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

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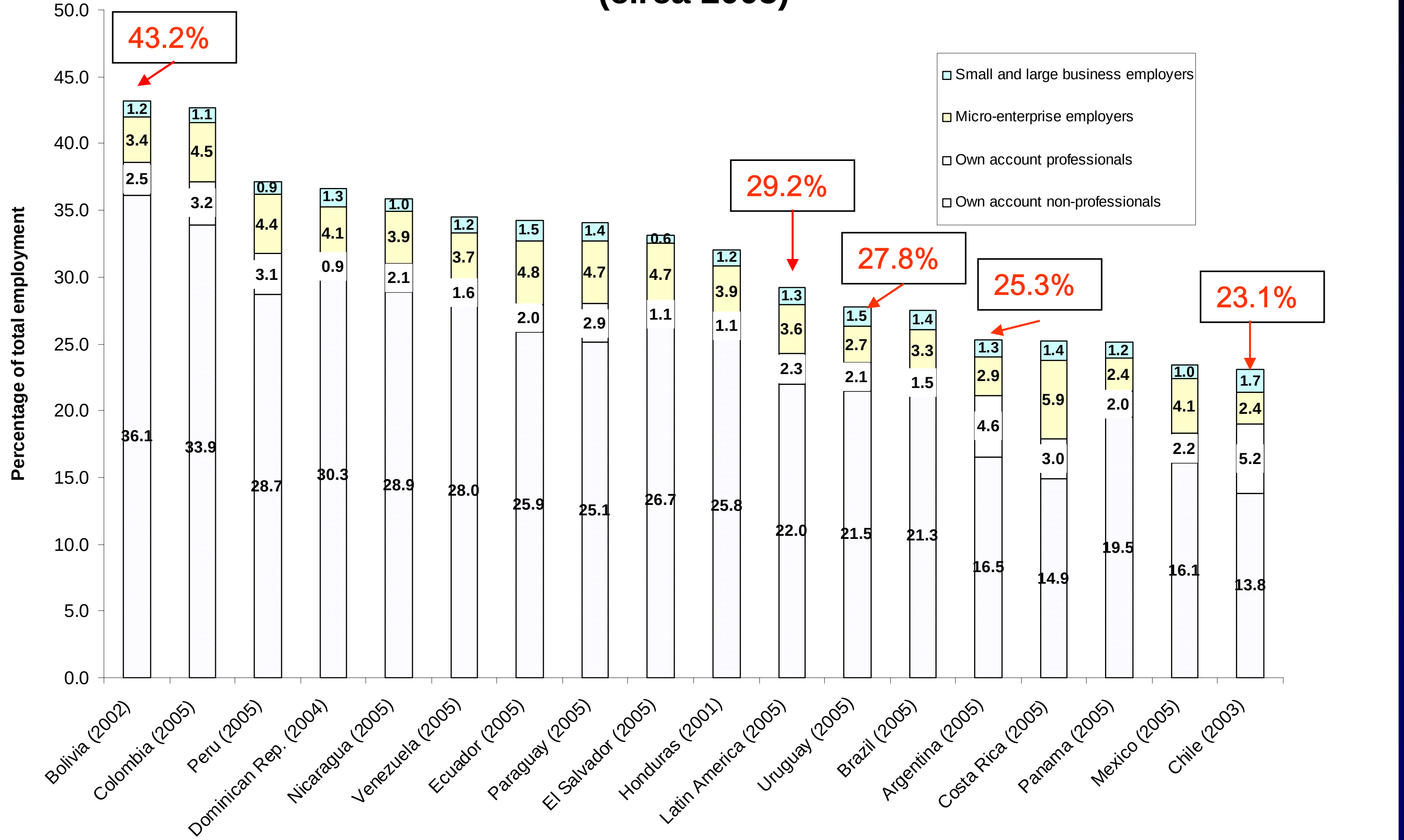
Latin America: share of self-employment in total employment (circa 2005)



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)

	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 Mandatory affiliation	Chile Voluntary affiliation (*)	Uruguay Mandatory affiliation
Employers	- General Scheme for Autonomous Workers - *Monotributo* Scheme	Privately managed contributory scheme	- General scheme for one-person business - *Monotributo* Scheme
University Professionals	- Pension Funds for Univeristy graduates (Provinces) - General Scheme for Autonomous Workers - *Monotributo* Scheme	Privately managed contributory scheme	Social Security Fund for University graduates
Trade own account workers	- *Monotributo* Scheme	Privately managed contributory scheme	General scheme for one-person business - *Monotributo* Scheme
Subsistence workers	- Social *Monotributo* Scheme	Privately managed contributory scheme	- *Monotributo* 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!