

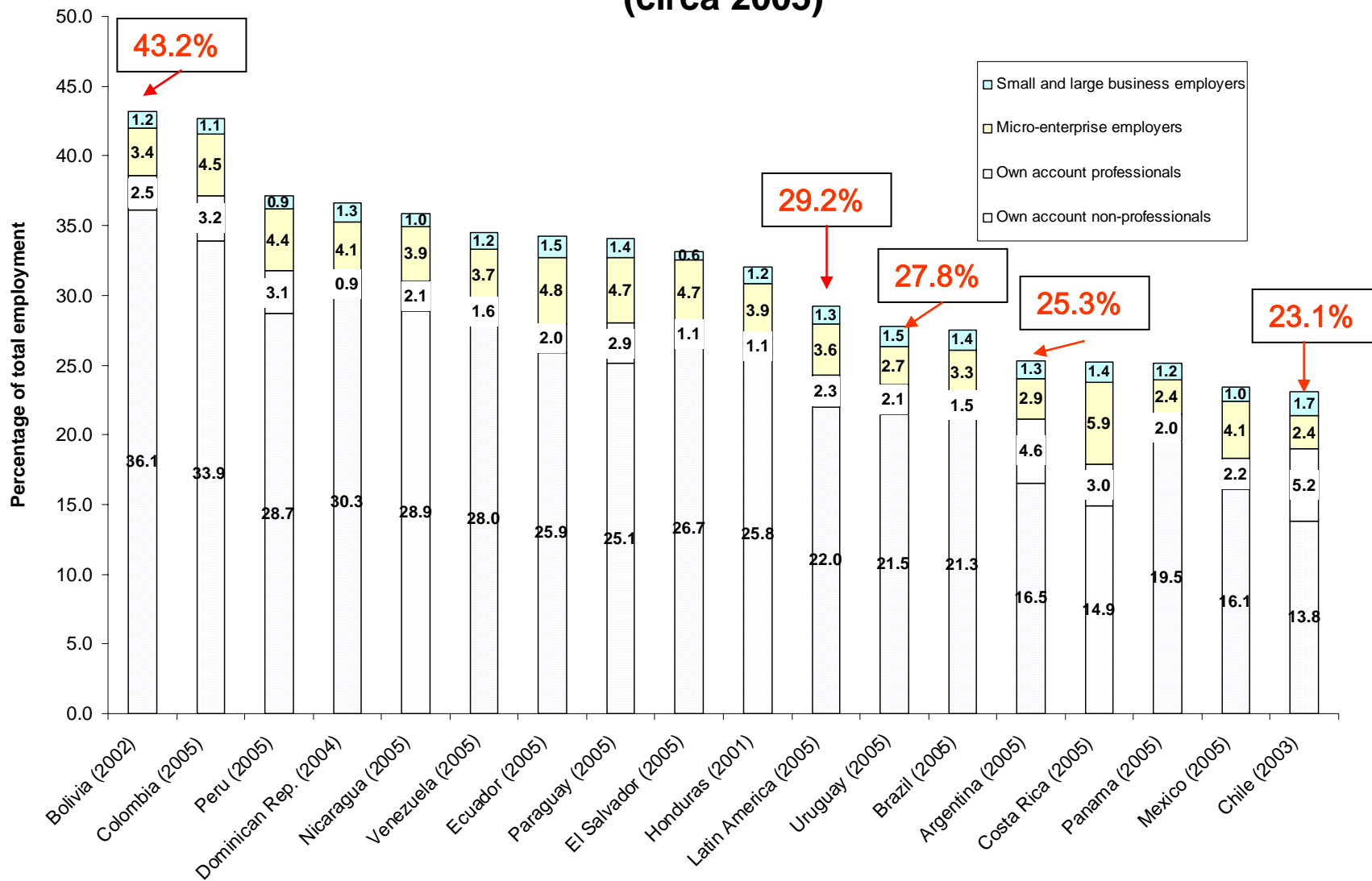
# Informal Economy, Independent Workers and Social Security Coverage: Argentina, Chile and Uruguay

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## Latin America: share of self-employment in total employment (circa 2005)



## ARG, CHI & URU

- Three middle income countries
- Highest development of social security within the region
- Highest coverage for salaried workers (within the region)
- Though, high within country inequalities in coverage
- Many labor market similarities, however differences in legal and actual provision of social protection

# Size and composition of self-employment (% of total employment)

	Argentina EPHC-INDEC(2006)	Chile EPS (2004)	Uruguay ECH-INE (2006)
Total self-employment	23.5	25.6	27.7
Employers	4.3	3.7	4.7
Own account	19.2	21.8	23.0

# Statistical social security coverage of the employed

	Argentina (2005)	Chile (2004)	Uruguay (2006)
Salaried	57.2	85.2	77.3
Independent workers	37.4	27.0	35.7
- Employers	71.4	64.3	85.3
- Own account	31.6	20.6	25.6
Total	54.2	70.3	65.5

# Self-employed: legal coverage

Category of Independent Worker	Argentina	Chile	Uruguay
Employers	Mandatory affiliation	Voluntary affiliation (*)	Mandatory affiliation
University Professionals	- General Scheme for Autonomous Workers - <i>Monotributo</i> Scheme	Privately managed contributory scheme	- General scheme for one-person business - <i>Monotributo</i> Scheme
Trade own account workers	- Pension Funds for University graduates (Provinces ) - General Scheme for Autonomous Workers - <i>Monotributo</i> Scheme	Privately managed contributory scheme	Social Security Fund for University graduates
Subsistence workers	- <i>Monotributo</i> Scheme	Privately managed contributory scheme	General scheme for one-person business - <i>Monotributo</i> Scheme
	- Social <i>Monotributo</i> Scheme	Privately managed contributory scheme	- <i>Monotributo</i> Scheme

(\*) The Social Security Reform Bill that is being debated at Congress includes gradual mandatory affiliation starting with those with a greater contributory capacity.

# **“Monotributo” or Single Tax (Argentina and Uruguay)**

- This is a Simplified Scheme for Small Contributors
- Integrates national/federal taxes (income tax and VAT) and social security contributions
- Special categories of “Monotributo” for sporadic workers and workers with very low incomes at the subsistence level (“Monotributo Social”)
- Highly subsidized scheme
- “Monotributo” included 67% of the self-employed covered by social security (Argentina, 2005).

## Public policy issues (1)

- Self-employment social protection coverage: beyond the “choice” or “exclusion” hypothesis
  - Legal coverage
  - Combination of non-contributory floor with contributory mechanisms

## Public policy issues (2)

- Social protection policies and their effects on informality
  - Social protection instruments design matters
  - Ad-hoc schemes for the self-employed: the *real* costs of inclusion
  - Evaluations of schemes such as Monotributo are needed in order to assess:
    - Hidden economy (VAT advantages are lost)
    - Workers Displacement effects
      - From salaried employment to pseudo self-employment
      - From general schemes to ad-hoc schemes

## Public policy issues (3)

- Scope of coverage:

Asymmetries with salaried workers

- Access to other social benefits (health, family allowances, labor accidents risk protection, etc.)

# Final comments

- The policies and strategies for the extension of coverage to the self-employed must take into account the overall framework and logics of social protection system.
- Avoid possible fragmentations and eventual inequities which could perpetuate over time.
- Special or ad-hoc schemes for the self-employed should be aligned with general schemes to preserve a reasonable trade off between efficiency, inclusion and solidarity principles.



**Thank you!**