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

Interregional Symposium on the Informal Economy
Enabling transition to formalization


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

Source: ILO (2006), Labour Review.
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)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Total self-employment</td>
<td>23.5</td>
<td>25.6</td>
<td>27.7</td>
</tr>
<tr>
<td>Employers</td>
<td>4.3</td>
<td>3.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Own account</td>
<td>19.2</td>
<td>21.8</td>
<td>23.0</td>
</tr>
</tbody>
</table>
## Statistical social security coverage of the employed

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Salaried</td>
<td>57.2</td>
<td>85.2</td>
<td>77.3</td>
</tr>
<tr>
<td>Independent workers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Employers</td>
<td>37.4</td>
<td>27.0</td>
<td>35.7</td>
</tr>
<tr>
<td>- Own account</td>
<td>71.4</td>
<td>64.3</td>
<td>85.3</td>
</tr>
<tr>
<td></td>
<td>31.6</td>
<td>20.6</td>
<td>25.6</td>
</tr>
<tr>
<td>Total</td>
<td>54.2</td>
<td>70.3</td>
<td>65.5</td>
</tr>
</tbody>
</table>
## Self-employed: legal coverage

<table>
<thead>
<tr>
<th>Category of Independent Worker</th>
<th>Argentina</th>
<th>Chile</th>
<th>Uruguay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employers</td>
<td>Mandatory affiliation</td>
<td>Voluntary affiliation (*)</td>
<td>Mandatory affiliation</td>
</tr>
<tr>
<td>University Professionals</td>
<td>- General Scheme for Autonomous Workers - <em>Monotributo</em> Scheme</td>
<td>Privately managed contributory scheme</td>
<td>- General scheme for one-person business - <em>Monotributo</em> Scheme</td>
</tr>
<tr>
<td>Trade own account workers</td>
<td>- <em>Monotributo</em> Scheme</td>
<td>Privately managed contributory scheme</td>
<td>General scheme for one-person business - <em>Monotributo</em> Scheme</td>
</tr>
<tr>
<td>Subsistence workers</td>
<td>- Social <em>Monotributo</em> Scheme</td>
<td>Privately managed contributory scheme</td>
<td>- <em>Monotributo</em> Scheme</td>
</tr>
</tbody>
</table>

(*) 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!