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Social insurance for gig workers: Insights from a discrete choice experiment in Malaysia

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Abstract The rise of "gig" work globally has led to both enthusiasm for its potential to create lucrative employment for a large number of workers, as well as concerns about its implications for social protection. Even where social insurance systems allow for voluntary coverage, take-up among gig workers has remained low, leaving them unprotected against a range of risks. Looking at the Malaysian labour market, this article investigates whether the low take-up of social security coverage among gig workers can be explained by the inability or unwillingness of these workers to make the necessary social insurance contributions? We deploy a novel vignette-based experiment to ascertain gig workers' willingness to pay for social insurance coverage. We find a large unmet need for social insurance among gig workers, as well as a high level of willingness to pay for unemployment insurance, retirement savings, and work-related injury insurance. Our analysis suggests that gig workers could benefit more from better tailored, more flexible, and more easily accessible instruments for social insurance, rather than

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from subsidies or matching contributions alone. We also find evidence of substitution between distinct insurance instruments; those gig workers with access to retirement savings are less willing to pay for unemployment insurance, and those with private medical insurance are less likely to contribute to the public work-related injury insurance programme. This underlines the need to consider a wider range of insurance instruments for gig workers, including those offered by the private sector.

Keywords social insurance, social protection, labour market, platform workers, atypical work, Malaysia

Introduction

In the last decade, the digital platform workforce has been growing worldwide, a trend that has been accelerated by the mobility restrictions imposed during the COVID-19 pandemic. Digital platform workers (used interchangeably in this article with the term "gig workers") fall under the ambit of non-standard workers. Non-standard work encompasses all work that does not constitute a "standard employment relationship", which is typically full-time, permanent, and is a part of a subordinate and bilateral employment relationship (ILO 2016).[1] The standard employment relationship has been at the core of the traditional social protection model, whereby workers are offered protection against the risks of unemployment, work-related injuries and health incidents, and/or the loss of income upon retirement through social insurance instruments that mandate contributions from employers and workers. This relationship is challenged by the arrangements between platforms and workers in the gig economy, and countries across the world have been contending with its implications for the extension of social protection to gig workers, particularly those who rely entirely on earnings from gig work and are not covered by standard social insurance coverage arrangements (Behrendt, Nguyen and Rani, 2019).

1. While the ILO (2016) distinguishes between informal employment and non-standard employment, both terms are used interchangeably in this article, as our interest lies with workers who are not covered by traditional arrangements for social insurance, which is a commonly used definition for informally employed workers.

An estimated 163 million workers were registered on online labour platforms in 2021 (Kässi, Lehdonvirta and Stephany, 2021), compared to around 50 million in 2015 (Kuek et al., 2015). This rapid growth across countries reflects the attractiveness of gig work to workers as a source of livelihood, which has been attributed to its ability to offer i) remunerative work, ii) easier access to jobs (Donovan, Bradley and Shimabukuro, 2016), and iii) greater flexibility (La Salle and Cartoceti, 2019; Liebman, 2017) than traditional forms of employment. However, the volatile nature of gig work exposes workers to greater risks of poverty and vulnerability, while the nature of the work arrangements between digital platforms and workers brings into question the traditional model of social protection that is linked to a worker's formal employment status, typically with a single employer (Kool, Bordon and Gassmann, 2021). The social protection of digital platform workers is complicated by the nature of their work, which is often performed part-time or irregularly, and across multiple platforms. For these workers, this may make the traditional social insurance model, based on regular contributions from employers and employees, untenable, both in terms of contributions and benefits.

Given that many gig workers do not strictly meet standard definitions of employees and therefore do not benefit from employment-linked social security (Kolsrud, 2018; Schoukens, Barrio and Montebovi, 2018), many countries have recognized the role of voluntary social security coverage (e.g., non-compulsory access to social security coverage for self-employed workers) as a possible way to ensure that gig workers have access to social protection. However, even in cases where countries provide the possibility of voluntary coverage, the uptake of such coverage has often been low. Some observers attribute this outcome to the low willingness of non-standard workers to pay for social insurance coverage (Kolsrud, 2018), which has motivated a case for subsidized contributions for these workers. The wider literature on the need for subsidized contributions for social insurance coverage invokes, among other factors, the need to protect workers from "their own improvidence and myopia" (Packard et al., 2019). The suggestion is that workers may not fully appreciate the benefits of social insurance coverage and perceive contributions only as a tax. Accordingly, despite the wider benefits of coverage across the life cycle, social insurance coverage may be under-subscribed, which is socially sub-optimal.

In national settings where voluntary social insurance coverage is available to digital platform workers, the question to be investigated is whether low take-up is indicative of a low willingness to pay for such coverage. This is a critical question, the answer to which may guide policy action towards either addressing workers' pecuniary constraints through contribution subsidies or, alternatively, overcoming non-pecuniary barriers to social insurance coverage. This article seeks to assess digital platform workers' valuations of social insurance coverage (comprising retirement pensions, work-related injury insurance and unemployment insurance) in terms of their willingness to pay for such coverage. We deploy a novel vignette experiment in an online survey of digital workers in Malaysia, an upper-middle income country that has seen a sharp rise in digital platform work in recent years. Our experiment involves the randomized allocation of fictitious job descriptions that offer alternate combinations of social insurance coverage and earnings to elicit digital workers' preferred job description.

Overall, we find that the majority of digital workers value social insurance highly, but these workers also report having insufficient social insurance coverage in their current work. A majority of workers state a willingness to trade off a reasonable part of their earnings to receive social insurance coverage. This willingness is particularly high as regards unemployment insurance, followed by retirement income and work-related injury insurance. The low prevalence of social insurance coverage, despite a high willingness to pay for it, suggests that current policies are inadequate to ensure adequate coverage. First, this underlines a need for the improved and, potentially, more customized design and implementation of social insurance policies for gig workers and, second, a need to not place policy attention only on the affordability of insurance contributions.

To the best of our knowledge, this article is the first that uses a discrete choice experiment to explore the willingness of gig workers to contribute to social insurance. This contrasts with other studies, which have analysed the willingness to contribute among informally employed workers more generally, relying typically on stated preferences. We also examine potential complementarities, as perceived by gig workers, between social insurance and private insurance instruments, as well as between different social insurance instruments, a subject that has not received sufficient attention. Finally, studies on social protection for gig workers have tended to focus on developed countries (Corujo, 2017; Forde et al., 2017; Petropoulos et al., 2019), where the initial conditions of social protection and the functioning of labour market institutions and mechanisms may be markedly different from those in developing economies. Given the increasing importance of the gig economy in developing economies, and the implications for the social protection of workers, our analysis is highly relevant and timely to contribute to filling a critical research gap.

The remainder of this paper is organized as follows: the next sections provide an overview of the literature and describe our empirical setting. We then describe the online survey conducted for this analysis and the data generated through it, including the vignette-based experiment that was embedded in the survey. The next sections discuss the methodology, including the identification strategy, and present results including i) descriptive statistics, and ii) econometric analysis – including heterogeneity of estimates across relevant sub-groups. We conclude with a discussion of the results and policy implications.

Literature review

Digital labour platforms are divided into two broad categories: i) online web-based platforms, and ii) location-based platforms (ILO, 2021; Ghorpade et al., 2024). Through these platforms, three types of tasks may be performed: i) digital microtasks, ii) freelance digital work (hosted on web-based platforms), and iii) location-based work (hosted on location-based platforms). Digital microtasks refer to simple tasks performed on web-based platforms that do not require specific skills, such as data entry or the processing of images. Freelance digital work refers to skilled digital work, such as website development, graphic design, or software testing, that is also performed on web-based platforms. Location-based work refers to work that is enabled through digital means (typically through an app) but which is performed "on-site", such as ride-hailing, delivery, and domestic services.

Traditionally, social protection coverage is provided to workers as part of standard employment contracts, which are characterized by long-term employment, a stable income, and employment benefits including pension plans, health insurance and paid leave (World Bank, 2018). In contrast, work performed on digital platforms is typically short-term and task-based and does not include any employment benefits. The rise of digital platform work therefore raises concerns about the social protection of digital platform workers. In many countries, self-employed workers – including, typically, digital platform workers – are either not covered by social insurance systems or are covered only on a voluntary basis (Behrendt, Nguyen and Rani, 2019), as is the case in Malaysia. Even when there is legal coverage, provisions for self-employed workers are often less favourable compared to those for standard employees or formally employed workers (Behrendt, Nguyen and Rani, 2019).

Recent coverage extension efforts have sought to include digital platform workers in existing social insurance schemes. One way to achieve this is to clarify the legal classification of such workers. Generally, classifying gig workers as employees should automatically grant them access to various employment benefits and rights (Berg et al., 2018). In the case of Spain, the Spanish Riders' Law, introduced in 2021, recognizes food delivery riders working through digital platforms as employees if the platform exercises direction and control through algorithmic management (Eurofound, 2021). Some countries have also mandated or encouraged voluntary registration to social insurance schemes and have simplified the administrative process to encourage the uptake of coverage (Behrendt et al., 2019). Beyond protection through social insurance programmes, some platforms have taken the initiative to offer private insurance to gig workers. For example, the platform Deliveroo has collaborated with Qover, a private insurance company, to provide private insurance for food delivery couriers in countries where Deliveroo operates, including Belgium, France, Ireland, and the Netherlands (Eurofound, 2021). However, given the complexity of regulating and providing protections for digital freelancers and workers performing digital microtasks, who perform tasks online and across country borders, efforts to improve the social protection of digital platform workers have largely focused on location-based workers. Such efforts have also tended to be undertaken and studied more in developed economy contexts. Accordingly, relatively less is known about the complexity of the regulation of gig work in low- and middle-income settings.

In national labour markets where coverage is available, an important research question is whether informally employed workers are willing to make contributions to social insurance. Using the contingent valuation method, which relies on eliciting respondents' stated preferences, various studies have explored the willingness to pay – as well as the characteristics that affect willingness to pay – for social insurance among informally employed workers and workers employed in the informal economy, particularly in developing economies. Studies generally indicate that these workers are willing to pay for health insurance. One study in Wuhan, People's Republic of China, found that, on average, informal economy workers were willing to pay more than the average cost to access basic health insurance (Bärnighausen et al., 2007). The level of willingness to pay has been found to be moderated by income level, with workers with higher levels of income being more willing to pay, as in the cases of Viet Nam (Huyen and Van Minh, 2014) and urban Bangladesh (Ahmed et al., 2016). These studies also found that workers with higher levels of education are willing to pay more for social insurance (Huyen and Van Minh 2014; Ahmed et al. 2016). Similarly, another study in urban Bangladesh found that the willingness to pay for health insurance among informal economy workers is higher for those who have been exposed to an educational intervention promoting occupational solidarity and health insurance (Khan and Ahmed, 2013), reflecting the important role of awareness and education. In some cases, the cost of the insurance premium has been found to affect the willingness to pay. For example, in Indonesia, 70 per cent of informal economy workers in a survey of 400 households were willing to pay for national health insurance, but at a premium that was lower than the prevailing rate (Dartanto et al., 2016). A study in Togo found that 92 per cent of informal economy workers were willing to pay for mandatory health insurance but would require subsidized premia (Djahini-Afawoubo and Atake, 2018). A study on the willingness to pay for a hypothetical national health insurance scheme in the state of Sarawak, Malaysia, found that more than 90 per cent of respondents were willing to pay for this scheme (Mohamad Norhaizam, Ting and Zafar, 2018). The factors affecting the willingness to pay included education level as well as awareness of insurance products or insurance literacy.

Although these studies have sought to examine the question of affordability (and therefore the potential need for subsidies for social insurance uptake), their reliance on stated preferences alone makes them susceptible to greater social desirability bias in response, as well as less effective to elicit the marginal valuation of particular job attributes (in this case, social insurance coverage) holding other job characteristics constant. These limitations could potentially result in a gap between stated preferences and real-life choices.

This article uses a vignette-based discrete choice experiment, which improves upon the contingent valuation method by assessing choices between scenarios based on marginal differences of attributes, to elicit the willingness to pay for social insurance.[2] The approach follows Eriksson and Kristensen (2014), who studied the trade-off between wages and alternate employment benefits among Danish workers. In their set-up, employment benefits included Internet and a home computer, work-related training, health insurance, work-time flexibility, and an annual bonus. Out of the different employment benefits, they found that work-time flexibility was most highly valued, followed by health insurance (Eriksson and Kristensen 2014). Wiswall and Zafar (2018) employ a discrete choice experiment to estimate preference for work flexibility, job stability, and earnings among high-performing undergraduates at the New York University for hypothetical future jobs. Other studies that have employed a discrete choice experiment include Mas and Pallais (2017), who analysed the willingness to pay for different work arrangements – with their main focus being flexibility – as part of a hiring process for a national call centre in the United States of America, thus allowing them to replicate a real market transaction. When comparing their findings developed through the hiring process with those of a vignette-based survey experiment that they conducted to test for validity, their results were broadly consistent. In turn, this suggests that vignette-based experiments, when designed properly, can generate responses that are similar to market choices (Mas and Pallais, 2017).

Empirical setting and data

Empirical setting

Malaysia is a rapidly growing Southeast Asian economy that is expected to transition from Upper-Middle to High Income status in the next few years (World

2. The contingent valuation method directly asks people for valuations of different attributes, while in discrete choice experiments, people are given the choice of two or more scenarios, in which attributes and prices/values are randomly varied, and they are asked to choose their preferred option. Mas and Pallais (2017) discuss some of the different considerations regarding the two methods.

Bank, 2021). Its economic growth sustained over decades has translated into a shift of the labour force away from agriculture, and towards manufacturing and services. This transformation has been accompanied by a consistent decrease in the rate of informal employment overall, especially in traditional forms of informal employment, even as the numbers of workers in the gig economy have shown a steady increase in recent years (Ghorpade et al., 2024). According to the Malaysia Digital Economy Corporation (MDEC), between 2016 and 2019, the number of registered digital platforms operating in Malaysia rose from 11 in 2016 to 123 in 2019, while the number of active workers increased from 29,200 to 330,877. The number of workers on eRezeki (an aggregator platform for different types of digital platform work; digital microtasks, freelance, and location-based work) increased from 333,130 in 2019 to 699,517 in 2020, with the largest growth being seen in location-based work. Overall, 79 per cent of digital platforms in Malaysia provide access to location-based work, while the platforms providing freelance work and digital microtasks represent about 12 per cent and 9 per cent, respectively. This rapid rise of the gig workforce has generated both interest in its potential for employment creation, as well as concerns about a possible rapid rise in largely informal employment.

Traditionally, social security programmes in Malaysia, encompassing individual retirement savings (administered by the Employees' Provident Fund – EPF), work-related injury and disability insurance (administered by the Social Security Organisation – SOCSO),[3] and unemployment insurance (administered by the Employment Insurance Scheme (EIS), under SOCSO), have catered only for formal workers with standard employment relationships. Gig workers, like other informally employed workers, can avail of social security coverage through voluntary registration and contributions.

Acknowledging the importance of protecting the sizable share of informally employed workers in Malaysia, the government introduced voluntary schemes for retirement savings in 2010, and for work-related injury and disability insurance in 2017. However, take-up for both schemes has remained low. The voluntary retirement savings scheme, *i-Saraan*, covered only 10.7 per cent of all self-employed workers (defined as own account workers and unpaid family workers) in 2022, while the Self-Employment Social Security Scheme (SESSS) covered only 16.4 per cent of all self-employed workers in 2021. The coverage of *i-Saraan* is higher among women, likely because of a simultaneous initiative (i-Suri) providing matching contributions to housewives. In comparison, more men and those younger than age 35 are covered by SESSS, reflecting the types of jobs for which the scheme was subsidized, and particularly delivery riders. The reasons behind the low take-up rates for these schemes are unclear and have been a subject of critical

3. SOCSO is also known as *Pertubuhan Keselamatan Sosial* (PERKESO).

interest among policy makers and researchers. Little is known about the extent to which the low take-up of voluntary social insurance can be attributed to its affordability, i.e., workers' willingness and ability to pay for such coverage.

As national survey datasets do not identify gig workers as a separate category within the workforce, it is not possible to study the profiles of voluntary contributors to social security schemes nationally. However, we conducted a simple Ordinary Least Squares (OLS) regression analysis to understand the correlates of contributions to the EPF and SOCSO schemes in our sample of 1,038 gig workers who, because of being engaged in gig work, can only make voluntary contributions for coverage (unlike formal employees for whom contributions are mandated). These results, presented in the online Appendices A.1–A.4,[4] show that married women who have children, individuals of Chinese ethnicity, and mid- and high-income earners (relative to low-income earners) among gig workers are more likely to register with and contribute to the EPF, as are individuals with a higher stated value attached to retirement savings. In contrast, in our gig worker sample, those with a greater self-reported appetite for risk, with secondary-level education (compared to less than secondary) and higher levels of income are more likely to register with and contribute to SOCSO, while those with a greater preference for immediate (rather than longer-term) gains, and ethnic Chinese workers are less likely to do so.

Data

Our sample consists of 1,038 gig workers, including digital freelancers and location-based workers. The data was collected through an online survey administered by the Malaysian arm of a global market research firm, Ipsos. To gather respondents, we partnered with the Malaysia Digital Economy Corporation (MDEC) to tap into their network of digital freelancers via Global Online Work Force (GLOW)[5] members, as well as including the online panel survey respondents who were gig workers. The data collection period was February 2022 to May 2022. Survey links were sent to GLOW members across Malaysia, and 1,038 completed responses were received from participants across all 16 states and federal territories. The largest number of responses were received from Selangor (321), followed by Kuala Lumpur (168). The full break-down of responses by state/federal territory is provided in the online Supplementary information, Appendix A.4.

4. This article is supplemented by online Appendices A.1–A.4 developed by the authors and made available to readers (see Supporting Information).

5. GLOW is a training programme offered by MDEC for individuals interested in becoming a digital freelancer. During the peak of the COVID-19 pandemic, MDEC created a new programme called GLOW *Penjana*, a highly targeted programme to help individuals whose livelihoods were affected by the COVID-19 pandemic and movement restrictions.

The online survey questionnaire was divided into four parts: i) respondents' demographic background, which enquires on age, gender, schooling and marital status; ii) employment characteristics, which enquires about respondents' current employment such as their status in employment, occupation, duration of employment, weekly pay, social security coverage, and other occupations if they are working in more than one job; iii) an experimental section on choosing between two hypothetical jobs; and iv) preferred work characteristics, which asks about respondents' preferences concerning different aspects of work characteristics using a 5-point Likert scale from "Very important" to "Not important". Some examples of work characteristics include earning "good money", the ability to work in international settings/teams, insurance coverage for work-related injury and pension income upon retirement.

Methodology

Research questions

This article focuses on three inter-linked research questions:

- Are gig workers willing to pay for access to social insurance and unemployment insurance?
- Which sociodemographic characteristics of gig workers correlate with the willingness to pay for access to social insurance?
- Does the willingness to pay for social insurance coverage vary by gig workers' current receipt of social insurance coverage?

Vignette-based experiment

We deploy a vignette-based experiment to ascertain whether workers in non-standard employment are willing to forgo defined percentages of their current incomes to be covered by alternate social insurance schemes. We develop vignettes for two hypothetical jobs that we present to the respondent, from which they are asked to identify the job they prefer. We consider three types of social insurance coverage: i) retirement savings, ii) unemployment insurance, and iii) work-related injury insurance. To test for willingness to pay for each of these types of social security, we present the respondent with two job descriptions. Job A includes a standard baseline scenario for social insurance coverage, while Job B which has the same attributes as Job A in all aspects except for two dimensions that are varied at random, that is, the description of the insurance coverage package, and the associated income level.

The vignettes for unemployment insurance are illustrated in Table 1. Each respondent is shown two vignettes: Job A, and a randomly chosen option among Jobs B1, B2, B3 and B4. While the description of Job A remains the same for all respondents, the attributes of Job B are randomized, among the options B1, B2, B3 and B4. These four options vary from each other in terms of the type of unemployment insurance coverage offered, and the implications for the respondents' pay (i.e., wages foregone for the associated unemployment insurance coverage). The values for the foregone wages offered in the job descriptions mirror real-life levels of contributions payable for national social insurance coverage.

Some of the work characteristics presented in the fictive descriptions, in particular pertaining to the number of hours worked per week (40), work hours (9 AM to 5 PM from Monday to Friday), and the location of work (a fixed office) may perhaps be seen as more typical of a formal, rather than a gig job.

Table 1. *Range of hypothetical jobs offered to respondents to choose from (Job A v/s one of Jobs B1–B4)*

	Job A	Job B1	Job B2	Job B3	Job B4
Hours worked per week	40 hours	40 hours	40 hours	40 hours	40 hours
Work hours	Monday to Friday, 9 AM to 5 PM	Monday to Friday, 9 AM to 5 PM	Monday to Friday, 9 AM to 5 PM	Monday to Friday, 9 AM to 5 PM	Monday to Friday, 9 AM to 5 PM
Location of work	Fixed Office	Fixed office	Fixed office	Fixed office	Fixed office
Retirement pension	Regular pension after retirement (age 60) based on years of service in this job	Regular pension after retirement (age 60) based on years of service in this job	Regular pension after retirement (age 60) based on years of service in this job	Regular pension after retirement (age 60) based on years of service in this job	Regular pension after retirement (age 60) based on years of service in this job
Health insurance	Included in compensation package	Included in compensation package	Included in compensation package	Included in compensation package	Included in compensation package
Unemployment insurance	No unemployment insurance	If you become unemployed you receive a monthly income of **RM 800** until you find a job, for up to 6 months		If you become unemployed you receive a monthly income of **RM 1,200** until you find a job, for up to 6 months	
Monthly take-home salary	Equal to your current take-home salary	**0.5% less** than your current take-home salary	**0.2% less** than your current take-home salary	**0.5% less** than your current take-home salary	**0.2% less** than your current take-home salary

Note: The respondent is shown Job A, and one of Jobs B1, B2, B3 and B4 (randomly assigned), and asked to choose their preferred job between the two.
Source: Authors' elaboration.

This was necessary partly because we had to define these aspects of the job descriptions as common between the two jobs A and B, and could not, a priori, come up with a fictive job description for gig workers that was common to all. Preparatory qualitative consultations with gig workers and digital platforms that were conducted before launching the survey suggested that gig workers do not have a common set of hours or locations of work; while many work part-time, others work full-time or sometimes over-time. Similarly, while some work from home, others (such as location-based workers) work on-site, and some do indeed work from offices. Instead of assigning fictitious job attributes that are more realistic for some gig workers than others, we chose to present more standard characteristics. While these characteristics may be different from gig workers' current work arrangements, they are identical in descriptions of jobs A and B such that the effects we observe are only due to the characteristics that are varied at random, i.e., the type of social insurance coverage offered, and the associated level of earnings. The other work characteristics do not in any way affect the direction, magnitude, or robustness of results and are provided only for the respondent to note that the job descriptions do not vary with respect to these features, but only with respect to social insurance coverage and earnings. The social insurance and take-home earnings features that were different between Jobs A and B were also highlighted visually to make the differences prominent while relegating other work characteristics that were identical in jobs A and B to the background. This helps us assess the marginal valuation of social insurance features of a job with respect to an associated reduction in earnings.

Identification

We seek to examine the effect of the combination of the attributes of the social insurance package offered and earnings on the likelihood of selecting the baseline job. Causal identification is determined by the randomized allocation of the description of job B (from B1 to B4) to respondents, i.e., the attributes of the social insurance package and the earnings offered in job B are orthogonal to respondents' observable and unobservable characteristics.

We estimate a Linear Probability Model (LPM) as depicted by the following equation

$$Prob(A) = \beta B_{ij} + \epsilon_i$$

Where:

Prob (A) is the likelihood of the respondent i preferring Job A, the baseline scenario B is the randomly allocated hypothetical job description j from 1 to 4 to individual i

ϵ is the error term

Results

Descriptive statistics

The sample comprises 1,038 respondents of whom around 55 per cent are male and 45 per cent are female (Table 2). The average age is 35.7 years. The ethnic breakup of the sample indicates a slightly higher share of ethnic Chinese and a slightly lower share of ethnic Bumiputera (i.e., Malays, the Orang Asli ethnic group, and other indigenous peoples of Malaysia) and Indian groups compared to the national population. The survey data show that over 40 per cent of respondents contribute to private health insurance (47 per cent) and private retirement schemes (44 per cent), while a little over 25 per cent contribute to the EPF (26.6 per cent) and SOCSO (27.3 per cent). The coverage of respondents by the EPF and SOCSO is almost equivalent to that of the coverage of all employed persons (which includes formal and informal workers), estimated at about 30 per cent (World Bank, 2021). Moreover, the data suggests that a relatively large share of respondents are covered by private schemes. It is important to note that 84 per cent of respondents do not have other jobs outside of freelancing. At best, 16 per cent (who have a second job) may have access to

Table 2. *Summary statistics*

	Mean	Std. Dev.	N
Age	35.74	10.38	1,038
Male	0.547	0.498	1,038
Ethnicity: Bumiputera	0.750	0.433	1,038
Ethnicity: Chinese	0.167	0.373	1,038
Ethnicity: Indian	0.063	0.242	1,038
Has another job outside freelancing (Yes=1)	0.159	0.366	1,038
Subscribes to EPF	0.266	0.442	1,038
Subscribes to SOCSO	0.273	0.446	1,038
Has private retirement savings	0.444	0.497	1,038
Has private health insurance	0.469	0.499	1,038
Considers health insurance “Very important” to be provided in a job	0.572	0.495	1,038
Considers injuries insurance “Very important” to be provided in a job	0.689	0.463	1,038
Considers retirement Pension “Very important” to be provided in a job	0.660	0.474	1,038

Source: Authors’ elaboration.

insurance coverage or retirement savings through their other job(s). The data, however, do not allow us to distinguish between voluntary contributions made by gig workers, or mandatory contributions made on account of a second job that may be formal.

There is a mismatch between what freelancers deem as very important, and what they currently have access to in their jobs – especially when it comes to social protection. For instance, 68.9 per cent of respondents stated that it is very important for them to have work-related injury insurance, 66 per cent stated that it is very important for them to have pension income upon retirement, and 57.2 per cent stated that it is very important to have health insurance. At the same time, 59.9 per cent, 62.7 per cent, and 57.8 per cent reported that they do not have access to this coverage in their current jobs. These findings suggest that there is a desire among gig workers for social protection for which they do not currently have access through their current jobs.

T-Tests for verifying randomization of treatment arms

Tables 3a, 3b and 3c show the results from an ANOVA used to perform a joint test of significance with the null-hypothesis that the means of key demographic and other characteristics of the respondents are not statistically distinct from each other. We see that the choice of job descriptions assigned is, on balance, not correlated with individual characteristics.

Econometric analysis

We sequentially examine the results for unemployment insurance, retirement savings, and work-related injury insurance.

Unemployment insurance. Table 4 shows the coefficients of the linear probability model (LPM) where the dependent variable is the dummy variable for the choice of Job A (= 1 if the respondent chooses job A, 0 if the respondent chooses job B). Regarding access to unemployment insurance, Job A includes no unemployment insurance and earnings are set at the same level as the respondents' current income.

Overall, we find that only between 14 per cent and 20 per cent of the respondents, across all four options of unemployment insurance coverage, would prefer Job A that carries no unemployment insurance. The vast majority (76 per cent–80 per cent) of respondents would prefer to have unemployment insurance coverage that provides a benefit of 800 Malaysian ringgit (RM) or

Table 3a. *F test of joint significance of treatment arm means (H0: $\bar{X}B1 = \bar{X}B2 = \bar{X}B3 = \bar{X}B4$): Unemployment insurance*

	Unemployment allowance of RM 800/month up to 6 months		Unemployment allowance of RM 1,200/month up to 6 months			
	0.5% lower earnings	0.2% lower earnings	0.5% lower earnings	0.2% lower earnings		
Variable	Job B1	Job B2	Job B3	Job B4	F-stat	P-value
Male	0.59	0.53	0.54	0.53	0.755	0.519
Has children	0.34	0.42	0.40	0.37	1.491	0.215
Single/Unmarried	0.51	0.47	0.46	0.50	0.483	0.694
Age	35.19	35.44	36.74	34.96	1.427	0.233
Chinese	0.14	0.19	0.20	0.14	1.758	0.153
Indian	0.05	0.04	0.05	0.10	2.929	0.033
Bumiputera	0.79	0.76	0.72	0.73	1.406	0.240
EDU: up to secondary	0.18	0.18	0.18	0.18	0.009	0.999
EDU: Post-secondary	0.22	0.27	0.25	0.26	0.485	0.693
EDU: Bachelor's	0.47	0.42	0.42	0.39	1.146	0.330
EDU: Professional	0.03	0.04	0.06	0.05	0.697	0.554
EDU: Masters+	0.09	0.09	0.10	0.12	0.428	0.733
Low income	0.34	0.33	0.30	0.35	0.568	0.636
Med income	0.36	0.29	0.34	0.35	1.055	0.367
High income	0.30	0.38	0.36	0.30	2.183*	0.088
In standard employment	3.75	3.71	3.91	3.87	0.149	0.930
Time Preference Index	0.53	0.48	0.53	0.47	1.106	0.346
Risk appetite (0-10)	6.61	6.84	6.56	6.49	1.174	0.318
N	259	264	255	260		

Source: Authors' elaboration.

RM 1,200[6] per month for up to 6 months of unemployment, even if this implies a reduction in earnings of 0.2 per cent or 0.5 per cent.[7] The willingness does not appear to differ much by either the level of unemployment income offered

6. These amounts are set roughly at the prevailing rates of unemployment benefits offered through the Employment Insurance Scheme run by SOCSO.
7. These are similar to current deductions made for EIS coverage.

Table 3b. *F test of joint significance of treatment arm means (H0: $\bar{X}B1 = \bar{X}B2 = \bar{X}B3 = \bar{X}B4$): Retirement savings*

	No retirement savings		Monthly pension based on contributions			
	5% higher earnings	10% higher earnings	5% lower earnings	10% lower earnings		
Variable	Job B1	Job B2	Job B3	Job B4	F-stat	P-value
Male	0.53	0.56	0.55	0.54	0.175	0.913
Has children	0.41	0.4	0.38	0.33	1.579	0.193
Single/Unmarried	0.48	0.48	0.48	0.51	0.29	0.833
Age	36.2	35.22	35.1	35.82	0.618	0.603
Chinese	0.2	0.13	0.15	0.19	1.714	0.162
Indian	0.05	0.08	0.06	0.05	0.726	0.537
Bumiputera	0.72	0.76	0.77	0.74	0.679	0.565
EDU: up to secondary	0.17	0.19	0.18	0.18	0.101	0.959
EDU: Post-secondary	0.25	0.29	0.22	0.24	1.357	0.254
EDU: Bachelor's	0.45	0.38	0.44	0.42	1.002	0.391
EDU: Professional	0.03	0.05	0.06	0.05	0.468	0.704
EDU: Masters+	0.08	0.09	0.11	0.12	0.953	0.414
Low income	0.32	0.32	0.34	0.34	0.297	0.828
Med income	0.32	0.39	0.31	0.31	1.841	0.138
High income	0.36	0.29	0.34	0.34	1.159	0.324
In standard employment	3.74	3.89	3.64	3.96	0.365	0.778
Time Preference Index	0.49	0.52	0.52	0.46	0.669	0.571
Risk appetite (0-10)	6.74	6.52	6.51	6.74	0.913	0.434
N	259	262	267	250		

Source: Authors' elaboration.

(RM 800 or RM 1,200), or by the level of income deduction for having such coverage (0.2 per cent or 0.5 per cent of current income). The high willingness for uptake of unemployment insurance among gig workers reflects an unmet need, and therefore a potential market for unemployment insurance among this segment of workers that may be quite susceptible to volatility in the availability of work. The willingness to opt for unemployment insurance does not seem to differ significantly by respondents' gender or age.

We now examine heterogeneity by the labour market characteristics of respondents; namely, income, experience of working with employers prior to the

Table 3c. *F test of joint significance of treatment arm means (H0: $\bar{X}B1 = \bar{X}B2 = \bar{X}B3 = \bar{X}B4$): Work-related injury insurance*

Insurance to cover work-related injury				
	0.5% lower earnings	1% lower earnings		
Variable	Job B1	Job B2	F-stat	P-value
Male	0.52	0.58	2.16	0.142
Has children	0.32	0.44	7.559***	0.006
Single/Unmarried	0.56	0.42	10.516***	0.001
Age	35.3	35.89	0.399	0.528
Chinese	0.16	0.17	0.078	0.781
Indian	0.08	0.04	2.928	0.088
Bumiputera	0.73	0.78	2.293	0.131
EDU: up to secondary	0.18	0.18	0.001	0.975
EDU: Post-secondary	0.26	0.24	0.161	0.689
EDU: Bachelor's	0.39	0.44	1.38	0.241
EDU: Professional	0.05	0.06	0.022	0.882
EDU: Masters+	0.11	0.08	2.382	0.123
Low income	0.32	0.32	0.014	0.905
Med income	0.34	0.36	0.363	0.547
High income	0.34	0.32	0.242	0.623
In standard employment	4.11	3.94	0.252	0.616
Time Preference Index	0.49	0.57	3.011*	0.083
Risk appetite (0-10)	6.71	6.59	0.329	0.567
N	262	266		

Source: Authors' elaboration.

current job, having another job (in addition to freelancing), and current access to the EPF savings account for retirement income (through voluntary contributions, or contributions from any formal employment prior to their current work). We find that those who already have EPF coverage are much more likely to choose job A, i.e., not opt for unemployment insurance (Table 5a, columns 5 and 6) than those without (although the majority of them would still opt for any version of Job B that carries unemployment insurance). This has important policy implications as it suggests that those with retirement savings do not value unemployment insurance as much as those without it, perhaps as they have some other cushion in the event of a loss of work. This also suggests that a large share of gig workers view the two social protection instruments (retirement

Table 4. *Likelihood of choosing Job A with alternate unemployment insurance coverage offers/earnings, total and by gender, age group*

	Gender		Age			All respondents
UI coverage, earnings features in Job B	Male	Female	Age <30	Age 30–39	Age >=40	
Payment of RM 800 per month for 6 months, 0.5% lower income	0.204***	0.178***	0.195***	0.192***	0.192***	0.193***
	[0.0328]	[0.0371]	[0.0428]	[0.0449]	[0.0449]	[0.0246]
Payment of RM 800 per month for 6 months, 0.2% lower income	0.150***	0.185***	0.129***	0.183***	0.183***	0.167***
	[0.0303]	[0.0351]	[0.0350]	[0.0430]	[0.0430]	[0.0230]
Payment of RM 1,200 per month for 6 months, 0.5% lower income	0.167***	0.120***	0.143***	0.191***	0.191***	0.145***
	[0.0318]	[0.0301]	[0.0401]	[0.0408]	[0.0408]	[0.0221]
Payment of RM 1,200 per month for 6 months, 0.2% lower income	0.196***	0.156***	0.230***	0.179***	0.179***	0.177***
	[0.0339]	[0.0330]	[0.0454]	[0.0437]	[0.0437]	[0.0237]
N	568	470	344	332	332	1,038

Notes: Dep Var = 1 if Job A preferred to Job B, else 0. Job A has no unemployment insurance and earnings equal to respondents' current income). Standard errors in brackets $^{*}p<0.05$, $^{**}p<0.01$, $^{***}p<0.001$.
Source: Authors' elaboration.

Table 5a. *Likelihood of choosing Job A with alternate unemployment insurance coverage offers/earnings, by income level*

	Income		
	Low income	Med income	High income
Payment of RM 800 per month for 6 months, 0.5% lower income	0.205***	0.172***	0.205***
	[0.0433]	[0.0394]	[0.0460]
Payment of RM 800 per month for 6 months, 0.2% lower income	0.151***	0.143***	0.198***
	[0.0389]	[0.0401]	[0.0399]
Payment of RM 1,200 per month for 6 months, 0.5% lower income	0.156***	0.105**	0.174***
	[0.0416]	[0.0332]	[0.0397]
Payment of RM 1,200 per month for 6 months, 0.2% lower income	0.109***	0.187***	0.247***
	[0.0326]	[0.0411]	[0.0494]
N	343	347	348

Note: Standard errors in brackets $^{*}p<0.05$, $^{**}p<0.01$, $^{***}p<0.001$.
Source: Authors' elaboration.

savings and unemployment insurance) as substitutes. The individual retirement savings funds administered by the EPF are not typically meant to be drawn down in the event of unemployment. However, during the COVID-19 pandemic, to cope with the economic fallout of the pandemic and, in particular, job losses, the government allowed contributors to exceptionally withdraw their savings, up to a certain amount, on four different occasions between 2020 and 2022. This may have led many to view the EPF, in addition to being a retirement savings fund, as also a potential insurance mechanism to mitigate the loss of income during unemployment. Of course, there is no certainty that the exceptional draw-down measures made possible during the pandemic will be repeated in future. Regardless, a clearer understanding of the aims and purposes (and, therefore, the limitations in their use) of different insurance instruments should help avoid conflation between these, and equip workers to make better, more informed choices. Alternatively, a benefit package that indeed includes providing long-term benefits in the form of retirement income as well as the explicit (rather than exceptional) option to draw down a part of the accumulated savings to meet unemployment-related contingencies could be envisioned to meet multiple aims.

We also find (Table 5b, columns 2 and 3) that those with previous employment experience are somewhat less likely to prefer Job A with no unemployment insurance than those who have no experience other than with their current client/employer. The experience of having previously changed jobs, including potentially on an involuntary basis, may perhaps have persuaded

Table 5b. *Likelihood of choosing Job A with alternate unemployment insurance coverage offers/earnings, by access to retirement savings income*

	EPF coverage		Pvt. retirement savings	
	No	Yes	No	Yes
Payment of RM 800 per month for 6 months, 0.5% lower income	0.174***	0.250***	0.204***	0.179***
	(0.0272)	(0.0545)	(0.0339)	(0.0356)
Payment of RM 800 per month for 6 months, 0.2% lower income	0.132***	0.244***	0.143***	0.191***
	(0.0251)	(0.0478)	(0.0304)	(0.0345)
Payment of RM 1,200 per month for 6 months, 0.5% lower income	0.085***	0.318***	0.099***	0.202***
	(0.0203)	(0.0578)	(0.0253)	(0.0378)
Payment of RM 1,200 per month for 6 months, 0.2% lower income	0.138***	0.297***	0.137***	0.242***
	(0.0247)	(0.0575)	(0.0272)	(0.0433)
N	762	276	577	461

Note: Standard errors in brackets $^{*}p<0.05$, $^{**}p<0.01$, $^{***}p<0.001$.
Source: Authors' elaboration.

Table 5c. *Likelihood of choosing Job A with alternate unemployment insurance coverage offers/earnings, total and by current and previous employment status*

	Employers prior to current job		Other jobs currently?	
	None	1 or more	No	Yes
No retirement savings fund or pension, 5% higher income (B1)	0.261***	0.158***	0.174***	0.208***
	[0.0471]	[0.0280]	[0.0355]	[0.0340]
No retirement savings fund or pension, 10% higher income (B2)	0.169***	0.166***	0.196***	0.145***
	[0.0413]	[0.0277]	[0.0377]	[0.0286]
Monthly pension upon retirement based on contribution, 5% lower income (B3)	0.229***	0.105***	0.148***	0.142***
	[0.0464]	[0.0234]	[0.0316]	[0.0311]
Payment of RM 1,200 per month for 6 months, 0.2% lower income	0.277***	0.130***	0.144***	0.201***
	[0.0494]	[0.0253]	[0.0335]	[0.0330]
N	337	701	466	572

Note: Standard errors in brackets *$p<0.05$, **$p<0.01$, ***$p<0.001$.
Source: Authors' elaboration.

workers about the value of having unemployment insurance in the event of a job loss, more so than for those who have not yet experienced employer/client mobility (Table 5c).

Retirement savings. Table 6 shows the coefficients of the LPM where the dependent variable is the dummy variable for the choice of Job A (= 1 if the respondent chooses job A, 0 if the respondent chooses job B). In the case of retirement income, Job A includes contributions to a retirement savings fund, as per the EPF's current rules for making contributions for retirement savings, and earnings are set at the same level as the respondent's current income. Two options of Job B (B1 and B2) offer no retirement savings fund but instead offer earnings that are 5 per cent higher or 10 per cent higher. The other two options (Jobs B3 and B4) offer a monthly pension plan after retirement, instead of the current model which offers a lump-sum payout at retirement. Earnings through Jobs B3 and B4 are offered as 5 per cent lower or 10 per cent lower than respondents' current earnings, respectively.

We see that when offered the prospect of no retirement savings fund/pension, the majority (over 74 per cent) of respondents regardless of gender and age, and regardless of the higher level of earnings offered (5 per cent or 10 per cent) prefer Job A with the current features of the retirement fund administered by the EPF. However, when offered the prospect of a monthly pension (in Jobs B3 and B4),

Table 6. *Likelihood of choosing Job A given alternate retirement savings coverage offers/earnings combinations in Job B, total and by gender, age group*

	Gender		Age			Total
	Male	Female	Age <30	Age 30–39	Age >=40	
No retirement savings fund or pension, 5% higher income (B1)	0.739***	0.760***	0.769***	0.763***	0.714***	0.749***
	[0.0375]	[0.0390]	[0.0480]	[0.0434]	[0.0496]	[0.0270]
No retirement savings fund or pension, 10% higher income (B2)	0.755***	0.739***	0.810***	0.716***	0.730***	0.748***
	[0.0356]	[0.0411]	[0.0444]	[0.0435]	[0.0519]	[0.0269]
Monthly pension upon retirement based on contribution, 5% lower income (B3)	0.601***	0.689***	0.717***	0.613***	0.585***	0.640***
	[0.0404]	[0.0426]	[0.0472]	[0.0508]	[0.0547]	[0.0294]
Monthly pension upon retirement based on contribution, 10% lower income (B4)	0.630***	0.626***	0.695***	0.603***	0.576***	0.628***
	[0.0417]	[0.0453]	[0.0475]	[0.0620]	[0.0518]	[0.0306]
N	568	470	344	362	332	1,038

Note: Dep Var = 1 if Job A preferred to Job B, else 0. Job A has standard/current EPF pensions coverage features and earnings equal to respondents' current income. Standard errors in brackets $^{*}p<0.05$, $^{**}p<0.01$, $^{***}p<0.001$.
Source: Authors' elaboration.

we see a small decline in the share of respondents who prefer job A, suggesting that a monthly pension may be more attractive to some gig workers compared to a lump-sum amount. Younger workers (aged 20–29) appear to have a slightly stronger preference for a retirement fund that makes a lump-sum payment to a monthly pension, compared to older workers (Table 7a). We find no differences in these patterns of job preference between freelancers with or without current private retirement savings or EPF coverage (Table 7b).

Work-related injury insurance. Table 8 shows the coefficients of the LPM where the dependent variable is the dummy variable for the choice of Job A (= 1 if the respondent chooses job A, 0 if the respondent chooses job B). Regarding work-related injury insurance, Job A includes no insurance for work-related injuries, and earnings are set at the same level as the respondents' current income. Two options of Job B (B1 and B2) offer include full coverage of expenses incurred for treatment of work-related injuries, as is currently offered through SOCSO coverage. Earnings through Jobs B1 and B2 are offered at 0.5 per cent lower or 1 per cent lower than respondents' current earnings, roughly in line with contribution rates for SOCSO coverage.

We see that the majority of respondents (around two-thirds) in all circumstances tend to prefer a job that includes insurance for work-related injuries even if that means a reduction in income by 5 per cent or 10 per cent,

Table 7a. *Likelihood of choosing Job A with alternate retirement income coverage offers/earnings, total and by income, retirement pension coverage status*

	Income			Other jobs currently	
	Low income	Med income	High income	No	Yes
No retirement savings fund, 5% higher income	0.756***	0.795***	0.702***	0.712***	0.780***
	[0.0477]	[0.0446]	[0.0474]	[0.0419]	[0.0350]
No retirement savings fund, 10% higher income	0.771***	0.796***	0.658***	0.735***	0.756***
	[0.0464]	[0.0399]	[0.0547]	[0.0439]	[0.0341]
Monthly pension upon retirement based on contribution, 5% lower income	0.674***	0.639***	0.609***	0.583***	0.693***
	[0.0492]	[0.0530]	[0.0512]	[0.0439]	[0.0391]
Monthly pension upon retirement based on contribution, 10% lower income	0.663***	0.641***	0.581***	0.664***	0.595***
	[0.0513]	[0.0546]	[0.0535]	[0.0435]	[0.0430]
N	343	347	348	466	572

Note: Standard errors in brackets $^{*}p<0.05$, $^{**}p<0.01$, $^{***}p<0.001$.
Source: Authors' elaboration.

Table 7b. *Likelihood of choosing Job A with alternate retirement income coverage offers/earnings by current access to EPF and private retirement savings*

	EPF currently		Retirement savings	
	No	Yes	No	Yes
No retirement savings fund, 5% higher income	0.753***	0.740***	0.752***	0.746***
	[0.0317]	[0.0517]	[0.0360]	[0.0410]
No retirement savings fund, 10% higher income	0.731***	0.797***	0.759***	0.736***
	[0.0320]	[0.0488]	[0.0362]	[0.0403]
Monthly pension upon retirement based on contribution, 5% lower income	0.646***	0.627***	0.614***	0.675***
	[0.0346]	[0.0563]	[0.0395]	[0.0440]
Monthly pension upon retirement based on contribution, 10% lower income	0.623***	0.644***	0.638***	0.616***
	[0.0352]	[0.0628]	[0.0411]	[0.0462]
N	762	276	577	461

Note: Standard errors in brackets $^{*}p<0.05$, $^{**}p<0.01$, $^{***}p<0.001$.
Source: Authors' elaboration.

Table 8. *Likelihood of choosing Job A given work-related injury insurance and alternate deductions from earnings, total and by gender, age group*

	Gender		Age			Total
	Male	Female	Age <30	Age 30–39	Age >=40	
Full insurance cover for injuries during work, 0.5% lower income	0.324***	0.317***	0.348***	0.299***	0.313***	0.321***
	[0.0403]	[0.0416]	[0.0499]	[0.0493]	[0.0512]	[0.0289]
Full insurance cover for injuries during work, 1% lower income	0.323***	0.279***	0.282***	0.316***	0.313***	0.305***
	[0.0377]	[0.0428]	[0.0491]	[0.0472]	[0.0512]	[0.0283]
N	291	237	177	185	166	528

Notes: Dep Var = 1 if Job A preferred to Job B, else 0. Job A has no workplace injury insurance coverage and offers earnings equal to respondents' current income). Standard errors in brackets *$p<0.05$, **$p<0.01$, ***$p<0.001$.
Source: Authors' elaboration.

Table 9. *Likelihood of choosing Job A with alternate earnings scenarios for Job B with work-related injury insurance, by current access to EPF, private health insurance and SOCSO coverage*

	EPF coverage		Private health insurance		SOCSO coverage	
	No	Yes	No	Yes	No	Yes
Full insurance cover for injuries during work, 0.5% lower income	0.258***	0.486***	0.288***	0.362***	0.280***	0.413***
	[0.0318]	[0.0593]	[0.0376]	[0.0448]	[0.0334]	[0.0554]
Full insurance cover for injuries during work, 1% lower income	0.268***	0.412***	0.265***	0.346***	0.294***	0.333***
	[0.0315]	[0.0601]	[0.0380]	[0.0419]	[0.0328]	[0.0559]

Note: Standard errors in brackets *$p<0.05$, **$p<0.01$, ***$p<0.001$.
Source: Authors' elaboration.

while about a third does not. This pattern does not appear to vary much by gender, age, or income levels of the workers, nor do respondents appear to be very sensitive to the share of income foregone for work-related injury insurance (i.e., the two options of 5 per cent or 10 per cent).

Table 9 shows that the preference for job A (without work-related injury insurance) appears to be higher among those who already have SOCSO, private health insurance, or EPF coverage. This provides some evidence that the need for work-related injury insurance is felt a little bit more acutely by those who do not have any other source of formal insurance, whether social or private, to fall back upon.

Robustness tests. We examine our results after weighting sample observations to make the sample representative of the employed population of Malaysia (whether full-part or part-time). Weights are assigned using the inverse of the probability of distinct sets of workers grouped by the intersection of age, gender and education level. Our results (see Supplementary information, Appendix A.1) are robust to weighting the sample to provide working population-level estimates. We also show that our results are robust to controlling for the variables that the random assignment of treatment arms was not balanced on (see Supplementary information, Appendix A.2., Table A.2.5).

Conclusions

Our analysis reveals a large unmet need for social insurance coverage among gig workers in Malaysia and provides evidence suggesting that the majority of such workers are willing to forgo shares of their earnings in exchange for social insurance coverage. The willingness to contribute is particularly high for unemployment insurance, given that digital workers face uncertainties and volatility in the steady availability of work and, thus, the likelihood of requiring protection against spells of unemployment. That gig workers may remain uninsured despite having the option to contribute voluntarily to retirement savings or private health insurance schemes suggests that the existing design and outreach of social protection instruments may be limited or unsuitable to the specific needs of gig workers. Given that gig workers are willing to contribute and given the fact these workers do not have mandatory social insurance coverage, unlike formal workers in standard employment relationships, the prerogative for government and policy agencies is to review the design and accessibility of existing social protection programmes to make these more amenable to gig workers' needs and requirements. Rather than receiving contribution subsidies, this segment of the workforce could perhaps benefit from better-tailored, more flexible, and more easily accessible social protection instruments. Subsidized contributions may, in some cases, lead to higher enrolment rates in social security programmes and strengthen formalization among standard employees (Aşık et al., 2022). However, our analysis shows that affordability (on the part of workers) is not the main constraint for gig workers in the Malaysian context, and that the willingness to contribute to social protection is not driven by demographic, education or income-related worker characteristics.

Interestingly, we find some evidence of substitution between distinct insurance instruments. Those who have access to retirement savings appear to be less willing to pay for unemployment insurance. This may be because of the recent experience in Malaysia where, in the exceptional socioeconomic circumstances of the

COVID-19 pandemic, the government authorized EPF affiliates on four occasions to draw down part of their retirement savings prior to retirement to support immediate household consumption needs.[8] That this was done to help workers cope with labour market shocks, higher unemployment and reduced income may have acted to blur the distinction between retirement savings and unemployment insurance instruments.

Looking ahead, there is little immediate likelihood that EPF affiliates will be again permitted, prior to retirement, to draw down personal retirement savings to cushion household consumption needs, for instance during spells of unemployment. An important objective should be to promote the merits of unemployment insurance schemes to workers. This is especially relevant to digital platform workers. To meet the needs of these workers it is possible to envisage either a dedicated unemployment insurance programme or a programme offering a combination of benefits that ensure immediate and longer-term social protection needs.[9]

Our results suggest that workers with private health insurance may be less inclined than others to contribute to work-related injury insurance. Currently, this insurance programme is provided through SOCSO and is mandatory for formal workers in standard jobs. To extend such coverage to gig workers, possible options exist in the form of the public programme (SOCSO) or private health insurance. Regardless of these institutional options, there would be a need to expand the bouquet of options to ensure choice, access, flexibility and suitability for the specific needs and preferences of gig workers.

Our analysis also provides some programme-specific insights for reforming or adjusting design parameters that could induce greater uptake among gig workers. These pertain to the sustained willingness to contribute to the work-related injury insurance offered by SOCSO at rates that are higher than the prevailing contribution rates (a subject of ongoing discussion for the financial sustainability of SOCSO), and the potential attractiveness of receiving a periodic monthly pension rather than a lump-sum payment, which is the form of retirement income offered by the EPF.

As the gig economy continues to grow and create more opportunities for employment across the world, concerns over how best to extend social protection coverage to these, often vulnerable, workers will increase. As our

8. The four withdrawals are referred to as *i-Lestari*, *i-Sinar*, *i-Citra*, and special withdrawal. For each the four exceptional measures, members were allowed to withdraw a maximum of RM 6,000, RM 10,000, RM 5,000, and RM 10,000, respectively. For the last two, members were required to have a balance of at least RM 100 after withdrawals.

9. EPF recently launched a new retirement savings account structure to this effect; “Account 3“allows subscribers to withdraw up to 10 per cent of their contributions, at any time, to meet financial needs, subject to certain conditions; see EPF Account Restructuring Initiative.

analysis indicates, subsidized contributions alone may not adequately address the barriers that gig workers face in accessing social protection. Rather, concerns about social protection gaps may be more successfully addressed by tapping into the synergies that exist between public social insurance and private insurance instruments, through the careful modifications to the design parameters of social insurance programmes (to make both contributions and benefits more suitable to gig workers' needs), as well as improved public outreach to encourage the enhanced uptake of social insurance.

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Supporting information

Additional supporting information may be found online in the Supporting Information section at the end of the article.

The impact of Malta's Tapering of Benefits scheme on employment outcomes

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Abstract This article analyses the Tapering of Benefits scheme introduced in Malta in 2014, aimed at unlocking the poverty trap stalemate. Survival analysis and Cox proportional hazard models are employed to analyse the impact that the scheme has had on the job-finding rate and the chances of retaining employment once individuals who were previously on benefits find a job. The analyses are based on high-quality national data on the whole population of beneficiaries and their employment histories. The results show that the scheme doubles the job-finding probability, whilst the chance of job termination drops by 11.8 percentage points for eligible individuals. Furthermore, the scheme's impact once it finally tapers out is not different from the first 36 months, showing that its impact is robust in the medium term.

Keywords labour market, unemployment, employment, return to work, poverty, Malta

Introduction

There is an increasing consensus amongst policy makers that supporting the unemployed in their job search is preferable to simply providing them with

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passive income support (Lalive, Van Ours and Zweimüller, 2008), since the latter may reduce work incentive and job-search effort. This is especially the case since unemployed individuals seeking a new job might be subject to a poverty trap. The poverty trap arises when individuals are discouraged from employment since remunerations are offset by a loss of social benefits, with the net monetary gain being negligible or even negative. Indeed, studies in Europe show that many individuals are not substantially better off in monetary terms while employed when compared to them being unemployed (Matsaganis and Figari, 2016). Studies have shown that compared to higher income individuals, the poor need "a big push to get them out of a rut and onto the sunlit uplands" (Banerjee and Duflo, 2011). Harkness, Gregg and MacMillan (2012) highlight that the poverty trap may be exacerbated through a culture of dependency and that the policy approaches in response to the issue of a culture of dependency need to emphasize welfare dependency as a root of poverty.

Over the past years, discussions have intensified on how welfare states can offer adequate poverty relief while maintaining work incentives (OECD, 2005) and overcoming the poverty trap. In this context, active labour market policies (ALMPs) are an essential component not only in the fight against unemployment, but also against poverty (Kluve, 2016). ALMPs are government initiatives aimed at assisting people to find gainful employment, retain employment, enhance productivity and/or earnings, as well as improving the general functioning of the labour market. Contrary to passive labour market policies, ALMPs are integrative policies designed to integrate or re-integrate people into the labour market. Their goal is to bring jobseekers closer to the labour market by eliminating or diluting the poverty trap, as well as helping people find stable employment in the longer term.

Although such programmes, in various shapes and forms, have been around for a long time, there is enhanced interest in the need to develop empirically justified programmes based on their effectiveness. This is especially true following the 2008 global financial crisis and the subsequent European sovereign debt crisis, which saw the long-term unemployment rate in the European Union (EU) climb to 11.4 per cent of the total labour force in 2013 (for comparison, in 2019 this stood at 6.9 per cent) (Eurostat, 2021). This pushed long-term unemployment to the fore in countries' economic agendas (Martin, 2015). Those in prolonged unemployment suffer from a snowball effect: their skills, confidence, motivation, and networks depreciate, and their re-integration into the labour market becomes increasingly difficult.

Recent policy also highlights the importance of in-work benefits and "making work pay" policies, designed to give low-income individuals a push out of the poverty trap without benefit reductions. Two examples are the Earned Income Tax Credit (EITC) introduced in the United States of America in 1975 and the Working Tax Credit (WTC) introduced in the United Kingdom in 2003

(OECD, 2005). The EITC has led to substantial positive employment effects, especially for single mothers. For example, between 1984 and 1996, their employment rates increased by 4–7 percentage points (Meyer and Rosenbaum, 2001). Meyer and Rosenbaum (2001) also find that mothers of young children and mothers with low educational levels experienced the most significant employment gains. Similarly, Grogger (2003) concludes that the EITC led to a 34 per cent increase in employment for this group between 1993 and 1999. Meanwhile, the United Kingdom's WTC scheme resulted in similar employment gains amongst single parents (Blundell et al., 2000; Blundell and Hoynes, 2004). They find that the introduction of the WTC led to a direct increase in employment rates by 10 per cent (Brewer et al., 2006). As for the EITC, Brewer et al. (2006) also find that gains were largest for single mothers with young children. The main critique against in-work benefit schemes is that they are difficult and/or expensive to manage (Immervoll and Pearson, 2009). Hotz and Sholz (2000) note that non-compliance is the particularly largest threat to a policy's sustainability and find an elevated level of fraudulent claims in the EITC scheme. In contrast, the WTC is characterized by large compliance burdens on recipients. Unfortunately, this has led to low take-up rates, meaning that employment and anti-poverty gains will be well below the hoped-for levels (Callan et al., 2006).

Evidence from other countries provides a mixed bag of evidence. In France, many studies (Choné, 2002; Laroque and Salanié, 2002; Bargain, 2004; Vermare et al., 2008) find positive but very small employment effects. However, Stancanelli (2008) finds no significant gains for non-married women. In Germany, the mini jobs scheme was found to produce a small positive effect on participation, but this was outweighed by a reduction in working hours by those already in work. Consequently, Steiner and Wrohlich (2005) conclude that the total impact of the policy on hours worked appears to be negative. In a study of alternative reform scenarios for Germany and the United Kingdom (UK), Blundell et al. (2007) find that introducing a UK-style benefit in Germany would have substantial positive effects on employment among non-married individuals. Similar to the United Kingdom, employment gains would be particularly strong among lone parents. However, the reform would lead to a much larger reduction in labour supply among married individuals. The limited employment effects in Germany are confirmed by another study evaluating the hypothetical introduction of a WTC-type payment in Germany and in two other continental-European countries: Finland and France (Bargain and Orsini, 2006). Clearly, programme design is fundamental to achieving the desired goals.

Evidence on transitional-style, in-work benefits in the form of cash transfers conditional on employment – whether targeted or not – is harder to come by, as these are less well-studied (Immervoll and Pearson, 2009). However, they have been in place in at least seven countries, including Australia, Belgium, Canada, Ireland, Japan, Republic of Korea and Slovakia (Immervoll and Pearson, 2009). In Canada, Michalopoulos, Robins and Card (2005) find that the Self-Sufficiency Project (SSP) increased employment and earnings of participants, with employment amongst new welfare recipients being about 28 per cent higher than the ineligible control group. In Ireland, the Back to Work Allowance (BTWA) scheme was found to impact long-term unemployment in a two-fold manner: first, it incentivized people who had become discouraged from working and, second, it enabled the long-term unemployed to find stable employment, since the scheme provided a financial boost to those who found it difficult to integrate or re-integrate into the labour market. In fact, Ochel (2001) found that the impact of the BTWA appears to be enduring, with almost two-thirds of beneficiaries remaining in employment after three years of transition from unemployment to employment.

The next sections provide a discussion of the Maltese context before we set out the empirical framework. In turn, we then analyse the data and discuss the results before offering final conclusions.

The Maltese context

Since its independence, Malta has relied on a passive social welfare system, focused on a robust safety net. While this was successful in alleviating the social burdens associated with poverty during the 1970s, subsequent recessions in the 1980s have put into question the fiscal sustainability of such a system, especially as fiscal deficit ratios approached double digit figures in the 1990s. Until the early 2010s, Malta's labour market policy remained biased in favour of a passive approach, with the welfare state extended to cover various social issues, with the unintended effect being a new culture of dependency that penalised work effort (Ministry for Education and Employment, 2014).

Following the European Commission's "Europe 2020" goals, the Maltese government committed to a paradigm shift and announced a basket of active labour market policies (ALMPs) in 2014 aimed at "making work pay". These include free childcare for working parents, Breakfast Clubs, tax incentives for the take-up of work and the Tapering of Benefits (TOB) scheme. The latter is the focus of this study. Acting on the advice of the Employment Policy document (Ministry for Education and Employment, 2014), and following Ireland's BTWA, the TOB scheme was targeted at Unemployment Assistance (UA), Social Assistance (SA) and Social Assistance for Single Unmarried Parents (SUP) beneficiaries, that is, those judged to be considerably more prone to fall into a poverty trap.

The Maltese TOB scheme is granted for three years (36 months), whereby in addition to the salary in their newly found job, individuals receive 65 per cent of their benefit in the first year, 45 per cent of their benefits in the second year, and 25 per cent of their benefit in the third year. This contrasts with the situation prior to the TOB scheme, whereby those starting a new job lost all their benefits upon finding a job. As such, the TOB scheme works by increasing the opportunity cost of inactivity, making employment more enticing.

Individuals are eligible for TOB if they have benefited from SA, UA, or SUP for at least 24 months in the last 36 months and have found full-time employment. If beneficiaries do not benefit from the total period of 36 months (i.e., three years) of the tapered allowance (e.g., because of job termination), they may continue to benefit from the remaining months whenever another employment period commences, on a staggered basis. The beneficiaries are paid a percentage based only on the main benefit while other ancillary benefits are halted. The tapered benefit is paid in arrears every four weeks, deposited directly into their bank account and is non-taxable.

These reforms coincided with consistent economic growth and increases in the labour force through higher participation rates (driven by increases in the female participation rate and inward migration). During this period, the long-term unemployment rate fell much more strongly than the short-term unemployment rate (Borg and Fearne, 2021), while Ellul (2018) found that the job-finding rate increased sharply post-2014. Still, there are currently no studies that conclusively pin down the direction of causation of labour market improvements that followed the introduction of ALMPs in Malta. Indeed, the contemporaneous drops in unemployed (most importantly a drop in UA, SA and SUP beneficiaries), the increases in labour supply and the participation rate and the acceleration in economic growth, considerably complicates the identification of the effects of ALMPs.

In this article, the aim is twofold. First, it analyses the impact that the TOB scheme had on the job-finding rate amongst those on UA, SA and SUP. This is done to test whether the scheme was successful in bringing jobseekers closer to the labour market and to determine to what extent the poverty trap has been diluted. Second, it aims to analyse the TOB's impact on the chances of successfully retaining employment once a person previously on UA, SA or SUP finds a job. This will test how much the TOB scheme has successfully led to stable employment for such people.

Thus, this study seeks to contribute to the literature in several unique ways. First, it aims to identify the effect of a novel ALMP on the Maltese labour market by exploiting a new administrative dataset. This dataset, obtained through the Maltese Ministry for Social Justice and Solidarity, the Family and Children's Rights,[1] consists of high-quality national data on all beneficiaries of specific benefits, as well as their detailed employment history in Malta. Second, it contributes to the literature in a unique manner by quantifying the impacts not

1. Dataset provided to the author by the Ministry for Social Justice and Solidarity, the Family and Children's Rights, Malta. The dataset is not publicly available.

only based on the typical characteristics of individuals (such as age and gender), but also differentiates between those living on the main island of Malta versus those living on the smaller island of Gozo. Thus, the study provides a rare insight into how the same national policy can have a different impact on the employment possibilities of those individuals residing in different islands within an archipelago, especially for those islands – such as Gozo – with fewer job opportunities and an increased connectivity burden to jobs located in the larger island.

Empirical framework

To estimate the effects that the TOB scheme has had on the job-finding rate in Malta, a set of models, known as survival models, are used. Such models are ideal for the analysis of data possessing three major characteristics (Rodríguez, 2018). First, the dependent variable is defined as time until the occurrence of a well-defined event. Second, the data may involve censoring. Finally, we wish to control time through the effect of some predictors. Furthermore, we use Kaplan-Meier curves to visualize survival functions, as well as Cox proportional hazard models (Cox, 1972), which enable the estimation of the likelihood of events, depending on the individual characteristics of the population.

In this article, benefit and unemployment durations are applied to survival models. Consequently, to achieve the first objective of the study, the survival model event is defined as "finding a job exactly after a UA, SA or SUP spell ends". Time t_b is defined as the number of months between the benefit start date and the job-finding date. Thus, the survival function, $S(t_b)$, represents the probability of an individual surviving t_e months on benefits without finding a job. This survival function is equivalent to the probability that an individual has not found a job by time t_b, given they are on benefits. Consequently, the hazard rate, $h(t_b)$, is the instantaneous risk of finding a job at time t_b, given that an individual is still on benefits until that point. To analyse the likelihood of the event occurring whilst taking into account individual characteristics of observations, several Cox regressions are constructed as follows:

$$log\ h_i(t_b|, \tau|, X) = \alpha + \beta X_i + \Psi(t_b) + \varphi(\tau) + \delta * I(\tau \geq 2014) * I(t_b > 24) \quad \text{(i)}$$

Where for an individual i and elapsed time t_b, $h_i(t_b)$ is the individual's transition rate. This transition rate is conditional on calendar time τ and the matrix of covariates X (see Table 1). $\Psi(t_b)$ represents the baseline function which is estimated non-parametically, while φ represents the dummy variables for calendar time τ.

1. Dataset provided to the author by the Ministry for Social Justice and Solidarity, the Family and Children's Rights, Malta. The dataset is not publicly available.

Table 1. *Regressions analysing impact of TOB on job-finding rate of UA, SA and SUP beneficiaries*

	Full sample			UA sample			SA sample			SUP sample		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Age groups	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sex	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	X	X
Benefit type	✓	✓	✓									
Origin	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	X	X
ISCO-08	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Self-employed	✓	✓	✓	✓	✓	✓	X	X	X	X	X	X
Age group x Sex	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	X	X
Age group x Benefit type	✓	✓	✓									
Age group x Self-employed	✓	✓	✓	✓	✓	✓	X	X	X	X	X	X
Sex x Benefit type	✓	✓	✓									
Years τ	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
TOB Effect		✓	✓		✓	✓		✓	✓		✓	✓
TOB Effect x Age group			✓			✓			✓			X
TOB Effect x Sex			✓			✓			✓			X
TOB Effect x Benefit type			✓									
TOB Effect x Origin			✓			✓			✓			X
TOB Effect x ISCO-08			✓			✓			✓			✓
TOB Effect x Self-employed			✓			✓			✓			X

Notes: ✓: covariate is included. **X**: covariate is not included. Blank: covariate is not relevant (thus not included).
Source: Author's elaboration.

Subsequently, after controlling for the baseline elapsed duration as well as year effects as explained above, the effect that the TOB scheme had on the hazard of finding employment is identified through a difference-in-difference procedure. The TOB effect δ is therefore multiplied by an indicator function that takes a value of 1 if calendar time τ is a date from 2014 onwards, as well as another indicator function which takes the value of 1 if elapsed time t_b is greater than 24 months. Thus, these indicator functions consider the fact that the TOB came into effect in 2014 for those with 24 months of elapsed duration or more. The TOB effect δ thus provides the difference-in-difference estimate of the scheme, since it is differentiating between those observations for those who are not eligible and able to receive the TOB versus those who are eligible and able to receive the TOB.

Furthermore, the study then adds interactions of the TOB effect with different covariates. Four different samples are used: a full sample including observations on all UA, SA and SUP beneficiaries and, subsequently, samples focusing solely on each type of benefit. Regressions for the first part of the analysis are summarized in Table 1.

To achieve the second objective of the study, to test whether the ALMP policies are succesful in maintaining workers in employment, the event in the survival model is redefined as "losing employment after being a UA, SA or SUP recipient", given that such recipients had successfully found a job. The time t_e in this case is defined as the number of months between the job commencement date and the job termination date. Thus, the survival function $S(t_e)$ represents the probability of an individual surviving t_e units of time in the job without experiencing a job termination. In other words, this is the probability that an individual has not experienced a job termination by time t_e. Consequently, the hazard rate $h(t_e)$ in this case is the instantaneous risk of experiencing a job termination at time t_e, given that an individual has retained the job until that point. Another set of Cox regressions is constructed as follows:

$$log\ h_i(t_e|,\tau|,X) = \alpha + \beta X_i + \Psi(t_e) + \varphi(\tau) + \delta * I(\tau \geq 2014) * I(t_b > 24)$$

$$+ \eta * I(t_b > 24) + \rho * I(t_e > 36)$$

To obtain the TOB impact on the hazard of experiencing a job termination, the TOB effect δ is identified analogously as in equation (i). However, a qualification dummy variable η is now added to the regression, which is multiplied by an indicator function that takes a value of 1 if elapsed time on benefits t_b is greater than 24 months. This captures those individuals who would be eligible for the TOB throughout the whole period under consideration (2004–2019), irrespective of whether the TOB scheme is in place or not. Thus, the difference between the qualification dummy variable η and the TOB effect δ shows the impact of the TOB scheme on job duration.

Finally, the "TOB long-term dummy" ρ is multiplied by an indicator function taking a value of 1 if elapsed time t_e is greater than 36 months. This allows us to analyse whether the impact of the TOB on job terminations change over the longer term. The period of 36 months was chosen to establish whether an individual is more likely to experience a job termination once the monetary benefit arising from the TOB scheme expires, since this is the maximum period a person can enjoy the TOB scheme. Regressions for the second part of our analysis are summarized in Table 2. Only the full sample is used due to data considerations.

Table 2. *Regressions analysing TOB impact on retaining employment once an individual finds a job*

	Full sample			
	(13)	(14)	(15)	(16)
Age groups	✓	✓	✓	✓
Sex	✓	✓	✓	✓
Benefit type	✓	✓	✓	✓
Origin	✓	✓	✓	✓
ISCO-08	✓	✓	✓	✓
Self-employed	✓	✓	✓	✓
Age group x Self-employed	✓	✓	✓	✓
Years	✓	✓	✓	✓
Tapering of benefit effect		✓	✓	✓
Qualification dummy		✓	✓	
TOB Effect x Age group			✓	
TOB Effect x Sex			✓	
TOB Effect x Benefit type			✓	
TOB Effect x Origin			✓	
TOB Effect x ISCO-08			✓	
TOB Effect x Self-employed			✓	
TOB Long-term dummy				✓

Note: ✓: covariate is included. ✗: covariate is not included. Blank: covariate is not relevant (thus not included). *Source:* Author's elaboration.

Data

The study uses two different raw datasets obtained through a request made to the Maltese Ministry for Social Justice and Solidarity, the Family and Children's Rights. The first raw dataset includes official records on all Unemployment Assistance (UA), Social Assistance (SA) and Social Assistance for Single Unmarried Parents (SUP) recipients, with benefit start and benefit end dates, as well as some other covariates such as age and gender. The second raw dataset contains official employment records for those individuals receiving any benefits at any point in time within the first dataset, including employment start dates and employment end dates, occupations and working arrangements. All data is fully anonymized and different observations are distinguished using randomly generated reference ID codes.

The time frame of this study is 2004–2019, with 2004 being the year of Malta's accession into the EU, and 2019 chosen as the cut-off date to avoid any impact that the COVID-19 pandemic may have had on the labour market. After cleaning the raw data, a rigorous data transformation was carried out, whereby datasets were matched in a way that is required by the empirical framework. The result after these steps are two different matched datasets that will be used to analyse the two main objectives of the study.

Dataset 1

The first matched dataset (hereafter, Dataset 1) will be used to evaluate the impact of the TOB scheme on the job-finding rate of UA, SA and SUP beneficiaries. This dataset links all spells to individual employment records. Importantly, those who transit into employment exactly after the end of a benefit spell – hence, individuals for whom the event "has occurred" – are distinguished from those who flow out of benefits, but not directly into employment – that is, individuals for whom the event "has not occurred". Furthermore, the time (in months) spent receiving such benefits before dropping out – either into employment or otherwise – is calculated. Subsequently, to gauge the TOB effect on finding employment, observations concerning those who were eligible and able to benefit from the TOB were distinguished from those who were not eligible and unable to benefit from the TOB. The descriptive statistics of Dataset 1 are provided in Table 3.

The narrative of this article is supported by an online Appendix providing supplementary graphic analysis of Datatset 1 (Figure A.1).[2] Figure A.1 depicts Kaplan-Meier curves from Dataset 1. The mean time spent on either UA, SA or SUP is 26 months, with the least being 0 months (i.e., any number of days less than one month) and the maximum being 100 months, after restricting lengthy observations to such a maximum. This was done to remove the bias from such lengthy observations, which may be ridden with administrative errors or represent the unique situation of certain long-term beneficiaries. Observations are skewed towards the lower end, with over 50 per cent of the observations having spent 12 months or less on benefits.

The overall Kaplan-Meier curve shows that after 14 months on benefits, a person is 25 per cent likely to go into employment whilst after 62 months a person is 50 per cent likely. The probability of males finding a job is higher than that of females throughout: males are 25 per cent likely to go into employment after 8 months on benefits, while for females this outcome stands at a much

2. This article is supplemented by an online Appendix (Figures A.1 and A.2) developed by the author and made available to readers (see Supporting Information).

Table 3. *Descriptive statistics of Dataset 1: UA, SA and SUP beneficiaries (2004–2019)*

	Frequency	Percentage
Benefit type		
SA	13,176	34.2%
SUP	6,391	16.6%
UA	18,934	49.2%
Gender		
Female	17,950	46.6%
Male	20,551	53.4%
Maltese vs Foreign		
Foreign	1,436	3.7%
Maltese	37,065	96.3%
Maltese vs Gozitan vs Foreign		
Foreign	1,436	3.7%
Gozitan	1,992	5.2%
Maltese	35,073	91.1%
Age groups		
<25	9,490	24.6%
26-35	10,755	27.9%
36-45	8,453	22.0%
46-55	6,988	18.2%
56+	2,815	7.3%
ISCO-08		
0 – Armed forces occupations	206	0.5%
1 – Managers	878	2.8%
2 – Professionals	1,403	3.6%
3 – Technicians and AP	2,528	6.6%
4 – Clerical support workers	2,478	6.4%
5 – Services and Sales workers	9,377	24.4%
6 – Skilled Agriculture, Forestry & Fishery	333	0.9%
7 – Craft and related trades	3,459	9.0%
8 – Plant & Machine operators	4,612	12.0%
9 – Elementary occupations	13,233	34.4%

(Continued)

Table 3. *Descriptive statistics of Dataset 1: UA, SA and SUP beneficiaries (2004–2019)* - Continued

	Frequency	Percentage
Self-employed		
Not self-employed	34,565	89.8%
Self-employed	3,936	10.2%
Total	**38,501**	**100%**

Source: Dataset provided to the author by the Ministry for Social Justice and Solidarity, the Family and Children's Rights, Malta. The dataset is not publicly available.

higher 30 months. Individuals on UA are 25 per cent likely to go into employment after only 6 months on benefits. For SUP, attaining this level of likelihood rises to 46 months, while for SA this rises to 61 months. With regards to age, the group aged 56+ have a lower probability of going into employment, after which they completely drop out since they attain retirement age and shift to pension schemes. Age group 2 (aged 36–45) and age group 3 (aged 46–54) have a higher probability of going into employment, with both 50 per cent likely of doing so after 49 months on benefits. In contrast, age group 0 (age 25 or younger) and age group 1 (aged 26–35) are less likely to find employment, with the figures standing at 75 months and 68 months, respectively.

Low-skilled jobs such as Elementary occupations (category 9) and Services and Sales workers (category 5) exhibit a lower chance of finding employment. In fact, they are 50 per cent likely to do so after 80 months on benefits. In contrast, this stands at only 37 months for Professionals (category 2) and 34 months for Craft and Related Trade workers (category 7). Finally, foreigners are much more likely to flow into employment, with the probability standing at 50 per cent after just 27 months. For Gozitans (residents of the island of Gozo), this rises to 43 months, while for Maltese individuals this stands at 66 months.

Dataset 2

The second matched dataset (hereafter, Dataset 2) is used to analyse the impact of the TOB scheme on retaining employment once an individual previously on benefits finds a job. This dataset builds upon dataset 1, but it restricts the observations to those who successfully found a job. Importantly, those individuals who subsequently experienced a job termination, hence individuals for whom the event "has occurred" – are distinguished from those who do not experience a job termination – that is, individuals for whom the event "has not occurred". Furthermore, the time (in months) between the job start date and the job termination date is calculated. To be able to gauge the TOB effect, observations for those who were eligible and able to benefit from the TOB were distinguished from those who were not eligible and unable to benefit from the TOB. The descriptive statistics of Dataset 2 are provided in Table 4.

As for Dataset 1, the narrative of this article is supported by an online Appendix (Figure A.2) providing supplementary graphic analysis of Dataset 2. Figure A.2 depicts Kaplan-Meier curves from Dataset 2. The mean time to experience a job termination is 32 months, with the shortest period being 1 month and the maximum period being 191 months. The observations are again skewed towards the lower end, with 46 per cent of those experiencing a job loss doing so in less than 12 months.

For job termination 5 months after the job start, the likelihood of the event stands at 25 per cent; reaching 50 per cent after 19 months and 75 per cent after 65 months. The probability of females experiencing a job termination is higher than that of males throughout. In fact, while males are 50 per cent likely to experience the event after 22 months, for females this stands at 15 months.

Individuals previously on SA and SUP have a higher probability of experiencing the job loss event. They are 50 per cent likely to experience a job termination after 11 months. For UA beneficiaries, this stands at 21 months. The youngest age group experiences job termination sooner, with the probability standing at 50 per cent after 13 months. Those aged 56+ experience high job terminations given that they reach retirement age and shift to pension schemes. Age group 2 (aged 36–45) and age group 3 (aged 46–55) have the most stable employment, having a 50 per cent probability of job termination after 23 months and 27 months, respectively.

Jobs with the lowest skillset (Elementary occupations, category 9; and Services and Sales workers, category 5) exhibit a higher probability of job termination, standing at 50 per cent after 19 months and 12 months, respectively. In contrast, this probability occurs after 37 months and 41 months for Managers and Technicians and Associate Professionals. Foreigners are more likely to experience a termination, with the probability standing at 50 per cent after 10 months from the TOB spell end. In contrast, this stands at 34 months and 19 months for Gozitan and Maltese individuals, respectively.

Results

The impact of the TOB scheme on the job-finding rate of UA, SA and SUP beneficiaries

Table 5 shows the hazard rates for the Cox regressions for the full sample and the three benefit samples. Hazard rates above (or below) 1 mean that the job-finding

Table 4. *Descriptive statistics Dataset 2: UA, SA and SUP beneficiaries finding employment (2004–2019)*

	Frequency	Percentage
Benefit type		
SA	738	10.05%
SUP	365	4.97%
UA	6,239	84.98%
Gender		
Female	2,085	28.40%
Male	5,257	71.60%
Maltese vs Foreign		
Foreign	242	3.30%
Maltese	7,100	96.70%
Maltese vs Gozitan vs Foreign		
Foreign	242	3.30%
Gozitan	532	7.25%
Maltese	6,568	89.46%
Age groups		
<25	1,571	21.40%
26-35	2,064	28.11%
36-45	1,877	25.57%
46-55	1,532	20.87%
56+	298	4.06%
ISCO-08		
0 – Armed forces occupations	43	0.59%
1 – Managers	191	2.60%
2 – Professionals	333	4.54%
3 – Technicians and AP	605	8.24%
4 – Clerical support workers	488	6.65%
5 – Services and Sales workers	1,361	18.54%
6 – Skilled Agriculture, Forestry & Fishery	81	1.10%
7 – Craft and Related trades	919	12.52%
8 – Plant & Machine operators	860	11.71%
9 – Elementary occupations	2,461	33.52%

(Continued)

Table 4. *Descriptive statistics Dataset 2: UA, SA and SUP beneficiaries finding employment (2004–2019)* - Continued

	Frequency	Percentage
Self-employed		
Not self-employed	6,392	87.06%
Self-employed	950	12.94%
Total	7,342	100%

Source: Dataset provided to the author by the Ministry for Social Justice and Solidarity, the Family and Children's Rights, Malta. The dataset is not publicly available.

event for the variable in question is more (or less) likely to occur when compared to the baseline category.

The results for the regressions based solely on individual characteristics mirror the information depicted by the Kaplan-Meier curves. When the TOB effect is added, results show that it delivers a powerful improvement in the chance of the event occurring for individuals who benefit from the scheme, as shown by the "TOB Effect" variable. For the full sample, the TOB enhances the chance of the event occurring by 99.6 per cent to those eligible – essentially doubling the probability of those eligible to find a job at each time horizon.

The interactions yield interesting results about whom the TOB is impacting the most – or not. Gains from the TOB are largest for SUP recipients, with the chances of the event occuring more than doubling. This shows that the TOB scheme was particularly successful in incentivizing single parents to overcome obstacles. This is in line with findings for the EITC scheme in the United States (Meyer and Rosenbaum, 2001; Grogger, 2003) and the WTC scheme in the United Kingdom (Blundell et al., 2000; Blundell and Hoynes, 2004). The effect is least powerful for SA recipients, although the improvement is still considerable, standing at 67.3 per cent. This finding shows that certain individuals with medical issues have specific impediments that are not easily compensated through financially generous policies such as the TOB. This implies that future policy aiming at the employability of such individuals might have limited effectiveness. Policy should focus on improving their health, although this important objective is clearly easier said than done.

Those in the youngest age group are more likely to enjoy the benefits of the scheme. In fact, being in the group aged 46–55 and the group aged 56+ means that you have, respectively, a 22.9 per cent and 49.5 per cent less probability of returning to unemployment when compared to eligible individuals in the youngest cohort. This result is similar across all samples, although not significant in the SA sample. The TOB does not impact any one gender differently when

Table 5. *Results: Hazard ratios for regressions 1–12*

	Full Sample		UA Sample		SA Sample		SUP Sample	
	Hazard	SE	Hazard	SE	Hazard	SE	Hazard	SE
	(1)		*(4)*		*(7)*		*(10)*	
SUP	0.392***	(0.071)						
UA	2.602***	(0.179)						
Age 26–35	0.586***	(0.046)	0.849***	(0.034)	0.544***	(0.054)	0.756***	(0.043)
Age 36–45	0.501***	(0.039)	0.830***	(0.034)	0.325***	(0.035)	0.650***	(0.074)
Age 46–55	0.330***	(0.029)	0.774***	(0.032)	0.194***	(0.023)	0.388**	(0.148)
Age 56<	0.120***	(0.018)	0.686***	(0.044)	0.075***	(0.014)	0.000	(.)
Female	0.655***	(0.042)	0.975	(0.052)	0.453***	(0.049)	✗	
Foreign	1.279***	(0.064)	1.047	(0.069)	1.851***	(0.161)	✗	
Gozitan	0.871***	(0.032)	0.845***	(0.035)	0.951	(0.120)	✗	
Armed forces (ISCO08=0)	1.426***	(0.163)	1.228	(0.169)	1.771**	(0.480)	3.442***	(1.112)
Managers (ISCO08=1)	1.324***	(0.080)	1.173**	(0.083)	1.324*	(0.199)	4.074***	(0.738)
Professionals (ISCO08=2)	1.739***	(0.077)	1.392***	(0.077)	1.886***	(0.215)	5.682***	(0.612)
Technicians & Associate Professionals (ISCO08=3)	1.289***	(0.044)	1.026	(0.043)	1.773***	(0.146)	4.114***	(0.391)
Clerical support workers (ISCO08=4)	1.828***	(0.064)	1.564***	(0.073)	1.937***	(0.155)	4.129***	(0.355)
Services and Sales workers (ISCO08=5)	1.254***	(0.031)	1.156***	(0.036)	1.308***	(0.073)	2.261***	(0.162)
Agricultural, Forestry & Fishery (ISCO08=6)	0.949	(0.092)	0.882	(0.092)	1.131	(0.319)	1.118	(1.121)

(Continued)

Table 5. *Results: Hazard ratios for regressions 1–12* - Continued

	Full Sample		UA Sample		SA Sample		SUP Sample	
	Hazard	SE	Hazard	SE	Hazard	SE	Hazard	SE
	(1)		*(4)*		*(7)*		*(10)*	
Craft & Related trades (ISCO08=7)	1.240***	(0.041)	1.149***	(0.041)	1.239**	(0.127)	1.935**	(0.516)
Plant and Machine operators (ISCO08=8)	1.141***	(0.034)	1.094***	(0.038)	1.213***	(0.090)	1.619***	(0.169)
Self-employed	0.850**	(0.066)	0.832*	(0.080)	✗		✗	
Age group # Sex	✓		✓		✓		✗	
Age group # Benefit type	✓							
Age group # SE	✓		✓		✗		✗	
Sex # Benefit type	✓							
Year	✓		✓		✓		✓	
	(2)		*(5)*		*(8)*		*(11)*	
TOB Effect	1.996***	(0.065)	1.951***	(0.096)	1.673***	(0.139)	2.316***	(0.216)
	(3)		*(6)*		*(9)*		*(12)*	
TOB Effect # SUP	1.339***	(0.114)						
TOB Effect # UA	0.843***	(0.056)						
TOB Effect # Age 26–35	0.882*	(0.063)	0.882	(0.097)	1.280	(0.232)	✗	
TOB Effect # Age 36–45	0.910	(0.071)	0.867	(0.094)	1.228	(0.221)	✗	
TOB Effect # Age 46–55	0.771***	(0.064)	0.840	(0.090)	0.762	(0.159)	✗	
TOB Effect # Age 56<	0.505***	(0.097)	0.554***	(0.120)	0.466	(0.232)	✗	

(Continued)

Table 5. *Results: Hazard ratios for regressions 1–12* - Continued

	Full Sample		UA Sample		SA Sample		SUP Sample	
	Hazard	SE	Hazard	SE	Hazard	SE	Hazard	SE
	(1)		*(4)*		*(7)*		*(10)*	
TOB Effect # Female	1.080	(0.068)	0.807**	(0.070)	1.829***	(0.230)	✗	
TOB Effect # Foreign	0.641**	(0.125)	0.638	(0.219)	0.408**	(0.161)	✗	
TOB Effect # Gozitan	1.234**	(0.110)	1.314**	(0.147)	0.598*	(0.184)	✗	
TOB Effect # ISCO08=0	1.594	(0.505)	1.676	(0.733)	0.941	(0.726)	0.620	(0.409)
TOB Effect # ISCO08=1	0.322***	(0.082)	0.207***	(0.087)	0.425*	(0.191)	0.108***	(0.054)
TOB Effect # ISCO08=2	1.046	(0.117)	0.661**	(0.116)	0.888	(0.249)	0.701	(0.155)
TOB Effect # ISCO08=3	2.024***	(0.155)	1.504***	(0.156)	1.962***	(0.359)	1.135	(0.232)
TOB Effect # ISCO08=4	1.068	(0.087)	0.613***	(0.099)	1.172	(0.213)	0.757	(0.137)
TOB Effect # ISCO08=5	1.055	(0.061)	0.614***	(0.065)	1.210	(0.155)	1.015	(0.157)
TOB Effect # ISCO08=6	0.978	(0.251)	0.958	(0.262)	0.415	(0.436)	3.273e+08	(.)
TOB Effect # ISCO08=7	0.805**	(0.085)	0.656***	(0.081)	1.030	(0.277)	1.545	(0.927)
TOB Effect # ISCO08=8	0.710***	(0.058)	0.620***	(0.071)	0.861	(0.149)	0.396***	(0.085)
TOB # Self-employed	1.268***	(0.097)	1.082	(0.112)	1.574**	(0.281)	✗	
Observations	36,568		17,418		12,854		6,296	

Notes: Age baseline category = 25>; Sex baseline category = Male; Benefit type baseline category = SA; Origin baseline category = Maltese; ISCO08 baseline category = ISCO08=9 (Elementary Occupations); Self-Employed baseline category = non-self-employed. Standard errors in parentheses. $^{*}p < 0.1$ $^{**}p < 0.05$ $^{***}p < 0.01$.
Source: Author's elaboration.

analysed in the full sample. However, for the UA sample, the TOB improves the chance of the event for eligible males by 19.3 per cent more than that of eligible females. However, for beneficiaries on SA benefits, it is eligible females who experience the benefits of the TOB most, having an 82.9 per cent more chance of the event occurring, when compared to eligible males.

Meanwhile, foreigners experience less of an improvement from the TOB scheme when compared to Maltese individuals. This holds throughout all samples, although not significant in the UA sample. That said, we note that Gozitans experience higher event occurrence for eligible individuals when compared to eligible Maltese individuals. However, this effect is significant at the 5 per cent level, and is not robust across different types of beneficiaries, with the coefficient turning negative in the SA sample.

The TOB scheme is especially effective for Technicians and Associate Professionals. In fact, eligible individuals in these jobs are twice as likely to transit into employment when compared to eligible individuals in Elementary occupations. This holds for all samples, except for the SUP sample, which finds a positive effect that is however insignificant. Managers – the category with the highest skilled jobs – enjoy the benefits of the scheme the least, with results showing a 67.8 per cent lower effect when compared to the baseline category. This negative effect holds across all samples considered. These results thus show that there is a clear skill premium to finding employment. This is in line with findings from the literature. With this to the fore, policy makers should focus their efforts on longer-term strategies aimed at improving the education and quality of labour, especially given that Malta has one of the highest early school-leaving rates in Europe.

For the full sample, the TOB appears to have boosted the chances of the event occurring for self-employed workers more than that for the employed by 26.8 per cent. Although for the UA sample there is no significant difference on the TOB impact between the two groups, in the SA sample, the TOB boosted the chances for self-employed workers by 57.4 per cent more than for the non-self-employed. Furthermore, the interactions show that older self-employed workers have a lower chance of finding employment. Thus, it appears that older, self-employed workers at some point experience a decline in effort in terms of remaining in employment. This could be evidence towards a preference to live on benefits in the last few years before qualifying for a pension. Although some existing policies aimed at older workers – such as the Mature Workers Scheme introduced in 2014 – are already in place, these are targeted at employed workers. Given the findings of this study, future policy has scope for improvement by prioritizing older, self-employed workers, through making it worthwhile for them to remain in the workforce even in the years close to retirement.

Finally, the SUP sample show significant and strongly positive annual effects. This shows that over the years the economic environment became more favourable for SUP recipients to find employment. Hence, other initiatives such as tax breaks for women returning to employment, lower parental income tax rates, and free childcare for working parents, amongst others, are likely to have had a notable impact in boosting their employment prospects.

The impact of the TOB scheme on retaining employment once an individual finds a job

Table 6 shows the hazard rates for the Cox regressions for the full sample. The negative (lower than one) estimated coefficient of the qualification dummy shows that those who qualify for the scheme have a lower probability of experiencing a return to unemployment, indicating that the long-term unemployed are not in employment at that point in time. Subsequently, after taking the difference between the two hazard ratios, the TOB scheme shows a powerful effect in terms of reducing the chance of the event occurring for those individuals who are eligible and able to benefit from the scheme. In fact, the chance of job termination drops by 11.8 percentage points for those individuals covered by the TOB regime.

Table 6. *Results: Hazard ratios for regressions 13–16*

	Full Sample	
	Hazard	SE
	(13)	
SUP	0.920	(0.075)
UA	0.863***	(0.043)
Age 26–35	0.917**	(0.039)
Age 36–45	0.833***	(0.038)
Age 46–55	0.807***	(0.038)
Age 56<	1.028	(0.082)
Female	1.134***	(0.040)
Foreign	1.443***	(0.110)
Gozitan	0.776***	(0.046)
Armed forces (ISCO08=0)	0.344***	(0.080)
Managers (ISCO08=1)	0.619***	(0.057)

(Continued)

Table 6. *Results: Hazard ratios for regressions 13–16* - Continued

	Full Sample	
	Hazard	SE
Professionals (ISCO08=2)	0.793***	(0.057)
Technicians & Associate Professionals (ISCO08=3)	0.758***	(0.047)
Clerical support workers (ISCO08=4)	0.955	(0.056)
Services and Sales workers (ISCO08=5)	1.106**	(0.045)
Skilled Agricultural, Forestry & Fishery (ISCO08=6)	1.327*	(0.192)
Craft & Related trades (ISCO08=7)	0.948	(0.046)
Plant and Machine operators & Assemblers (ISCO08=8)	1.042	(0.049)
Self-employed (SE=1)	0.532***	(0.069)
Age Group # SE	✓	
Year	✓	
	(14)	
TOB Effect	0.673***	(0.048)
Qualification dummy	0.791***	(0.036)
	(15)	
TOB Effect # SUP	1.488**	(0.300)
TOB Effect # UA	0.903	(0.145)
TOB Effect # Age 26–35	1.220	(0.160)
TOB Effect # Age 36–45	1.043	(0.161)
TOB Effect # Age 46–55	1.111	(0.174)
TOB Effect # Age 56<	1.147	(0.403)
TOB Effect # Female	1.059	(0.138)
TOB Effect # Foreign	2.154**	(0.804)
TOB Effect # Gozitan	0.699*	(0.139)
TOB Effect # ISCO08=0	2.789	(1.600)
TOB Effect # ISCO08=1	0.000	(.)
TOB Effect # ISCO08=2	0.911	(0.231)
TOB Effect # ISCO08=3	0.632***	(0.111)
TOB Effect # ISCO08=4	1.100	(0.205)
TOB Effect # ISCO08=5	1.282*	(0.171)
TOB Effect # ISCO08=6	0.830	(0.329)
TOB Effect # ISCO08=7	1.329	(0.244)

(Continued)

Table 6. *Results: Hazard ratios for regressions 13–16* - Continued

	Full Sample	
	Hazard	SE
TOB Effect # ISCO08=8	1.758***	(0.277)
TOB Effect # Self-employed	1.537***	(0.235)
	(16)	
TOB Effect	0.533***	(0.000)
TOB Long-term dummy	1.195	(0.212)
Observations	6,805	

Notes: Age baseline category = 25>; Sex baseline category = Male; Benefit type baseline category = SA; Origin baseline category = Maltese; ISCO08 baseline category = ISCO08 (Elementary Occupations); Self-Employed baseline category = non-self-employed. Standard errors in parentheses. $^{*}p < 0.1$ $^{**}p < 0.05$ $^{***}p < 0.01$.
Source: Author's elaboration.

With regards to results by beneficiary type, we see that once SUP beneficiaries who are eligible for the TOB scheme move into employment, they experience a 48.8 per cent elevated chance of job termination when compared to their SA counterparts. Thus, although the job-finding rate for SUP individuals improved significantly (Table 5), once in employment, SUP beneficiaries experience a higher probability of job termination. As such, although the policy was successful in aiding SUP beneficiaries into employment, future policy initiatives ought to assist such individuals to remain in employment over the longer term.

Meanwhile, there is no statistically significant difference between age groups, showing that the TOB scheme impacted different age groups similarly in terms of job tenure. The same can be said for gender, with the TOB scheme showing no particularly different impact on job tenure between males and females.

Compared to their Maltese counterparts, foreigners eligible for the TOB scheme experience remarkably high termination rates. Although this may reflect the fact that foreign workers are more mobile and have a short length of stay in Malta (Borg, 2019), policy has to ensure that foreign workers enjoy adequate labour market protection policies and that local employers adhere to these. For their part, Gozitans are not only experiencing an improvement in their job-finding rate, but also experience a 30.1 per cent lower job-termination probability when compared to eligible Maltese individuals, implying that Gozitans are also increasingly enjoying the benefits of the TOB scheme in terms of job tenure. However, this effect is only significant at the 10 per cent level. Gozo is characterized by several drawbacks given its geographical and transportation constraints, with Gozitans facing higher travel costs to employment. The TOB appears to have improved the incentive for Gozitans to seek employment, even if such employment is located in Malta. Future policy targeted at Gozitans should continue its pursuit to overcome the specific obstacles faced by Gozitans.

Looking at results by sector, the TOB scheme is improving the job tenure of Technicians and Associate Professionals, with these individuals having 36.8 per cent less chance of the event occurring when compared to the eligible baseline category. However, eligible Plant and Machine Operators and Assemblers experience a higher probability of the event occurring when compared to the eligible baseline population. Hence, Technicians and Associate Professionals seem to enjoy quite a healthy environment in terms of labour market tenure, especially following the introduction of the TOB scheme. This indicates that future policy need not focus on such individuals, but rather aim at improving the duration of jobs for those working in the unskilled manufacturing industry sector, as well as for those in Elementary occupations. Finally, non-self-employed individuals eligible for the TOB experience better job-tenure effects than their self-employed counterparts.

The "TOB Long-Term Dummy" hazard rate is statistically insignificant. This is a very reassuring finding, showing that once scheme eligibility ends after the 36-month period, job terminations of those who were previously eligible do not increase significantly. Thus, the scheme appears to be successful in not only helping individuals finding employment but in re-integrating them into the labour force over the longer term – even when the transfer payments by the government cease. This finding is in line with those concerning the Irish BTWA scheme (Ochel, 2001).

Conclusion

This article estimates the impact that the TOB scheme in Malta has had on the job-finding rate amongst those on UA, SA and SUP. It also analyses the impact on the chances of successfully retaining employment once an individual previously on UA, SA or SUP finds a job. Based on an empirical framework characterized by survival analysis and Cox proportional hazard models, the main conclusion of the study is that the TOB scheme essentially doubles the probability of finding employment after a benefit spell for an eligible individual. The effect is least powerful for SA beneficiaries, although the improvement is still considerable – at 67.3 per cent. Meanwhile, SUP beneficiaries experience the largest gains from the scheme with the probability of finding employment more than doubling. Furthermore, the positive job-finding effects from the TOB are mostly enjoyed by younger age cohorts, whilst no markedly different impact between males and females is found. Foreigners enjoy the benefits of the TOB less than Maltese individuals, whilst Gozitans experience the largest improvement in terms of job finding. After showing that there is a skill effect on the chance of finding employment, the study finds that the TOB scheme positively impacts job-finding rates of Technicians and Associate Professionals most, with the highest skilled individuals – Managers – enjoying the least benefits from the scheme. Meanwhile, whilst self-employed workers tend to have a lower chance of moving into work after a benefit spell, the TOB appears to have boosted the chances of them doing so more than for non-self-employed individuals.

The second part of the study concludes that the chance of job termination drops by 11.8 percentage points for eligible individuals. Furthermore, the impact once the scheme ends is not any different from its impact during the first 36 months, showing that its impact is robust in the medium term. Although the TOB scheme helped SUP beneficiaries the most to move into employment, the second part of the study shows also that such beneficiaries then experience a 48.8 per cent higher chance of job termination when compared to their SA counterparts. Meanwhile, there is no statistically significant difference between age groups or gender, showing that the TOB scheme impacted different age groups and genders similarly in terms of job tenure.

Furthermore, the second part shows that not only does the TOB scheme improve the chances of Technicians and Associate Professionals moving into employment, but it improves their job tenure the most. In contrast, eligible Plant and Machine operators and Assemblers experience a higher probability of returning to unemployment when compared to the eligible baseline population. Finally, whilst it was found that self-employed workers previously on benefits are more likely to remain in employment once they find such employment, employees eligible for the TOB experience better job-tenure effects than their self-employed counterparts.

Considering these results, and given that the aim of the TOB scheme was to bring jobseekers closer to the labour market by eliminating, or at least diluting, the poverty trap and lead to stable employment, the scheme can be considered very successful. However, the study further highlights the importance for the TOB scheme to be complemented by other policies aimed at improving the job-finding rates and employment tenure of those individuals who have been impacted the least positively by the TOB scheme. Such policies should aim to be more holistic in nature, thereby achieving the intended targets for all sections of society especially those who have benefitted the least from the current scheme. In turn, these policies should aim to improve the overall outlook and resilience of the Maltese labour market and, consequently, of the economy at large.

Against this backdrop, the potential for future research is vast. As shown by the time fixed effects, from 2014 onwards all sections of society – especially single parents – experience an improvement in terms of finding employment. This coincided not only with favourable macroeconomic conditions, but also with a raft of other ALMPs introduced throughout the years. It is of national interest for future research to analyse by how much such newly introduced policies also improved the job-finding rate and job durations for individuals, especially when compared to the TOB scheme. This may prove fundamental for policy makers in terms of focusing their strategies on the most efficient policies. Future research may also provide a cost-benefit analysis of the TOB scheme. Although the scheme is found to be very successful, it would be interesting to consider whether such success outweighs the fiscal cost of such a scheme. Finally, whilst this study found that the TOB effect does not change in the medium term, this finding is constrained by a short post-TOB scheme sample period. Future research may revisit this finding and check whether the medium-run effectiveness of the TOB scheme is also valid when considering a longer time horizon.

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Supporting information

Additional supporting information may be found online in the Supporting Information section at the end of the article.

Reflections on government-led social assistance programmes under Zimbabwe's National Social Protection Policy Framework: A social contract lens

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Abstract Social protection has gained global recognition for its role in addressing poverty, yet delivering social protection remains an intractable challenge for governments in the Global South. In this article, we assess the performance of government-run social assistance in Zimbabwe. Our assessment begins in 2016 when the National Social Protection Policy Framework (NSPPF) was promulgated to maximize returns on social investments. Utilizing a systematic review approach, we collated literature published between 2016–2023. We find that despite adopting the NSPPF, social protection programming remains a challenge in Zimbabwe. We find that the disbursement of transfers to beneficiaries are delayed, benefits are misaligned with market forces due to inflation, most programmes are run without monitoring and evaluation structures, funding in the sector remains inadequate to reduce poverty and vulnerability, and no grievance and

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redress mechanisms exist. Our synthesis underscores the need for the refreshment of the social contract in Zimbabwe, a renewal of political will to finance social assistance programmes, engagement to transform policy into action, the expansion of the civic space to ensure citizens effectively participate in calling for social assistance, as well as concerted efforts towards harmonizing existing social assistance programmes. We highlight the need to embed social protection within a human rights-based framework, and the need for robust monitoring frameworks along with predictable and dedicated financing.

Keywords social protection, social assistance, social contract, Zimbabwe

Introduction

In a time of rising inequalities, social protection is an indispensable tool for creating inclusive and equitable societies in which redistribution and solidarity play important roles to build and maintain lasting social peace (Ortiz et al., 2016, p. 1). Social protection provides support to prevent poverty and social exclusion whilst also enhancing the social status and rights of the marginalized (Devereux and Sabates-Wheeler, 2004). Social protection encompasses social assistance (cash transfers and vouchers, public works programmes (PWP) – often labour-intensive infrastructure development initiatives providing food for work or cash payments); social insurance (such as payments for unemployment, maternity, pensions); labour market interventions (such as training, job placements or wage subsidies) and more broadly social services (care to protect the most vulnerable) (Silchenko and Murray, 2023, p. 3).

Social protection floors are nationally defined sets of basic social security guarantees to help prevent or alleviate poverty, vulnerability and social exclusion (ILO, 2012) through social assistance, social services and social insurance. Human rights principles guide the design and implementation of social protection policies and prioritize, in the first instance, the establishment of basic support coverage (ILO, 2012; ILO, 2019).

The focus of this article is on non-contributory, government-run social assistance programmes in the sub-Saharan African country of Zimbabwe. Our scope is articles published between early 2016 and February 2023. In 2016, Zimbabwe adopted the National Social Protection Policy Framework (NSPPF) that marked a turning point for social protection programming (Arruda, 2018; Nhapi and Agere, 2019; Kurevakwesu et al., 2022; MoPSLSW et al., 2019).[1] As a policy, the NSPPF sought to end previously uncoordinated social protection programmes and maximize returns on social investments. In this article, we thus offer a critical narrative review of social assistance programmes to 1) present evidence on their performance under the NSPPF, 2) provide arguments for the integration of emerging risks such as climate change, and 3) discuss the impact of ongoing risks such as inflation.

Utilizing the "social contract"[2] (Green, 2008; Hickey, 2011; ILO, 2013) and components of a social protection system as espoused in UNICEF's Global Social Protection Programme Framework (UNICEF, 2019b) along with the Core Diagnostic Instrument (CODI), our review presents a novel conceptual framework for strengthening social contracts in the context of social protection. We begin with a description of the research methods and conceptual framework and follow with an overview of social protection development in Zimbabwe. We describe various social assistance programmes and critically assess their achievements and challenges against objectives set under the NSPPF using thematic analysis. We present findings, suggest policy implications, and draw conclusions.

Conceptual framework and methodology for review

Our review is underpinned by the concept of the "social contract", which espouses the exchange of trust between citizens and the government. We used this concept to assess the level at which the Government of Zimbabwe has held its bargain in terms of providing social assistance for its citizens (Dafuleya, 2022).[3,4] Notably the State committed to provide social assistance as a means of tackling poverty and vulnerability through the 2013 Constitution of Zimbabwe (Government of Zimbabwe, 2013),[5] National Development Strategy 1 (2021–2025) and the National Social Protection Policy Framework (NSPPF) of 2016. To assess the

1. The 2016 adoption of the NSPPF was followed by a promise by political parties during the 2018 general election to provide the populace with social safety nets (Dafuleya, 2022b). In 2020, the National Development Strategy 1 (NSD1) was launched to ensure quality and affordable social protection are availed to all in need.
2. A social contract is an implicit agreement between the people and their government about what each side provides to the other, in most cases the contract requires the government to provide certain services for the population (Shah, 2022; Huemer, 2013).
3. Constitution of Zimbabwe (2013) outlines government's obligations to provide social security to citizens.
4. The National Development Strategy outlines government's promise in improving access to social protection.
5. See Chapter 2, Section 30; see also footnote 3.

contractual arrangement, we used a human rights-based approach (HRBA) as an entry point. Jordan (2013) suggests that a healthy social contract is established when governments fulfil the rights and needs of society through the provision of appropriate services and support such as social protection.

To ensure social contracts are effective, grievance and redress mechanisms are a necessity as they allow for feedback on available social protection and its delivery (UNICEF, 2019b). In this regard, efforts to cultivate active citizenship are essential to enable citizens to use various platforms to negotiate and influence decision in social protection programming (Bennett et al., 2020; Green, 2008; Kidd et al., 2020; Schwenninger, 2010). A combination of citizen pressure from below and an enlightened leadership from above can facilitate the development of a healthy contractual arrangement, which in turn may also promote willingness amongst citizens to be taxed, thus ensuring that fiscal redistribution becomes achievable (Kidd et al., 2020; Jordan, 2013).

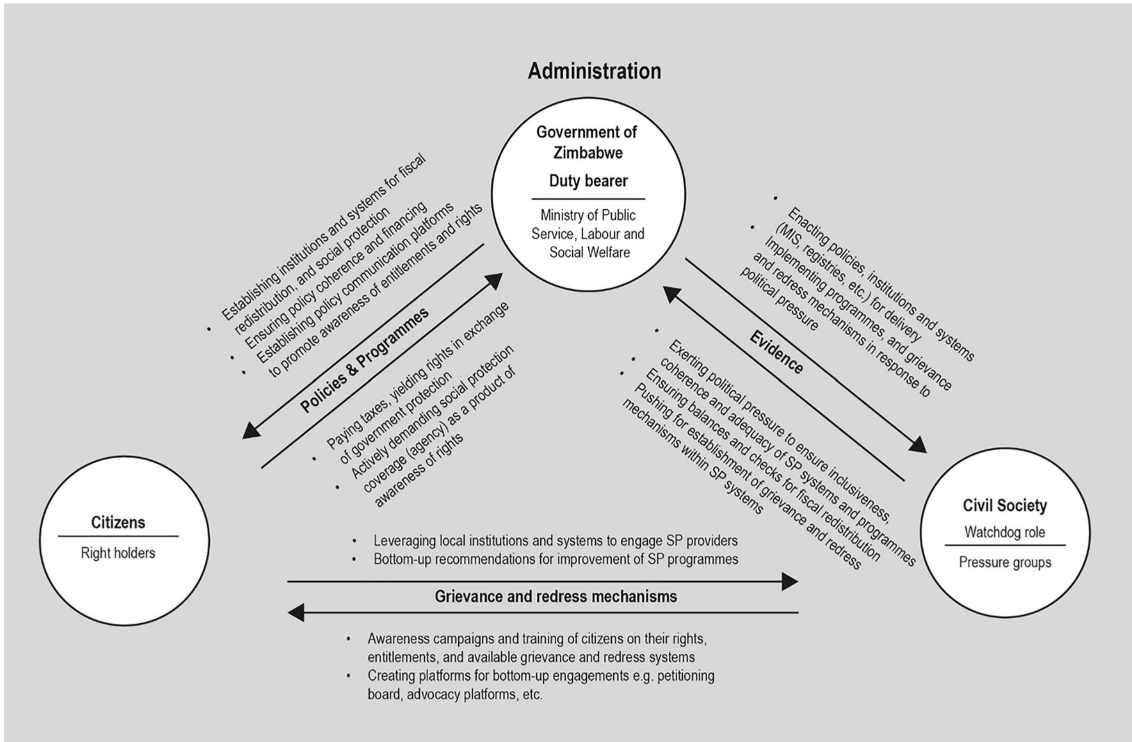
For citizen to equally benefit from the social contract, it is important to frame social protection debates and policy decisions around entitlements to benefits as underpinned by human rights-based approaches, and thus to avoid a narrative of charity or to leave such decisions to the discretion of local administrations (Barrantes, 2020; Vonk and Bambrough, 2020). Adopting human rights at the centre of programming along with legal and institutional frameworks contributes to establishing strong and accountable institutions, ensuring beneficiaries can identify the actors who bear responsibilities in allocating the entitlement they receive, can demand entitlements and can contest perceived violations of their rights. This also ensures social protection programmes outlast the political cycle and are not manipulated for political purposes (Sepúlveda and Nyst, 2012; UNRISD, 2016). In subsequent sections, the application of a social contract and a HRBA will be examined for the case of Zimbabwe and as illustrated in Figure 1.

Methodology

Utilizing the Preferred Reporting Items for Systematic reviews and Meta-Analyses (PRISMA) methodology to ensure systemic robustness (see Figure 2), we conducted a thematic synthesis of results from peer reviewed literature, and we benchmark these findings against the objectives of the NSPPF. We also leveraged grey literature to enhance contextual aptness (Chikova and Yon, 2019; MoPSLSW et al., 2019; World Bank, 2022a; Zimbabwe Red Cross Society, 2021).[6]

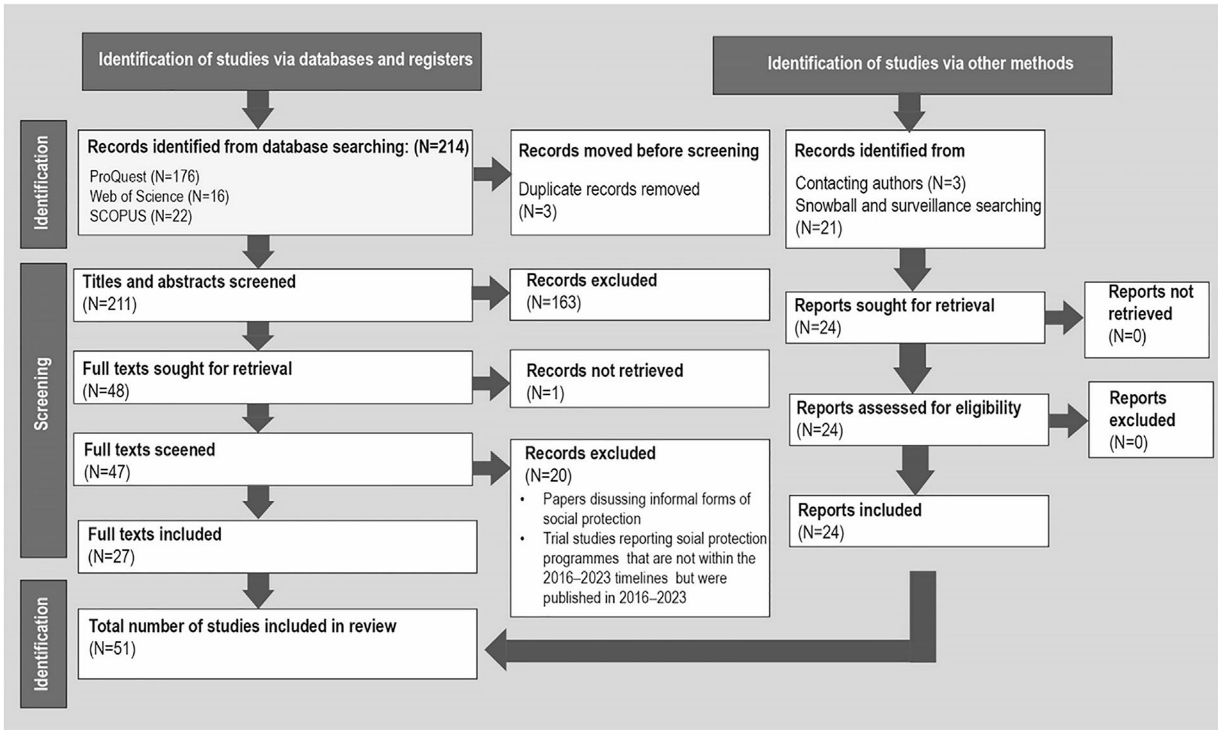
6. This article is supplemented by two online appendices (1 and 2) developed by the authors and made available to readers (see Supporting Information). Appendix 1 contains the search strategy links, and Appendix 2 contains the list of studies reviewed.

Figure 1. *Social contract structure for effective social protection systems*



Source: Authors' compilation, adapted from Barrantes (2020), Green (2008) and UNICEF (2019b).

Figure 2. *Preferred Reporting Items for Systematic Review & Meta Analyses (PRISMA) flow chart*



Source: Authors' elaboration.

Guided by reflexive thematic analysis (see Braun and Clarke 2019; Braun and Clarke, 2022), in which researcher subjectivity is a resource rather than a potential threat to knowledge production, we analysed our data. The six stages of reflexive thematic analysis (Braun and Clarke, 2019) were embedded in our analysis framework in Nvivo. As a computer software programme, Nvivo permits to analyse and visualize qualitative data to find the patterns contained in the data (Dhakal, 2022, p. 272). Subjective biases were addressed through journaling our thoughts using annotations. We adopted an inductive stance where data was coded without trying to fit it into a pre-existing coding frame (Braun and Clarke, 2006). However, using the social contract we identified the following conceptual assumptions to inform our analysis (Braun and Clarke, 2020, p. 331):

- Social assistance programmes should go beyond addressing immediate lack and should foster the empowerment of individuals to avoid dependence.
- Social protection measures should be inclusive, allowing the active participation of individuals and communities in the design, implementation and evaluation of programmes.
- There should be mechanisms in place to hold governments accountable for the implementation of social protection policies.
- Legal frameworks should be enforced to protect individuals' rights to social protection.

A number of themes were thus developed, ranging from the impact of social assistance programmes on poverty reduction to the need for a life-cycle approach to social protection, along with the exigency for a renewed/replenished social contract and political commitment.

Poverty trends and the development of social protection in Zimbabwe

Poverty trends

With an approximate population of 15 to 16 million (Data Commons, 2023; World Population Review, 2023; Worldometer, 2023), Zimbabwe is particularly vulnerable to weather and climate related disasters, and economic instability (Zimbabwe Red Cross Society, 2021a; Dhemba, 2018; World Bank, 2022b). An estimated 49 per cent of the country's citizens live in extreme poverty based on national food poverty line calculations (Zimbabwe National Statistics Agency and World Bank, 2020).[7] As recently as December 2022, an estimated 7.9 million

7. Food poverty line calculations are derived from data collected through the Poverty, Income, Consumption and Expenditure Surveys conducted in Zimbabwe.

people were living in poverty and of these 5.4 million were food insecure.[8] As of January 2023, expanded/relaxed unemployment was pegged at 46.3 per cent (Zimbabwe National Statistics Agency, 2023).

Government-run social assistance remains limited, with only 5.8 per cent of the national population covered by social assistance programmes and 16.3 per cent covered by at least one social protection benefit (ILO, 2024a), an indication of a weak social contract (ILO, 2024b). Table 1 shows the overall social protection coverage (both contributory and non-contributory).

Brief overview of the development of government-run social assistance in Zimbabwe

Zimbabwe's social policy landscape continues to be shaped by different factors, some of which are post-colonial while others are internal power-sharing disputes. Davies and Saunders (1987) identify three post-independence phases: i) initial post-independence boom of 1980/81; ii) the recession of 1982/83; and iii) the economic recovery which began in 1985. This periodization is useful for discussing official attitudes towards government spending. During the boom, there was expansion of government spending on social services and a generally optimistic view of the government's speed and capability in addressing the inequalities inherited from the past (Davies and Saunders, 1987).

As a poverty reduction tool, social assistance had been one of the strategies used in the 1980s and early 1990s in Zimbabwe, where social safety nets were used to respond to the impacts of covariate shocks in the country, such as the 1992 drought and floods (Mtapuri, 2012).[9] Indeed Muchichwa (2019) underlines that since independence, social protection has been enshrined in national poverty reduction strategies and development policies. Exemplars of such programmes include the Agricultural Recovery Programme, which intended to help smallholder farmers recover from repeated severe droughts through distribution of crop packs (free seeds and fertiliser) and mechanized tillage services (Munro, 2003) and the Child Supplementary Feeding Programme, originally implemented to combat child malnutrition during emergencies (Munro, 2005). Other social assistance programmes, such as the Social Development Fund, were launched to combat

8. Authors estimation, using data from UNICEF (2018); Zimbabwe Coalition on Debt and Development (2022); and UNICEF (2022b).

9. Instead of replacing the term "social safety nets" that Mtapuri uses, we retain its use to maintain the author's framing of the argument, and ideological standing.

Table 1. *Effective coverage by function of social protection in Zimbabwe, and overall social protection coverage (contributory and non-contributory)*

Effective coverage by function of social protection (%)	**6.7% Children**	**5% Vulnerable covered by social assistance**	**1.3% Persons with severe disabilities**	**22% Older persons**	**18.9 % Labour force covered by pension schemes**	**12.4% Workers in case of injury**
Key programme features	N/A	*See Table 1 for social assistance programmes*	**Disability Grant** Must be younger than the normal retirement age, be assessed with a permanent incapacity for work, and have at least six months but less than one year of contributions. A medical doctor assesses the disability. **Disability pension** Must be younger than the normal retirement age, be assessed with a permanent incapacity for work, and have at least one year of contributions. A medical doctor assesses the disability.	**Old age pension** National retirement age is 60 years. **Benefit level for the old age pension** 1.33% of the insured's monthly earnings multiplied by the number of years of contributions up to 30 years, plus 1% of monthly earnings multiplied by the number of years of contributions exceeding 30 years.	**Maternity and Sickness** ***Maternity benefit*:** Must have at least 1 year of continuous service with the same employer and provide a medical certificate from a medical practitioner. Employee is eligible for maternity benefits for up to three times with the same employer once in a 24-month period calculated from the day the previous maternity leave was approved. ***Sickness benefit*:** 100% of the employee's last earnings for 90 days. Must provide a medical certificate from a registered medical practitioner. The benefit is paid for any one-year period of service with the same employer. **Work Injury** ***Temporary disability benefit*:** Benefits run for an 18 months' duration. 100% of the insured's monthly basic earnings is paid for the first 30 days of incapacity; thereafter, 51% of basic monthly earnings. Must be assessed with a work injury or occupational disease. ***Permanent disability pension*:** For an assessed degree of disability greater than 30%, the insured receives 51% of their monthly basic earnings multiplied by the assessed degree of disability. Must be assessed with a work injury or occupational disease. Benefits are long term.	

Source: Authors' elaboration, adapted from ILO (2020).

the negative social and employment effects of the 1991 Economic Structural Adjustment Programme (Kaseke, 1994; Moorsom et al., 1997).

Thus, as a tool for affirmative action, populist social policies were adopted by the post-independence government in a drive to correct historical and colonial imbalances regarding access to social protection (Matutu and Botchway, 2022). Beyond this affirmative action, the political landscape has been a very significant force, as highlighted by Chinyoka (2017) who traces trends in social cash transfers: under a politically secure ZANU-PF[10] (1980–1999); a politically insecure ZANU-PF, 2000–2008; the Government of National Unity (GNU), 2009–2013; and social cash transfer reforms post-GNU, 2013–2016.

Currently, Zimbabwe's social protection system consists mainly of non-contributory social assistance programmes (World Bank, 2022a). We exclude social insurance from this review, especially given that three-quarters of the population work in the informal economy.

Government-run social assistance programmes under Zimbabwe's National Social Protection Policy Framework

In this section, we examine five smaller programmes including public assistance, public works, medical and educational assistance, and the food deficit programme in Zimbabwe, before addressing the flagship Harmonized Social Cash Transfer programme (HSCT).

Public assistance (PA)

Established in 1989, the PA programme was designed specifically to help those who, by reason of age, infirmity, chronic illness or disability and lack of family connections, were chronically poor (Munro, 2005). While defined in the Social Welfare Assistance Act and in the literature as a grant for those considered to be destitute or indigent (normally referring to individuals who lack means of subsistence), Munro (2005) observes that PA was not meant to address all of those in "destitution", but only those who lacked family to provide care. To qualify for PA, the beneficiary should be older than age 60 and facing financial hardship. PA is an important discretionary government intervention, acting as a small, flexible and responsive safety net (MoPSLSW et al., 2019).

According to the literature, the Director of Social Welfare, or any party acting on its behalf, decides who receives the grant (Zimbabwe Red Cross Society, 2021a;

10. ZANU PF refers to the "Zimbabwe African National Union – Patriotic Front", in power since independence.

MoPSLSW et al., 2019). In essence, this defies the notion of social assistance as a human right entitlement and is susceptible to power differentials (Smith-Carrier, 2020), and undermines the ethos of the social contract. The type of assistance provided is variable and determined by the Director of Social Welfare, though commonly set at USD 20 per month (Chikova and Yon, 2019), and includes a free medical treatment card. Urban beneficiaries may have utility bills paid. For non-citizens whose relatives could be identified, the PA could finance bus transportation to return the person home. For those without relatives, a place would be found in a retirement home. The duration of support is variable and reviewed on an annual basis. Beneficiaries are expected to present themselves at their local Social Welfare office (Munro, 2005). The capacity of the target group to access the Social Welfare office because of age, disability, and geographical distance; the complexity of the application form (which is in English); limited publicity concerning the PA; and modest allowances present other barriers (Munro, 2005).

There are only a few assessments of the PA's recent performance. These, a report by Chawurura (2020) and a sector review by the MoPSLSW et al. (2019), state that transfers were last disbursed in 2015. The PA, by its nature, seems to focus on the manifestation of problems rather than the structural causes of poverty (Smith-Carrier, 2020; Smith-Carrier et al., 2017).

Public works programmes (PWPs)

In efforts to ensure the right to work, the government established PWPs in 1980. The scheme targets able-bodied members who are to benefit on condition that they participate for a 15-day working month (Chikova and Yon, 2019). An assessment of PWPs in Chivi District (Moyo et al., 2014) found that these PWPs had increased household food security and improved cash influx. For the cash-for-work schemes, guaranteed minimum income was available for the most vulnerable, while encouraging able-bodied people to become employed even if the wages were generally low compared to those of formal employment (Moyo et al., 2014). Dhemba (2018) stated that the monthly allowance of USD 20 paid to beneficiaries was hardly sufficient to meet needs. Inflation and a currency crisis have been pinpointed as the primary reasons for minimal pay-outs (Budzi, 2022; Hungwe, 2022; Ndlovu et al., 2021).

A separate study (Takaza et al., 2020) assessing community awareness of PWP in Chirumanzu-Zivagwe Districts revealed that the programme was well known amongst those interviewed but indicated that people were not well informed or involved in the planning and decision-making processes. This sentiment was particularly common amongst women. Planning and decision-making are key components of inclusive social protection systems (ILO and UNICEF, 2023).

Assisted Medical Treatment Order (AMTO)

Zimbabwe has an established social assistance programme for individuals in need of medical care. To guarantee the right to health, the Government, through the AMTO programme covers, health fees for very poor households, people with disabilities, persons who are severely ill, and vulnerable children (World Bank, 2022a). AMTO operates on a self-targeted basis, where people seeking health care apply via the district Social Welfare office. The Hospital Referral Systems and community referrals provide another layer of access for those in poverty (MoPSLSW et al., 2019). Access appraisals are conducted by Department of Social Services in collaboration with hospitals. The rigor of these assessments has been queried as those conducting them do not have adequate resources to verify applicants' claims. Moreover, the eligibility criteria for AMTO are considered vague (MoPSLSW et al., 2019; World Bank, 2022a). ATMO beneficiaries are given vouchers for use in government hospitals, covering the cost of treatment and check-ups for a period whose duration varies depending on the illness (Gandure, 2009).

The AMTO scheme has faced challenges due to insufficient government funding (Gandure, 2009). Inefficiencies in the health system caused by shortages of drugs and expertise as well as the weakened Zimbabwean dollar, resulting in an inability to purchase equipment, have affected the capacity of the health sector to deliver. Health assistance has been severely underfunded, as it constituted 0.4 per cent of social assistance budget in 2022 (UNICEF, 2022a), whereas medication and other services are only offered by private health institutions making it difficult for the poor to access them given that AMTOs are not redeemable in private hospitals (Jongwe et al., 2014; Nhapi, 2019). It is observed that AMTOs are ineffective as they cannot guarantee access to quality health for the elderly who do not have access to medical insurance yet who have chronic health conditions (Chikoko et al., 2022). Takaza et al. (2020) discovered that the majority of their respondents in rural districts of Chirumanzu and Zivagwe were unaware of medical assistance, underscoring the need for improved public communication concerning the AMTO.

Basic Education Assistance Module (BEAM)

To reduce the number of school dropouts due to HIV/AIDS, and to promote the right to education, the government established BEAM. BEAM assists vulnerable children with tuition and examination fees. Through joint administration by MoPSLSW and the Ministry of Primary and Secondary Education (MoPSLSW et al., 2019), BEAM attempts to reach out to school children, to children with disabilities, and to children of single parents (Masuka et al., 2012). Targeting is through a school selection committee, with the conditionality that beneficiaries are not absent for more than ten days (MoPSLSW et al., 2019). As with other social assistance programmes, BEAM is facing funding challenges. Government data suggests that while an estimated 900,000 children required education assistance, the programme had reached only 150,000 (MoPSLSW et al., 2019).

Manjengwa et al. (2016) noted that 11 per cent of their study sample in Harare had never been to school, which was significantly higher than the national average of 1.5 per cent of children. Nhapi and Agere (2019) echo this, and call for more focus on street-connected children in Zimbabwe. While BEAM ensures access to education, the programme does not address the basic needs (e.g., food, shelter, medication and clothing) of its beneficiaries (Kanengoni, 2021; Ringson, 2020). The World Bank (2021) suggests that the Government is in the process of assessing a range of complementary interventions that can be layered over the BEAM fee waiver to increase its impacts (e.g., school uniforms and sanitary products). As such, BEAM is considered functional and active since the programme's design has been updated over the years (World Bank, 2021).

Food Deficit Mitigation (FDM) programme

The FDM programme consists of food transfers to labour-constrained households, delivering 50 kilograms of maize to selected households during the peak lean season (World Bank, 2022a; MoPSLSW et al., 2019). In the initial phase of geographical targeting, assessments conducted by Zimbabwe's Vulnerability Assessment Committee[11] are utilized, and the selection of households relies on self-submitted applications. Selection criteria prioritizes households that are food insecure, labour-constrained, elderly headed, female-headed, or child-headed, as well as households with chronically ill members and members living with disabilities (World Bank, 2022a). The FDM programme follows the humanitarian obligations the Government set out under the Social Welfare Act and Public Assistance Act (MoPSLSW et al., 2019). Yet, community food distribution under the programme is constrained by a lack of funding (Sadza et al., 2015). The

11. ZimVAC is a technical advisory committee comprising representatives from Government, development partners, United Nations, NGOs, technical agencies, and academia. Through its assessments, ZimVAC collects, synthesizes and disseminates high quality information on the food and nutrition security situation in Zimbabwe to guide and inform policy and programmes.

Zimbabwe Red Cross Society (2021a) indicate that the programme's current coverage is unknown, and transfers are erratic. A formal assessment of the programme is absent (MoPSLSW et al., 2019), indicating a neglect in monitoring. The Government has verified allegations of the use of political influence or patronage within the targeting process (MoPSLSW et al., 2019; Zimbabwe Red Cross Society, 2021a). Further challenges include the absence of a formal grievance mechanism, communication strategy and a standardized reporting template for the programme.

Harmonized Social Cash Transfer programme (HSCT)

The HSCT is considered the flagship social protection programme in Zimbabwe through which the Government, with the help of donor partners, distributes cash transfers to citizens. Unconditional cash transfers are targeted to labour-constrained and food-poor households (World Bank, 2022a). The HSCT reached about 75,677 households in 2022 (World Bank, 2022a).[12] Arruda (2018) indicates that the HSCT aims to 1) support the purchasing power of food-poor and labour-constrained households; 2) encourage beneficiary households to cease relying on precarious coping strategies; and 3) increase consumption leading to improvements in nutrition status, health, and education, and reduced mortality, especially among children in beneficiary households.

The HSCT targeting involves several steps (Figure 3).

The value of the benefit depends on household size (World Bank, 2022a; MoPSLSW et al., 2019), with grants increasing per capita for up to four persons per household (World Bank, 2022a, Arruda, 2018). A one-person household receives USD 10; a two-person household, USD 15, a three-person household, USD 20; and households with four persons or more, USD 25.

Households remain in the programme for at least two years, until the subsequent targeting cycle. Benefits are withdrawn if 1) the household head dies; 2) the household disintegrates; 3) there is a change in location; or 4) the household no longer meets the enrolment criteria (MoPSLSW et al., 2019). This conditionality presents a dilemma for those who may want to leave their household for reasons beyond their control, e.g., those displaced by disasters or those wishing to separate from an abusive partner. Donors do not fund the government directly. Instead, a private security company, Securico, collects the money from donors and disburses it bi-monthly to the communities for payment (Devereux and Kapingidza, 2020). In districts supported by non-governmental funders/partners, the benefits are paid in cash in US dollars while in government-managed districts they are paid with Real Time Gross Settlement

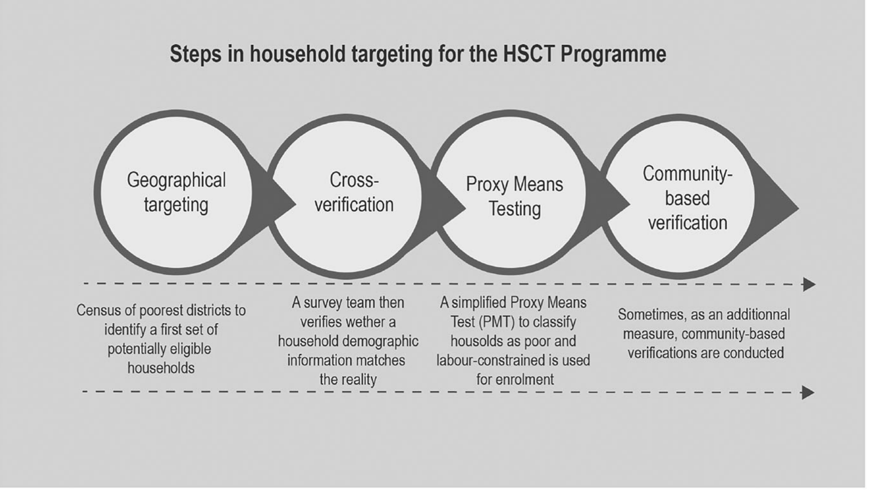
12. This data covered 26 districts, which represents 40 per cent of the country's districts.

(RTGS) dollars. Due to exchange rates, RTGS dollars are perceived as having a lower value in the market.

Several favourable reports on the HSCT were found. Studies show the HSCT programme positively impacts education, food security, diet diversification and health seeking behaviour (Handa et al., 2018; Pace et al., 2022b; Schaefer et al., 2020; Fisher et al., 2017; Novignon et al., 2022; Chikoko et al., 2021). Pace et al. (2022a) found it modestly improved livelihood strategies, shifting households from relying on gifts to making their own purchases. Pace et al. (2022b) noted improved purchasing power leading to a greater consumption of fruit and vegetables and animal protein. Bhalla et al. (2018) reported a 37 per cent increase in food market purchases and diversification in the consumption of dairy, pulses, fruit and vegetables. Handa et al. (2018, 2022) highlighted increased autonomy in productive activities, enabling households to farm rather than engage in wage labour. Bhalla et al. (2018) also found the programme helped purchase drought resilient farm animals. Attah et al. (2016) observed enhanced psychosocial well-being, creditworthiness, self-esteem, and autonomy among beneficiaries. Despite these many positive effects of the HSCT, several challenges were also noted.

Transfers are inconsistent, leaving the HSCT struggling to make an impact (Ndlovu et al., 2021; Kurevakwesu et al., 2022), particularly with current economic conditions, as noted by Pace et al. (2022b). The failure to adjust cash

Figure 3. *Steps in household targeting for the HSCT Programme in Zimbabwe*



Source: Authors' elaboration, adapted from ILO (2020).

transfers for inflation diminishes the purchasing power of beneficiary households. Although a cash-based approach is more empowering than charity, its effectiveness in Zimbabwe depends on currency stability and inflation rates. Ndlovu et al. (2021) highlight that the HSCT relies on outdated 2014 data, ignoring demographic changes, which further reduces the adequacy of transfers.

Research assessing the HSCT programme from a child sensitivity perspective (Nyamukapa, 2016) found that children's requests for enabling school items, such as stationery, were often ignored by their caregivers. Chinyoka (2017) corroborated these findings, noting that by August 2016, the HSCT had reached less than 1 per cent of children. Schubert (2017), however, argued that the HSCT is inclusive, supporting many vulnerable groups. Further research is needed to understand how the HSCT contributes to preventing child poverty.

Table 2 outlines the range of social assistance programmes that have been operating in Zimbabwe since the 2000s, with coverage statistics as of 2022.

Thematic insights from literature

Comparing the findings arising from the thematic analysis of literature against the aims of the NSPPF reveal several insights mainly focused on the impact of the HSCT. A greater number of studies focus on the HSCT, with fewer examining the performance of other programmes such as the AMTO, PA, BEAM, and PWP. This may suggest either limited implementation of these other programmes, or difficulties in accessing relevant data. Additionally, few studies discuss how various social assistance programmes contribute to establishing basic social protection guarantees, or a social protection floor (ILO, 2012), as the first level of protection in the national system. Below, key themes arising from our analysis are presented loosely following CODI to map elements of a social protection system in Zimbabwe.

Mixed reviews on the impact of existing schemes on poverty reduction and resilience building

The Government committed to reducing extreme poverty through building resilience in disadvantaged households and by creating conditions that promote equity and build self-esteem (MOPSLSW, 2016).[13] This was to be achieved through the provision of social welfare assistance to the poor and vulnerable. From our synthesis, the results confirm the efficacy of the NSPPF in achieving some of these goals. Authors cite evidence indicating positive impacts of the HSCT programme in improving access to education, with beneficiary households

13. Section 2.4 Goals of the National Social Protection Policy Framework.

Table 2. *Social protection programmes in Zimbabwe, as of 2022*

Type of intervention	Name of programme	Financing/funding source	Year established and beneficiary targeting approach	Key highlights on coverage
Labour markets	Public Works Programmes (Cash for Work; Food for Work) Vocational training	GovernmentNGOs	The programme targets poor households that are labour endowed.	As of 2012, the programme reached 4,799 beneficiaries nationally.
Social insurance	Pensions and Other Benefits Scheme	Employee contributionsEmployer contributions	Covers only the formal sector.	In 2019, 3.2 million individuals were registered under an NSSA pension scheme, and NSSA paid a total of USD 10.6 million in short-term benefits and USD 222.5 million in long-term benefits.
Social assistance	Harmonized Social Cash Transfer programme (HSCT)	GovernmentDevelopment partners	Programme started in 2012. Its beneficiaries are targeted through proxy means test. Focuses on ultra-poor, food poor and labour-constrained households.	In 2019, 75,677 households were enrolled in 23 districts, but payments are erratic. 47,675 were actually paid in 2018.
	Public Assistance (PA) programme	Government	Established in 1989. Provides cash or in-kind benefits to destitute individuals.	PA is operational in districts that are not covered by the HSCT. In 2020, there were 8,551 beneficiaries in 48 districts. No public assistance (PA) transfers have been made since 2015. Public Assistance is still an active and functional programme in Zimbabwe.[1]
	Food Deficit Mitigation (FDM) programme	Government	Started in 2009/10 in response to food insecurity.	FDM is considered largely influenced by political considerations rather than a social assistance programme. Information on coverage is unknown and transfers are considered erratic.
	Assisted Medical Treatment Order (AMTO)	Government	Established in 1960. AMTO is self-targeted and individuals in need of health care must apply for it at the district social welfare office.	In the first quarter of 2022, 9,540 beneficiaries benefited from AMTO and 29 people received specialized treatment. A total of USD 21,750 was paid for special treatment orders during the mentioned period.

(Continued)

Table 2. *Social protection programmes in Zimbabwe, as of 2022* - Continued

Type of intervention	Name of programme	Financing/funding source	Year established and beneficiary targeting approach	Key highlights on coverage
	Basic Education Assistance Module	GovernmentDevelopment partners	Established in 2001. The BEAM selection process is community-driven and relies on nomination of children to community-based structures that assess their eligibility based on a range of selection criteria including previous access to education, and whether the child is an orphan and other demographic and socioeconomic variable.	In 2020, 700,000 children were targeted in Zimbabwe's 65 districts.

Note: 1. Based on Key Informant Interviews conducted in Tsholotsho and Chimanimani – Zimbabwe, between October 2023–January 2024. Interviewees claimed that the Public Assistance programme is still active, however, as a result of resource constraints, those who should be benefiting from it are not benefiting.
Sources: Authors' elaboration, adapted from Chawurura (2020); Chikova and Yon (2019); Government of Zimbabwe (2016); Jongwe et al. (2014); MoPSLSW et al. (2019); World Bank (2022a); Zimbabwe Red Cross Society (2021a).

being able to send children to school (Nyamukapa, 2016), as well as improvements in dietary diversity, health seeking behaviour and household incomes (Fisher et al., 2017; Handa et al., 2018; Handa et al., 2022; Novignon et al., 2022; Pace et al., 2022a; Pace et al., 2022b; Schubert, 2017).

Authors however differ in their conclusions. For example, some highlight that the level of food security is dependent on continued access to cash transfer programmes. Such dependence on social assistance is however not feasible for a country such as Zimbabwe where social protection faces financing challenges. Matutu and Botchway (2022) compared the resilience of households receiving government support against those not receiving support (involving 298 participants) and found that elderly women who received support were less likely to mitigate future extreme food insecurity compared to their counterparts, concluding that little attention is paid to strengthening household resilience to food insecurity. Beneficiaries view the programmes as lifelong commitments, thus exit from programmes is not considered (Matutu and Botchway, 2022). Nyamukapa (2016) recommended that the Government should consider stimulating household investment activities to improve their ability to respond to future crisis. Chikoko et al. (2021) suggested that the government should combine social assistance with skills training to ensure that beneficiaries are able to earn a living in the labour market. These recommendations indicate the need for a revision of the current social contract regime, to ensure that the Government fulfils its commitments under Section 5.3 of the NSPPF, to reduce long-term dependence on social transfers through introducing graduation and exit strategies,[14] as well as supporting the poor in developing skills for self-reliance and employability. That the NSPPF has not achieved these goals mirrors the dilemma facing most social protection programmes globally. Sabates-Wheeler et al. (2020) remark that households receiving social protection are anticipated to independently move out of poverty, with minimal intervention from States and donors. This expectation allows the State and donors to gradually withdraw from their primary responsibility of providing and ensuring the social welfare provisions aimed at supporting households in their journey out of poverty (Sabates-Wheeler, 2020, p. 131). Possibilities for exit and so-called “graduation strategies” require more research in Zimbabwe.

Although the Government is committed to enabling students from poor and vulnerable households to access quality education (e.g., through BEAM), the literature revealed that children from beneficiary households still do not get access to quality education (Kanengoni, 2021; Ringson, 2020; Maushe, 2019; Nyamukapa, 2016). We conclude that BEAM may require redesign, possibly

14. We retain the use of the term graduation strategies to maintain the message that the Government of Zimbabwe sought to convey, and to avoid distortion of their framing.

through conditional transfers or vouchers to ensure practical needs are provided for school-going children.

Inadequate systems for social protection programming

The NSPPF development process was underpinned by the need to develop a relevant social protection policy framework consistent with the prevailing conditions in Zimbabwe (MOPSLSW, 2016, p. 30).[15] The conditions ranged from weak monitoring and evaluation systems to a lack of proper centralized coordination of social protection programmes (Government of Zimbabwe, 2016). Since the enactment of the NSPFF, these challenges still persist. In relation to predictability, consistency and transparency of schemes, the literature indicates little improvement over the years, with disbursements often delayed. For both the PA and HSCT, receipt of benefits is unreliable because payments are dependent on the availability of funds – even those who qualify for benefits may go for up to six months without receiving allowances (Dhemba, 2018; Ndlovu et al., 2021). While social contracts are important for establishing clear expectations between the State and its citizens regarding social protection rights and responsibilities (Bennet et al., 2020), we note that there is need for more concrete systems for following up on commitments made under the NSPPF. For example, digitalized delivery systems are expected to ensure timely disbursements to beneficiaries, thus facilitating the Government to achieve its promise of "developing innovative strategies for disbursing funds to beneficiaries in order to achieve efficiency and cost-effectiveness", as articulated under Section 5.2 of the NSPPF (Ncube et al., 2023).

Authors highlight widespread inclusion and exclusion errors due to limited poverty data (Mupedziswa, 2018). Magocha (2021) and Dhemba (2018) urge prioritizing a vulnerable population database. Effective Management Information Systems (MIS) are essential for civil society engagement and advocacy to aid in monitoring and evaluating programme effectiveness (ILO, 2012), yet which are lacking in Zimbabwe.

Unpredictable financing for social protection

Zimbabwe has been undergoing a period of volatility and uncertainty since the 2000s, characterized by hyperinflation, a currency crisis, droughts, and political unrest. Budzi (2022) underscored the implications of economic crisis for the welfare state in Zimbabwe, emphasizing that currency distortions and cash shortages present a dilemma for the State. Devereux (2017) noted that a period of protracted economic crisis had severely curtailed Zimbabwe's ability to deliver

15. See section 2.1 of the NSPPF, which outlines the policy direction, purpose and justification.

the right to social security and social care as promised in the Constitution. The World Bank (2022b) reports that Zimbabwe's economic development continues to be hampered by high inflation, multiple exchange rates, unsustainable debt levels, and the ineffective control of public finance. Vulnerable and poor households continue to bear the brunt of these challenges. Reports (World Food Programme Zimbabwe, 2022; World Bank, 2022b; Zimbabwe Coalition on Debt and Development, 2022) indicate that the poorest households face challenges in accessing the minimum food basket.

Prices increased sharply in 2018, with food prices outpacing other increases in the market. The World Food Programme (2022) highlighted that the value of the minimum food-needs basket[16] per person was 22,193 Zimbabwean dollars (ZWL) in December 2022, which represented a 2.5 per cent increase compared to the figure for the previous month (ZWL 21,652) (World Food Programme Zimbabwe, 2022). Considering these financial challenges, the cash value of the disbursement from social assistance programmes was not aligned to these economic realities, and inadequate to match households needs (Ndlovu et al., 2021; Bhalla et al., 2018). The World Bank (2022b) stated that inflation averaged 213 per cent in 2022 and projected that it was likely to remain in triple digits.

While external and unforeseen challenges, such as an economic crisis, are always present, social protection systems should be designed in a way that guarantees flexibility to respond to poor people's circumstances and needs. This is particularly so through the choice of transfer and delivery mechanisms (Irish Aid, 2017; European Commission et al., 2014). On a positive note, context-specific good practices on managing cash assistance in contexts of high inflation and currency depreciation were compiled by Palacios (2023) for Zimbabwe and provide a gateway for the Government to improve the impact of its social assistance programmes.[17]

Inadequate shock responsive social protection programmes in place

The Government committed to set up institutional structures, systems, and programmes to enable a rapid response to the effects of sporadic outbreaks of epidemics and other natural and human-made disasters.[18] Yet, research (Nyabeze et al., 2022; Nyabeze and Chikoko, 2021; Nhapi, 2021) indicates that social

16. Also known as the Food Poverty Line (FPL).
17. Good practices outlined by Palacios (2023) include the regular revision of the minimum expenditure basket (MEB) and transfer values to maintain purchasing power and counter inflation and/or currency depreciation; provision of top-ups and lump sums; and establishing a high level of organizational flexibility to shift between modalities (in-kind assistance, E-vouchers, hard currency, etc.).
18. See section 2.5.10 of the NSPPF.

assistance responses (e.g., the AMTO) performed poorly in alleviating growing poverty levels caused by the loss of incomes in the informal economy during the COVID-19 pandemic (Chikoko et al., 2022). Evidence on appropriate shock responsive social protection in Zimbabwe underscores that social assistance programmes are not currently conducive to responding to climate-related or other shocks e.g., the COVID-19 pandemic (Zimabwe Red Cross Society, 2021b; UNICEF, 2022a; Ndlovu et al., 2021; Ndlovu and Ndlovu, 2019). The NSPPF has not been updated since 2016, highlighting the need for a comprehensive review to tackle emerging challenges and evolving contexts, including climate change.

Zimbabwe's recognition of the challenges posed by climate change is seen in the creation of the Ministry of Environment, Water and Climate (MEWC). A part of the ministry's aims is to address climate change impacts by implementing social assistance programmes and national risk-sharing arrangements to support the most vulnerable (MEWC, 2015, p. 133). As early as 2015, the Government identified the potential of climate change to jeopardize many of the positive achievements made in meeting the country's development goals (MEWC, 2015). Climate variability has already led to droughts and flooding in Zimbabwe, thus threatening livelihoods (Mashizha et al., 2017; World Bank, 2022a; Ncube and Chipfakacha, 2023; Zimbabwe Red Cross Society, 2023). This has significant implications for food security and national revenues, considering that approximately 80 per cent of agricultural production is rain-fed (Zimbabwe Red Cross Society, 2023). Policy aspirations have yet to translate into practical action. The World Bank has emphasized the need to establish a shock responsive social protection system that can quickly respond to ongoing and temporary needs arising from shocks (World Bank, 2022a, p. 103). UNICEF echoed this sentiment in a budget brief, underlining the necessity to review Zimbabwe's social protection programmes, particularly the NSPPF (UNICEF, 2022b). Despite growing global interest (Aleksandrova, 2019; Costella and McCord, 2023; Costella et al., 2023; Easton-Calabria et al., 2022; Ulrichs et al., 2019; Huber and Murray, 2024), our literature synthesis found a lack of studies on climate change and how social protection can be used as an adaptation tool in Zimbabwe.

Suboptimal coordination of social protection programmes

The NSPPF indicated commitment to improving coordination and harmonization of various social protection programmes run by state and non-state actors (MOPSLSW, 2016). Since 2019, various authors (World Bank, 2022a; Muchichwa, 2019; Hungwe, 2022; Chikova and Yon; 2019, UNICEF, 2022a; MoPSLSW et al., 2019) have highlighted the lack of coordination across social protection measures. UNICEF (2022a) found a lack of harmonized standard operating procedures, with differing delivery mechanisms across targeting, transfer values, monitoring and reporting systems. This fragmentation further prevents the system from being agile and shock responsive. Regarding the outreach to vulnerable groups, Hungwe (2022) contends that ineffective coordination has hindered social protection programmes for older persons stemming from the absence of a coherent framework targeting the elderly. Chikoko et al. (2021) recommended that the government should integrate the HSCT with other schemes, such as BEAM and AMTOs, as this would reduce duplication of efforts and improve coordination.

Promoting a life-cycle approach in social protection programming

Chikova and Yon (2019) observed that Zimbabwe's social protection only reaches a small percentage of its citizens. As such, there is a call for a life-cycle approach in the provision of social assistance (ILO and UNICEF, 2023; UNICEF, 2019b; Nyamukapa, 2016). The government pledged to adopt a life-cycle approach in Section 2.5.9 of the NSPPF, to realize "Sensitivity to Special Groups". From infants and children (Nyamukapa, 2016; Takaza et al., 2020; Hungwe, 2022; Manjengwa et al., 2016; Nhapi and Agere, 2019) to the elderly, (Hungwe, 2022; Matutu and Botchway, 2022), evidence indicates that the needs of women, street children, young children and the elderly are failing to be met by "household-centric" social assistance programmes such as the HSCT.

Nyamukapa (2016) infers that the targeting criteria for Zimbabwe's social protection programmes require refinement to positively impact young children, while Manjengwa et al. (2016) spotlight the unmet needs of street children. Gunhidzirai and Tanga (2020) conclude that while the Government is implementing several social assistance programmes to address the plight of street children, these have not been effective as street children still do not have access to education.

Workers in the informal economy, and well as others, are also excluded from existing schemes in Zimbabwe (Dafuleya, 2020; Nyabeze and Chikoko, 2021; Nyabeze et al., 2022). These groups are thus vulnerable to shocks across the life cycle. Hungwe (2022) finds that there is widespread vulnerability and poverty in the lives of older people owing to inadequate, poorly targeted, and underfunded social safety nets and social care services, leading Matutu and Botchway (2022) to propose that Zimbabwe should adopt a "Prioritized and Targeted Social Protection" framework.[19] This, they believe, will be effective for the special needs of elderly people. The debate about whether to direct resources to the most

19. PTSP emphasizes the need for interventions that are highly targeted to specific populations and their vulnerabilities.

vulnerable or to ensure everyone has access to essential social services and income security as a fundamental right, rather than as a form of charity, remains lively across different actors in the social protection sphere, particularly regarding financing. Barrantes (2020) argues that human rights considerations have a fundamental role in building inclusive social protection systems across the life cycle – in line with commitments to United Nations Sustainable Development Goals Agenda 2030 – as they move the focus from the ad-hoc targeting of the "poorest of the poor" towards ensuring the right to social protection for all.

Lack of demonstrated political commitment

Political will and the allocation of resources for social protection are essential components of social protection initiatives. Six out of 27 studies (Dhemba, 2018; Hungwe, 2022; Kurevakwesu et al., 2022; Mupedziswa, 2018; Devereux, 2017; Chikoko et al., 2021) explicitly make this claim, indicating that despite policies there is a lack of political will to transform policies into action. In addition to the literature, the Government recognizes the implementation challenge:

> "Social assistance in Zimbabwe is facing a huge challenge. But there is a choice: to continue as is and risk the system collapsing, or to try push for a more fundamental reform" (MoPSLSW et al., 2019, p.iii).

A more recent World Bank study pinpointed the same challenge:

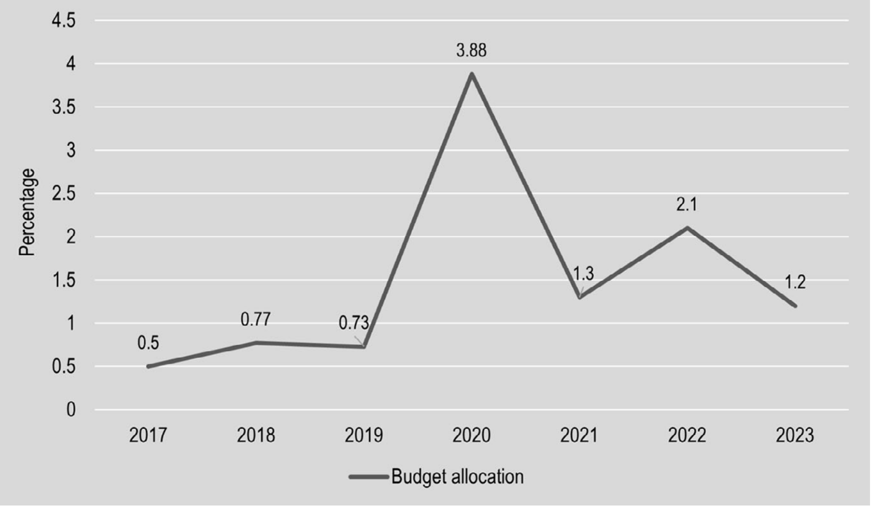
> "Compared to other countries in the region, Zimbabwe's social protection sector is underfunded … The sector was heavily reliant on donor funding in the past, but with donors having pulled out from funding government programmes in recent years, social protection programmes are increasingly underfunded and unable to meet the rising needs of Zimbabwe's poor and vulnerable" (World Bank, 2022a, p. 104).

The World Bank report that 11 per cent of Zimbabwe's population receive social assistance, which is lower than the regional average of 16 per cent (World Bank, 2022a; Dafuleya, 2020).

Figure 4 illustrates national budget allocation trends for social protection in Zimbabwe over seven years.

When politicians are well intended (political will), financing options are always identified (Ortiz et al., 2016). Importantly, Devereux and Kapingidza (2020) highlight that the development of Zimbabwe's current policy framework was funded by donors, in a process that fell short of government ownership. A

Figure 4. *Percentage budget allocation for social protection, 2017–2023*



Source: Zimbabwe Coalition on Debt and Development (2022, p. 7).

government social protection sector review also confirms this assertion, highlighting that HSCT was introduced in 2011 largely at the "instigation of the development partners" (MoPSLSW et al., 2019).

Anomalies regarding the right to social protection signal the need for a revival of the social contract

A social contract is an implicit agreement between the people and their government, typically involving the government providing certain services, such as meeting basic needs and enabling equitable resource distribution, while citizens agree to pay taxes and obey laws (Huemer, 2013; Rawls,1971; Shah, 2022). The literature (ILO, 2013; Hickey, 2011; Lavers and Hickey, 2015) emphasizes the role of social contracts in shaping social protection schemes. The type of social contract adopted influences programme design, highlighting the need for governance and institutional frameworks to build trust in proposed social protection systems. In Zimbabwe, social protection is not viewed as a justiciable right,[20] despite being clearly outlined in the Constitution (Devereux, 2017; Dafuleya, 2020; Mathende and Nhapi, 2018; Chinyoka, 2017).

20. Justiciable rights means that when violations have occurred, there exists a right to an effective remedy (in this case, a judicial or quasi-judicial remedy).

In a regional study assessing social assistance before and during the COVID-19 pandemic in the Southern African Development Community, Dafuleya (2020) observed that Zimbabwe clearly specifies the right to social protection but the right lacks "justiciability and enforceability", meaning that the ethical drivers of its provision are not rights-based. The existence of such constitutional stipulation can provide an opportunity for citizens to hold government to account (Kaltenborn et al., 2017). Efforts to embed human rights approaches take time and require a culturally appropriate and safe way for citizens to easily claim their entitlements. Some countries put in place ombudsman or complaints mechanisms to monitor progress and rights violations, as well as establishing a social protection engagement forum. The role of civil society in raising awareness of entitlements has been demonstrated in other contexts where civil society has proven to be an effective player in social protection advocacy (Ortiz et al., 2016). For example, in Tunisia, the existence of the National Council for Social Dialogue amplified the role of Civil Society Organisations (CSOs) in social protection policy formation thus allowing CSOs to advance the agenda for legislative reforms, particularly for women in rural areas and agricultural workers (Geary et al., 2022). In Bolivia, between 1991 and 2001, social protection policy reforms were in part made possible due to several years of advocacy work by NGOs and activists (Geary et al., 2022). Enhancing public awareness and understanding of the commitments outlined in the NSPPF is thus necessary for fulfilling the social contract.

Reflections on the NSPPF

As a policy, the NSPPF stands at the crossroads and can still present good social policy direction, even if challenges – such as poor delivery mechanisms, unpredictable delivery and a general lack of political will – can be identified as undermining the social contract. While implementing social protection programmes inevitably involves trials, and no programme is without challenges (Mupedziswa, 2018), initial political will is essential to drive service delivery improvements and system reconfiguration in Zimbabwe. Pro-poor social assistance programmes exist, and the Government can improve targeting, even without additional fiscal commitment. That said, increasing coverage and transfer size, which will imply more fiscal commitment, is equally important (Dhiraj, 2022).

In terms of funding, Devereux and Kapingidza (2020) show that external agency funding for the NSPPF gave funders and donors unprecedented power to play an influencing and oversight role, leaving the MoPSLSW to provide implementation structures alone. We argue that Zimbabwe should look for more domestic solutions, especially financing for social assistance programmes, eliminating the challenges associated with external funding (Hickey, 2011; De Waal,1997; Kidd et al., 2020; ILO and UNICEF, 2023). Such an exercise could help with alignment to the principles espoused in ILO Recommendation No. 202 (ILO, 2012) for the sustainable development of national social protection floors financed by national resources (Ortiz et al., 2016), with government ownership. We argue that the lack of political will partly explains the reasons why, despite existing policies, implementation remains weak in Zimbabwe.

A prioritization of social protection on the national agenda is required. Such a push should be underpinned by ILO Recommendation No. 202, which emphasizes national ownership and the importance of national strategies for social protection extension formulated through social dialogue (Irish Aid, 2017; ILO and UNICEF, 2023). However, dialogue is a by-product of a viable civic space. Hence, another focus in Zimbabwe should be to strengthen human rights institutions to ensure that citizens and civil society can effectively engage with the Government concerning the implementation of social protection policies. As Barrantes (2020) notes, a human rights focus recognizes the importance of process, and not only the policy outcomes. There is currently limited space for civil society (Dendere and Taodzera, 2023; Southern African Institute of International Affairs, 2021) in Zimbabwe.

It is important for Zimbabwe to assess the future role of international organizations and donors, and to clearly define their place within the social protection landscape. Holmes and Lwanga-Ntale (2012) observe that the pattern of social protection provision in Africa reflects colonial preferences and considerations, and they are clearly interlinked with the geography and the overall colonial history of the continent (Holmes and Lwanga-Ntale, 2012, p. 19; Kidd et al., 2020; Mkandawire, 2016; Seekings, 2020; De Waal, 1997, cited in Hickey, 2011). In some scenarios, differences in approaches and the need to push the agendas of donors has produced challenges in developing national models for social protection. In Nepal, for example, differing interests held by development institutions were the main barrier in moving the social protection agenda forward (Roelen and Karki, 2016; Kaltenborn et al., 2017). Donors may differ in their philosophies, for instance Sibun (2022) highlights that the World Bank's poverty targeting approach is not in line with the principles of ILO Recommendation No. 202 (ILO, 2012). In the context of Zimbabwe, Devereux and Kapingidza (2020) observe that the policy space regarding the design of the NSPPF was contentious, with different external actors attempting to impose ideas on how best to extend social protection. Examining the involvement and role of international organizations should be used to question blueprint approaches and encourage the incorporation of local contexts, expertise, and knowledge, and the need for an ideological shift to "Africanize" social protection (Mpedi, 2018).

Finally, it can also be argued that the NSPPF requires updating to align it with emerging risks such as climate change, epidemics, and inflation. Our analysis highlights a social protection and climate change research gap in Zimbabwe, with limited focus on shock responsive social protection as a concept. Opportunities for transforming and adapting Zimbabwe's social protection system towards a shock responsive agenda are many. For example, the Department of Social Development's role in implementing programmes that respond to crises such as the Food Deficit Mitigation (FDM) programme and their response to the COVID-19 pandemic could be harnessed (Zimbabwe Red Cross Society, 2021). In addition to responding to climate-related impacts, such as smoothing consumption during periods of food insecurity, social assistance programmes could serve as a means to achieve adaptation goals in Zimbabwe, to implement proactive and supportive programme to achieve preventive climate-smart practices. Paid employment schemes demonstrate potential for promoting effective ecosystem stewardship. However, such schemes require reform to institutional systems to enable the inclusion of both social and environmental objectives (Norton et al., 2020, p. 1).

Our findings indicate the broader challenges faced in designing and implementing social protection programmes including social protection financing; the role of human rights institutions in the context of social protection and its sustainability; strategies for effectively facilitating household and individual exit from poverty; and the role of political leadership and the influence of donors in social policy formulation in Zimbabwe. Building on the theorization of Beegle et al. (2018), we conclude that decisive shifts must occur within the institutional, political, and fiscal spheres if social protection programmes are to yield significant social change in Zimbabwe. Beegle et al. (2018) observe that harnessing the political impacts of safety nets is key in promoting their sustainability and for stimulating political appetite. In this regard, civil society (in its broad nature) should collate and present these positive political impacts to influence social policy.[21] For this to happen, more awareness of the potential of social protection is required, accompanied by an acknowledgement of its value as a human right for all. While we focused on Zimbabwe, our review has an overarching relevance to other countries facing similar challenges, particularly those from the Global South. Accordingly, we emphasize the necessity of the following:

- **Sustainable financing:** Establish transparent and accountable financing mechanisms, using revenue from natural resources and taxation to ensure the long-term sustainability of social protection programmes (Coady and Le, 2020; Sánchez and Goda, 2018). This should include the putting into place of transparency and accountability systems to address fiscal redistribution challenges.
- **Citizen engagement:** While government plays a central role in social protection, citizens and civil society must actively advocate for the better financing and

implementation of inclusive social protective measures. Establishing platforms to enhance citizens political agency and to enable to redress systems are vital for raising awareness about social protection entitlements and making governments accountable.

- **Exit strategies:** In a context of limited fiscal space for social protection, as is the case for many African countries (ILO, 2022), frameworks are required to outline how beneficiaries can "graduate" out of assistance without falling back into poverty (Barrientos, 2014; García and Gruat, 2003). Strategically designed frameworks supporting poverty exit are required to measure programme impact towards poverty reduction.

Conclusions

In this review, we have synthesized literature published between 2016–2023. We assessed the challenges and prospects for government-led social protection after the enactment of the National Social Protection Policy Framework in Zimbabwe. Our synthesis underscores the role of social protection in tackling vulnerability and poverty. We observe that there is mixed evidence on the performance of programmes in Zimbabwe, with some evidence of how the HSCT has positively impacted the lives of beneficiaries from promoting access to education to ensuring food security. However, in general government-run social assistance programmes still face the same problems that the National Policy sought to alleviate (e.g. inconsistent disbursement of transfers, lack of coordination across schemes, etc.). We emphasize the importance of revisiting the design of individual programmes to address the factors impacting their performance. Additionally, there is a need for a robust framework to facilitate effective poverty exit strategies in Zimbabwe.

Despite having sound social policies since the 1990s, there is poor implementation. Establishing platforms such as grievance and redress systems, as well as social protection forums, may enable citizens to demand or advocate for inclusive social protection programmes, potentially transforming the social contract by promoting accountability. Designing programmes with input from those experiencing poverty would be beneficial, especially if supported by a renewed social contract.

Looking ahead, social protection programmes will likely need to prioritize resilience building and better targeting of vulnerable groups, particularly those in the informal economy. Any future reviews of the NSPPF could consider including those affected by climate-induced migration and the needs of informal-economy workers and street children. How to provide spaces for active citizenship engagement is also imperative. Further studies on public finance management in social protection and identifying fiscal space for social protection would be beneficial for decision makers. Finally, our review emphasizes the importance of a stronger focus on the NSPPF, and what it promises to deliver.

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Supporting information

Additional supporting information may be found online in the Supporting Information section at the end of the article.

Reforming the Dutch pension system to ensure sustainability

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Abstract The Netherlands is on the brink of reforming its system of occupational pensions as part of a more general reform of its three-pillar pension system. This reform features important changes to first pillar pension benefits. The focus of this article is however on the coming reform of occupational pensions, the second pillar of the system, which concerns both pension contributions and benefits. This reform is related to a series of reforms that have gradually transformed the pension contract that was dominant 20 years ago, a final salary defined benefit contract, into a collective defined contribution contract. We argue that these reforms are a response to changes in the external environment, such as population ageing and a secular decline of interest rates. The coming reform responds to the call for a pension scheme that is more individualistic, more closely connected to the labour market, and which does not share interest rate risks between generations. The New Pension Contract remains in part collective, since the assets of participants are invested collectively, and a mandatory solidarity fund can be used for intergenerational risk sharing.

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Keywords pension scheme, reform, defined benefit, defined contribution, ageing, interest rate, The Netherlands

Introduction

After about ten years of debate, the national government and representatives of employers and employees ("the social partners") in the Netherlands have reached agreement on how to reform the system of occupational pensions.[1] This article presents an overview of reforms in the Dutch pension fund sector over time with a distinction between past reforms and the coming reform.[2]

The New Pension Contract, as it is called, can be qualified as a collective defined contribution (CDC) plan: participation and contribution and investment plans are organized collectively, while the pension benefit guarantees that are characteristic of the current pension system will be abandoned. This reform can be related to a series of reforms. Starting in the late 1990s, the Netherlands moved to stable contribution rate policies, shifted from final-pay to average-pay contracts, introduced fair-value accounting and indexation ladders, and launched options to match pensions more to individual preferences. In retrospect, the Netherlands has transformed the final salary defined benefit (DB) pension contract, step by step, into what we call a hybrid defined benefit (HDB) contract. In this contract, pension benefits relate to the accruals, as is the case in a pure DB scheme. The indexation of benefits against price inflation depends on the financial position of the pension fund however (driven to a large extent by financial markets), as is the case in a pure defined contribution (DC) scheme. The adoption of the New Pension Contract in the most recent reform, according to which pension benefits are fully determined by contributions and returns on financial markets, will transform this HDB contract into a CDC contract.

Compared with other countries such as the United States of America and the United Kingdom, the Dutch scheme has retained important collective components, in particular mandatory participation and the decision-making power of social

1. In June 2019, an agreement was reached (see Ministry of SAE, 2019) and, in June 2020, this agreement was fleshed out in greater detail (Ministry of SAE, 2020). In December 2022, the House of Representatives adopted the law; the Senate did the same as of May 2023. The Law Future Pensions then came into effect on 1 July 2023. This includes a transition period ending 1 January 2028, during which all pension funds will have to transform their pension schemes.

2. The coming reform does not only concern second-pillar occupational pensions, but also the first pillar of the pension system. We will discuss changes in first-pillar pension benefits in the section on the New Pension Contract. To focus our analysis of the second pillar, we cannot discuss all details of the pension reform. Hence, we abstract from disability and survivor benefits, as well as the changes that will occur in current individual defined contribution schemes.

partners in defining contribution rates, the life-cycle asset mix and the benefit profile in the retirement phase. As the planned reform will introduce some non-collective elements into a collective scheme, the Dutch scheme also has become more similar with schemes in other countries. At the same time, the coming Dutch reform is unique in the world, making it an interesting experiment for other countries to observe.

The article relates these reforms to demographic and economic developments, particularly the ageing of the population and the worldwide decline in interest rates. The reforms in the Netherlands fit also into an international trend. As we will discuss in detail, many countries converted their DB schemes into DC schemes (Holzmann, 2013). What distinguishes the Dutch system from that found in many other countries is its collective character.

The article also relates to the literature on pension financialization (van der Zwan, 2017). Liukko, Doyle and Lehtonen (2023) use this term to describe pension reform that increases the role of funding relative to pay-as-you-go (PAYG), that shifts investments towards risky investments, that transforms DB schemes into DC schemes, and that shifts risks from the collective level to the individual level. The developments in the Netherlands connect to this pension financialization as the reliance on funding has increased and pension plans have been transformed in the direction of DC schemes. Unlike the pension reforms that are referred to in the pension financialization literature, pension plans have remained mainly collective in the Netherlands, however.

The article is structured as follows. Next, we overview the pension reforms that have occurred worldwide, which helps to put the Dutch pension reform process in the perspective of common global trends. We then describe the Dutch second pillar as part of a three-pillar pension scheme, analyse previous policy reforms and then discuss the current reform before offering conclusions.

Pension reform across the world

Pension reform is everywhere and ongoing: it is difficult to find any country that has not either reformed its pension schemes or is not discussing a future reform. These reforms occur along many dimensions. The financing mechanism of pensions can be organized as PAYG or use funding. Pensions can take the form of DB or DC or be hybrid. Further, they can be more collective or more individualistic in nature, dependent on the number of aspects of pensions about which individual members can make their own decisions (such as participation, investment portfolio, among others).

Bonenkamp et al. (2017) classify different types of pension reform. Chile in 1981 took a bold step to replace an unfunded DB plan by funded DC schemes. The Chilean example was followed by many countries in Latin America (Fong and Leibrecht, 2020). Another group of countries continued to organize their pension schemes as unfunded schemes but transformed their pensions from DB to DC. Among others, examples of such unfunded DC schemes, also known as notional DC schemes, are found in Italy, Latvia, Poland and Sweden. A third group of countries that were characterized in large part by funded workplace-related pension plans have moved from DB to individual DC (IDC). Australia, the United Kingdom and the United States are three examples. Finally, one can identify as a separate group of countries those that have replaced their funded DB schemes with CDC schemes with risk sharing. Examples are Canada and Denmark and, with the recent reform described in this article, the Netherlands.

There are important differences between all these cases, but one common element stands out: the move towards DC. Fong and Leibrecht (2020) list 31 countries in Central Asia, Europe and Latin America that have transformed their pensions schemes into DC schemes. Importantly, the move from DB to DC implies a change of risk absorber. In a DB scheme, unexpected changes in longevity, inflation, interest rates and equity returns are absorbed by contributions, paid by active workers, firms or both. In a DC scheme, the retirees are the ones who must absorb these risks.

Rauh, Stefanescu and Zeldes (2020) identify three reasons for the shift from DB to DC in workplace pension plans. First, fair valuation accounting principles require a company, as the ultimate risk bearer of its DB plan, to reflect any surplus or deficit of the pension fund position on its balance sheet. Transitioning to a DC plan has freed companies from exposure to volatile equity markets via their pension fund. Second, since the early 1980s, DB plans witnessed a continuous increase in the economic burden of their pension liabilities due to increasing longevity risk and the steady decline in nominal and real interest rates. Third, participants in a pension plan might attach increasing value to the flexibility and the control over retirement wealth and spending decisions that a DC plan provides.

Population ageing and maturing participants of pension plans help to explain the shift from DB to DC. Ageing directly increases the burden of pension liabilities. Ageing may also play an indirect role as many have held it responsible for the decline in interest rates during the last four decades (Carvalho, Ferrero and Nechio, 2016; Eggertsson, Mehrotra and Robbins, 2019). It is more speculative to attribute the adoption of fair valuation accounting principles to ageing, but it is true that such a reform is more important if the economy is subject to large changes. It is even more speculative to relate shifts in preferences to ageing, unless one would argue that older people tend to give higher priority than younger people to flexibility and control.

Bonenkamp et al. (2017) also refer to population ageing when they consider the shift towards DC. They argue that in a DB scheme, working generations share risks (capital market risks and longevity risk) that in the absence of risk sharing would be borne entirely by the elderly. If the number of retirees vis-à-vis workers increases, the income of workers net of contributions to the pension scheme becomes more uncertain. This induces a benevolent social planner to reduce the degree of intergenerational risk sharing.

Some other literature confirms the role of demography in driving pension reform. Munnell, Aubry and Cafarelli (2014) analyse the determinants of reforms that introduce a DC system. They find that, among others, unfunded pension liabilities and the generosity of pension plans are important factors. One can again identify a link with ageing, as ageing increases pension liabilities, and generous pension plans may become more problematic if the number of retirees grows. St. Clair and Guzman (2018) stress the role of the volatility of pension contributions. Again, it is easy to present a link with population ageing, although other factors determine the volatility of these contributions as well.

Beetsma et al. (2020) find that demographic trends such as ageing can explain general reform trends in a country. They cannot find a link between the timing of reform measures and demographic change, however. Business cycle indicators are found to have a more significant effect on the timing of reform measures. Müller (2001) takes a different perspective: she finds that political factors can make the distinction between radical pension reform, as in Hungary and Poland, and more cautious pension reform, as in the Czech Republic. Fong and Leibrecht (2020) find that the introduction of a DC system is more likely when a country features strong globalization growth or when it has suffered from a severe economic crisis. Demographic factors are important as well, however. A smaller share of working-age persons reduces the time to implement a reform.

Dutch pension institutions

This section sketches the main features of the Dutch three-pillar pension system, with a focus on the second pillar, the system of supplementary pensions.

The Dutch three-pillar system

The Dutch pension system consists of three pillars. The first pillar, the *Algemene Ouderdomswet* (AOW), is a government-provided basic pension. It is an obligatory insurance that provides all citizens with a life-long pension as from the retirement date. Benefits are independent of income and eligibility is not means tested; instead, the benefit level depends on the number of years that the recipient has resided in the Netherlands. The second pillar concerns (semi-) obligatory occupational pensions. These cover the employees of firms within an industrial sector (industry-wide pension funds), the employees of a specific firm (company pension funds), or workers with the same type of job (occupational pension funds). Benefits depend upon individual contributions, but the financial position of the fund also plays a role. The third pillar includes supplementary pensions that are unrelated to industry, firm or job type. These pensions are arranged on an individual voluntary basis.

The second pillar

The Dutch second-pillar scheme features a variety of contracts, including final-salary DB contracts, average-salary DB contracts, and IDC contracts. The average-salary DB contract is by far the most common type, with a market share of 88.4 per cent (DNB, 2021b) in terms of number of participants. Hereafter, we will focus mainly on this type of contract. Before doing so, a caveat is necessary on the terminology used. The benefit of the average-salary DB contract is not unconditionally defined. There is indexation against price inflation, but this is subject to conditions, and in extreme circumstances pension benefits may even be lowered in nominal terms. We therefore refer to this average-salary DB contract as a HDB contract.

Funding. The financing of second-pillar pensions is based on contributions paid. Given the size of the second pillar in the Netherlands, Dutch pension funds hold very high amounts of financial assets. In fact, in 2019 the combined assets of financial institutions that provide pensions amounted to some 1,900 billion euros (EUR), more than twice the Dutch GDP (CPB, 2021; DNB, 2021e; own calculations).[3] In an international perspective, Dutch pension assets in terms of GDP are the highest or next to highest in the world.[4]

Coverage. The second-pillar scheme does not feature full coverage, for two reasons. First, as indicated above, the arrangements for supplementary pensions are semi-obligatory: if offered a pension contract by their employer, workers are automatically enrolled. Still, there are workers who do not participate in a second-pillar pension contract. This can occur when an employer is not covered by an industry-wide or occupational arrangement and chooses not to offer

3. In 2019, GDP amounted to 820 billion euros (EUR) (CPB, 2021).
4. According to OECD (2019), Dutch pension wealth in terms of GDP was 173.3 per cent, which is lower than our own estimate. The difference in numbers may be due to the year of estimation and the inclusion of insurers in the number.

(part of) its workforce a pension contract (Giesen, Engelen and Menger, 2017). According to the Ministry of Social Affairs and Employment (MSAE, 2018), about 13 per cent of salaried workers (about 850,000 persons) do not participate in a pension contract.

Second, the last ten years have featured a spectacular increase in the number of self-employed workers, representing about 1.4 million persons in 2017 (CBS, 2018).[5] These self-employed workers are not covered by second-pillar schemes unless they worked on a salaried basis before becoming self-employed and were given the opportunity to stay with their previous pension plan. One study has estimated that around 200,000 self-employed persons do not accumulate any second-pillar pension (MSAE, 2018).

Collectivity. The collective nature of the average-salary based HDB plan implies redistribution between persons with different mortality characteristics: redistribution from the lower-educated to the higher-educated; and from males to females. Moreover, under the present system of uniformity pricing, i.e., the combination of age-independent contribution and accrual rates, it also implies redistribution from younger to older workers. Traditionally, the Dutch system offers fewer possibilities for individual participants to choose alternative arrangements than found in many other countries (García-Huítron and Ponds, 2016). Options for individual participants to choose another pension provider, another investment strategy, or a different contribution profile do not exist. Pensions should be paid out on an annuity basis; lump-sum payouts are not allowed. However, the payout phase has become somewhat more flexible over time. We will return to this point.

Risk sharing between generations. An important feature of the HDB contract is that it allows for risk sharing between different generations. Risks are shared fully or partly with other generations by lowering or increasing the funding ratio of the pension fund (the financial wealth of the pension fund relative to current and future pension entitlements). Many researchers see intergenerational risk sharing as one of the cornerstones of collective pension systems (Barr, 2012; Hinz, 2012), and, in theory, this type of risk sharing is generally welfare-increasing when viewed from an ex-ante perspective.[6]

5. See CBS Statline open data website.
6. The result even holds true when adverse effects upon the labour market are taken into account (Bonenkamp and Westerhout, 2014).

The turbulent 2000–2019 period

On several occasions during the past two decades, pension contracts underwent restructuring. Overall, this restructuring led to gradual change in the nature of the pension contract, from a traditional DB plan to a HDB plan. Three driving forces for these changes over time can be discerned: first, the growing maturity of pension funds; second, the growing burden of defined benefits, due to the combined effect of the increase in longevity and the steady drop in interest rates; and, third, the introduction of fair valuation principles brought by the overhaul of pension fund regulations in 2007, with stricter rules to ensure that low funding ratios were of an acceptable level and not too low.

Growing maturity of pension funds: Erosion of the risk-bearing base

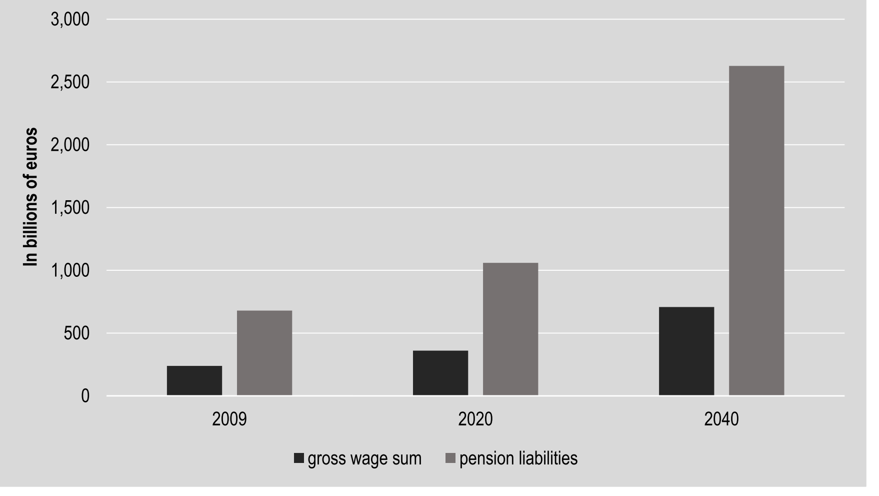
In the 1950s, Dutch pension plans were set up as final-salary DB plans, similar to those found in the United Kingdom and the United States (Ponds and Steenkamp, 2000). In these two countries, private-sector plans were gradually replaced by IDC pension plans in the 1980s and 1990s (Baily and Kirkegaard, 2009). In the Netherlands, most pension plans continued to be structured as DB plans until 2004. Nonetheless, stakeholders in the Netherlands became increasingly concerned that, over time, DB plans would become unsustainable. This was deemed to be so because, first, over time pension funds become more mature and, second, life expectancy was increasing more than had been previously expected. Hence, pension entitlements had grown much faster than the contribution base. Figure 1 displays the growth in pension entitlements and aggregate wage income in the Netherlands, as was projected in 2010 (Goudswaard et al., 2010).

Due to the relative increase in the number of retirees versus the number of workers, the pension contribution rate became a less effective instrument to cope with the ageing of pension funds and with financial shocks (Westerhout et al., 2004). This led pension funds to look for alternative ways to cope with large combined shocks.

Introducing conditional indexation

In 2000–2002, equity markets collapsed, which led to a worsening of the financial position of pension funds. In response, pension funds implemented two changes in 2004. They introduced conditional indexation and transformed final-salary plans into average-salary plans.

Figure 1. *Aggregate pension liabilities and wage income of Dutch pension funds, 2009–2040*



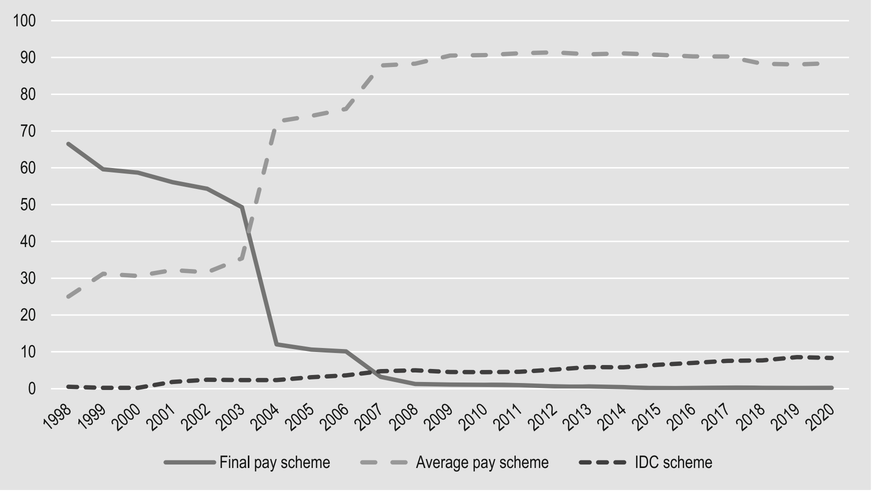
Source: Westerhout et al. (2004).

The conditional character of the indexation of pension benefits implied that indexation relates to the financial position of the pension fund. Often, this was made explicit by a so-called indexation ladder (Ponds and Van Riel, 2009). The indexation ladder establishes that full indexation is applied when the funding ratio exceeds a defined threshold, that no indexation is applied when the funding ratio has fallen below a defined threshold, and that partial indexation is applied when the funding ratio lies between the lower and upper thresholds.[7]

The transition from final-salary plans to average-salary plans extended the scope of conditional indexation. Figure 2 illustrates the quick transition from final-salary DB contracts into average-salary DB contracts that took place. In the year 2000, just before the "dotcom" crisis, the market share of the average-salary contract was only 30.6 per cent, whereas the final-salary DB contract held a share of 58.7 per cent. In 2020, the corresponding market shares were 88.4 per cent and 0.2 per cent, respectively. Figure 2 also shows a slow but steady rise in the market share of IDC schemes.

7. Since the revision of the financial assessment framework in 2015, the lower threshold is 110 per cent and the upper threshold is 125 per cent. The ladder also requires catch-up indexation, meaning that lost indexation will be recouped when the financial position of the pension funds has recovered.

Figure 2. *Market share of different types of pension contracts*



Note: The data up to and including 2006 do not necessarily match with those from 2007 onwards. *Source*: DNB (2021a, 2021b), market shares measured in terms of numbers of participants (percentages).

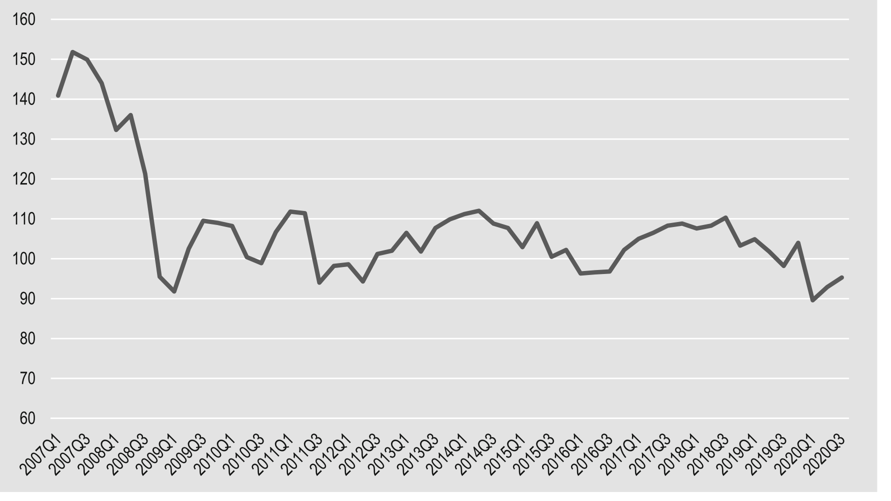
Growing burden on sponsoring companies: Introduction of fair value principles in pension supervision

In 2007, the Dutch government introduced the Financial Assessment Framework (*Financieel Toetsingskader* – FTK). This replaced the so-called actuarial approach to assess the value of pension liabilities with the principle of fair or market value valuation. Under the actuarial approach, a fixed 4 per cent discount rate was used to establish the value of pension liabilities (Ponds and Steenkamp, 2000), whereas under the fair-valuation approach, the term structure of interest rates was used for that purpose. The fair-valuation method therefore gives a more objective or market-based assessment of the solvency of pension funds and of the risks associated with promised pension benefits.

The new pension accounting rules (cf. FRS 17/IAS 19/FAS 87) also prescribed full integration of the balance sheet of the pension fund with that of the sponsoring company. Therefore, under the new rules, the financial position of the pension fund started to have a direct and very substantial impact on the value of the sponsor.

In response, some companies started to restructure their pension plans to DC plans to shift pension risks explicitly to plan members. The pension risks were

Figure 3. *Average funding ratio of Dutch pension funds*



Source: DNB (2021c), average coverage ratio based on market information (in percentage terms).

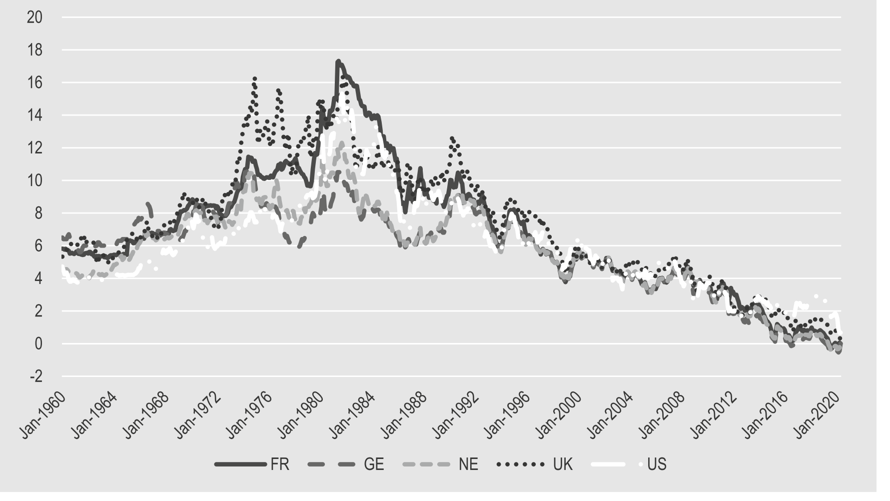
thus wiped from their balance sheets.[8] Contrary to companies in the United Kingdom and United States (Baily and Kirkegaard, 2009), Dutch firms preferred to adapt to HDC plans rather than to IDC plans (Swinkels, 2011). In both cases, CDC or IDC, contribution rates became fixed at a level that covered the fair value of new pension entitlements. The new practice implied the elimination of risk sharing between employer and employees. Often, companies paid considerable sums to their pension funds to buy off their stake in the risk bearing situation (Hoevenaars, Kocken and Ponds, 2009).

Declining interest rates and funding ratios

Still, the reforms as discussed above were insufficient to improve the financial position of pension funds. Figure 3 shows the average funding ratio of Dutch pension funds.[9] It indicates that the average funding ratio dropped sharply in 2008 and that it stabilized subsequently at a much lower level for more than a decade. Among the factors that explain this development were the worldwide crash of equity markets in 2008 and a series of increases in longevity. However,

8. Jin, Merton and Bodie (2006) show empirically that the equity risk of firms in the United States, as measured by beta from the capital asset pricing model, reflects the risk of their pension plans, despite the accounting rules for pensions.
9. Figure 3 is not representative for individual funds. Pension funds are very heterogeneous in terms of, for example, their portfolio share of equity and their hedging of interest rate risks (OECD, 2010).

Figure 4. *10-year nominal interest rates in some major industrialized countries*



Note: FR = France, GE = Germany, NE = The Netherlands, UK = United Kingdom, US = United States
Source: OECD (2020a).

the most important factor by far was the trend decline in interest rates. The risk-free rate, which is the rate that the Dutch supervisory authorities require pension funds to use for discounting pension liabilities, fell sharply, to a level of about zero per cent for bonds with a maturity of ten years (see Figure 4 for the development of the nominal interest rate in selected countries).

We can use data from DNB (2021c), DNB (2021d) and DNB (2021e) to quantify the developments of pension assets and pension liabilities. Between 2007 and 2020,[10] the aggregate financial wealth of pension funds grew at an annual rate of 6.7 per cent. In real terms, the annual return on pension assets in the 2004–2019 period was 4.8 per cent, which is better than that for most other Member countries of the Organisation for Economic Co-operation and Development (OECD) (OECD, 2020b). Aggregate pension liabilities grew faster, however. We calculate an annual growth rate of 10.1 per cent. This is primarily due to the drop in interest rates, a phenomenon, which as Figure 4 shows, has been observed for more than three decades.[11] As a result, the average funding

10. Aggregate pension assets for Q4 are not available at the time of writing. We proxy the number by using the number for Q3.

11. Correcting the increase in pension liabilities for the increase in life expectancy in the same period does not seem to alter the number fundamentally. To get an indicative value, we use data on life expectancy at age 65 in 2007 and 2020 (CBS, 2020) and calculate an annual increase in life expectancy of 0.3 per cent per year. Hence, the annual increase in pension liabilities not caused by the increase in life expectancy amounts to 9.8 per cent.

ratio dropped from 144 per cent in 2007 to 95 per cent in 2020.[12] Although pension funds reacted by increasing their contribution rates, by reducing the indexation of pension benefits to price inflation and by even implementing nominal pension cuts, these measures proved to be insufficient.

The decline of interest rates also caused redistribution from older workers and retirees towards younger workers. The present value of liabilities of younger workers is (much) more sensitive to changes of interest rates than that of retirees. As we will discuss later, this is one of the issues that the coming pension reform aims to solve.

Changing the supervisory framework

At the beginning of the 2010s, the situation took a turn for the worse. Given that the average funding ratio hovered around 100 per cent, many pension funds were not allowed to index their pension benefits with inflation. Some pension funds even had to apply a cut in nominal pensions, due to their inadequate financial position. Hence, the purchasing power of retirees decreased substantially.

In 2015, the Dutch government changed the supervisory framework that had been introduced along with the new pension act in 2007: the new Financial Assessment Framework (nFTK). The nFTK aimed at achieving two goals: first, to avoid abrupt large nominal cuts in benefits and, second, to avoid a too slow recovery from an inadequate financial position. In its evaluation three-years later, Willis Towers Watson (2018) concluded that the nFTK had been quite successful in achieving the first goal. Following the adjustment of the framework, nominal cuts had hardly been applied. Without this adjustment, nominal cuts would have been more frequent and, on average, larger in size. Concerning the second goal, the report was more critical. Overall, the recovery of the financial position could have been faster, which would have benefited the younger generations.

Regardless, the nFTK did not halt the financial problems of pension funds. In 2019, many funds would have had to apply cuts because their funding ratios were below the minimally required level for five consecutive years, despite pension benefits having not risen to compensate for inflation for about a decade. The government prevented this from happening by deciding to extend the assessment period, in a once-only move, to six years. One year later, in 2020, a further decline of interest rates aggravated the financial position of pension funds. Nominal cuts at the end of the year were forthcoming, but again the government took action. Before the end of 2020, the government decided to temporarily lower the minimally required funding ratio from about 105 per cent

12. A calculation for the 2007–2017 period yields similar results (Westerhout, 2020).

to 90 per cent. Large-scale nominal cuts were avoided.[13] Parallel to an ongoing debate about a reform of occupational pensions, these one-off government measures made clear that a more fundamental reform was necessary.

The New Pension Contract

Given that pension funds were unable to restore their financial position to healthy levels, despite the introduction of new policy instruments, it is not surprising that the social partners and the government finally succeeded in agreeing on further reform of the pension system.[14] The reform is not limited to the second pillar, however. Indeed, a change in the first-pillar pension benefits is also part of the agreement. The reason was dissatisfaction with the law that stipulated that a one-year increase in life expectancy at age 65 would imply a one-year increase of the AOW state pension retirement age. This law had been passed in 2012 to solve the problem of an ageing Dutch population. Given that AOW pensions are financed on a PAYG basis, life expectancy gains were foreseen as creating severe challenges for the government budget.

In their agreement on the New Pension Contract, the government and social partners agreed to decelerate the increase of the AOW retirement age. They agreed to lower the unconditional increase of the AOW retirement age up to 2024 and to lower the extent to which from 2024 a one-year increase in life expectancy would translate into an automatic increase of the AOW retirement age: from 12 months to 8 months. This one-year to 2/3-year relation maintains the current balance between the duration of working life and retirement; the former one-to-one relation would have shifted this balance towards working life.

As regards second-pillar pensions, the New Pension Contract contains three elements: the transformation of pension entitlements into pension expectations, the abolishment of uniformity pricing, and the introduction of the option to receive a lump-sum payment upon retirement. We discuss these in reverse order.

Before having decided on the New Pension Contract, the government and the social partners held long discussions about an alternative pension contract (Zwaneveld et al., 2019). The main difference with the final New Pension Contract was that in this alternative pension contract, interest rate shocks and shocks in assets values were shared uniformly among generations. Also, the alternative pension contract lacked a solidarity fund, which allows for targeted intergenerational risk sharing. Eliminating the uniform sharing of risk of interest

13. Most pension funds do not need to apply a nominal cut because the funding ratio is at or above the lower limit of 90 per cent.

14. There is a long tradition in the Netherlands of cooperation between the government and social partners. Denmark and Finland also attach an important role to social partners (Hougaard Jensen et al., 2020).

rate shocks, the ability to have cohort specific investment strategies and the wish to have more clearly defined individual pension wealth accounts, were the main arguments to choose for the New Pension Contract rather than the alternative pension contract.

More flexibility in the pay-out phase

As we have discussed, the Dutch contract is collective from an international perspective. It is mandatory, it does not allow members to choose their provider, contributions and asset mix are uniform for all members, and there is no possibility to receive pension assets as a lump sum upon retirement (García-Huítron and Ponds, 2016). The 2007 reform introduced some options for retirees. Under certain conditions, they can shift forward or backward the retirement date, they can opt for a “part-time pension”,[15] and can modify the default flat profile of pension benefits into either a high-low profile or a low-high profile.

The New Pension Contract adds one element of flexibility. It allows participants at the retirement date to opt to receive a lump-sum payout of up to a maximum of 10 per cent of their accrued pension assets (MSAE, 2019). This change makes the Dutch contract more individual, albeit less so than in some schemes in other countries. Both, the fact that the lump-sum payout is limited to 10 per cent of accumulated pension wealth and the condition that this payout cannot occur before or after the retirement date might imply that many participants will not make use of this new option, thereby reducing the importance of this element of the reform.

The abolishment of uniformity pricing

Currently, the DB contract applies the principle of uniformity pricing: accrual rates and contribution rates are independent of the age of the participant. This implies implicit transfers between participants of different ages, as annual accruals and contributions differ in present value terms. Younger workers implicitly make transfers to older workers as the contributions paid by the young exceed their accruals in present value terms, whereas for older workers the opposite holds true. This principle of uniformity pricing may be considered unfair and may hinder labour mobility across different sectors of industry and between wage earners and self-employed workers.

15. A part-time pension can be taken before and after the normal retirement date. It combines work (for less than a full work-week) with a pension.

As contributions and accruals relate to earned labour income, uniformity pricing also features an implicit tax on the labour income of younger workers and an implicit subsidy on the labour income of older workers. As the labour income of older workers is more elastic with respect to wage rates, this may increase the labour supply of older workers and thus aggregate labour supply.

Part of the New Pension Contract is to abolish uniformity pricing. Accrual rates will be adjusted such that they match contribution rates for all ages. By tightening the link between contributions and accruals, participants may start to perceive the pension system as fairer. In addition, labour mobility in general may be increased. Also, related to financial incentives and supply labour, older workers may be induced to opt for earlier retirement.

Without financial compensation, the abolishment of uniformity pricing also produces sizeable transition losses for middle-aged generations. Due to the reform, workers of middle age forego the accruals at older ages that would compensate for the contributions that exceeded accruals during younger ages. To avoid a too large redistribution between generations, pension funds are required to make transition plans that somehow scale down the differential effects for different generations, thereby reducing the tensions that the transition could otherwise create.

The abolishment of uniformity pricing also implies a shift away from PAYG towards funding. The implicit transfers between younger and older working generations amount to PAYG financing. Given that the return on funded pensions exceeds that on pensions based on PAYG, the abolishment of uniformity pricing is expected to raise the return on pensions. Note that this change also aligns with the introduction of fair valuation of pension benefits and more individual labour market volatility.

The final step towards a CDC scheme

We have noted that across 2007–2020 pension fund funding ratios did not return to 2007 levels. Instead, these ratios continued to hover around or only slightly above 100 per cent. But rather than trying to increase funding ratios, another option is to choose to lower the required funding ratios. This can be achieved if pension funds stop guaranteeing future benefits and allow benefits to be either higher or lower than previously expected. This is exactly the idea behind the transition of pension entitlements to pension expectations. In this system, pension will be adjusted upward or downward if the results on financial markets are above or below average. Under the proposed reform, pensions are more intrinsically related to financial market outcomes. Pension fund investment policy can then turn from guaranteeing pension levels in nominal terms towards achieving good results in the longer term.

As regards investments by pension funds, the reform envisages the introduction of life-cycle investment policies. For participants of every age, the return on their investments consists of a so-called hedge return and a so-called excess return, which is defined as the return made by the pension fund minus their hedge return. The hedge return refers to a portfolio of bonds and can therefore be considered less risky than the excess return at short horizons. The weight of the hedge (excess) return increases (decreases) with the age of the participant. The exact specification of these age-based life-cycle investment policies will be decided by each pension fund. It should be based on the risk attitudes of the age cohorts that participate in the pension fund.

The proposed reform turns the pension contract into a CDC contract (MSAE, 2020). The contribution is defined since the contribution rate will be fixed (and the same for all ages). Furthermore, hedge returns are constructed such that interest rate shocks will no longer imply redistribution between different generations.

The New Pension Contract is also collective since the assets of participants are invested collectively and distributed to participants according to the rules of the life-cycle investment policies. It is also collective since, similar to the current pension contract, idiosyncratic longevity risk will be shared among participants.

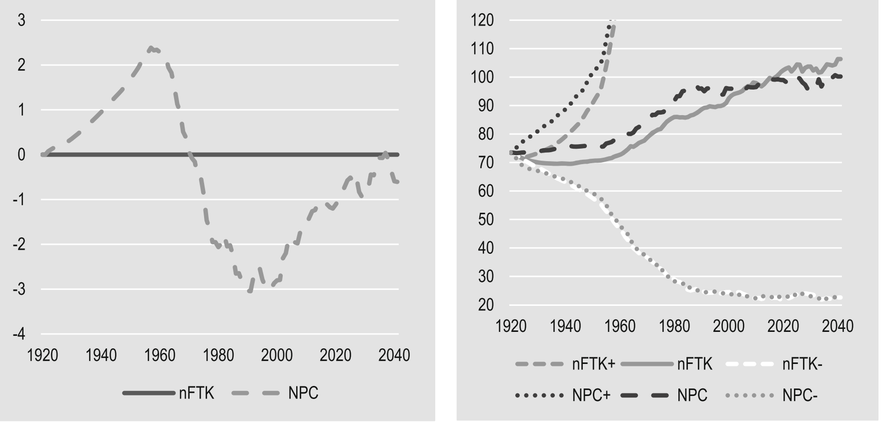
The contract is also collective as it features a mandatory, so-called, solidarity fund, which is a reserve fund. Part of the contributions to the pension fund can be used to build up this fund, such that the fund can be used to supplement pensions when financial market performance is weak. In that sense, this solidarity fund is similar to the financial buffers that pension funds use in the current contract.[16] But there are differences. The rules governing the solidarity fund limit its size: the fund cannot turn negative, and it cannot exceed 15 per cent of the assets of the pension fund. Additionally, not more than 10 per cent of pension contributions can be used to fund the solidarity fund. These constraints reduce the risk sharing between generations below the current level. However, the rules how to apply the solidarity fund allow much more flexibility in the decision making of the boards of individual pension funds. This allows for a targeted use.

Generational effects

The abolishing of guarantees and of the uniformity principle may be expected to affect all generations, including future generations. It is an intriguing question

16. Financial buffers in the current contract are implicit. They follow from the requirement made by the authority that supervises financial policies of pension funds to have financial wealth levels that exceed pension liabilities by some percentage points (20 to 30 percentage points, for example), so that pension funds have sufficient financial wealth to absorb the majority of adverse shocks.

Figure 5. *The effects of the pension reform on net benefits per age cohort (left panel) and the replacement rate (right panel)*



Notes: 1) The net benefit per employee that is displayed in the left panel is defined as the present market value of pension benefits minus the present market value of contributions. 2) In the left panel, nFTK refers to the current pension contract and NPC to the new pension contract. nFTK+, nFTK and nFTK- in the right panel refer to the 95th percentile, the median and the 5th percentile of the distribution of the replacement rate under the current contract, respectively. NPC+, NPC and NPC- refer to the same statistics, but now for the distribution of the replacement rate under the new pension contract. 3) The figure reflects the assumption that the new pension contract will start in 2020. The pension agreement aims at start-up of the new pension contract in 2026. *Source*: Metselaar, Nibbelink and Zwaneveld (2020).

which generations will gain, and which will lose, from the pension reform. Figure 5 presents calculations of the expected effects of the reform (Metselaar, Nibbelink and Zwaneveld, 2020). The calculations combine two parts of the New Pension Contract: the replacement of pension entitlements with pension expectations and the abolishment of the uniformity principle. Figure 5 adopts two methods to measure the effects.[17]

Both panels of Figure 5 show on the x-axis the cohort represented by year of birth. On the y-axis both panels show the effects of the New Pension Contract in comparison with its predecessor (nFTK).

The left panel shows the effects of the New Pension Contract upon net pension benefits, pension benefits minus contributions. These net benefits represent risk neutral market values, i.e., they adjust for the uncertainty of pension benefits and contributions. By definition, these net pension benefits represent a zero-sum game. They provide a comprehensive judgement of the New Pension Contract

17. The calculations underlying Figure 5 ignore additional policy measures that pension funds are required to take, such as to reduce the differences in effects between different generations.

for each cohort, which makes judgement easier. However, the condition under which risk-neutral valuations can be applied are generally not fulfilled (Metselaar, Nibbelink and Zwaneveld, 2022) and vary substantially on market information of an arbitrarily chosen date. Also, the concept of net benefit is considered more abstract and can easily be misinterpreted by participants and policy makers.

The right panel presents the effect on pension outcome concerning the distribution of pensions to be expected; it is expressed in inflation-corrected replacement rates (in comparison with average life-time income) to ease the interpretation. The definition of replacement rates is familiar to both participants and policy makers. To find this distribution, a financial-economic scenario set must be chosen a priori. The chosen set influences the results. For a comprehensive judgement, one should weigh the different moments of the distribution.

Before going into the differences, let us look at common outcomes in the two panels. Roughly speaking, the retired generations are better off, whereas future generations are worse off due to the double transition. The older generations are expected to benefit from the double transition. Under the new contract, indexation of pension benefits can occur at lower values of pension wealth, as it is no longer necessary to build up financial wealth to guarantee future pensions. In contrast, future generations are worse off, as solidarity funds that can be used to absorb shocks are expected to be smaller than the buffers in the current contract. Compared to those outcomes for the bulk of the older generations, the latter effects are relatively modest, especially as the abolishment of uniformity pricing and the assumed future paid pension contributions will increase the replacement rates of younger generations compared with older generations (right panel of Figure 5).

For middle-aged workers, the two panels tell a different story. The left panel shows that the pension reform leaves middle-aged participants worse off, as their net benefits are less under the new contract than under the current contract. This is due to the abolishment of uniformity pricing. These middle-aged workers subsidized older generations but, due to the abolishment of uniformity pricing, are not or only partly subsidized by younger generations. The right panel displays the distributions of replacement rates under the two contracts. Based on the medians of the two distributions, the cohorts of middle age are better off.

The two panels differ in their treatment of the equity premium. The calculations underlying the figure in the right panel include the equity premium. Middle-aged workers benefit from this equity premium because less financial wealth has to be built up in the New Pension Contract. The calculations underlying the figure in the left panel, based upon risk-neutral valuation, do not by definition take this equity premium into account. From a different angle, the calculations in the left panel include both the losses due to financial market volatility and the gains due to the equity premium, which acts to compensate for this volatility. The negative net benefits of middle-aged workers in the left panel thus reflect the losses that follow from leaving a scheme with backloaded benefits before the end of the working career.

Assessment of the New Pension Contract

As discussed, the New Pension Contract consists of many elements. One of them is the introduction of a lump-sum option. This adds an element of individualism to the second pillar pension scheme. It fits into a trend towards more individualism, as evidenced by the earlier introduction of more flexibility in the pay-out phase and the steady increase in the market share of IDC pensions. Constraints attached to the lump-sum option may limit its effect, however. Obviously, policy makers can relieve these constraints in the future, if they wish to do so. In addition, more flexibility can be built in, for example in the accumulation phase, owing to the abolishment of uniformity pricing.

The possibility to make supplementary pensions more flexible in the future may be considered an advantage of the abolishment of uniformity pricing. Further, an advantage of this element of reform is that the pension system will no longer hinder labour mobility across different sectors or job types. A further advantage of the abolishment of uniformity pricing is that it will increase the average rate of return on second-pillar pensions. A disadvantage of the abolishment of uniformity pricing may be that it will remove a financial incentive for older workers to delay retirement.

The transition from pension guarantees to pension expectations is beneficial as financial wealth that has been accumulated in the past can now be used to increase pension benefits or to lower contributions. The downside of smaller reserve funds is less wealth for risk sharing between generations. However, the new solidarity fund allows for a more targeted risk sharing between generations to compensate specific generations against shocks and, by moving from uniform to age-specific investment policies, the riskiness of pension benefits in the pay-out phase can be diminished.

Overall, we argue that the reform of the second-pillar scheme makes it more sustainable to interest rate changes. This should be considered a step forward. The associated reform of the first-pillar scheme – a somewhat slower increase of the statutory retirement age – maintains the current balance between the working phase and the retirement phase and makes public finances less vulnerable to longevity shocks. That does not mean that the reform is without risks. The transition from the current system to the new system remains a hurdle that must be overcome. Furthermore, participants may come to perceive the pension system in the future as riskier if small downward and upward adjustments were to occur more frequently.

Concluding remarks

In the Netherlands, the coming reform of occupational pension schemes and, especially, the move towards pension expectations, can be seen as the final step in a series of reforms that have transformed strongly collective final-pay DB schemes progressively into CDC schemes. The move towards the use of indexation ladders had already reduced risk sharing between generations. In turn, the move towards pension expectations will further reduce this intergenerational risk sharing since less financial wealth is required to be accumulated. This explains why future generations are expected to lose from the reform, although they stand to gain from the abolishment of the uniformity pricing and the associated shift from PAYG towards funding.

In addition to shifting the focus from DB to DC, the reforms have made pension schemes more individualistic. The introduction of the possibility of a part-time pension and of a flexible retirement date as well as the gradual increase in market share of IDC contracts can be interpreted as strengthening individualism. The abolishment of uniformity pricing and the introduction of a lump-sum option in the pay-out phase will also strengthen this individual character. Nevertheless, the Dutch pension system will continue to be collective in many respects and, indeed, more collective than the pension schemes in many other countries. The mandatory solidarity fund is a notable example.

The motivation for the coming reform can be understood from different perspectives. It can be interpreted as a way to strengthen individualism, to strengthen workers' connection with the labour market, or to end the implicit redistribution between younger and older workers. However, the most important argument for making the change is that pension benefits will increase on average – ending a period of about 15 years in which pension benefits have deteriorated in real terms.

Of course, there are also risks. The future scheme is, like the current scheme, complex and not easy to understand (Ambachtsheer, 2020). Another type of risk relates to the attribution of a pool of collective pension wealth to individual participants. A priori, how this will be accomplished is not clear, leading to the risk that participants will, rightly or wrongly, claim that they receive a too small piece from the cake of pension wealth. In turn, there is the risk concerning financial market volatility. Ex ante, a contract that relies more on funding may look attractive because of the high average rate of return. However, should a crisis hit financial markets in the future, participants may regret that reserve funds have declined in size.

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Remittance-financed social protection programmes for international migrant workers in Latin America

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Abstract In recent years in Latin America, a small number of contributory social protection programmes have been extended on a voluntary basis to cover migrant workers, with affiliation financed by these workers' remittances. That remittances offer a means to finance social protection programmes demonstrates the possibilities presented by international migration not only as regards improving social protection coverage but in contributing towards achieving target 1.3 of the Sustainable Development Goals 2030 Agenda. This article addresses voluntary insurance programmes introduced in Ecuador, Guatemala and Mexico for nationals working abroad and by means of which the families of such international migrant workers can also access health care and benefits in their home countries. In turn, international migrant workers on returning home can gain eligibility for a contributory retirement pension and disability benefits if they satisfy eligibility as well as the contribution conditions.

Keywords social protection, international migration, migrant workers, voluntary insurance, remittance, Ecuador, Guatemala, Mexico, Latin America

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Introduction

A core target of the 2030 Agenda for Sustainable Development is the extension and universalization of social protection systems. Indeed, the first of the 17 Sustainable Development Goals (SDGs) is to "end poverty", and target 1.3 is to implement nationally appropriate social protection systems and measures for all, and by 2030 achieve substantial coverage of the poor and the vulnerable.

To achieve SDG target 1.3, countries, especially those with developing economies, must progressively extend the coverage and improve the sustainable financing and benefits provided by national social protection systems. In so doing, countries must pay attention to the specific needs of different segments of the population, to ensure basic and universal rights and levels of well-being.

In 2015, when the 2030 Agenda for Sustainable Development was adopted, only 45 per cent of the global population was effectively covered by at least one social protection benefit (ILO, 2019). In other words, more than half of the global population was not effectively protected in any area of social protection. By 2022, this figure was projected to have risen to 47 per cent (ILO, 2021a, pp. 19–20). Accordingly, on a global level, there is still a very real need to intensify efforts to extend adequate social protection.

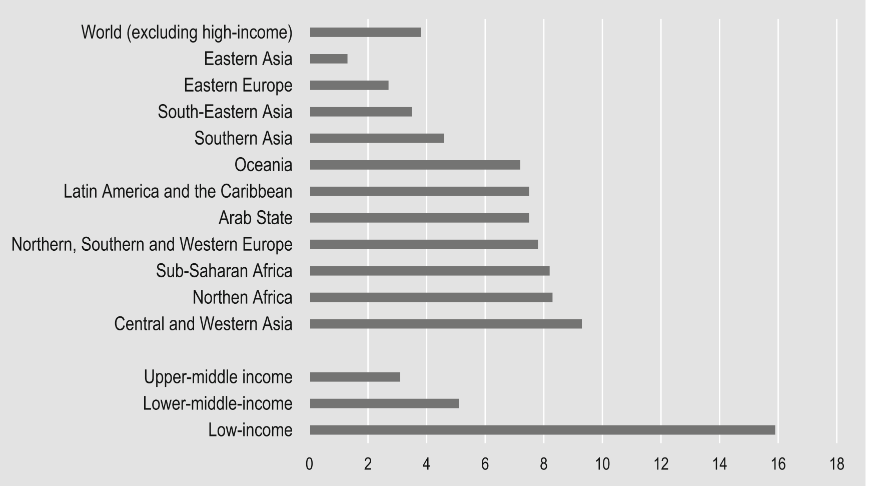
Moreover, persistent gaps in social protection coverage for certain categories of workers constitute a major challenge for the attainment of "decent work", with international migrant workers being one of the most vulnerable categories in this respect (ILO, 2018; ILO, 2021b; United Nations, 2018).

Globally, to help achieve SDG targets, there are important annual social protection financing gaps to be closed (see Figures 1 and 2). When it comes to bridging these gaps and financing the required improvements in social protection coverage, domestic sources of finance are considered the most appropriate. Raising domestic financial resources may be achieved through a combination of taxes and social security contributions and by creating fiscal space, increasing tax revenues, eliminating illicit financial flows, reallocating public spending in line with higher yields, drawing on the central bank's foreign exchange reserves, borrowing, restructuring existing debt, adopting a more conducive macroeconomic framework, or seeking aid and transfers (official development assistance – ODA) (ILO, 2021a, pp. 60–61).

Furthermore, in this context, and with a view to achieving SDG target 1.3 and securing the necessary financing, social protection programmes financed to some degree by international migrant remittances have recently been rolled out in some Latin American countries. These programmes demonstrate the broad possibilities that international migration can offer in terms of supporting national social and economic development and, more specifically, improving social protection coverage.

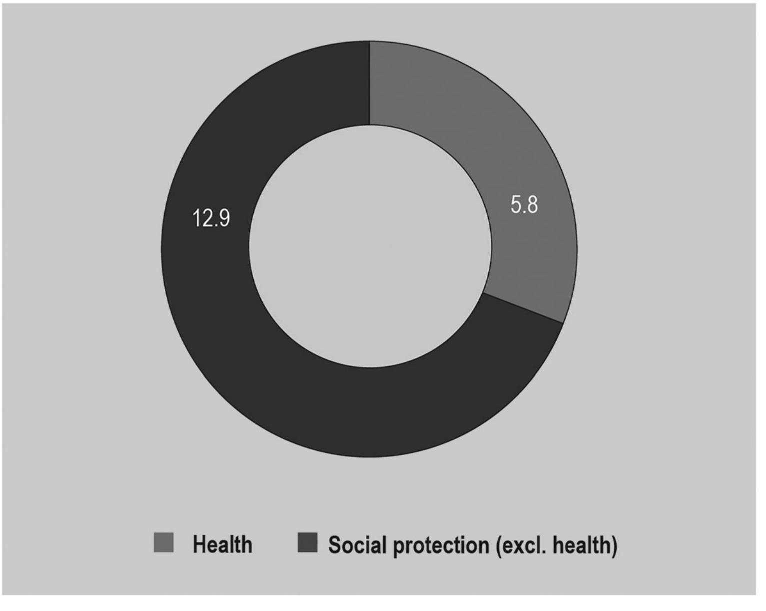
In this regard, this article addresses specifically the voluntary programmes developed in Ecuador, Guatemala and Mexico. These programmes were initially

Figure 1. *Annual financing gap to be closed to achieve SDG targets 1.3 and 3.8 by region, subregion and income level, 2020 (percentage of GDP)*



Source: ILO (2021a, pp. 60–61).

Figure 2. *Global public spending on social protection (% of GDP)*



Source: ILO (2024).

intended for migrant nationals based in the United States of America and Europe and affiliation to these is open to formal as well as informal workers.

When international migrant workers satisfy the contribution and eligibility conditions for these programmes, the families of affiliated migrant workers can access health care and benefits in the country of origin and migrant workers who return home can receive a retirement pension or a disability benefit. Such access to coverage, by extending at least minimum social security coverage, presents an important step towards the goal of reducing precarity and poverty in these countries.

It is important to note that while these national programmes are financed voluntarily by migrants' remittances, they are all managed by the State. Indeed, the effectiveness of the State's coordination and support role has a direct bearing on the success of the programme and its status as a genuine policy measure for national development.

The remainder of the article is structured as follows. We first take a closer look at international migration from Latin American and the Caribbean and the concept and volume of remittances in the region. Next, we examine the voluntary insurance programmes for international migrant workers established by Ecuador, Guatemala and Mexico, before offering policy suggestions and final conclusions.

International migration and migrant workers' remittances in Latin America

Migration, a phenomenon present in the history of all societies, is of huge significance. In 2020, there were an estimated 281 million international migrants (IOM, 2023a), equating to 3.6 per cent of the world's population, and these migrants in turn generated 647 billion US dollars (USD) in remittances (IOM, 2021). Despite the public health challenges, travel restrictions, and the negative economic effects of the COVID-19 pandemic, the number of international migrants continued to rise in 2021 and 2022 (IOM, 2023b).

The Latin American and Caribbean (LAC) region is no exception to this trend, with a significant increase in large migratory movements in 2022 compared with previous years. Within this general trend, migrant flows between countries of origin and destination vary according to respective economic and political contexts.

For instance, in the recent period, the Bolivarian Republic of Venezuela represents a major origin country for international migration in the region. These migratory movements have been motivated by the complex situation in that country of origin as well as in transit countries. Other nationalities prominent in migratory movements towards North America in 2022 and early 2023 were Haitians, Cubans, Nicaraguans and Ecuadorians (IOM, 2024).

In 2023, the land border between Panama and Colombia saw an 86 per cent year-on-year increase in migrant flows, and there were 27 per cent more encounters at the United States' southwest border (a total of 2,577,669) than in 2021, with citizens of South American countries featuring for the first time among the top nationalities.

In addition to irregular movements, the region has also experienced an increase in regular migratory flows between certain countries. In 2022, for example, the United States granted 22 per cent more H-2B visas to migrants[1] than it did the year before, although the number dropped significantly in 2023.[2]

The human dimension of the migration process, both in countries of origin and destination, is evident. However, looking specifically at the economic dimension, migration plays an important role in generating an international flow of financial resources in the form of remittances (Figure 3). The receipt of remittances is commonly essential to cover a family's basic expenses in the country of origin, and they also help to transform the material basis of societies.

However, it is important to make the distinction that remittances should not be considered as supplementary income. Rather, they often represent a fundamental component of household income earned from migrant workers' labour in destination countries. Therefore, although remittances take the form of an external transfer, these should not be considered as savings transferred from abroad but as wages to support recurrent household expenditure needs. Of course, such household needs include expenditure on insurance and social protection.

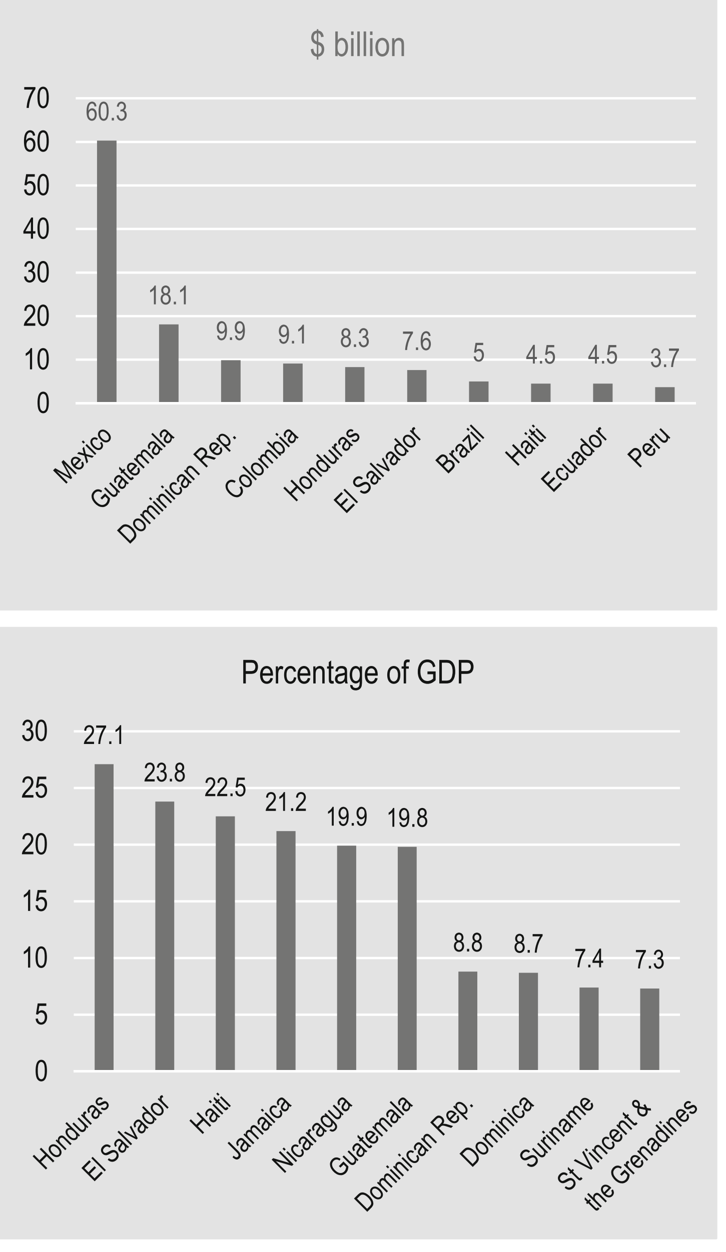
Indeed, according to Hirezi (2018), remittances can also be considered as transfers of resources from residents abroad that offer a means to finance "private social policy" for their household in the home country.

Moreover, remittance transfers should be considered differently from investments, however large or small, made by migrant workers, as they should also be from donations made by migrant workers to support their home community. Investments, donations and remittances may all be considered as economic activities in which migrant workers engage, but they should be viewed as separate from one another.

In Latin America, for instance, while 70 per cent of international migrants send money home, only 15 per cent donate to their community of origin and merely 5 per cent invest in their country of origin (Orozco, 2006; Ororco, 2008; Orozco et al., 2005; López, 2022).

1. The US Department of Labor issues H-2B visas. These permit employers to temporarily hire non-immigrants to perform non-agricultural labour or services in the United States of America.
2. See Monthly immigrant visa issuance statistics (www.travel.state.gov).

Figure 3. *Top remittance recipient countries in Latin America and the Caribbean in 2022 (billions of dollars)*



Source: World Bank (2022, p. 37).

In 2022, remittance flows to the LAC region were estimated to have risen 9 per cent on 2021 levels, reaching USD 142 billion, due in part to a stronger labour market in the United States and to certain local political and economic contexts in the countries of the region. In the first nine months of 2022, remittances to Nicaragua increased by 45 per cent, by 20 per cent to Guatemala, by 9 per cent to Mexico and Colombia, and by 4 per cent (in the first 10 months) to El Salvador, compared to the same period in 2021.

In contrast, remittances to countries in the Caribbean subregion fell during this period. Specifically, by 6 per cent to the Dominican Republic (in the first ten months of 2022) and by 2 per cent to Jamaica (in the first nine months of 2022). Elsewhere in the LAC region, remittances to the Plurinational State of Bolivia and Paraguay were estimated to have declined by 1 per cent and 5 per cent, respectively. It is suggested that this was because of a weakened economic situation in the main destination countries for these countries' migrant workers; namely, Argentina and Spain (World Bank, 2022; IOM, 2021). However, according to more recent regional data from the World Bank, remittance inflows rose by 8 per cent in the LAC region in 2023, reaching USD 156 billion. The economic importance of remittances to developing economies, including those in the LAC region, is illustrated by the fact that they have surpassed, in recent years, both total foreign direct investment and official development assistance – a gap that, according to the World Bank, is widening (*Revista Summa*, 2024).

Yet despite the economic importance of remittance transfers for migrant-sending countries, the remittance fees paid by workers to financial intermediaries to send money home remain consistently high. As of the second quarter of 2023, average charges to remit a sum of 200 US dollars (USD) equated to 6.2 per cent. The fees charged by banks are typically the highest (an average of 12.1 per cent), followed by post offices (7 per cent), money transfer operators (5.3 per cent) and mobile phone operators (4.1 per cent) (World Bank, 2023).

The high cost of remitting money is one factor that has led the International Organization for Migration (IOM) to seek to have greater attention placed on the relationship between migration and economic development. There is a need for the discussion on international migration generally, and remittances more specifically, to be placed squarely within the debate on the development process (Orozco, 2013).

With this argument to the fore, this article seeks to contribute to meeting this need by examining the role of three examples of remittance-financed voluntary social protection programmes as a positive element in development policy (Martínez Pizarro et al., 2022).

In the first instance, a research focus placed on remittances reveals their dual-faceted nature. First, remittances may be considered an economic commodity or product (the act of migrants sending money) and, second, they represent economic income for the households that receive them, which should contribute to poverty reduction in poorer households (Adams and Page, 2005).

This article extends the analysis by considering how remittance income can be used also to finance contributions to gain eligibility to benefits provided by remittance-financed social insurance programmes. As we discuss regarding international migrant workers, this means that the social security contributions required in each country to gain eligibility to social security entitlements are paid by international migrant workers through the monies generated by their work abroad and remitted to their families in the home country.

As such, by using part of the remittances made by migrant workers to their families, the latter gain coverage for a basket of insured contingencies, such health care, death of a spouse, life insurance, maternity and other social security benefits. The international migrant worker is typically insured for old-age and disability benefits and health care, regardless of whether the nature of the work abroad is formal or informal. Of course, the social impact of different national programmes will vary according to their adequacy and scope as well as the level of the relevant government's involvement.

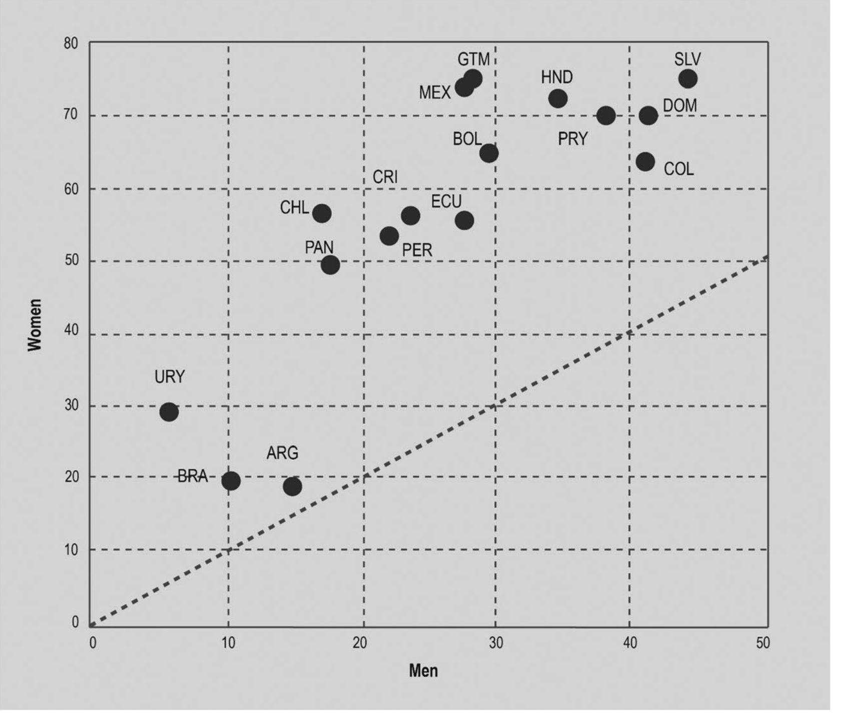
Voluntary social insurance programmes covering migrants from Mexico, Ecuador and Guatemala

Despite positive developments in some parts of the LAC region, many countries still face significant challenges in closing social protection gaps and making progress towards the human right to social security for all. Three such countries with important coverage gaps are Mexico, Ecuador and Guatemala.

In these three countries, the contributory pension systems ensure continuity of income after leaving the workforce, but only so long as the eligibility requirements regarding age and years of contributions (or pension savings) are met – something that depends, among other things, on formal employment trajectories. According to the International Labour Office (ILO, 2022), the direct consequence of this is that only 30 per cent of men and 75 per cent of women in Guatemala and Mexico are entitled to contributory social security coverage at retirement age, while in Ecuador the figure is around 28 per cent for men and slightly less than 60 per cent for women (Figure 4).

In terms of non-contributory benefits, there have been significant advances in line with the International Labour Organization's National Social Protection Floors Recommendation, 2012 (No. 202). This is evidenced by the Pension for Older Adults (*Pensión para Adultos Mayores* – PAM) and the My Best Years (*Mis Mejores Años* – MMA) pension in Ecuador, the Welfare Pension for Older Adults (*Pensión para el Bienestar de las Personas Adultas Mayores*) in Mexico, and the

Figure 4. *Percentage of men and women aged 65 or older with no income or pension (2021, or last available year)*



Note: For Bolivia, Renta Dignidad pensions, which are universal in nature, are not considered. In Mexico, the National Occupation and Employment Survey (Encuesta Nacional de Ocupación y Empleo) does not collect data on the Welfare Pension for Older Adults (Pensión para el Bienestar de las Personas Adultas Mayores), which has been in place since 2019 and is also virtually universal.
Source: ILO (2022, p. 20).

Pension for Older Adults (*Pensión para el Adulto Mayor*) in Guatemala. These examples demonstrate a level of institutionalization or expansion of non-contributory pensions for vulnerable older people.

Ensuring the social protection of the international migrant worker population presents challenges. On the one hand, regulated migration to a destination country facilitates a migrant's access to the formal labour market, which is a precondition to gain access to social security coverage. This regulated pathway should offer these migrant workers greater protection. On the other hand, having such regular status may not in all cases fully address the risks of low wages, exposure to occupational hazards and limited levels of social protection. This is because migrants are generally employed in the least attractive sectors and in labour-intensive activities, which are often far removed from decent work (ILO, 2018). Moreover, there may be no access to formal mechanisms for transferring and totalizing their social security rights should they return to their country of origin, or indeed subsequently work in another country (Orrego Rivera and Martínez Pizarro, 2015).

In the absence of a migrant worker having followed a regulated migrant path, the other option is irregular entry into another country's labour market. Typically, this will not permit access to employment in the formal labour market, and hence access to contributory social security benefits that this normally confers.

It is in seeking to address these types of coverage gaps for international migrant workers that Mexico, Ecuador and Guatemala have instituted voluntary contributory social protection programmes financed by remittances. Beginning with Mexico, whose programme is considered the forerunner of this type of programme, the following sections outline the key features of each of these countries' voluntary contributory initiatives.

Mexico

The Inter-Institutional Roundtable for the Comprehensive Care of Returning Mexican Families (*Mesa Interinstitucional para la Atención Integral a Familias Mexicanas en Retorno*) (IME, 2023) is considered the foundation stone for the development of voluntary contributory programmes providing social protection to international migrant workers. It was established on 18 December 2020 and is defined as a coordination forum to ensure timely responses by Mexican institutions to the demands of a very important segment of the diaspora. In 2021, the Inter-Institutional Strategy for the Comprehensive Care of Repatriated and Returning Mexican Families (*Estrategia Interinstitucional de Atención Integral a Familias Mexicanas Repatriadas y en Retorno*) (DOF, 2021) was adopted, the aim of which is to promote coordinated public policies in support of the highly vulnerable migrant population.

The importance of this regulatory agreement lies in the fact that it introduced, for the first time, the concept of a returning population. It also took a more inclusive approach to the needs of migrants than the 2016 programme *Somos Mexicanos* (We are Mexicans) (DOF, 2016).

In practical terms, a joint call by the Ministry of the Interior (*Secretaría de Gobernación* – SEGOB) and Ministry of Foreign Affairs (*Secretaría de Relaciones Exteriores* – SRE) led to more than 35 federal and state institutions joining forces to produce a package of 42 specific measures. This package was implemented as a priority and covered various fundamental aspects of the migration process –

such as, health care, the right to exercise full citizenship, vulnerable groups, labour inclusion, education, social protection, borders, and economic development and the regulatory framework.

It was agreed that the National Population Registry (*Registro Nacional de Población* – Renapo) would issue to returning citizens a "temporary CURP" (unique population registration document with an identity photograph) as a repatriation certificate, as well as providing a free paper copy of the birth certificate.

To bring educational services closer to Mexicans living abroad as well as to those having returned, there was an agreement to expand actions undertaken in the education sector, including the far-reaching "Mexico Recognizes your Experience" strategy, the aim of which is to certify the skills of returning migrants.

Also launched was the "*Educatel-Migrante*" educational guidance phoneline for returning migrants, which offers various measures and programmes to help migrants of all educational levels make the most of their new life experiences and knowledge.

To this end, the country's National Education System coordinated with educational partners through Mexico's international network of embassies and consulates to achieve its vision of equity, justice and educational inclusion.

Given the need to ensure a consideration of gender in all public policies, including those aimed at the migrant population, the National Women's Institute (*Instituto Nacional de las Mujeres* – Inmujeres) and the Institute for Mexicans Abroad (*Instituto de los Mexicanos en el Exterior* – IME) signed a partnership agreement aimed at strengthening support for the most vulnerable groups by, for example, coordinating support for returning migrant women through the nationwide network of Women's Houses (*Casas de la Mujer*).

Finally, the government's Welfare Bank (*Banco del Bienestar* – BaBien), in conjunction with the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público* – SHCP) and the Ministry of Foreign Affairs (SRE), through the IME and Mexican consulates in the United States, has actively sought ways of offering access to financial products and education to Mexican nationals living outside of Mexico.

Thus, on 22 March 2021, to expand the migrant population's access to social security in Mexico, the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social* – IMSS) and the Ministry of Foreign Affairs (SRE) entered into a partnership (IMSS, 2021; IMSS, 2024) to promote a new voluntary insurance scheme. The founding objective was to extend the right to contribute to coverage provided by the IMSS to Mexican workers who work abroad, to enable future access to benefits when they are resident in Mexico.

This partnership led to a programme entitled "Join the IMSS as a self-employed person!" (*¡Afíliate al IMSS como persona trabajadora independiente!*), a new comprehensive insurance scheme through which migrant workers of all ages and their families can access all the services, coverage and benefits of the five branches of insurance detailed in the *Ley del Seguro Social*, Mexico's social security law: sickness and maternity; occupational risk; incapacity and life; retirement, lay-off at an advanced age, and old age; and social care and benefits.

These benefits can only be accessed while in Mexico and there is no requirement to have previously made contributions relating to having worked in Mexico. It is a flexible scheme in which the worker in question can decide each month how much to register as income. Their individual monthly insurance contribution is paid based on this figure, bearing in mind a lower limit that is in line with Mexico's minimum wage and an upper limit of 25 times the country's Unit of Measurement and Updating (*Unidad de Medida y Actualización* – UMA) (IGENI, 2024).

Affiliation to the scheme is possible while resident abroad, using an online procedure, and contributions can also be paid i) electronically, either through a banking institution that offers this service (Maritano, 2021), or by bank transfer via SPEI[3] with a Mexican bank account; or ii) in person, either over the counter in a bank or through a family member in Mexico.

The worker's spouse/common-law spouse and children – younger than age 16 (up to age 25 if still in education, living at the insured person's Mexican address and economically dependent on them) – are legal beneficiaries.

In the case of returning migrants who are joining the statutory Mexican social security programme, previous contribution periods are automatically recognized if the period of interruption of coverage does not exceed three years; if the period of interruption exceeds three years but not six years, all previous contributions are recognized when, after their re-entry, the affiliate has paid 26 weeks of new contributions; if the re-entry occurs after six years, the recognition of previous contributions is only possible once the affiliate has newly paid into the programme for 52 weeks.

In parallel, the consular network set up a call centre exclusively for Mexicans overseas and their families, offering a channel for offering guidance and resolving queries; the registration of migrant workers at consulates; and a platform for the monitoring and control of migrant workers' records (CONDUSEF, 2022, p. 25).

By 22 June 2021, the first 85 Mexicans abroad had been registered in this system, at the consulate in Orlando (Florida) in the United States, while staff from 51 consulates in the United States and six in Canada had received training (EMBAMEX, 2021).

According to recent data, some 4,913 migrant workers are now registered, with 59 per cent of these having registered a further 5,280 family members at an IMSS

3. SPEI is a system developed and operated by Banco de México that allows the general public to make electronic transfers, via a bank, the Internet, or mobile banking.

Family Medical Unit (*Unidad Médica Familiar*). Most of these family members are the children of affiliates, who represent 65 per cent of the total registered beneficiaries (IMSS, 2024).

Ecuador

On 26 March 2009, an agreement was approved between Ecuador's Ministry of Foreign Affairs, National Migrant Ministry (*Ministerio de Relaciones Exteriores, la Secretaría Nacional del Migrante* – SENAMI) and the Ecuadorian Social Security Institute (*Instituto Ecuatoriano de Seguridad Social* – IESS) (MRECI, SENAMI and IESS, 2009) with a view to facilitating the voluntary affiliation of Ecuadorian migrant workers and their families abroad, a project that initially targeted migrant workers in the Bolivarian Republic of Venezuela, Italy, Spain, and the United States of America.

The objective behind the project was that nationals working abroad, and their families, should be able to access the retirement pensions, medical services, mortgages, unsecured loans and other benefits that the IESS and its bank (Biess) offer all other Ecuadorian nationals.

Similar to the Mexican programme, the scheme has a flexible design so that Ecuadorian citizens of legal working-age living abroad can more easily apply for IESS affiliation, without prior medical tests and with minimum contributions based on the country's minimum wage (*Salario Básico Unificado* – SBU), which in 2023 was USD 450.

In 2023, voluntarily affiliated members had to contribute 17.6 per cent of declared remittance income each month, with the minimum monthly contribution being USD 79.20 (*Diario Primicias*, 2024).

Contributions can be paid by direct debit from an Ecuadorian bank account belonging to the insured person or a third party, or a third party can pay over the counter at one of more than 100 authorized points in Ecuador by also providing the member's ID card number.

The programme includes the following benefits and services, that are provided only to eligible persons present in Ecuador: old-age and disability pensions; funeral assistance; sickness and maternity benefits; health coverage for children younger than age 18 in Ecuador, following contributions paid by at least one parent; extension of health coverage to a spouse or common-law partner (through the payment of an additional premium of 3.41 per cent of the registered contribution salary); an unemployment fund; and access to unsecured loans and mortgages (IESS, 2024).

An administrative record is kept for each affiliated member, wherein contributions from previous periods of affiliation are retained, and new contributions are added to those previously received. By June 2023, 19,189 migrant workers had joined the scheme (Orozco, 2023).

Guatemala

Having come into effect on 4 October 2023, Guatemala is home to the most recent programme offering voluntary contributory coverage to migrant workers wherein coverage is financed by migrant workers' remittance payments. Emerging from Agreement 1,543 of 30 March 2023 by the board of directors of the Social Security Institute of Guatemala (*Instituto Guatemalteco de Seguridad Social* – IGSS) (*Noticias IGSS*, 2023), it is run as a pilot and is inspired by Ecuador's programme.

The aim of the pilot is for Guatemalans living in several states in the United States (namely, California, Florida, Illinois, New York and Texas) to be able to contribute to the Guatemalan old-age, disability and survivors programme (*Invalidez, Vejez y Sobrevivencia* – IVS) and to permit their spouses and children (younger than age 7) to have access to benefits from the national sickness, maternity and accident programme (*Enfermedad, Maternidad y Accidentes* – EMA).

Coverage under the pilot programme includes a disability pension payable as the result of an accident, as well as an old-age pension payable at age 60, with the eligibility conditions requiring that the worker has paid a minimum of 240 monthly contributions; a survivors' pension in the event of the worker's death; and medical coverage for the worker's spouse and children (younger than age 7).

The minimum monthly voluntary contribution for affiliation to the programme is 1,000 Guatemalan quetzales (GTQ) (USD 129 approx., in June 2024), which can be paid at a Banco de Guatemala branch office, by credit or debit card through any national bank, or through a family member in Guatemala. The relative recency of the pilot's introduction does not permit access to data on its coverage reach.

Synthesis of findings for policy development

From a comparative perspective, analysis of the three voluntary contributory social insurance programmes outlined in this article offer practical findings for policy development and coverage extension.

The Mexican voluntary insurance programme is clearly the most comprehensive, due to the involvement of more than 35 governmental partners and to the number of specific measures put in place to improve international migrant workers' social protection coverage as well as educational, labour, economic and gender aspects of their livelihoods.

In fact, the Mexican programme is the only one that is configured specifically as a development policy, as it is not limited to the single, but nonetheless important, role of collecting contributions to generate eligibility for benefits. Instead, it represents a true alliance of different public administrations and private-sector actors with a view to improving in broad terms various aspects of migrants' social protection and livelihoods.

The joint strategy on which it is based provides migrant workers with training in matters of personal finance, facilitates their access to banking services and home ownership, and even reduces the administration and paperwork involved in opening a bank account or accessing other financial products outside the national territory. Migrant workers abroad are also provided, through Mexico's network of embassies and consulates, with programmes that enable them to take advantage of the life experiences and knowledge they have acquired. Moreover, in terms of employment opportunities, they are informed on a weekly basis of all current vacancies and can avail of workshops to help them seek work more effectively.

Finally, this programme has helped to reinforce a gender dimension in Mexican migration policy, given the fact that, in every migration cycle, women and girls face a wide range of gender differentiated risks.

Along with the Ecuadorian programme, the Mexican programme offer the highest levels of health protection to migrants' dependent children who reside in the home country, providing coverage up to age 16 (age 25 if the child is still in education and economically dependent on the migrant worker). In Ecuador coverage is extended for dependent children up to age 18, while in Guatemala it is only until age 7. Access in Ecuador to the health protection provided for a spouse depends on the payment of an additional premium.

Mexico's geographical proximity to the United States, the primary destination of its migrant worker population, may make it more feasible for some insured Mexican migrant workers to return home to access domestic health care services, i.e., benefits that can only be accessed while in Mexico. This option may be less readily feasible for other migrant workers, especially those from Ecuador and Guatemala.

Indeed, a main problem for migrant workers affiliated to these voluntary programmes is the need to return to their country of origin to access health care and other benefits linked to their contributions. When considering travel costs and the difficulties posed by being absent from work and, indeed, crossing national frontiers, the challenges of returning home to access benefits are even greater for irregular migrant workers.

As such, it would be helpful to consider whether it would be possible to enable the provision of health care in destination countries, for example via consulates, to ensure migrant workers' access to health care without obliging them to travel home. Considering the flexible design of these programmes and given that the principle of territoriality that typically governs affiliation to social security systems is being disregarded for the purposes of affiliation and contribution payments, one may wonder why the principle of territoriality continues to be applied when it comes to the enjoyment of benefits.

All the programmes discussed are rooted in an inclusive protective principle that extends coverage to international migrant workers regardless of whether they are engaged in formal or informal employment. Yet, this inclusive principle leaves these programmes open to some criticism. For example, the inclusive nature of coverage may act to perpetuate informality in employment, which runs counter to the SDG objective to promote the realization of decent work.

Also, the nature of the migrant's work contract and status has no bearing on the quality of the social protection accorded. For example, it makes no difference whether the migrant worker is employed or self-employed, as he or she will be the sole contributor without the possibility to benefit from additional matching contributions paid by an employer. Accordingly, for contribution purposes, this converts any employment relationship de facto into a self-employed one, given that an employer's contribution and responsibility towards the employee do not, to all intents and purposes, exist.

One area where improvement should be possible concerns the high banking charges paid by migrant workers when sending remittances. It should fall on the State to liaise with financial intermediaries to negotiate a reduction in these costs.

In addition to the proposed reductions in transaction charges paid to financial intermediaries, a move that would be welfare enhancing, the State could take further action that acknowledges the special needs and vulnerabilities of international migrant workers. For instance, the State could boost the relative weight of migrant workers' voluntary insurance contributions by enhancing benefit entitlements for these workers or by reducing the minimum contribution period necessary for these workers to satisfy the eligibility conditions to access normal benefits.

To conclude, the role these programmes may play in helping to achieve SDG target 1.3 through the extension of social protection for migrant nationals is apparent. However, their link with national development goals must be further deepened. This requires public- and private-sector involvement to achieve additional wider goals, such as universal health care, education and financial inclusion or investment in the creation of micro-enterprises or cooperatives on the national soil.

Again, from a national development perspective, it is necessary to strengthen the role of policy to protect remittances as an important source of household income, a move which should avoid placing too much responsibility for achieving progress in this domain on the shoulders of migrant workers. Finally, even if remittances continue to play an important role in financing personal social protection and pursuing wider development goals, they cannot and should not replace the fundamental responsibility for, and governance role of, the State in the field of social protection.

Conclusions

The three voluntary contributory programmes outlined in this article are emergent national endeavours that attempt to fill the social protection coverage gaps that confront many international migrant workers. Such gaps may be due to the informal nature of international migrant workers' employment relationships, the absence of social protection for such workers who are engaged in weakly regulated or unregulated labour market sectors, or, in many cases, the absence of mechanisms for the international portability of their earned social security rights.

As a first step to extend and improve rates of social protection coverage, by harnessing the ability to contribute to voluntary social insurance financed through redirecting a share of the remittances generated by their work abroad, these programmes are important in allowing migrant workers and their dependants access to the same social security benefits as their compatriots. These programmes thus help to bridge stubborn national coverage gaps and contribute to taking the international community closer to realizing the social protection coverage commitments and goals of the SDG 2030 Agenda.

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BOOK REVIEW

Ferrera, Maurizio; Miró, Joan; Ronchi, Stefano. **Social reformism 2.0: Work, welfare and progressive politics in the 21st century**. Northampton, MA, Elgar, 2024. 181 pp. ISBN 97810353.

Borrowing from Karl Polanyi's classic book, *The Great Transformation*, which analysed Europe's transformation during the industrial revolution, the authors of this book focus on the "great transformation" that Europe is currently experiencing because of the changes brought about by new and emergent technology. In his classic masterpiece, Karl Polanyi argued that the change in the mode of production brought about by the industrial revolution not only produced the marketization of all factors of production, including the commodification of labour, but also served as the basis for a counter societal movement against the excesses of commodification led by trade unions and worker parties, which eventually evolved into the creation of the welfare state.

In our contemporary world, the emergence of a post-industrial technological society has led to a reduction in the size of the working class and the emergence of a deprived group of workers. These workers, the *Fifth Estate*, are labelled collectively as "precarious workers", or the precariat, but which as a group – as opposed to the working class – is considered heterogenous, dispersed and connected only through the Internet and social media (p. 2). This change is what the authors call the *Great Transformation 2.0*, a disruptive process that continues to evolve. As but one outcome, this is acting to create what some consider to be a dangerous class, which may explain, at least in part, the rise of neo-fascist and xenophobic movements throughout Europe and in other parts of the world.

The thesis of this interesting and provocative book is that the challenge of our century is going to be the equitable redistribution of resources produced by emergent technologies and the new economy, which is framed by a context of a deep ecological transformation. Interestingly, the authors not only propose a redistribution of income, but also a redistribution of time and opportunities – which are difficult endeavours to achieve. The book's first three chapters provide a diagnosis of the main characteristics of this new *Great Transformation* focusing on the transition to post-industrialism, globalization, European integration, and the fourth technological revolution. These chapters are followed by an analysis of current social policies in Europe and the challenges emanating from the deep economic and political crises that began with the 2008 "Great Recession". The last two chapters pay attention to the impact of the COVID-19 crisis, the transition to a greener economy and the long-term strategies that are necessary to address the current *Great Transformation 2.0*.

From a sociological standpoint, what many see as technological progress is viewed here as having eroded the traditional forms of work and the sense of working-class unity. This has given birth to a disintegrated group of people that, even in Europe with highly developed systems of social protection, find themselves in a precarious condition. In this context, the tradition of European welfare states' communitarian policies is no longer able to ensure adequate security for these workers. In this dramatically altered work environment, a first question arises whether workers are still capable of organizing to pursue a response, as highlighted previously by Polanyi, that can lead to massive improvements in the standard of living of the working class. If this is not possible, will workers have to rely on the kinds of supportive, but nonetheless temporary, policy measures adopted to mitigate the downside social and economic dislocations produced by the COVID-19 pandemic? The authors argue that the policies characteristic of the COVID-19 crisis response transformed, at least temporarily, the role of the European Union, from one of a regulatory body to also become a much-needed actor of redistribution. Regardless, if this example is representative of possible future policy choices to support the livelihoods of the precariat, the standards of living of these workers will continue to deteriorate, and the likelihood for political alienation and greater support for fringe, extreme right-wing political movement will also increase.

In addition to the dislocations produced by innovative technologies, the challenges posed by global warming also need to be addressed. The authors consider the threat that this presents to populations across the globe, and especially to those in developing economies. Pressing environmental issues call for the establishment of a new Eco-Social agenda, which should involve not just a transition to a greener economy, but the establishment of a "just transition" or a "transition that ensures a fair distribution of the risks and opportunities associated with decarbonization across social classes and regions" (p. 104). Indeed, the new welfare state challenge is to "meet the challenges of the net-zero transition, protecting the livelihood of those workers most impacted by it, tackling increases in inequality caused by climate change and levelling up held-back communities" (p. 107). These new functions will require massive social investment, which should palliate the consequences of the transition and also set up the basis for a new social organization.

Undoubtedly, there is a need for new programmes based on ideas that not only comprise the traditional Polanyian contrapuntal opposition between capital and labour, but also the requirements to include excluded gender and ethnic groups, the need to reduce carbon emissions and face climate change dangers, as well as the need to develop a "care economy" which provides citizens with time and opportunities for personal satisfaction. And all of this must be provided in addition to the traditional welfare state functions. Novel and interesting concepts, such eco-social welfare and green citizenship are introduced by the authors as well.

Unquestionably, this book contributes to identifying the challenges and the policies needed to respond to this new *Great Transformation* and does so in ways that have not been proposed by other authors. It is also profoundly important to see the authors building on the massive contribution made by Karl Polanyi to the understanding of social and economic transformation. The lessons to be learned from Polanyi's *Great Transformation*, which regrettably are often ignored by many in the social sciences, must be revisited and used to glean a better understanding of our shared complex world, one that is witnessing the evolution of our societies driven by changes in the mode of production. The question and, indeed, concern that this reader is left with is how these new comprehensive policies that are necessary to address the new societal and environmental challenges are going to be financed.

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