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Facilitating transition between social assistance and social insurance— Conceptual framework and review of global good practices for countries in the Arab Region

International Labour Organization (ILO) and Institute for Applied Economic Research (IPEA)

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IPCid Working Paper No. 002
Facilitating transition between social assistance and social insurance—Conceptual framework and review of global good practices for countries in the Arab Region
By International Labour Organization and Institute for Applied Economic Research

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FACILITATING TRANSITION BETWEEN SOCIAL ASSISTANCE AND SOCIAL INSURANCE—CONCEPTUAL FRAMEWORK AND REVIEW OF GLOBAL GOOD PRACTICES FOR COUNTRIES IN THE ARAB REGION

International Labour Organization and
Institute for Applied Economic Research

1 INTRODUCTION

In most developing countries, the large size and heterogeneity of the informal economy pose a challenge to governments in implementing policies to effectively reach the Sustainable Development Goal (SDG) Target 1.3: "*implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable*". At the same time, governments must ensure that efforts to extend social protection coverage do not hinder the transition to the formal economy.

The dichotomy between contributory and non-contributory social protection systems has been sean as creating disincentives to formalization. On one hand, tax financed non-contributory—and especially social assistance[1]—programmes usually exclude those formally employed and target individuals who cannot or should not work, e.g., elderly persons, persons with severe disabilities, chronically ill persons, and children, particularly orphans, or low-income households whose working-age members are in most cases—by design or in practice—unemployed or employed in the informal economy without work-related social protection coverage.[2] On the other hand, contributory social insurance benefits are often only available to those workers and economic units operating in the formal economy.

Ensuring bridges between different social protection programmes and financing mechanisms—including smooth transition paths (forward and backward) between social assistance and social insurance schemes—has increasingly become an important issue in many developing countries. This is due to its potential to create better impetus for accessing formal employment, expand social protection coverage, stabilize income, reduce vulnerabilities, and, in doing so, to ensure both the right to decent work for those in working age and to social protection for all.

1. In the report we define Social Assistance, in line with the ILO as benefits for poor and needy groups that are financed by tax revenues.

2. Such as own-account workers, employers, members of cooperatives, employees in informal jobs, contributing family workers, paid domestic workers and workers in unrecognized or unregulated employment relationships (e.g. platform workers) who usually do not contribute to social security.

The 2012 ILO Social Protection Floors Recommendation, No. 202, acknowledges social security as "an important tool to support the transition from informal to formal employment", as well as recognizes this transition and the establishment of social security systems as mutually supportive. The interconnection between extension of social protection and formalization is also fully recognized in the 2015 ILO Recommendation No. 204 on Transition from the Informal to the Formal Economy (see Box 1). Formalizing enterprises and employment not only provides access to social insurance for more workers (horizontal coverage) but often also offers protection against a wider range of risks/contingencies and higher benefits (vertical coverage) compared to tax-financed schemes. Transitioning from social assistance to social insurance often means accessing higher benefit levels that not only alleviate poverty but provide more adequate income replacement. The complementary nature of tax-financed benefits and contributory mechanisms can also increase the financial sustainability of the social protection system as a whole, and unlock new avenues for social protection financing. Extending contributory coverage and formalizing enterprises and employment reduce the burden of social assistance coverage while broadening the tax base for government-financed social protection.

The very notion of 'graduation' from social assistance is a contested one as it often suggests the idea of 'graduation' from social protection altogether and neglects that there can—and should—be transitions from one form social protection to another (or a combination of forms). Social protection is a human right of all, and hence it is not expected that individuals will "graduate" from social protection, but rather **transition across different components of a holistic social protection system**, as is the focus of this study.

BOX 1. Social protection and the transition to the formal economy in ILO recommendation No. 204

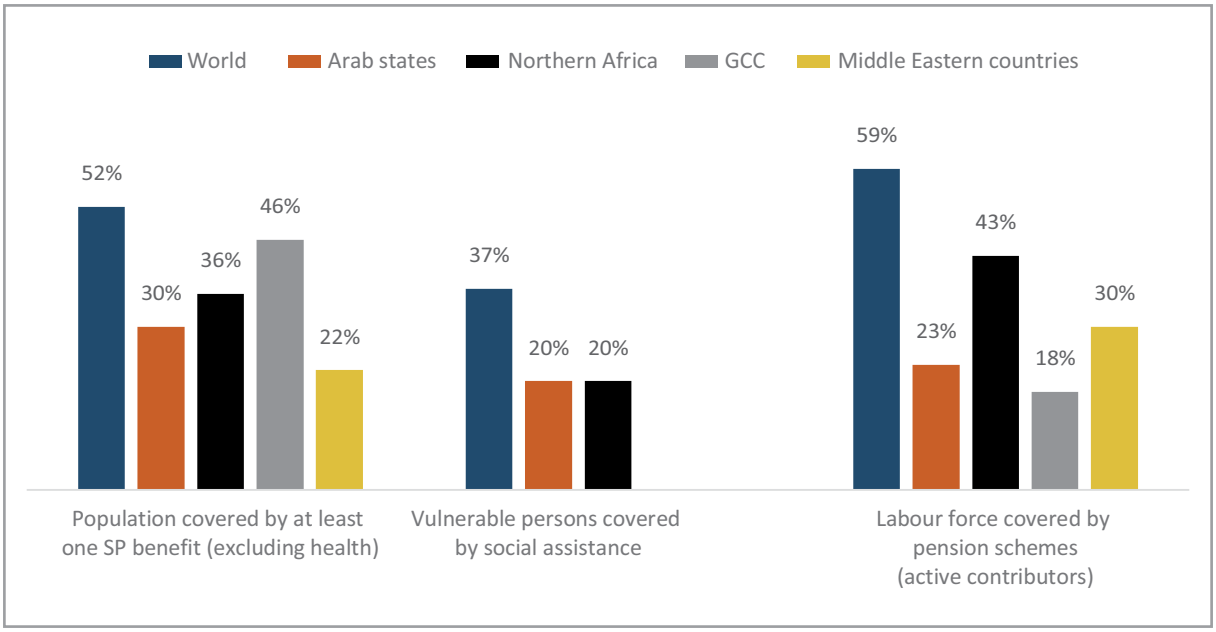
The 2015 ILO recommendation No. 204 on Transition from the Informal to the Formal Economy provides guidance on developing of an *"integrated policy framework to facilitate the transition to the formal economy"* (III.10) that would address, among other issues, *"the establishment of social protection floors, where they do not exist, and the extension of social security coverage"* (III.11.n). The recommendation emphasizes the importance of promoting "the coherence of macroeconomic, employment, social protection and other social policies" (I.1.b) to facilitate such transition. Moreover, it states that a comprehensive employment policy framework based on tripartite consultation (employees, employers, and government organisations) should also include *"labour market policies and institutions to help low-income households escape poverty and access freely chosen employment, such as appropriately designed wage policies including minimum wages, social protection schemes including cash transfers, public employment programmes and guarantees, and enhanced outreach and delivery of employment services to those in the informal economy"* (IV.15.d). Moreover, members should pay attention *"to the needs and circumstances of those in the informal economy and their families"* when *"building and maintaining national social protection floors within their social security system and facilitating transition to the formal economy"* (V.19) and that they should *"progressively extend the coverage of social insurance to those in the informal economy and, if necessary, adapt administrative procedures, benefits and contributions, taking into account their contributory capacity"* (V.20).

For this, it is important to ensure coherence across social assistance and social insurance programmes. This will avoid, for example, situations where eligibility criteria and exit rules of social assistance programmes create disincentives to a smooth transition of informal and self-employed workers into the formal economy—especially for working-age members of low-income households (e.g., Garganta and Gasparini, 2015). It will also prevent scenarios where social insurance administrative procedures, benefit suitability and contribution levels or schedules hinder registration and retention of workers in the contributory system.

In the Arab region, this issue is particularly relevant given that informality is high and social protection coverage is relatively low. In the Arab States,[3] approximately 69 per cent of total employment is informal (ILO 2018b). As for effective coverage, only 40 per cent of the population in the Arab States and 34 per cent of the population in North Africa are covered by at least one social protection benefit, excluding health insurance (Figure 1). This is below the global average of 47 per cent and places the region as the second lowest in terms of coverage after Sub-Saharan Africa (14 per cent). In terms of social insurance contributions, both the Arab region and North Africa have degrees of coverage that are considerably lower than the global average. Disaggregated data for the Arab region into its two components of Gulf Cooperation Council (GCC) countries and other Middle Eastern Countries reveal notable differences between those as well. This is partially due to the fact that 5 out of the 6 Middle Eastern Countries are experiencing some form of emergency or crisis.

This challenge has been acknowledged in the Ministerial Forum Declaration on the Future of Social Protection in the Arab Region in November 2021. In the Declaration, participant ministers committed to extending social protection coverage, including by "ensuring access to adequate social protection for workers in all types of employment—formal and informal—and making social protection systems more inclusive and effective as enablers of national formalization strategies", as well as to enhancing coordination between contributory and non-contributory social protection schemes.[4]

FIGURE 1. Social protection effective coverage, 2023 or latest data by region and sub-region



Source: Authors' elaboration based on ILO (2024).

Note: Arab States comprises the two sub-categories of GCC and Middle Eastern Countries.

3. Defined by ILO as including: Bahrain, Iraq, Jordan, Kuwait, Lebanon, Palestine, Oman, Qatar, Saudi Arabia, Syria, UAE, Yemen and excluding North African countries. The Arab region can be divided into two further categories: the Gulf Cooperation Council and other Middle Eastern Countries. The GCC includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. Other Middle Eastern Countries are Iraq, Jordan, Lebanon, Palestine, Syria, and Yemen.

4. See: https://socialprotection.org/discover/publications/ministerial-forum-declaration-future-social-protection-arab-region-building. Accessed on 27th March 2024.

Against this background, this report aims to provide a review of international experiences on ensuring better transitions between social assistance and employment-related social insurance. The report is divided into seven sections. Following this introduction, Section 2 begins by presenting the conceptual model used in this report. For this, concepts such as 'transition', 'graduation', 'programme exit', and 'incentive compatibility' are defined, and the push and pull factors that facilitate transition are introduced. Section 3 discusses good practices around the world in programme design that incentivise the "exit" from cash assistance programmes and entry in social insurance. Section 4 analyses good practices in linking social protection schemes with interventions that support workers to join the labour market, while Section 5 discusses good practices in providing financial incentives to increase social insurance subscription. Section 6 provides an overview of push and pull factors in place in social protection systems across the Arab region. Finally, Section 7 gives general recommendations for better transition linked to the push and pull factors reviewed, as well as regarding broader structural-change drivers that can improve transitions.

2 OVERVIEW OF CONCEPTUAL MODEL

CORE FOCUS ON POVERTY-TARGETED HOUSEHOLD-BASED SOCIAL ASSISTANCE

In the context of this report, tax-financed programmes[5] are divided into two main categories:

1. **Life-cycle based benefits**, which address categorical vulnerabilities and typically have the form of individual entitlements, e.g., social pensions, disability grants or child benefits; and
2. **Poverty-alleviation social-assistance programmes**, which are usually means tested, benefit poor and vulnerable households, and intend to secure at least a minimum income to beneficiaries (sometimes called safety-nets).

While both forms of social assistance can contribute to directly or indirectly reducing vulnerability of the working poor and can potentially facilitate transitions to employment,[6] both can also have design features that may hinder the *working poor* from entering the formal economy and transition into contributory social insurance schemes.[7]

The review conducted in this study focuses on non-contributory household-based poverty alleviation programmes, as the matter of employment and formalization disincentives is more prominent for this type of scheme, and because they are the most widespread form of social assistance in the Arab region. Life-cycle, non-contributory benefits tend to generate fewer disincentives to employment activation and transition into formality as, generally, they are less

5. Other forms of non-contributory social protection schemes in-kind assistance, subsidies, and public works programmes, which are not directly considered in this paper.

6. For example, child benefits can decrease the child-care burden on women and allow them to enter the labour market.

7. For example, disability benefits may be designed to be incompatible with employment.

strictly poverty-targeted and do not include explicit eligibility conditions related to employment, for either the benefit recipient or other household members (Gerard, Naritomi and Silva, 2021; Bergolo and Cruces 2021; Fruttero, Leichsenring and Paiva 2020).

FROM 'GRADUATION' TO 'TRANSITION'

Household-based, poverty-alleviation social assistance programmes, unlike the life-cycle, non-contributory programmes, are usually provided for a limited period after which a household's eligibility is reassessed and their permanence in the programme or exit from it is dependent on the results of that assessment. One often used term that can apply to such programmes is 'graduation', which can be defined as:

1. Reaching a state in which one has exited or escaped (extreme) poverty, based on a given poverty metric and therefore can be considered ready to 'graduate' from the interventions dedicated to enable this transition; or
2. The act of going through a set of phased-in and overlapping interventions meant to improve the well-being of their participants' (Soares and Orton 2017).[8]

Assessments of ´graduation' from social assistance programmes have revealed the complexity of this term. While many interventions aimed at graduation have resulted in improvements in ownership of productive assets and the socio-economic status of households, graduation is often 'simply a snapshot in time, after which households continue to oscillate between extreme and moderate poverty' (Huda 2021). And so, extensive efforts need to be conducted to ensure that social assistance schemes are comprehensive in accounting for changes in income levels of beneficiaries and serving as a protective cushion.

BOX 2. From graduation to transition

Graduation: reaching a state in which one has exited (extreme) poverty, based on a given poverty metric or the act of going through a set of phased-in and overlapping interventions meant to improve the well-being of their participants'.

Transition: movement from one form of social protection to another in the context of changes to socio-economic, lifecycle and work status. Social protection is a human right of all, and hence it is not expected that individuals will graduate from social protection. Policies should aim at keeping individuals in social protection throughout their lives, regardless their work status or level of income, by facilitating the transition across different components of a holistic social protection system.

This report therefore adopts the term 'transition' rather than 'graduation'. It uses a definition of transition that encompasses a continuous pathway for beneficiaries, wherein exit from poverty-targeted social assistance programmes leads to continued coverage in the social protection system through social insurance (see Boxes 2 and 3, and also Roelen, Devereux, and Sabates-Wheeler 2017).

8. See also Samson (2015) for a discussion on three types of graduation, namely: exogenous, endogenous, and developmental.

BOX 3. Can graduation approaches contribute to social protection floors?

Behrendt (2017), argues that the concept of graduation from poverty is sometimes misunderstood as graduation from social protection altogether. This can be highly problematic as it assumes that social protection is only for those living in extreme poverty or that social protection and income generation or employment are not compatible.

Life-cycle benefits respond to social protection needs that relate to structural vulnerabilities, associated with work or life-cycle transitions or contingencies, which are not necessarily or strictly related to poverty. Social protection is not just about poverty, and hence not all social protection beneficiaries would be expected to graduate, e.g., beneficiaries of a disability or social pension.

Graduation approaches can play a role in lifting people out of poverty in a sustainable way but for this, the author argues, they need to shift their focus from 'graduation out of a social protection programme' to 'graduation into a social protection system'. This could be done, for example, by directly linking participants with existing mechanisms, such as health insurance, other cash transfers or social insurance.

Source: Authors' elaboration.

PUSH AND PULL FACTORS FOR TRANSITIONING FROM SA TO SI

The conceptual model of this report identifies *key push and pull factors* that affect transition processes between social assistance and employment-related social insurance. It builds on the concepts of **incentive compatibility** and **loss aversion** (Box 4). The model is based on a desk-based review and multiple brainstorming sessions with social protection practitioners from international organisations, as well as experts from the Arab region.

BOX 4. Incentive compatibility and loss aversion

Incentive compatibility is defined as features of social protection programmes aimed at making beneficiaries less prone to work disincentives, and may include design features such as the level or duration of a benefit, co-responsibility, or financial incentives (Almeida et al. 2012). In simple terms, incentive compatibility is about making the transition from social assistance to work-related social insurance benefits become more favourable, which plays an important role in increasing formality as opposed to encouraging work in the informal sector (Almeida et al. 2012).

Loss aversion is a concept most often featured in behavioural economics that entails the perception of a real or potential loss as having a higher impact than a potential equivalent gain (Günther and Maier 2007). In social protection, this could apply to social assistance beneficiaries and their perceptions of labour-related income, i.e., they would rather not leave a social assistance programme for fear of losing the regular income even if wage or self-employment could potentially provide them with an equal or higher income.

Source: Authors' elaboration based on Almeida et al. (2012).

According to the model, transitions from social assistance to social insurance can be facilitated through coherent formulation and design of social protection policies and programmes, and related systems, or adaptation of the existing ones. On one hand, push factors are mechanisms or features of social assistance policies that provide protected exit pathways, reduce loss aversion bias and ensure incentive compatibility. These factors were divided into two groups in the model, as follows:

(i) Social assistance design features; and

(ii) Measures to support working-age social assistance beneficiaries to join the labour market.

On the other hand, pull factors are features of social insurance policies that can attract individuals currently benefiting from social assistance to join social insurance schemes. These features were organised as follows:

(i) social insurance design features; and

(ii) financial incentives to join social insurance (Figure 2).

Regarding **push factors, social assistance design features** play a key role in incentivising beneficiaries to search for employment or to take risks with self-employment or entrepreneurial projects by assuring that protection from social assistance is temporarily maintained as they transition to the labour market and the formal economy, or can be re-accessed in case they regain eligibility. This can be achieved in social assistance programmes that incorporate the following features:

1. The phasing out of benefits;
2. Income discounts or job disregards when calculating or determining programme eligibility; and
3. Guaranteed return to the programme for former beneficiaries.

Secondly, **linking social assistance programmes with measures to support entry into the labour market** can involve providing support for:

1. Human capital development through training or livelihood programmes; and
2. Labour activation via job search and matching services, job placements and wage subsidies.

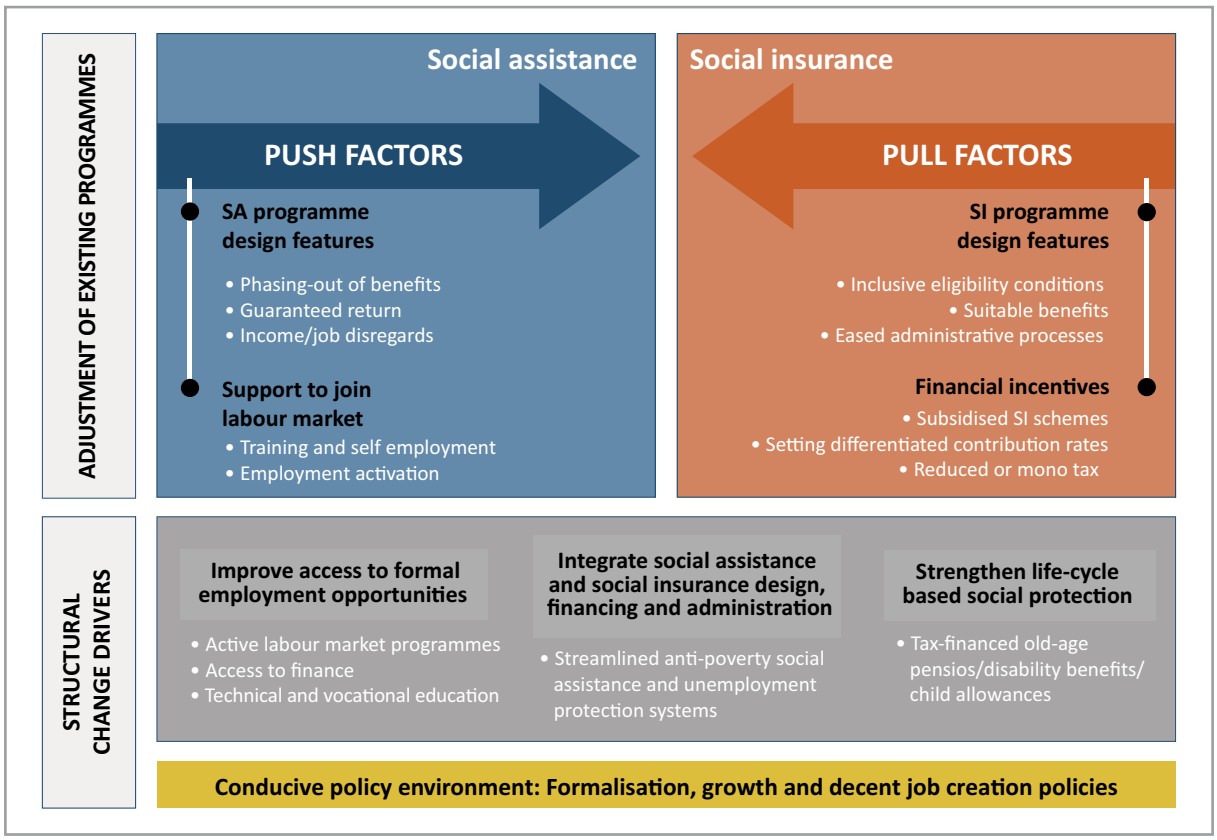
In terms of **pull factors, social insurance design features** can be adapted to make schemes more inclusive and attractive for workers currently excluded. The following features can be adjusted:

1. Eligibility conditions;
2. The range of benefits provided; and
3. Administrative procedures to register, pay contributions or access benefits.

Likewise, provision of **financial incentives** to encourage workers and businesses to join social insurance schemes can enable their transition. In some contexts, they are essential to increase subscription to social insurance, and could be introduced in the form of:

1. Subsidies to social insurance contributions, either state-sponsored or via cross-subsidisation, i.e., setting differentiated contribution rates; and
2. Special regimes with combined social security contributions and taxes at reduced rates, e.g., monotax schemes.

FIGURE 2. Better transition from social assistance to social insurance: Conceptual framework



Source: Authors' additions to Almeida et al. (2012).

STRUCTURAL CHANGE DRIVERS TO FACILITATE TRANSITION FROM SOCIAL ASSISTANCE TO SOCIAL INSURANCE

While the analysis focuses primarily on the mechanisms that can be implemented in relation to existing anti-poverty social assistance and social insurance schemes, it recognises the importance of more structural and holistic policy reform agendas to improve the transition to the formal economy, access to decent work and coordination between social assistance and social insurance (bottom part of Figure 2).

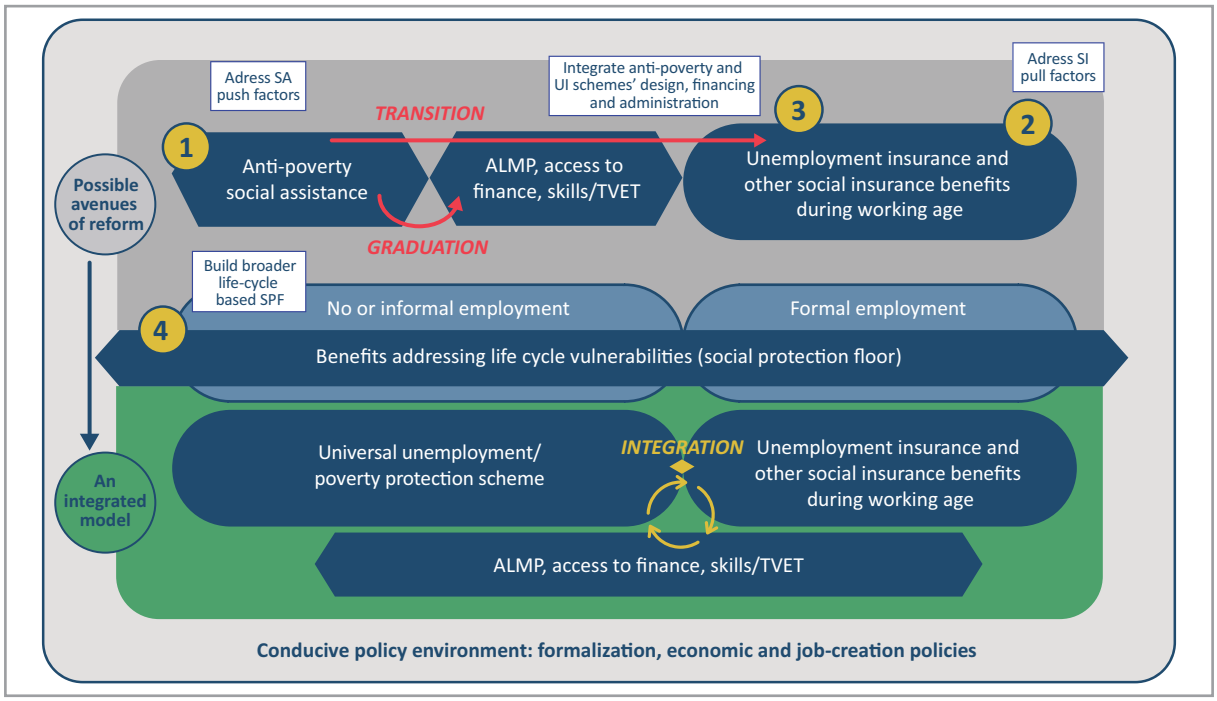
The report identifies three key areas for structural or systemic reforms that are necessary for better transition:

1. **Strengthening non-contributory life-cycle benefits such as old-age, disability, maternity and child benefits**, by providing a basic floor of protection throughout key life transitions, free of poverty or employment conditionalities;
2. **Integrating the design, financing and administration of contributory and non-contributory social protection schemes**; including and particularly by streamlining unemployment and poverty protection programmes, and
3. **Adopting a policy framework that fosters employment creation, formalization and decent work**, by improving access to formal employment opportunities at scale,

strengthening ALMPs, including Public Employment Services, TVET policies and improving access to finance.

Countries should adopt gradual policy reforms that, within a broader policy environment that is conducive to formalization and decent employment, facilitate the integration of these different elements (Figure 3). As push and pull factors are addressed for social assistance and social insurance policies, respectively, advanced reforms should seek to more fundamentally integrate the design, financing and administration of contributory and non-contributory schemes, for example, focusing on streamlining eligibility criteria, adopting common databases and payment mechanisms, and rearranging benefits and financing in an integrated, multi-tiered fashion.

FIGURE 3. An integrated model to facilitate transition from social assistance to social insurance



Source: Authors' elaboration.

Expanding life-cycle based tax-financed social protection programmes is essential to shift part of the social assistance burden from household-based, poverty-targeted schemes, which can more easily create disincentives to join the formal labour market and social insurance. Life-cycle non-contributory benefits, for example child benefits, disability and social pensions, tend to have positive—or at least less negative—impact on economic activation and transitioning to formality of both beneficiaries and household members (Box 5). Achieving a better balance between different components of an integrated social assistance system, i.e., life-cycle individual benefits and poverty-targeted "safety nets", would not only support progressive coverage expansion, in line with the vision of building universal social protection floors, but also facilitate stronger integration between contributory and non-contributory social protection systems, noting that social insurance schemes are also modelled around life-cycle risks. A better integrated social protection

system can pool revenue and taxes for the financing of universal benefits and then rely on contributions for the provision of social security benefits. Multi-tiered systems can be an effective mechanism to implement an integrated system in developing countries where there is a narrow income tax base and weak progressive tax systems to provide 1) universal or tapered non-contributory support, 2) progressive subsidised social insurance, 3) non-subsidised social insurance.[9]

BOX 5. Strengthening life-cycle benefits to facilitate transition

Access to life-cycle benefits plays a pivotal role in facilitating transition from poverty alleviation social assistance to social insurance. Investing in these benefits can contribute to closing social protection coverage gaps and improve socio-economic situations of those who were previously excluded from social protection, such as low-income groups in the informal economy or women outside the labour force. These groups represent large portions, if not the majority, of the population in many developing countries and are commonly left uncovered by poverty-targeted social assistance programmes and contributory social insurance schemes.

Life-cycle benefits that are universal or at least do not make distinctions in targeting criteria between employed and unemployed individuals, or informal and formal workers, are important to protect people without formal jobs and household members from income variability or seasonality and prevent livelihood risks. As these benefits are progressively expanded, they can prevent possible disincentives of poverty-targeted schemes for informal workers or unemployed persons to transition to social insurance by providing basic income security for all across lifecycle transitions. Strict targeting of unregistered and unemployed workers in Argentina's child allowance programme, AUH, for example, was found to be a disincentive to labour market formalization of the programme beneficiaries (Garganta and Gasparini, 2015).

By implementing and gradually strengthening social protection floors, i.e., nationally-defined sets of basic social security guarantees, governments can secure protection aimed at preventing or alleviating socio-economic vulnerabilities, poverty and social exclusion. Establishing social security guarantees can ensure that, over the life cycle, all in need have access to, at least, essential healthcare and basic income security. The ILO Social Protection Floors Recommendation No. 202 includes 4 basic social security guarantees, namely:

1. Access to healthcare, including maternity care;
2. Basic income security for children, providing access to nutrition, education, care and any other necessary goods and services;
3. Basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability;
4. Basic income security for older persons.

Better integrating anti-poverty and unemployment protection schemes can be one of the mechanisms to synchronize social assistance, employment activation and social insurance, and facilitate transition. This requires innovation with the development of a more unified and universal approach to unemployment protection, breaking current silos between contributory and non-contributory tools for poverty and unemployment protection,

9. See for example recent reforms that have integrated financing and administration of contributory and non-contributory benefits in the context of social security reforms in Oman, and Palacios and Robalino (2020) for a more conceptual analysis.

in parallel to extending lifecycle benefits for those unable to work. Essentially, this could mean a streamlined approach for the design, financing and administration of poverty alleviation (or guaranteed minimum income programmes) and unemployment insurance schemes thereby ensuring the coverage of those not working but capable of work, those in informal work and those in formal employment. Making an unemployment protection scheme universal would entail extending it not only to those who lose their jobs but also to first-time jobseekers and those in temporary or seasonal unemployment, those underemployed and those who do not meet qualifying conditions for social insurance, for example because of long-term unemployment. Integrating administration and inter-operability of social insurance, social assistance and labour market information can facilitate coverage improvements and timeliness of the income support (see Box 6), as well as prevent fraud and errors. Integrated financing could involve utilising contributions and tax-financing for universal unemployment protection.

BOX 6. Closing gaps in unemployment and poverty protection in Brazil

The different components of social protection systems need to be arranged to ensure universal poverty and unemployment protection to members of poor households who are in—or have recently joined—the labour force. Limited or lack of integration between design and administration of social assistance and social insurance systems, including in terms of tailored design of entry and exit features of poverty-alleviation programmes, tends to widen social protection coverage gaps, and reinforce vulnerabilities of not just informal workers, but also their dependents.

Global practices show that regular entry and exit into poverty protection programmes allows them to cater for unemployment insurance for those in unemployment or informal employment. In Brazil, for instance, unemployed individuals are overrepresented in families covered by the *Bolsa Família* CCT programme compared to poor non-beneficiary ones. In addition, the proportion of informal employment, i.e., own-account plus salaried informal work, for *Bolsa Família* beneficiary families is more than two times higher than for those poor but not covered by the CCT (World Bank 2021).

In general, when families exit a poverty-targeted scheme due to raised income, they lose eligibility to poverty-targeted transfers, and the household members in employment will need to join a contributory social insurance scheme to remain covered by a social protection benefit if their household is not benefiting from a life-cycle individual benefit, such as social or disability pensions. But some workers are very unlikely to meet the usual requirements to qualify for contributory social insurance benefits. In Brazil, for instance, the private sector salaried formal employees who join the unemployment insurance scheme must be registered in the public social insurance scheme and have received wages for at least 12 months in the 18 months prior to the request date in their first request for unemployment benefits. For domestic workers, the individual has to have worked for at least 15 months in the 24 months prior to the dismissal date, be registered as individual contributor at the public social insurance scheme and have at least 15 contributions to the system.

To avoid leaving workers unprotected during the initial period when they exit a poverty-targeted programme and reduce risks associated with the transition, it is important for policy makers to incorporate design features into these programmes that allow them to function as equivalents to unemployment protection programmes. In the Brazil case, for example, *Bolsa Família* beneficiary households can remain eligible for the poverty-targeted transfers when their income is raised due to the programme's job disregard feature and its "permanence rule"—an income discount feature. The first qualifies as eligible households with members in employment, either formal or informal, as long as they meet the programme's eligibility criteria; and the second is a rule that allows families to remain in the programme after their income is raised to a level above the poverty threshold but below another, higher threshold.

These aspects of the programme can be viewed, in practice, as providing:

(i) Unemployment protection to the poor individuals unemployed and not covered by a contributory unemployment benefit (who may have contributed to a social insurance scheme but did not yet qualify for benefits and fell back into poverty);

(ii) Unemployment protection to those already in employment but without sufficient income to exit poverty—working poor, especially informal workers;

(iii) Temporary insurance to workers no longer strictly in poverty but who are transitioning from social assistance to social insurance, and whose children's education and health are still being monitored in the non-contributory CCT programme.

Source: Authors' elaboration based on World Bank (2021).

Finally, it is important to ensure the existence of both a conducive policy environment and institutional framework that foster employment creation, formalization and decent work. Improving formal employment opportunities and promoting decent work, including fundamental principles and rights at work, should be sought in tandem and in a coherent manner with initiatives to extend social security coverage to informal workers.[10] Improving access to formal employment opportunities at scale through labour market and formalization policies can enhance possibilities for those without jobs or informal workers to join the formal economy. By introducing or strengthening labour market policies, including ALMPs and access to finance/credit, governments can improve the functioning of the labour market by inducing changes in labour demand and labour supply, as well as their matching process (Ernst, Merola and Reljic, 2022).

BOX 7. Universal tax credit

The Earned Income Tax Credit (EITC) is a refundable tax credit for low to moderate-income working individuals and families in the United States. It is designed to incentivise and reward work by providing financial assistance to those with earned income, particularly those with children. The credit amount varies based on income level and number of qualifying children, and it is refundable, meaning that if the credit exceeds the amount of taxes owed, the taxpayer receives the excess as a refund.

Schanzenbach & Strain (2021) examine the long-term impacts of the EITC on employment outcomes. They find that the EITC has substantial positive effects on employment, particularly for single mothers. These effects persist over time, suggesting that the EITC not only incentivises initial employment but also leads to sustained labour force participation. Additionally, the paper suggests that the EITC has a positive impact on the earnings trajectory of individuals over their lifetimes.

Overall, the EITC is shown to be an effective policy tool for increasing employment among low-income individuals, especially single mothers, and for improving their long-term economic outcomes. Similar schemes in countries with large informal economy sector could work as a pull factor attracting workers from the informal to the formal economy.

Source: Authors' elaboration based on Schanzenbach & Strain (2021).

10. ILO recommendation 202 on social protection floors states that "*social security extension strategies should apply to persons both in the formal and informal economy and support the growth of formal employment and the reduction of informality, and should be consistent with, and conducive to, the implementation of the social, economic, and environmental development plans of Members*" (III. 15).

Such a conducive policy environment includes a comprehensive policy and institutional framework that encompasses labour market policies and institutions, as well as access to finance, education, and skills development policies, among others. It requires keeping coherence and linking social protection policies and administration with other different strategies, e.g. formalization, wage, working condition, labour market activation (Box 7), and other public institutions and private actors.

IMPORTANCE OF INDIVIDUAL CIRCUMSTANCES AND CONTEXTS

Different individual circumstances and country contexts will require different transitional pathways from poverty-targeted social assistance to employment and social insurance. For example, the transitional pathway for an unemployed social assistance beneficiary would differ from that of a social assistance beneficiary working informally, a non-poor informal worker or a non-national worker, whether migrant or refugee.

An **unemployed social assistance beneficiary** would benefit from a transitional pathway focused on push factors such as direct support to join the labour market (if they are able to work) and they would also benefit from SA programmes' design features that guarantee them basic protection such as phased-out benefits and guaranteed return. Support to join the labour market is of course also highly dependent on countries' economic contexts and the ability to generate jobs.

A **social assistance beneficiary working informally** would require a different transitional pathway focusing on the pull factors. For instance, by making SI contributions more affordable either through direct subsidies and/or differentiated contributions, or by providing a suitable range of benefits for the informal worker to choose from, or by strengthening awareness of how their standard social assistance benefits may be affected if they declare a formal income and register in social insurance. For **non-poor informal workers**, a transitional pathway would likely require a combination of different pull factors, a strong communication strategy and behavioural nudges showcasing the value of SI contributions (Guven, Jain, and Joubert 2021).

For **low-income migrants and refugees,** whether working informally or unemployed, a transitional pathway is predicated firstly on the existence of inclusive labour regulations concerning their work permits and their access to economic sectors, as well as social security regulations that allow access to schemes, which are often exclusionary. For example, countries with large populations of migrant workers, e.g., GCC countries, or refugees, e.g., Jordan and Lebanon, must first address legal and structural barriers that prevent non-nationals from entering the social protection system to start with (ILO 2022, OECD 2022). The lack of accessible labour or social security regulations are dependent on certain political considerations that would differ from one context to the next, especially in the Arab region, and would require significant mobilisation and dialogue to be changed, as well as international organisational support and incentives to host governments (OECD 2022).

Finally, the suitable transitional pathway for all the categories mentioned above might differ according to **gender**. An unemployed female social assistance beneficiary may prioritise external factors such as the availability of child-care services over push factors such as SA programme design features when compared to an unemployed male social assistance beneficiary. It is, therefore, important for gender to be mainstreamed while developing transitional pathways for different groups of individuals.

3 GOOD PRACTICES IN PROGRAMME DESIGN FOR BETTER TRANSITIONS

Based on the conceptual model presented, this section focuses on programme design good practices to improve transitions from social assistance to work-related social insurance. The section is divided into two main parts. The first part looks exclusively at country examples of cash assistance programmes and highlights some of their design features that constitute incentives for beneficiaries to join the labour market or seek self-employment opportunities, and transition into social insurance (Table 1), also referred to as push factors. The following design features are reviewed: phased-out benefits, income discounts or job disregards in eligibility calculations, and guaranteed return into programmes. The second part presents social insurance schemes' design features that can facilitate transitions, namely: inclusive eligibility parameters, suitable range of benefits, and eased administrative processes.

3.1 SA DESIGN FEATURES

TABLE 1. Summary of case studies with good practices in programme design for incentive compatibility

Programme	Type	Benefit eligibility	Phasing-out of benefits	Guaranteed return	Income disregards	Additional elements
Brazil—*Bolsa Família*	CCT	Families with per capita income below BRL 2018	Protection rule (RP): continued yet lower benefits for 2 years	Guaranteed return: re-entry priority to families who left after the 2 years under the RP	During RP for 2 years, per capita income up to half the minimum wage	
Mexico—*Prospera*	CCT	Families under the minimum well-being line and (usually) with children under 22 years[11]	EDA: continued yet lower cash transfer for 1–3 years	After 4 years re-application possible; no guaranteed return	-	Healthcare benefits, food supplements
Chile—*Chile Solidario*	CCT	Households in extreme poverty	Gradual cash support reduction	-	100% of income disregarded up to 2 years under *Chile Ético*	
Jamaica—PATH	CCT	Poor families and vulnerable groups, measured by composite score for poverty[12]	Continued benefits for 6 months	-	-	Individual case management and work guidance
Oman—Social Security	UCT		Continued for ineligible males above 18 for 6 months	-	-	
Saudi Arabia—Social Security, Productive Families	UCT			Guaranteed return after 3-4 years of being in the 'Productive Families Programme'	Income from productive project disregarded for 3 years	

Source: Authors' elaboration.

11. Dávila Lárraga 2016.

12. Jamaica, Ministry of Labour and Social Security 2021.

Phasing out of benefits denotes the continuation of social assistance transfer payments for a defined period of time after a beneficiary enters the labour market. Often, as benefits are being phased-out, the benefit amount is reduced compared to the regular benefit. The goal of implementing a mechanism for gradual removal of social assistance benefits is to provide a transition safety net to households and incentivise the search for employment among working age household members at a smaller risk to household income, minimizing loss aversion.

Job or income disregards refer to the continued eligibility for social assistance benefits during an initial set period once the beneficiary enters employment and/or household income increases. Being in the labour market and certain pre-determined income levels are, therefore, temporarily disregarded in eligibility determination or calculation for social assistance benefits. This is designed to provide a safety net for the worker earning up to a defined income level, and promote the search for employment (Table 1). Implementing job disregards, in particular, means that eligibility criteria make no reference to the exclusion of households whose members are in the labour market, whether formal or informal. Both phasing-out of benefits and income disregard features pertain to the initial stage of the beneficiary's transition into the labour market, whereas the guaranteed return into SA programmes addresses the opposite direction in the transition pathway. This feature provides an assurance of income security for former beneficiaries who transitioned to a work-related social insurance scheme but later experienced significant income or job losses, necessitating their return to social assistance.

3.1.1 Phasing out of benefits

The design feature of phasing out benefits has been implemented in a number of countries across Latin America such as **Brazil, Mexico,** and **Chile**. Other country examples included in this section are from **Jamaica** and **Oman**.

The *Bolsa Família* Programme (PBF), in **Brazil,** has been considered the world's largest conditional cash transfer programme to date.[13] In 2023, the family per capita income threshold of the programme was BRL 218. The exact benefit amount each household receives under PBF depends on the composition of the household and the per capita income. All beneficiary families can become eligible for the variable benefits (see Table 2), which are linked to health conditionalities for pregnant women and children and further education conditionalities for children.

PBF requires beneficiaries to recertify as soon as any changes in household income occur, and at least every two years otherwise. This "constant recertification" (World Bank 2021) requires beneficiaries to voluntarily report changes from all other income sources that could affect their eligibility (ibid.). If, after updating their income information, the monthly household per capita income—minus the PBF and other transfer incomes—surpasses the per capita eligibility threshold but remains under half the minimum wage, they are classed under the *Regra de Proteção* (RP) or protection rule. The rule allows provision of continued income support for families with per capita income above the eligibility threshold for two years, counted from when income records are updated, meanwhile motivating recipients

13. *Bolsa Família* as well as certain key components were renamed in November 2021 under the Bolsonaro administration (Senado Federal, Brasil 2021). *Bolsa Família* was temporarily converted into *Auxilio Brasil* and the *Regra de Permanencia into Regra de Emancipação* (Banco Pan 2021). In 2023, under the new Lula administration, *Bolsa Família* was reinstated, and the *'Regra de Proteção'* replaced the *'Regra de Emancipação'.*

to seek work and establish financial autonomy, particularly through formal jobs. The RP rule can only apply to beneficiaries who voluntarily declare income increases to the Programme administration, as a way to incentivise such voluntary reporting. The benefit to families that fall under the RP amounts to half their regular benefit amount. In November 2020, the RP was used by 1.7m beneficiaries, which equals 11 per cent of all those receiving the PBF support, of whom 66 per cent are self-employed mostly informally, and 22 per cent are wage employees, mostly formally (World Bank 2021). Comparisons of data on PBF beneficiaries under the protection rule who were formally employed and PBF beneficiaries who were formally employed show that the former have slightly better earnings and longer tenure. Furthermore, an assessment of the protection rule has shown that despite only 7 per cent of its beneficiaries exiting PBF after the two-year period, the phasing-out of benefits and other features under the rule are nonetheless well and favourably designed and also have presumed positive impacts on education outcomes which require further research (World Bank 2021). Brazil allows nationals and non-nationals to enrol in the *Cadastro Unico de Programas Sociais* (Single Registry) and, consequently, to benefit from PBF. In particular, this applies to up to 300,000 Venezuelan refugees in the country (UNICEF 2021).

Similarly, **Mexico** applied a gradual phasing-out of CCT benefits. The government introduced the *Prospera* programme in 1997 under the original name of *Progresa* and later *Oportunidades*.[14] It was run by the Mexican government and targeted poor households with children through an area-based selection and household characteristics according to established poverty lines. Recertification of who remained eligible was undertaken for the first time after six years and afterwards reassessed every three years (Cecchini and Martínez 2012). Beneficiaries with income above the poverty line but still below the so-called capability-based poverty line received a Differentiated Support Scheme (*Esquema Diferenciado de Apoyos*—EDA). According to this two-step design, households with income above the capability-level lost their eligibility altogether (Cecchini and Martínez 2012). Households being grouped into the EDA continue to receive cash transfers, secondary school and occupational support, certain healthcare benefits, and food supplements. However, once surpassing this critical level, deductions of educational cash support for elementary school children and certain food benefits were made (World Bank 2021; CONEVAL 2019). The duration of the exit process varied substantially between one year for urban households compared to three years for rural beneficiaries post recertification. In consequence, noteworthy components of *Prospera* consisted in its differentiated cut-off points and varying exit timeframes across urban and rural populations, which account for different employment sectors and household characteristics. Assessments of families after six years have shown that only 20 per cent were able to rise above the eligibility threshold, and around 42 per cent of those would fall back below the threshold in the future, which meant that allowing readmission to the programme became an important element to safeguard households within EDA (Cecchini and Martínez 2012). Furthermore, while research has shown the long-term positive effects of *Progresa* on children within beneficiary households in terms of educational attainment, labour income expectations and facilitating intergenerational mobility, none address the impact of EDA on beneficiary households (Aguilar, Barnard, and De Giorgi 2019; Araujo and macours 2021). Nonetheless, Cecchini and Martínez (2012) have critiqued EDA as it is not complemented with an adequate social safety net in Mexico that can absorb the families that exit social assistance.

14. Programme was discontinued by the Mexican government in 2019 and replaced by the *Becas Benito Juárez* (Rodríguez Gómez 2020; Yaschine 2019).

In the case of the **Jamaican** PATH programme introduced in 2001 (ODI 2006), beneficiaries must reapply for benefits every four years (World Bank 2021). Based upon this reapplication, families are grouped into three distinct groups: (i) those keeping benefits, (ii) those scheduled to exit the programme, and (iii) an immediate exit group (ibid.). The second group consisting of households with income slightly above the eligibility cut-off level and may receive the cash transfer for another six months in addition to receiving case management and work guidance for up to two years (ibid.).

In **Oman,** benefits are phased out to specific household members who are no longer eligible to the non-contributory Social Security Programme. This applies, particularly, to male children above the age of 18 who are no longer eligible due to turning 18 or finding employment. These individuals can continue to benefit for six months, according to Article 19 of the Social Security Law No. 84/87. Similarly, the *Chile Solidario* programme[15] incorporates a gradual reduction of support and cash transfers once beneficiaries enter the exit stage, for instance after reaching the maximum duration of five years of support (CEPAL 2021). Thus, households continue to receive certain benefits beyond their eligibility period, which constitutes a central feature of phasing-out of benefits (Cecchini and Martínez 2012).

BOX 8. Phasing out of benefits: Key considerations from global practices

- There needs to be careful design of a mechanism to prevent immediate loss of transfers for poverty-targeted social assistance beneficiaries once household members enter the labour market, household income increases, or the household no longer fulfills other basic criteria, such as children's ages, level of schooling, etc. This allows beneficiaries to gather initial work experience and establish financial autonomy while benefiting from this temporary safety cushion.
- It is important to define a timeframe for phasing-out support, adjusting phased-out benefit amounts relative to regular benefit amount, and possibly differentiating exit pathways depending on the job market, e.g., to distinguish support based on urban or rural employment or economic sectors.

3.1.2 Income discounts and job disregards

Income discounts or job disregards are closely connected to the phasing-out of benefits and, therefore, concern a stage in the transition when the beneficiary is still covered by social assistance benefits, but he or she has already entered the labour market, is receiving a wage and has become eligible for additional social insurance benefits, like pensions. Here, the key programme design features avoid immediately classifying as ineligible recipients who entered the labour market and might have transitioned to social insurance, and forcing their exit from the programme, as still frequently occurs in countries other than the discussed examples. Therefore, social assistance programmes can be designed to overcome loss aversion, and facilitate and incentivise the transition from social assistance to social insurance by providing additional financial security to workers during their transition. Job disregards are also an important mechanism to increase the likelihood of social assistance beneficiaries to seeking employment in the formal economy.

15. Programme reconfigured into the programme *Seguridades y Oportunidades* (SSyOO), also called *Ingreso Ético Familiar* in 2013 (ECLAC 2021).

In the case of **Brazil**'s PBF, an income disregard feature is part of the design. As mentioned above, this feature is applied when families fall under the Protection Rule, which allows provision of phased-out benefits, for up to 2 years, when household per capita income has increased above PBF's eligibility cut-off but remains below half the minimum wage (BRL 660 in 2023), as detailed in Table 2. PBF does not have an outspoken rule regarding job disregards. However, having an informal worker or even a registered formal worker among household members, which can be verified using administrative records, does not automatically disqualify the family from participating in the programme or being classed under the protection rule. In fact, 70 per cent of work-able adults benefiting from PBF were in the labour force (World Bank 2021). In practice, information on formal employment ties and access to social insurance benefits help enforce the income disregard feature for PBF, as opposed to being an additional rule on its own. PBF's design is rather unique and disregards not only labour earnings but also income from other social transfers, such as pensions. In November 2020, it was estimated that 44 per cent of households under the protection rule—named 'permanence rule' at the time, used this feature (ibid.).

TABLE 2. PBF's protection rule

Bolsa Família	**Initial income of eligible families: Up to BRL 218**
Benefit at entry	• Citizenship income benefit: BRL 142 to each family member • Complementary benefit: paid when the 'citizenship income benefit' is not sufficient to reach the total benefit amount of BRL 600 for the family • Early childhood benefit: BRL 150 per child aged 0 to 6 • Family variable benefit: BRL 50 to the family members in the following categories: ◦ Pregnant or nursing women ◦ Child aged 7 to 11 ◦ Adolescent aged 12 to 17 • Extraordinary transition benefit (valid until May/2025): to families whose previous *Auxílio Brasil* benefit was more financially advantageous than the June/2023 *Bolsa Família* benefit structure. The benefit amount is the difference between the family benefit in May, 2023, and June, 2023.
Per capita income threshold for *Regra de Proteção* (excluding benefit incomes)	From BRL 218 to half the minimum wage, which corresponded to BRL 660 in 2023
Benefit under RP	50% of the amount of benefits before being classified under the permanence rule
Per capita income threshold to be disconnected from PBF	Higher than 50% of the minimum wage (BRL 660 in 2023)
Maximum duration	24 months
Entry conditions	Families must communicate income changes to the Social Assistance Reference Centres (CRAS); and automatic cross-checks between the Single Registry and the administrative records of income, formal employment ties and social security benefits, the CNIS
Re-entry for those in RP	If family per capita income falls below BRL 218 again, the family no longer falls under the protection rule and becomes once more eligible to regular benefits

Data source: MDS 2023.

Source: World Bank 2021 updated by authors.

In **Chile**, the successor to the *Chile Solidario* programme, *Chile Ético*, disregards up to 100 per cent of both labour and non-labour income for up to two years to facilitate the transition from social assistance (World Bank, 2021). In contrast, **Argentina**'s Jefes y Jefas de Hogar social assistance programme requires beneficiaries not to be registered in social security. Research on the Argentina programme found that this eligibility condition negatively impacts formal job attachment (Gasparini, Haimovich, and Olivieri, 2009).

In **Jordan**, there are two main cash assistance programmes with different criteria related to income and job disregards. For the recurrent monthly cash assistance programme, disregards in case of additional household incomes through labour are implemented but depend on several components. No family member may earn more than 50 per cent above the absolute poverty threshold.[16] Meanwhile, income calculations disregard the income of wives and children from irregular employment below the minimum wage. Additional disregards are made for 15 per cent of children's income from formal employment and 20 per cent of wives' income in female-headed households,[17] as well as all income from a licensed home business.[18] In terms of job disregards, sons and daughters in a household are allowed to work in formal employment. As for Jordan's other programme, Takaful 1, it offers income discounts and job disregards as it particularly targets the working poor[19] whether earning a regular or irregular wage, excluding those in the public sector.[20] In calculating the income of households, a male breadwinner's income is calculated at 100 per cent, but only 75 per cent of the income of a wife or a female-head of the household is calculated, and only 25 per cent of the income of sons and daughters is included. For workers with a regular wage, their total monthly income must be above the minimum wage (220 JDs) but less than the average wages across the Kingdom (493 JDs).[21] For informal workers, they are covered by the programme through different calculations of relative poverty, with extra weight given to informal workers with seasonal as opposed to monthly income.

In **Saudi Arabia,** Social Security Assistance (SSA) beneficiaries are eligible to benefit from the Productive Families Programme by receiving a grant or a subsidised loan to start their project. SSA beneficiaries that opt to participate in the Productive Families programme continue to receive cash benefits for three years after they begin their productive project, regardless of whether the income gained from the project might make them ineligible.[22]

With the notable exceptions of the examples mentioned above, income discounts are not broadly implemented in low and middle-income countries yet, and job disregards are implemented even less. Within the Arab region, income from informal labour or income earned through Productive Families projects is disregarded (see Section 6). In high-income country examples, the duration of such mechanisms range between two months (Portugal) and up to three years (Belgium) with frequent exceptions for students. Disregard rates vary between

16. Article 20 (b)—Instructions for the Provision of Cash Assistance for Needy Families (2019).
17. No indication whether this is from formal or informal work.
18. Article 22—Instructions for the Provision of Cash Assistance for Needy Families (2019).
19. Art 6—Instructions on the Takmeely Support Programme for Needy Families No. 8 (2019).
20. Art 53—Instructions on the Takmeely Support Programme for Needy Families No. 8 (2019).
21. Art 18—Instructions on the Takmeely Support Programme for Needy Families No. 8 (2019).
22. Article 9—Regulatory Framework for the Work of Productive Families No. 92 (2018).

20 per cent up to 100 per cent of earned income. Additionally, **Turkey** and **Portugal** offer the incentive that if employment is found through a government activation programme, the discount applied is even higher (World Bank 2021).

BOX 9. Income discounts or job disregards: key considerations from global practices

- Income discounts and job disregards are important for facilitating and motivating the transition out of social assistance and into gainful employment.
- Social assistance programme design parameters can be adjusted to support transition, including: (i) considering the types of income to be discounted from eligibility calculations, or the employment characteristics of the worker (especially rural vs. urban) from eligibility determination, and (ii) determining the timeframe of phasing-out of the discounted income percentage of over time.
- If successfully implemented, these tools facilitate human capital building of social assistance recipients, allowing them to obtain work experience while providing financial stability and income predictability.

3.1.3 Guaranteed return

In addition to the phasing-out of benefits, income discounts and job disregards—design features that concern benefit recipients who have not yet exited social assistance programmes—the **guaranteed-return** feature can be an insurance for households that have already exited a programme, but might have suffered income shocks, for example, and fallen back into poverty. By providing this future safety net of guaranteed return to the poverty-targeted social assistance programme to former beneficiaries who regain eligibility, these programmes can create incentives for job search and formalization among current beneficiaries. This feature reassures recipients who might have concerns about risking exiting the programme and losing access to regular cash benefits if they increase their income by finding employment. Notable examples of implementation of guaranteed returns can be found especially in **Brazil** and, to a lesser extent, in **Mexico.** The small number of examples is an indication that this feature is not yet widely implemented in cash transfer programmes.

PBF in **Brazil** provides some of its former recipients with a guaranteed return feature. Families that exited the programme after having been under the *protection rule* for two years are given priority to re-enter the programme without having to go through its waiting list, as long as they fit the eligibility criteria again (MDS 2023; World Bank 2021). This possibility to return jointly with the gradual phasing-out of benefits under the protection rule are two distinctive features of PBF that enable individual-level shock-responsiveness, preventing families from falling back into poverty, and creating assurances for those beneficiaries who decide to seek employment or enter the formal economy.

Mexico's *Prospera* programme accounts for the case of beneficiaries needing a fall-back option and allows re-application after programme exit. However, this appears to only be possible at least four years after exiting (Villa and Niño-Zarazúa 2014). This example highlights the importance of providing a fall-back option through guaranteed return features, considering returnees' position on programme waiting lists, the duration of renewed support and carefully defining the threshold for re-entry.

In **Saudi Arabia,** beneficiaries of the non-contributory Social Security benefit who opt to enrol in the Productive Families Programme continue to receive their regular social assistance benefit in addition to the support for the establishment of a 'productive project', for three years. If, after the three-year period, a family's project is failing, then the family is able to return to the Social Security programme and discontinue the 'productive project' without any requirement for exit and re-application.[23]

BOX 10. Guaranteed return: key considerations from global practices

- Gradual transitions out of income support are especially important to provide an insurance mechanism during the transition from social assistance to social insurance. Yet, special treatment for former social assistance beneficiaries, who attempted to transition, to return and regain access to benefits is not common in poverty alleviation social assistance programmes.
- In devising a guaranteed return feature, it is important to (i) avoid setting minimum or maximum time limits for re-entry, (ii) exempt previous recipients from waiting lists when they regain eligibility, and (iii) allow a return into the programme regardless of whether the previous exit was voluntary.
- Enabling such re-entry into programmes is crucial once recognizing the fluidity of poverty levels and the likelihood of shocks impacting household incomes. .

3.2 SI DESIGN FEATURES

The design features of social insurance programmes can be a pull factor in the transition from social assistance to social insurance, increasing workers' awareness, willingness and capacity to participate in social insurance schemes. ILO Recommendation No. 204 on Transition from the Informal to the Formal Economy, 2015, provides guidance on extending coverage of social insurance to those in the informal economy. It states that, if necessary, governments should adapt social insurance administrative procedures, benefits and contributions in order to cover informal workers, taking into account their contributory capacity. In this section, three main social insurance design features are addressed, namely: inclusive eligibility conditions, suitable range of benefits, and eased administrative processes.

Firstly, having inclusive eligibility conditions can mean, for instance, adopting a comprehensive definition of what constitutes an informal worker and a self-employed worker to ensure that all sub-categories under each can benefit from social insurance schemes. In addition to adopting inclusive regulatory frameworks, formulating inclusive social insurance eligibility conditions requires consideration for all subscribers, or potential subscribers, as well as their contributory capacities, and ensures statutory coverage of all workers, including those with the lowest incomes. Secondly, a suitable range of benefits refers to the provision of social insurance benefits that address the specific and varied needs of informal workers, including during working age. Lastly, eased administrative processes are important to facilitate transitions as administrative hurdles are a significant deterrent to the registration of informal workers in social insurance schemes around the world.

23. Article 9—Regulatory Framework for the Work of Productive Families No. 92 (2018).

3.2.1 Inclusive eligibility conditions

Inclusive eligibility conditions are often reflected through the adoption of appropriate legal frameworks and regulation, as inappropriate ones have, in many countries, resulted in the exclusion of agricultural, domestic, or self-employed workers from social security coverage. **They require minimizing design barriers to eligibility** of social insurance benefits and **adapting design parameters to the situation of the workers** in the informal economy. For instance, adaptation of rules regarding minimum qualifying periods to access benefits and flexibilisation of contribution collection schedules can broaden eligibility for social insurance schemes, facilitating access to workers previously excluded (ILO 2021a).

A good example of the inclusion of **agricultural workers** in legislation is in **Brazil,** where an inclusive regulatory framework that takes into account different categories of rural workers was established which also considers the contributory capacity of each. The rural pension scheme for agricultural workers divides them into four categories, namely: formal employees, individual contributors, self-employed workers and the special insured. Not only can all workers who contribute only as rural workers during active age retire at an earlier age than urban workers, but special insured workers, i.e., self-employed workers who employ only contributing family workers, have higher flexibility to access rural retirement pensions than other rural workers (INSS 2023). The special insured include rural subsistence farmers, artisanal fishers and rubber tappers who do not employ any workers but rely on contributing family workers to perform their economic activity. They are required to contribute 1.2 per cent of the total sales value of their products to INSS and another 0.3 per cent in other taxes (SEBRAE 2021). Meanwhile, other categories of rural and urban workers, with higher contributory capacities, pay relatively higher contribution rates. For instance, the contribution rate for employees, domestic workers and temporary workers without employment ties who earn the minimum wage is of 7.5 per cent of the minimum wage, while that of self-employed workers and registered microbusinesses ranges from 11 to 12 per cent. A special category of voluntary contributors has also been created to cover low-income women (housewives) or men who only perform non-remunerated domestic work at their own place of residence, do not have any other income sources, and whose household income is two minimum wages or less; their contribution rate is of 5 per cent of the minimum wage (INSS 2024).

As for the inclusion of **'domestic workers'** in social insurance coverage, **South Africa** is a good example where the Unemployment Insurance Amendment Act of 2003 extended unemployment and maternity insurance to domestic workers. The applicability of the benefits addressed the specific situation of domestic workers. For example, a domestic worker can benefit from unemployment insurance if they have lost work with one employer but are still working with another (ILO 2021a). Furthermore, in extending coverage to **workers in micro and small enterprises, Thailand's** legislation extended coverage for enterprises employing just one employee. This extension of coverage occurred gradually as the legislation was first amended to include enterprises with 10 or more workers in 1993, and then to those with only 1 worker in 2002 (ILO 2021a). A similar gradual expansion occurred in **Jordan** where enterprises with less than 5 employees were included in 2008 and only later, in 2014, legislation was amended to extend coverage regardless of the number of employees in an establishment (ILO 2021a; SSC 2014; Razzaz, Pellerano, and Bryne 2021).

Considering non-nationals and refugees when assessing eligibility provides further relevant insights. In **Colombia**, a majority of over 1.7 million Venezuelan refugees work informally. To improve inclusiveness of the social security system and support formalisation,

Colombia created the *Permiso Especial de Permanencia para el Fomento de la Formalización* (Special permit for Permanence for Formalisation Promotion). Employers can obtain this permit when hiring Venezuelans to formalise their migratory and labour market status. It promotes integration into social insurance through comprehensive and inclusive eligibility rules (UNICEF 2021). Basic rights to social services and access to jobs for refugees are also codified in **South Africa** (Refugee Act) and **Cameroon** (UNHCR 2021).

Other important enabling factors for moving from statutory coverage to effective coverage when formulating inclusive social insurance eligibility conditions include: to 1) raise awareness of changes in legislation, 2) provide financial incentives for registration and 3) increase inspection capacities. For example regarding **raising awareness,** the issuance of the Domestic Workers Act in the Philippines in 2013 which extended social security rights to domestic workers was accompanied by a national media campaign, a declaration of a 'National Domestic Workers Day' and an annual Domestic Workers' Summit (ILO 2021a). As for **increasing inspection capacities,** when South Africa extended coverage to domestic workers additional resources were spent on training and employing staff to carry out inspections (ILO 2021a).

BOX 11. Inclusive eligibility conditions for social insurance: key considerations from global practices

- Minimizing design barriers to eligibility for social insurance benefits and adaptation of schemes' design parameters to the situation of the different categories of workers in the informal economy can facilitate their transition into social insurance.
- Legal and regulatory frameworks can be adapted to account for different groups of occupations, size of enterprises, and refugee status, where relevant.
- Countries can adopt strategies to raise awareness of informal workers regarding their social security rights and the requirements to join social insurance schemes and access benefits.

3.2.2 Suitable range of benefits

To incentivise social insurance subscription among informal workers, offering a suitable range of benefits can ensure their varying needs and risks are addressed while considering their ability to contribute financially. For this, it is critical to put a strong emphasis on short-term benefits that can be enjoyed by insured members and their families during working age, as opposed to after retirement only. This entails broadening access to benefits such as unemployment insurance, parental leave, employment injury, sickness, health care and family allowances, which can help build relevance and trust in the system sooner in the transition from social assistance to social insurance. At the same time, the portability of benefits is key to ensure labour mobility and allow workers to move from self-employment to wage employment. This could be facilitated, for example, through a unified social security number that allows for entitlements to be carried over when the worker's employment status changes (ILO 2021a).

As the needs of informal workers may differ from those of other workers, designing specific social insurance schemes that address the particular types of risks they face can increase the value informal workers place on contributing to social security. However, at

the same time, creating parallel schemes for different categories of workers or economic sectors without allowing for portability of benefits across one another can also pose risks for participants of such schemes. For workers in the informal economy, who may face seasonality in their economic activity or high mobility between self-employment and paid employment, participation in fragmented schemes might prevent them (i) from becoming eligible for benefits devised for one type of worker, or (ii) from having access to the same range and level of benefits as formal workers or (iii) may even pose barriers to labour mobility. Moreover, a fragmented social insurance system that prevents transfers or cross-subsidisation between the different schemes is more likely to face financial sustainability and efficiency problems, and will be limited in terms of risk-pooling and solidarity aspects (Sato and Mohamed, 2022; ILO 2021a).

In general, countries that have fragmented schemes should work towards integrating different categories of workers into mainstream social insurance schemes, but with benefit packages that are adapted to their specific needs and contributory capacities. In practice, in designing suitable benefits for informal workers, some countries have established one scheme for all self-employed workers or have established different schemes for different categories of self-employed workers, or have left the selection of benefits up to the worker thereby considering contributory capacity (ILO 2021a).

Algeria's National Social Security Fund for non-wage earners (CASNOS), established in 1992, is an example of a scheme for all self-employed workers that reduced the fragmentation of the social insurance system, by unifying social security schemes for self-employed workers such as business owners, artisans, farmers and members of liberal professions (ILO 2021a). The Fund, through an annual 15 per cent contribution of annual taxable income, provides medical care, maternity, disability, survivors allowance, old age pensions as well as family allowance which are found to be a particularly valuable social security benefit, especially to poor households (Loewe 2014; Jaffal, n.d.).

In relation to offering informal workers the option of selecting their benefit packages, this is implemented by both **Mexico** and **Colombia. Mexico** offers voluntary coverage for old-age pensions, while **Colombia** makes old-age pensions compulsory for self-employed workers whereas work injury insurance is voluntary (ISSA 2012). An additional point linked to the suitable range of benefits provided is the opportunity to pay differentiated contribution rates that reflect differences in the contributory capacity of workers, which is discussed in greater detail in Section 4.

In some countries, specific benefits to workers in the agricultural sector are provided in the form of **agricultural insurance** or **disaster insurance** that support farmers to cope with shocks related to crop failures, livestock issues and natural disasters (Sato 2021). An example of such a benefit is extended in **Morocco** and complemented by a state subsidy on crop-hail and multi-risk climate insurance, which decreases as the area of farm-land by the covered worker increases. As the country's south-Western region is simultaneously responsible for 90 per cent of exports but is the most affected by climate-related risks, the multi-risk climate insurance subsidised by the government is an important benefit to support the needs of agricultural workers in that area. The multi-risk climate insurance covers certain products such as cereals and legumes from climate risks such as frost, sand and strong winds, flooding and droughts (Sato 2021). Section 5 details how subsidised contributions increased coverage for this scheme in Morocco.

BOX 12. Suitable range of social insurance benefits: key considerations from global practices

- For the protection of informal workers, it is key that social insurance schemes provide a suitable range of benefits that can be enjoyed during working age, such as unemployment insurance, parental leave or sickness cash benefits, and not only upon retirement.
- Where parallel social insurance schemes targeting different categories of workers exist, they should aim to provide a similar range and level of benefits to workers insured under mainstream schemes. They should also eliminate barriers to labour mobility and ensure portability of benefits. Similar benefit packages can facilitate portability of benefits for informal workers when their employment situation changes. Also, a unified social security number across schemes facilitates entitlements to be carried over when the worker's employment status changes.

3.2.3 Eased administrative processes

Complex rules and administrative processes for accessing social insurance schemes are of high relevance for workers when assessing possibilities of transitioning between social assistance and social insurance. Important considerations that can help simplify administrative processes and improve accessibility for informal workers include (i) increasing the accessibility of social insurance offices, (ii) providing digital mechanisms for registration and payments, (iii) simplifying registration requirements and necessary documents, as well as (iv) facilitating contribution and tax-payment systems.

In **Jordan,** the SSC provides important digital mechanisms for registration and payments through the "Register yourself" campaign. Similarly in **Tunisia**, a mobile app was rolled out (Ahmini—"Protect me"), which integrates female agricultural workers into the government's social insurance programmes and allows online payment of social insurance of contributions. Furthermore, it is designed to increase health and pension systems coverage. An estimated 500,000 rural women will likely benefit from such social security and health care access (Sato 2021; Hammami 2019; Ahmini n.d.). This tool, connected online with the social security fund's IT system, enables enrolment with one's mobile phone, while saving time and money otherwise needed for travel and soliciting documents. In particular, the Ahmini platform app enables scanning, sending, and validating required documents after having been initially registered by volunteers or staff in their area (ibid.).

An alternative tool for combining several administrative services and thus saving workers' time and resources are single-window services or one-stop shops. The case of the **Algerian** National Social Insurance Fund for Non-Salaried Workers is an example of the implementation of such one-stop-shops under the programme's "Itinerant Counter" approach. It provides access to a number of services including receiving medical files, renewing retirement data and receiving pension requests in addition to registering non-salaried workers (CASNOS n.d.). Nonetheless, no research seems to have been conducted yet on the extent to which such one-stop shops have increased the registration rate of informal workers in Algeria (Mohamed and Sato 2022). Another example of one-stop shops can is Indonesia's JKN mobile app; countries like **Cambodia, Mongolia, India, and Lesotho** also have similar experiences (ILO 2021a).

By facilitating registration, receipt of benefits and payment of contributions, accessibility to social insurance offices for beneficiaries can increase, while reducing the indirect costs of

travel for workers. However, establishing such one-stop-shops may carry high administrative and human resources costs depending on the area's characteristics and could, therefore, prove ineffective considering their cost (Mohamed and Sato 2022). Also, no research seems to have been conducted yet on the extent to which such one-stop shops have increased the registration rate of informal workers in Algeria (Mohamed and Sato 2022).

A further good practice example is **Brazil** where the number of necessary documents for requesting benefits in the rural pension scheme of agricultural workers was substantially reduced. This simplification was achieved through the establishment of a Registry of Social Rural Information database in 2010 (Cadastro Nacional de Informações Sociais) (ILO 2021a). Before the database's introduction, demonstration of proof of work for the 15 years prior to the request, as well as other contracts and licenses were required, which were frequently difficult to obtain for workers. This has been replaced by a simple questionnaire submitted by the worker, and information cross-checks using government administrative records (ibid.).

Morocco has another good practice in increasing social insurance coverage. The country links application procedures for certain licenses, e.g., to fish, to mandatory social insurance registration (FAO 2019). In the case of small-scale fishery, Morocco achieved a coverage of 95 per cent of workers. Moreover, a system of reducing hurdles when paying contributions was put in place, in addition to a benefit subsidy scheme for fisherfolk to receive higher payments than their original contributions, thereby acknowledging the profession's heightened risks (FAO 2019).

An additional lesson to be derived from such international good practices is that it is crucial to consider potential beneficiaries with limited digital access, which may require further awareness-raising. Other obstacles encompass a lack of coverage effectiveness, despite a theoretically high reach. In **Tunisia** or **Mongolia** for instance, problems with payments and long journeys to social insurance offices cause difficulties in the payment of contributions. Workers thus incur extra costs for subscribing and participating int social insurance through such travel, fees for obtaining required documents, and lost earnings due to time spent on administrative tasks (ILO 2021a). Furthermore, necessary inspections may remain or become difficult in cases of unclear or complex guidelines enforced by different agencies (ibid.). A lack of inspection capacity may underestimate the total number of working days, which has been observed in **Morocco** (Mohamed and Sato 2022).

BOX 13. Eased social insurance administrative processes: key considerations from global practices

- Improving the accessibility of social insurance offices and information regarding participation in social insurance schemes can increase coverage of workers and facilitate beneficiaries' access to benefits or payment of contributions. This can be achieved by, for instance, increasing digital registration options and simplifying registration requirements.
- In devising streamlined processes, removing access barriers for the specific informal workers being targeted is central, such as individuals without access to an internet connection or mobile devices, or those lacking digital literacy.
- One-stop shops or single-window services can combine the provision of several services, facilitating registration, submission of benefit requests or making contribution payments. Yet, the amount of resources required to open and run new social insurance office facilities, especially one-stop shops, can be substantive.

4 GOOD PRACTICES IN SUPPORT TO JOIN THE LABOUR MARKET

Providing poverty-targeted social assistance beneficiaries with support to join the labour market is the second pull factor identified to facilitate the transition from social assistance to social insurance. This section focuses on country examples of cash-assistance programmes that include components to provide their beneficiaries with opportunities to transition to work. Two forms of support were reviewed, namely (i) training and self-employment support, and (ii) employment activation.

4.1 TRANSITION TO WORK THROUGH TRAINING AND SELF EMPLOYMENT SUPPORT

The implementation of complementary interventions for social assistance beneficiaries, such as training and self-employment support, can foster human capital development and facilitate the transition to work. For instance, 'graduation approach' programmes, widely known for the productive opportunities designed to enable the 'exit' of social assistance beneficiaries from poverty, have been most notably implemented in **Bangladesh.** Subsequent pilots were introduced in **Ethiopia, Colombia,** and **Peru**. Other examples discussed below are **India** and **Haiti**, as summarized in Table 3.

The labour market context of some of the country examples reviewed in this section differs in many ways from the contexts in MENA countries and, hence, their applicability in the region needs to be carefully considered. In stagnant economies and contexts of high unemployment, underemployment and extreme poverty, a focus on employment activation measures might be the better solution to facilitate the transition and achieve a sustainable improvement in the livelihoods of social assistance beneficiaries rather than supporting self-employment initiatives (Montesquiou and Hashemi 2017; McCord and Slater 2015). Still, for countries that adopt 'graduation' programmes with components to promote self-employment of beneficiaries, Montesquiou et al. (2014), in their Technical Guide to the Graduation Approach, recommend the continued provision of health insurance to beneficiaries even after 'graduation', to reduce their risk of slipping back into poverty due to health shocks.

The "Challenging the Frontiers of Poverty Reduction—Targeting the Ultra-Poor" (CFPR-TUP) programme in **Bangladesh,** first introduced by the BRAC organisation in 2002, laid the groundwork for "graduation" approaches through the twin pillars of capacity training and financial support. The programme aimed to promote self-employment, often through family farming, and reduce poverty levels in the beneficiary group. The robust findings (Pritchard, Kenward, and Hannan 2015) of successes in improving beneficiaries' livelihoods generated increased attention for implementation details of similar transition approaches and motivated subsequent pilot projects as well as the up-scaling of existing approaches. The CFPR-TUP pursues the objective of battling chronic food deficits, diversifying income sources to up to three different channels, and increasing household income beyond a minimum of 50 cents per day per capita. In addition to households' financial situation, it aimed to improve access to sanitation and latrines, supporting the acquisition of livestock, accumulation of cash savings, improvement of housing conditions, as well as of children's schooling. The latter component of education seeks to promote inter-generational sustainability of "graduation" approaches. The programmes address the concern that long-term investment into children's human capital may otherwise face a trade-off with short-term livelihood expenses (Roelen 2015). In sum, between 2002 and 2016, approximately 1,7 million households have benefited from these twin pillars of asset transfer and capacity building (Hannigan et al. 2015). The implementation organisation BRAC established "graduation" criteria addressing both economic and social considerations of which a certain threshold of a minimum of 6 out of 10 had to be achieved by a household." Examples include food consumption, income sources, water access, savings, and social group membership. (Pritchard, Kenward, and Hannan 2015).

TABLE 3. Summary of case studies with good practices in training and self-employment

Country	Programme	Training provided	Self-employment support
Bangladesh	Challenging the Frontiers of Poverty Reduction—Targeting the Ultra-Poor (CFPR-TUP)	• Disaster resilience training • Livelihood skills training • Education for children	• Asset accumulation (livestock, poultry) • Establish cash savings • Housing quality support
Bangladesh	Chars Livelihoods Programme (CLP)	• Livestock market development • Health training, family planning, hygiene practices • Female empowerment	• Productive asset build-up (>BDT30,000) • Cash savings support • Ensuring flood protection • Social group membership
Bangladesh	Eradicating Extreme Poverty/ Stimulating HH Improvements Resulting in Eco Empowerment (EEP/ Shiree)	• Savings, skills and project training/business planning • Female empowerment	• Building productive (4) or cash (>BDT1,000) assets • Cultivable land access (rural HHs)
Ethiopia	Productive Safety Nets Program (PSNP)	• Skills training on either crop and livestock, off-farm, or employment • Life skills coaching	• Asset transfers (either as grant or through loan) • Savings support • Market analysis
Colombia	*Produciendo mi Futuro*	• Farming techniques • Financial literacy • Communication & entrepreneurship • Personal coaching by locals	• Develop saving & saving plan • Business plan & market analysis • Cash asset transfer • Community-building
Peru	*Haku Wiñay/ Noa Jayatai* (HW)	• Farming productivity training • Financial skills training • Hygienic practices and sanitation • Life skills coaching by local coach	• Savings promotion • Market advice (limited) • In-kind asset transfers (livestock, plants, seeds)
India	Targeting the Hard-Core Poor (THP)	• Skills training (farming, financial literacy, business skills, confidence building) • Life skills coaching (health support, bureaucracy, family planning)	• Asset transfers in cash instalments • Savings development at banks • Village community building
Haiti	*Chemin Lavi Miyo* (CLM)	• Capacity training, coaching (education, housing repairs, health advice, sanitation)	• Financial inclusion • Build up formal savings • Transfer of two productive assets (livestock or cash)

Source: Authors' elaboration based on Pritchard, Kenward, and Hannan (2015), Hannigan et al. (2015), Self, Schofield, and Ahmed (2018), Sheldon (2016), and Pain, Vautravers, and Descieux (2015).

Over time, several additional "graduation" pilots and scaled-up programmes were introduced in Bangladesh, most notably the Chars Livelihoods Programme (CLP) and the Eradicating Extreme Poverty/Stimulating Household Improvements Resulting in Economic Empowerment

(EEP/Shiree) programme summarised in Table 4. The CLP pursued similar goals in Bangladesh, targeting extreme poverty especially in the Chars area affected by frequent flooding and mostly inhabited by ultra-poor population groups without options for relocating (Pritchard, Kenward, and Hannan 2015). The CLP introduced multidimensional indicators to measure poverty accurately. The programme aimed to ensure participants' food security in both quantity (three meals a day) and quality (varied food intake sources and food groups), in addition to improving water and sanitation access, diversifying income sources to a minimum of two, **and establishing productive assets of over BDT 30,000 while holding savings of over BDT 3,000 per household**. The programme was designed to cover its 90,000 beneficiaries for roughly 20 months with a "graduation" threshold similar to the CFPR-TUP programme. Women are the benefit recipients whenever possible. Re-entry post-graduation is not possible (ibid.). The EEP/ Shiree project is designed similarly to both the CFPR-TUP and CLP, however, it places higher importance on achieving two jobs within each beneficiary household and sets lower goals for cash savings at BDT 1,000, which has been evaluated as more realistic. Notably, **it distinguishes the "graduation" thresholds between rural and urban households** (Pritchard, Kenward, and Hannan 2015).

TABLE 4. Overview of income and asset-related "graduation" indicators in Bangladesh

Programme	Income indicator	Asset base	"Graduation" threshold
CFPR-TUP	• Household has up to 3 sources of income • Per Capita income of 50c per day or more	• Households own livestock/ poultry • Build up cash savings	• Achieving 6 out of 10 indicators
CLP	• Household has had more than one source of income for the last 30 days	• Household owns productive assets worth > BDT30,000 • BDT3,000 cash savings	• Achieving 6 out of 10 multidimensional indicators
EEP/ Shiree	• Income above HIES Poverty line	• Household owns productive assets worth > BDT10,000 • 4 or more productive assets in HH	• Rural households: achieving 6 out of 12 indicators • Urban households: 4 out of 12 indicators

Source: Authors' elaboration based on Pritchard, Kenward, and Hannan (2015).

The Bangladeshi experience, mainly the CFPR-TUP programme, motivated the implementation of similar pilot studies in several other countries, including Ghana, Honduras, India, Pakistan, Peru, and Ethiopia (CGAP 2016). A majority of such programmes continues to be implemented by the Ford Foundation and CGAP and funded by organisations like the World Bank, the European Union, or bilateral development cooperation.

In **Ethiopia**, the Productive Safety Nets Program (PSNP), established first in 2005 and subsequently expanded, constitutes one such example for implementation by CGAP and the Ford Foundation together with the funding institutions (World Bank, EU, UK aid, USAID, among others) in cooperation with the Government of Ethiopia. The programme is primarily targeted at 318 food-insecure areas. Key components of PSNP are consumption support through food or cash, encouragement to save, asset transfers for the poorest recipients and restricted to only one household member, as well as skills training, and monitoring (Mahmood 2016).

Ethiopia's spending of 1.1 per cent of national GDP on the initiative, financed mainly by donors and the government, represents a comparatively high level of spending relative to similar

programmes targeting extreme poverty reduction in other countries (Mahmood 2016). The central aim consists in protecting beneficiary households from economic shocks, which would force them to sell off productive household assets and, in consequence, contribute to long-term food insecurity. Instead, by incentivising savings, the programme seeks to prevent continued dependency on consumption support. A notable distinction in the modality for asset transfers in the Ethiopian case is that only the poorest 30 per cent of benefit recipients are eligible for the asset transfer in the form of a grant, while the remaining 70 per cent must access it through credit providers (ibid.). A further internal distinction is made between vulnerable groups like elderly persons, persons with disability, pregnant and lactating women who are eligible to receive the transfer all year. Meanwhile, other eligible recipients receive the support for only six months per year (ibid.). Those recipients who are not part of vulnerable groups instead take part in a public works programme in return for receiving the PSNP benefits (ibid.). Each cycle, the "graduation" rate is determined separately based on case-by-case decisions by household. After recipients are notified, they may appeal the decision or prepare while they continue to receive consumption support through a 12-month grace period (ibid.).

In contrast, the **Colombian** pilot study *Produciendo mi Futuro* (My Future) is closely linked to the already existing conditional cash transfer programme *Más Familias en Acción* by the Colombian government. My Future, therefore, does not include cash transfers as consumption support. Using a multidimensional poverty index to determine eligibility, this programme provides its beneficiaries, instead, with capacity building on farming techniques. They receive home coaching and visits, and jointly develop saving plans (Moen 2016). Another distinctive component of My Future is its attempt to incorporate community-building and strengthening of social ties with the goal of establishing mutual economic and social support to build longer-lasting positive "graduation" outcomes (Moen 2016). The two-year long pilot is estimated to cost USD 1,170 per participant for the duration of the programme. The programme is designed to be combined with the CCT *Más Familias en Acción* for which families with school-age children are eligible (ibid.).

The CCT *Más Familias en Acción* was introduced in 2000 and has benefited over 2.3 million families in Colombia, which was more than 20 per cent of the population in 2012 (Angulo and Gómez 2014). The transfer incorporates a separate "graduation" group called "*Familias en transición*". It contains families that are recertified either once their children leave education, once families fail to fulfil the transfer conditions, or due to a clear improvement in economic circumstances. The transition phase takes two years to allow time for appealing or enabling a gradual transition. Most beneficiaries graduate into informal labour (ibid.).

In the case of **Peru**, the *Mi Chacra Productiva* programme was consequently modelled into the nationally scaled-up project *Haku Wiñay/ Noa Jayatai* (HW). The programme is targeted at the rural poor between 18-65 years. Established in 2012, it constitutes a one-off, three-year programme without the possibility to re-enter (Conger 2016). The programme is limited to capacity-building measures that aim to increase shock responsiveness by increasing mostly agricultural productivity. Once households have undergone the full cycle of capacity formation measures after three years, they graduate automatically (ibid.). Similar to the Colombian case, *HW* receipt may be combined with receiving the CCT *Juntos,* from which 80 per cent of HW recipients benefit from. This combination is perceived as highly important by Conger (2016), since it ensures subsistence support while recipients learn and acquire skills for farming to improve their long-term outputs.

Other additional noteworthy examples are established with **India's** Indira Kranti Pathan (IKP) and Targeting the Hard-Core Poor (THP) programmes, as well as **Haiti's** *Chemin Lavi*

Miyo (CLM). The IKP, implemented in the Indian state of Andhra Pradesh, endeavours to promote women's empowerment and improve livelihoods in rural areas (Prennushi and Gupta 2014). The programme proved particularly successful in promoting participants' savings—around 96 per cent of women benefit, and their asset base through facilitated access to credit—up to 75 per cent benefited. Other important elements were social and economic capacity building and women's self-help village groups (ibid.). Another example in India, the THP programme is implemented by the Bandhan Konnagar non-governmental organisation in eastern India. Its key components include consumption support, asset transfers, skills training, and other additional elements found to be crucial: coaching, health support, and "village assistance committees" that help with monitoring and shock response within the village (Sengupta 2016; Pain, Vautravers, and Descieux 2015). The Haitian CLM also follows the experience of combining capacity training, asset transfers, social protection, financial inclusion, and coaching.

In sum, most "graduation" programmes targeted at poor population groups are modelled on the Bangladeshi example first implemented by BRAC, in 2002. Notable common design factors encompass the twin pillars of consumption support combined with capacity building. Some exceptions can be found in programmes providing only capacity-building; however, as the cases of *Haku Wiñay* and *My Future* from Peru and Colombia respectively show, this can be combined with existing cash transfers and consumption support. Although extensive research exists analysing the impact of "graduation" programmes in increasing earnings and asset accumulation positively (Banerjee et al. 2015; Bolboni et al. 2017) and more critically (Kidd and Bailey-Athias 2017), there seems to be **no studies that focus on the extent to which they may facilitate a transition from social assistance to social insurance for their beneficiaries**.

Furthermore, the productive impact of cash transfers is dependent on a number of household-level and programme-level enablers, but also on a 'conducive market environment that provides opportunities for income-generating activities and increases in productivity' (Daidone et al. 2015). Therefore, some studies indicate the prevalence of daily waged work and other forms of informal labour in the years following the conclusion of programmes. Misha et al. (2019) in their analysis on **Bangladesh'**s CFPR-TUP programme indicate that 50 per cent of beneficiaries continued to depend on daily waged work as their main source of income, and the probability of engaging in entrepreneurship decreased from 9 per cent in 2005 to only 4 per cent in 2011. Other studies showcase a reduction in the number of assets owned by beneficiary families in the years following the conclusion of programmes (Bandiera et al. 2013; Banerjee et al. 2015; Misha et al. 2019) as they re-sell the items to mitigate risks they face given that they are no longer receiving cash assistance and are not covered by social security (Kidd and Bailey-Athias 2017).

Also, research has shown that those able to utilise the bundle of self-employment and capacity building services provided through programmes, more successfully, are the least poor of beneficiaries, as in **Peru**'s *Haku Wiñay* programme (World Bank 2020), and **Bangladesh**'s CFPR-TUP programme (Misha et al. 2019), as well as pilot programmes in **Ethiopia, Ghana, India, Pakistan** and **Honduras** (Banerjee et al. 2015). Besides, while the main goal of capacity building and training programmes is to enable beneficiaries to gain an income from self-employment, formalisation, therefore, represents a continued challenge in programme design, as such programmes exhibit a notable absence of any specific measures to support access to social insurance.

BOX 14. Training and self-employment support: key considerations from global practices

- In some contexts, such as for most countries in the MENA region, it might be more effective to invest in employment activation measures rather than self-employment support given the different economic and labour market contexts of countries where the approach has been implemented.
- In providing self-employment support, such as asset transfers or trainings, concomitant provision of basic income support and health insurance can improve the longer-term wellbeing of social assistance beneficiaries.
- The effects of self-employment support measures in facilitating the transition into social insurance has not been the focus of studies evaluating programmes that offer them. At the same time, the main goal of social assistance programmes providing capacity-building, asset transfer and training is to enable beneficiaries' to gain an income from self-employment, and not necessarily formalisation.
- To ensure the transition of social assistance beneficiaries receiving self-employment support, these programmes should explicitly link the support to specific entryways to the formal economy or to other measures to facilitate access to social insurance schemes.

4.2 EMPLOYMENT ACTIVATION

The implementation of complementary interventions for social assistance beneficiaries to foster human capital development and facilitate the transition to work can also take place through the provision of formal employment opportunities as implemented in **Egypt, Mexico, Jordan,** and **Turkey.** In all four countries, members of households benefiting from monthly cash assistance programmes can benefit from programme components designed to find or secure employment for them, for the purpose of facilitating their transition, as summarised in Table 5. Employment activation support can include a variety of services such as direct job placement, job search and matching services, and subsidies covering wages and/ or social security contributions. Evidently, not all employment activation support services are equal in their success in facilitating long-term employment. For example, Bird and Silva (2020) found that there is little impact of job-search and matching programmes on employment in developing countries but that there are potential benefits in providing face-to-face services targeting disadvantaged groups to enter the labour market. The paper also notes that, while there is little evidence on wage subsidies supporting long-term employment, they are nonetheless effective tools to create short-term employment in fragile economies with high youth unemployment (McKenzie, Assaf, and Cusolito 2016).

Egypt's *Fursa* (Opportunity) Programme was recently established, in 2020, and targets households benefiting from the Takaful and Karama cash transfer with members able to work, providing capacity building, and support for self-employment[24] and employment (AlMasry Alyoum 2021; MOSS 2022). The employment support provided is through job placement at available employment opportunities arranged through the Ministry of Social Solidarity's agreements with non-governmental organisations, investors syndicates, industrial zones and the private sector (AlMasry Alyoum 2021; Zayed 2021; Farhat 2022). Such opportunities can also be accessed by disabled beneficiaries. However, no details are provided on whether the Fursa programme subsidises salaries or if these are paid by employers themselves, and there is no information on whether the programme takes any steps to ensure its beneficiaries can benefit from social insurance both during the programme's duration and after beneficiaries are no longer eligible for social assistance.[25]

24. Target: Subsidised loans to 240,000 beneficiaries (70 per cent in rural areas)—75 per cent for women, 25 per cent for men—moss update report.

25. Nor is there any information on whether there is an arrangement for their guaranteed return should they fall back into poverty.

TABLE 5. Summary of case studies implementing "graduation" through employment

Country	Cash assistance programme	Complementary employment focused intervention*	Employment support provided	Type of employment
Egypt	Takaful and Karama (MOSS)	*Fursa* (Opportunity) Programme	• Job placement	• Private, third sector (market-based employment)
Mexico	PROSPERA	*Vinculacion* (Binding/Linkage) Component	• Job placement • Wage subsidies (salaries for a limited time for certain beneficiaries)	• Private, third sector (market-based employment)
Jordan	Monthly Cash Assistance (NAF)	Programme for the Employment of Children of Beneficiary Households	• Job placement • Wage subsidy (Social insurance subscription coverage)	• Private, third sector
Turkey	CCT for Education and Health (MoFSP)	Activating the Relation between Social Assistances and Employment	• Job placement • Wage subsidy (Social insurance subscription coverage) • Job Guidance Assistance (compensation for transportation, photo needed for interview etc) • Assistance to Start Working	• Private, third sector (market-based employment)

* Note: the complementary employment focused intervention may provide a number of livelihood and employment support services. However, only employment related services are provided in this section while those relating to livelihoods are discussed in Section 4.1 above.

Source: (MOSS 2022; Adaman and Erus 2016; McCord 2018; OECD 2019; Orozco Corona and Gammage 2017).

Similarly, to Egypt's example above, **Mexico**'s *Prospera* programme, which following the introduction of the binding/ linkage component in 2014, started providing its beneficiaries, specifically young beneficiary household members who have completed secondary education, with job placement opportunities in the formal sector (IDB 2010). This represents an improvement over *Progresa* compared to previous rules under the *Prospera/Oportunidades* guidelines (Gobierno de México 2014). Labour inclusion is achieved through collaborations with different national and sub-national programmes as well as ministries and governmental agencies such as the National Employment Service or the CAM Laboral (Centros de Atención Múltiple) (McCord 2018; Orozco Corona and Gammage 2017; Triano Enríquez et al. 2019; SEDESOL and PROSPERA 2016).[26] One of the first measures taken was to commit at least 30 per cent of the budget of an existing programme focused on labour inclusion to support *Prospera* beneficiaries specifically (Dávila Lárraga 2016). Furthermore, *Prospera* worked alongside the World Bank and companies to provide job opportunities in the energy sector (McCord 2018). Within the World Bank-funded element of the binding component, wage subsidies for formal employment were provided for six months for beneficiaries covering 2,5 times the minimum wage (Triano Enríquez et al. 2019). This component was introduced in 2014 and the number of beneficiaries of the labour inclusion component in 2015 /2016 was more modest than that of other programme components introduced in the same year (Triano Enríquez et al. 2019). Furthermore, impact evaluations of its success in improving access to employment, facilitating long-term employment after the end of the subsidy, or in

26. In addition to labour inclusion, the binding/linkage component also focused on 1) productive inclusion—through income generating projects, 2) financial inclusion—through financial education, savings, life insurance and credit, 3) social inclusion to facilitate access to social rights of people (Rovira 2017).

increasing formalisation, are not known. Assessments have shown that institutional coordination was proven difficult to achieve as the component relied on collaborations with several national and sub-national programmes that already existed (World Bank 2020).

Jordan's Programme for the Employment of Children of Beneficiary Households implemented by the National Aid Fund (NAF) and targeting beneficiaries of NAF's monthly cash assistance, provides members who are able to work with employment opportunities in the private sector arranged through NAF, as well as wage subsidies. NAF ensures the formalisation of the employment opportunity through certifying that a contract is signed between the beneficiary and the employer, and by subsidising the social security contributions of the beneficiary for two years.[27] The programme provides members with a 3-month grace-period after which 85 per cent of the income they make becomes calculated as part of the household's total income, thereby affecting the benefit value received by the household.[28] However, the implementation of this programme is constrained due to limited financial and human resources.

Lastly, like in Jordan, **Turkey**'s Conditional Cash Transfer Programme for Education and Health provides beneficiaries with job placement opportunities, as well as complementary benefits to ensure their employment. The programme, which targets Syrians, refugees, and Turkish nationals, provides education and health benefits to families, conditional on school attendance and health check-ups. By mid-2020, at least 695,000 refugee children had already received this support (European Union 2021). Eligibility for the programme is terminated once a household member becomes employed and registered in long-term social insurance branches.[29] Nonetheless, to encourage the transition to work of beneficiary households, those with members considered 'employable' and earning lower than the minimum wage are referred to the complementary programme 'Activating the Relation Between Social Assistances and Employment' headed by the national employment agency (İSKUR). The complementary programme fleshed out in Law No. 6704 (2016) provides multiple avenues to support beneficiaries to find employment including through (OECD 2019; Adaman and Erus 2016; OECD 2020):

1. Job placements through vacancies at the ISKUR ;
2. Job Guidance Assistance including up to 4 yearly transfers to cover the cost of transportation, photos needed for interview etc (40 TL–120 TL);
3. Assistance to Start Working in the form of a lump sum payment for those that accept employment (981 TL in 2020);
4. Wage subsidy through covering social security contributions for **one year**[30,31]

After the job placement, the regular cash transfer continues to be provided for the beneficiary household for **one year** even if the per capita household income during that

27. Article 5 (1)—Instructions on the Training, Rehabilitation, and Employment of Family Members of Beneficiary Households from the National Aid Fund (2013).

28. Article 22 (a)—Instructions for the Provision of Cash Assistance for Needy Families (2019) | Article (13)—Instructions on the Training, Rehabilitation, and Employment of Family Members of Beneficiary Households from the National Aid Fund (2013).

29. A household can combine cash assistance benefits with short term social insurance branches such as unemployment insurance.

30. In order to discourage employers from replacing existing employees with CCT beneficiaries to benefit from the wage subsidy, a stipulation was made that the beneficiaries hired should not be a replacement of one that is already employed (Adaman and Erus 2016).

31. No indication whether this applies only to minimum wage earners.

time exceeds 30 per cent of the net minimum wage (OECD 2019). Turkey's complementary programme 'Activating the Relation Between Social Assistances and Employment' is not its first to subsidise social security programmes. In fact, an assessment of two previous wage subsidy programmes subsidising contributions, employee personal income tax, energy consumption and land, have shown that their dominant effect was to increase social security registration for both firms and workers (Betcherman, Daysal, and Pagés 2008).

To conclude, the programmes listed above are a combination of state-sponsored employment and market-based employment. In both cases, but mostly for market-based employment, demand-side barriers in the local economy affect the extent to which such programmes can be successful. As for the case of state-sponsored employment, issues with sustainability arise as there are demands for continued state or donor support. Other issues include a failure to address supply-side obstacles to employment, and a risk of substituting one set of workers for another rather than increasing aggregate employment (Harvey 2000). It is important to note that social protection programmes with an employment activation component, while helpful for first-time job seekers in gaining work experience and thereby improving their employability (Almeida, Orr, and Robalino 2014), can only address some financial barriers to labour supply and demand but have insignificant impact when it comes to structural determinant of under- and unemployment and social exclusion (McCord and Slater 2015). In terms of the type of employment support provided, the **Egyptian** programme did not give details on whether those that are placed in jobs get additional benefits or whether any incentives or wage subsidies are extended to employers in order to ensure their continuous employment and facilitate their transition from social assistance to social insurance. In **Mexico,** wage subsidies for some elements of the programme covered workers' salaries for 6 months. In **Jordan** and **Turkey**, job placements are also complemented with wage subsidies[32] in the form of covering social security contributions for a set period of time, as well as other benefits such as a pre-defined contract duration, which ensured those beneficiaries were transitioning to social insurance, albeit only for the duration of the programme. Turkey's previous experience with similar wage subsidies has resulted in an increase in social security contributions registration for workers (Betcherman, Daysal, and Pagés 2008; Aşık et al. 2022). Furthermore, past experience from Jordan showcases that, when subsidies were designed to cover wages without any conditionalities regarding social security subscriptions, employment through such programmes remained informal and temporary as they failed to address problems of unemployment (Groh et al. 2012).

BOX 15. Employment activation: key considerations from global practices

- Through employment activation measures, governments can aim to ensure a decent work environment by including through verifying that written employment contracts are being signed, or by providing wage or social insurance contribution subsidies.
- Demand-side barriers in the economy will limit the positive effects of employment activation programmes. Therefore, it is necessary to ensure complementarity with other labour market policies that seek to address mass unemployment and underemployment.
- Temporary wage subsidies improve employment opportunities in contexts of weak economies and high unemployment, but they cannot be the dominant policy instrument to address broader unemployment. They should rather be linked with broader economic growth policies, as individuals may return to unemployment or informality after the intervention.

32. Covering social security contributes is regarded as a wage subsidy by Almeida, Orr and Robalino (2014).

5 GOOD PRACTICES IN FINANCIAL INCENTIVES TO JOIN SI PROGRAMMES

Ensuring better incentives to enter the formal economy and join social insurance schemes for social assistance beneficiaries and informal workers is very important and can be achieved through devising systems to **subsidise SI contributions,** particularly for informal workers, including through **setting differentiated contribution rates based on their income,** as well as via the implementation of **monotax schemes**.

5.1 SOCIAL INSURANCE CONTRIBUTION SUBSIDIES

5.1.1 State-sponsored

Subsidies to social insurance contributions can be state-sponsored, i.e. financed by the state directly, or they can be financed by social insurance contributions of workers who partially or fully subsidise the benefits of certain categories of workers, in a process known as 'cross-subsidisation'[33] (Sato, Figuiredo, and Mohamed 2022). State-sponsored social insurance contribution subsidies, either permanent or temporary, for all self-employed workers, regardless of income or only for those earning below the minimum wage, are currently implemented in several countries around the world including **Jordan**, **Egypt**, **Morocco**, **Tunisia**, **Costa Rica**, **Oman**, **Colombia**, and **Peru** as summarised in Table 6. This section focuses on these subsidies noting those that are provided (i) regardless of the worker's income, (ii) covering only the minimum wage, and (ii) those that are progressive in that they taper off as the income of the informal worker increases.

Subsidising social insurance contributions for informal workers regardless of their income is implemented in countries like **Egypt** and **Peru**. Egypt's recent Law No. 148 on Social Insurance and Salaries (2019), states that the contributions of irregular workers will be partially subsidised, with the government paying 12 per cent and the workers themselves paying 9 per cent.[34] Egypt's law makes a distinction between self-employed workers in the informal economy and workers in the informal economy with irregular sources of income as per Article (2) of the Law. The former group includes landowners with land above a certain size, tour guides etc., while the latter group includes newspaper distributors, shoe cleaners, temporary agricultural workers, street vendors, i.e. those in more precarious positions when it comes to income predictability.[35] Furthermore, Egypt's law sets no time limit to the implementation of the governmental subsidy on the contributions of irregular workers. In **Peru** on the other hand, a subsidy on the contributions of all informal workers regardless of their income was meant to be implemented only temporarily, for three years, as a transitory mechanism to encourage increased social insurance subscription when the decision was made to make it mandatory for certain categories of self-employed workers (Guzman and St Clair 2021). Nonetheless, while the design of the programme's temporary subsidy was concerned with issues of financial sustainability, the lack of outreach and awareness raising about it among the targeted workers prior to its enforcement led to the rejection of the measure by them (FIAP 2017).

33. There are differing degrees of cross subsidisation. 1) All contributors pay the same amount through a flat contribution 2) proportional contributions which mean equal portions or percentage of income, irrespective of the level of income of the contributor, 3) all contributors pay a progressive contribution in which the percentage contribution increases with wealth, and 4) progressive contributions but the poor do not pay (Goudge et al. 2012).

34. Article 19 (3)—Law No. 148 on Social Insurance and Salaries (2019).

35. Article 2 (4)—Law No. 148 on Social Insurance and Salaries (2019).

TABLE 6. Summary of case studies with good practices in financial incentives to join SI programmes through subsidising contributions

Country	Programme/ Organisation	Type of subsidy	Target of subsidy	Contributions	Subsidy amount	Subsidy duration
Jordan	Estidama++	State subsidy	Unregistered and self-employed workers, including non-nationals	-	-	17 months
	Programme for the Employment of Children of Beneficiary Households—NAF	State subsidy	Social assistance beneficiaries between 18 and 40 years[36]	21.75% total, of which 14.25% by employer 7.5% by employee[37]	100% subsidy, which covers the 14.25% contribution by employers and 7.5% contribution by employees[38]	2 years[39]
Egypt	National Organisation for Social Insurance	State subsidy	Irregular workers	21% total	12% contribution by the Treasury (i.e 57% of total contributions)[40]	As long as the worker's contribution
Costa Rica	Social Insurance Fund	State subsidy	Self-Employed workers within certain income scales	• 18.75% total • (including 11% health insurance, 7.75% pensions' insurance) • 8%–18.75% by self-employed worker depending on salary scale • 10.75–0% state subsidy depending on salary scale (Durán-Valverde et al. 2017)		

36. Article 6—Instructions on the Training, Rehabilitation, and Employment of Family Members of Beneficiary Households from the National Aid Fund (2013).

37. (PWC 2022).

38. Article 5 (1)—Instructions on the Training, Rehabilitation, and Employment of Family Members of Beneficiary Households from the National Aid Fund (2013).

39. Article 5 (2)—Instructions on the Training, Rehabilitation, and Employment of Family Members of Beneficiary Households from the National Aid Fund (2013).

40. Article 19 (3—Law No. 148 on Social Insurance and Salaries (2019).

Country	Programme/ Organisation	Type of subsidy	Target of subsidy	Contributions	Subsidy amount	Subsidy duration
Morocco	*Caisse National de Security Sociale* (National Social Security Fund—CNSS)	Cross-subsidisation	Self-employed small-scale fishers (FAO 2019)	• Trawlers: 4.65% of the total proceeds from the sale of fish caught • Sardine boats (artisanal fishing): 6% of the sale of fish caught[41]	Contributions paid by artisanal fishers are not enough to cover the benefits that they receive, as a result the contributions of other workers are used to cover the difference (FAO 2019)	-
	Crop hail insurance/ multi-risk climate insurance—*Mutuelle Agricole Marocaine d'Assurances*	State-subsidy	Agricultural workers with land below a certain size	16–398 Moroccan Dirhams per hectare (MAMDA MCMA 2021)	Subsidy by government is inversely proportional to the size of the land owned and is between 57%-90% of the contributions (Sato 2021; MAMDA MCMA 2021)	As long as land owned is below a certain size
Tunisia	*Caisse nationale de sécurité sociale* (CNSS)	Cross-subsidisation	Self-employed workers, agricultural workers	14.71% total[42]		
Oman	• Social Insurance for Self-Employed Workers • Public Authority for Social Insurance	State-subsidy	Self-employed workers	20% total	13.5%–16% contribution by the Government depending on income group of worker, with the worker paying the remaining amount (ESCWA 2019)	NA
Colombia	• Periodic Financial Benefits Programme • *Beneficios Económicos Periódicos / Colpensiones* (BEPS)	State-subsidy	Informal workers earning less than the minimum salary	-	• Subsidy by government is equivalent to worker's contribution (Guzman and St Clair 2021) • 20% subsidy on an individual's accumulated contributions when reaching retirement age (ISSA 2021)	-

Source: Authors' elaboration.

41. CGEM.

42. (CNSS 2021).

Subsidies on social insurance contributions for categories of workers earning the minimum wage or below the minimum wage are implemented in countries like **Jordan** and **Colombia.** Jordan implements a complementary programme for beneficiary households of the country's recurrent cash assistance programme provided through the NAF that aims to find employment for children or members of the beneficiary households. Through the programme, NAF covers the employer and employee contributions of the beneficiary for a two-year period,[43] but only for salaries equal to or below the minimum wage.[44] If a beneficiary finds employment paying above the minimum wage, then the employer and the beneficiary must cover the contributions incurred from the additional income that is not subsidised. Similarly, the subsidy provided by the **Colombian** government under the Periodic Financial Benefits Programme (BEPS) applies to self-employed workers, including those earning below the minimum wage. This measure affects 58% of the population[45] including mostly independent workers and day labourers, and makes pension and health contributions mandatory, while professional hazard insurance is voluntary (Durán-Valverde et al. 2017). The contribution rates of workers are matched by the government (Guzman and St Clair 2021). Since the introduction of a particular element of the programme targeting those working in the creative sector, BEPS has been successful in registering more than 18,000 creative workers and providing pensions for almost 4,500 others (ISSA 2021).

Lastly, progressive subsidies on social insurance contributions have been implemented in **Costa Rica** since 2006 (Durán-Valverde et al. 2017) and Oman since 2013 until prior to recent reforms. The size of the subsidy provided differs depending on the income of the worker and his or her ability to make contributions; a list of the salary ranges of self-employed workers and the corresponding applicable governmental contributions subsidy is in Table 7. The Costa Rican example of subsidisation of contributions has been a successful one in increasing coverage to this category of vulnerable workers. It increased the coverage rate of health insurance to 60 per cent compared to 31 per cent four years earlier, and of pensions to 45 per cent compared to 16 per cent (Durán-Valverde et al. 2017). The Omani subsidy was implemented in a similar manner: the state subsidy was inversely proportional to the workers' income. The subsidy contributed to the registration of 9,810 self-employed workers in 2017 which corresponded to approximately 29 per cent of national self-employed workers in the country (ESCWA 2019).

Notably, subsidising contribution rates has, in some instances, resulted in increased coverage of informal workers as shown in countries from the **Arab region** (ESCWA 2019), **Latin America** (Guzman and St Clair 2021), and **Africa** (UNDP 2021). The design features of social insurance contribution subsidies are critical for success, as such measures can sometimes result in perpetuating informality and discouraging formalisation. This is the case in **Mexico**'s *Seguro Popular* health insurance (Bosch 2014) and **Colombia**'s health insurance introduced in the 1990s (Camacho, Conover, and Hoyos 2013), wherein the eligibility for subsidised contributions was predicated on informality status or being 'unemployed' by the formal sector.

43. Article 5 (2)—Instructions on the Training, Rehabilitation, and Employment of Family Members of Beneficiary Households from the National Aid Fund (2013).

44. Article 6—Instructions on the Training, Rehabilitation, and Employment of Family Members of Beneficiary Households from the National Aid Fund (2013).

45. Based on statistics from 2010.

TABLE 7. Contributions of self-employed workers and the state based on salary range (2010)

Salary range in Costa Rican *colónes*	Health insurance contributions			Pension insurance contributions			Total worker contrib.	Total state contrib.
	Worker	State	Total	Workers	State	Total		
110,000	3.75%	7.25%	11%	4.25%	3.50%	7.75%	8%	10.75%
110,000 – < 2 min. salaries	5.50%	5.50%	11%	6%	1.75%	7.75%	11.5%	7.25%
2 min. salaries – < 4 min. salaries	6.25%	4.75%	11%	6.25%	1.50%	7.75%	12.5%	6.25%
4 min. salaries – < 6 min. salaries	7.25%	3.75%	11%	6.50%	1.25%	7.75%	13.75%	5%
6 min. salaries – < 8 min. salaries	8.25%	2.75%	11%	6.75%	1%	7.75%	15%	3.75%
8 min. salaries – < 10 min. salaries	9.50%	1.50%	11%	7.25%	0.50%	7.75%	16.75%	2%
10 min. salaries and more	11%	0%	11%	7.75%	0%	7.75%	18.75%	0%

Source: Authors' elaboration based on Durán-Valverde et al. (ESCWA 2019).

BOX 16. Subsidising contributions: key considerations from global practices

- Subsidised contributions can be connected to the level of income of the workers, e.g., by using the minimum wage as a benchmark, rather than the type of labour market engagement.
- Providing subsidy for microenterprises regardless of the number of workers or complementing subsidies with other incentives for growth, such as reducing hiring costs.
- State-sponsored contributions can raise financial sustainability risks; some alternatives could be to implement progressive or inversely proportional subsidies, cross-subsidisation, or utilise alternative resources to finance them, such as sin taxes.[46]
- Subsidising social insurance contributions without having established a universal social protection floor can be a regressive policy given that social insurance participation of workers with intermediary and top incomes would likely be subsidised but the poorest workers might not necessarily receive social assistance.

5.1.2 Setting differentiated social insurance contribution rates

Setting differentiated contribution rates for informal workers relative to formal ones, or contributions rates that vary for different categories of informal workers based on their type of work, income level and contributory capacity, is another method of subsidising contributions called cross-subsidisation.

It has been a successful mechanism to incentivise joining social insurance schemes, especially for agricultural workers. **Brazil** and **Tunisia** are two country examples where this has been implemented. In Brazil, the four categories of rural workers in the social insurance

46. Philippines relies on a sin tax on tobacco and alcohol to subsidise health insurance for the poorest and most vulnerable groups (Vilcu et al. 2016).

scheme for the private sector—RGPS, pay varying contribution rates compared to one another and different rates have also been set for workers under the same categories but with varying income levels, as summarised in Table 8. The differentiated contribution rates provide access to the same benefits for all categories of workers and have contributed to protecting one in four own account workers in social insurance (ILO 2021a; Durán-Valverde et al. 2017).

TABLE 8. Different social insurance contributions for Brazilian rural workers

Category	Details	Contribution Rates
Employees Temporary or casual worker	Includes 4 income ranges	7.5–14%
Individual contributors	Self-employed farmers employing workers on a fixed basis	11% in simplified regime or 20% in normal regime
Special insured	Rural producers in agriculture or extractivism (rubber tappers), artisanal fishing for subsistence and contributing family members	1.2% of total sales value of products

Source: INSS 2024.

Tunisia's *Caisse Nationale de Sécurité Sociale (CNSS)* provides benefits for employees in the private sector as well as self-employed workers. Although the different categories of workers have different rates of contribution and access to benefits, the unification of schemes within one fund facilitates cross-subsidisation (Sato, Figuiredo, and Mohamed 2022). Furthermore, CNSS has 10 income brackets for self-employed workers that depend on their occupational group (see Table 9) and the size of the enterprise or agricultural land. For example, agricultural workers with land below 5 hectares fall under the first income group while those with land above 50 hectares belong to the 5th income group.[47] Income brackets vary from 1 to 18 times the minimum intertrade or agricultural wage (ILO 2021a) and the social insurance contributions vary accordingly. Mandatory subscription in Tunisia has meant that the country has the highest social insurance coverage rate in the Arab region for both nationals and non-nationals at 74.9 per cent, well above the regional average of 36.7 per cent (ILO 2021b; 2021c). However, coverage for agricultural and informal workers remains below 50 per cent (ILO 2021a).

TABLE 9. Sub-categories for Tunisian non-salaried workers

Occupational group	Sub-categories	Contributions	Applicable benefits
Non-salaried workers	Non-agricultural Agricultural Fisheries Artists and the literature sector	14.71% (calculated based on income bracket)	• Pensions • Disability benefits • Survivorship benefits • Death benefit

Source: (ESCWA 2016; CNSS 2021).

47. Article 1 (b)—Minister of Social Affairs Decision Regarding the Income Brackets of Non-Salaries Workers in the Agricultural and Non-Agricultural Sectors (1995).

Some countries have adapted differentiated contributions to increase incentives for workers to join social insurance even more through adapting contribution schedules, considering alternative values for determining contribution values, determining contributions based on an annual or quarterly basis, allowing temporary interruptions of contributions, and finally expanding access points to make the payment of contributions more convenient. A selection of country practices in these areas is summarised in Table 10.[48]

TABLE 10. Other mechanisms to incentivise SI contributions

Mechanism	Country	Details
Adapting contribution schedules	Kenya	The Mbao Pension, which covers informal workers, allows individuals to make contributions daily, weekly, monthly or annually
Considering alternative values for determining contribution values	Brazil	Rural workers' contributions vary as per their produce sale revenues
Allowing temporary interruptions of contributions	Cape Verde	Allows the interruption of contributions for up to 8 months, however for the individual to be eligible for social insurance benefits they must have contributed for at least four months

Source: Adapted from (Sato, Figueiredo, and Mohamed 2022).

BOX 17. Setting differentiated contribution rates: key considerations from global practices

- Accounting for the disparities in workers' capacities to afford social insurance contributions when setting rates for different groups of workers can promote a more comprehensive social insurance coverage.
- Social insurance contribution rates can be adjusted based on various factors, such as level of income, occupational group, type of economic activity, size of enterprise, labour seasonality and size of owned land.

5.2 COMPLEMENTARY INCENTIVES LINKED TO THE TAX SYSTEM

A monotax is a mechanism that unifies the payment of taxes and social security contributions for micro-entrepreneurs and self-employed workers (Durán-Valverde and Tango 2019). It lowers the administrative costs for registrants by reducing the number of institutions involved in collecting payments, each often requiring different sets of documents, following different payment schedules, and accepting different payment mechanisms (ILO 2021a). Another added incentive to formalisation associated with the adoption of monotax regimes is their frequent combination with lower or subsidised social security contributions. Implementation of these regimes, nonetheless, requires a good level of coordination among different institutions involved in social security and tax administration, including at different levels of government (ILO 2021a).

48. For further details on such practices see (Sato, Figueiredo, and Mohamed 2022).

Some notable examples of the implementation of successful monotax regimes that contributed to formalisation and an increased effective social insurance coverage for self-employed workers are **Argentina**, **Ecuador**, **Brazil**, and **Uruguay**. Other countries, like Morocco, are currently planning the implementation of a monotax regime as part of post-COVID-19 structural changes to the social protection sector (Hespress 2021).

Brazil's *Simples Nacional* law of 2006, and subsequent amendments, introduced the deduction of a single fixed monthly fee covering some taxes and social security contributions for small and micro enterprises, as well as individual micro-entrepreneurs earning below a defined threshold (Durán-Valverde and Tango 2019) as shown in Table 11. Taxes and social security contributions for businesses differ based on size, type of activity and income range with individual micro company owners (*microempreendedor individual—MEI)* paying the lowest, followed by micro companies *(microempresa, ME),* and small companies *(Empresa de Pequeno Porte, EPP)* (Durán-Valverde and Tango 2019). While all three types of entities fall under the *Simples Nacional,* MEIs have some different rules and exceptions regarding income, number of workers and required taxes (Dau 2021). In addition to pooling tax and social security, the monotax regime offered for MEIs, i.e own-account workers with up to one employee, can benefit from simplified tax return requirements, tax advantages, and access to bank accounts with reduced rates. Similarly, the benefits to MEs include a single annual simplified tax declaration form, exemptions from paying additional social contributions and reduced fiscal obligations (ILO 2019). In less than a decade, the number of registered enterprises rose by 300 per cent, thereby including 75 per cent of enterprises in the country (Durán-Valverde and Tango 2019; Guimarães, Medeiros de Carvalho, and Paixão 2018).[49]

TABLE 11. Overview of Brazil's *Simples Nacional* system

Components	Sub-components	Amounts payable
Tax	• Federal taxes [CPP,[50] COFINS, CSLL, IPI, CSLL, IRPJ] • 1 state tax [ICMS] • 1 municipal [ISS]	• Lower rates for *MEI* which are the same every month but differ based on activity • Lower rates for *ME* and EEP which differ by the service provided and income grade and range between 4–24.25% (Dau 2021)
Social security contributions	• Old age pension • Sickness benefits • Disability pension • Maternity benefit	• 5% for individual micro entrepreneurs (MEI) • CPP for micro and small enterprises (ME)[51]

Source: Authors' elaboration based on Durán-Valverde and Tango (2019).

49. Based on data from 2018.

50. CPP ("employer social security contribution") is the contribution paid by ME and EEP to the social security.

51. The CPP is included in the *Simples* payment, with exception for enterprises offering cleaning services, surveillance, real estate construction, or legal services (annex IV of the Simples Law) (Secretaria-Executiva do Comitê Gestor do Simples Nacional 2021, p. 59).

Similarly in **Uruguay**, a monotax system, known as *Monotributo*, was introduced in the early 2000s. It allowed for the payment of taxes and social security contributions collectively to the Uruguayan Social Security Institute (BPS), which then transfers the tax portion to the relevant tax authority (Ortiz, Cummins, and Karunanethy 2017). In 2011, an additional monotax regime, known as *Monotributo Social* MIDES, was established to target households below the poverty line and one-person enterprises. Therefore, the Uruguayan monotax system has two additional incentives for formalisation: (i) **subsidising the *Monotributo* Social MIDES** and, (ii) **gradually increasing contribution payments for newly registered enterprises**. Only three years after registration do enterprises become obliged to pay the full tax and social security contribution rates (Durán-Valverde 2019) as shown in Table 12.

TABLE 12. Overview of Uruguay's *Monotributo*

	Monotributo	***Monotributo* Social MIDES**
Target	Activities involving work in public areas, open spaces, or in small spaces (no more than 15 m^2), with no more than one stand operating at a time • Self-employed micro-entrepreneurs such as street-based services (car repair, tour guides,) and small scale fishery services (earning below a certain threshold) • De Facto enterprises with up to 3 associates (earning below a certain threshold)	Those providing services or producing and marketing goods, which meet the following conditions: • Those living below the poverty line • 1-person enterprises (earning below a certain threshold) • 5-person enterprises such as family enterprises (earning below a certain threshold)
Tax contribution	All payments due to BPS and DGI (all taxes except for import taxes)	All payments due to BPS and DGI
Social security contribution		
Social security benefits	All except for unemployment insurance	All benefits of the BPS social insurance system
Gradual implementation	-	• 25% of contribution rate during 1st year of registered activity • 50% of contribution rate during 2nd year of registered activity • 75% of contribution rate during 3rd year of registered activity

Source: Authors' elaboration based on TPC Group (2021) and Amarante and Perazzo (2013).

Uruguay's *Monotributo* regime has been successful in significantly expanding social insurance coverage to the informal sector, especially given its gradual implementation of contributions for the Social monotax scheme. Nonetheless, the limited list of eligible occupations to benefit from the *Monotributo* regime has been a point of criticism against the scheme's success, as it excludes the diverse occupations conducted by self-employed workers (Amarante and Perazzo 2013).

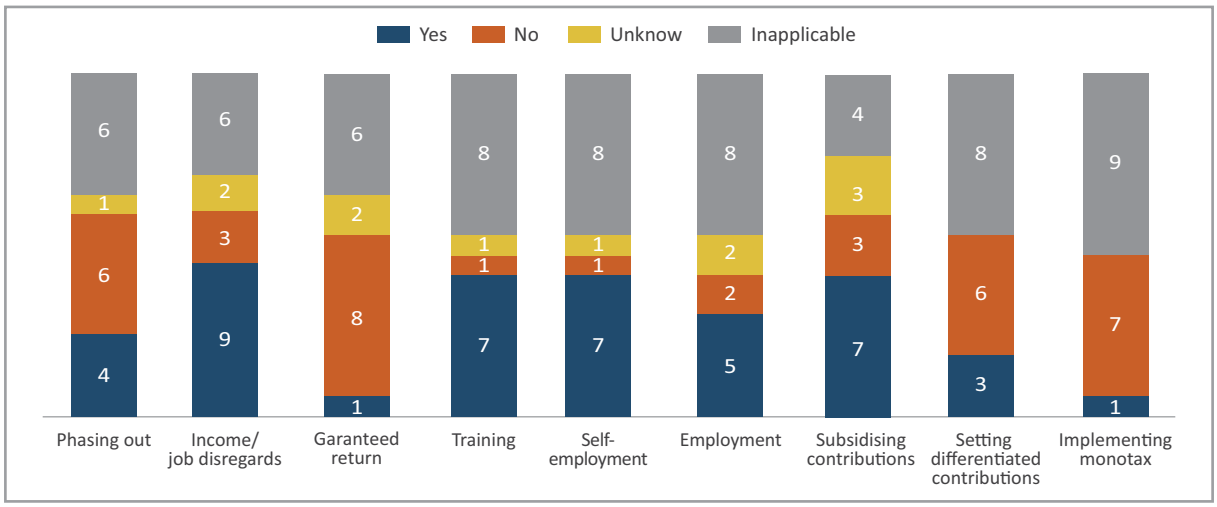
BOX 18. Complementary incentives linked to the tax system: Key consideration

- Facilitating payment of dues and unifying taxation, social security contributions, and businesses' registration procedures through the introduction of monotax regimes can support the transition for micro-enterpreneurs and self-employed workers. It reduces administrative costs and simplifies processes, motivating workers to join social insurance schemes.
- Monotax regimes should adopt a broad definition of informal workers to reduce exclusion and ensure effective coverage. To incentivise registration of informal businesses, they should consider the implementation of temporary subsidies or gradual increases of contributions for newly registered businesses.
- Investments in tax infrastructure and extensive vertical and horizontal coordination among different entities are critical for implementing monotax regimes. Therefore, it might be relatively more challenging to implement them in many countries in the Arab region that have ineffective and underdeveloped tax systems, low tax effort for the wealthy and an imbalance between direct and indirect tax revenues.[52]

6 TRANSITIONING FROM SI TO SA IN THE ARAB REGION

The following section presents a summary of national CTs in a sample of countries from the Arab region and social insurance measures and whether they implement any of the push and pull factors adopted in the conceptual model presented in this report. The summary looks at push factors such as (i) social assistance programme design features and (ii) support to join the labour market, as well as pull factors including (i) social insurance design features and (ii) financial incentives to join social insurance, and whether country programmes have any of these elements (Figure 4). The summary is based primarily on countries' social protection-related legislation. Consequently, a degree of inaccuracy may be present as some elements (for example guaranteed return) might be implemented in practice by a country programme but not reflected in its associated operational frameworks.

FIGURE 4. Implementation of push and pull factors for better transition in selected social assistance and social insurance programmes across the Arab Region



Source: Authors' elaboration based on the literature review.

52. For more on the tax system in Jordan particularly see: Phenix Center for Economics and Informatics Studies (2017).

Push factors

Generally, as Figure 4 shows, most social assistance programmes across the sample of Arab region countries implement Income / Job disregards (9 out of 17 programmes total, and 11 of which are SA). Income disregards mostly apply to income through irregular informal work, home-based production (linked to the productive families complementary programmes implemented in a number of countries), or other social assistance benefits but rarely income from regular/ formal employment. Only a few countries, explicitly exclude income from formal employment either for members of the household (Jordan, Egypt) or the household head (Iraq, Bahrain, Oman). Most of the programmes in the region exclude those with formal jobs except for Iraq, Bahrain and Oman as the main criteria for the programme to have income below a certain threshold regardless of its source.

Other push factors implemented include complementary programmes with a "graduation" element through providing training (7 out of 17) and self-employment support (7 out of 17), however, only one country (Jordan) marries such programmes with financial incentives to join social insurance in order to ensure that families that exit social assistance can graduate into social insurance. It is also important to note that apart from Jordan, most countries do not provide details on the operational guidelines of such complementary programmes, and the information that is available does not address whether those families expected to exit social assistance programmes through a self-employment pathway receive social insurance coverage or any support to cover contributions. This indicates that it is important for the countries within the sample to improve the transparency of what beneficiaries can lose or gain from such complementary benefits. Self-employment support is often through 'productive families programmes' but these often have very small coverage, rarely have any impact evaluations or information on whether such families return to poverty or ever become licensed formalised businesses (with the exception of Bahrain's Khutwa which offers support to obtain licenses).

The least implemented push factor within social assistance design features is **guaranteed return** (1 out of 17) and the least implemented push factor within labour market activation is employment opportunities for social assistance beneficiaries (5 out of 17). A similar conclusion was reached in Bird and Silva (2020) assessing the role of social protection in young people's transition to work in the Arab Region, wherein there was little evidence that active labour market programmes targeting existing social protection beneficiaries ever promote employment. Likewise, guaranteed return is barely integrated in programme design features and is implemented only in Saudi Arabia, for those Social Assistance beneficiaries who join the Productive Families programme but whose project fails to generate money. Other country regulations do not indicate the implementation of 'guaranteed return' nevertheless the practice might be implemented in practice.

Pull Factors

Furthermore, a number of programmes implement **financial incentives to join social insurance** applicable mostly to informal and irregular workers. The most utilised method across the region is subsidising contributions (7 out of 17 programmes total, 6 of which are SI) by the government either indefinitely, as in **Egypt** for informal and irregular workers**,** or depending on income/ land-size for agricultural workers and landowners in **Morocco,** or for small-scale fisheries as in **Oman.** Jordan is the only country to subsidise social security contributions for social assistance beneficiaries benefitting from complementary employment support programmes. Other countries set differentiated contributions and utilise cross subsidisation (3 out of 17) as in **Tunisia** and **Morocco** and the two countries also either partially or fully subsidise health insurance for informal workers. Furthermore, only **Morocco** is working on implementing a Monotax.

TABLE 13. Elements of better transition across social assistance and social insurance programmes in the Arab Region

Country	Main programme/ *Complementary benefit*	Type	Push factors						Pull factors		
			Programme design of SA			Support to join labour market			Financial incentives to join SI		
			Phasing out	Income/ Job disregards	Guaranteed return	Training	Self-employment	Employment	Subsidising contributions	Setting differentiated contributions	MonoTax
Bahrain	Social Assistance/ Social Security *Khutwa Programme*	SA		Y[53]	?	Y	Y[54]	N	-	-	-
Egypt	Takaful and Karama— *Fursa Programme*	SA	N	Y[55]	N	Y	Y	Y	N	N	N
	Irregular Workers insurance— National Organisation for Social Insurance	SI	-	-	-	-	-	-	Y	N	N
Jordan	Recurrent Cash Assistance— *Employment and training programme for beneficiaries*	SA	Y	Y	N	Y	Y	Y	Y	N	N
	Social Security Corporation	SI	-	-	-	-	-	-	Y	Y	N
Libya	Basic Pension	SA	N	Y	N	-	-	-	-	-	-

53. Eligibility criteria only specifying a certain income threshold and the registration process requires the submission of a Salary Statement for those with jobs (MOLSD n.d.).

54. Beneficiaries of the Social Assistance Programme are eligible to benefit from the Khutwa Programme for Home Based Businesses which supports in obtaining a licence for the business, in providing participating families with training, avenues to market their products, access to the Family Microfinance House, and access to social insurance through a self-selection scheme (MOLSD n.d.).

55. Income from informal work is partially disregarded but work in the formal sector or receiving a pension are both grounds for exclusion (MOSS 2022; Kurdi et al. 2018).

Country	Main programme/ *Complementary benefit*	Type	Push factors						Pull factors		
			Programme design of SA			Support to join labour market			Financial incentives to join SI		
			Phasing out	Income/ Job disregards	Guaranteed return	Training	Self-employment	Employment	Subsidising contributions	Setting differentiated contributions	MonoTax
Oman	Social Security Assistance—*Productive Families Programme*[56]	SA	N	Y	N	Y	Y	N	N	N	N
	Social Security Assistance—*Employment Priority for Beneficiary Children*	SA	Y	?	?	N	N	Y	?	-	-
	Public Authority for Social Insurance	SI	-	-	-	-	-	-	Y[57]	N	N
Qatar	Social Security Assistance—*Employment and Training Programme for Beneficiaries*	SA	N	Y[58]	N[59]	Y[60]	Y	Y	?	-	-

56. Income from productive projects and other home-based businesses is disregarded from the calculation of total income for the purpose of calculating the benefit amount for social assistance beneficiaries. Based on Article 5—Social Security Law No. 84/87. Male children beneficiaries above the age of 18 who are no longer eligible due to turning 18 or finding employment can continue to benefit for six months. Based on Article 19—Social Security Law No. 84/87. Details on both complementary programmes provided to Social Security Assistance Beneficiaries are not provided in the Ministerial Decision No. 72 on the Issuance of a Framework for Social Assistance (2014).

57. See Section 5.1 on Subsidising Contributions and (ESCWA 2019).

58. To benefit from social security assistance, income from handmade produce or home-based produce is excluded, as well as any additional assistance to the household for the purpose of training and employment rehabilitation of the beneficiary household member—based on Article 5—Law No. 38 on Social Security (1995).

59. Benefits are halted once beneficiaries become employed and exit 'permanently' unless their circumstances change—with recertification occurring every year for most categories and 2 years for those unable to work and PWDs (Al-Alwany 2021; MADLSA 2016).

60. Household members can benefit from vocational training, skills training and grants for the establishment of productive projects —based on Article 17—Law No. 38 on Social Security (1995). Trained household members may also benefit from job matching services provided by the Ministry of Administration Development, Labour and Social Affairs, who registers them as job seekers —based on Article 18—Law No. 38 on Social Security (1995)—and (MADLSA 2016).

Country	Main programme/ *Complementary benefit*	Type	Push factors						Pull factors		
			Programme design of SA			Support to join labour market			Financial incentives to join SI		
			Phasing out	Income/ Job disregards	Guaranteed return	Training	Self-employment	Employment	Subsidising contributions	Setting differentiated contributions	MonoTax
United Arab Emirates	Social Assistance Benefit	SA	N	Y[61] / N[62]	N	?	?	?	-	-	-
Iraq	Social Safety Net Programme—*Training and Rehabilitatin Programme for Beneficiaries*	SA	Y	Y[63]	N	Y[64]	Y	Y	?	-	-
Morocco	*Mutuelle agricole marocaine d'assurances*	SI	-	-	-	-	-	-	Y	Y	-
	Single CPU Professional Contribution	SI/ tax	-	-	-	-	-	-	-	-	Y
Saudi Arabia[65]	Social Security Assistance—*Productive Families Programme*	SA	Y	Y	Y	Y	Y	N	N	N	N
Tunisia	*Programme national d'aide aux familles nécessiteuses* (PNAFN)[66]	SA	N	N	N	-	-	-	Y	-	-
	Caisse nationale de sécurité sociale	SI	-	-	-	-	-	-	Y	Y	-

61. **Income disregarded** includes that which is earned from 1) home-based or environmental businesses and 2) benefits provided to those members who are part of training or vocational rehabilitation programmes—Based on Art 6 (1) & (3) Federal Law No. 2 on Social Security (2001).

62. Applicant is required **not to be a formal sector worker** registered in social security (TAMM n.d.), members of the household such as sons and daughters are excluded if they start working—based on Federal Decree No. 9 (2019).

63. The programme follows a proxy means testing targeting formula including all those individuals whose income is below the poverty line (IPC-IG, n.d.). The law only explicitly excludes those working in the public sector, thus workers in the private and informal sector can benefit—Based on Article 6 (3) Law No. 11 on Social Protection 2014.

64. Social Safety net beneficiaries or their household members can benefit from employment, training and or support for the establishment of income-training projects. Beneficiaries who become ineligible, their benefit is terminated one month after the change in their circumstances which they are required to immediately notify—Based on Article 15 (3) Social Protection Law No. 11 (2014). No information is provided on what happens to the social safety net benefit once a beneficiary is benefiting from the complementary training, self-employment and employment programmes.

65. Social Security Assistance beneficiaries are eligible to benefit from the Productive Families Programme by receiving a grant for a subsidised loan to start their project. Beneficiaries of the latter project continue to receive social security assistance for three years after they begin their productive project, after the 3 years, assistance may be continued for one additional year should the family's project be failing at generating income. After the year ends and no improvements occur to the project, the family is able to return to the Social Security programme and discontinue the 'productive project' without any requirement for exit and re-application. Based on Article 9 —Regulatory Framework for the Work of Productive Families No. 92 (2018).

66. PNAFN targets those who are unable to work, all beneficiaries are included in the state-subsidised non-contributory health insurance scheme *Assistance Médicale Gratuite* (AMG) (IPC-IG 2018).

7 CONCLUSION AND RECOMMENDATIONS FOR BETTER TRANSITION BETWEEN SOCIAL ASSISTANCE AND SOCIAL INSURANCE

Transition from social assistance to social insurance is important to ensure people remain protected against risks throughout changes in the life cycle, socioeconomic and employment status, thus maintaining a complementarity between contributory and non-contributory systems and furthering levels of protection. The design of SA and SI programmes is vital to ensuring transition and complementarity between these two components of social protection systems. Most social assistance programmes reviewed are more concerned with "graduation" or employment activation while few explicitly address the transition from SA to SI in their design. Furthermore, labour market activation provided to social assistance beneficiaries generally lacks focus on formalisation and social insurance inclusion, as most of it occurs through informal self-employment.

Regarding push factors identified, most social assistance programmes in the Arab countries implement income or job disregards in eligibility rules. However, these mostly concern income from informal work, home-based production or other social assistance programmes rather than income from formal employment. A few countries like Jordan and Egypt have programmes that explicitly disregard income from formal employment for members of the household, and others such as Iraq, Bahrain and Oman only disregard formal employment income for the household head. Moreover, most programmes in the region do not allow participation of persons with formal jobs except for Iraq, Bahrain and Oman. In terms of labour activation measures, only Jordan has programmes that offer training or self-employment support to beneficiaries of social assistance and most countries do not provide details on the operational guidelines of such complementary programmes, when they exist. Finally, 'guaranteed return' is the least implemented push factor for social assistance schemes in the Region.

Regarding pull factors, some Arab countries are implementing financial incentives for informal workers to join social insurance schemes. While countries like Egypt, Morocco and Oman subsidize social insurance contributions for some groups, others like Tunisia and Morocco set differentiated contribution rates or partially subsidize participation in health insurance schemes. Morocco is also working on implementing a Monotax system.

The value and success of different mechanisms in fostering transition from SA to SI are highly contextual depending on the characteristics of the individual themselves and the country context in question. The applicability of different transitioning routes differs based on the strength and structure of its social protection system, its labour market indicators and demographic characteristics. Recommendations associated with the review of good practices are further detailed below.

7.1 RECOMMENDATIONS RELATED TO THE PUSH AND PULL FACTORS

Push factor: Design of social assistance programmes

Several actions can be taken to ensure that **anti-poverty household-based social assistance programmes** support the transition to formal employment. First, the designs of such programmes can ensure social assistance **benefits are phased out** to allow beneficiaries a gradual shift into the formal labour market and a smoother transition to social insurance coverage. A possible design feature to achieve this is maintaining the standard cash assistance payment for a defined period, such as up to two years. This allows time for the worker to gather

work experience while reassured by this *safety cushion*. Another option is to adjust the benefit amount over time and depending on the worker's wage level.

Second, it is important to reduce disincentives to join the labour market for social assistance beneficiaries by **removing any explicit criteria that exclude households with employed individuals or discounting a certain percentage of earned income from social assistance eligibility calculations**. All beneficiaries may be eligible for this, or specific types of beneficiary households, such as those with children in school to avoid the potential negative effects of "graduation" programmes in compromising the distribution of resources to children.[67] Such social assistance design features can entail disregarding a portion of formal employment income, for instance,below a certain threshold in a phased-out manner, depending on the types of beneficiaries. For example, policy makers may choose to disregard from eligibility determination, either fully or partially, income from social insurance benefits like unemployment insurance or pensions. Another option is to apply differentiated weights for different income sources, such as income from formal employment, social insurance or other social assistance. It may also be relevant to differentiate between different types and economic sector of employment, as these factors likely impact the time needed to establish sufficient living conditions after having transitioned out of social assistance. For all these options, it is necessary to clearly communicate to potential beneficiaries what income is disregarded and what amount of it, when applicable.

Finally, social assistance programmes should allow for **re-application after exit** or **guaranteed return** to former beneficiaries to maintain a 'revolving door' to benefits in case of a renewed need for protection against poverty. This means that programme design should avoid setting time-limits for when re-application into a programme can be made, i.e., not set a minimum nor maximum periods outside a programme. An alternative feature is to exempt former beneficiaries from waiting lists when they are re-applying for the benefit. Programmes should also avoid making re-entry conditional on previous voluntary exit from the programme. Lastly, the possibility to return must be clearly communicated to beneficiaries to encourage job-seeking in the formal labour market.

Push factor: Support to join the labour market

This report also provides recommendations for adopting **labour market activation** measures based on the good practices analysed. First, when considering the adoption of "graduation" approach mechanisms, a comprehensive socio-economic assessment should **weigh the suitability of self-employment versus traditional wage employment opportunities**, factoring in the household's circumstances, location, and structural barriers, including market and access to credit, they may encounter in each option. While transition to work through self-employment, facilitated by income transfers or livelihood programmes, may seem viable, it could yield unsatisfactory outcomes, particularly concerning social insurance participation. From a social protection perspective, the effectiveness of such a strategy is contingent on whether self-employed individuals are covered within the existing social insurance policy and legal frameworks, which is often not the case. Thus, careful consideration and necessary policy adjustments are critical to ensure a sustainable transition for beneficiaries, balancing the benefits and drawbacks of both self-employment and traditional employment pathways.

67. Roelen (2015) indicates that beneficiaries with children have to balance between making the necessary 'investments' for reaching the graduation threshold and the distribution of available resources for children. Evidence suggests that significant shares of income are spent on children's education instead of other foreseen investments which indicates a necessity for adjusting income thresholds to household composition (ibid.).

Second, labour market activation programmes should offer complementary interventions for social assistance beneficiaries such as **training courses and self-employment support** that correspond to beneficiary characteristics and preferences, as well as include an understanding of labour market barriers. Practitioners should also aim to use labour market activation measures to complement self-employment opportunities with mechanisms that ensure the continuity of social assistance benefits during the transition, such as job and income disregards, guaranteed return, and the phasing out of benefits.

Third, practitioners should focus on addressing both **supply and demand side employment barriers**[68] for social assistance beneficiaries to enter the formal economy and join labour market activation measures. The role of **public employment services** is critical in this regard. Initiatives should be integrated into wider employment programmes, following an effective sequence modelled after global best practices, starting with job-search services, counselling, and monitoring, followed by training programmes. Longer-term **job placement** opportunities should be provided, accompanied by stipulations for decent work, including clarifying **contract duration and minimum salary**. It is crucial to clearly communicate the existence of complementary social protection benefits and services and their impact on household eligibility to ensure understanding and uptake. Moreover, **structural barriers to join the labour market** must be addressed when designing employment activation programmes. These barriers may include the lack of jobs or skills mismatch, physical distances for workers living in remote areas, work permit requirements and their cost, as well as exclusions from certain professions. The latter two issues are especially relevant to migrant workers and refugees.

Finally, labour market activation measures can support social assistance beneficiaries' transition to the labour market and decent work through training, self-employment support, or employment activation measures. Here, it is central to adopt adequate measures that ensure their transition into social insurance schemes, particularly through financial incentives and a better understanding of the different factors driving the **cost of formalization**. In all cases, particular consideration should be put into avoiding explicit labour activation conditionalities being imposed on social assistance beneficiaries, recognizing that not all have the capacity to engage in economic activities.

Pull factor: Design of social insurance schemes

As argued throughout this report, it is also crucial that **social insurance programmes** be designed to facilitate the transition of former social assistance beneficiaries. This can be achieved in numerous ways. First, programme design should ensure the **eligibility criteria for social insurance schemes are inclusive** of various types of informal and self-employed workers. This entails providing statutory coverage for flexi workers, migrants, refugees, all categories of domestic workers, agricultural workers, fishermen, among others. It requires minimizing legal and design barriers to registration and eligibility to social insurance, such as minimum qualifying periods, wherever possible. It also involves considering differences in subscribers' respective financial contributory capacity, as well as varying sizes of enterprises, for example. From an institutional perspective, it is central to raise awareness about inclusive options and to expand inspection capacity.

Second, social insurance programmes providing a **suitable range of benefits** for recipients can ensure their varying needs and risks are addressed while considering their ability

68. Like the lack of sufficient capital to conduct job search and the lack of job opportunities in the geographical area (McCord and Slater 2015).

to contribute financially. For this, it is critical to put a strong emphasis on short term benefits that can be enjoyed by insured members (and their families) during working life, as opposed to after retirement only. And it is central to raise awareness and incentivise potential beneficiaries to join. This entails broadening access to benefits such as unemployment insurance, maternity, employment injury, sickness, health care and family allowances. Such measures may vary and must contemplate the needs of different types of workers, such as tailoring maternity, paternity and parental leave regulations, visa requirements, different types of work benefits like subsidized commutes to and from work, while keeping alignment with international social security standards. Moreover, it is central to consider the portability of benefits to aid labour mobility into waged employment.

Finally, **easing administrative hurdles and processes** can facilitate bureaucratic processes for subscribing to social insurance. To achieve this, social insurance programmes may offer digital registration options and simplify requirements to foster registration of informal workers. They may facilitate the payment of contributions and receipt of benefits by reducing the number of necessary documents and permits. Social insurance providers may also reduce required travel time to their offices by introducing online channels or one-stop-shops that combine several offices and services. Similarly, responsible institutions may link the application for business licenses with social insurance registration requirements, as well as facilitate tax payments. At the same time, it is key that practitioners remain mindful about lacking internet connections and digital literacy.

Pull factor: Financial incentives

The good practices analysed in this report also highlight several ways in which governments can create **financial incentives for social assistance beneficiaries to join social insurance programmes**. First, to facilitate the transition of social assistance beneficiaries or informal workers into broader social security schemes, it is recommended to **subsidise social insurance contributions either temporarily or permanently**. These subsidies should integrate social assistance beneficiaries who find employment into complementary employment-related programmes for a sufficient period, ensuring a gradual transition from social assistance to social insurance and sustained support. Additionally, the implementation of progressive subsidies linked to registrants' income levels can incentivise continued participation and provide adequate support based on individual needs. Importantly, eligibility criteria for subsidies should not stipulate an informal worker or business status, to prevent disincentives for formalisation efforts. The financing implication of permanent subsidies should be carefully considered, considering trade-offs between explicit and explicit mechanisms and alternative sources within and outside the contributory social security systems.

Second, to enhance the inclusivity and effectiveness of social security systems, it is recommended to **implement flexible contribution rates** that align with the level and seasonality of income of the worker or business. This approach acknowledges the varying financial capacities of workers and ensures affordability while maintaining access to social security benefits and preserving the overall principles of collective risk pooling and solidarity in financing. Additionally, allowing for interruptions in contributions, particularly for informal or agricultural workers with irregular or seasonal incomes, is crucial. Social insurance schemes can design more flexible contribution schedules to accommodate the fluctuations in income and employment patterns of some workers.

Finally, **the adoption of complementary incentives linked to the tax system can be considered in pursuing broader synergies with the formalization agenda and lower**

administrative costs. Facilitating payment of dues and unifying taxation, social security contributions, and businesses' registration procedures through the introduction of monotax regimes can support the transition for micro-enterpreneurs and self-employed workers. This entails a broad definition of self-employed workers to ensure broader coverage within the tax system. These incentives could include the gradual implementation of full tax and social insurance contributions schedules, subsidies or the lowering of contribution and tax rates based on the payment capacity of affected workers. Still, the design of the tax system and maturity of social security and tax administration are important conditions to consider in assessing the suitability of this type of system in different countries.

7.2 RECOMMENDATIONS RELATED TO THE STRUCTURAL RETHINKING OF SOCIAL PROTECTION SYSTEMS AND APPROACHES

A social protection system that fosters better transition between social assistance and social insurance schemes often combines multiple mechanisms, within the elements of **programme design of both social assistance and social insurance schemes, labour market activation,** and **financial incentives to join social insurance schemes**. The previous set of recommendations highlights the need for designing programmes pertaining to these different pillars of social protection so that they complement each other in incentivising and supporting the transition of social assistance beneficiaries into the formal labour market and social insurance. However, **deeper and more structural reforms** of the social protection systems architecture are also critical to support better transition.

More integrated contributory and non-contributory approaches for poverty and unemployment protection have the potential to incentivise the creation of formal jobs and savings, improve equity, and facilitate labour market transitions, including moving in and out of unemployment. Exploration and further innovation should be sought in particular in relation to bridging design and operational gaps between household-based poverty alleviation social assistance programmes and unemployment insurance/assistance schemes, with a view to developing more "universalistic" measures of protection against low income, as opposed to exclusively loss of income. These can more efficiently operate at the intersection between contributory, non-contributory and tax systems.

Expanding statutory coverage through tax-financed schemes for life-cycle contingencies is critical to ensuring people can maintain an adequate level of consumption at all times, and also creates better incentives for social insurance subscription as people are assured of the existence of a core floor of protection throughout their life transitions. Strengthening life-cycle based social protection, for example by introducing inclusive child benefits, disability and social pensions, is essential to shift part of the social assistance burden from household-based poverty-targeted schemes, which have been found to sometimes create disincentives to join the formal labour market and social insurance. Life-cycle non-contributory benefits tend to have positive—or at least less negative—impacts on economic activation and transitioning to formality of both beneficiaries and household members.

Finally, governments and social partners should continue to shape labour markets through setting standards in legislation or strengthening labour market policies and institutions. These will eventually help improve labour market outcomes in the medium and long-terms, promote inclusion, and provide pathways for transition to decent work and continuity in social protection.

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