WIEGO

Women in Informal Employment: Globalizing and Organizing

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SOCIAL PROTECTION GLOSSARY

This glossary provides definitions of key terms and concepts associated with social protection and explains their relevance for workers in the informal economy.

Social Protection:

Social protection is a human right and a labour right. It is a set of policies and programmes which, if designed well, can prevent and reduce the impact of risks to the security of workers' incomes throughout the course of their lives.

It can include benefits for children and families, maternity, unemployment, employment injury, sickness, old age, disability, survivors, as well as health protection. The benefits may also include collective or individual savings, private insurance, social insurance, and mutual benefit societies.

Social protection is a broader term than social security (see below) as it includes both state–managed and private schemes people rely on to protect their incomes throughout their lives.

The labour right to social protection is defined in international labour standards such as ILO Convention 102 on Social Security and ILO Recommendation 202 on Social Protection Floors. These standards apply to all workers - including workers in the informal economy. The ILO Recommendation 204 on the Transition from the Informal to the Formal Economy also refers to the importance of extending social protection and public services to workers in the informal economy.

Social Security:

Social security is the protection the state provides to people and households to ensure access to health care and to guarantee income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of a breadwinner.

Note: In practice,social security is often used to refer to work-related social insurance designed around formal employment relationships governed by Ministries of Labour. Social protection may be used to refer only to social assistance measures (i.e. cash and in-kind transfers). However, in theory social security and social protection are broader terms that encompass both social insurance and social assistance schemes.

Social Protection Floor:

A social protection floor is a set of basic income security guarantees that ensure everyone in need has access to essential health care and basic income security over their lifetime.

National governments are in charge of defining what these guarantees are in consultation with workers, employers and civil society, but they should include at least the following:

- access to essential health care, including maternity care.
- basic income security for children, providing access to nutrition, education, care and any other necessary goods and services.
- 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.
- basic income security for older persons.

For more information, see ILO Recommendation 202 on Social Protection Floors

Gender Responsive Social Protection:

Ensuring that social protection systems are sensitive to the differing realities women and men face in the labour market, employment and society, and that they promote gender equality.

For example, women informal workers are likely to earn less when they have just had a baby and are caring for an infant or young child. Gender-responsive social protection policies can include a set of programmes such as a cash maternity benefit, a child grant and access to quality public child care services to protect working women's incomes.

Universal Social Protection Coverage:

The ILO labour standards promote universal social protection coverage which means everyone in a society is adequately covered by social protection policies and programmes. In order to ensure all workers in the informal economy are covered by social protection, governments will have to extend access to social insurance and social assistance (see below).

For more information, see ***ILO definition of universal social protection***

Social protection includes non-contributory and contributory schemes that are complemented by public services. Below we define these different categories of social protection:

Contributory Social Protection Schemes

Contributory social protection schemes are financed by a mix of contributions from workers, employers and the state. These include state managed social insurance schemes where workers and employers both contribute to a workers' pension or health insurance. Contributory social protection schemes can also include voluntary and microinsurance schemes that are managed by the private sector.

Social Insurance:

Social insurance schemes are state-managed schemes in which social contributions are paid by employees or others, or by employers on behalf of their employees, in order to secure entitlement to social insurance benefits (such as health insurance, parental benefits and pensions). These benefits can be claimed, in the present or future subsequent periods, by the employees or other contributors, their dependants or survivors. These schemes are often mandatory and are based in law.

In recent years, however, some social insurance schemes have made provision for self-employed workers to access the scheme on either a voluntary or mandatory basis. For workers in the informal economy, governments may need to partially or fully subsidize workers' contributions due to their low and irregular earnings. If they are self-employed informal workers, contributions by the government can supplement workers' contributions as they do not have an employer.

This is also referred to as ***work-related social protection*** as contributions are made while people are working, and they are usually designed to cover specific work-related risks such as unemployment, work-injury, parental benefits and retirement.

Private Insurance:

These are insurance schemes not managed by the state and can include large-scale private pension schemes as well as smaller microinsurance schemes. Contributions to private insurance are often voluntary - i.e. workers in the informal economy are not obliged to make contributions to a private insurance scheme.

Private insurance schemes are often not based on the principles of collective financing and solidarity (see below).

Non-contributory Social Protection Schemes

Non-contributory social protection schemes are primarily financed through general taxation. These include cash and in-kind transfers - such as food relief packages. Non–contributory social protection schemes can be targeted to specific groups of people either through categorical, geographical or means targeting, or they can be universal. Some non-contributory social protection schemes can be financed by donors, the private sector or NGOs.

Social Assistance:

Social assistance refers to government programmes financed by general tax revenue that provide a minimum level of income support to individuals and households across their lives. These programmes lend support through direct cash transfers, in-kind benefits (e.g. food stamps and rent subsidies) and public employment guarantee programmes.

Universal Schemes:

This refers to cash or in-kind transfers that are given to every citizen and long-term resident regardless of whether they are working or their level of income. Universal transfers can be targeted to specific categories of people – such as older persons through a universal social pension or children through a child grant. The ILO recommends governments adopt universal social assistance schemes rather than means-tested schemes such as social safety nets (see below). Universal schemes will reach more workers in the informal economy. Migrant workers may be excluded if the scheme is only available to citizens.

Social Pension:

Social pensions are regular, non-contributory cash transfers paid by the government to older citizens, given at specific ages in different countries. A social pension can be a means-tested transfer or universal (available to all persons above a certain age regardless of income levels).

Social Safety Nets:

Social safety nets are non-contributory transfer programmes that seek to prevent the poor and people vulnerable to shocks and poverty from falling below a certain poverty level. They are a type of social assistance measure, and are usually strictly means-tested (see below). They were popularized by the World Bank as very low-value protections targeting only the most poor and are criticized because they leave so many people – including workers in the informal economy – without social protection.

Means-Testing:

Targeting social protection at only those who fall under a defined minimum income threshold, for example, India's Below Poverty Line (BPL).

Categorical Targeting:

Targeting social protection at a certain group of people depending on the population category into which they fit (for example, older people, children, people living with disabilities).

Geographical Targeting:

Targeting social protection to specific areas including villages, districts or regions based on their vulnerability to poverty or climatic shocks (i.e. areas prone to earthquakes, flooding, drought etc.) During the COVID-19 pandemic some countries targeted food relief to informal settlements where people were vulnerable to income and food insecurity during lockdown periods.

Public Services:

A public service is a service intended to serve all members of a community. Public services include services provided by a government to people living within its jurisdiction, either directly through public sector agencies or by financing provision of services by private businesses or voluntary organizations (or even by family households, though terminology may differ depending on context). Examples of public services include public hospitals, schools and creches.

Workers in the informal economy may rely more on public services as they may cost less than accessing private services. Better access to quality, affordable and adequate public services can protect informal workers' incomes by cutting down on how much money and time they spend accessing health-care services, medication and creches and school fees. For example, taking a day off work to wait in line for health-care services means informal workers lose out on their daily income. Therefore, quality public services complement other social protection measures to guarantee income security for workers in the informal economy. This is particularly relevant for women informal workers who rely more on public services for their own health needs and to relieve them of their unequal responsibility to care for children, the ill and older persons in their own households.

Who Pays for Social Protection?

Collective financing and solidarity: This is a key financing principle to ensure social protection schemes help to redistribute incomes and support lower-income groups.

Social insurance schemes should be financed through contributions from workers, employers and governments and guarantee that workers do not bear an undue level of financial and economic risk. Higher contributions from formal sector workers and employers subsidize the lower contributions from informal sector workers, just as contributions from younger workers help to pay for older persons' pensions.

For example, a domestic worker's employer should pay a higher level of contribution to complement the domestic worker's own contribution. A street vendor should pay less than a lawyer, even if both are self-employed. The government can either partially or fully subsidize the street vendor's contribution to the social insurance scheme.

Social assistance schemes financed by general taxation should be paid for by those who have higher incomes and big businesses. Those with higher incomes should pay a larger share of their incomes in taxes than those who earn lower incomes. Informal workers who earn low incomes should not be taxed a larger share of their earnings than big businesses and the rich. Governments should also tackle tax evasion and avoidance by big businesses and rich people who can move their money out of a country and not pay their fair share of taxes.

Who is Responsible for Social Protection?

Social protection is a human and labour right and the state is responsible for guaranteeing everyone has access to social protection – both citizens and residents. As social protection policies are designed and implemented for large groups of the population, they are managed at the national level. In a federal system, such as in India, there may also be social protection schemes managed at the state level.

Work-related social protection – or social insurance – will likely fall under the Ministry of Labour.

Social assistance is likely to fall under government ministries responsible for social welfare, social development, social protection and ministries focused on women and children who may be primary recipients of cash grants and in-kind transfers.

Each country will have different names for the ministries responsible for social protection policies and programmes, so below are general names that will need to be adapted to each country's context.

Ministry or Department of Social Security:

This is the government body primarily responsible for social insurance schemes. If it is a department, it is usually under the Ministry of Labour.

In some countries, this Ministry/Department is also responsible for social assistance schemes.

Social Insurance Board:

In many countries there is one or several tripartite boards consisting of workers represented by trade unions, employers and the government that manage state-run social insurance schemes – such as a national pension scheme or a national health insurance scheme. It is these boards that define contribution levels for workers, employers and the government. They are also responsible for designing social insurance schemes that may include informal workers.

Informal workers' organizations may be represented on these boards if they are affiliated to a central trade union. However, in most countries they do not have direct representation as a trade union representative on social insurance boards.

Ministry of Gender and/or Social Welfare/Development:

Social assistance schemes, such as social safety net programmes or universal cash transfers, may not sit under the ministry or department responsible for social insurance. These programmes may be under the responsibility of ministries focused on the welfare of women, children and marginalized groups.

Note: This separation between social insurance and social assistance schemes in government ministries is common in many countries. It can lead to gaps in social protection coverage. For workers in the informal economy to gain better access to both social insurance and social assistance schemes it is necessary to engage with multiple ministries and departments.

For more information on extending social protection to workers in the informal economy please see the following resources:

WIEGO Briefing Note - ***Extending Social Protection to Informal Workers***
WIEGO - ***Social Protection for Economic Recovery: Key Messages and Calls to Action from Workers in the Informal Economy***
WIEGO - ***Social Protection Briefs***
ILO - ***Extending social security to workers in the informal economy: Lessons from international experience*** (2nd edition, 2021)
UNDP and ILO - ***Informality and Social Protection in African Countries: A Forward-looking Assessment of Contributory Scheme***