

# Social Protection for Informal Workers: Trends and Changes

## Income floors: Understanding the different policy proposals

### Introduction

The 2020 global pandemic catalyzed interest in the potential of social protection to support incomes and livelihoods during times of crisis, with cash transfers getting particular attention. Also, during this period, the debate on basic incomes, universal basic income (UBI) and other types of cash transfers gained traction. Progressive policy makers, workers' movements and civil society organizations around the world saw a window of opportunity to demand more extensive income security programmes from minimum incomes to basic incomes to universal basic incomes.

But what do all of these terms really mean? And what are the differences between them? In this brief, we provide an explanation of the different terms in use, and present three snapshots of how and where policy discussions are happening in the Global South. We look at programmes and debates in Mexico City, Mexico; South Africa; and Brazil.

### Key concepts

Income support schemes include a number of different proposals, including:

- **Basic Income** refers to a non-contributory and means-tested safety net (based on income level, not on employment status) of the social protection system. The basic income provides a last-resort safety net for people who have insufficient means to ensure a decent standard of living. Many countries have a minimum income threshold that determines who is eligible for social protection benefits. For example, India's Below Poverty Line, which targets social protection at only those households that fall under INR27,000 (USD330) per year. These programmes are focused on the poorest of the poor, and the direct costs are often relatively low because they target fewer people. However, the disadvantage is that workers whose income is above the very low defined threshold are excluded, which is often the case with workers in informal employment. Another downside is the high administrative and indirect [costs of targeting the population](#).
- **Minimum Income** schemes are also means-tested, publicly funded social safety nets that aim to prevent poverty and social exclusion. The difference is that this is a complementary income, enough for families to reach a certain level established by each country as the minimum life in dignity.<sup>1</sup> Most OECD countries have minimum-income programmes for working-age individuals.<sup>2</sup> While these schemes are more efficient in tackling multidimensional poverty, they are also more complex to implement successfully, because they are not only based on cash transfers, but allow access to services or in-kind provision.

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<sup>1</sup> European Commission, [Questions and answers: adequate minimum income](#).

<sup>2</sup> Immervoll, H. (2010). [Minimum income benefits in OECD countries](#).

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- **Universal Basic Income (UBI)** is defined by a regular cash payment to all members of a community, without a work requirement or other conditions.<sup>3</sup> The key differences are that **UBI** is, as the name says, universal, i.e., paid to everyone, and unconditional, which means that it is paid regardless of income level or work status. It is not contingent on participation in any programme, such as public works programmes, or conditional cash transfers. It is delivered on an individual basis (as opposed to household-based benefits, which is often the case with basic income programmes). One advantage is that workers in informal employment, who are often excluded from basic income programmes, could benefit from such income schemes. Furthermore, the administrative costs involved in screening eligible beneficiaries is comparatively low, as is the risk of including non-eligible beneficiaries or excluding eligible ones.

Currently, no country has a UBI in place, although there have been several small-scale pilots and a few larger-scale experiences. Only two countries, Mongolia and Iran, have had a national UBI in place for a short period of time.<sup>4</sup> However, at the height of the COVID-19 crisis, 13 countries implemented universal one-off cash transfers to their entire adult population. Very often, the high direct costs and the need to overhaul the tax and welfare systems are cited as major obstacles to implementing UBI.

- **Unemployment benefits** are support measures for workers who lose their jobs and for other individuals without employment. The first type of benefit of this kind is the Unemployment Insurance Programme. This scheme is generally tied to formal employment and is meant to protect workers who are involuntarily unemployed. Beneficiaries must have contributed to the insurance fund for a certain period to be eligible. In return, the person who loses their job is entitled to compensation for the duration stipulated in the policy or until they find another job. Unemployment insurance schemes generally provide income replacement, that is, a certain percentage of pre-unemployment income, in line with the consumption smoothing objective. The second type of unemployment benefit is Unemployment Assistance. This scheme is focused on the unemployed worker who is not eligible or no longer eligible to receive the unemployment insurance. Eligibility in these programmes is usually conditional on previous formal employment, and the duration may or may not be limited. The main purpose of assistance benefits is the provision of a minimum level of resources during long-term unemployment rather than the insurance against lost earnings. As a result, benefit levels tend to be lower than unemployment insurance and less directly dependent on previous earnings, but are usually more comprehensive than basic income schemes.<sup>5</sup>

## Snapshots

### The minimum income struggle in Mexico City: *Mínimo Vital*

In 2017, when the new Constitution of Mexico City was drafted, many progressive topics were enshrined in the document, including the *Salario Mínimo Vital*. Article 9(2), states that: “All persons have the right to a minimum subsistence wage [*mínimo vital*] to ensure a dignified life under the terms of this Constitution.” It also mandates that the social policy shall consider mechanisms to implement the “right to the vital minimum for a dignified life, giving priority to people living in poverty, which will be established in accordance with the criteria of progressivity(…)”.<sup>6</sup>

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<sup>3</sup> [Stanford Basic Income Lab](#).

<sup>4</sup> World Bank. Exploring Universal Basic Income: [A Guide to Navigating Concepts, Evidence, and Practices](#).

<sup>5</sup> Immervoll, H. (2010). [Minimum income benefits in OECD countries](#).

<sup>6</sup> Mexico City Government. [Constitución Política de la Ciudad de México](#).

Despite this important legal head start, little progress has been made since the approval of the new Constitution. For this right to be effective, it needs to be regulated by a secondary (infra-constitutional) law that provides details about how the *Mínimo Vital* should be implemented. While many attempts have been made, no legislative breakthroughs have taken place.

However, civil society continues to push for implementation. In 2021, WIEGO published a technical brief to assess the limits and potentials of implementing a *mínimo vital* (universal or means tested) in Mexico City.<sup>7</sup>

One important conclusion of the study was that in Mexico there are several small cash grant programmes, targeted at different groups, fragmenting the efficacy of the policy. To enable implementation, these grants should be merged into one single programme.<sup>8</sup> Another finding from the assessment is that a universal type (UBI) scheme would not be feasible because of budgetary restrictions and size of such a programme. One possible approach would be to gradually implement the policy, by groups, moving incrementally towards universality. However, sub-national governments, such as Mexico City, face greater fiscal limitations than the central government to afford a UBI, as they have fewer instruments to expand their tax revenue by placing the burden on the rich (income tax, for instance, is a federal tax).

### Possibilities for a basic income in South Africa

In response to COVID-19, South Africa introduced in May 2020 a COVID-19 Social Relief of Distress Grant of ZAR350 (USD20) monthly. Initially, the grant was meant to last three months, but it was extended until April 2021.

The amount was not enough to replace the lost income, as it was only about 10 per cent of the country's national minimum wage and below the country's food poverty line (ZAR624). But it represented an important breakthrough in terms of social assistance policy in the country.<sup>9</sup> Although South Africa has many different types of grants, this was the first income support grant aimed at people of working age. In its first iteration, it was also aimed at all those outside of formal employment and outside of existing social assistance schemes, which meant that many workers in informal employment qualified for the grant. Unfortunately, though it excluded many women workers in the informal economy who had access to the Child Support Grant (CSG).

However, the "350" grant was not implemented in a steady manner. After being rolled out for one year, the programme was discontinued in May 2021. When it was reinstated, in August 2021, its scope was reduced. Although recipients of the CSG were now eligible, eligibility requirements included mandatory bank accounts. These accounts must not hold more than ZAR595 and the applicant must not have any form of employment. This means that informal workers are excluded.<sup>10</sup> Despite these barriers, by November 2021, 14.5 million people had applied for the grant.<sup>11</sup>

While in February 2023 the government said in its budget announcement that the ZAR350 grant would be extended until March 2024, there are plans to replace the programme. No details about the new policy have yet been disclosed.<sup>12</sup> Although the programme was extended

<sup>7</sup> Ramírez López, Berenice P. 2021. [Consultoría técnica para estudio sobre mínimo vital](#). Documento de consulta de WIEGO n.º 19. Manchester, Reino Unido: WIEGO.

<sup>8</sup> Interview with Tania Espinoza (23 January 2023).

<sup>9</sup> WIEGO, Asiye eTafuleni (AeT). 2022. COVID-19 Crisis and the Informal Economy in Durban, South Africa: Lasting Impacts and an Agenda for Recovery. Manchester, United Kingdom: WIEGO

<sup>10</sup> Interview with Caroline Skinner (30 January 2023).

<sup>11</sup> South African Social Security Agency. 10 November 2021. Report on Covid-19 Social Relief of Distress Grant.

<sup>12</sup> BusinessTech (23 February 2023). [Government spending R66 billion on social grants – with plans to replace the R350 SRD payouts](#).

for almost four years (with interruptions), there is a debate in South Africa on whether this income support programme is the best policy option, as opposed to public works programmes, youth guarantee programmes or job creation programmes.<sup>13</sup>

During this period, an important push from civil society demanding the creation of a universal basic income<sup>14</sup> gained traction in a context of high unemployment. Research has shown that the ZAR350 grant supports incomes and livelihoods. A WIEGO study with the Centre for Social Development in Africa conducted with informal traders in several major cities, found that the grant had several important economic multiplier effects, such as allowing traders to continue purchasing items from formal businesses, such as local food suppliers; as well as to pay small amounts to other workers in informal employment, allowing previously unemployed people an opportunity to participate in their local economies.<sup>15</sup>

### **Brazil's cash-grant: before COVID, after COVID**

Brazil's flagship cash-grant programme *Bolsa Família* (PBF) has been in existence for 20 years. This basic income programme has been widely hailed as successful in tackling extreme poverty. Also, the conditionalities have helped to improve health (vaccination coverage) and education (school enrolment) indicators. Furthermore, it is tied to the building of a robust social registry (CadÚnico) and delivery of social assistance services wider than the programme itself. Each poor household (i.e. monthly income under BRL35 per person) is entitled to a basic benefit of BRL89 (USD18), plus a variable benefit based on the number of children (up to three).

As with most basic income programmes, the focus has been on the poorest of the poor. The means-testing conditionality excluded large numbers of workers in informal employment from the programme. Until March 2020, each family received BRL191 (USD38) monthly, on average.<sup>16</sup> When the pandemic hit, the programme faced challenges and proved inadequate to cope with the lost income of millions of workers – in particular, workers in informal employment. In April 2020, the Brazilian government launched the *Auxílio Emergencial* (AE), with benefits of BRL600 (USD120) per worker. Although it was still a means-tested basic income programme, the income threshold was raised to three times the minimum wage per household (BRL3,120 or USD625) or BRL520 (USD105) per person. As a result, millions of workers in informal employment who had lost their income because of the pandemic gained access to the programme. Overall, 68 million people received the benefit, which meant more and larger benefits than the PBF. Formally, the PBF still existed, but beneficiaries had to choose between the two.

After five months, the government started phasing out the AE, by cutting the benefits by half and raising conditionalities that excluded 30 million beneficiaries. The programme was discontinued in early 2021. But with the country bracing for the worst wave of the pandemic, the government resumed the AE in April 2021. Throughout that year, the average benefit was reduced to BRL250 (USD50).

As the 2022 general elections approached, the government decided to terminate the AE and replace the PBF with a new basic income programme, the *Auxílio Brasil*. This benefit was larger than the PBF (BRL400 on average, or USD80, compared to BRL191 from the PBF), but there were several features that rendered the programme more complex and problematic, notably that the benefit did not vary according to number of children.

After the change of government, the new administration recreated the PBF, ensured the BRL600 average benefit, and included BRL150 grants per child under the age of six. One

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<sup>13</sup> Interview with Laura Alfes (9 February 2023).

<sup>14</sup> [Institute for Economic Justice](#).

<sup>15</sup> News24 (2 November 2022). [How the special Covid grant helped informal traders to stay afloat](#).

<sup>16</sup> [Brazilian Ministry of Social Development](#).

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change from the earlier design is that there is now no restriction on the number of children that benefits can be claimed for. This means that the benefit amount can potentially reach the level of the AE. The AE was paid per individual (BRL600 per person, or BRL1,200 in a family of two adult workers). The new PBF is paid per family (BRL600 per household), but with the inclusion of the child grant, many families receive BRL1,200.<sup>17</sup> Another innovation is that the government has attached employment programmes to the new PBF. This aspect is still in the pilot stage and will be launched in one city (Teresina), where beneficiaries registered at the CadÚnico will have access to professional training and formal, short-term job opportunities, in partnership with large retail companies.

The most significant innovation is that families in the programme whose income increases to a level higher than the minimum threshold can continue to receive the benefit if their per capita household income is less than half the minimum wage (BRL651 or USD130). For 24 months, these families will receive 50 per cent of the benefit. Furthermore, families whose income surpasses this higher threshold are kept in the CadÚnico and, if they fall back to the minimum threshold, they have preference in the line to be fully reinserted into the programme.<sup>18</sup> With these stipulations, the programme is likely to benefit many workers in informal employment, although it is not specifically aimed at these workers.

However, despite the improvement in the design and significant vertical expansion, the conditionalities are still largely focused on poor or extremely poor families. The pandemic forced an updating of the PBF and the emergency cash-grant programme highlighted the need for a more adequate benefit. These responses to the crisis have shown the positive socioeconomic effects of incorporating workers in the informal economy. In 2020, 13 million people were lifted out of poverty.<sup>19</sup> Other studies have found also that the AE was effective in reducing inequality by offsetting poverty among afro-descendants and indigenous people.

<sup>17</sup> UOL (4 April 2023). [Com novo Bolsa Família, mãe troca ovo por peixe e carne e compra fraldas](#).

<sup>18</sup> O Globo (23 February 2023). [Novo Bolsa Família: Ministério começa programa para garantir empregos a beneficiários](#).

<sup>19</sup> Social Protection for Informal Workers: Trends and Changes - [Social Protection Briefing Note No. 3](#).

## About WIEGO

Women in Informal Employment: Globalizing and Organizing (WIEGO) is a global network focused on empowering the working poor, especially women, in the informal economy to secure their livelihoods. We believe all workers should have equal economic opportunities, rights, protection and voice. WIEGO promotes change by improving statistics and expanding knowledge on the informal economy, building networks and capacity among informal worker organizations and, jointly with the networks and organizations, influencing local, national and international policies. Visit [www.wiego.org](http://www.wiego.org).

