

Indonesia Social Protection Technical Seminar (ISPTS)

# EXPANDING COVERAGE TO INFORMAL SECTOR WORKERS: INTERNATIONAL EXPERIENCE

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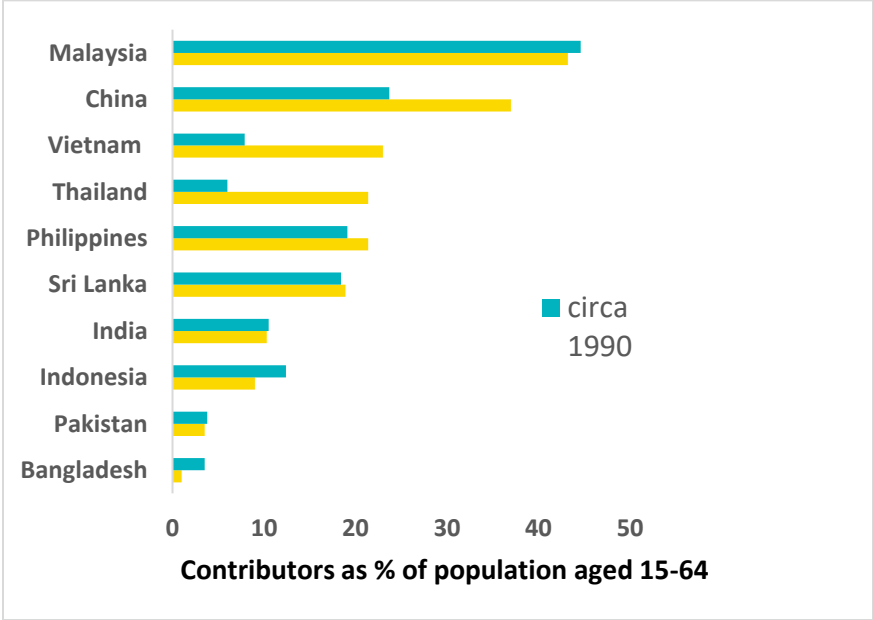
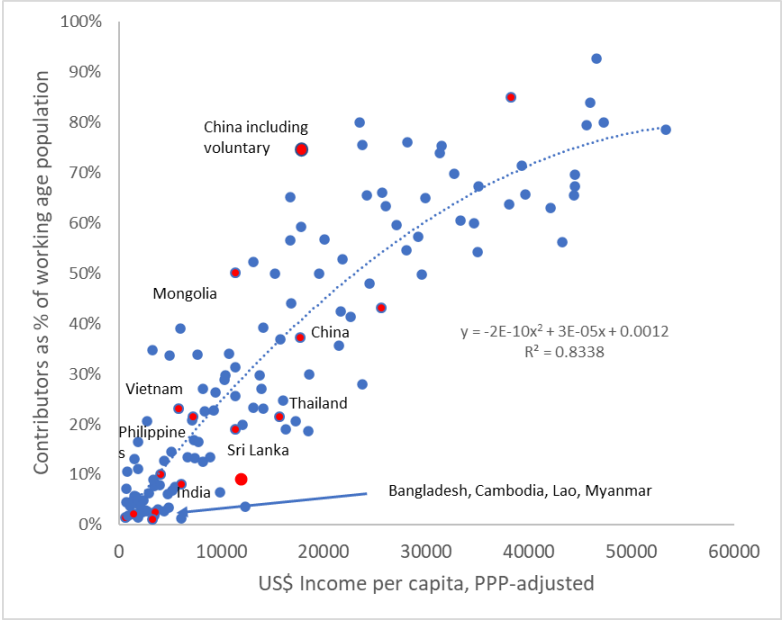
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# COVERAGE GAPS ARE LARGE FOR LOW AND MIDDLE-INCOME COUNTRIES INCLUDING ASIA



# MOST SCHEMES FOR INFORMAL SECTOR ARE PARALLEL TO THE MAIN SCHEME – COSTA RICA, KOREA, MALAYSIA AND VIETNAM ARE THE EXCEPTIONS

Country/year started	Scheme Type	Type of incentive	Coverage
China (2010)	Parallel, DC	Matching and post retirement	High
Colombia (2015)	Parallel, DC	Post retirement	Low
Costa Rica (2005)	Integrated, DB	Matching	moderate
India (2009)	Parallel, fixed amounts	Matching	Low
Kenya (2010)	Parallel, DC	None	Low
Korea (1999)	Integrated, DB	Matching	High
Malaysia (2014)	Integrated	Matching	Low
Philippines (2018?)	Parallel, DC	None	Low
Rwanda (2018)	Parallel, DC	Matching (plus other)	Moderate
Sri Lanka (1987)	Parallel, fixed amounts	Depends on table	Moderate
Thailand (2010)	Parallel, fixed amounts	Matching	Moderate
Viet Nam (2008)	Integrated, DB	Matching	Low

# EMPIRICAL EVIDENCE OF ELASTICITY OF TAKE UP TO INCENTIVES IS SCARCE

## Latin America

- Guzman et al (2020) find little or no effect for fiscal incentives in Chile and Brazil, but a significant effect in Costa Rica

## China

- Several studies find significant impact of match and post-retirement social pension incentive on participation but incentives tend to be positive but vary significantly across provinces and over time

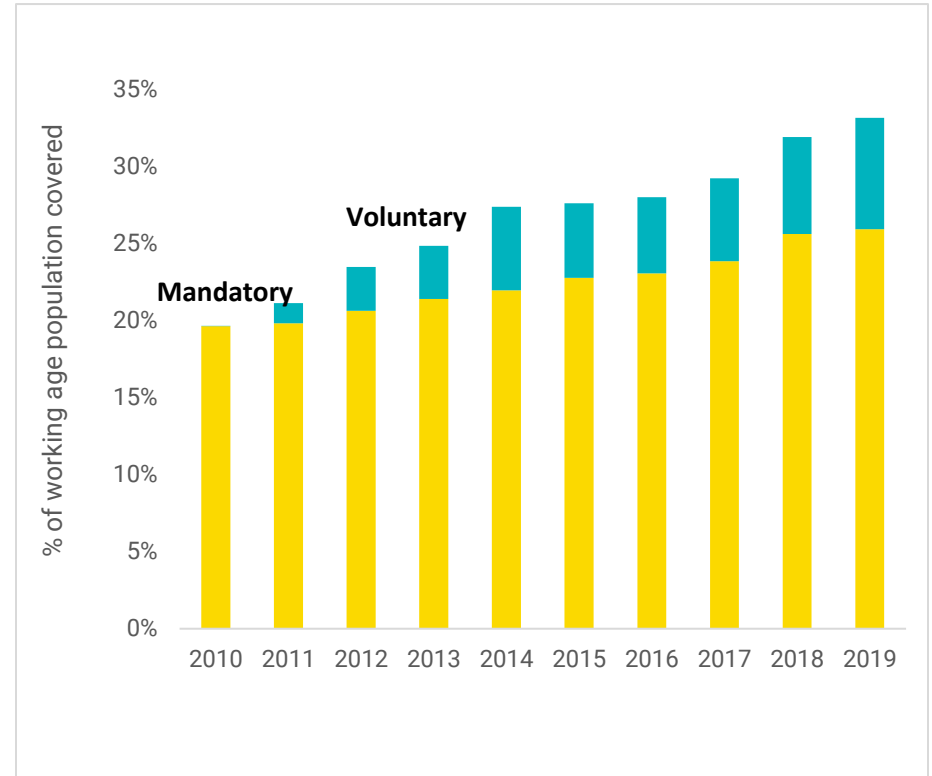
## Korea

- Moon (2013) on co-contribution scheme for farmers in Korea found positive but small effect
- Various studies of the subsidized scheme for employees in small firms found positive but small effect

## Vietnam

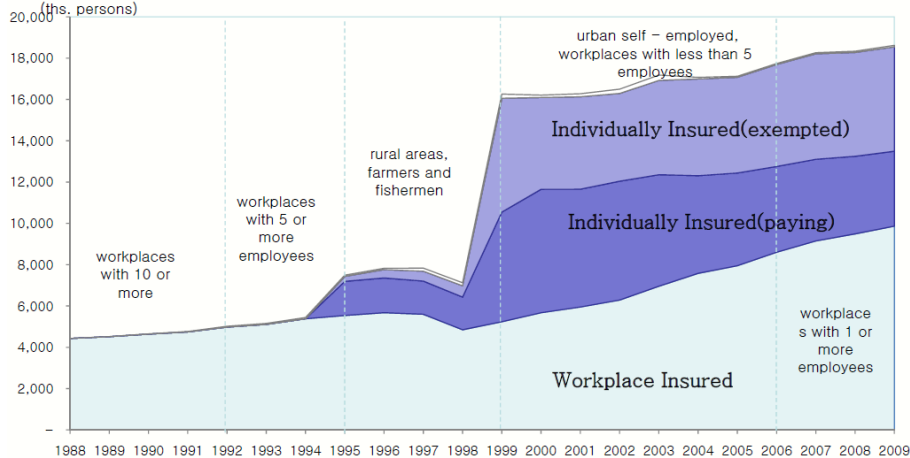
- Luu et al (forthcoming) finds a significant correlation with 'top up' matching contributions across provinces

# THAILAND HAS MADE STEADY BUT RELATIVELY SMALL GAINS WITH INFORMAL SECTOR WORKERS

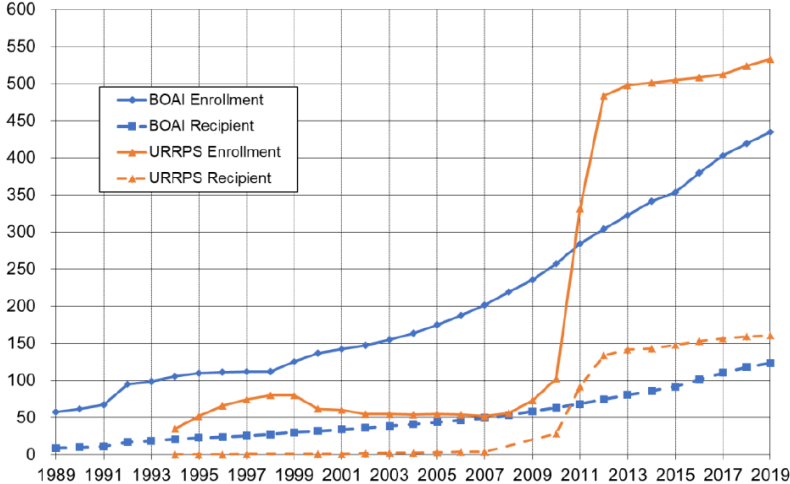


# GLOBALLY, ONLY CHINA AND KOREA WERE ABLE TO ACHIEVE SUCH HIGH COVERAGE AT INCOME PER CAPITA BELOW US20,000 PPP

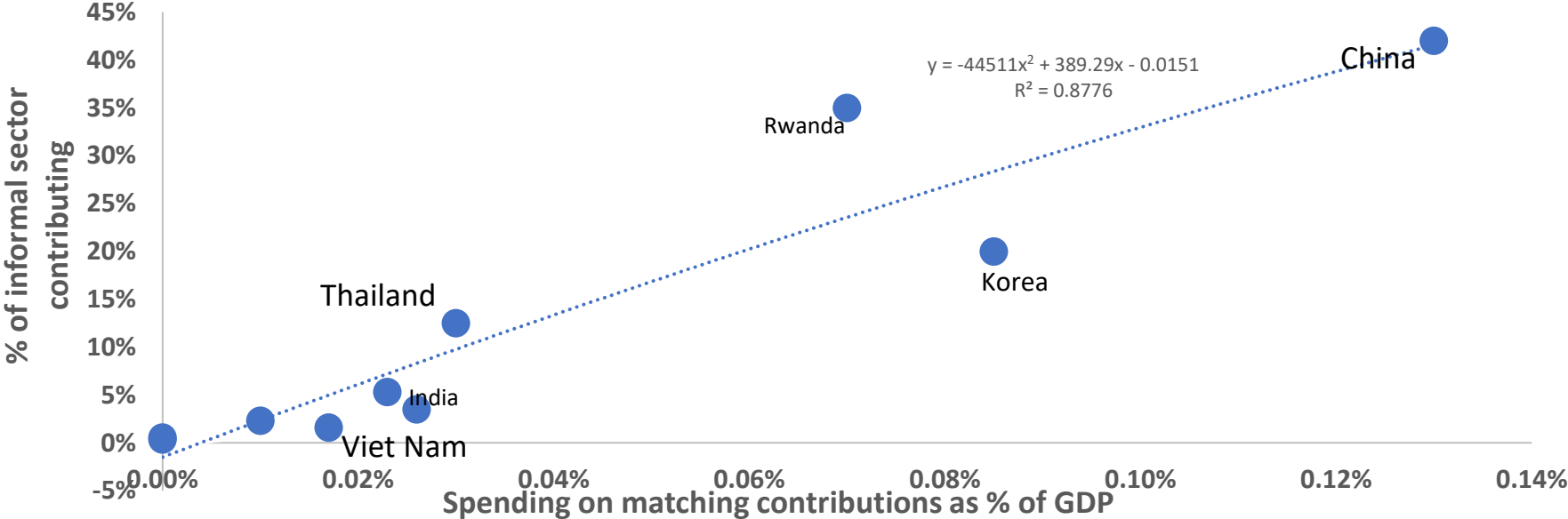
## Korea 1999-2000



## China 2009-10



# GREATER SPENDING ON INCENTIVES IS ASSOCIATED WITH HIGHER INFORMAL SECTOR COVERAGE



# SUMMARY

- Frustration with persistent informality for the last 40 years is leading to more initiatives to entice voluntary participation from informal sector workers
- There are some key policy choices to be made including whether the voluntary scheme is separate from the mandatory scheme, the level of contributions required and the nature and level of the incentive
- The scarce evidence suggests that it is difficult to expand coverage significantly with these schemes and that countries that spend more on incentives tend to get more coverage.



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