific groups of workers who are more likely to be excluded from social protection coverage. Structured around a proposed typology of strategies, the report documents relevant country experiences and lessons from those experiences, drawing conclusions and proposing recommendations to invigorate the regional and national policy debates on the extension of social protection coverage.

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