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New Work, Data and Inclusion in the Digital Economy:  
A Middle East and North Africa (MENA) Perspective



The American  
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# SOCIAL SECURITY PROVISIONS FOR WORKERS IN THE PLATFORM ECONOMY: POLICY OPTIONS WITH FOCUS ON EGYPT



Policy Brief



**SOCIAL SECURITY PROVISIONS FOR WORKERS  
IN THE PLATFORM ECONOMY:  
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*Policy Brief*

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## I. EXECUTIVE SUMMARY

Protection through labor standards and social security remains a key global challenge for workers within the platform economy.

The dominant approach to integrating platform workers into social protection schemes is to consider them as independent self-employed workers. This group is particularly under-represented among insured workers in Egypt, often experiencing the highest incidences of work informality and poor access to social protection.

General considerations for the inclusion of this group rely on the implementation of flexible and innovative approaches, lowering the legal minimum thresholds on working time, earned income and duration of time.

The first policy option is to offer participation into social insurance on a voluntary basis while reducing the administrative burden of participation.

A second policy option is to mandate social insurance contributions, similar to the taxation process, and build an alliance between the two functions of taxation and social insurance contributions. A successful example of this approach is the Monotax regime in Uruguay.

## II. INTRODUCTION

It is globally recognized that workers on digital platforms often struggle to find sufficient well-paid work to earn a decent income, creating a danger of adding to the working poor (e.g., ILO, 2021, Fairwork, 2023). This does not negate the power and the great potentials of the platform economy in creating transnational work opportunities and allowing groups of workers with mobility challenges to work (Gerber, 2022), particularly female workers. However, an examination of the landscape of social protection schemes on a global scale reveals discrepancies in support systems.

There are serious repercussions for workers not contributing to social insurance schemes and not having access to any other form of social protection. First, from a demographic perspective, potential long term outcomes of this gap in contributions to social insurance schemes on working age pop-

ulations is experiences of precarity with no access to pension schemes and an impending burden on tax-financed social assistance programs. Second, the contributions of this large working cohort are needed for the sustainability of social pension system funds. Most pension funds are based on a pay-as-you-go system, including that of Egypt (Maait and Demarco, 2012).

## III. THE SOCIAL SECURITY POLICY CONTEXT IN EGYPT

The Egyptian social insurance system is designed as a pay-as-you-go defined-benefit scheme. Common to this design, employees and employers pay specified and fixed rates of their income into a fund, with the benefits being predictable and calculated based on a well-defined formula based on years of service, compensation history, a benefit percentage factoring the cost of macroeconomic shocks. To encourage contributions and expand coverage, the recent changes to the legal framework (Law 148 of 2019) reduced the contribution rates for both employers and employees, indexed the growth of pension levels to the inflation rate, and aggravated penalties for employers not registering their workers (Barsoum and Selwaness, 2022). Despite these changes, which are mirrored in global patterns (Rys, 2010), Egypt is witnessing a progressive decline in the performance of contributory social security schemes (Selwaness and Barsoum, 2023). Own-account workers, a group that subsumes platform workers, are a group least covered by social insurance in Egypt due to the administrative burden to join and the high rate of informality among these workers (ibid.). Additionally, contribution to the system is voluntary for this group.

## IV. RECOMMENDATIONS FOR IMPROVING THE INCLUSION OF PLATFORM WORKERS IN SOCIAL PROTECTION

General considerations for the inclusion of this group rely on the following provisions (Behrendt and Nguyen, 2018):

1. Offering flexible and innovative approaches to include workers that are part-time and short-term.

2. Lowering the legal minimum thresholds on working time or earned income and duration of time.
3. Allowing the possibility of contributions from multiple work (either with other platforms or in any other form) done at the same time.

These general considerations lead the discussion to offer two policy options as follows:

### **Policy Option 1: Voluntary and Accessible Insurance Options to Platform Workers**

It is almost universally shown in research that workers, including platform workers, do demand access to insurance against immediate risks of illness, injury and vulnerability associated with economic shocks (Datta et al., 2023 and Barsoum 2016, 2020 on Egypt).

A key challenge to voluntary social insurance access in Egypt is the administrative burden of system requirements, primarily in relation to business registration (Barsoum and Selwanes, 2022). Countries such as China (Zhang and Liu, 2024), Thailand, Laos, and Myanmar (Nguyen and da Cunha, 2019) have long decoupled access to social insurance from employee status, offering eligibility to all workers. Focusing on platform workers, Zhang and Liu (2024) show that platforms that offered voluntary schemes to workers were able to extend coverage to 32.3% of workers.

Within this voluntary modality, the design is commonly focused on short-term risks such as temporary sickness, a need to attend to a newborn, work accident, loss of job, or payment upon the death of a breadwinner (Findley and Caliendo, 2009). In most cases, provisions are made on a lump sum basis. While some platform companies already have these benefits, platforms can further serve as catalysts for participation by encouraging workers-users of the platforms, or even offering enrollment portals to various programs of the government.

While social security programs are supposed to be inclusive, it has become an important policy question if voluntarism can achieve comparable coverage to mandatory enrollment. Voluntary systems acknowledge the choice of individuals. They can

also provide a testing ground for the validity and desirability of a certain policy option, as opposed to making such option mandatory, risking public resentment and backlash (Zhang and Liu, 2024).

### **Policy Option 2: A Mandatory Social Insurance Scheme for Platform Workers**

Similar to taxation, social insurance contributions can be mandatory, pushing all workers, including own-account workers to enroll. Uruguay's experience with the Monotax regime for own-account workers, is a key example of combining tax withholding with social insurance contributions. The Monotax is based on an administrative alliance between the tax authority and the social security institution. Introduced in 2001, it simplified and unified collections from micro and small enterprises. The scheme was subsequently reformed in 2007 to make it more effective by eliminating various conditions for joining the scheme, such as place and type of activity. In 2011, Monotax was extended to cover independent workers under one-person enterprises and joint entrepreneurship.

While the contribution to pension coverage is mandatory in the Monotax, the taxable/insurable income is presumptive and based on predefined income categories. This is similar to the social insurance system for the self-employed in Egypt. Under the Monotax regime, taxes and social security contributions are started with lower rates than general taxes to encourage participation, with a gradual phase-in tax schedule.<sup>1</sup>

While the debate about classification of work relationships that underpin employment through digital platforms is ongoing, withholding different types of taxes (VAT, PIT, etc.) for services provided through such platforms has become increasingly prevalent. The design of the Monotax is based on the concept that the introduction of taxation can and should be combined with social protection.

<sup>1</sup> Details on the Monotax are based on presentations at the ESCWA Workshop on social insurance for irregular workers in Egypt, 21 - 23 May, 2024.

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