Good Practices in Social Security

Good practice in operation since: 2017

Formalizing enterprises and workers in the shared economy (transporting passengers using mobile phone applications: Uber, Cabify, EasyGo)

A case of the Social Insurance Bank

Award, ISSA Good Practice Award – Americas competition 2017

Social Insurance Bank
Uruguay
Summary

The 21st century advent in our country of the sharing economy, which involves the contracting of goods and services through electronic platforms, has led to the emergence of disruptive enterprises such as the hiring of transport services through mobile phone applications.

These new collaborative economies pose a challenge to current tax and social security regulations, redefine the organization of business and human resources, and imply a need to update the workings of the State. The challenge is to coordinate the various actors involved and ensure their inclusion in social security, their compliance with current tax laws as well as the revision and updating of these regulations to address the new modalities, and to counter unfair competition among private actors.

Uruguay is a pioneering and innovative country in the regulation of such modalities, and has implemented a strategy that was planned and organized at the State level and which has succeeded in formalizing these new activities through inter-institutional coordination, modification and updating of legal regulations, making more flexible the processes involved in the identification of qualified personnel, and the recording and comparison of data for follow-up, control and inspection.

The issue or challenge

What was the issue or challenge addressed by your good practice? Please provide a short description.

The modalities for contracting services through computer platforms, especially passenger transport services (Uber, Cabify, among others) are a major challenge that involves formalizing the activities conducted in the country by non-resident entities that intervene, directly or indirectly, in the supply and demand of passenger land transport services and the workers who actually provide the services.

Addressing the challenge

What were the main objectives of the plan or strategy to resolve the issue or challenge? List and briefly describe the main elements of the plan or strategy, focusing especially on their innovative feature(s) and expected or intended effects.

The main elements of the plan or strategy were the following:

- Creation of specific tax regulations for formalization (Regulatory Decrees Nos. 47 and 48/2017), Resolution of the Departmental Board of the Municipal Authority of Montevideo (Decree No. 36,197);
- Inter-institutional coordination between the various actors involved (Banco de Previsión Social – BPS, DGI (Dirección General Impositiva), MTSS (Ministerio de Trabajo y Seguridad Social), IMM (Intendencia Municipal de Montevideo), and the private companies involved).
- Implementation of a flexible, specific and non-bureaucratic registration procedure to ensure compliance with formalization in a timely manner.
- Exchanges of information for the purpose of further control and inspection processes in order to achieve effective and permanent formalization and activity monitoring.
- Identification of the permit holders and those authorized to conduct such activities.

The main innovative feature is the involvement of the private actors (UBER, Cabify, etc.) throughout the process and the use of the IT platforms and advanced technologies of these companies so as to prevent the evasion of taxes and social security contributions, to enable the social security coverage of the workers involved (drivers) and the foreign intermediary companies complied with tax regulations.

**Targets to be achieved**

*What were the quantitative and/or qualitative targets or key performance indicators that were set for the plan or strategy? Please describe briefly.*

The strategy was to achieve the registration and formalization of 100 per cent of the drivers engaged in the activity by any of the legal means provided by current law (single-person companies, de facto partnerships, among others). In the discussion regarding the legal identity of the relationships established, it was determined that the drivers are independent companies and should therefore enjoy the rights and obligations normally granted to such entities.

At the start of the new registration process, companies are identified by a unique characteristic “taxpayer attribute” and a vehicle registration of a specific type (passenger transport through an “app”). This allows them to be counted and cross-referenced in subsequent controls.

**Evaluating the results**

*Has there been an evaluation of the good practice? Please provide data on the impact and outcomes of the good practice by comparing targets vs actual performance, before-and-after indicators, and/or other types of statistics or measurements.*

The new Registration System enabled the formalization and inclusion of all workers engaged in this activity since 1 March 2017, which would not have been possible without the regulatory changes and coordination with the parent companies (Uber, Cabify etc.) or the changes adopted. By 30 June 2017 some 2,000 had registered. In accordance with the agreement reached with the companies, drivers cannot engage in this activity on a regular basis if they are not registered with the tax authorities (BPS DGI), which implies a 100 per cent control of those required to do so because without such registration, they are not entitled to engage in such work.

**Lessons learned**

*Based on the organization’s experience, name up to three factors which you consider as indispensable to replicate this good practice. Name up to three risks that arose/could arise in implementing this good practice. Please explain these factors and/or risks briefly.*

The key factor in implementing this good practice was the agreement reached at the State level (General Tax Office, Social Insurance Bank, Ministry of Labour, Municipal Administration of
Montevideo, and the private enterprises concerned) which involved a combined political will to achieve the objective.

Another essential factor in the project is the commitment and participation of the private companies that provide the on-line platform which, through their cooperation and collaboration, made possible the successful achievement of the proposed objectives.

Finally, the simplification of the administrative procedures should be highlighted, since this made it possible to register with the tax authorities through a one-stop-shop platform that offers a system of personalized and expert assistance.

The main and potential risks encountered are that the emerging companies of the new disruptive economies would consider the business model to be non-viable or unprofitable in view of the costs of formalization. Experience so far indicates that the goal has been successfully achieved.

Another latent risk is the possibility that workers do not opt for registration and formalization, a risk that is almost non-existent since the information stored by the agencies for the purposes of coordination and cross-referencing enables the latter to cover all permit holders who are authorized to perform such work, and their proper control.

One final potential risk is that other social actors will compete with these new modalities including the trade union organizations that will enrol them to defend their rights. Such organizations could potentially demand equality in conditions and regulations in order to ensure fair competition. To offset this risk, similar tax and social security rights and obligations have been defined for other actors. Specifically excluded is the possibility of registration as a single-payer enterprise (Article 70 et seq. of Act No. 18,083).