

Rethinking Social Insurance for Self-Employed and Gig Workers

March 2024



© 2024 International Bank for Reconstruction and Development / The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

This work is a product of the staff of The World Bank with external contributions. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent.

The World Bank does not guarantee the accuracy, completeness, or currency of the data included in this work and does not assume responsibility for any errors, omissions, or discrepancies in the information, or liability with respect to the use of or failure to use the information, methods, processes, or conclusions set forth. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Nothing herein shall constitute or be construed or considered to be a limitation upon or waiver of the privileges and immunities of The World Bank, all of which are specifically reserved.

Rights and Permissions

The material in this work is subject to copyright. Because The World Bank encourages dissemination of its knowledge, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution to this work is given.

Any queries on rights and licenses, including subsidiary rights, should be addressed to World Bank Publications, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: pubrights@worldbank.org.

Social insurance schemes, traditionally built for stable, employer-employee jobs, often do not fit the reality of gig or self-employed workers with fluctuating incomes. These workers may find it difficult to make regular monthly payments that social insurance requires due to their variable earnings and the high costs of these programs. Participating in formal social insurance is neither feasible nor affordable for many in this demographic due to their unobservable incomes and the high contribution rates of many existing schemes.

This note offers key design insights for reimagining social insurance products for self-employed, low-income, and/or gig workers inspired by the "sachet revolution." This note provides insights on repackaging these products to extend their reach and relevance to a wider audience, drawing on successful consumer goods strategies catering to the preferences and financial capacities of the target market. The aim is to tailor social insurance to meet the diverse needs of an expanded and more diverse client base, ensuring accessibility and practicality. The key design insights include:

1. Offering automatic, small, and flexible payment options.
2. Offering both monetary and non-monetary incentives.
3. Streamlining the registration process by utilizing existing ID systems.
4. Simplifying procedures with digital technology.
5. Establishing registries of potential self-employed workers through partnerships with digital jobs platforms.
6. Using behavioral nudges to encourage participation.

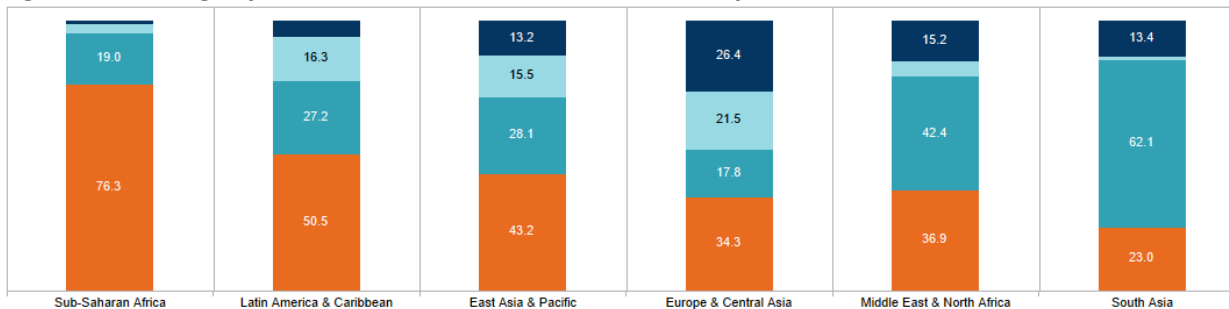
By embracing these strategies, social insurance can become more accessible and relevant to those it has previously failed to reach.

1. Introduction¹: The “Sachet Revolution” and the Importance of Tailoring Social Insurance Products

When designing a product, understanding the customers’ needs and preferences is essential. A case in point of the importance of tailoring product designs to customers is the “sachet revolution” in India. In the 1970s and 80s, some brands that sold daily essential products such as shampoos sought to target a large customer base who, at the time, could not afford these products: lower-income households and the rural market. To cater to the needs of low-income and rural households, these brands revolutionized the design of their products by introducing smaller "sachets" or packets instead of large containers, reducing the price and making the products more accessible to all. Now, single serve shampoo sachets in India make up 95% of industry sales in units and 60% of sales value.²

Social insurance products offered through traditional social security systems often fail to target the needs of self-employed and/or gig workers. The sachet revolution example shows the importance of catering product design to customer needs. However, social insurance product designs have often done the opposite, neglecting the needs of a large share of workers. The International Labour Organization (ILO) estimates that about 70% of the world’s population lacks social insurance coverage. In some regions, such as Sub-Saharan Africa, this share is even higher (76%, see Figure 1). Self-employed workers, or workers who work on their own account without a stable employer, often lack social insurance coverage and are a particularly untapped market as they constitute almost half of total employment worldwide.³ In Latin America, approximately 77% of self-employed workers are considered informal (meaning they do not contribute to any social insurance scheme) compared to only 36% of salaried workers.⁴

Figure 1. Coverage of Social Protection and Labor in Total Population (%) (2019)



Country's most recent value between 2010 and 2019.

■ More than one SPL benefit ■ Only social insurance programs ■ Only social assistance programs ■ No transfer

Source: The Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE), World Bank <https://www.worldbank.org/en/data/datatopics/aspire>

¹ This Note was prepared under the overall guidance of Namita Datta (S4YE) by Catalina Rodriguez Tapia (S4YE), Himanshi Jain (SPJ, World Bank), and Gayatri Murthy (CGAP). The team is grateful to Melis Guven (Lead Economist, SPJ, World Bank) for her excellent suggestions. The Note draws on an S4YE webinar, “[Toward better insurance for self-employed workers](#)” co-organized with the Inter-American Development Bank and with participation from the World Bank’s Social Protection & Jobs Group, and the Consultative Group to Assist the Poor (CGAP).

² Añonuevo (2019).

³ World Bank Open Data, 2021.

⁴ Azuara et al., 2023

The rise of gig work⁵ has further spotlighted the challenges that self-employed workers with high income volatility may face when contributing to social insurance coverage. It is worth noting that gig workers may differ from the broader categories of self-employed workers, though many gig workers fall under the self-employed category. A notable difference is that online gig workers generally have higher earnings, and yet they still have low social insurance coverage. A World Bank survey conducted in the Khyber Pakhtunkhwa province reveals that only 41% of online gig workers earn less than US\$200 per month, as compared to 90% for informal workers. Despite having higher incomes on average, gig workers typically have no social insurance coverage. In another World Bank survey with online gig workers on the Workana⁶ platform, 70% of respondents lacked health insurance, and 48% lacked an old-age pension.⁷ Because self-employed workers are a difficult group to identify and reach, as will be explored in the next section, analyzing the general profile and challenges that gig workers face in contributing to social insurance may shed some light on the common challenges self-employed workers also encounter.

2. The Client at the Center: What Do We Know About Self-Employed, Low-Income, and Gig Workers?

Understanding the needs of self-employed, low-income, and gig workers is key when crafting social insurance products. The pioneers of the “sachet revolution” understood that the client’s needs should be at the center of product design. Taking this into account, *what do we know about self-employed workers and gig workers?*

Figure 2. Summary of barriers to social insurance coverage of self-employed workers and gig workers



1. Many workers may face liquidity restrictions and high-income volatility.

⁵ Gig work refers to short-term task related work, rather than a traditional full-time employment, often intermediated through an online platform or app. There are different sub-categories of gig work, such as online gig work, and location-based gig work. Online gig work, specifically, refers to tasks or work assignments performed and delivered online by workers, such as image tagging, data entry, website design or software development. Location-based gig work, on the other hand, requires the worker to conduct the work in a specific location, as is the case with ride-hailing apps such as Uber, or delivery apps such as Uber Eats.

⁶ Workana is the largest freelance and remote work platform in Latin America. The platform was founded in 2012 and has grown over time within Latin America. For more information, see <https://www.workana.com/>.

⁷ Datta et al. 2023

Self-employed and/or gig workers may have volatile and/or low income, impacting their ability and willingness to contribute to traditional social security schemes. Traditional social security systems and products often assume that workers have stable recurring salaries. For many self-employed workers, this income stability is far from their reality. For example, a survey of self-employed small-scale fishers conducted through the ABALOB⁸ platform shows that only 2 out of 10 fishers in South Africa had a stable income, given the unpredictable fishing seasons and expensive tools and equipment required to fish.⁹ This income volatility can translate to financial instability. In a recent World Bank report on online gig work “[Working Without Borders](#),” a significant portion of online gig workers surveyed find it difficult to make ends meet, with this figure at 40% in a survey with Microworkers, and 36% with Workana.¹⁰ Similarly, in a survey, Beat ride-hailing app drivers¹¹ in four Latin American countries were asked how long they could cover all their basic needs if they lost all their income and had to survive off their current savings and assets. The majority indicated that they could only survive between a week and a month (30%), or between a month and three months (25%).¹²

Because traditional social security systems were often not established to consider this income volatility and uncertainty, there are some regulatory barriers that further deter self-employed workers from contributing. Some countries implement minimum contribution requirements and liquidity restrictions in their pension systems with the intention of encouraging workers to save enough for their retirement. However, these regulations may translate to additional barriers for self-employed workers with high income volatility. For instance, in Chile and Peru, the minimum contribution to pension systems is set at 10% of the minimum wage, making it harder to save smaller amounts that they would be more likely to afford.

2. Many workers need to register and pay for social insurance themselves.

Unlike salaried workers, self-employed workers are tasked with registering and contributing to social insurance schemes themselves. Salaried workers' employers are usually in charge of registering their employees with social security systems and automatically contributing to their accounts. Furthermore, many employers match contributions, alleviating some of the worker's financial burden when paying for social insurance. However, self-employed workers do not have this privilege. Not only do they have to pay the full price of social insurance— they also have to register themselves. From a behavioral perspective, each added step or documentation requirement when registering or contributing to social insurance presents an opportunity for self-employed workers to drop out of the journey.¹³ A recent IDB study maps processes required for self-employed workers to register and contribute to social insurance in five Latin American countries. The study identifies critical features of these processes that simplify and reduce the burden for the self-employed worker, such as automatic discounts, electronic registration, among other

⁸ ABALOB⁸ is a digital platform for small-scale fishers in South Africa to record their catch data and to ensure a fair and improved livelihood from sustainable fishing. Therefore, they have access to many small-scale fisheries.

⁹ Anand & Murthy, 2023

¹⁰ Datta et al. 2023

¹¹ Although not all gig workers are considered self-employed workers, but survey data finds that a large part of them are. In the same survey with Beat drivers, the majority of respondents reported being independent (35%), or not partaking in additional economic activity (20%).

¹² Azuara et al., 2022.

¹³ Guven et al., 2021

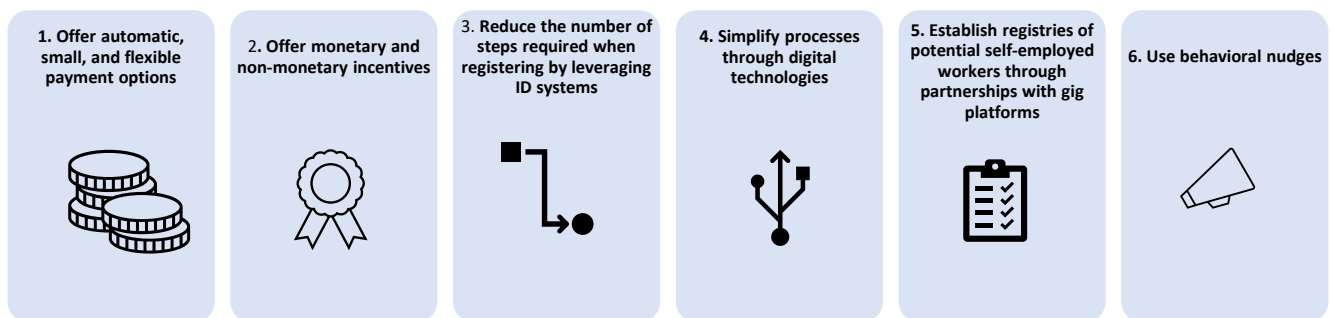
processes (see footnote for additional features identified).¹⁴ In countries where more of these process features were integrated as part of the self-employed workers' user journey, the levels of social insurance coverage for self-employed workers were higher. For example, Chile has the highest level of integrated processes (four) that simplify the workers' user journey and the highest percentage of social insurance coverage (40%).¹⁵ On the other hand, Peru and Mexico processes have less of these automated integration features in place, and their coverage is almost non-existent.¹⁶

3. Self-employed and/or informal workers are not easily reached.

A key challenge in extending social insurance to the self-employed is their lack of "observability." Self-employed workers are in the "missing middle," meaning that they may not be poor enough to qualify for social safety net benefits, yet they are not well-off enough to access formal social insurance programs designed for the formal sector.¹⁷ Their lack of formal registration in social insurance schemes and/or social safety net programs can render them unobservable or unreachable by government administrations, complicating efforts to contact them and track their earnings and employment status. In a survey conducted with freelancers on the Workana platform, in which survey respondents on average were likely to consider themselves as self-employed, approximately half of respondents did not subscribe to a pension scheme, with even higher non-coverage rates in countries such as Venezuela (73 percent).¹⁸ Analyzing coverage on digital job platforms, such as online gig platforms, provides only a small glimpse into how disconnected or difficult to reach these groups are.

3. Design Insights for a New Generation of Social Insurance Products

Figure 3. Key design insight for a new generation of social insurance products.



We know that self-employed workers have liquidity restrictions, high income volatility, must register and pay for social security themselves, and are hard to reach. Taking this into account, **how can we design the next generation of social insurance products?**

¹⁴ The critical integrated processes identified in the IDB report include: electronic registration; aggregation of income from various sources; flexible insurance schemes with new products; automatic discounts; coordination of information with the tax system; coordination of information with the financial system; and, finally, tax incentives.

¹⁵ The critical integrated processes that Chile has include electronic registration (mobile or computer), automatic discounts for the payment of contributions, coordination with the tax system to achieve coordinated payment and insurance, coordination of information with the financial system.

¹⁶ Azuara et al, 2023

¹⁷ Guven et al., 2021

¹⁸ S4YE, 2023

- 1. Offer automatic, small, and flexible payment options.** To address liquidity restrictions and income volatility, ensuring that payments are automatic, small, and flexible is key. A pilot intervention in Peru with Cabify drivers suggests that incorporating automatic and flexible payment schemes into program designs can incentivize participation, with low opt-out rates. This pilot allowed drivers to automatically save a percentage of their weekly earnings, instead of a fixed amount. This approach was more financially manageable for drivers during weeks with lower earnings, with 18% opting in and only 3.3% opting out after four months. Such integration can enable automatic deduction and transfer of social security contributions from the earnings of workers, ensuring their participation in the social protection system or savings schemes. Indonesia also provides an example of using automatic and flexible payments, where motorcycle and taxi platforms such as GoJek and Grab are mandating a small automatic deduction for work accident and death benefits from the workers' and passengers' e-wallets for the length of the trip. Although neither the Indonesia nor Cabify programs focus on facilitating contributions to social security schemes, a similar strategy could be used for government systems. Ensuring that the plans offered are flexible (for instance, deducting a percentage of weekly or monthly income instead of fixed amount) and allow smaller payment amounts could incentivize more self-employed and low-income workers to start contributing. It is worth noting that while such small payment schemes may increase coverage, they may still lead to inadequate savings over time. To address this, pairing these schemes with pension education and intuitive communication about the long-term benefits of savings is important. For example, offering access to a pensions calculator that shows at what age you will retire at your current savings rate could help individuals understand the real implications of their savings choices.
- 2. Offer monetary and non-monetary incentives.** For many self-employed workers, contributing to a social insurance scheme may seem both unaffordable and unattractive due to factors like liquidity restrictions and employers who do not match contributions. To reduce the burden of full payment on the worker, offering monetary incentives and bundling with additional benefits may make social insurance products more appealing to self-employed and low-income workers, especially in the absence of matching contributions from an employer and amidst liquidity constraints. A key example is Rwanda's Ejo Heza scheme, which provides matching contributions up to a certain level based on a means test. Ejo Heza was designed as a voluntary defined contribution scheme, with short term withdrawals allowed when specific contribution levels are reached, and targeted incentives to cater to the characteristics of informal sector workers.¹⁹ Key incentives include matching contributions differentiated by Ubudehe category and amount of saving, funeral and life insurance benefits, and limited withdrawal allowed after having saved 4mIn Rwf (USD 4000). This scheme has been very successful in reaching the intended beneficiaries, as 87 percent of its savers are informal workers. Colombia's Social Protection Floor (SPF) is an example of how to package social insurance in a way that incentivizes participation through monetary and non-monetary incentives. From non-monetary perspective, it offers a bundled social insurance package that is targeted specifically for those earning less than the minimum wage, including inclusive insurance (such as lump sum benefits for death, and

¹⁹ Guven & Jain, 2023

severance), subsidized health insurance, and savings for old age (through the BEPS scheme).²⁰ The savings for old age scheme portion of this social insurance package, BEPS, also offers monetary incentives, as it matches the contributions of participants by up to 20%, relieving some of the financial burden.

- 3. Reduce the number of steps required when registering by leveraging ID systems.** A seamless registration and contribution process is key to ensure that self-employed workers follow through with the user journey. This can be achieved through the integration of social registries, ID systems, and payment platforms. In nations with established and unique identification systems—like India's Aadhaar or Rwanda's national identity card—these systems can be harnessed to ease the enrollment process for workers in the informal sector. By obtaining consent, the necessary details can be auto filled from the ID database.²¹ Following this logic, some governments have used regional ID systems to support specific populations, such as migrants in the case of the West Africa Unique Identification for Regional Integration and Inclusion (WURI) Program in West Africa.²² It is worth noting that leveraging ID systems requires ensuring compliance with data privacy regulations, which means that the individual consent of citizens is required before using their ID to simplify registration processes.
- 4. Simplify processes through digital technologies.** Employing digital systems, especially mobile money, can simplify processes while reducing the operating costs of the schemes and make saving more accessible for everyone. For instance, multi-channel contributions (web portals, banking correspondents, merchants, mobile apps, etc.) offer an opportunity that governments in some countries have taken advantage of. Kenya's National Social Security Fund (NSFF) launched Haba Haba in 2019 to extend social security coverage to informal sector members, enabling registration and contributions to be done through mobile phones. Haba Haba allows savings of at least Ksh 25 per day, with the option to withdraw 50 percent after five years of consistent contributions.²³ In Mexico, AforeMovil (the country's official retirement savings app) is also a new channel through which any Mexican can contribute voluntarily to their retirement through their smartphone.
- 5. Establish registries of potential self-employed workers through partnerships with gig platforms.** Whereas in rural settings, the informal sector tends to be more organized around cooperatives and village associations, digital platforms are increasingly serving as a glue for workers in urban settings. Digital platform workers, or gig workers, represent a new frontier for inclusion—they can be easily reached through the digital platforms where they find work and provide valuable data on their work patterns and earnings. According to a World Bank survey in Indonesia, the two most cited reasons for gig workers not participating in social security schemes are 1) a lack of knowledge about program benefits and eligibility and 2) a perceived inability to pay contributions. Thus, using the database of gig platforms to expand social registries from which vulnerable gig workers can be routed to relevant public social insurance products is a key opportunity. For instance, the ride-hailing and delivery app DiDi teamed up with the Mexican government to

²⁰ Guven et al., 2021

²¹ Guven et al., 2021

²² Guven et al., 2021

²³ S4YE, 2023

promote their use of the AforeMovil retirement savings app. Furthermore, India’s e-Shram²⁴ portal shows an example of how self-employed workers, including gig workers, can be included in a comprehensive national database to facilitate last-mile delivery of social protection schemes for self-employed workers.

6. **Use behavioral nudges.**²⁵ After establishing a registry of potential self-employed workers through collaboration with digital jobs platforms, behavioral nudges can help reroute these workers to the right social insurance products. Behavioral economics,²⁶ a hybrid between economics and psychology, offers important tools to facilitate individuals’ decisions to join or contribute to a social security scheme by tackling psychological barriers such as lack of attention span or procrastination. For example, using timely messages to encourage actions like saving for retirement—known as behavioral nudges or reminders—is a cost-effective method. This requires having suitable communication channels and crafting appropriate messages to prompt the desired behavior change. For instance, a massive AforeMovil app push messaging pilot experiment led to a 16 percent increase in accumulated savings after nine months.²⁷ A similar behavioral nudge pilot with BEPS affiliates in Colombia encouraged non-savers to start saving, and active savers to save more through an SMS campaign coordinated through the IDB. After 15 months, BEPS affiliates who were not saving before the intervention saved 14% or 12.4% more than the control group depending on whether they received the SMS for 10 or 15 months.²⁸

Figure 4: Summary of Challenges and Solutions/Features to Support the Design of the Next Generation of Social Insurance

BARRIERS	DESIGN SOLUTIONS	EXAMPLES
Liquidity restrictions and high-income volatility.	Offer automatic, small and flexible payment options.	Cabify pilot implemented through IDB; Gojek & Grab
	Offer monetary and non-monetary incentives.	Rwanda’s Ejo Heza scheme; Colombia’s BEPS scheme
Need to register and pay for social insurance themselves.	Reduce the number of steps required when registering by leveraging ID systems.	West Africa Unique Identification for Regional Integration and Inclusion (WURI) Program
	Simplify processes through digital technologies.	Kenya’s Haba Haba; Mexico’s AforeMovil
Difficult to reach.	Establish registries of potential self-employed workers through partnerships with digital jobs platforms.	India’s e-Shram DiDi’s AforeMovil campaign
	Use behavioral nudges.	BEPS SMS pilot; AforeMovil app push campaign pilot

²⁴ <https://eshram.gov.in/>

²⁵ A nudge is any form of choice architecture that alters people's behavior in a predictable way without restricting options or significantly changing their economic incentives. See Thaler and Sunstein (2008)

²⁶ Behavioral economics, a hybrid science between psychology and economics, uses tools to help people overcome psychological barriers that prevent them from fulfilling their intentions, such as saving for retirement. For more information on behavioral pilot interventions conducted in Latin America through the IDB’s Retirement Savings Laboratory, see Azuara et al. (2021).

²⁷ Azuara et al., 2021

²⁸ Azuara et al., 2021

4. Conclusion

Like the "sachet revolution," social insurance products must cater to the needs of a broad customer base, particularly self-employed workers, and/or gig workers. To effectively serve this demographic, examining their needs and their current customer journey is key. Self-employed workers often experience significant income volatility and liquidity constraints. They must independently register for social security products and are challenging to reach, frequently absent from government registries, which may render them "unobservable." Addressing these challenges requires rethinking our approach to traditional social insurance products and systems. Among the key social insurance design considerations, we highlight the following: introducing automatic, small, and flexible payment options; providing both monetary and non-monetary incentives; streamlining the registration process by leveraging existing ID systems; simplifying procedures through digital technology; creating registries of potential self-employed workers via partnerships with digital job platforms; and employing behavioral nudges to foster participation. Integrating some of these design considerations can help close the social insurance coverage gap and forge the way for a more inclusive social insurance system for all.

References

Anand, & Murthy. (2023). *Financial Services for Gig Workers: Lessons on Getting Design and Delivery Right*. CGAP. <https://www.cgap.org/research/publication/financial-services-for-gig-workers-lessons-on-getting-design-and-delivery>

Añonuevo. (2019). What Tech Founders Must Know About the Sachet Economy in Asia. *Entrepreneur: Asia Pacific*. <https://www.entrepreneur.com/en-au/news-and-trends/what-tech-founders-must-know-about-the-sachet-economy-in/330981>

ASPIRE: The Atlas of Social Protection Indicators of Resilience and Equity. (n.d.). World Bank. <https://www.worldbank.org/en/data/datatopics/aspire>

Azuara, Bosch, Caballero, Cofre, Gonzalez, Hand, Keller, Rodriguez Tapia, & Silva-Porto. (2021). *Ahorro sin barreras: Lecciones de las intervenciones del Laboratorio de Ahorro para el Retiro*. <https://doi.org/10.18235/0003177>

Azuara, Carmona, Mondragon, & Vivanco. (2023). *Mejorar las vidas de los trabajadores independientes: el camino hacia su aseguramiento efectivo*. Inter-American Development Bank. <https://doi.org/10.18235/0005030>

Azuara, Mondragon, Rodriguez Tapia, & Vivanco. (2022). *Generar ingresos a través de las aplicaciones de movilidad: ¿qué preferencias muestran los usuarios conductores de Beat?* Inter-American Development Bank. <https://doi.org/10.18235/0004204>

Datta, Namita; Rong, Chen; Singh, Sunamika; Stinshoff, Clara; Iacob, Nadina; Nigatu, Natnael Simachew; Nxumalo, Mpumelelo; Klimaviciute, Luka. 2023. [Working Without Borders: The Promise and Peril of Online Gig Work](#). © Washington, DC: World Bank

Guyen, & Jain. (2023). *The Promise of Ejo Heza: A Brighter Future for All Rwandans*. World Bank. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099033123085036654/p1765760d02a820c109c3a076b3730e68cb>

Guyen, Jain, & Joubert. (2021, November). *Social Protection for the Informal Economy*. World Bank. <https://elibrary.worldbank.org/doi/abs/10.1596/36584>

S4YE. (2023). *From Informality to Inclusion*. World Bank. <https://www.s4ye.org/node/4095>

World Bank Open Data. (n.d.). World Bank Open Data. <https://data.worldbank.org/indicator/SL.EMP.SELF.ZS>