



ASEAN-ILO study on Expansion of Social Security to Workers in Informal Employment

COUNTRY EXPERIENCES AND LESSONS FOR THE EXTENSION OF SOCIAL PROTECTION TO THE INFORMAL ECONOMY IN ASEAN

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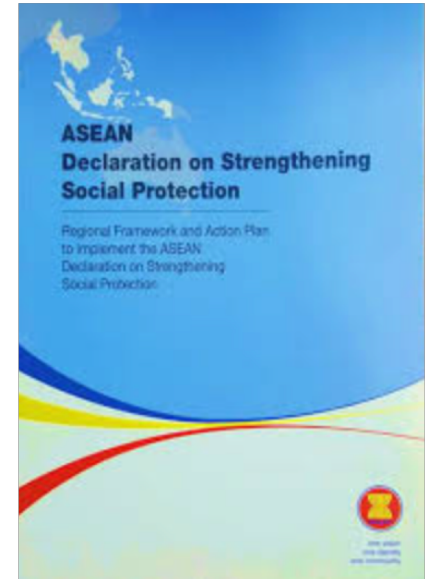


OUTLINE

- **Typology of extension strategies of social security coverage**
 - Expanding/adapting existing schemes
 - New schemes
 - Efforts beyond social security
- **Country practices**
- **Lessons and preliminary recommendations**

Expansion of social protection high on regional agenda

- ASEAN Declaration on Strengthening Social Protection
 - Expansion of coverage, particularly social insurance, to the informal sector
- Vientiane Declaration on Transition from Informal Employment to Formal Employment towards Decent Work Promotion

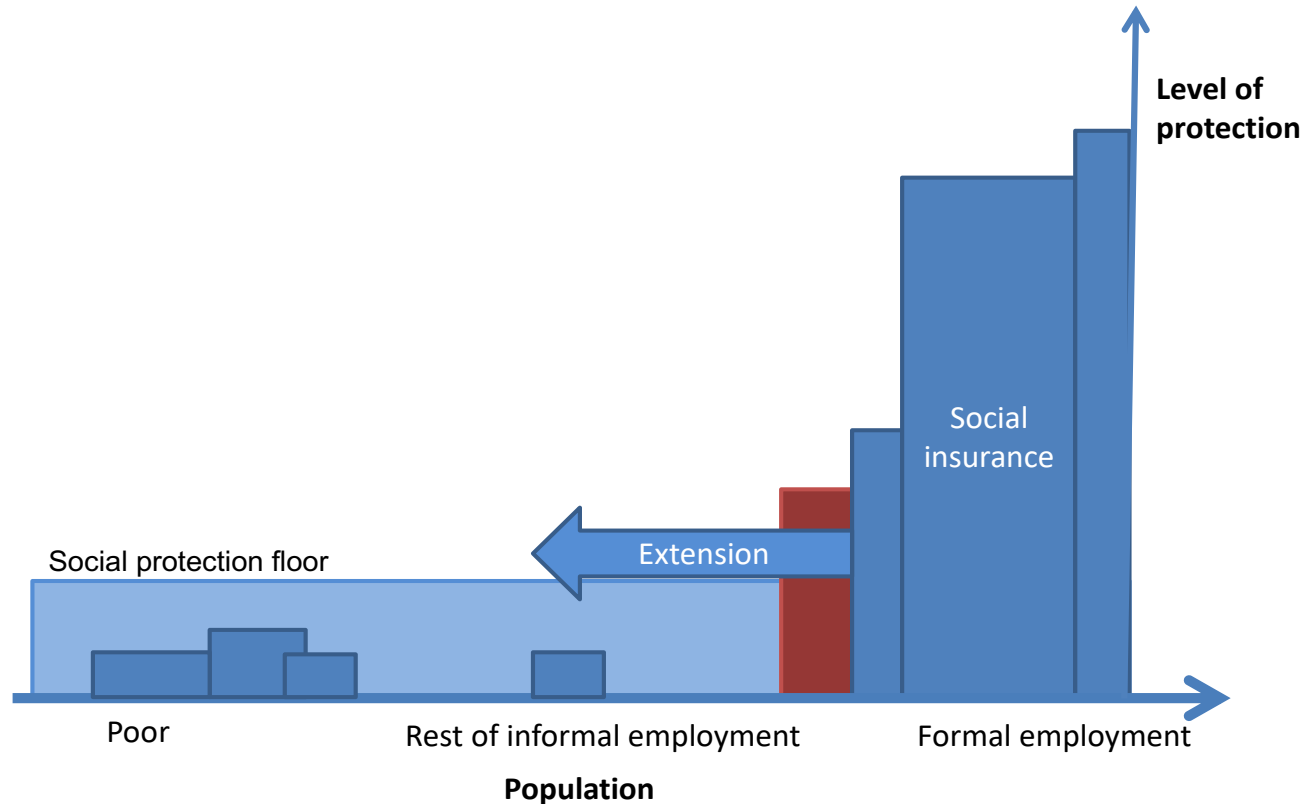


Diverse strategies used to extend coverage



- Different risks
- Different reasons for informality
- Different socio and economic conditions

Horizontal and vertical extension strategies

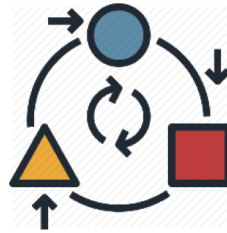


Extending population coverage, scope and level of protection

Typology of extension strategies

1) EXPANSION AND/OR ADAPTATION OF EXISTING SCHEMES

e.g. financial incentives
legislative changes and
administrative/operational
measures



2) NEW SCHEMES

e.g. specific
schemes with
subsidies, specific
sectorial schemes

In reality, strategies are not mutually exclusive and more nuanced

Extension strategies (I): Expanding or adapting existing schemes

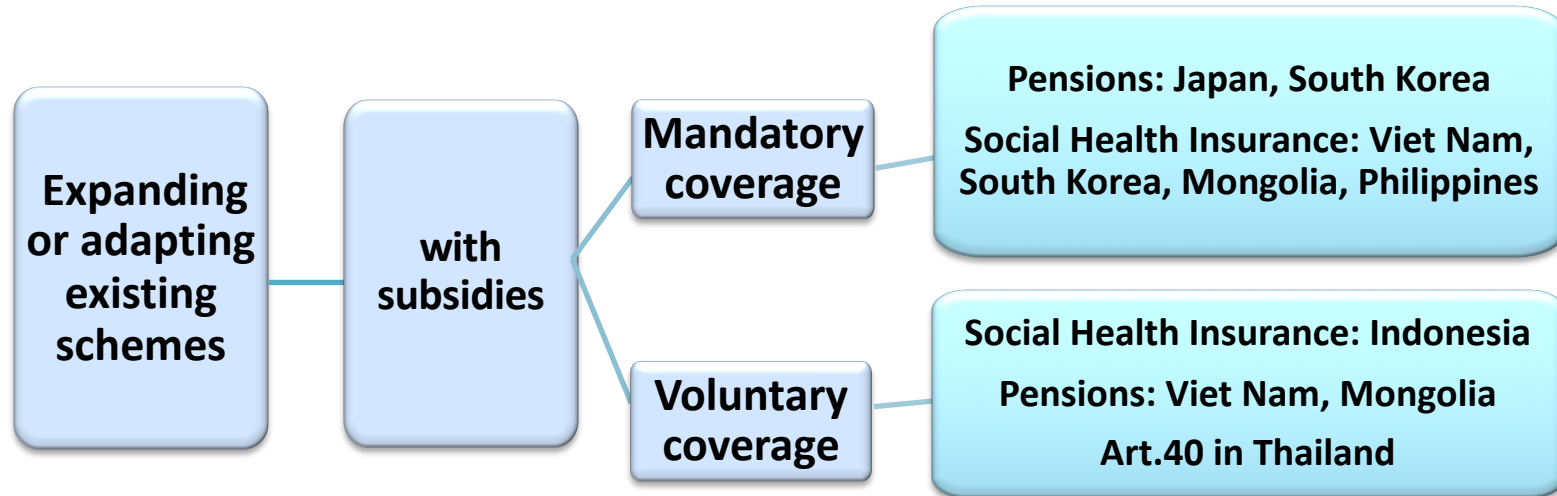
- Mainly employment-based schemes
- Strategy usually targeted at those closer to the formal economy who have some contributory capacity

HOW?

- through financial incentives, such as subsidies
- through legislative changes and/or
- through administrative/operational measures

Many countries use a **combination**.

Introducing financial incentives: subsidies



Distinction between subsidies on contributions (e.g. Indonesia, Viet Nam) and benefits (e.g. pensions in China)

BPJS Health:

Voluntary for self-employed and subsidies by the State



Employee:

4.5% of salary for private sector (employer 4%; employee 4%) and public sector employees (employer 3%; employee: 2%)

Self-employed:

Rp25,000/51,000/80,000 per month, depending on treatment class (100% paid by member)

Poor and near-poor:

Rp19,225 (100% subsidized by gov.)



BPJS Kesehatan
Badan Penyelenggara Jaminan Sosial



Coverage gap:

limited contributory capacities of self-employed workers

Extending **mandatory coverage** to self-employed workers can be more effective than a voluntary scheme, e.g. SHI in Viet Nam, Mongolia, South Korea

Viet Nam Social Health Insurance

Mandatory and subsidization of premiums for special groups



Employee:

4.5% of salary (employer 3%; employee 1.5%)

Poor, ethnic minorities, children below 6, persons receiving SA, civil servants:

4.5% of minimum wage (100% paid by the government)

Near poor:

4.5% of minimum wage (gov. supports at least 70% of the premium; recently changed to 100% for those living in poor districts)

Students:

4.5% of minimum wage (gov . supports 30% of the premium)

Workers in agriculture, fishery and forestry:

4.5% of the minimum wage (gov . supports 30% of the premium)

Viet Nam SHI

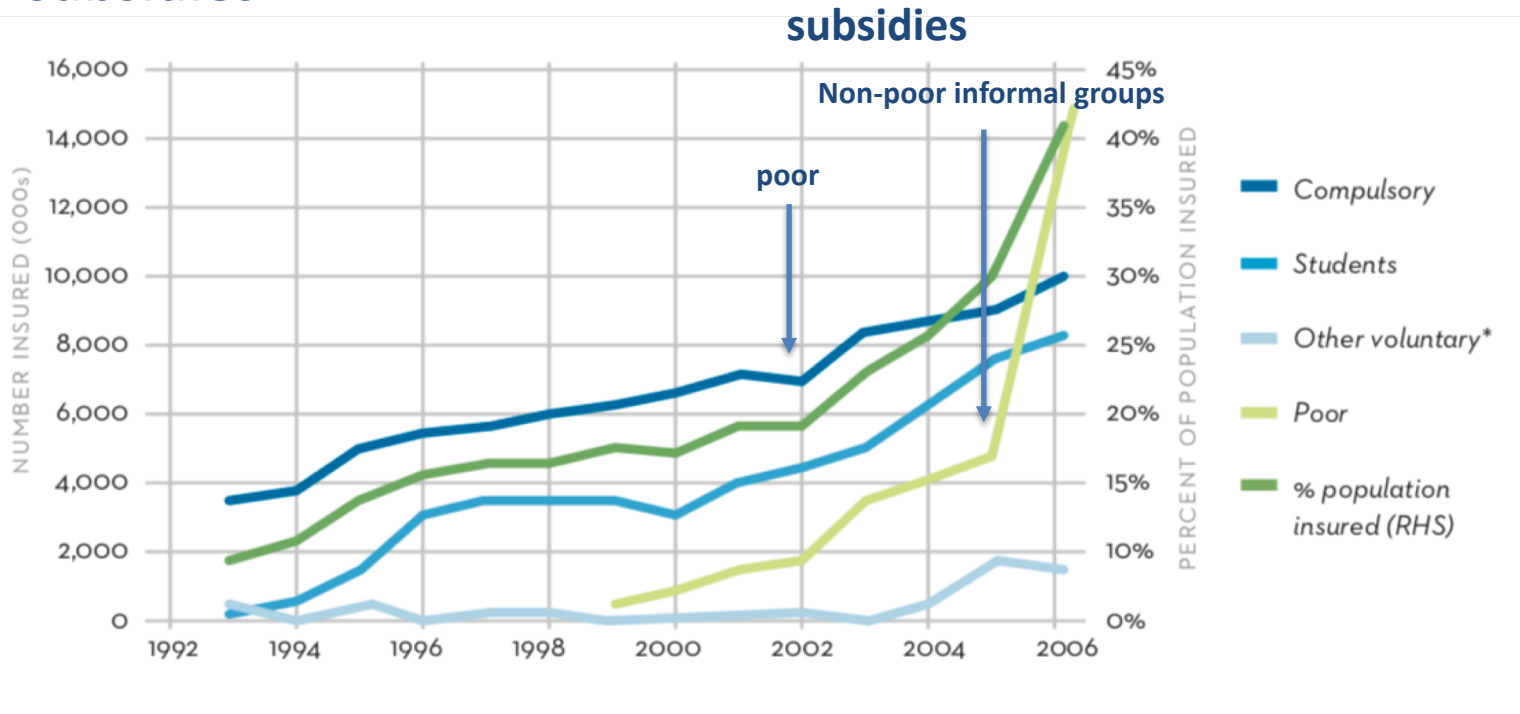


Family based members compulsorily participate with subsidies

	HI contribution per month (4.5% of min. wage)	State subsidy	
1st member	VND 58,500	0%	VND 0
2nd member	VND 40,950	30%	VND 17,550
3rd member	VND 35,100	40%	VND 23,400
4th member	VND 29,250	50%	VND 29,250
5th member	VND 23,400	60%	VND 35,100

Reference wage: 1.3 mio. VND

Increased enrolment with introduction of subsidies



Viet Nam
Social
Health
Insurance

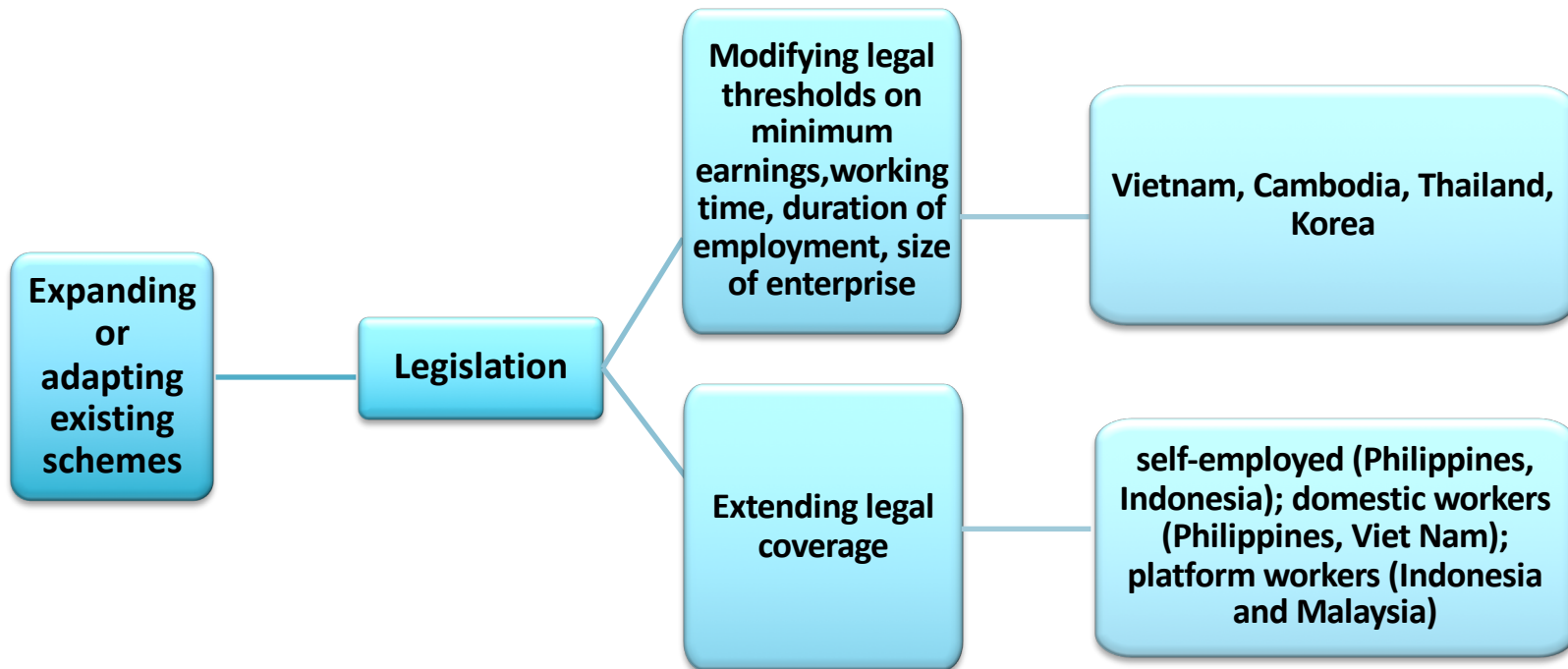
COVERAGE (2018): 86%

* "Other voluntary" refers to the remaining informal population.

Sometimes financial incentives are not sufficient...

- Adapt legal frameworks
- Reduce administrative burden
- Facilitate access to services
- Strengthen enforcement & compliance
- Increase information and awareness

Adapting legal frameworks



EXAMPLE: MODIFYING LEGAL THRESHOLDS



Vietnam

10 employees (2005) – 1 employee with 3 month contract (2014) - 1 employee with 1 month contract (2018)

Thailand

20 employees (1990) – 10 employees (1993) – 1 employee (2002)

Cambodia

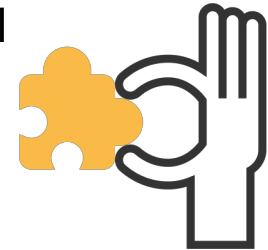
8 employees – 1 employee (2017)

WORKERS IN NON-STANDARD EMPLOYMENT



Possible Solutions

- allow for interrupted contribution periods (temporary workers)
- count every hour worked into social insurance contribution (part-time workers)
- enhance portability of entitlements (workers w. multiple employers)



Temporary
employment



Part-time and
on-call work



Multi-party employment
relationship

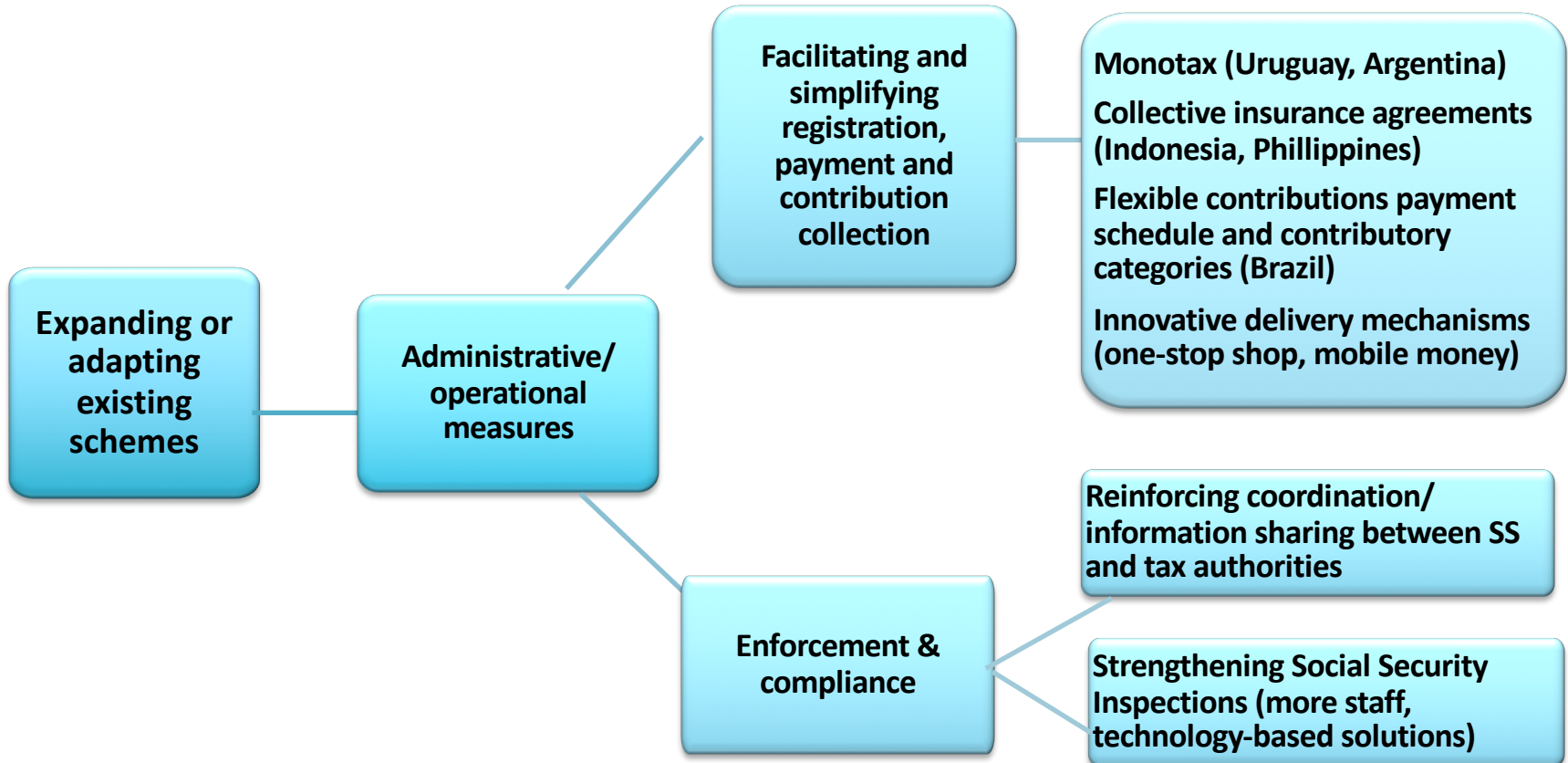


Disguised employment or
dependent self-employment

SOMETIMES EXTENDING LEGAL COVERAGE IS NOT SUFFICIENT ON ITS OWN ...

**... but there is a need to adapt
administrative and operational
frameworks to the situation and
needs of workers and employers
in the informal economy**

Adapting administrative and operational frameworks



INNOVATIONS FOR NEW FORMS OF WORKERS



Malaysia – Taxi drivers (including GRAB and UBER) are required to register with SOCSO since 2017

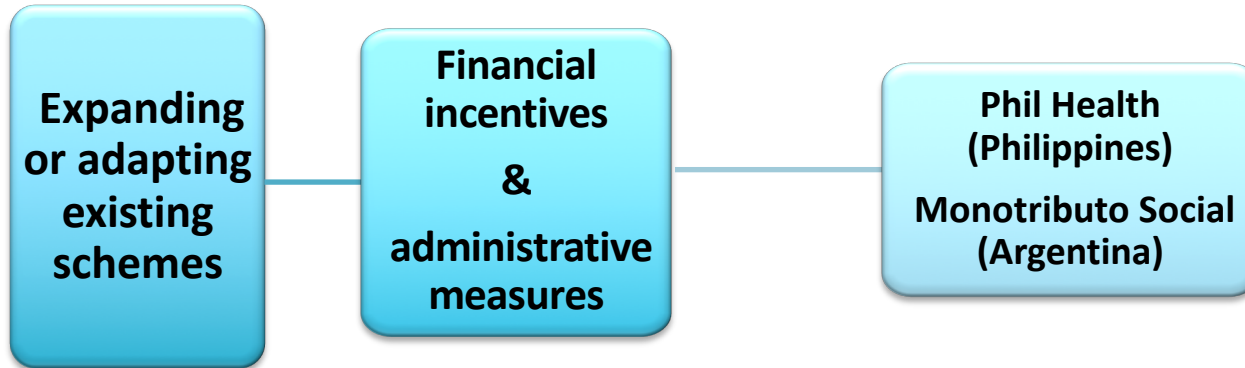
- Payment will be done upon registration
- Drivers capacity to renew their license to operate will depend on their registration
- Drivers are able to register online via i-Perkeso



Uruguay –
Harnessing digital technology

Drivers download a phone application which automatically deducts social insurance contributions

Combination of interventions can be more effective ...





Adapting existing approaches to respond to the needs of a broader range of workers

- PhilHealth, the national health insurance scheme, subsidies for certain groups, e.g. poor and near-poor. National Social Security System (retirement, sickness, maternity, disability and death benefits)

The aggregator model – enrolling groups instead of individual

- Servicing Partner Agent Agreement for cooperation
- Using Informal Sector Groups as intermediaries between SS and workers to support registration and contribution collection processes

Development of a mechanism to collect daily contributions

- Steel boxes in which workers can deposit their contributions daily (+ electronic version of box)
- High level of flexibility on the contribution amount

MONOTAX SCHEME

Uruguay, Brazil, Argentina

- **Monotax** (unified taxes and social insurance contributions, simplified accounting requirements)
- **Financial Incentive** (lower taxes and contributions)
- **Flexible and gradual approach**: Contribution categories, gradual and progressive contribution payments
- Social security office transfers tax portion to fiscal authority

Reduce administrative burden rel. to registration and payment

Reduce financial burden

Extension strategies (II): New schemes

Not necessarily targeted at informal economy workers but can facilitate their social security coverage

i) Universal schemes

ii) Specific schemes

- Insurance-tested schemes, e.g. social pension
- Specific group, e.g. urban or rural residents
- Sector- or occupation specific schemes or programmes
- Means-tested schemes

Strategies to extend coverage (II): universal schemes



**NEW
SCHEME**

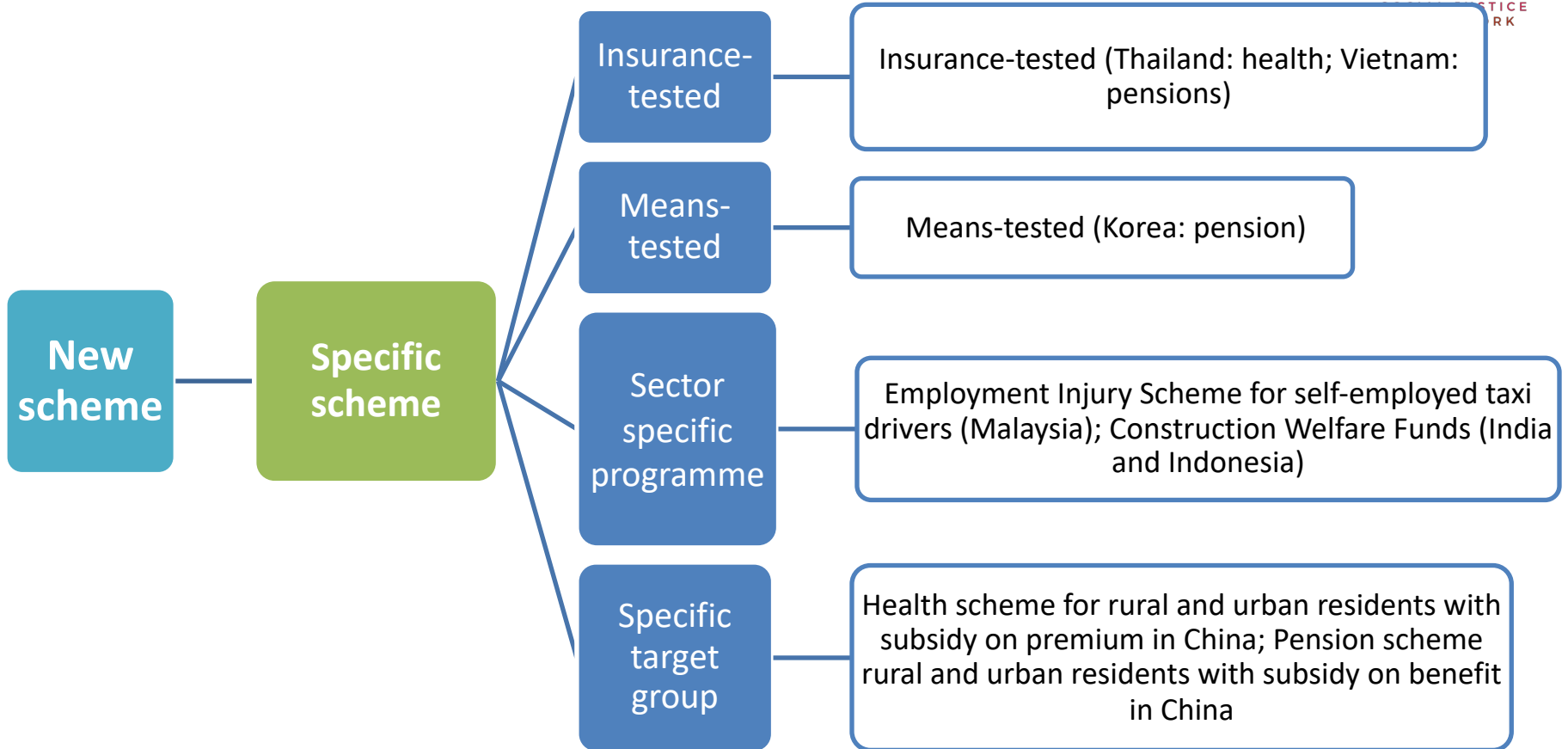
**Universal
scheme**

Universal Pensions in Timor Leste, Thailand,
National Health System in Malaysia,
Universal maternity and family benefits in
Mongolia

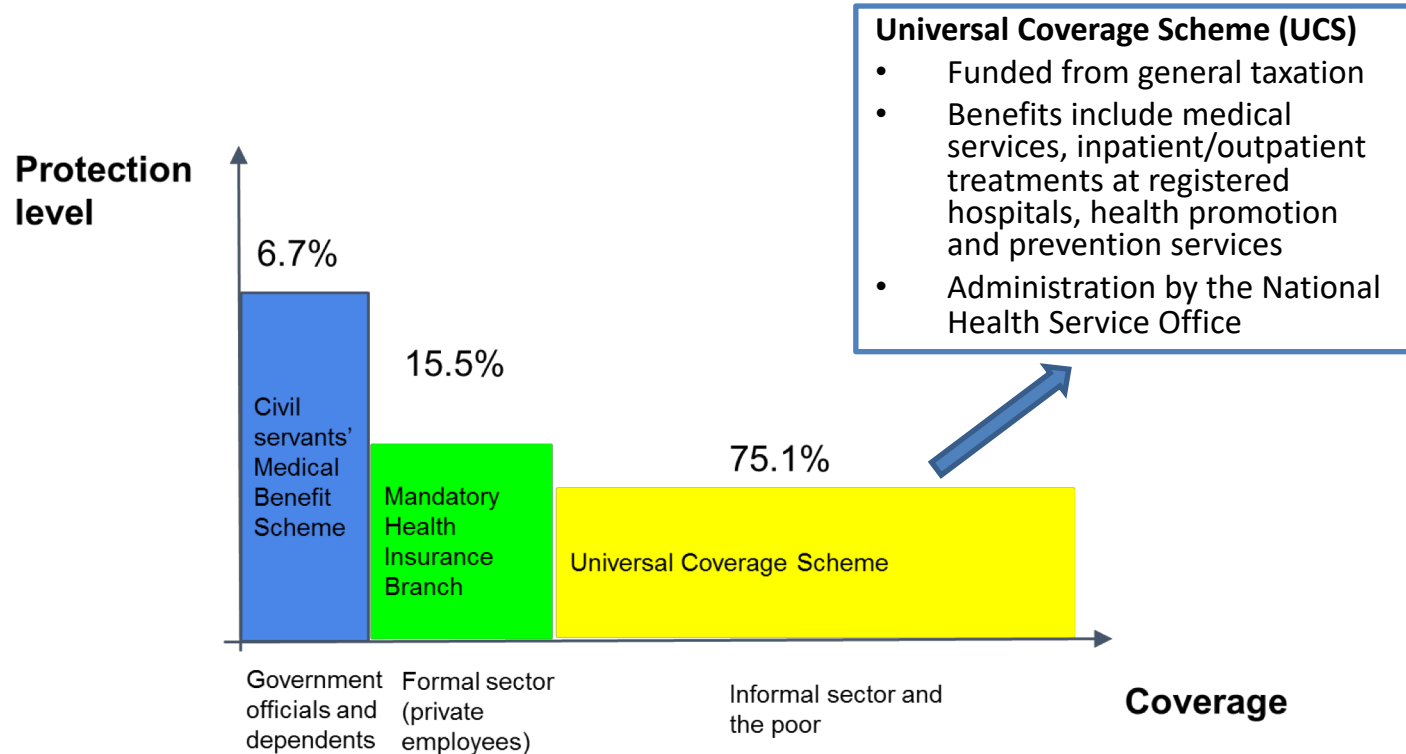
Strategies to extend coverage (II): new schemes



JUSTICE
WORK



Universal Coverage Scheme - Thailand



Health Insurance schemes in China



Urban Employee-Basic Medical Insurance (UEBMI)

1994: pilots, 1998: national wide scale up



New Rural Cooperative Medical Scheme (NRCM)

2003: pilots, 2006: national wide scale up



Urban Residents Basic Medical Insurance (URBMI)

2007: pilots, 2009: national wide scale up



Urban employees

Rural residents

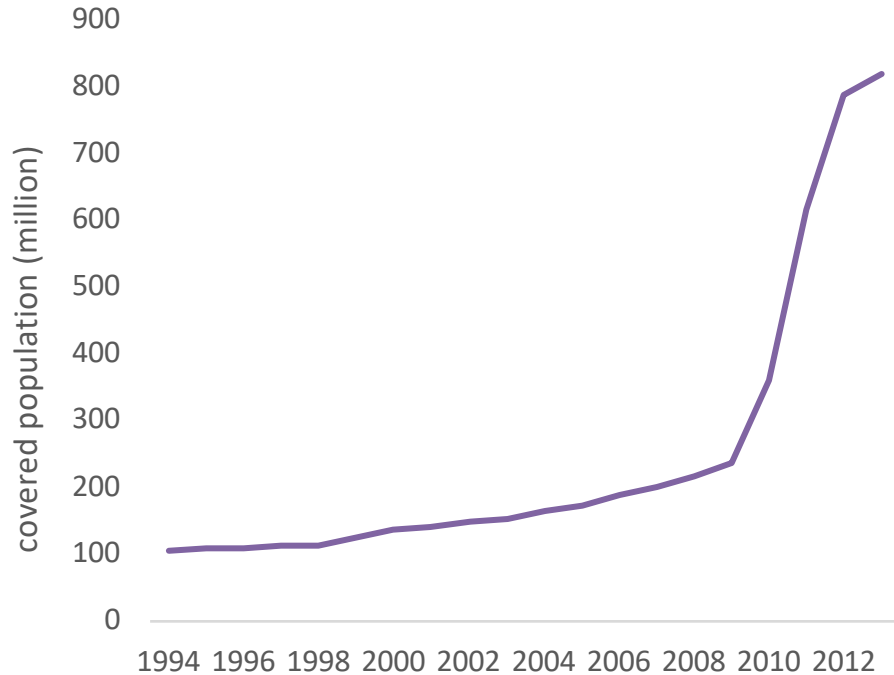
Children, students, elderly, disabled, other non-working urban residents

Health Insurance in China

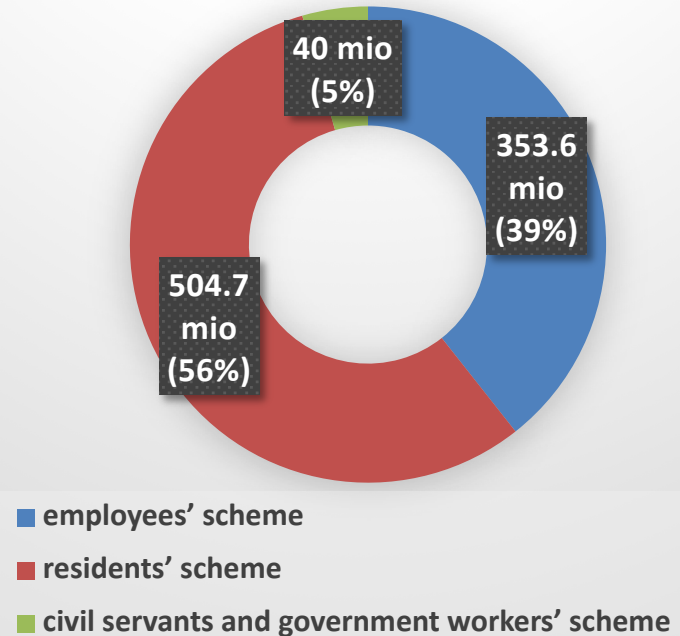


Characteristic	Urban Employee-Basic Medical Insurance (UEBMI)	New Rural Cooperative Medical Scheme (NRCM)	Urban Residents Basic Medical Insurance (URBMI)
Administration	Municipal level	County level	Municipal level
Mandatory/voluntary	Mandatory for employers and individuals Voluntary for the self-employed & flexibly employed	Voluntary at household	Voluntary at household
Source of revenues	8% of employee wages: 6% of the reference payroll from employers and 2% from employee	120 yuan from individual contribution, and average 380 yuan from government contribution (2015)	120 yuan from individual contribution, and average 380 yuan from government contribution (2015)

China: Expansion of social old-age pension coverage (1994-2013)



Covered population by three schemes in 2016 (mio.)



Extension efforts need to go beyond social security



Formalization of enterprises

Incentives for business registration, e.g. lower taxes for MSMEs, unified taxation and social security contributions

Enhance administrative coordination, e.g. unified registry

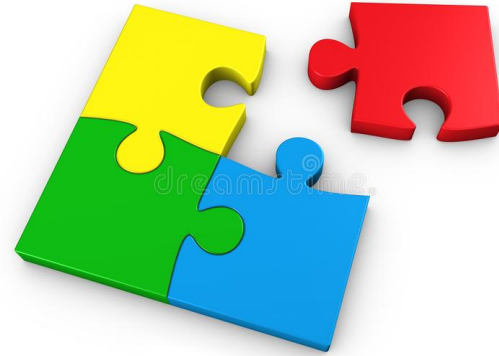
Reduce entry barriers through streamlined business registration e.g. electronic registration, lower entry costs

Provide information and support to register and license a business

Strengthen enforcement and compliance through preventive and corrective measures

LESSONS LEARNT AND RECOMMENDATIONS

**Usually
countries
face a mix of
challenges
and develop
a mix of
solutions**



Combination of approaches key to reach informal economy

Extend legal coverage and adapt the legal framework

Tailor approaches, e.g. affordable premiums, attractive benefit packages, simple and flexible registration and payment procedures, innovative delivery mechanisms (one-stop shops, partnerships with aggregators)

Introduce financial incentives (e.g. subsidies) for those with low contributory capacities

Improve enforcement and compliance

Increase information and awareness and enhance trust

PRELIMINARY RECOMMENDATIONS



- Complement extension of contributory coverage with efforts to **ensure a social protection floor for all**
 - appropriate financing mechanisms (taxes and contributions)
- **Particular attention** on vulnerable groups such as women, persons with disabilities and those living HIV/AIDS, ethnic minorities, migrant workers, elderly etc.
- Extension of coverage to the informal economy guided by **national social protection strategy** rather than piecemeal approaches

PRELIMINARY RECOMMENDATIONS



- **Social security extension strategies** to be **embedded** within integrated **formalization** framework
- **Participation of social partners:** key in design, implementation and monitoring of strategies and policies



**WAY
FORWARD**

- MS need to speed up efforts for the extension of coverage through a combination of contributory and non-contributory mechanisms
- Implement monitoring and evaluation systems (enhance data collection, regional monitoring framework, etc)
- Ensure good governance, effective coordination and delivery of social protection policies
- Increase social protection expenditure (creating fiscal space is feasible)

Thank you

Nuno Cunha