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WIDER Working Paper 2023/93

Social protection, the COVID-19 crisis, and the informal economy

Lessons from relief for comprehensive social protection

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Abstract: This paper considers the implications of COVID-19 relief measures for the building and extension of comprehensive and universal social protection systems. It highlights three key areas emerging from the crisis, which are likely to affect the shape of social protection systems moving forward. These include the contested meaning of universality, the digitization of social protection systems, and the possibilities for informal worker participation in building a more inclusive social protection. In doing so the paper argues that the terrain of the social protection debate is shifting—it is increasingly uncontroversial that universal social protection is needed and that the state must play a role. However, the more nuanced debates that are emerging across the three areas identified will shape the terrain of whether the form of universal social protection that remains after COVID-19 is a positive and supportive form of inclusion.

Key words: informal workers, universal social protection, COVID-19 relief, financing, digitization

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1 Introduction

One of the overarching lessons from the COVID-19 crisis has been the need for universal social protection; social protection that covers everyone, including the ‘missing majority’ of workers in the informal economy. What is clear from the hard lockdowns of 2020 is that the lack of adequate social protection coverage exacerbated the economic fallout of the crisis, with many informal workers—over 60 per cent of those sampled in the first round of the ‘COVID-19 Crisis and the Informal Economy Impact Study’ by Women in Informal Employment: Globalizing and Organizing (WIEGO 2020)—unable to access even the most basic relief measures extended by governments while earning little to no income.

Despite these limitations in access, however, governments were rolling out relief measures at an unprecedented rate, often attempting to reach the informal workers who were largely invisible to the state. By January 2022, the World Bank had recorded a total of 3,856 social protection and labour market measures aimed at relieving the impacts of the COVID-19 crisis (Gentilini et al. 2022). As Dafuleya (2020) points out, short-term emergency relief measures should not be confused with social protection that should be understood as a longer-term institutionalized form of protection. Nevertheless, the fact that many of the relief measures—particularly those rolled out in 2020—leveraged existing social protection systems and programmes and, in several cases, made a first attempt at reaching informal workers means that there are lessons to reflect on for the longer-term comprehensive extension of social protection to informal workers.

This study considers the implications of COVID-19 relief measures for the building and extension of comprehensive and universal social protection systems. It begins with a synthesis of existing literature that has reflected on the lessons from relief for social protection more generally, using this to situate and contextualize the findings of WIEGO’s (2020) study on COVID-19 and the impact of the informal economy as well as other reflections on the COVID-19 relief response and social protection from within the wider WIEGO network. It then examines three key areas that were highlighted by the crisis and are likely to affect the shape of social protection systems moving forward. These include the contested meaning of universality, the digitization of social protection systems, and the possibilities for informal worker’s participation in building a more inclusive social protection. In doing so the study argues that the terrain of the social protection debate is shifting—it is increasingly uncontroversial that universal social protection is needed and that the state must play a role. However, the more nuanced debates that are emerging across the three key areas identified will shape the terrain of whether the form of universal social protection that remains after COVID-19 is positive, supportive, and inclusive.

2 Learning from the COVID-19 relief response: a review of the literature

Over 2021 and 2022, multiple papers and commentaries emerged that summarized and analysed the evidence on the roll-out of relief measures in 2020 and reflected on what had been learned for social protection more widely. The following sections present key lessons learned from the global social protection response to the COVID-19 pandemic, organized by key themes.

2.1 Pre-crisis social protection shaped relief measures

If there is one consensus among analysts of COVID-19 relief measures, it is that the characteristics of pre-crisis social protection systems and programmes significantly shaped the crisis response.

Analysing the timeliness and adequacy (extent of coverage and quality of benefits) of relief responses across 53 low- and middle-income countries, Beazley et al. (2021) found that the fastest and most adequate responses tended to be in countries where existing systems and programmes already covered all or most of the intended recipients. Drawing on a series of in-depth case studies to look at the coverage, adequacy, and timeliness of relief in selected low- and middle-income countries, Bastagli and Lowe (2021) similarly observe that effective responses were enabled by the quality and scope of the underlying social protection infrastructure, including identification systems, financial service provision and mobile phone ownership, as well as robust internet and data networks. Focusing on relief measures in Africa, a key learning for Devereux (2021: 442) was that countries with ‘comprehensive, well-functioning and well-funded social protection systems’ were in a better position to respond to COVID-19 quickly and effectively. Likewise, Kidd and Sibun (2020) pointed to the superior performance of universal social protection systems during the crisis, compared with more narrow poverty-targeted programmes where there was a struggle to quickly identify, enrol, and reach previously excluded groups. For these reasons, the International Labour Organisation (ILO 2021: 29, 65) argues that pandemic has ‘made the case for universal social protection irrefutable’, while making the weakness of narrowly poverty targeted approaches ‘glaringly apparent’ as countries without comprehensive coverage needed to rapidly fill gaps in their system ‘under duress, sometimes with a fair amount of improvisation and teething problems’.

2.2 Data and digital technologies were pivotal

Most observers also agree on the critical role that data systems and digital technologies played in providing COVID-19 relief. Critical to the success of relief efforts were the presence of information systems and databases to identify potential recipients of support and of electronic systems to transfer benefits. As many pre-crises social protection systems had large coverage gaps, countries sought to quickly identify and enrol new recipients at the onset of the pandemic. In identifying new recipients, governments mainly relied on existing databases and on-demand registration. Bastagli and Lowe (2021) and Beazley et al. (2021) agree that the existence of up-to-date data and inclusive information systems were key enablers of an effective response. However, this was only the case for databases that had sufficiently wide coverage and had been continuously updated; in cases where databases were out of date, the effectiveness of the response was undermined.

It is noteworthy that the *social registries*—databases of potential recipients for social protection, often identified on the basis of poverty indicators—did ‘not appear to be strongly associated with faster implementation of any type of expansion. Indeed, they appear to be associated with slower expansion), especially coverage expansion’ (Beazley et al. 2021: 14). This is mainly due to limited coverage of such registries and quickly outdated information.

While in use in more a limited way before COVID-19, the widespread adoption of electronic payment modalities, such as e-wallets and digital transfers, may be among the most important legacies of the pandemic. On the positive side, electronic payments appear to have facilitated a faster response. Analysing national cash transfers in 53 low- and middle-income countries, Beazley et al. (2021) find that, on average, those using electronic systems delivered their first payment a month before comparable programmes relying on manual or mixed mechanisms. This advantage was particularly pronounced in contexts with high levels of digital and financial inclusion. Gentilini et al. (2022: 16), however, find that digital payments were ‘faster, but not by a significant amount of time—i.e., 21 versus 23 days, respectively’. Moving beyond timeliness and towards questions of inclusion, authors of several World Bank publications have also expressed their expectation that direct payments to women through accounts in their name may enhance financial inclusion and autonomy (Demirgüç-Kunt et al. 2022; Zimmerman et al. 2020).

Others, however, caution that the ‘use of digital technology in making social assistance payments can be a double-edged sword for marginalised and vulnerable groups’ (Roelen and Carter 2022: 14). In many contexts, women and vulnerable groups tend to have lower access to identification documents, mobile phones, bank, or mobile accounts, which can heighten the risks of exclusion from digital payments (Beazley et al. 2021; Roelen and Carter 2022). Data from 2021 show that despite progress—financial account ownership globally increased by 50 per cent in the last decade—gender gaps in access to digital and financial services remain. Worldwide, women are 6 percentage points less likely to have a financial account, whether at a bank or through a mobile money service (Demirgüç-Kunt et al. 2022). In low- and middle-income countries, 234 million fewer women than men have access to the internet on their mobile phones (UN Women and UN DESA 2021). During COVID-19, these disparities meant that digitally enabled social protection interventions often failed to reach the most marginalized women (Staab et al. 2022).

2.3 Universal social protection requires inclusive design and implementation

The pandemic has once more highlighted that universal access to—and the inclusion of marginalized groups in—social protection cannot be assumed, but rather is the result of concerted efforts based on nuanced understanding of exclusion risks. This was recognized early into the pandemic by the Social Protection Inter-Agency Cooperation Board (SPIAC-B), chaired jointly by the World Bank and the ILO, which issued a call for the inclusion of previously excluded groups, including workers in the informal economy, for sustained efforts to increase financing, and for participation from all affected stakeholders in programme design, implementation, monitoring, and evaluation (SPIAC-B 2020a, 2020b).

Despite global awareness and commitments, social protection systems—including their pandemic-driven expansions to provide relief—often failed to adequately support those most affected by the crisis. Exclusion can be the result of insufficient attention being paid to the characteristics and needs of excluded groups at the design stage. For instance, only 32 per cent of the 4,968 crisis measures by governments recorded by UNDP and UN Women (2022) between March 2020 and August 2021 took gender into account (Staab et al. 2022). Similar flaws are evident in the pre-crisis design of social protection systems, which largely excluded informal workers from both poverty-targeted social assistance and employment social insurance (Barca and Alfars 2021). This lack of consideration of informal workers has constrained systems’ abilities to rapidly ensure comprehensive coverage during COVID-19. According to WIEGO’s longitudinal impact study on COVID-19 conducted in 11 global cities, just over 40 per cent of informal workers reported access to a cash grant (41 per cent) and food aid (42 per cent) in mid-2020 (Chen et al. 2021). The study found that access to relief differed widely depending on the strength and inclusiveness of the existing social protection infrastructure. In places such as Bangkok, Thailand, and Tiruppur, India, comparatively high levels of access to relief were the result of the combined impact of relatively developed social protection infrastructure and the efforts of organizations of informal workers who supported their members to overcome barriers (Chen et al. 2021).

The choices made by governments in the administration of relief reflect a lack of consideration of informal workers. WIEGO’s study points to persistent challenges that informal workers faced in accessing social protection across the eleven locations. Key barriers include the lack of data on informal workers, complicated administrative procedures involved in the application process, as well as limited access to digital technologies and low levels of digital literacy (Chen et al. 2021). Invisibility in government databases that acted as gatekeepers to eligibility for relief was a particularly important issue. In Lima, Peru, for instance, the most important barrier to access was not being listed in the country’s incomplete social registry. The exclusion of non-citizens and documentation requirements were the main reasons reported by respondents who did not receive relief in Bangkok, Thailand, and Durban, South Africa. In Bangkok, the exclusion of non-citizens

contributed to the widespread exclusion of migrant domestic workers, while in Durban, cumbersome application requirements made it difficult for waste pickers to access relief (Alfers et al. 2022).

Despite these challenges and weaknesses in social protection systems, it is worth reflecting on the important innovations developed by governments in their efforts, sometimes for the first time, to extend at least basic protection to informal workers. Particularly noteworthy are the introductions of cash transfers explicitly—although not always exclusively—designed for informal workers, such as Brazil’s Auxílio Emergencial, Madagascar’s Tosika Fameno, Peru’s Bono Familiar Universal, Sri Lanka’s Emergency Cash Transfers, and Togo’s Novissi (Bastagli and Lowe 2021). While these schemes were temporary, they may serve as a ‘proof of concept’, potentially convincing policy makers in the feasibility and legitimacy of direct income support to people in need, including to informal workers (Gentilini 2021).

At the same time, the crisis highlighted that cash assistance is rarely sufficient on its own, prompting renewed efforts in many low- and middle-income countries, such as Cambodia, Laos, Tanzania, and Togo, to extend contributory social insurance to informal workers (Barca and Alfers 2021). Barca and Alfers (2021: 5) suggest that post-COVID there is a ‘political opportunity to engage with scheme financing, design and implementation to make them more accessible to informal workers’. On the implementation side, reforms are needed to make registration more accessible, for instance by adapting registration processes to the working patterns and location of informal workers, ensuring the participation of workers’ organizations, simplifying procedures and required documentation, and linking registration for social insurance with social assistance and relief schemes. Payments can be simplified into a single annual payment or by introducing more flexibility: by allowing mobile phone payments or enabling workers to contribute whenever they have the sufficient incomes (Barca and Alfers 2021).

From a policy perspective, key questions are whether social insurance should be voluntary or mandatory, whether informal workers will be integrated into mainstream schemes or segmented into standalone ones, and the extent to which the system will be based on ‘solidarity financing’. In the absence of employers’ contributions, informal workers must often contribute an unaffordable share of their income, which creates barriers to accessing social insurance. Barca and Alfers (2021) argue that without full or partial subsidization of insurance premiums, contributory schemes will unlikely reach large-scale coverage. To enable low-income groups to join social insurance schemes, governments should consider lowering or removing contributions, institute matching contributions from the state as well as top-up systems and care credits for those with irregular contributions due to care responsibilities (Barca and Alfers 2021).

2.4 An effective response requires readily available financing

Conservative estimates¹ suggest that countries spent an extra USD3 trillion on relief during COVID-19. This additional spending represented 2.1 per cent of gross domestic product (GDP) in high-income countries, 2.5 per cent in upper-middle-income countries, 1.7 per cent in lower-middle-income countries, and 1.3 per cent in low-income countries (Gentilini et al. 2022). Governments that were able to source the necessary financing domestically or had established contribution agreements and contingency financing mechanisms before the crisis were able to respond quicker than those who needed to raise funds through external sources (Bastagli and Lowe

¹ This is a conservative estimate since spending data are available for about 23 per cent of social protection measures in the database maintained by Gentilini et al. (2022).

2021; Beazley et al. 2021). As a result, government-funded interventions were on average faster than those that relied fully or partially on external donor financing (Beazley et al. 2021).

2.5 Perspectives of informal workers

The learnings presented in the previous sections are very much ‘from above’—from international institutions, researchers, and social protection policy experts. What has been learned by organizations of informal workers themselves about social protection? Among other reflections WIEGO’s impact study provides a grounded complement to the reflections discussed earlier (Chen et al. 2021).

First, there has been a shift in perspective from organizations of informal workers on the elements, which make up comprehensive social protection systems. When WIEGO first developed its social protection programme over 20 years ago, its constituent organizations of informal workers had identified health care, income security in old age, and childcare as key issues. As Moussié and Alfers (2022) note, this led to a strong focus on public services for WIEGO. However, with the greater visibility that relief responses brought to income protection measures, as well as the opening of political space, the organizations have started to make much stronger demands for income protection in the form of both social insurance and social assistance, including protection against income losses as the result of unemployment and underemployment, work injury, and older age. To this effect, delegations of informal workers to the International Labour Conference in 2021 made demands for greater public financing for social protection, for ensuring employer contributions where possible, and for the state subsidization of informal workers contributions to contributory social protection schemes (WIEGO 2021a).

Second, while the advances with digital systems during the COVID-19 relief response were met with great excitement within the broader social protection community, from the perspective of organizations of informal workers what stands out is the critical role they themselves played in expanding the reach of relief measures to the ground. In the most successful cases, this facilitation role built on long-standing relationships with the state so that a degree of trust and communication already existed. Many membership-based organizations drew on their existing relationship with state actors to provide ‘last mile’ services, ensuring that their members were able to overcome major barriers to access, including those created by the use of digital systems and platforms (Alfers 2021; Alfers et al. 2020). This emphasizes the importance of grassroots organizations as active participants in the public sphere, and the very real need for their inclusion across social protection systems, from governance to delivery.

Finally, the relative inadequacy of relief measures on offer to informal workers has arisen. The WIEGO study findings suggest that while cash grants and food rations did help to keep food on the table, they were largely inadequate to serve their original intention—to enable informal workers and their families to stay at home and protect their health (Alfers et al. 2020; Reed et al. 2021). Moreover, the amount they received in comparison to the billions spent on economic stimulus measures aimed at large corporations was paltry. As a street vendor from Lima, Peru, put it: ‘The bono [cash grant] is an insult to the dignity of human beings, they should have given us an economic incentive to generate income to be able to work. But with 600 Soles [USD 160] what are you going to do? On the other hand, large companies got billions’ (Alfers et al. 2022: 31).

3 Moving forward: implications for comprehensive social protection systems inclusive of informal workers

What are the overarching considerations or issues that can be taken forward from the analyses discussed? There are four areas that suggest themselves immediately. These are:

- The expansion of social protection systems beyond formal workers to cover workers in the informal economy is a key policy concern. Certainly, the COVID-19 crisis has resulted in a greater consensus that *universal social protection systems*—systems that cover the entire population—are needed both to provide more effective crisis responses and to ensure protection from everyday life-cycle risks. Inextricably linked to this is the need to mobilize *sources of financing* for social protection, to ensure that provision can be extended to previously uncovered groups, but also to improve the adequacy of the benefits so that they are able to make a meaningful difference in people's lives.
- The design of social protection programmes does matter; *how* systems are designed and *how* programmes are implemented has real consequences for inclusion. Evaluations of programme design abound with respect to social assistance—and particularly cash transfers—but there remains a gap in understanding how design affects the inclusion of (informal) workers as a specific population group. Moreover, much less work has been done to evaluate the impact of design on this group in other parts of the social protection system, for example social insurance.
- While the arrival of the so-called digital welfare state is not linked solely to the COVID-19 crisis, the crisis has sped up its reach and implementation, with some benefits but also posing real challenges to those informal workers on the wrong side of the digital divide. This means that issues such as *digital and financial inclusion* are likely to become increasingly important as informal workers and their organizations engage more in the social protection policy space.
- The importance of making space for *participation* in the design and governance of social protection systems has also been emphasized, through the relative successes of relief efforts that were able to build off existing relationships between the state and organizations of informal workers. Here the challenge is to ensure that informal workers and their organizations are viewed not only as passive recipients of social protection but also as active agents in the building of social protection systems.

The following section elaborates on three of the issues that we feel are likely to be particularly contentious as the struggle for universal and comprehensive social protection moves forward.

3.1 Universalism

As noted, the extension of 'universal social protection' has become increasingly accepted as an important policy goal, signed up to by both the leading international agencies working on the issue—the World Bank and the ILO.² The reality, however, is that there are different interpretations of what universalism means in practice. The ILO advocates for what could be termed a social democratic model, combining the horizontal extension of social assistance to different categories of people (children, unemployed people, the disabled, older people), with vertical expansions of public social insurance, funded by a combination of contributions from the state, workers, and employers. Furthermore, the ILO favours defined benefit schemes that

² See ILO (2022) for more on the Global Partnership for Universal Social Protection (USP2030).

guarantee benefit levels and allow for redistribution between earners of higher and lower incomes. In this model, adapting to a world of work that is largely informal requires bolstering the social protection floor, formalizing employment relationships where possible, and adapting social insurance for large numbers of self-employed workers (ILO 2021).

The World Bank, in its White Paper on social protection, proposes a different model of universalism. At the centre of it is a tax-funded ‘guaranteed minimum’ to protect against ‘poverty and catastrophic losses’ (see Packard et al. 2019; in the 2019 World Development Report, this is discussed as a ‘progressively universal’ basic income—see World Bank 2019). This scheme will be funded by general taxes and replace existing minimum guarantees in contributory systems and tax incentives to contribute. To ensure a ‘minimum adequate level of consumption smoothing’, the model envisions mandatory and individually financed public insurance schemes, which should be either defined contribution schemes—where contributions are directly linked to individual accounts and benefits—or actuarially fair defined benefit schemes. By ‘actuarially fair’, the World Bank means not redistributing between poorer and richer members of insurance schemes. Indeed, a central principle of the World Bank’s proposal—and departure from the ILO’s model—is to pursue ‘poverty-prevention and redistribution objectives’ purely through tax-financed instruments, with statutory contributions limited to consumption smoothing and insurance (Packard et al. 2019: 10). These basic schemes are complemented by higher layers of voluntary and individually financed insurance schemes with a limited regulatory and behavioural ‘nudging’ role for the state to encourage savings.

There is a lot to unpack in this high-level overview of the differences in models of universalism, and not all can be discussed here. Centrally important for informal workers, however, are the differences in the proposals around social insurance because this is where their coverage as working people is most likely to be located. It is also an area of social protection and development policy that receives relatively little attention in comparison to the much-discussed questions of social assistance.

Both models see a role for insurance, but there are important differences in how that insurance is financed, whether it remains under the purview of the state or is privatized (or hybridized) and whether those insurances remain within the realm of labour regulation or not. For the World Bank, the adapted social democratic model is not well suited to the modern world of work for several reasons. First, while attaching social security to employment was logical during the era of the industrial revolution when state capacity was weak, governments now are much better equipped to pool risks through taxation and provide many forms of social protection themselves. Second, asking employers to contribute directly to the financing of social security establishes a ‘tax’ on formal employment that is not equalized out by the perceived benefits of social security for workers or employers. This ‘tax wedge’ distorts the labour market and drives up levels of unemployment and informality, as workers and employers seek to evade additional payments for which they see little benefit. Third, while informality means that incomes are often not visible to the state and therefore hard to tax, spending on consumption is increasingly visible through digital transactions. Therefore, consumption taxes are an important way to expand fiscal space for social protection and have the added benefit of a less distortionary impact on the labour market than taxes attached to income (Packard et al. 2019).

From the perspective of many informal workers—particularly the self-employed—this vision of universalism does have pragmatic elements. The proposed expansion of cash transfers and income-targeted subsidies to access publicly managed schemes providing basic income protection that are not reliant on an employment relationship lines up well with demands from organizations of informal workers for governments to take more responsibility for the subsidization of contributory schemes (WIEGO 2021b).

At the same time, however, proposals for the expansion of fiscal space through the imposition of taxes on consumption, while reducing contributions through income taxes, are not completely straightforward. Certainly, governments such as Ghana have created fiscal space through increases in value-added tax, ensuring that exemptions limit regressivity (Bastagli 2015). At the same time such increases may not be able to continue infinitely, and recent research from the ITUC (2022) suggests that in general indirect taxes on consumption cause an ‘additional rise in output prices and overall consumer prices, thereby lowering real income and crowding out consumption and investment, which offset any positive impact from social protection transfers’. The recent imposition of an e-levy on electronic money transactions in Ghana in an attempt to expand the domestic tax base places an additional burden on already struggling informal workers and has failed to generate more than 10 per cent of the US\$900 million it was intended to raise as people cut back on electronic payments (MENAFN-AFP 2022). At the same time, evidence from Accra, Ghana, highlights that informal sector operators already pay a range of taxes, permits, levies, and fees. For those at the lower end of the income spectrum, the ratio of taxes to earnings appears substantially higher than for formal workers and highly regressive (Anyidoho et al. 2022). These examples raise questions about the capacity of consumption taxes to adequately replace taxes on income as a financing method. In this context, it is important to note the centrality of social security contributions in the financing of social protection systems. Globally, in 2019, they accounted for 18.8 per cent of total taxation or 5.7 per cent of GDP. Perhaps contrary to expectations, financing raised through social security contributions has not only remained stable over the last two decades but has, in fact, also increased on average as a share of GDP by 0.7 percentage points between 2000 and 2019 (Calligaro and Cetrangolo 2023). As various UN agencies have argued, the expansion of employer contributions to the social protection financing mix is critical to ensuring that fiscal space is expanded for social assistance and to potentially subsidize the self-employed (Ortiz et al. 2019).

The problem with not having sufficient financing for the full package proposed in the World Bank’s White Paper is that it results in a somewhat disappointing recommendation to institute minimalist ‘social safety nets’ (see Packard et al. 2019), complemented by voluntary individual savings accounts to cover the ‘missing middle’, as seen in a subsequent World Bank report on social protection and informality (Guven et al. 2021). As Juergens-Grant (2022) points out, for informal workers already suffering the impacts of the COVID-19 pandemic recession, including having to deplete their savings, it is unrealistic and unfair to assume that individual savings will provide adequate protections. Historically, even in normal times, individual savings accounts have failed to provide adequate social protection in regions like Latin America (Ortiz et al. 2018).

For a policy area as critical (and as generally underfunded) as social protection, it is important to examine the theoretical and empirical robustness of the arguments against employer contributions. Certainly, the state can be a more efficient provider of certain protections than employers, but as Behrendt and Nguyen (2018) point out, this is not necessarily an argument against direct employer contributions into a public insurance scheme. Here the state still operates the insurance fund, with employer contributions as one of the income streams. What is really at issue then is whether this financing stream does in fact have the ‘damaging’ distortionary effects on the labour market it is claimed to have.

Although the argument for the distortionary impacts of labour market regulation (including social insurance contributions) has achieved the status of an orthodoxy, neither the theoretical nor empirical evidence for it are uncontested. Theoretically, Heintz (2008) points out that arguments for the removal of labour market regulation are based on neoclassical models of the perfectly competitive labour market, where any interference from the state distorts functioning and leads to misallocation of productive resources. Yet, as he argues, the idea of the perfectly functioning labour market is a ‘theoretical make-believe’; in the real world, labour markets do not function

perfectly, they are already distorted, not least by the power relations implicit within them. Heintz (2008) suggests that understanding labour markets as imperfect from the start provides an opportunity to understand how social protection—‘even those that directly affect labour market dynamics’—may have the potential to enhance rather than undermine welfare. Moreover, no dominant macroeconomic theory has attempted to theorize the functioning of labour markets dominated by self-employment (Heintz 2008); and yet 44 per cent of all workers globally are self-employed (ILO 2018).

The empirical evidence on the impact of labour regulations on labour markets is itself contested (Canelas and Niño-Zarazúa 2022). There is evidence that labour market regulation may affect levels of formality and unemployment (Bosch and Campos-Vazquez 2014; Levy 2008) as well as evidence that taxation and labour market regulation have no effect on informality (Williams and Kedir 2017). A careful look at the literature reveals a nuanced picture, with identified impacts often being limited to specific population groups, small effect sizes, and lacking robustness. Indeed, with more representative data, Seira et al. (2023) find that contrary to previous studies, Mexico’s universal health coverage programme Seguro Popular has not decreased formality. Similarly, reviewing the literature on efforts to increase formal employment through the reduction of social security contributions, Calligaro and Cetrangolo (2023) note that most studies find no significant employment or formalization gains from reducing contribution rates. They also find no correlation between contribution rates and informality. Moreover, the assumption that informal workers have a choice in whether to be formal or informal is also contested, as there are multiple drivers of informality that may differ in impact according to status in employment. Not least among them is the inability of economies to generate sufficient formal employment (ILO 2018).

Why are the outcomes of the financing debate important for informal workers? If we are to see meaningful extensions of social protection to this group, it is critical that financing solutions are found—the proceeds from general taxation are unlikely to be sufficient. However, if one important stream of financing—financing from those who profit from the work of informal workers—is precluded, universal social protection is likely to remain highly constrained and probably not universal.

Moreover, models for deriving contributions from those who profit from the work of informal workers, but are not formal employers, do exist. India’s sectoral Workers Welfare Boards, for example, have been around since the 1950s. The boards function differently across sectors, but some have very useful financing models—the Building and Other Construction Workers Board levies a 1 per cent tax on the building industry to finance benefits. The Headload Porters Welfare Board charges an additional levy when a headload porter is hired to finance welfare benefits (Kannan 2002; Sankaran 2019). While the Boards are not without their problems, and their existence is currently threatened by changes in India’s labour and social security laws, they do establish the possibility of models of financing that draw on the economic relationships in which informal workers are situated. In this way they expand the realm of the possible—but are only likely to have a real chance of implementation if there is greater clarity and consensus of the important role of social protection as a social investment.

3.2 Digitization

The central role that digital technology has played in most responses to COVID-19 has further sped up the digital transformation of social protection. From the start of the crisis, ‘Big Tech has quickly (in partnership with governments) established itself as our (new) infrastructure for everything from health to education to work’ (Dencik and Kaun 2020: 1). As a result, over 60 per cent of all cash transfers with available information were paid digitally, reaching 763 million people in 2020 and 2021 (Gentilini 2022).

Alston (2019a: 4) insists that the neutral sounding term ‘digital transformation’ ‘should not be permitted to conceal the revolutionary, politically driven, character of many such innovations’. Dencik and Kaun (2020: 3) similarly emphasize that the ‘datafication’ of the welfare state is not ‘simply a matter of efficiency or a quantitative shift: more information, shared faster’ but rather a qualitative shift that is inherently political in nature.

Already, digital technologies have changed the administration, governance, and substance of social protection. Decisions that previously required professional judgement have been supplemented or replaced by digital decision-making systems (Henman 2022). These changes have also provided the basis for a *different kind* of policy approach. Henman (2022: 539) observes a shift towards social policy that is more codified and, at the same time, increasingly ‘differentiated, individualised, personalised—for example, creating different payment rates for different sub-populations, geographical areas, or risk/need profiles’. There is also a greater emphasis on conditionality, by ‘making eligibility to certain services and benefits conditional on circumstances or behaviours evidenced in digital databases’ (Henman 2022: 539).

Further, we discuss some of the key issues that are likely to become areas of contention in the near to mid-term. While these will affect everyone, informal workers will likely be particularly exposed to new developments as digitization can be expected to become central to inclusion efforts. Indeed, connecting informal workers to formal economic and protection systems is a central objective of digitized social policy. Meagher (2021: 732) notes that although such ‘formal-informal linkages are conventionally portrayed as conduits of resources, skills, jobs, rights and services in support of marginalized populations’, inclusion does not always increase rights and opportunities for informal workers but can also ‘increase rather than reduce precarity’. The notion of ‘adverse incorporation’ captures these concerns and highlights the importance of critically examining the terms of inclusion for informal workers (Barrientos et al. 2013; Meagher and Lindell 2013; Meagher et al. 2016). The digitization of these ‘infrastructures of inclusion’ raises additional questions as to whether informal workers’ inclusion in formal economic and protection systems is empowering or not.

First, arguments in favour of digitizing social policy often promise gains in cost-effectiveness and efficiency. Despite this strong motivation it is not clear to what extent digitization reduces administration costs, at least in the medium term. Wagner and Ferro (2020) caution that although new technologies have the potential to simplify processes, reduce some costs, and increase efficiencies, they can be costly because of their high technological cost, required investments into different skill sets for administrative staff, and the need to regularly update data (Wagner and Ferro 2020). Reflecting on the role of electronic payments during COVID-19, as well as their potential for ‘better, quicker’ transfers, Gelb et al. (2020) likewise stress that transitioning to electronic systems requires ‘enormous’ increases in state capacity.

While costs may be significant, it is important to also recognize their potential, which Togo’s experience of paying electronic cash transfers to informal workers during COVID-19 shows. It took just 10 days to set up a new digital platform for enrolment and payments via mobile phones. One week after the Novissi programme was launched, 450,000 beneficiaries had already received their first payment (Gentilini 2022).

Second, for programmes to meet their objectives they need to be accessible. However, numerous studies suggest that the reliance of data in delivering public services can create barriers that prevent people from accessing their entitlements, one that will particularly affect those from lower socio-economic status groups such as informal workers (Larsson 2021; Lindgren et al. 2019). While digital technology may reduce some barriers, such as the need to travel long distances to register or receive payments, which can reduce the time informal workers may have to spend away from

their work, new barriers will be established. Masiero and Das (2019) identify three types of data injustices—legal, informational, and design-related—in digital social protection. Legal injustice relates to shifts from social protection being a fundamental right to being conditional on registration in digital systems like India’s *Aadhaar* or Uganda’s *Ndaga Muntu* digital identification systems (Cioffi et al. 2022). Informational injustice refers to actors not appropriately informing individuals about the use of their data. These include ‘black-box’ approaches such as proxy-means tests in poverty-targeting and algorithmic decision-making processes. Finally, design-related injustices arise when technologically enabled changes fail to reflect people’s concerns or realities. This can be an overriding focus on ‘inclusion errors’ when people are mainly worried about exclusion.

Many informal workers are currently facing versions or combinations of these digital injustices and trends towards the digitization of social protection will likely exacerbate their consequences. For informal workers who often face exclusion from government databases for lack of documentation, limited information, and inaccessible processes, the move towards digital systems that are gatekeepers not just to specific programmes but prerequisites to participation in much of public policy is concerning. As digitization of social protection is often framed around the reduction of ‘leakage and inclusion errors’ (Lowe 2022), informal workers will likely continue to face significant administrative and documentation-related barriers in registering.

Third, the greater emphasis on differentiation and conditionality that accompanies digitization increases complexity and can further entrench barriers to accessibility. On the positive side, digitization relies on clearly codified entitlements and procedures that can be traced, potentially enhancing accountability. Digitization may also increase informal workers’ access to social protection by reducing certain types of overt discrimination by government officials. Online systems that are ‘open 24/7’ may also make it easier for working people to access services compared with more restricted office hours of traditional bureaucracies.

However, accessing social protection will fundamentally depend on digital access and literacy, with devastating consequences for those without these capabilities. Digitization also tends to increase the distance between administrators and potential recipients of social protection (Henman 2022). A scaling-back of brick-and-mortar offices and removing opportunities for in-person engagement with programme officials can make it harder for people to understand and claim their entitlements, challenge decisions made by implementers, and seek to work out solutions to problems. A reliance on difficult-to-understand automated decisions that are constructed as objective will likely make it harder to challenge decisions. As Henman (2022: 540) argues, ‘cultural attitudes that “the computer is correct”, a lack of administrative openness, and the complexity of algorithms [...] can undermine administrative justice processes and outcomes’. This is precisely what Afshar (2021) is concerned about regarding the replacement of Brazil’s Bolsa Família cash transfer programme, which was based on frontline workers tasked with addressing recipients’ multidimensional needs and issues, with a programme called Auxílio Brasil that enrolls people through automated digital processes. In the new system, the relationship between citizens and the state is mediated through apps rather than human beings. Following a visit to the United Kingdom, Alston (2019b: 13) raised the alarm that the ‘welfare state is gradually disappearing behind a webpage and an algorithm’.

Finally, digitization often goes hand in hand with full or partial privatization of implementation structures. Both hold the potential to further reduce accountability, while also creating the potential for conflicts between public and private interests, risks to data safety, as well as enhanced surveillance (Alston 2019a). While rights to privacy and data protection are well recognized in domestic and international law, they are not consistently followed in social protection (Sepúlveda Carmona 2018). In 2020 only 24 African countries had privacy laws in place (Privacy International 2020).

Social protection programmes have always required significant amounts of often sensitive data, for instance on assets, health status, and disabilities. However, systems based on biometrics collect both more and more sensitive data. Digital management information systems also make it easier to share sensitive data with public and private actors (Sepúlveda Carmona 2018). The ability of different public and private entities to access databases is a key argument advanced by proponents of digital social protection, as it allows for conditionalities and complementarities, for instance by linking social protection and education. Yet, such data sharing also raises the risks of data misuse, in particular by private actors (Wagner and Ferro 2020). Private sector actors may face financial incentives to misuse the data they have access to as implementers. The ‘issuance and administration of electronic cards to private companies has led to problems such as users being encouraged to pay for commercial financial products and the imposition of user fees’ (Alston 2019a: 10). This can trap recipients of social protection in credit and debt (Lavinas 2018), as was the case with the privatized payment of South Africa’s social grants (Black Sash 2019; Castel-Branco 2021).

Governments may use the vast amounts of intimate data on social protection recipients, as well as new abilities to exclude people from much of public policy, for repressive and exclusionary purposes. This is concerning as social protection often focuses on ‘disadvantaged or marginal peoples within a historical system of negative social valorisation and state control’ (Henman 2022: 540). Informal workers who are often regarded by governments as less than desirable economic actors may face particular risks.

How these changes will affect informal workers will depend considerably on contexts, choices made in digitizing systems, as well as the abilities of informal workers to shape and navigate them. In terms of policy, it is worth reflecting on Henman’s (2022) prognosis that governments are moving away from ‘one size fits all’ programmes towards more differentiated approaches. In most cases, the former have not been designed with informal workers in mind and rarely served them well. More context-specific and evidence-informed approaches to, for instance, the setting of social insurance contributions rates or the design of childcare service could be beneficial. Digital technology may also make social protection more affordable and responsive, at least for those with sufficient digital access and literacy. Yet, inherent to digitizing social protection is the potential to further reduce access and accountability for those already marginalized, while significantly increasing the risk of surveillance and data misuse by governments and private sector implementers for all involved. Context-specific analysis centred on listening to informal workers’ experiences is essential to understand the extent to which developments will result in empowering inclusion into rights-based social protection systems or adverse incorporation into exploitative economic systems.

3.3 Participation

The nature and scale of the COVID-19 pandemic, and the limited reach of social protection measures to informal workers, meant that attempts to reach this group were often reliant on collaborations between the government and civil society and grassroots organizations of the urban and working poor (de Hoop et al. 2020). These collaborations took different forms, depending on context and need. There was consultation and dialogue to guide the emergency response. In Argentina, for example, an Emergency Social Committee (ESC) was formed to consult a wide variety of stakeholders in order to guide its crisis response, with a focus on food, income, and job security. The ESC included representatives from different levels of government, churches, civil society representatives, and representatives from formal and informal worker organizations (Devenish and Afshar 2020).

Organizations of informal workers provided assistance with selection and identification. Information from grassroots organizations has been used in the identification of beneficiaries,

particularly in contexts where informal workers are completely absent from state databases. For example, in Sierra Leone lists from government and trader associations were used in the second step of the selection and identification process to identify households with informal workers. Data from business associations, small- and medium-sized enterprises, and other groups were also used in Nigeria to supplement a proxy means test (Gentilini et al. 2021). As mentioned earlier in the present paper, the provision of ‘last mile’ support, ensuring connections between benefits and beneficiaries was another important role for organizations of informal workers. Organizations worked to establish more effective connections between their constituencies and the state benefits on offer, thereby facilitating access to relief measures. In Thailand, for example, grassroots organizations raised awareness of the cash benefit provided by the government and assisted members with online registrations. In India, organizations of informal workers raised awareness of food benefits and worked with their members to overcome documentation barriers to access (WIEGO 2021c). Organizations also provided essential services to their members, thereby supplementing the crisis response. For example, in parts of India self-help groups have worked to establish community kitchens (de Hoop et al. 2020) and to provide psycho-social support, public health information, access to testing and health care, and personal protective equipment (Kala 2020).

While the involvement of organizations of informal workers was important, questions have also been raised as to whether this type of involvement can always be seen in a positive light. Gentilini et al. (2021), for example, argue that the use of grassroots organizations in selection and identification comes ‘at a cost financially’ and may ultimately undermine the building of state capacity in the provision of social protection. Alternatively, it has also been argued that the reliance on grassroots organizations has sometimes unfairly shifted responsibility onto under-resourced organizations of the poor, and may result in the exclusion of the unorganized (Devenish and Afshar 2021). Such criticisms raise the question of the conditions under which such state–society collaborations are optimal—in terms of both the impacts they produce and the way in which the relationship is structured. As de Hoop et al. (2020) point out in relation to the role of women’s groups during the pandemic, the evidence base on this topic is sparse.

Nevertheless, beyond this crisis response, there are literatures that provide clues. For example, Benequista and Gaventa’s (2012) review of citizen action and development outcomes suggests a number of factors that influence the trajectory of such collaborations. These include the institutional and political environment in which the relationship is situated, the capabilities held by citizens and their organizations, the strength and influence of officials who are committed to working with grassroots organizations, the history and style of prior engagements between the state and these organizations, the nature of the issue, and the location of power and decision making.

In relation to selection and identification for social protection specifically, lessons may also be drawn from the literature on community-based targeting. McCord (2013) notes that the relative success of community-based targeting is dependent on the nature of the task given to communities—whether they are being given autonomy to select beneficiaries, or whether selection is externally imposed, the nature of the community itself (evidence suggests that a participatory, democratic, relatively stable group in a spatially defined area is likely to have more successful outcomes), and the nature of the transfer (i.e. is the transfer coverage and adequacy enough to meet the need?). The ‘localization’ agenda within humanitarian responses also suggests a number of conditions under which state–society relationships may be strengthened during a crisis response, including involving civil society organizations in all stages of the response, adopting measures to mitigate the potential bias and reinforce power dynamics that may accompany community-based selection and identification (e.g., layering multiple sources of information, instituting robust

grievance mechanisms, working with coalitions), and working to establish longer-term relationships between the state and civil society groups (Cabot Venton et al. 2020).

Drawing from the earlier discussion, a simple analytical device may be to ask the four questions: When? Who? What? How? When are grassroots organizations being involved in the crisis response? The evidence cited suggests this is likely to be most effective when these organizations are included from the start, rather than being engaged after the design of the programme. Who is involved—what types of organizations are being involved? As with the communities discussed by McCord (2013), it is also likely that democratic, participatory organizations that are accountable to their membership may be more reliable partners than those that are not. What are grassroots organizations being asked to do? As already discussed, grassroots organizations should be involved in all stages of the response, but different parts of the response may require additional inputs and resources. For example, if organizations are providing support for selection and identification, this has implications for measures to mitigate bias and ensure inclusion (Cabot Venton et al. 2020). How are grassroots organizations being involved in the response? Is this being done in a way that envisions a longer-term state–society relationship and that provides an enabling environment for citizen agency, or is it simply a shifting of responsibility from the state onto civil society? Often this is not a clear cut yes or no answer, but an indication of the type of relationship may be whether or not a long-standing relationship between the state and organizations already exists.

4 Concluding remarks

The COVID-19 pandemic has forcefully highlighted both the inadequacy of social protection systems and the urgency of developing more inclusive systems. The failure of most social protection systems to provide timely and effective protection to previously excluded people, as well as a growing awareness among policy makers of the importance of developing systems that can protect against future shocks and crises, is expected to keep efforts to achieve universal social protection high on the political agenda and open political windows of opportunity for reforms. There are clear lessons to be learned from the pandemic response for social assistance programmes moving forward, including the importance of building strong and flexible systems between crises, appropriate design and implementation which is inclusive of workers in the informal economy and their organizations, digital literacy support, and sufficient financing to ensure that benefits are adequate for working people.

However, while there is a consensus that social protection is at an inflection point and that more inclusive social protection systems are needed, considerable disagreement exists regarding their design, financing, and implementation, with different lessons being drawn from experiences and innovations developed during the pandemic. Questions on how to include informal workers in social protection systems will be at the forefront of these debates and to a significant degree determine the shape of future systems. These questions require further debate and investigation.

A key question is where the financing for expanded social protection coverage, including to informal workers, should come from. What are the financing models that are available in the context of pervasive informality? What potential do they hold in raising the required resources for social protection and how would they affect workers and employers across the income distribution? In particular, what would be the revenue potential and distributional impacts of proposals to rely more heavily on consumption taxes, as opposed to taxes on capital and labour?

There are also questions to be answered about optimal system and programme design. We have some clues from the COVID-19 expansions, but there is still much to be done to think through

and test design features of comprehensive social protection systems in an informal world of work. Comprehensive systems of social protection require both the horizontal extension of social assistance, as well as the vertical extension of social insurance, and a closer understanding of optimal design features of both aspects of social protection.

Answering such questions requires the active tracking and monitoring of new models, understanding impacts on both informal workers and wider society. It also—as Meagher (2021) and others have pointed out—requires taking a critical approach to inclusion, identifying where ‘infrastructures of inclusion’ are being built on progressive terms, and where there is potential for adverse incorporation. Considering the rapid digitization of social protection systems since the pandemic, this is a key area for analysis, as is worker participation and the extent to which systems are genuinely opening up space for active involvement and ownership by those they intend to reach.

To date much of the global debate about models of comprehensive social protection has largely remained in the realm of theory and assumption. In this moment of crisis and its aftermath, we are likely to see many more attempts by governments to expand social protection to informal workers. This is the opportunity to move away from the abstract and towards the concrete and the empirical—to document, to monitor, to evaluate, and to hear from workers themselves about what works to provide universal social protection.

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