Chapter 4 - Global Overview

In March of 2020, WHO declared COVID-19 a pandemic, leading to most countries adopting mitigation measures such as social distancing and lockdowns as a response to the pandemic. These measures affected vulnerable and poor households and a large section of the non-poor households that operate as self-employed in the informal economy. These population segments are highly vulnerable to the loss of income from COVID-19 and lack access to social protection measures or protection from layoffs (see figure A).

The remainder of this section describes the regional breakdown and characteristics of SPPs targeting informal workers, as recorded in the Social Protection Tracker.

Regional Distribution: The latest version of Social Protection Tracker (version 16) identifies 95 social protection programs globally (excluding high-income countries) that target or include the informal sector. As Figure 1a shows, these programs cover six regions in the world. Most of these programs are concentrated in sub-Saharan Africa, East Asia & Pacific, and Latin America & Caribbean, accounting for nearly 75% of informal programs worldwide.

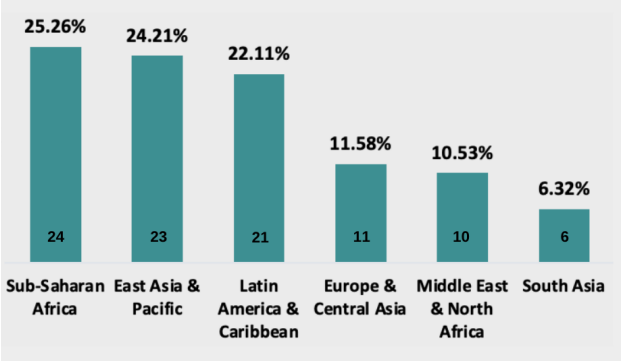


Figure 1a: Number and Share of Programs by Region

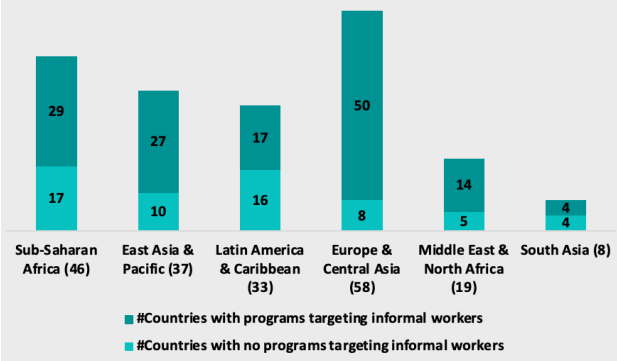


Figure 1b: Countries Targeting Social Protection Programs to Informal Workers by Region

In Sub-Saharan Africa, which is home to the largest informal sector claiming approximately 85% of the economy on average, about 63% of the countries have one or more social protection programs targeting informal workers (ILO, 2018). Similarly, in South Asia and Latin America and the Caribbean region, where the informal sector employs 80% of the workers, nearly 50% of countries designed emergency social protection programs that targeted or included workers in the informal economy (Figure 1b).

Income Group Distribution: As shown in Figure 2, Lower Middle-Income Countries (LMICs) account for nearly half of the total programs targeting informal workers, followed by Upper Middle-Income Countries (UMIC), consisting of over 40%. Though Low-Income Countries have a high proportion of the population working in the informal sector, many LICs fail to provide such assistance programs. Almost half of LICs did not have a social protection program targeting

informal workers. In comparison, MICs and LMICs implement more programs targeting the informal sector.

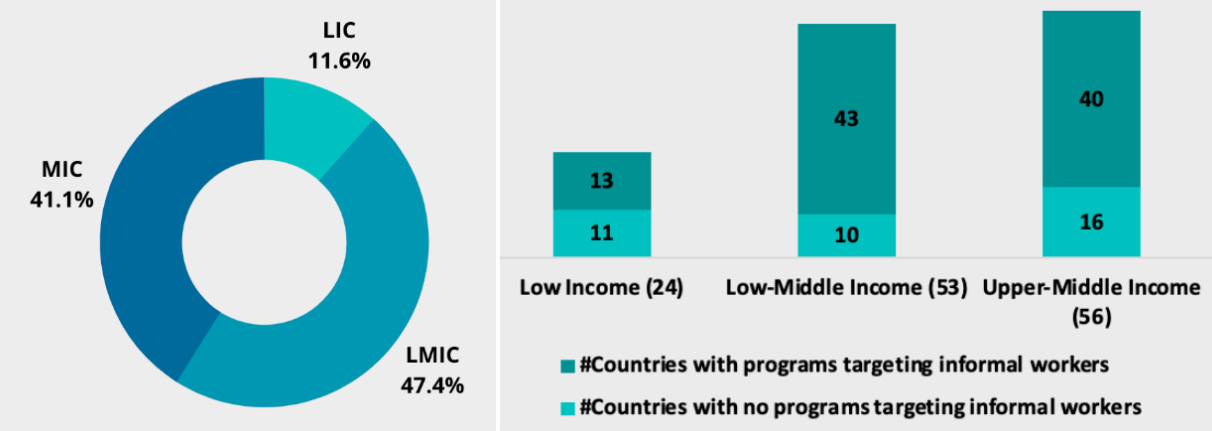


Figure 2: Countries Targeting Social Protection Programs to Informal Workers by Income Group

Program Inclusiveness: Most countries expanded existing programs or created new programs to include informal workers (65.82%). Nonetheless, roughly 28% of programs exclusively target the informal sector workers (Table 1).

Table 1: Share of Programs Targeting Informal Workers

Inclusion/Exclusive	No of Programs	Percent
Including	52	65.82
Informal Only	27	34.18
Total	**79**	**100**

Program Duration**:** The majority of social protection measures were temporary in response to COVID-19. So far, 89 programs have confirmed their temporal status. Approximately 36% of programs were “One-off”, facilitating a single round of transfers at the individual or household levels. About 60% of social protection programs were “not one-off” and involved more than one transfer with a planned end date. Only 4% of the programs in our sample - in Argentina, Uganda, Ukraine, and Colombia - have permanent programs. Argentina and Uganda introduced permanent programs specifically targeting informal workers, while Ukraine and Colombia introduced programs that were converted from temporary to permanent (Figure 3).

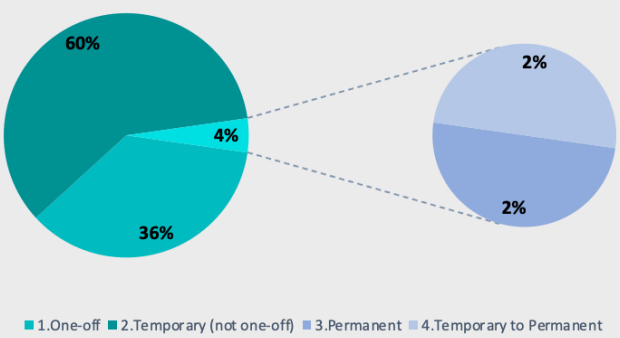


Figure 3: Program Duration

Establishing New Programs: About 80% of the programs launched during the COVID-19 pandemic, were new. The remaining 20% either adapted a previously existing program or added new beneficiaries.

Direction of expansion: We observed two types of policy adaptations in program expansion.

1. **Horizontal expansion** indicates the programs that identify new beneficiaries who fell in the vulnerable category during the pandemic.
2. **Vertical expansion** utilizes existing programs or assistance structures to provide greater assistance to existing beneficiaries.

In this dataset comprising 95 programs, 11 programs lack precise information on the direction of expansion. Among the remaining 84 programs, approximately 95% use horizontal expansion to reach more informal workers. Only around 3% of programs adopt vertical expansion to increase the assistance. Figure 4 summarizes the breakdown of policy duration and direction of expansion for these 84 programs. It shows that many programs are focused on making payouts available to more people rather than increasing the size of payouts to the same group of people.

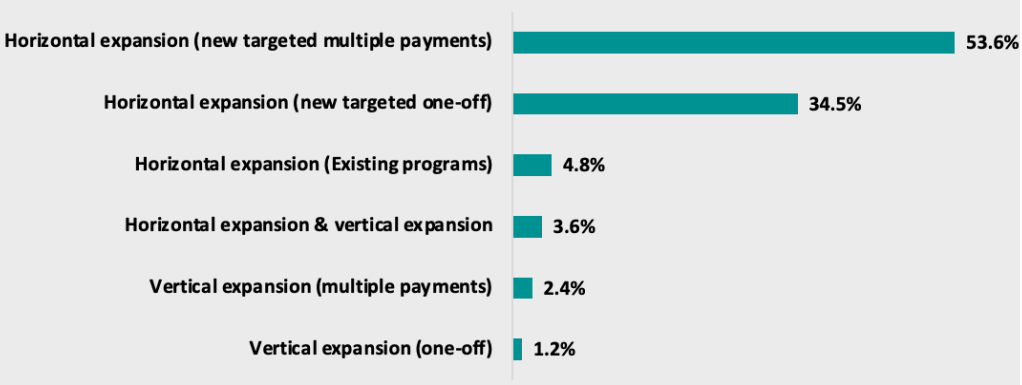


Figure 4: The Subcategory of Policy Adaptations

see appendix, Table 4 for a detailed breakdown of expansion category

1. Characteristics of social protection programs

Of the 95 social protection programs, nearly 90% are categorized as 'Social Assistance'. This is followed by 'Labor Market' programs, which make up 7.4% and focus on leveraging labor market policy (such as skill training and wage subsidy) to help people become productive and realize their human capital. Lastly, 3.2% of programs are 'Social Insurance' programs focusing on delivering social services through contributory schemes such as health care insurance and pensions (Figure 5).

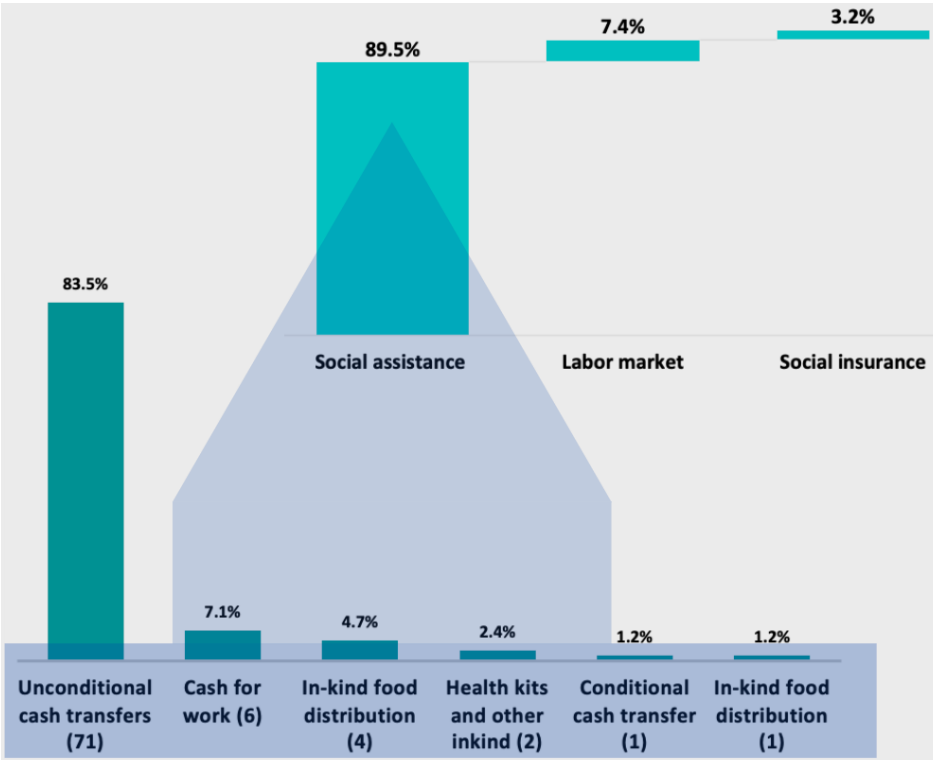


Figure 5: Composition of Social Protection Programs (and breakdown of social assistance)
See appendix - table 1 for a detailed examination of social protection programs.

Social Assistance Programs**:** The majority of 'social assistance' (83%) was delivered as unconditional cash transfers. This method of social assistance assured the speediest response, and the mode of assistance minimized the risk of COVID-19 exposure to participants if done digitally. Most of these unconditional cash transfer programs experienced horizontal expansions to cover new beneficiaries. 'Cash for work' (7.1%) and 'In-kind transfers' (4.7%) programs were the second and third most common program types among social assistance programs. Due to speed and necessity, the rest of the program types were less prevalent but were employed to address country-specific needs.

Labor Market Programs: Following 'social assistance' measures, 'labor market' programs make up about 7.4% of social protection programs. Côte d'Ivoire and Indonesia introduced vocational training programs for people in the informal sector. Wage subsidies were another form of labor market assistance. Albania introduced wage subsidies for informal workers with reduced work

time. Benin, Timor-Liste, and Tonga introduced wage subsidies to workers regardless of reduced work time.

Social Insurance Programs: Only 3% of the programs fall under the category of 'social insurance'. While the government can enroll formal workers, informal workers without a stable employer are less likely to enroll and remain in insurance programs. Among these insurance programs for the informal worker, Zimbabwe expanded occupational health and safety programs to include the informal workers; unemployment benefits were implemented in Ukraine and Vietnam to assist informal workers in providing relief for their income losses.

2. Targeting and delivery mechanisms of social assistance

Given the prominence of social assistance, this section explores the targeting and delivery mechanisms of this particular category. This analysis summarizes statistics from the 86 social assistance programs in our sample.

Identification Instruments: Nearly 70% of the programs do not contain targeting information. In the remaining 32 programs for which data is available, most of the programs opened new registrations to identify informal workers (13%), followed by the utilization of existing social registry (8%) data to identify potential beneficiaries. Nearly a fifth of programs adopted multiple identification methods and tools to locate and verify beneficiaries.

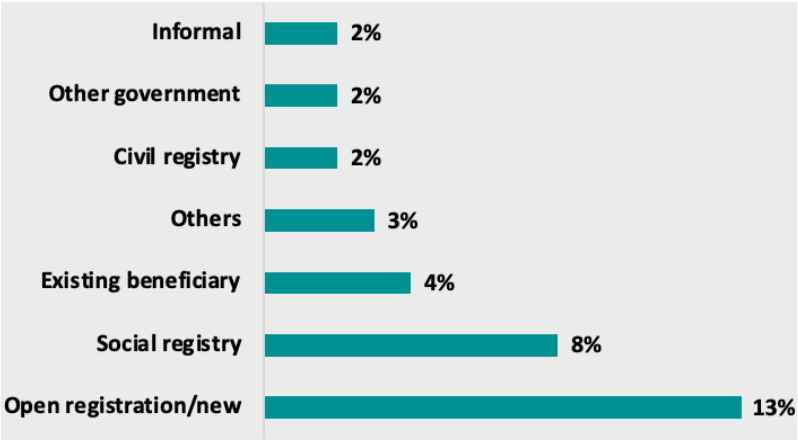


Figure 6: Identification Method used to Target Beneficiaries

Payment Mechanism: Among the social assistance programs, 59 programs lack data on payment mechanisms. Nearly all programs used a combination of multiple methods for delivering the payment. Among 36 programs for which data is available, roughly 22% of programs used fully functional accounts to pay to the recipients, followed by cash which amounted to 15% (Table 2). The electric non-account-based method is also popular among the programs' various payment mechanisms, consisting of 6% of total programs.

Table 2: Payment Mechanism used to Deliver Social Assistance Programs

Payment Mechanism	No of Programs	Percentage
Fully functional account	21	58%
Cash	14	39%
Electronic non-account based	6	17%
Limited purpose account	5	14%
Check or voucher	2	5%
Total (with repetitive)	**48**	**133%**

Payment Instruments: 32 out of 36 programs are digital-based or included digital payment to deliver benefits. This includes 21 fully functional accounts, five limited purpose accounts and/or six electronic non-account-based instruments to deliver payments. As Table 3 indicates, 40% of cash-transfer programs use an 'electronic non-account-based' transfer method, followed by 'debit card' (35%). No programs targeting the informal sectors used 'prepaid program cards' or 'biometric' methods to deliver the benefits.

Table 3: Payment Instruments used to Deliver Social Assistance Programs

Payment Instruments	No. of Programs	Percentage
Debit card (general purpose)	11	34.4%
Electronic non-account based	13	40.1%
Unique-cost based payment or OTP	4	12.5%
Other	2	6.25%
Total	**32**	**100%**

3. Exploratory data analysis on correlational relations

In this section, we begin with exploratory data analysis using country-level macro indicators. As indicated in Chapter 3, we merge our filtered social tracker (size of 95) with full country data in the world, creating a new binary variable "has a social protection program targeting the informal sector".

Relying on binscatter analysis, we aim to explore if social protection programs targeting informal workers correlate with other interest variables. The five variables tested here are the a) GDP per capita, b) JAM index, c) percentage of the population having access to the internet, d) the percentage of the workforce in the informal sector and e) literacy rate.

Real logged GDP per capita shows a negative relationship with the likelihood of social protection programs for informal workers. It indicates that the financing of social protection programs is affected if the country has lower GDP; it also suggests that countries with higher GDP are less likely to have a social protection program targeting the informal sector (Figure 8).

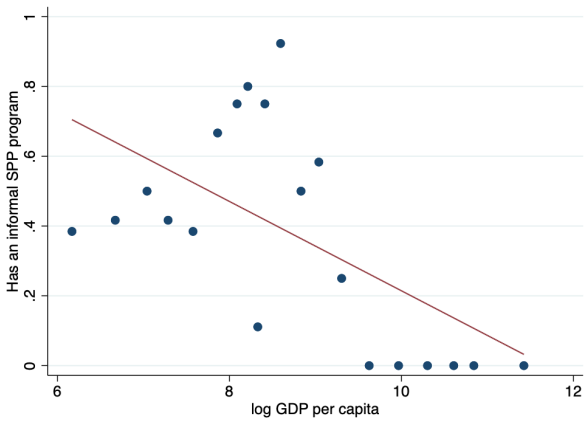
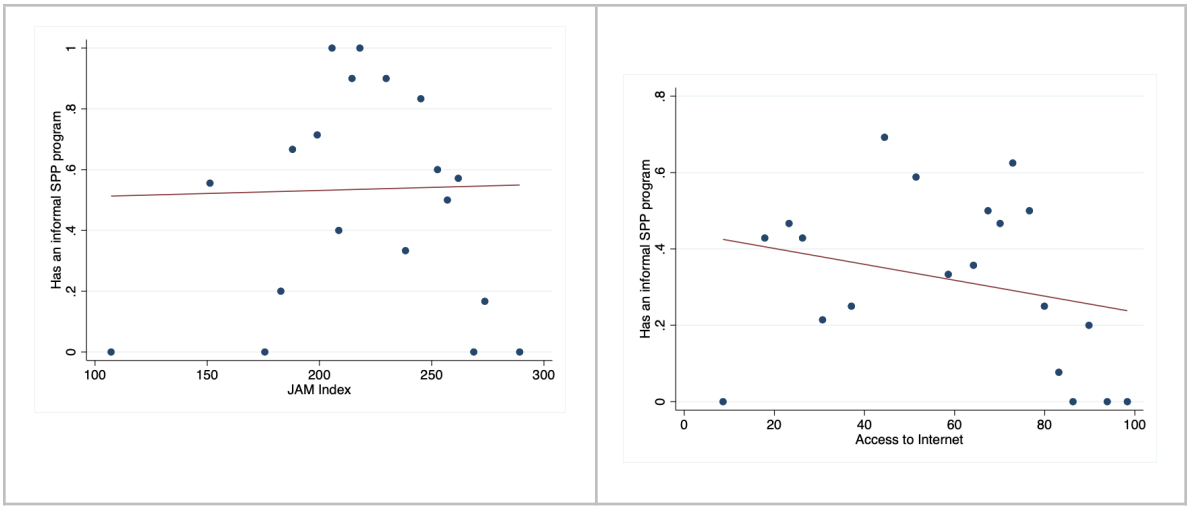


Figure 7: The Likelihood of SP Program is Negatively Correlated with logged GDP Per Capita

Figure 8 below shows the correlation between the likelihood of a social protection program with the JAM index (top left), percentage of the population having access to the internet (top right), and share of the workforce in the informal sector (lower left) and literacy rate (lower right), respectively. Access to the internet shows a negative correlation, whereas the other shows a positive correlation.



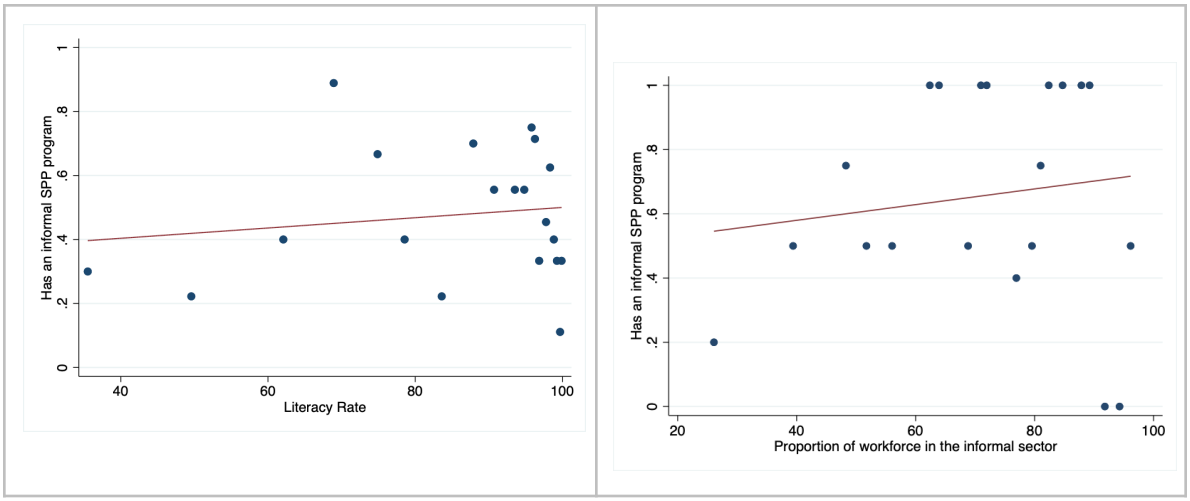


Figure 8: Correlation Between the Likelihood of a SP Program with Other Variables of Interest

In Table 4, the regression models showed the exact relationship between these variables and the likelihood of having a social protection program, with the control and without the control for GDP per capita. The coefficients are only statistically significant when we control GDP per capita, and the magnitudes are relatively small on a scale of importance.

Model specifications

The preliminary results in binscatter analysis encouraged us to test the OLS model with the four variables of interest to predict the probability of our binary dependent variable.

$$sp\ program\ =\ \beta 0\ +\ \beta 1\ (Xi)\ +\ \gamma\ +\ \theta \qquad (1)$$

In specification (1), the binary dependent variable indicates whether a country has social protection program for informal workers or not (Yes = 1 | No = 0). Xi is the independent variable of interest. We will test this model separately for four independent variables, including the JAM index, access to the internet, the percentage of informal in the workforce and the literacy rate.

As our data has shown, the country's fiscal capacity or income level is a strong driver of predicting whether the country has social protection program for informal workers, so to control for the variation in GDP, we also employed the second model.

$$sp\ program\ =\ \beta 0\ +\ \beta 1\ (Xi)\ +\ \beta 2\ (GDP\ \ per\ capita)\ \ +\ \gamma\ +\ \theta \qquad (2)$$

In specification (2), the binary dependent variable indicates whether a country has social protection program for informal workers or not (Yes = 1 | No = 0). Xi is the independent variable of interest. We will test this model separately for four independent variables, including the JAM index, access to the internet, the percentage of informal in the workforce and the literacy rate, the model controls for GDP per capita for each country in the dataset.

Adding GDP as a control variable to our models, we found that:

- **The JAM Index:** JAM is a composite indicator that equally weights ID coverage, mobile service ownership and financial service coverage. With a total score of up to 300, the JAM score reflects a country's digital connectedness.
    - Results from Table 4 show that a one-point increase in JAM score is associated with a 0.5 percentage point increase in having a social assistance program. The coefficient is significant at the 5% level. In other words, countries with a higher JAM score were more likely to have implemented a social protection program targeting informal workers.
- **Access to the internet:** Based on the International Telecommunication Union (ITU) World Telecommunication/ICT Indicators Database, this variable collects information on the percentage of the population using the internet. Internet users have used the Internet (from any location) in the last three months. The Internet can be used via a computer, mobile phone, personal digital assistant, game console, digital TV etc.[4]
    - Regression results indicate that a one percentage point increase in the share of the population who have access to the internet is associated with 0.8 percentage point increase in likelihood to have implemented a social protection program. The coefficient is significant at the 1% level.
- **Percentage of informal workers in the workforce:** In the context of a fragmented labor market and fewer opportunities for informal jobs, workers may resort to informal employment and are at a higher risk of vulnerability. Based on ILO calculation, this variable records informal employment as a % of total employment.
    - Conditional on GDP per capita, a one percentage point increase in the proportion of the labor market working in the informal sector is associated with a 0.8 percentage point increase in the probability that a country has a Social Protection program targeting informal workers. The coefficient is significant at the 10% level.
- **Adult literacy rate:** Literacy rate is an outcome indicator to evaluate educational attainment. The adult literacy rate is the percentage of people ages 15 and above who can both read and write with an understanding of a short, simple statement about their everyday life, according to the UNESCO Institute for Statistics.[5]
    - A one percentage point increase in adult literacy rate is associated with the increase in the likelihood of having a social protection program by one percentage point. The coefficient is significant at the 1% level.

4. Limitations

For the majority of analyses, we decided to drop missing values affecting the strength of our arguments. The values were deemed missing either due to unavailability of data or due to failed “validity” check by clients in the original dataset. For the regression analysis, the number of observations varies dramatically in each regression model as the data on the independent variables was not available for certain countries.

[4] https://data.worldbank.org/indicator/IT.NET.USER.ZS
[5] https://data.worldbank.org/indicator/SE.ADT.LITR.ZS

Table 4: Regression Results (Likelihood of a SP Program with Other Variables of Interest)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
With or Without Control (GDPpc)	No	Yes	No	Yes	No	Yes	No	Yes
JAM index	0.000516	**0.00535****						
	(0.000994)	(0.00162)						
Access to internet			-0.00215*	**0.00798*****				
			(0.000984)	(0.00211)				
% informal in the workforce					0.00173	**0.00848**		
					(0.00307)	(0.00469)		
Literacy rate							0.0009	**0.00997*****
							(0.0019)	(0.00294)
Constant	0.419	1.538***	0.412***	1.779***	0.426	-1.440	0.286	1.110***
	(0.222)	(0.311)	(0.0732)	(0.251)	(0.221)	(1.071)	(0.164)	(0.238)
Observations	93	93	204	204	64	64	152	152
R^2	0.000	0.122	0.019	0.155	0.005	0.051	0.001	0.114

Notes: *Standard errors in parentheses

1. The total number of countries in our analysis is 218, as it includes 196 economies in the world and some overseas territories.
2. The number of observations varies dramatically in each regression model as the data is not complete for this particular variable.