

## Studies on Social Security of Informal Employee in Developing Countries

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**Abstract:** In developing countries, there are a large number of informal employee due to the development of economy and society. Because of the historical and social causes of the development of social security system, this group of people can not gain benefits from normal social security. By investigating the instructions that some developing countries that has done well in this aspect, this paper studies the situation and difficulties the informal employees have in terms of social security.

**Keywords:** Developing countries, Social security, informal employee.

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### DEFINITION AND CURRENT SITUATION OF INFORMAL EMPLOYEE

#### Definition and feature of informal employee

International Labour Organization mentioned the term *informal sector in Employment, income and equality: Kenya's strategy for increasing production and employment* in 1973. In 1992, the 15th Labour Statistics Conference defined informal sectors as below: "informal sector is organized by units that aims to create job opportunities, provide incomes and jobs on the area of production and labour. The specialities of informal sector are its low level of organization, low production scale, and the lack of division of labour; When there is a labour relation, it is usually a temporary employment relationship, kinship, individual or social relationship, instead of contractual relation." Based on the definition of informal sector, informal employee could be defined as: groups of people that work in informal sectors.

#### The present status of informal employee

Informal employees exist both in developing countries and developed countries. The proportion of informal employees in developed countries is about 20%-30%, while in developing countries the number is above 55% in Africa and 32.8% in the Asian-Pacific region [1]. Meantime, they diffusely exist in a wide range of industries, especially in construction industry and service industry, which do not have high requirement on labor quality. As a result, such group has become a weak point of the society. Since informal employees usually do not have high labour quality, and the welfare and social security of them are little, so they tend to be the trigger of social contradictions.

### THE DIFFICULTIES FOR INFORMAL EMPLOYEE TO ENJOY SOCIAL SECURITY

#### The divergence and mobility of informal employee

Informal employees are widely spreading around varied regions and industries. As their jobs are mostly low-level, they can be easily replaced. Therefore, informal employees may immigrate fluently. They are able to move to areas where they can earn higher payment. The lack of contract relationship makes such immigration happen easily. As for the industries they engage in, the jobs they are doing do not require high standard working abilities, and with some trains they could meet the requirements. Thus, the immigrations among industries are also quite frequent [2].

It brings difficulties to the social securities of this group of people. In most countries, social security policy is made according to the situation of regions and industries such as social insurance policy drafted by local governments and employment pensions policy formulated according to industries. These policies could hardly cover informal employee. In the meantime, as the locations of paying and collecting security fee are different, it would bring difficulties to the management. It would be easier for countries with less lands and smaller population to build a national social security system. However, for countries that have large population and land like China and Indian, it would be a great challenge.

#### The discomfort of informal employees about social security policy

Social security policy can hardly cover informal employee and it takes great effort to enroll them in the system. The majority of people who are covered by social security policy is formal employee,

and the situation may made it difficult for informal employee to fit in the social security system, which will trigger more problems.

### **Large population of informal employee brings financial pressure on social security**

From the perspective of nations, to enroll informal employee into social security system, the governments need to go beyond the mortal social security system and offer informal employee specified policy. It is to give them subsidy, but the tremendous population of informal employee brings pressure on national finance. For example, in India, among 500 million laboring population, 90% of them are informal employee, which brings huge pressure on national finance.

### **The social security problems of informal employees which are working abroad**

Countries with large numbers of informal employee are usually countries with rich labour force. It is a natural trend for such countries to have international export of labor services. Labours that are employed by formal companies could be covered into social security system by domestic service companies. For individuals working by themselves aboard or hired directly by foreign companies, it would be a problem to manage their social securities. Firstly, it would hard to manage it via companies. Secondly, if the social security is collected by employees themselves, it still would be difficult to develop a workable mode.

## **THE PROBLEMS AND SOLUTIONS FOR THE SOCIAL SECURITY OF INFORMAL EMPLOYEE IN DEVELOPING COUNTRIES**

### **The problems for the social security of informal employee in developing countries**

Developed countries have strong economy, well-developed social security system and social organizations, as well as other advantages like low proportion of informal employee. When they are dealing with the problems, they are less struggling [3]. However, for developing countries without those advantages, they are confronted with many problems which are listed as followed.

### ***Financial pressure due to under-developed economy***

Resulted from many historical causes, the economy of developing countries are less developed than developed countries. For example, some African countries do not have complete industrial system and are heavily dependent on developed countries. Their GDP are less than 10% of that of developed countries and the financial income is usually quite few. Their financial supports for informal employee are limited. If their social security system try to cover informal employee, the national economy will be effected, which will bring further problems to the governments, national

economy and financial income. It will also bring negative effect to social security [4].

### ***Problems due to under-developed society management***

Development of society is a weakness part of developing countries. Under-developed society will restrict the progress of many sections. As many developing countries put most of their energy in economy reform and development, some countries also make great progress on economy, but mostly by sacrificing social development. Under-developed countries will weaken the support to social security. If social security relies only on government totally, the cost of management will be very high and the outcome may not be very satisfactory. In developed countries, the well-developed social security system and organization mostly take care of the informal employees, instead of governments, which brings more attention on the group of people.

### ***The difficulty of lessening the gap between urban and rural areas***

The process of economy development for developing countries is usually the process of urbanization, and it is also a period of widening the gap between poor and wealth, dividing social class, and enhancing social conflicts. The progress of economy brings the financial gap between urban and rural areas, and also brings the gap on infrastructure and social security.

As social security system is normally designed based on different area. Many developing countries have totally different social security policy on urban areas and countryside. For informal employees, they usually commute between cities and countrysides. According to the policy, they are covered by social security policy of countryside. However, they mostly live in urban areas so they would like to be covered under urban social security. Hundred millions of migrant workers are typical examples of such group. It is necessary to rearrange such difference between urban and countryside areas, otherwise such group of people will be put in awkward place. It will also be difficult to manage their social security.

### **Solutions for the social security of informal employee in developing countries**

To solve the problems of social security of informal employees, some developed countries have taken actions. From their policies, three different solutions could be summarized.

### ***By diverse social welfare policy***

As social security system is developed according to different areas and industries, it would be hard to cover all informal employees under one social security system. Governments could consider to

diversified social welfare policies to cover this group of people, giving enough time for social security system to rearrange. At this part, there are some good instances. For example, the public distribution system in India use fiscal subsidies to run fair-price shops to provide low-price necessities. In China, the agricultural tax is cancelled and there are some agricultural subsidy policies. Moreover, there are good policy for children of migrants as well as low-cost housing policy.

By diverse social welfare policies, some life demands for informal employees could be met. Thus, it will provide more time to cover them under social security system.

#### ***By specific social as well as united security policies***

To cover informal employee under social security system, two great powers, India and China, among developing countries choose different methods. India chooses specific social security policy. For example, to cover informal employee in countryside, India government publish *the National Rural Employment Guarantee Scheme* came into effect. *Valli Star Pension Plan* Pension Plans came to effect to cover people above 55 outside any labour union. There is also social security plans for workers outside any organizations. By making specific social security policies for different groups, India cover informal employees under social security system [5].

Things are different in China. Although during a period of time China made specific social security policies for different groups, China prefers to build a more united social security system. Nowadays China try to narrow the gap of social security policy between different groups. Methods like combing social security system of civil servants and normal citizens together are taken. In terms of the gap between cities and countrysides, China tries to build a united social security system via urban-rural integration, to cover every social member including informal employees.

#### ***By breeding and transferring social forces***

The development of social security system is relied on the effective implementation of social policies. The power of government is necessary. However, to refine the social security system, social forces would be needed, and also the cost of society force is usually lower than the cost of government administration.

Thus, developing countries should pay attention to breed and transfer the social forces. Social force includes social systems and social organizations. Social systems include legal system fair system and so on. By refining social systems, every social groups will be treated fairly. Social organizations also play an important part. In developing countries and regions, there are many social organizations, which have the

trend of professionalization. For example in American, Canada and Hong Kong;China, social workers become a profession, and universities establish courses about social workers. By social organizations, informal employees will be covered under social security and social welfare systems.

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