

► Coordination between employment and social services: European countries¹

April 2022

Key points

Partnerships for more coherent and coordinated delivery of employment and social protection vary from loose occasional co-operation through informal arrangements to unified organisational frameworks involving pooling of resources and shared use of premises, and in some cases full coordination or integration of service delivery. Although there is no single “correct approach” for an enhanced coordination for service delivery, three critical components for service integration should be considered:

► **Case Management:** A personalized support plan based upon an assessment of a client’s situation. This should be followed by an integration agreement which specifies mutual obligations defining the assistance which the jobseeker can expect from public agencies and what he/she is expected to do in return for receiving this support.

► **Multi-channel management (MCM).** On-line services are increasingly in standard use for routine, complementing, replacing or integrating traditional face to face channels; with enhancements in IT, increasingly more sophisticated, functions and transactions including monitoring clients’ re-integration trajectories through adopting multi-channel management (MCM).

► **Single Point of Contact (SPOC):** Should enable customers to obtain the necessary information at one initial contact centre so that the citizen can be referred for appropriate specialist support as needed and will not be required to provide the same data to each agency he/she is subsequently referred to.

In 2021 Armenia began to implement a major reform in the integration of employment and social services, operating as a Single Agency. This reform was a consequence of the amendments to the Social Assistance Law in 2020, and to the Unified Social Service Charter, decree approved by the Minister of Labour and Social Affairs (MLSA) in March 2021. The ongoing reform, advancing toward the single public agency managing both employment and social services, is introducing a new institutional framework and the implementation raised a number of questions on areas where a more effective inter-agency coordination is necessary and on how to achieve the right balance between employment support and social assistance for

delivering delivery integrated quality services to different categories of vulnerable population. The MLSA requested ILO technical assistance by firstly, taking lessons learnt from the international experience in order to highlight how different countries have addressed areas of critical importance for the Armenian reform. The current policy brief, originating from a draft written by the international expert Eamonn Davern, presents an overview of the reforms implemented by various European countries; it was submitted to discussion in a workshop chaired by Ruben Sargsyan - Deputy Minister of Labour and Social Affairs and Lilit Sedrakyan - First Deputy Head of Unified Social Services (USS), and presented together with the French

¹ The current policy brief was presented on 27 July 2021 to the participants of the workshop, organized in the framework of technical cooperation programme between the Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia and Armenia entitled “Integrated policy response on employment and social protection in the context of COVID-19 crisis mitigation and recovery, supported by social dialogue”. Current document, drafted by the international expert Eamonn Davern, presents an overview of the reforms implemented by various European countries and different approaches to issues of primary importance for the creation of a unified state employment and social security service in Armenia are highlighted.

country case, in July 2021. Furthermore, this note includes a final section about how an enhanced coordination between employment and social protection services can support transition to formality, which is an extract of the ILO report “Extending social security to workers in the informal economy Lessons from international experience (2021)”. Finally, this paper is part of larger technical cooperation programme between the Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia and Armenia entitled “Integrated policy response on employment and social protection in the context of COVID-19 crisis mitigation and recovery, supported by social dialogue”, coordinated by Jasmina Papa (Social Protection Specialist) and Ramiro Pizarro (Chief Technical Adviser), comprising of trainings on international labour standards for social protection and employment services, country cases, technical recommendations for operational issues related to inter-agency coordination and policy guidance on income support schemes, ranging from unemployment insurance to public work programmes.

1. Introduction

Countries across the world are experiencing profound disruption in labour markets due to IT development, the use of big data, and the application of artificial intelligence (AI). Structural changes in the world of work related to significant advances in automation and digitalization are driving the 4th Industrial Revolution. Skills demands are altering as some are becoming redundant whilst new requirements emerge; as a consequence of mismatches many countries are facing a dual challenge: a combination of skill shortages and entrenched structural long-term unemployment (LTU). An impact of the COVID-19 pandemic has been to “fast track” many pre-existing trends, further increasing the requirement on state agencies to review the effectiveness of their employment service and social protection systems, which had already been severely tested in the aftermath of the global financial crisis 2007. The aftermath of the 2007 crisis and COVID-19, and ongoing restructuring, are increasing the risks of exclusion especially of more vulnerable citizens. This necessitates greater coherence between employment and social protection policies and the introduction of more effective delivery systems to mitigate and counter potentially adverse social and economic consequences.

There is no single “correct approach” for undertaking the transformation of public sector service delivery, rather several common trends to meet shared challenges, such as greater citizen awareness and expectations, budgetary constraints, and global competition where public sector efficiency is regarded as a key factor in evaluating investment decisions.

To meet these challenges government agencies are

increasingly developing customer/citizen centric service delivery models which place the customer at the centre of decisions from strategy formulation through service design to operational delivery. The One Stop concept is increasingly being applied to improve service efficiency. This is aimed at enabling citizens to access information and service transactions through a single point of contact. Governments adapting these approaches aim to reduce the time taken to deliver a service, increase the level of engagement with citizens receiving services, provide services which are more responsive to customers’ needs, deliver more cost effective services, and crucially to provide seamless integrated services where ideally there is “no wrong door”.

Partnerships between PES and key groups to combine and integrate service provision have significant potential to provide specialist support to help clients overcome barriers to employment. The first important consideration in introducing a service integration initiative is establishing the scope of the programme, agreeing which services to include. This should as far as possible be driven through analysis of service users’ needs. A number of services can be combined in a programme to combine PLMPs and ALMPs, these include employment and career counselling, provision of advice on the availability of social benefits, the administration of benefit applications, and advice on the availability of assistance to deal with social problems including health related issues.

2. Case management: personalised service integration

The United States Case Management Society defines the Case Management (2007) in public service delivery as “a collaborative process of assessment, planning, facilitation and advocacy for options and services to meet an individual’s needs through communication and available resources to promote quality cost-effective outcomes”.

Case Management is the most efficient tool for the social and labour market integration of clients. The objective of a PES is always to integrate people into the formal labour market no matter how remote they are from it. The Case Management process is therefore applied to try to improve people’s suitability for active employment (the author notes that few countries view subsidised employment as a satisfactory longer-term objective).

A key element of Case Management is development of a personalised support plan based upon an assessment of a client’s situation. This should be followed by an integration agreement which specifies mutual obligations defining the assistance which the jobseeker can expect from support agencies and what he/she is expected to do in return for receiving this. The agreement should specify the frequency

and nature of reporting arrangements for monitoring progress towards integration. The Case Manager should be aware of the wider support system available to a client and therefore be able to both capture essential information necessary to process a client's application for assistance and make necessary referrals to organisations able to provide specialised support where needed to deal with specific barriers to an individual's employability. Therefore, irrespective of the organisational structure effective Case Management must enable an accurate picture of a client's situation to be developed during an initial needs' assessment. The subsequent course of action to be taken should be recorded in an Integration Activation Plan (IAP).

To ensure successful initial orientation a Case Manager must be familiar with the wider support structure (ecosystem), especially the range of support services available, inter-connections between them, and dependencies. Effective support for individual clients is therefore contingent on two features. A shared IT system where all support agencies, and ideally clients themselves, are able to input information to maintain a single customer view, and shared oversight of a re-integration trajectory is a key enabler for this service cohesion. One organisation should, if possible, have overall responsibility for Case Management ensuring coordinated provision of various support services.

Furthermore, Case Management require systematic profiling of customers. Profiling as a recognised procedure for identifying and allocating jobseekers to different categories which can indicate the activation measures, they can access or are entitled to.

A number of profiling methodologies are used by support organisations, especially PES. Campbell (2017) identified three main profiling methodologies, noting that many PES use elements of one or more approaches.

- An approach based on individual handling of cases by caseworkers (case-based profiling);
- A rules-based approach (allocation of jobseekers to ALMPs based on personal characteristics such as age, gender, origin, or the time spent on the unemployment register;
- Profiling with the use of administrative/statistical data.

Introducing profiling has several benefits. It can be applied to identify jobseekers most at risk of falling into long term unemployment enabling early intervention and targeting, this can reduce spells of unemployment. Targeting caseworker interventions on those clients most at risk of longer-term labour market exclusion can reduce deadweight costs from unnecessary interventions and reduce expenditure and case load sizes. If the main aim of a profiling system is to assess the chances of a jobseeker securing a job a variety of potential support options, including appropriate ALMPs, must be in place to enable

appropriate support to be provided for a profiled jobseeker

Though the terms profiling and segmentation are often used interchangeably a useful distinction can be drawn between these through defining the latter. Le Blanc (2019) has defined customer segmentation as "a way to split customers into groups based upon certain characteristics that those customers share. This can identify demographic (e.g., age /gender) and other socio-economic or behavioural differences that can be useful to the organisation." A small number of customer segments can be defined from collecting basic information including demographic characteristics, past employment records, receipt of social assistance, job search behaviours, caring responsibilities, disability, and migrant status. Such information can be applied to identify broad groups of staff potentially more able to self-serve, benefit from caseworker assistance, or requiring intensive support from specialist organizations working in partnership with a PES.

3. Multi-channel management: integrated service delivery systems

To meet increased demands whilst facing more stringent budgetary constraints support organisations must identify the most effective way to deliver services to their clients. Many PES have strategies to target service delivery more clearly to individuals in greatest need of assistance and provide those capable of helping themselves with effective tools to do so. One way of achieving this is through adopting multi-channel management (MCM). MCM can meet citizens' needs for more flexible and accessible services, for example by providing on-line services available 24 hours a day. There are three key considerations for the implementation a successful MCM strategy, the level and quality of internet coverage, the degree of internet usage amongst the key client group of service users, and the extent to which core client groups possess the required digital skills to interact with new media.

In developing an MCM strategy organisations need to decide, which services should be offered to whom and via which channel:

- Services are offered via all channels with citizens free to decide which channel to use. Though possibly necessary as an initial approach in the longer term this can be inefficient and make it more difficult to target resources.
- Replacement: one channel replacing another based on the assumption that it is more effective for a particular task or group, based on the assumption that clients want and are able to use the channel best suited to their situation.
- Supplementing: each channel has its own characteristics that make it suitable for certain services/

client groups and governments will therefore offer services via the most suitable channel.

- Integration: all services are offered through all channels, but the strengths and weaknesses of channels are considered in the design. All channels are integrated into the entire service delivery process and users are steered to the best channel as channels are integrated seamlessly.

Traditionally face to face channels have been deemed more suitable for dealing with more complex situations and more vulnerable jobseekers, though with the advent of the Covid pandemic this position is changing. On-line services are increasingly in standard use for routine, and with enhancements in IT, increasingly more sophisticated functions and transactions including monitoring clients' re-integration trajectories. Social media is increasingly used to interact with clients, especially to engage with new customer groups such as young NEETs and can have a multiplier effect. Social media can also be effective in assisting the job search of more highly skilled individuals.

In seeking to attract clients to use enhanced integrated service delivery systems participating organizations need to develop outreach strategies best suited to the communication preferences of particular client groups. This will involve a variety of methods, and often a combination of approaches. Communications can be internet based (through web pages and social networks), in print and on-line media and television campaigns, through employers (to encourage them to be positive to hiring beneficiaries of employability /training programmes), through intermediary organisations (groups that deal with, support, and/or represent priority groups from inactive populations), and community outreach (through shopping centres, neighbourhood campaigns etc.).

Developing an effective integrated IT infrastructure can provide several benefits assisting service integration. Of particular relevance it can enable service providers to ascertain insights on the effectiveness of support services, including through measurement of client encounters with various agencies providing the data to inform development and reporting on customer satisfaction targets. This in turn can provide for development of a repository of information to support decision making and manage support systems, assisting in both current client support and planning the strategic development of integration programmes.

To successfully implement integrated-data systems Agencies must collect a wide variety of information on the individuals they serve. A wide variety of analyses from a substantial volume of client records can therefore enable questions of interest to stakeholders to be addressed to inform dialogue on priority areas for service integration. A prerequisite for identifying priority groups and functions is

acquiring enough data to support meaningful analyses of outcomes, particularly for the most vulnerable

The extent of data integration can range from case-by-case linkage of selected data to address specific questions to more sophisticated comprehensive systems linking various partner agencies' data as part of standard business delivery supporting reporting requirements and systemic decision making. Such integrated data collection also supports the introduction of unique citizen identifiers which can provide a unified entry key for clients to various supported services. It can enable capacity for stakeholder partners to introduce shared case histories of mutual clients in a common format – further improving the efficiency of support services for both providers and customers.

4. Single point of contact: The European Union case for Long Term Unemployment

As a precursor to designing a blueprint for service integration it is important to analyse the barriers to labour market information faced by potential jobseeker clients of the integrated support system. Following this a mapping exercise can identify the proximity of services being considered to both the employment system and to each other. Finally, it is most important to review the institutional context. This is essential to establish the extent of integration possible within the existing administrative and legal frameworks and identify the extent of alterations needed to the organisational geography of a country to enable the inception of various integration models.

The European Commission (2016) has defined four dimensions to the proximity of services:

- Where a client needs to receive (or is more likely to seek) service A before they can benefit from service B;
- Situations where service A has a greater impact if provided together with service B;
- The providers of service A need to know about what and when the client is doing or receiving in service B to be successful (and vice versa);
- The provision of services A and B requires similar skills, expertise and/or infrastructure.

Having made an initial determination of which services to integrate it is then necessary to decide upon the depth of integration. Significant variations are possible in the extent of integration. The nature and form of integration is determined by several factors, chiefly the organisational and political relationship between potential partners, pre-existing institutional constraints, and the political support and availability of resources to overcome these.

The EU LTU Recommendation calls for provision of a Single Point of Contact (SPOC) for clients. A SPOC should enable the necessary information to be obtained at initial contact so that the citizen can be referred for appropriate specialist support as needed and will not be required to provide the same data to each agency he/she is subsequently referred to. Ideally a client should only need to provide specific personal details once; this is especially important to avoid inconsistencies to ensure that the range of actors involved in provision of services through a SPOC are able to share a common case history for a client.

The list of the potential support agencies includes:

- PES;
- Social Service Providers;
- Public Authorities;
- Training and Education Institutions;
- Integrated Jobcentres (PES and Benefit Authorities);
- Municipalities;
- Private Employment Agencies;
- NGOs;
- Organisational Consortia.

The European case illustrates that SPOCs can be based upon various models of co-operation, tailored to the specific circumstances of a particular country, particularly considering the existing capabilities and scope of the competences of delivery partners. The model further stresses the importance of one organisation taking the lead role in coordinating a more integrated delivery model.

A minimum level of integration of active and passive labour market policies will deliver services to orientate inactive clients towards a PES registration service, with one individualised contact point for referral of information received at a SPOC to other actors, complying with data protection regulations. There should also be mechanisms for pooling client information through smooth and secure transmission of a client's contact history between the support agencies involved in the integration initiative. Service providers should also share information on job vacancies, training opportunities, and other support services provided for clients. The stakeholder partners are further expected to commit to signing partnership agreements with an aim to work towards further alignment and co-ordination. This should include improving inter-organisational cooperation especially data transfer arrangements, and to jointly develop case management training.

At an intermediate level of service integration partners are expected to deliver all the minimum services and supplement these with further integration. It includes a commitment to offer a specific dedicated case worker to be responsible for an individual's overall integration journey, and subject to legal provisions allowing delivery

partners joint access to client case history records. An individual in-depth assessment of a client's employability prospects should also be conducted. Partner organisations are expected to commit to joint shared goals including for employment and integration outcomes, and to develop referral pathways where available places are pre-reserved for beneficiaries referred from the SPOC. This closer level of integration will be enabled by multi-annual inter-institutional partnerships with signatory organisations making budgetary and service commitments.

At the most advanced level of service integration partners (subject to legal provisions) allow appropriate agents full access to integrated client case records. Intensified case management is offered with counsellor-client ratios of no more than 1:100 and one stop shop services offered to employers who want to hire LTU people. The partnership will have full access to recruitment subsidies and agreements with employers to recruit LTU people and provide post placement support. This advanced level of integration is achieved with capacity building through formal inter-institutional network/co-ordination bodies being established. Partners agree performance standards including placement targets and other key performance indicators integrated into the performance frameworks of all participating organisations. The partner organisations agree case management standards and oversee this integrated service delivery system through a management board with representatives from all organisations and at least some pooling of budgets.

Service integration is necessarily a complex process which will have differential impacts upon the various stakeholder organisations participating in such a closer working programme. It is crucial to ensure that the overall results from service integration include improved outcomes in delivery of individual organisations' core business as well as improved social and labour market integration prospects for individual clients. Monitoring, especially during early phases of live running should identify any negative "tradeoffs", e.g. improved employment outcomes at the cost of less efficient administration of unemployment/ social assistance schemes or increased poverty.

Evidence from successful integration initiatives is that these take time, and that even the most well-constructed operational model "blueprints" will require some revision based on the experience of live operation. Implementation plans should therefore allow for "learning by doing" and assume that the costs of some experimentation and revision will be necessary before a stable operational process is established.

Improved service co-ordination can significantly improve the prospects of vulnerable clients, especially those farthest from labour market integration. European

Commission analysis (2015) (2016) identified three issues contributing to LTU and inactivity: limited coverage of activation support, discontinuities, and lack of co-ordination in service delivery, and poorly designed activation support. The European Social Policy Network have identified several key themes associated with effective action to address LTU. They particularly emphasize supply side measures with the need to incorporate; adequate income benefits, effective social services, and high quality ALMPs.

Effective co-ordination of employment, social assistance, and social support services is necessary in order to provide an integrated and holistic response, which is necessary to enable the delivery of the individualised tailored personalised support needed to deal with the multiple challenges often faced by inactive and LTU people.

5. Reform Pathways – lessons learnt from different national approaches

A step by step, incremental, approach to PES partnership development can be considered, from an initial starting point of complete fragmentation and incoherent delivery of employment and social protection policies. The most limited co-operation involved ad-hoc collaboration, typically to meet specific needs identified during periods of crisis and pressure, more regular and sustained co-operation could extend to sharing information on clients and services.

Partnerships for more coherent and coordinated delivery of employment and social protection vary from loose occasional co-operation through informal arrangements to unified organisational frameworks involving pooling of resources and shared use of premises, and in some cases full organisational mergers. The current overall effectiveness of the PES and potential partners is an important consideration when determining the level of ambition for closer working. When the existing administration of employment and social protection policy is weak it is advisable to start with less ambitious goals than in situations where stronger organisations are developing closer service delivery relationships. The depth of integration will depend upon the relationships between the service providers and the nature and extent of institutional constraints. Especially relevant are :the current legal setting – i.e. are organizations e.g. PES an integral part of a parent ministry or autonomous government agencies? , organizational goals, governance structures , organizational hierarchies, management

tiers, geographical footprint, levels of autonomy, and compatibility of IT systems.

Relationships between PES and other partners can be informal or formal, and in latter case governed by a variety of arrangements including memoranda of understanding and sub-contracting agreements. Where specialised input is needed, such as provision of expertise by an NGO to support the integration of clients from vulnerable groups, formal contracts may be preferable through promoting and providing transparency concerning service volume and quality requirements.

Effective partnership governance arrangements are an essential pre-requisite for efficient inter-agency cooperation to improve service delivery. When partnerships are being established discussions must enable the perspectives of all prospective partner organizations to be considered, this is necessary to identify opportunities to develop common oversight and pool sources of funding It is also important to identify similar and shared goals and the potential to review these to promote increased strategic coherence. Similar goals, and the potential to review these to promote increased strategic coherence are also an advantage. Similar levels of autonomy, geographical spread, and reach, and similar and/or compatible IT systems are all further benefits. Conversely dissimilar services are harder to integrate.

In certain circumstances there may be advantages in stakeholder organizations other than PES, such as municipalities, leading a local partnership. The choice of lead agency can depend on a number of factors including existing institutional arrangements, local capacity, the situation of the service delivery points, and existing and potential degree of co-ordination with other institutions.

There are different pathways for reform to integrate service delivery. Analytical works applied for European Union reforms have describe an “encompassing model”² (Pathway One) and the second institutionalized co-operation model (Pathway Two).

Pathway One spans different policy areas to increase the scope of case management and processing. This is based upon legislation, as being proposed for Armenia, that provides for institutional change. This approach was adopted to support service integration initiatives involving PES and social support providers in a number of countries including Denmark, Finland, Ireland, Germany, Norway, Spain (the Basque Country), and the United Kingdom.

Pathway Two is embedded in the pre-existing institutional setting and involves considerable local discretion in service

2 Study on integrated delivery of social services aiming at the activation of minimum income recipients in the labour market – success factors and reform pathways. June 2018. EFTHIEA, Budapest Institute and ICON Institut. European Commission Directorate-General for Employment, Social Affairs and Inclusion.

design and delivery. This has been adopted in Austria, Belgium, Poland, Romania, and Switzerland.

It is important to note that these models are not mutually exclusive in practice; in some countries such as Slovenia reforms reflect considerable influence from both approaches. There is no ideal model appropriate to all countries, and an integration process is a continuum determined by the specific circumstances of a particular country.

Case studies reflect both the desirability of, if not essential, role of political consensus. The merger of previously separate social assistance and unemployment assistance systems under the Hartz reforms in Germany was part of a wider welfare reform, particularly focused upon reducing long term unemployment. The Pathways to Work programme in Ireland introducing a One Stop service (Intreo) combining PES services and social assistance administration was intended to reduce welfare dependency and introduce a stronger connection between receipt of benefits and ALMPs requiring benefit recipients to cooperate and participate in the activation measures. Amalgamation of PES, administration of benefits, and social service provision, introducing the NAV system in Norway was intended to identify administrative efficiencies as well as reducing welfare rolls through more integrated personalized support.

Finland through its LAFOS programme is possibly the prime example of the broadest integration of benefits, including PES and other social support services (e.g., health, housing support), public, private, NGO actors. It is important to note that the degree of integrated provision through the LAFOS model has been heavily dependent upon significant investment in upgrading IT support. This has enabled a significant shift towards IT assisted customer outreach due to substantial system interoperability allowing for close inter-agency co-operation. Various actors combine with an objective to provide a seamless service to citizens, collaboration rather than institutional reform has been the key driver. Attempts at better integrating administration to ensure uniform levels of integration at the local tier have not been entirely successful. Germany also combines a broad range of services through its jobcentres.

In France, Ireland and the UK benefit systems have been streamlined as part of the development of One Stop services, the breadth of integration encompassing the disbursement of benefits with PES services. This has provided both more customer centric personalized support and a mechanism to enhance activation requirements. It is important to note that in most cases, especially Germany and the UK, integration has been incremental as part of a longer-term reform process and not as a consequence of a

policy “big bang”.

Notwithstanding differing arrangements in individual countries, a prominent role for PES is a common theme, reflecting the importance of improved and enhanced activation systems. The vertical division of responsibilities for delivery of labour market policies is a crucial planning consideration. In many countries responsibilities are split between national, regional, and municipal authorities. Irrespective of the internal administrative geography, PES typically play a key role in integrated service delivery, in leading, as in Denmark, or as a prominent actor in partnership, as in Norway, Finland and Germany. Romania and Slovenia are rare examples of countries currently planning further service integration with the PES in a minor role. It is important to note that more ambitious integration models, such as the Associated Cooperation in Sweden combining municipal social work, social insurance, employment policy and health policy, have been successful because of the overall strength of the national welfare institutions.

The depth, i.e., the actual form of integration, must be determined before a reform pathway commences to integrate services. Two broad categories of integrated delivery models can be identified from the European experience. In one model physical combination of services is introduced through one stop-shops, such as in Denmark, Germany, Ireland, Norway, Spain/Basque Country, and the UK. An alternative is the establishment of networks as in Finland and Sweden. An advantage of the latter approach can be that institutional settings do not need to be altered but actors can pool resources to meet the needs of priority target groups.

The growth of digitalisation is increasing the potential for virtual integration. This can provide an effective means of connecting citizens with services in the absence of a local office infrastructure, and as such may be particularly effective in increasing provision to isolated communities, especially in rural areas. This has been effectively developed in Estonia.

In designing and implementing an integration programme, steering arrangements are critical and will depend upon the legislative framework, degree of centralised control/ local autonomy, and financial control mechanisms. The key decision is the preferred balance between centralised control, as in Ireland, or greater local autonomy as in Germany, Norway, and Finland. Denmark has an interesting approach named “decentralised centralisation”. Under the later system the central government reimburses municipalities (who operate PES) for activating unemployed people but transfers costs to municipalities where clients remain unemployed for longer periods, thereby combining autonomy with central controlling/steering mechanisms.

Countries have adopted different approaches to managing integrated services. Both shared leadership as in Norway, or single leadership, as in Denmark and Ireland are possible. Deciding internal leadership arrangements is a crucial decision for planning reforms to integrate services. In a single leadership model where lead responsibility is placed tends to reflect and underline which of the areas of integrated service delivery is a policy priority. Illustrating these reforms integrating services in Slovenia have placed social welfare offices in the lead, in contrast to Spain/ Basque Country where the integration is led by the PES. Where the policy priority has been on activating welfare recipients through a more work first approach, notable examples being Ireland and the UK single leadership models have been introduced.

In countries seeking to promote a broader employment and social integration model, such as Finland and Norway, shared leadership has been more typically applied. It is especially important to consider the extent to which introducing a system with a strong emphasis on both employment and social issues is dependent upon resources, namely the availability of IT and, in particular, sufficient trained staff, competent in cross-agency working and able to offer personalised support to clients with small caseloads.

6. Extending social security and facilitating transition to the formal economy: the ILO two-track approach³

Successful examples of the extension of social security coverage to workers in the informal economy have focused on two broad policy approaches. In many countries, the extension of social security to larger groups of the population has followed an approach that could be described as “extension of social protection through formalisation”, focusing mainly on the existing social protection mechanisms (typically, social insurance, to some extent also mutual funds (*mutuelles*) and other community-based microinsurance). This approach tends to prioritise specific groups of workers who are already close to the formal economy and have some contributory capacity, and may therefore be relatively easily covered by employment-based social protection mechanisms. In many cases, the extension strategy includes not only a change in legislation but also the adoption of measures to remove administrative obstacles to contributions by facilitating

administrative processes and adapting contribution rates and benefit packages. Some examples are the inclusion of domestic workers in maternity and unemployment insurance (South Africa); occupation-/sector-based mutual funds or *mutuelles* (Senegal); facilitating registration and the collection of taxes and contribution collection through monotax mechanisms (Argentina, Uruguay); and the inclusion of self-employed workers in social insurance schemes (Algeria).

In other countries, the extension of social security to larger groups of the population has been pursued through a large-scale extension of non-contributory social protection mechanisms to previously uncovered groups, independently of their employment status and largely financed through government revenue derived from taxation, mineral resource revenue or external grants. This approach could be described as “extension of social protection independently of status”, based on the expectation that investing in people through social protection helps workers to facilitate their access to health and education, enhance their income security and enable them to take greater risks, thereby enhancing productivity and facilitating the formalisation of employment in the medium and long terms. Some examples are the introduction and expansion of cash transfer programmes for children and families (Brazil, Mexico, Mongolia), persons with disabilities (South Africa) and older persons (social pensions in Lesotho, Mauritius, Namibia, Nepal, Timor Leste, South Africa), as well as national health services.

Both approaches to extending social protection are not mutually exclusive but can support each other in many ways. In fact, many of the countries that have successfully extended their coverage have combined the two approaches in integrated two-track social protection strategies that pursue the principle of universal protection, while taking into account the contributory capacities of different groups of the population. There is no one-size-fits-all solution: instead, countries have combined the two approaches to extend social protection to previously uncovered workers, while progressively providing higher levels of protection to as many people as possible and promoting transitions from the informal to the formal economy.

Both policy tracks can facilitate transitions from the informal to the formal economy. The first policy track aims to encourage formalisation directly and at fostering higher levels of formal employment, better economic performance and enlarged fiscal space. The second policy track focuses on the extension of coverage independently

3 ILO, Extending social security to workers in the informal economy: Lessons from international experience (2021), <https://www.ilo.org/global/topics/employment-promotion/informal-economy/lang--en/index.htm>.

of employment status, which may not have immediate formalisation effects but can foster transition to the formal economy in the long term by enhancing access to health, education and income security, with positive effects on human development and productivity. Fostering transitions from the informal to the formal economy is not only essential for improving universal access to adequate and sustainable social protection, but also contributes to broadening the tax base and creating the fiscal space that is necessary for equitable and effective public policies.

In designing strategies for the extension of social protection coverage, it is important to ensure that effective incentives for formalisation exist, and to avoid disincentives that may discourage the transition to the formal economy. Good coordination between the different elements in a

social protection system is essential in order to ensure adequate coverage and maintain effective incentives for formalisation. In addition, coordination with other policies, such as employment, macro-economic and fiscal policies, as well as policies that support sustainable enterprises, are essential for fostering transitions from the informal to the formal economy for both economic units and workers, and ensure financially sustainable and equitable social protection systems and public budgets. Adequate benefits and a sufficient level of risk-sharing and redistribution can be achieved through a staircase approach, whereby higher levels of contribution and formalisation correspond to better-quality social security benefits (higher benefits, more comprehensive benefits), while ensuring a basic level of social security for all.

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