



Organización
Internacional
del Trabajo

► **Monotax and Social Monotax in Uruguay**

Sebastián Aguiar
Mauricio Coitiño
Cecilia Matonte
Martín Sanguinetti
Ana García

ILO Southern Cone - Technical Reports / 38 – 2023

Monotax and Social Monotax in Uruguay

Sebastián Aguiar, Mauricio Coitiño, Cecilia Matonte,
Martín Sanguinetti, Ana García

Abstract ⁱ

In Uruguay, informal work has reduced by half since the beginning of the 21st century: from 43% in 2001 to 21.5% in 2022. One of the measures associated with this reduction was the implementation of the Monotax: a regime of simplified and minimum contributions, which allows access to retirement, maternity, and illness insurance and, with an extra payment, provides access to health care. Since its creation in 2001, with successive reformulations and the creation in 2011 of an additional regime focused on the most vulnerable population (Social Monotax), the Monotax regime currently covers 2% of the country's workers, 40% of own account workers, and 14 to 23% of the informal self-employed workers who could potentially access the regime; 57% of Monotax registrants are women.

The general evaluation of the experts is positive, although there is little specific research. Some of the criticized aspects are the limitations of the social protection provided, and the possible consolidation of a “second-class social security regime”, with fewer benefits, from which it is difficult to progress to the general regime with better social protection (through considerably higher contributions). This study, carried out between September 2022 and January 2023 based mainly on interviews and focus groups with workers, seeks to provide an updated and qualitative dive into the motivations, opinions, assessments, experiences, perceptions, and suggestions of Monotax workers.

The Annexes present the research methodology and the characteristics of the interviewees and focus group participants, as well as some quantitative descriptive elements of the population under the Monotax regime. Finally, a series of quotes referenced in the text are included to support or illustrate the findings.

JEL Codes: E26, J46, H55, O17

Keywords: Monotax, Formalization, Own-account workers, Uruguay

i. The authors are grateful for the guidance and feedback offered by Florian Juergens-Grant and Laura Alferts of Women in the Informal Economy: Globalizing and Organizing (WIEGO) and by Alix Machiels, Christina Behrendt and Guillermo Montt from the International Labour Organization (ILO). The authors thank the generosity of workers and experts interviewed for the study, without which this study would not have been possible. This work was supported by funding from the Swedish Development Cooperation Agency (SIDA).

© International Labour Organization 2024

First published 2024



Attribution 4.0 International (CC BY 4.0)

This work is licensed under the Creative Commons Attribution 4.0 International. To view a copy of this licence, please visit <https://creativecommons.org/licences/by/4.0/>. The user is allowed to reuse, share (copy and redistribute), adapt (remix, transform and build upon the original work) as detailed in the licence. The user must clearly credit the ILO as the source of the material and indicate if changes were made to the original content. Use of the emblem, name and logo of the ILO is not permitted in connection with translations, adaptations or other derivative works.

Attribution – The user must indicate if changes were made and must cite the work as follows: [Aguar, Sebastián; Coitiño, Mauricio; Matonte, Cecilia, Sanguinetti, Martín; García, Ana., *Monotax and Social Monotax in Uruguay*, Santiago: International Labour Office, 2024. © ILO.]

Translations – In case of a translation of this work, the following disclaimer must be added along with the attribution: *This is a translation of a copyrighted work of the International Labour Organization (ILO). This translation has not been prepared, reviewed or endorsed by the ILO and should not be considered an official ILO translation. The ILO disclaims all responsibility for its content and accuracy. Responsibility rests solely with the author(s) of the translation.*

Adaptations – In case of an adaptation of this work, the following disclaimer must be added along with the attribution: *This is an adaptation of a copyrighted work of the International Labour Organization (ILO). This adaptation has not been prepared, reviewed or endorsed by the ILO and should not be considered an official ILO adaptation. The ILO disclaims all responsibility for its content and accuracy. Responsibility rests solely with the author(s) of the adaptation.*

Third-party materials – This Creative Commons licence does not apply to non-ILO copyright materials included in this publication. If the material is attributed to a third party, the user of such material is solely responsible for clearing the rights with the rights holder and for any claims of infringement.

Any dispute arising under this licence that cannot be settled amicably shall be referred to arbitration in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL). The parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of such a dispute.

Queries on rights and licensing should be addressed to the ILO Publishing Unit (Rights and Licensing) at rights@ilo.org. Information on ILO publications and digital products can be found at: www.ilo.org/publns.

ISSN 2523-5001 (pdf web)

Also available in [spanish]: *Monotributo y Monotributo Social en Uruguay: Apreciaciones de trabajadores y trabajadoras monotributistas*, ISSN 2523-5001 (pdf web)

The designations employed in ILO publications and databases, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the ILO concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The opinions and views expressed in this publication are those of the author(s) and do not necessarily reflect the opinions, views or policies of the ILO.

Reference to names of firms and commercial products and processes does not imply their endorsement by the ILO, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

▶ Table of Contents

▶ Abstract	02
▶ 1. Introduction	06
1.1. Context for a case study: informal employment in Uruguay	06
1.2. The Monotax Regime	08
1.3. The Social Monotax	09
1.4. Contributions and benefits	10
1.5. Coverage and scope	12
1.6. Initial considerations and justification of the study	14
▶ 2. Monotax Experiences	17
2.1. Motivations to register	17
2.2. Opinions on Social Protection	21
2.3. Assessment of Formal Aspects, Procedures, Costs and Requirements	23
2.4. Specific Sectors and the Focus on Vulnerability	26
2.5. Self-perception: A Diffuse Status	30
2.5.1. Close to informality	30
2.5.2. Workers, Business-owners, Entrepreneurs	33
2.5.3. Exposed to Precariousness	35

2.6. The Pandemic	37
2.7. Improvements suggested by respondents	39
2.7.1. Improve the Quality of Benefits	39
2.7.2. Improve Access to Information	39
2.7.3. Improve Integration between Systems	40
▶ 3. Conclusions	43
▶ Bibliography	49
▶ ANNEX 1 – Sectors of Activity	52
▶ ANNEX 2 – Research Methodology	55
▶ ANNEX 3 – Characteristics of Current and Potential Monotax Workers	58
▶ ANNEX 4 – Interviewees	66
▶ ANNEX 5 – Quotes from interviews and focus groups	69

► 1. Introduction

1.1. Context for a case study: informal employment in Uruguay

Uruguay is a small country in the Southern Cone of Latin America, with less than 3.5 million inhabitants, recognized for the early development of a welfare state that is unique in the region. For decades, the country has had a strong universal public health system, a public pension system that ensures minimum pensions, and a public education system that is free at all levels from kinder to graduate studies.

In August 2022, the national labour force participation stood at 61.5% (1,785,300 people), the employment rate at 56.6% (1,643,600 people) and the unemployment rate at 7.9% (141,700 people). In this context, 345,156 people (21% of employed persons) are not making social security contributions, the main indicator of informal employment in national statistics. While it remains a source of concern, Uruguay's rate of informal workers is the lowest in Latin America (ECLAC, 2022; ILO, 2022a).

Different state agencies centralize policies and sources of information relevant to the informal economy: the Social Security Bank (BPS by its Spanish acronym), the General Tax Directorate (DGI by its Spanish acronym), the Ministries of Economy, Labor and Social Development, and the National Institute of Statistics (INE by its Spanish acronym). The data shows that informal employment has been, and still is, unevenly distributed in Uruguay. While there are no significant differences by gender in the total figures, prevalence is higher among younger workers, and particularly among the elderly (Amarante, Arim and Yapor, 2015; ILO, 2022b), people with a lower educational level, and self-employed workers.

In an interview for this study, expert Verónica Amaranteⁱⁱ agrees that there is a significant difference in the prevalence of precarious work among young and less educated workers. However, Amarante makes an interesting point with regard to gender:

If you look at the totals, there is no great difference between men and women. But when you look at the central ages, there is... In the reproductive stage, women show higher levels of informality. After maternity, Uruguayan women are more likely to look for an informal job, as a way to get a more flexible thing to compatibilize [maternity and work].

Regarding the sectors of activity, informal employment is concentrated in small-sized and one-person companies, associated with business activities carried out “from home”, “on the street”, and “home delivered”.

The number of informal workers has been declining steadily since the beginning of the century. In 2010, the proportion of informal workers was almost 50% higher than today (31% of workers), and in 2001 it was 100% higher (42.8%). A set of factors explains this strong reduction. Firstly, a regional context of economic growth driven by the increase in the prices of commodities, which had a positive impact on employment and the conditions of precarious workers. Secondly, as pointed out by Uruguayan economists Verónica Amarante and Hugo Baiⁱⁱⁱ, the adoption of specific measures implemented in Uruguay between 2005 and 2010 to extend and facilitate social security access to workers in the domestic service, rural work and the construction industry were key for this evolution.

Another of the measures that contributed to this impact is the emergence of the Monotax regime in 2001, which has not been much studied and deserves special attention as a tool to reduce informality.

ii. Verónica Amarante is a Professor at the Institute of Economics (IEcon) of the School of Economics and Management at Universidad de la República (UdelaR) in Uruguay. She was the director of the ECLAC Office in Montevideo and worked for the Social Development Division of ECLAC (United Nations). Together with Ivonne Perazzo, Amarante is the co-author of “Trabajo por cuenta propia y monotributo en Uruguay” (Revista Internacional del Trabajo, vol. 132, N° 3-4, 623-641, 2013).

iii. Hugo Bai is a Uruguayan economist, and expert in labor markets and social security. He is an adviser to the PIT-CNT (the National Trade Union Federation) and to the workers’ representative on the board of the BPS.

1.2. The Monotax Regime

The Monotax is aimed at self-employed workers and small partnerships, who previously only had the option to make social security contributions as “sole proprietorships” through the BPS. Retired workers who receive pensions equal to or less than USD 387 (or live in households with an average income per person equal to or less than that amount) can also access this regime to carry out economic activities.

Although the rate of self-employed workers in Uruguay is lower than the average for Latin America, over the last fifteen years these workers have represented between 26% and 29% of the country’s total workforce. Among this population, informality exceeded 58% in 2018. Two-thirds of self-employed workers have not completed compulsory education (12 years), and the same proportion is in the bottom two income quintiles. 60% of self-employed workers are men. Considering these figures, the Monotax regime is aimed at a target population of high interest from a public policy perspective, which is also relevant due to the potential growth of self-employed workers in an increasingly flexible labor market (CINVE, 2019).

Also, self-employed workers face administrative burdens related to income declaration, book-keeping, payment of contributions and the collection of benefits: without an employer, they must deal with all the administrative procedures themselves. Their own administrative capacities are often limited, as they may not be sufficiently informed about social protection systems and registration procedures, and the time spent on registration and payment procedures becomes a direct opportunity cost (lost earnings). This adds to the volatility of the income of self-employed workers (ILO, 2021a, 3).

The general Monotax regime (hereinafter referred to as General Monotax), established in 2001 by Law 17296 and expanded in 2006 by Law 18083, is a simplified regime that combines social security contributions and income tax in a single payment that is collected by the BPS. This regime is aimed at self-employed workers, who can register as personal enterprises with no more than one employee (including those where the spouse/partner collaborates), partnerships with up to two partners and without employees, or family businesses with up to three partners and no employees. Law 18,083 was regulated in 2007 by Executive Order 199/007 which established an exhaustive list of economic activities included in the regime and a mechanism for expanding the list.

Monotax registrants cannot operate from more than one small location, must be providing their services or products exclusively to end consumers, and have an annual income of up to 20,000 USD (median individual income in Uruguay is currently 8,710 USD per year). The regime offers self-employed workers a simple way for registration and payment (compared to traditional tax regimes), and contributions amounts based on a presumptive monthly income that considers their low taxpaying capacity. This facilitates access to some of the rights associated with formal work, which in Uruguay are more consistent than in other countries in the region. As pointed by Hugo Bai in an interview for this study, the Monotax

was based on the idea of trying to generate adequate conditions for sectors that don't have the capacity to pay taxes under the usual formal scheme, so that they can be formally inserted in their activities. If they have a relatively low level of turnover or income, with a single contribution they comply with all their obligations to the BPS and DGI. And, at the same time, [they gain access to] the benefits of being registered in the social security system. Afterwards, gradually, the system tries to take them -as the person manages to develop in that activity- [the system] offers incentives for them to move to the standard tax regime.

In February 2011, the list of economic activities included in this regime was expanded by Executive Decree No. 066, incorporating the following sectors: bicycle, automobile and motorcycle caretakers; window cleaners for buildings and automobiles; tourist guides; taxi stands; pet walkers and trainers; services for the use of radio spaces in radio stations outside Montevideo (the country capital); support services for artisanal fishermen, such as boat washing and fishing gear repairs; sexual services; and production of bricks and blocks and other enterprises of a similar nature. A full list of the covered activities is available in Annex 1.

1.3. The Social Monotax

In December 2011, Law No. 18874 established the “Monotributo Social” (Social Monotax) regime, under the supervision of the Ministry of Social Development (MIDES by its Spanish acronym). The regime was updated in 2015, 2018, and 2020. This type of Monotax aimed at a more focused target population: members of households that are below the poverty line (as set by the INE) or in a situation of socioeconomic vulnerability according to the conditions defined by BPS in accordance with Decree 322/008. The algorithm defined and updated

by the BPS based on the data from the Continuous Household Survey considers household income, housing and environmental conditions, household composition, the characteristics of household members, and their health condition.

The objective is similar to that of the General Monotax: to incorporate this population into the formal economy and social security protections, through the payment of reduced contributions and providing payment facilities in the first years after registration. The types of registrants accepted are similar to those of the General Monotax regime, with some differences: they cannot have employees, and after two months without paying the contributions, their registry is frozen, and the debt does not generate interest. The registration can be reactivated by paying those outstanding months of contributions.

Dependent employees, retirees or pensioners can also register, as long as they meet the socioeconomic conditions described above. This allows these persons to formalize their secondary sources of income.

The MIDES has encouraged this regime among the most vulnerable workers, with workshops throughout the country, training activities and advice to workers. It has been a tool for the development of policies targeting specific sectors of activity, such as waste collectors, and for the promotion of new enterprises.

The MIDES requires registrants to comply with certain obligations, such as sustained school attendance and periodic health checks of registrants' children, or attendance to trainings and formative courses by registrants. In any case, our field work does not suggest that these requirements are strictly enforced by the MIDES. The MIDES can review the registrant's vulnerability rating at any time (both household income level and socioeconomic vulnerability conditions), which can result in the registration being revoked if the conditions are not met.

1.4. Contributions and benefits

Under both the General Monotax and the Social Monotax regimes, single contributions are calculated based on a presumptive monthly income of 5 BFCs^{iv} or 6,848.5 Uruguayan pesos (171 USD). Under both regimes, the minimum monthly contribution of individual registrants, their collaborating spouses/partners, and

iv. *Base ficta de contribución* is one of the units used to calculate social security contributions and is established by the government through executive orders, based on the overall performance of the economy and its economic goals.

partnership members is currently around 1,961 UYU or 50 USD per person. This represents 57% of the minimum monthly contribution to social security under the Sole Proprietorship regime, or the average income for 12.7 hours of work of a Monotax worker (see amounts in Annex 3).

In the case of the Social Monotax, the economic incentive for registration consists in staggered monthly payment amounts: registrants pay 25% of the contributions during the first twelve months of activity, 50% in the following twelve months, 75% during the third year, and only begin paying the full amount in the fourth year. With the aim of making formalization sustainable during their first years of registration for General Monotax registrants as well, in 2021 these workers started paying 25% of the applicable contribution during their first year of activity, 50% in the following year, and the full amount in the third year.

Benefits include access to retirement pensions, sickness pay, occupational accident insurance, maternity/paternity leave and new-born care subsidies. However, unemployment benefits are not provided, which is a relevant deficiency for the interviewed experts: in an interview for this study, the economist Ivonne Perazzo^v explains that “this key subsidy is not contained in the benefits they obtain, because they are considered entrepreneurs and not workers.”

In addition to this, retirement contributions and accident insurance are equivalent to the legal minimum amounts, which experts Bai and Perazzo consider very low. Health coverage payments are optional and increase monthly contributions to 5,240 UYU or 130 USD, which represents the average income for 33.8 hours of work of a Monotax worker (see Annex 3). This amount almost doubles if the spouse and children of the registrant are also covered.

If General Monotax registrants have an employee, their social security contributions must be calculated separately and added to the monthly Monotax contributions of the registrant.

Currently, registration applications can be made in person at BPS offices or online at its website, where the registrant enters their personal data and chooses the sector of activity in which they plan to operate (which can be changed later). In any of the modalities, the registrant must submit a registration form, a business location registration form (if applicable), a copy of their identity document, a copy

v. Ivonne Perazzo holds a Master's in economics and is a professor at the School of Economics and Administration of Universidad de la República. She is a specialist in the labor market and informal work. Prof. Perazzo is the co-author of the main study on Monotax in Uruguay to date.

of a public utility bill in their name, and a copy of their retirement payment (if applicable). For the Social Monotax registration, in addition to these documents it is also necessary to submit a household income affidavit form to the Ministry of Social Development, which is processed in a variable time (from days to weeks) to corroborate that the applicant qualifies for the regime.

The authorization process by the BPS takes a couple of weeks, and after being electronically notified, the registrant must carry pay the processing fee (5,5 USD) at the nearest location of one of the two nationwide collection service companies in order to obtain their user credentials for the BPS online platform and their official registration number. Finally, the registrant collects official documents at an office of the Ministry of Labor and Social Security and is ready to operate.

1.5. Coverage and scope

The BPS, the national social security agency in Uruguay, has issued detailed public reports on the evolution of the statistics of the Monotax registrants (in 2014 and annually since 2017), based on their own administrative records. Since its creation in 2001 until 2006, the Monotax did not have a significant coverage. However, since its expansion to more sectors and business types in 2006, Monotax registration had strong and steady growth until 2014, and then a more gradual evolution. Social Monotax registration, for its part, has grown significantly after 2014. In 2021, there were 27,464 General Monotax registrants, and 11,914 Social Monotax registrants. In total, Monotax registrants account for around 1.9% of the total employment in the country (BPS, 2022). The evolution is presented in Graph 1 of Annex 3.

The BPS records show a significant proportion of women in the regime: they represent 57% of the almost 40,000 Monotax workers. The labor market in general presents higher rates of male employment across all age groups (BPS, 2020). There is a big difference at early ages, then there is a certain tendency to equality, and then the gap widens again as retirement age approaches (BPS, 2020). As shown on Table 4 of Annex 3, the gender distribution of Monotax registrants is the opposite compared to general population, with higher female rates that are even higher in the middle age groups. This could indicate that the Monotax may be an effective tool to formalize self-employed women who tend to be discriminated against in formal work.

A third of General Monotax registrants are concentrated in the capital, Montevideo (geographical data are not available for Social Monotax). More than 40% of one-person businesses in Uruguay are Monotax registrants (BPS, 2022). The broad sector “Wholesale and retail trade and repair of motor vehicles” has historically concentrated the biggest proportion of Monotax registrants, reaching 45% in 2021. Next in importance are “Other service activities” (19.6%), “Manufacturing industries” (10.1%), and “Administrative activities and support services” (6.4%). A detailed description can be found in Table 1 of Annex 3.

It is key to estimate what coverage the Monotax has among the population that could benefit from it: self-employed workers with less than 2 employees, who do not make social security contributions, do not exceed the fixed annual income limits and work in a sector listed in Monotax regulations. Thus, according to the ECH (Continuous Household Survey of the INE), 28,000 people declared themselves to be Monotax registrants in 2021, and unregistered potential Monotax workers were around 170,000 (see Annex 3 for methodological explanation of this estimate). Thus, it can be estimated that in 2021 the Monotax covered between 14% and 23% of its target population^{vi}. We believe this is a reliable estimate that updates the figures based on the calculation method developed by Amarante and Perazzo (2013) as detailed in the methodological section in Annex 2.

Regarding employment conditions, we can see that the average hourly income of Monotax registrants is 66% of the average income of all workers in the economy (Table 3 of Annex 3). For their part, potential registrants earn approximately half of the average amount earned by the workers in the entire economy.

When we look at the weekly hours of these groups, the average for formal workers is 38 hours, for Monotax registrants it is 44 hours, and 29 hours for potential registrants. Monotax registrants tend to dedicate more hours to work than the average worker in the economy, and in fact they compensate for the lower hourly income with more hours of work, thus obtaining similar monthly salaries. But the opposite happens to potential registrants, whose weekly hours are around 60% of those of Monotax registrants.

vi. As clarified in Annex 3, the ECH underestimates the number of Social Monotax registrants, while the administrative data overestimates the number of formal workers. Therefore, the actual coverage can be expected to fluctuate between 14% according to ECH data, and 23% according to the number of workers registered under both Monotax regimes in BPS records.

1.6. Initial considerations and justification of the study

The Monotax has achieved relevant coverage: considering its two regimes, it covers almost 2% of the total workers in the country and 17% of the informal workers who could be Monotax registrants. Monotax registration is associated with hourly incomes that are relatively higher than those of informal workers, and with monthly earnings that are closer to the average for the economy. The proportion of registered women exceeds that of men, although the latter are overrepresented among informal workers. In general terms, it is a well evaluated tool. Verónica Amarante, co-author of the most relevant study of the Monotax regime in Uruguay, points out that

It is a public policy that allows the most vulnerable workers who otherwise would not be able to afford to contribute to the social security system, to have access to a simplified system that, in a way, is subsidized, in order to have the benefits of social security. Therefore, it is a redistributive mechanism. It is a policy that has a distributive objective, and for me it is valid in that sense. In other words, it has the justification of saying: here we have a part of the labor market that cannot be integrated to the system, given its productivity levels and incomes, and we have to generate a tool that redistributes in some way.

For his part, Hugo Bai points out that the Monotax was “a very important policy in terms of including groups that otherwise would not be included in social security... You would not be able to include them. It was a very strong stimulus, something that granted rights. So, in general, it is seen as a very positive policy.”

Regarding Social Monotax, Rossana Umpiérrez and Marcela González, who are responsible for its supervision at MIDES, point out that “It is a very important precedent, because we are talking about a lot of people who made no contributions, or who lacked years of contributions to access their retirement, and they will be able to do it through this tool.”

Due to its design and implementation, the Uruguayan Monotax regime has attracted international interest. Bertranou (2007) produced the first relevant study, with the cases of Argentina, Chile and Uruguay, in an analysis of informal work that considers age cycles, gender elements, economic sectors, income, and presents the modest impact of the Monotax in Uruguay at the time. Duran Valverde et al. (2013), compare eight countries from different continents, including the Uruguayan case. Cetrangolo et al. (2014), within the framework of the ILO

program to promote formalization in Latin America and the Caribbean, carried out an analysis of the cases of Monotax implementation in Argentina, Brazil and Uruguay. The ILO (2015) produced a specific brochure on the Uruguayan case named “Protecting independent workers through the Monotax regime”, presenting its main characteristics, describing the regime as innovative and effective, and highlighting some lessons learned that may be useful for other countries. More recently, the Uruguayan Monotax regime is mentioned as a reference in studies on informal employment, for example in Africa (UNDP, 2021), used as a specific case for comparison as in Colombia (Hernán, 2018), highlighted in global analyzes (OECD, 2019; ILO, 2021b; ECLAC, 2022), and specifically mentioned at the 109th International Labor Conference in 2021 (ILO, 2021a).

However, locally produced research on the Monotax is still scarce. After some initial work, when the regime still had a very low coverage (Lanzilotta, 2007), the two main studies are those of Naranja (2014) and Amarante and Perazzo (2013). The first one presents the system and the main coverage data based on the BPS registration system, setting the standard that would be followed by the annual BPS reports since 2017. The second study, developed for the ILO, is based on the periodic household surveys of the INE with several elements of interest, in particular the calculation of the coverage of the Monotax on potential beneficiaries (i.e. workers who meet the requirements for Monotax registration). A central finding of Amarante and Perazzo (2013) is that the Monotax had a valuable impact in the analysed period, but its coverage of around 10% of potential workers in 2010 could be improved, noting that *“the system seems to have achieved increases in access to social security, although moderately.”* Among their secondary findings is the fact that Monotax contributions are relatively high, representing between 14% and 41% of registrants’ gross income at the time.

However, in the words of Amarante *“it is a policy that has not been studied at all (...) It is not at the center of the discussion, it has not been discussed or evaluated as much as other policies.”* In the period that followed these studies, the Monotax has increased its coverage and public dissemination. Since 2011, several elements of the Monotax have been modified to expand the list of activities covered, the Social Monotax was established, and informality rates have decreased. Recently, both the General Monotax and Social Monotax have been used as a policy targeting mechanism during the pandemic.

In this sense, the experts interviewed for this study raise some relevant questions. Hugo Bai points out that *“there is a more intense discussion [needed]*

on unemployment insurance schemes (...) maybe they are better than nothing, but we should aspire for them to enter a regime with more rights.” Regarding the improvement of coverage, he thinks that the challenge is to achieve that workers do not remain permanently in a regime with the lowest contribution and least access to rights. Amarante agrees with Bai in that

The more theoretical discussion is... Whether the country designs these mechanisms thinking that in the long run these workers will later be integrated to the general system, and it is a kind of transition. Or if you think of them as a component of social protection, for a country that has (...) more vulnerable workers who can hardly enter the more general system.

Thus, an updated study is necessary, even more so when the system can offer the world relevant lessons about strategies for the reduction of informal employment. As well, a qualitative analysis that delves into the experiences of Monotax workers seems timely, because existing research focuses mainly on the policy level or the quantitative analysis of datasets. There is therefore a gap in the literature on qualitative research focusing on the voices, views, and experiences of informal workers themselves. This is what this case study will do.

Through a set of interviews with qualified informants (7), in-depth interviews with workers (13), three focus groups (18 participants), and supplementary media analysis, quantitative analysis and documentary review, this study analyses: i) the motivations for registering, ii) the evaluations of the social benefits and iii) the formal aspects of the regime, iv) some specific sectors of activity and the focus on vulnerability of Social Monotax, v) the self-perception of Monotax workers, vi) some specific measures taken during the pandemic, vii) and finally emerging aspects, such as potential improvements to the system.

► 2. Monotax Experiences

2.1. Motivations to Register

Monotax registrants work in diverse sectors of activity, and people end up registering under Monotax by different paths. Hairdressers, upholsterers, artisans, stylists, carpenters, seamstresses, tea blenders, PC repairmen, waste recyclers, bakers and pastry chefs, mechanics, computer scientists, motorcars, jewellers, podiatrists, sex workers were interviewed and participated in our focus group discussions and interviews.

Some interviewees choose to register under Monotax to start working independently, leaving their jobs as employees, seeking to “not to have an employer”, “I felt like I couldn’t evolve by working for someone else”. As mentioned, a significant proportion of Monotax workers are women. Some of them emphasize that the Monotax was a good alternative for them when they decided to start working independently: “I went from being a housewife to being independent”. For other people, the Monotax becomes a possibility after the loss of their jobs: “In 2020(...) I had two jobs and lost one of them. So, it was more out of obligation [laughs] than out of a decision.” Or as another interviewee points out:

With the COVID crisis I lost my job... And during my leisure time at home, my head began to work, work, work. A bit of a push from my old parents... I always liked the field where I started my business... but before I used [the craft] for myself and my family. I had opportunities to be an entrepreneur from a very young age. I worked in the workshop... a jewellery store. A client came and told me: “You have to become independent”. And I couldn’t. I saw that the independent worker had to have a strength that I, at that moment, didn’t have. But now I do... it must be the accumulated years [laughs]
GROUP 1. Social Mixed

Others were previously registered under other tax regimes, as sole proprietorships. In the first stage of Monotax implementation, it was possible to switch registration status from sole proprietorship to Monotax, as a way to promote the scheme. Later, only the opposite movement was allowed. Interviewees who

switched from sole proprietorships point out that for them it meant a welcome reduction in costs².

In its two decades of existence, the Monotax has become an option for entrepreneurs and workers. It went from being almost unknown to becoming a frequent tool considered by those who enter the market to start developing their ventures. The youngest Monotax registrants emphasize that “it works for you to start.”

I would recommend it. Because it's like she says: it's good for you to start. Because when you start, you don't know if it's going to go well, if it's going to go bad... And you don't know how much you'll be able to pay... You won't be able to pay 5,000/6,000 pesos all at once... because maybe you don't have any profits. So, to start, 400 pesos is nothing. GROUP 2. Social Monotax Women

But unlike those who register under Monotax to work independently, who shift from other tax regimes, or start a business; our fieldwork suggests that the majority of Monotax registrants come from informal work and decided to become formal through the Monotax.

Those who were in this situation indicated that they felt that they were being gradually pushed towards formality, and finally decided to register³. It is a relatively recent change: from their perspective, informality has not been the norm for about ten to twenty years⁴. It is a strong change that affects the essence of many Uruguayan sectors and workers.

I think that before it was different, there is an inclusion now, which is gradual. We are getting used to it, but before, it seemed we Uruguayans had it in our genes, [the habit] of trying to get away, of not paying, of being undeclared, of connecting to electricity illegally, you saw all those things. When you tell someone that you are going to register the business, they tell you 'Why? You're going to pay a lot!'. Twenty years ago, it was crazy. For our idiosyncrasies it was crazy. I used to go the Uruguayan way, trying to get away, not paying 'Don't give an official invoice'. Now it doesn't seem strange that get an official invoice. Now, even if you don't want to, the system forces you, it forces you [inaudible] - But the initial push had been given. Because before, it was known that it is not good to smoke inside the house, but we had to wait for someone to tell us "not allowed", see? We had to be forced, you see? GROUP 1. Social Mixed

Regardless of their personal differences and their industries, in general interviewees who were formerly informal workers share a set of motivations for registering. The first, and most important, is to become formalized at a relatively low monthly cost. As clearly summarized by this interviewee: “The Monotax is a legal way to contribute the minimum to the State and be... formalized” (GROUP 3. Mixed General Regime). During focus groups, they repeatedly point out that being a formal worker is worth it. Being formalized allows “access to things”, to have the legal invoices required by clients, to have greater peace of mind⁵.

Secondly, formalization is mentioned as a way to get new clients, to open new markets⁶. They think that a group of clients with a higher status value formality: they say that “it changes your clientele”. Some clients may leave⁷, but in general “It opens doors for you”⁸, selling products with a legal invoice gives an aura of higher quality and affects “the presentation of your work”⁹.

Thirdly, all the workers perceive that being formal has become an increasingly important and frequent requirement to access commercial spaces such as street markets¹⁰, where it has progressively become mandatory to be registered¹¹: a “fundamental requirement”¹². For many formal workers at street markets or vendors of handicrafts, this has represented a particularly relevant change. In recent decades, particularly in Montevideo, various street markets have been established, initially during the end of the year festivities, and then at various times and places. And to be present in these markets where infrastructure is provided and potential buyers gather, tax registration is required.

I work at different street markets that you can't enter if you don't have (...) - In the street markets you can't work if you're not formalized. So of course, it helps. GROUP 1. Social Mixed

As a fourth point, access to bank accounts for Monotax bank clients¹³, and access to card payment systems and POS machines¹⁴.are mentioned as benefits of formality. These have almost become additional requirements to sell, and as selling with credit or debit cards requires formal registration¹⁵, have also promoted formalization¹⁶.

Finally, from the workers' perspective, formalization makes it possible to “avoid problems”. Being legally registered gives peace of mind, it allows “to be with a clear conscience” and not be afraid of tax inspections.

- The good thing about Monotax registrants would be that we can work, and we can get them to hire us... - In different places... And we're legal, right? - That is no small thing. Because, to tell the truth, when I wasn't contributing, I was working at the hairdresser's... and suddenly I saw a man in a suit and tie and my heart went like that [laughs], really! - With my husband we had a strategy... And I would go to the back... because, of course, imagine [Laughs]- It happened to me once, in front of the workshop... We were hanging around and suddenly a woman appeared... The door was open, we were across the street... And suddenly a woman appears with a phone and starts taking photos. - That peace of mind is invaluable, really. GROUP 3. Mixed General Monotax

I at least have a clear conscience - But for the same reason, you know, when the time comes for a street market at the end of the year, I have to have it [the registration]. - Of course, it helps you a lot with everything. - Sure, it opens doors. - We don't do it because we're good, we do it because we need things. - If they didn't require it... - Of course, if they didn't require it, I think no one would register a Monotax [business], because it wouldn't matter. -Wherever you go, there will always be someone who will ask you for something formal. - In my case, I wanted to open a store, and it's rather complicated if I'm not formal. GROUP 1. Social Mixed

The most frequent and important reason for registering under Monotax is thus associated with the advantages of accessing formality, either due to the requirements of customers, sales spaces, or card payment systems; to access new customers or to avoid tax inspections. And in general, the Monotax is valued positively. Most of the respondents feel that the Monotax helped them financially because they gained access to better clients.

For example, now, this year I'm working almost the same as before I had it, but I'm earning more. Formalization allowed me to reach another type of clientele. GROUP 1. Social Mixed

It went really well for us, because it opened up the possibility of participating in markets, exhibitions, events, which required you to have a formal company. And, at the same time, it offered you better marketing opportunities. And, also, because we could work with other payment methods.

But others did not fare better than before registration: they point out that formalization is not as central for their business as broader economic and

labor market dynamics, which are affected by periods of crisis and events as the pandemic: “Formalization or the Monotax have nothing to do with how the market has been moving”.

2.2. Opinions on Social Protection

The second reason mentioned by workers for registering, relatively disconnected from the benefits for entrepreneurship, is access to social protection¹⁷.

Throughout the discussion groups and interviews, the possibility of accessing social benefits emerges as a relevant factor for registering¹⁸. Retirement is considered the most important benefit as respondents think about the future.

I have my partner, who is also a hairdresser, stylist... 56 years old. I think she has no vision of her old age. I've been contributing for more than 6 years. After all, I have the brains to think about my retirement. And I don't think she has ever thought that, at some point, she won't be able to work anymore, no matter how much she wants to. I think it's a little lack of vision of old age, [a vision] that we Uruguayans don't have. I don't know about the world, but in Uruguay we don't see ourselves being old, ever. Until we get there. Mixed General Monotax

In some cases, it is argued that the Monotax is a way to complete the 30 years of formal work required to retire. These are people who were employed for many years, then left or lost their jobs, and found themselves with insufficient years of social security contributions through formal work.

In any case, although not everyone is informed, the amount of retirement pension they will have access to through Monotax social security contributions is the minimum: about 450 USD. Or, in case of not having contributed enough years through formal work, a modest old-age pension, with variable but lower amounts.

Thus, in the interviews, workers point out that the Monotax does not make a difference when it comes to retirement income. Retirement benefits are perceived as low^{19,20}.

As it is a very minimal contribution, when you retire, how much is that going to be? - It's the minimum retirement [pension] - The day we retire as Monotax registrants, we'll have a retirement [pension] that, hopefully, will reach the national minimum. - And if you've been registered for only a few

years, your option is a [old-age] pension instead of a retirement pension - And I've worked unregistered for many years. GROUP 1. Social Mixed

In addition to retirement contributions, the Monotax provides access to other elements of social protection. Some of the female participants shared experiences with maternity²¹ where formality allowed for relevant social protection.

- Yes, at 32 weeks pregnant, and they pay you for the 12 weeks. Yes. (...) . I said that my salary was 7,500 pesos. And I can tell you that I got 19,000 pesos during those three months that I was on leave... For me it was good money because, honestly... All that time that I was on leave, I did not pay Monotax [contributions], because I wasn't working... And then, for those 6 months after you go back to work part time, I paid half the fee [monthly contribution]. And they paid me a difference. Honestly, I can't complain. GROUP 2. Social Monotax Women

Another set of benefits is also mentioned by only a few discussion participants and interviewees. Some participants were even surprised to learn about them. The Monotax provides access to insurance in the event of occupational accidents or illnesses, although the amount of the benefit is low²²: about 2 USD a day, which is mentioned with annoyance²³ by some interviewees. In addition, the Monotax grants access to some benefits associated with formal work: subsidies for glasses, prostheses, and foot orthoses²⁴. Until recently, these benefits were extended to the family of the registrant²⁵.

Finally, the Monotax allows access to health care under the SNIS (Sistema Nacional Integrado de Salud - National Integrated health care System) through the payment of an additional monthly contribution for the FONASA (Fondo Nacional de Salud - National Health Fund). However, while workers know about this option, they rarely choose to use it. One of the reasons for this is that the additional payment greatly increases the monthly contribution by approximately 2.7 times (from 50 USD to 130 USD.)

What happens is that it adds up for you: if you have BPS plus FONASA, you pay 7,000 pesos per month. And even if you are a Social Monotax payer, you're still quite tight with the fixed monthly costs. - (Moderator) Do you have the additional contribution for the FONASA? [several participants say "No" at the same time] - Because it's a financial difference. - A lot. - The health part in Monotax is really uneconomical.

The most frequent alternative to access health care by these workers is to resort to public healthcare. The Administration of State health care Services (ASSE by its Spanish acronym) is a good quality, free, universal and nationwide provider²⁶. This option is particularly frequent^{27,28}. Another alternative that people resort to, instead of paying the additional contribution, if they have a formally employed spouse, is getting access to FONASA as a dependent family member for an additional contribution that is withdrawn from the spouse's salary. Thus, for the majority of respondents health care is not accessed through Monotax contributions: it is "unfeasible"²⁹.

Most of us don't have access to health care - Most of us don't have it - And I take care of my health at public health care - On the health issue, most Monotax registrants don't have it. GROUP 1. Mixed Social Monotax

Access to contributory health care benefits through the Monotax is not usually sustained over time.

Actually, I became a Monotax registrant, MIDES in my case [Social Monotax], due to a need to formalize, to make retirement contributions, which I think is essential... apart from the fact that our contributions are, for sure, minimal compared to an 8-hour job. At the time I also provided medical coverage to my children with the Monotax... until I realized that it was unaffordable and I focused only on retirement contributions. GROUP 2. Social Monotax Women

Access to social protection mechanisms is a relevant, but secondary, motivation among Monotax registrants. Access to retirement is valued, although the final amount (the national minimum) is considered insufficient. Mothers value the benefits associated with maternity. But the Monotax does not include unemployment insurance, sickness pay amounts are very low, and access to health care through the SNIS implies an additional payment, which is considered too high and is sustainable only for few registrants.

2.3. Assessment of Formal Aspects, Procedures, Costs and Requirements

Registration procedures are, in general, described as simple. From the interviews, it seems that procedures have become simpler over time.

Moderator: How were the procedures? Were they easy for you? - In the middle of the pandemic, it was a pleasure to go through and it took no time. - I did it in person... - It's still quick that way... (...) - I'd say that it's a simple procedure... - Yes... - Yes. - Today: extremely easy. GROUP 3. Mixed General Monotax

Only a few older people say that the online process was difficult for them³⁰. The group of Social Monotax women in particular found that the online procedure is difficult and recommended some improvements.

Because, sometimes, it takes a lifetime to find it out. - [The platforms] should be intended for someone who has no knowledge of it... - Or for who finds it difficult to deal with. - Make it simpler, easier, more functional for a person with zero knowledge. - Of course. Because apart from that, if they tell you from the start that the MIDES Social Monotax is for... - Yes, targeted for economic vulnerability... - Maybe that person can hardly read...GROUP 2. Social Monotax Women

Public institutions also offer supplementary mechanisms of personalized attention, which are appreciated by those respondents that are less digitally skilled³¹. But in general, respondents feel that the procedures are simple.³² For Social Monotax registration, an affidavit of income is also required, which is studied to corroborate that the applicant is in a condition of poverty or vulnerability³³. The MIDES studies the information and replies in a short but variable period³⁴.

Some of them report facing difficulties with subsequent procedures after registration: in particular, keeping track of payments due and refinancing overdue payments. A specific attention service for inquiries related to the Monotax³⁵ was proposed as a possible solution.

After a while I began to owe money and... that's where everything got complicated for me. I paid; I refinanced it... And the worst thing that happened to me was that they stopped sending the invoices that they brought you and started sending them via email. And I forgot to pay. Mixed General Monotax

One of the advantages of the Monotax is that overdue contributions do not accumulate: after two months of non-payment, the business is “frozen”, and the only requirement to reopen it is the payment of those overdue contributions, plus interest³⁶. In the case of the Social Monotax, the same mechanism applies but the two-month debt does not generate interest³⁷.

Monthly contributions are not considered too high. However, several interviewees mention that it has sometimes been difficult for them to pay in months with low income. Some cannot pay on time, stop paying for a month, and then pay two months together. Some interviewees resumed payment after having their registration suspended. Others, particularly among Social Monotax registrants, point out that they know of several cases of people who could not pay for two months and had their registrations suspended: *“I have many colleagues who are Monotax payers and after two months the BPS puts you out of business if you don’t pay”*. As noted, Social Monotax registrants make a lower payment during the first three years. Some interviewees point out that upon reaching the full payment amount, contributions become an issue.

The annual income ceiling of around 20,000 USD is not considered to be too low by most Monotax registrants. If this amount is exceeded, registrants must start making contributions under the regime of Sole Proprietorship, but almost no Monotax registrant considers this as an option. While they do not consider it a low amount, several respondents also point out that their gross income must cover their costs, which leads to low profits³⁸: raw material and machinery costs can be quite high for some industries, thus affecting earnings³⁹. Unlike Sole Proprietorships, Monotax registrants cannot deduct the VAT from these expenses (which is as high as 22%), which makes their business comparatively more onerous. Moreover, the limitation of selling only to end consumers (which applies to most Monotax activities) is mentioned as a limitation to profits⁴⁰.

While the initial Monotax regime allows to hire one employee, the monthly income limit makes it difficult to sustain labor costs⁴¹. The Social Monotax does not allow registrants to have employees, which was pointed out in some cases as an obstacle that should be modified⁴².

The Monotax allows registrants to operate one small business location of up to 16 square meters, which respondents find relevant in some cases as the cheapest way to legally open a brick-and-mortar business⁴³. This small location can be a sales point, a workshop or have any other purpose relevant to the business, but the dimensions are a strongly audited aspect⁴⁴.

In summary, most of the procedures to register can be done online, and there is also face-to-face attention. Only a few workers mention having found obstacles or comprehension difficulties. Most characterize them as fast and simple. Formal requirements are also not considered inadequate. In some cases, it is pointed out that the amount of the monthly payment has caused difficulties, and that people

have had to get out of the system and return to the informal sector or change jobs. The maximum amount of income allowed is not considered limiting, although in the case of General Monotax registrants who can hire an employee, they point out that adding labor costs becomes difficult.

2.4. Specific Sectors and the Focus on Vulnerability

From a purely documentary point of view, the Monotax can be understood based on a set of specific legislation: the creation in 2001, the expansion in 2006, the progressive inclusion of new sectors, and the creation of the Social Monotax in 2011. However, as was predictable, a more complex process emerges from the qualitative fieldwork. From the interviews with representatives of organized workers, it emerges that their participation was crucial.

The initial version of the Monotax focused on street vendors, seeking to regulate their tax burden with a new tax regime. It was created as a specific tax for this sector under article 590 of Law 17,296 of February 2001. The organization of street vendors at that time, PIVCU (Plenario Intersectorial de la Venta Callejera del Uruguay - Intersectorial Plenary of Uruguayan Street Vendors of Uruguay) called for a public protest and an assembly, stating that *“At this time, street vendors are not in a position to pay taxes for their activity because the crisis has greatly affected us (...) This legislation only aims to collect [taxes], it imposes obligations on us, but does not provide us with social security benefits”*⁴⁵. That year, the biggest economic crisis in the modern history of the country began and lasted until 2005. Few workers registered under the new regime.

In 2004, the Mesa Departamental de Artesanos (Provincial Council of Artisans) began to work with the Ministry of Labor to create a specific tax for the sector, which was finally legislated in 2006 and in 2007 regulated as a single tax, including other sectors: brick makers, tourism, car watchers, and window cleaners. This is how, in dialogue with organized social actors, the successive extensions of the lists of activities were made. In the words of Helena Almirati, representative of the Coordinadora Nacional de Economía Solidaria (National Coordinator of Solidarity Economy) and the Mercado de los Artesanos (Artisans' Market):

We designed Monotax for artisans, which was finally legislated together with the brick makers, in the same article, in the same decree. And after that comes tourism, where we also helped the tourism association. And then

others came, [like] a decree that includes car watchers, and then they begin to put a list of things [activities] covered by the Monotax. REP.3. National Coordinator of Solidarity Economy

In particular, the 2011 expansion through Decree 66/11, which includes several sectors, needs to be highlighted. That same year legislation was passed to establish the Social Monotax, whose origin saw a relevant participation of social actors.

We proposed the Social Monotax. We adapted it from other countries. We had a folder this thick, and we would take it everywhere. We proposed brackets, paying 25% at first, then 50%, 70% and such, as was later the case with the MIDES [Social] Monotax. We went to the MIDES; we wrote the draft. We went everywhere. REP.3. National Coordinator of Solidarity Economy

A national meeting of entrepreneurs in 2008, submitted the proposal for a Social Monotax, and an inter-institutional committee was in charge of developing it⁴⁶. As indicated at the beginning, the main specific characteristics of the Social Monotax are the targeting of the vulnerable population, the possibility of suspending the monthly contributions without generating interest (around 3,000 workers have their registrations frozen)⁴⁷, and contribution amounts that increase from 25% to 100% in the first four years after registration^{48,49}. In this way, the Social Monotax has the special features of being a “citizen’s proposal” and having an inter-institutional nature.

Compared to the common Monotax, what the Social Monotax has had since its origins are these two peculiarities: on the one hand, it is a citizen’s proposal, a proposal where the citizens participate and, in fact, demand and develop the proposal. And another peculiarity is that it is regulated by an inter-institutional space. REF 3. Interview to MIDES representatives.

The interviewees who oversaw the implementation of the Social Monotax at the MIDES said that the policy is part of a line of work to support enterprises in contexts of vulnerability, which includes various support strategies: dissemination workshops, trainings, etc. Training in general is well evaluated by registrants⁵⁰, but some have a more critical view: they see it as superficial and poorly coordinated by the NGOs that enter public bids to offer the service.⁵¹ The general evaluation of Social Monotax among MIDES interviewees is very positive, and they point to the increase in the number of registrants as a relevant fact:

Interviewer - Do you believe that the Social Monotax, in these ten years, has established itself as a good tool or a convenient tool for people who are in a situation of vulnerability or in precarious employment? Respondent - Absolutely, yes. I think the data speaks for itself. Around 2015- 2016, the number of common [General] Monotax registrants was decreasing, and they were all becoming Social Monotax registrants. 'Oh, it's because they are taking advantage [of the system]'... Are they taking advantage? Or is this tool more convenient for them? REF 3. Interview with MIDES representatives.

The Social Monotax has also made it possible to develop specific formalization and employment policies, aimed at specific sectors of activity in vulnerable populations. For example, the brand “Provas” (Productos con Valor Social - Products with Social Value) was created, marketing spaces are promoted in different provinces of the country⁵², and the regime is applied with specific targeting to different informal sectors, such as waste sorters.

The Urban Solid Waste Sorters Labor Reconversion Program, implemented since 2007 by the Municipality of Montevideo, has allowed sorters who previously used horse-drawn carts to reconvert by replacing the animals with three-wheelers called *motocarros*. The sorters are formalized through the Social Monotax, with a coverage that is still scarce: 113 people of an estimated population of 3,000. In most cases, these are families of sorters that have been in this activity for several generations and informality is part of their daily reality. In their life paths, sporadic experiences of formal work have occurred in jobs that are not part of the waste value chain⁵³, so the experience with the municipality is significant in the sense that it gives value to their activity. In general, the evaluation by the workers interviewed regarding formalization is positive compared to their previous situation of informality:

Before I started to work in a motocarro, I was working in a wood shop. I worked loading and unloading trucks that come from outside Montevideo. And, of course, it was undeclared, it wasn't in social security or anything... And well, I worked for a couple of years. The pay wasn't bad, but it's a separate sacrifice, it's all physical effort. And it's a good thing that today I got this job I'm currently working on. I'm happy, I'm satisfied. And even more so as I'm making the contributions, right? That I make myself, to be the Monotax. TRA 5. Interview with motocarro worker

-And... advantages... [there's] Many, right? Because you can do any kind of paperwork. If you want to change jobs one day, that serves as a reference. It is something that depends on you: you did the job; you went and paid the Monotax... And people see that. TRA 5. Interview with motocarro worker

However, the formalization of waste workers poses numerous challenges, such as those related to economic and care dynamics. The economic structures of Informal sorters are organized around daily income, and formalization means changing that structure to receive income on a fortnightly or monthly basis, which implies a complete reorganization of the family economy. On the other hand, female sorters who carry out their collection work on the street include care activities in their use of time: they go out with their children to collect materials, or they do it while the children are at school. Formalization and fixed time structures break up family care networks and generally overload the youngest women in the home, who often alter or abandon their school trajectories to take care of their younger siblings. In this sense, the Municipality pointed out that:

-The Monotax is a good tool, but it has to be accompanied by a series of things that have to do with training, with support. Now we are talking about care... a series of things, right? EMP 1. Secretariat of Employability, Municipality of Montevideo

The “Motocarros” Program presents a particularity to consider when combining formalization and inclusion tools. On the one hand, it does not consider the Monotax in isolation, but rather it combines it with other municipal inclusion policies. This combination of policies is strongly targeted, but at the same time they are useful because they take into account the specificities of the sorters. Education and training for the development of the specific task of waste collection and disposal involves everything from obtaining a motorcycle driver’s license to managing their Monotax registration. All instances of education and training are recognized as working hours and, therefore, generate compensation for the sorter. This element is substantive to sustain adherence to the program.

The “political” nature of the Social Monotax allows for some specific results in terms of formalization and support to vulnerable populations. But it also involves risks. During the period, some problematic situations took place as a result of political decisions, with important consequences, such as a failed formalization process for street vendors⁵⁴.

In the discussion groups of Social Monotax registrants, the perception of a certain stigmatization in comparison to the General Monotax emerged. Some participants suggest that, because they are Social Monotax registrants⁵⁵, they are seen as beneficiaries of social welfare policies of the MIDES, or as “type B” Monotax registrants. Indeed, on some occasions, participants of the General Monotax group refer to Social Monotax registrants as “MIDES”⁵⁶. In this regard, participants of the Social Monotax group suggested to eliminate all reference to Social Monotax from the invoices they give to their customers.

I think it's wrong that the receipt that I give to the client says “MIDES Social Monotax”. The client doesn't have to know if I live in a critical context home, of vulnerability. Because, in theory, the Social Monotax is given by MIDES to people who are in a context that doesn't allow them to access the common Monotax. The reason I registered under Social Monotax is because my wife's income is low, and I always worked informally. But when I present an invoice to a client, the work is fine, the times are fine, everything is impeccable, but you show him a bill that says “MIDES Social Monotax” and this turns the little light of stigmatization on. - Because we are saying that we are Monotax registrants, but “quality B” registrants, get it? The client doesn't have to speculate at any point, because we are providing them a service that's equal to any other - But do you feel that way? -No, but the clientele I work for is very discriminatory. GROUP 1. Social Mixed

2.5. Self-perception: A Diffuse Status

2.5.1. Close to informality

As noted above, a large proportion of Monotax workers were previously informal workers. Almost all of them are satisfied with being registered with the Monotax, because it allows them to get out of informality, to be “in another league”, to not be afraid of inspections:

Moderator: Are you happy to be formal workers? [they nod] - You bet! It gives you freedom... it gives you peace of mind... - It gives you peace of mind. - For example, it happened to me... a person in a suit came and I was shaking. - And, besides, with the client... Understand what I'm saying? [They say] “You are undeclared.” No, I pay my contributions. - Or you are not so professional because you are not legalized [SIC]. - There it is...- With a

company you already have a good... - It gives you that status. That thing about: "I'm a professional, I pay contributions"- It gives you a status. -You are in another league. GROUP 3. Mixed General Monotax

However, these workers understand informal workers, they empathize with them because most of them come from that sector, and they understand the decision to remain an informal worker⁵⁷. A large proportion of Monotax registrants work in activities and sectors where informality is widespread: all of them know other informal workers in their fields⁵⁸.

-I see it in my neighbourhood. (...) my son is a mechanic [Monotax worker], but there are two more mechanics on the block and neither of them is formal... - The street markets...- They work undeclared. - The one who sells fried dough on the street corner... the one who sells bread. GROUP 3.Mixed General Monotax

When asked why some workers choose to remain informal, they give different answers: to have more income by not contributing, for cultural reasons and for “cheating”, or because some workers cannot afford the monthly payments⁵⁹. They also point out that there is a lack of information among potential beneficiaries⁶⁰. There are also differences between the different sectors of activity. For example, among the representatives of organized sex workers, the Monotax is valued positively:

It has many, many advantages. It has many advantages.... It will give me the possibility of retiring! Neither my mother nor my grandmother, who were sex workers like me, had that advantage. They had to beg. For example, in the [labor] accident coverage that I had... if I had not paid the BPS contribution, I wouldn't have had it! NO 6. Sex worker

However, to date, only 110 of the 13,500 sex workers in the National Sex Workers Registry are contributing to the BPS. They demand actions of dissemination, education and training on the ways of access, and benefits in the short, medium and long term. In addition, some inconsistencies are pointed out regarding the applicability of the regulations. For example, older sex workers face difficulties to access retirement. As we will see later, there are some proposals regarding staggered contributions:

For us it would be a liberation tool if our colleagues had access to information about the Monotax. Do you know why? I would free them from the pimps of

the trafficking networks. Because a pimp and a trafficker would never, ever share the profit from that exploitation with anyone. With anyone. NO 6. Sex worker

Focused interviews were conducted with workers who were not registered in the Monotax but meet the requirements for registration, to understand why they would not register. Some were former Monotax workers who stopped contributing at some point because the contribution was too high, and afterwards did not return to the regime to avoid paying the debt. Those who choose to remain in the informal sector, point out a lack of information and a lack of incentives in general: they think that the benefits are insufficient, and thus they do not make a difference. The main benefit questioned is the access to a minimum retirement pension because it does not represent an incentive for them, or it would be impossible to achieve due to a lack of years of contributions.

In turn, Monotax registrants view informal workers as competitors⁶¹, both directly as workers in their sectors, and indirectly through registered employers who hire informally⁶².

Many admit that they also carry out informal practices by not declaring all their sales, which they sometimes collect in cash without issuing invoices. This is a second reason why the income limit established for Monotax registrants is not an actual ceiling: a few of them speculate and when they get close to the limit, they stop declaring their income⁶³.

They pay me in cash. Because I want to be paid in cash. - It's informal, you work undeclared. - And, well, OK. Sometimes you have to... - Otherwise, how much do they take from that [sale]? It's not convenient to them, nor to you - Totally. GROUP 3. Mixed General Monotax

The barrier that separates Monotax workers from informality is porous. Although they have chosen to be formal and are generally satisfied with it, they coexist with informal workers in their fields every day and compete with them. For some of those who choose to remain in the informal sector, the amount of the monthly contribution is too high: they have not been able to pay it and leave the regime, returning to the informal sector. There would also seem to be a lack of information. In addition, sometimes some workers do not record all their sales, thus operating informally.

2.5.2. Workers, Business-owners, Entrepreneurs

These workers have chosen to be self-employed workers and have that relative freedom to manage their time, even if it implies greater income insecurity. The downside is that they depend on their work: *“That’s another disadvantage. Our business... if we work, we earn, if not, we don’t. - Of course. - If I sell something I earn, if I don’t sell, I don’t earn...”* GROUP 3. Mixed General Monotax.

An interesting emerging element in the conversation in the groups is that the Monotax generates a sensation of ambiguity in the registered workers. Being accustomed to considering themselves as self-employed workers, they are confused by their legal status being associated with single-person businesses. They argue among themselves about how to consider themselves.

By being “companies”, they are not entitled to some benefits associated with formal work, such as the Asignación Familiar (Family Allowance), a small monthly transfer received by every formal worker for every minor child in their care. Monotax workers complain about this, pointing out that they consider themselves workers, and they refuse to be formally considered businesspeople.

It has many good things, but also negative. When I had my daughter [I thought] I have the [Family] Allowance. But no. As I’m a businesswoman, I don’t have it... Even if I earn peanuts... - That’s the bad thing, for me, about Monotax. We shouldn’t lose the benefits that the State gives us for being... Like me, they told me “No, you are a businesswoman”. Sure... I’m a businesswoman, but I earn two cents [laughs]. - Sure, that’s why... It must be said...I’m an independent worker, I’m not a businessperson at all. - Exactly. Independent worker. - I don’t have any capital.

It is an aspect highlighted by interviewed workers who raise a conceptual discussion⁶⁴ and claim rights associated with the status of workers, in particular, unemployment insurance.

We propose that social security be equated, with the same rights as dependent workers. Here in this country there are two figures: the dependent [worker] and the employer. And the self-employed? What is the difference, for example, from the employer? If a dependent worker doesn’t have a job, he has unemployment insurance. If a self-employed worker doesn’t have a job, it’s because something foreign to him has happened. That can be the loss of your source of work, a... deluge in your town, whatever. Well, they

don't have unemployment insurance. REP.3. National Coordinator of Solidarity Economy

However, some participants in the groups accept that they formally have a company, and even identify themselves as entrepreneurs. The topic generated discussions in the focus group:

No, I don't agree with what you say... We have a company; we have a company - We are entrepreneurs, constant entrepreneurs...- But we are not businesspeople... Because we don't have the capital to say "I put in so much [money], and if I don't work I can support myself". It's a lie... If I don't work, I can't pay rent, water... - Well, it all depends... - If I were an entrepreneur, I should have people working [for me]. - I'm not a businessman... The distinction is important. GROUP 3. Mixed General Monotax

In the discussion, freedom is once again associated by some participants to the figure of the entrepreneur⁶⁵. Only a few interviewees and group participants use this word, but they strongly appropriate the concept. In a focus group it was specifically asked: "Do you feel like entrepreneurs?" and three participants, half of the group, nodded. They give a positive connotation to the term: "We are entrepreneurs, constant entrepreneurs."

Entrepreneurship is a matter of initiative, you like to say, "I do it my way", "I don't want them to tell me how, what" ... But, at the same time, I feel like... As time goes by, if I were to go out and look for a job now, I would have little chance of being hired. I don't know where I could go. -But, beyond that, being bossed around... That happens to me: sometimes I say "Yes, I'm going to get a job. Totally yes", and then I say "Oh, no... someone will tell me "Do this, do that". I select my clients. I say "No, I'd rather always be an entrepreneur, and manage myself... GROUP 3. Mixed General Monotax

The officials who oversee the Social Monotax policy use the term in their interviews. The proposal itself has one of its origins in a national meeting of entrepreneurs, and the officials interviewed more tacitly than explicitly state that the focus of the proposal is the entrepreneur. In the discussion group of Social Monotax workers, the concept appears a few times in the conversation, in a rather spontaneous way: "I share a commercial space with 35 other entrepreneurs... and they are all Monotax registrants". (GROUP 2. Social Monotax Women). But this is not a concept accepted by most respondents in our field work.

The debate led to interesting comments regarding work strategies among the self-employed.

For my company, I am the photographer, the office boy, the one who manages the sales, marketing... In my social media account, I sometimes answer: "For that, you have to contact Sales" [laughs]. I have an account with 2,000 followers. When they write to me, I tell them: "Contact the Sales team" ...And it's like the meme... [laughs] "I'll send the office boy" and I'll go myself... [laughs]. GROUP 3. Mixed General Monotax

The participants mentioned a feeling of loneliness and they appreciate the opportunity of participating in the focus groups for this study, as a way to exchange with other Monotax workers. All participants agreed on their need for more information and on the benefits of exchanging experiences with people who are in a similar situation⁶⁶. At the end of the group discussions, some workers got back to this point by sharing that during the discussions they had realized that, while they all occupied the same position, they were separated from each other.

[Moderator saying goodbye] I am very grateful for the conversation; I learned a lot. - My pleasure. - Us too. [Laughs] - [The fact] That we're all more or less in the same place, that makes you feel like you're not in such a bad situation... - We're all scattered. Among other things, I don't know if that's the case, maybe you... I don't know if it was a goal [of the Monotax] that people don't get together. Honestly. - Oh... that's terrible. GROUP 3. Mixed General Monotax

2.5.3. Exposed to Precariousness

The Monotax is focused on people who cannot access the standard Sole Proprietorship regime, have lower incomes than the average employed worker, and who work a greater number of hours. They are self-employed workers, to a large extent due to a lack of other options, and have access to a subsidized regime, but with minimal social protection. As economist Matías Brum^{vii}, interviewed for this work, pointed out: "(...) *the feeling I have left is that there are many MIDES Monotax*

vii. Matías Brum holds a PhD in Economics and is a professor at the School of Economics and Management of Universidad de la República. He is a labor market specialist and is currently carrying out a research project on informal workers for the Ministry of Labor and Social Security of Uruguay.

workers, and many General Monotax workers, who are non-dependent workers, because they have no other choice and because they are in dire straits”.

For example, in the case of *motocarro* workers, with situations that are common to other workers, even with the advantages of formalization, the precarious conditions are not overcome. They went from being informal workers to formal precarious workers, but the situation of inequality, exclusion and socioeconomic vulnerability continues.

*Actually, they're not on the three-wheeler all day. But between getting on, off, loading, cleaning, riding... And sometimes it sucks if it's very hot, if it's very cold and windy. But you have to deliver, as I tell you, it's on you... If you're in poor health and you miss work, that day's contribution is lost, you won't have it, because you did not earn it. After that... Good. TRA 5. Interview with *motocarro* worker*

Monotax registrants are currently not included in the SME business chambers, and they are not labor union members either because they are not considered workers. They optimistically point out that they are “still in time” to find some form of specific collective organization⁶⁷. This lack of representation spaces is also relevant because Monotax workers represent a relatively submerged type of worker. Union leaders interviewed for this work highlight this extreme:

It doesn't seem logical to me that you don't have the right to get sick,... or [that you have to] work in very poor health conditions because, uh... If they're going to receive a benefit, it's going to be that miserable amount, then... I know that they have benefits, that they contribute a little. The problem is that what they get is also little. Giving them job placement tools. Instead of putting a patch and being happy that we have inserted, that we have... this [worker], plus this one... More formal workers, or mini entrepreneurs, as these people are considered, right? REP 2. PIT-CNT representative

In the case of the Social Monotax, the MIDES and some provincial governments have promoted associative enterprises that were very welcome by the participants⁶⁸. Likewise, Social Monotax registrants can associate in partnerships of up to four members. This modality has been encouraged in the case of *motocarro* workers in Montevideo⁶⁹. There are even attempts to create groups and spaces for the representation of Social Monotax entrepreneurs, who made proposals to the government during the pandemic.

There is a group of Social Monotax registrants who have their own Facebook page, they make demands and stuff... They have been received by the Finance Committee of Parliament...

On the other hand, in several conversations it is mentioned that the Monotax is being used by large companies to create precarious jobs, by contracting Monotax registrants instead of dependent or temporary workers, thus reducing social security costs.

Because now many companies ask you to open a Monotax... [participants speak simultaneously]- 'If you work with us, I'm not going to take care of your social security contributions... [participants speak simultaneously]- It wasn't like that before, but... - (...) In Punta del Este they are asking people who have a Monotax to work [in a large hairdressing salon]. So, there it is... - It is a way of making work precarious! GROUP 3. Mixed General Monotax

For example, among textile at-home workers, informality predominates. Some of them are Monotax workers. A representative of the Sindicato Único de la Aguja (Single Union of Garment Workers), welcomes the fact that they can access formality by working independently⁷⁰, although she points out the risks: the persisting precariousness, the difficulty of collectively organizing, and that sometimes factories are outsourcing to Monotax workers, which represents a distortion of the law, leading to a covert dependent work situation:

There's this confusion that, since I am a Monotax registrant, and I pay my contributions, then I'm not a worker. That is, I'm not a factory, I'm not a worker, because I already have my work tools. So, it seems that I'm not a worker, and besides, I'm on my own. [You are] Living day to day with the bare minimum, and there's no one knocking on the door to tell you: 'Comrade, come on! Let's fight for your rights!' (...) The colleague who is in the factory elsewhere is receiving vacation salary, etc., and they bring you the work on Saturday, Sunday, so that you can do it at night, do you know why? So that the company doesn't pay overtime, because in the workplace it has to pay overtime and also doesn't want to hire more workers REP 1. SUA - TEXTILE

2.6. The COVID-19 Pandemic

The COVID-19 pandemic is an unavoidable milestone for Monotax workers. For some, it was the moment in which they decided to become Monotax registrants,

because other undertakings failed. Others had to cancel their Monotax registration due to difficulties with monthly contributions⁷¹. There are very different work experiences in the period:

Honestly, we're not ashamed to say it, but we were this close [showing with the fingers] to go eat at an 'olla popular. We were very close. I'm not ashamed, no, because if I must go today, I'll go. - (Another participant interrupts) I did well in the pandemic. GROUP 1. Social Mixed

In the case of the Social Monotax, registrants received a monthly subsidy of 7,000 pesos (180 USD) for five months. As the government pointed out, the scheme made it possible to focus on some of the most precarious workers and from the sectors that lack unemployment insurance and were most affected by the pandemic: workers in public spaces (street market and street vendors, for example) or in direct treatment sectors (such as hairdressing)⁷². However, subsidies were only available for those who kept their contributions strictly up to date, which was not the case of many of these workers⁷³. Overall, subsidies were welcome: “It helped me a lot. Those 7,000 pesos helped me” (GROUP 1. Mixed Social Monotax).

Workers in the general Monotax regime did not receive this benefit, but they were offered an “insurance for discontinuation of activities” in the form of a loan of 24,000 pesos (600 USD) to be paid over 24 months at no interest. Some participants were unaware of this policy⁷⁴. In addition, during the pandemic, the monthly contribution for these registrants was reduced by 50% for 6 months⁷⁵, and from the first day of 2021, the system of staggered contributions was introduced for new registrants.

In any case, in May 2022 the PIT-CNT (the Uruguayan federation of labor unions) demanded solutions for “the critical situation that fifteen thousand Monotax workers are going through”⁷⁶. In July, an emerging “Agrupación de Monotributistas” (Monotax Workers Association), based on data that could not be confirmed for this study, assured that around two thirds of the Social Monotax workers had not resumed their activities after the pandemic⁷⁷. In addition, the workers’ representatives agree that the support policies during the pandemic were insufficient.

In the Social Monotax many were left out due to a problem of how the law was drafted. That's about 6,000 [people]. You had to be registered and debt free as of March 13, right? Then the law also says that you can be active or inactive... So, if you have legislation that has such an exception, does it matter

if you were active or not active on the 13th? They had a subsidy of 7,000 pesos. And the normal Monotax [workers] got a loan. That's worse than the worst. It was a loan... to start paying back in December. And several loans: you could have up to two or three loans, repayable from that moment on. It's terrible, terrible. REP.3. Coordinadora Nacional de Economía Solidaria

2.7. Improvements suggested by respondents

2.7.1. Improve the Quality of Benefits

While the overall experience of workers and the opinions of experts on the Monotax are positive, the main aspect that emerges as an area for improvement is the social protection component related to health care contributions⁷⁸⁷⁹. Being able to make FONASA contributions at a more affordable amount is one of the main demands of Monotax workers.

The issue of FONASA, accessibility. - More accessible... - More affordable. - Well... I don't have FONASA [benefits]... I pay separately because I have many health problems and I see specific doctors. And yet, it's cheaper for me to pay for private health care [than in Monotax contributions] GROUP 2. Social Monotax Women

Calculating contributions based on a very low presumptive income serves to reduce the incentives for informality through contribution amounts, but it also limits the benefits to the minimum in the case of retirement pensions, occupational accident insurance, and sickness pay. Respondents point out that unemployment insurance is relevant and question the amount of retirement pensions.

The Monotax is for a low-income worker. Conclusion: it's a low retirement pension anyway. [That is] To accept that a worker who is in a situation of vulnerability or low income today has to retire poor. And it's wrong. REP.3. National Coordinator of Solidarity Economy

2.7.2. Improve Access to Information

An issue that appears repeatedly is the lack of information on the benefits of the Monotax. A participant in one of the groups commented that he has hired an accountant to advise him for 15 USD a month. At first all the participants laughed at

this and considered it superfluous, but at the end of the group discussion, he shared the accountant's contact with all the participants as throughout the conversation the need for advice emerged. We have already mentioned that some registrants did not know that they do not have access to Family Allowance, nor what would be the amount of their retirement pensions, or that they do have access to sickness pay and occupational accident insurance.

You call the BPS, that's where you call for the insurance. - That's good. I had no idea. - I think it's like health insurance, right? - I didn't know... - If you read the [BPS] receipt, it says something about "health insurance" but... - No idea. - Health insurance? - Yes, of course. If you get hurt... If I screw up my hand, I can't... they pay you, they pay you back. - And where do they pay for it? It happened to me recently. I put my hand inside a machine... - But they have to pay you. - I don't know anything, that's what I'm telling you. - There's an information gap. - There's a gap. - There's a gap, right? There's an information gap. GROUP 3. Mixed General Monotax

When they were asked about potential improvements at the end of group discussions, the first suggestion of participants was to address their need to receive information⁸⁰. During groups discussions, we repeatedly saw participants finding out about benefits from each other, and even taking notes ("Write that down. It's useful" was a recurring phrase.)

2.7.3. Improve Integration between Systems

Voluntarily increasing contributions to exceed the minimum is not currently possible⁸¹, and is pointed out by participants as a means to improve protection benefits: "I think we can stay in the Monotax, but be able to voluntarily contribute a little more." (GROUP 3. Mixed General Monotax).

Some sectors of activity raise the relevance of gradual, variable contributions. The organizations that bring together sex workers in Uruguay, for example, have proposed staggered contributions.

Staggered contributions by age, up to at least 50 years of age, with retirement since 50, with the declaration of unhealthy work. Because when the colleagues work the most is when they're young. So: divide it into age groups to start making [contributions]. Because otherwise you reach 60 years old, and you can't even eat at 60. NO 6. Sex worker

The artisan workers' associations also raised the possibility of a “retrospective payment”: “Those who entered [the regime] at 50 years of age, and contributed for 10 years, well, how do we solve this problem? So, there we have a problem that we call “late contribution” (REP.3. National Coordinator of Solidarity Economy).

This would be consistent with one of the original goals of the Monotax regime: to provide a tool for entering formality, so registrants would later “ascend” in the system to more protective regimes⁸². Another alternative would be to establish intermediate regimes between the Monotax and Sole Proprietorship⁸³, which is the standard legal form for the self-employed. Sole proprietorships pay much higher contributions but provide higher levels of social protection. A representative of artisan workers mentioned that a possible reference is that of “autonomous workers” in some European countries, who, in addition to being legally considered workers and not companies, can make contributions in various amounts based on declared income brackets.

The annual income threshold for a mandatory change from Monotax to Sole Proprietorship (USD 20,000) exceeds the income expectations of most registrants, and those who approach the limit resort to underreporting by collecting in cash⁸⁴. Most people believe that Sole Proprietorship contributions are excessive compared to their income and prefer to remain as Monotax registrants.

I'd rather lose business: you switch to Sole Proprietorship never come back to Monotax. - The BPS doesn't allow you to do that [several participants say “They don't”] - You can upgrade, you can go from Monotax to Literal E, but not back. - I'd rather decline, honestly. GROUP 1. Social Mixed

Interviewees from the MIDES also point out the difficulty of “taking the leap” to other regimes, describing the transition as “cruel”, in particular for Social Monotax registrants. They also suggest developing strategies for a progressive transition.

I know of three cases in which, due to the turnover limit of the Social Monotax, they were forced [laughs] to take the leap. For us: [it's] fantastic... We really hope you do well, and don't have relapses [SIC]. But it does seem to me that the leap is big. In fact, the Social Monotax is designed for people who are going through a situation of socioeconomic vulnerability. And the idea is that they get out of that. The idea is that they leave this formalization regime and move on to another. The transition is cruel. The move from the Social Monotax to the Sole Proprietorship is a great leap. Perhaps if there

was something more progressive, that would help in that transition between one [regime] and the other, more of these processes would be completed.

In some sectors of activity, specific initiatives have been developed to facilitate the transition from the Monotax to the Sole Proprietorship regime. For example, in the case of street vendors of fruit, flowers and vegetables, through Decree No. 282 of 2018 the Ministry of Economy and Finance reached an agreement with the Asociación de Feriantes (Association of Street Vendors) and Banco República (the largest bank of the country and state-owned) to create a special transition regime between the General Monotax and the Sole Proprietorship, with a gradual increase in monthly contributions, provided that the registrants began to accept payments with credit and debit cards through the bank. The workers in these sectors of activity value these initiatives positively, and the strategy could be extended to other sectors⁸⁵.

► 3. Conclusions

The Monotax regime has proven to be a relatively successful initiative to identify and regularize informal work and extend the social protection to self-employed workers (which in Uruguay include small family businesses and de facto partnerships). Its main feature is its simplified registration and payment mechanism compared to the Sole Proprietorship regime, with a lower amount of presumptive income.

Based on an update of the coverage data and the qualitative fieldwork, some salient elements appear which seem to confirm the findings of previous research and provide an understanding of how users perceive the aspects of the policy that are central to them.

Coverage and General Characteristics

Globally considered, the General Monotax and the Social Monotax involve 40% of the self-employed workers without employees, and 2% of the total of workers in the country. It is a relevant proportion, but far from its potential: current registrants represent between 14% and 23% of the informal workers who are in a position to access the regime.

A certain lack of information about the regime is put forward as an explanation of these figures. Those workers who choose to remain in the informal sector point to the amounts of monthly contributions, low benefits and a lack of information as the main reasons for not registering. In particular, the most precarious workers who work fewer hours might not find significant benefits in the Monotax regime.

Gender Issues

The analysis of official records shows that 60% of Monotax registrants are women (unlike the population of informal workers, where 60% are men). Among the sectors of activity with a higher presence of women are those associated with

care work and other “historically female” activities such as hairdressing, hairstyling, handicraft, sewing, and sex work.

There is potential for the development of specific gender equality policies. The Monotax could be facilitating the inclusion of women in the formal labor market by offering a simple mechanism of formalization for self-employed work (which offers more flexible hours than dependent work), and through the development of small Social Monotax enterprises in contexts of social vulnerability.

Impacts on Workers

Based on calculations carried out for this study, we confirmed that Monotax workers earn a higher average income per hour than informal workers, but lower than the average of all workers in the economy. Also, we verified that they work more hours than the average for informal workers (almost twice as much) and the average for all workers, and thus obtain a monthly income similar to other workers on average. It is difficult to determine whether Monotax registration is a cause or an effect of their income being higher than the average of the informal workers who could register. It could be that this regime is chosen by informal workers who previously had higher incomes or that Monotax registration results in increased income. Monotax is also associated with somewhat better working conditions. Finally, Monotax registrants work more hours per month than informal workers and the average for the economy. It could be assumed that this regime is chosen by workers whose business is their main stable occupation.

In general, the workers consulted feel satisfied with being Monotax registrants, they identify themselves as such with some pride, and feel that they are part of a market that offers possibilities. Many mention an improvement in the quantity and quality of customers, and other benefits such as peace of mind in the face of tax inspections, access to banking tools, and a capacity to adapt to a growing demand for formality.

Motivation: Formalize so as not to lose clients

The main reason for registering under the Monotax regime is leaving informality, mainly out of obligation or to gain access to new clients. In the period since the creation of the Monotax, there has been a change in the general business context in Uruguay, with a growing demand for formality. If the regime were to be

replicated in other countries, it would be necessary to consider the need for an environment and a general tax system that are conducive to formalization, which favours and promotes Monotax adoption.

My particular interest with the Monotax isn't retirement. (...) that's what interests me the least. What matters to me is that the businesses that asked me for a formal invoice had cornered me. And I couldn't sell, I would lose many clients if I didn't have [formal invoice] – It happened to us that there were important clients, and there came a time when they said 'Look, if you don't have an invoice, I can't give you any more work'. So, my hands and feet were tied. – And also, the bank account – The bank account. Yes. – Nowadays they ask you for that.

Social protections considered low or insufficient

The social protections associated with the regime are a secondary reason for registering. Access to retirement pensions is a highly mentioned relevant motivation, and a good assessment of maternity benefits stands out. But few respondents mention them as a determining reason: although social protection tools are well valued, they are perceived as very limited.

Being a Monotax registrant has two or three advantages, which are: opening doors, let's say the possibility of development; and being categorized as a formal company. And from the point of view of disadvantages, they are that... we have limitations regarding the FONASA [health care contributions]. Regarding social benefits, we have limitations. GROUP 1. Social Mixed

Both current and former Monotax registrants criticize how limited the benefits are and, in many cases, do not consider them proportional to the required contributions. ILO Convention 102 on minimum standards (1952), ratified by a high number of States, strongly recommends that workers receive a minimum level of income in case of illness, injury, disability, and maternity, as well as pensions and access to health care. In this case, the amount of retirement pensions and, in particular, accident insurance is still very low. Access to health care is not guaranteed through the minimum contribution and unemployment insurance is not included. Improvements in these aspects could act as incentives to improve the coverage rate among informal workers.

Simple procedures and requirements, adequate monthly cost but exclusionary for some workers

The regulation of the Monotax has been adequate, after various improvements and adaptations over the years. At present, the procedures to register are generally considered simple and can be completed both online and in person. The monthly contribution amount is staggered and increases year by year until reaching 100% in the fourth year for the Social Monotax, or in the third year for the General Monotax.

The contribution amount is not considered high, but several interviewees comment that they know other registrants who could not pay or had to unregister at some point due to an irregular income or in the context of the pandemic. Returning to the regime requires the payment of outstanding contributions in full, which is a barrier for many workers. This has led to a regime that is easy to access and leave, but difficult to return to.

Precariousness persists, particularly in some sectors

The discussion of the Monotax is inseparable from the discussions on informality and precariousness. We also find that the Monotax reduces informality, but not precariousness. And in this, gender appears as a relevant factor: there are several feminized sectors of Monotax activity where precariousness is widespread, such as textile work, personal assistance, and sex work.

In this regard, one unintended consequence of the regime has been the use of Monotax by some employers to cover a dependency relation with workers, thus contributing to precarization. Another consequence has been the stigmatization of Social Monotax workers by contrast with the perceived status of General Monotax, which runs contrary to the goal of the policy of promoting social inclusion.

As well, the Monotax regime brings the debate of “Work v. Entrepreneurship” to the forefront. According to the interviewees, the Monotax deepens a logic of individualization (and isolation) of the workers. It does not seem to contribute to a self-perception of Monotax registrants as workers, and much less to promoting their involvement in collective processes of organization.

Importance of promoting worker representation

The participation of organized workers in the creation of the Monotax regimes was relevant. A process can be outlined where different sectors were incorporated into the regime, which initially focused on street vendors and artisans. At present, these actors have submitted proposals, and others have appeared in the field work for this study. Organizations of Monotax workers have emerged in recent years, there is a will of the trade union federation to represent these workers, and even a need for representation expressed by the workers in this study.

This discussion is associated with a frequent statement by the workers in this study: although they generally consider themselves self-employed workers, they are legally considered businesspersons. Some Monotax workers accept this status, but others emphasize that being considered self-employed workers would, for example, give them access to unemployment insurance and would be more realistic.

Targeted social policy

Underlying the Monotax regime is a commitment to focus on sectors of activity that are considered in some way vulnerable. This is explicit in the case of the Social Monotax and implicit in the General Regime, as arises from the process of progressive incorporation of sectors of activity. This has allowed for the development of targeted policies for specific sectors.

This focus can be positive for the development of public policies: it has allowed to implement public policies such as those related to sex workers and waste sorters. But these policies require support, specific monitoring, and institutional consistency. In most sectors of activity, particularly in those associated with vulnerability (*motocarro* waste sorters, street vendors, window cleaners, car attendants, artisans or sex workers), coverage is still very low, and informality continues to predominate.

The first step, but then what?

In general, in the ideal scenario for the experts and workers interviewed, Monotax registration would not be permanent, but rather a first step in the formalization process, which would later lead to Sole Proprietorship registration

or to an associative process. Within this framework, a greater gradualness and flexibility in contributions are demanded to achieve better coverage.

As some experts pointed out, it is important to decide if the goal is to have a mechanism that effectively encourages registrants to progress to the general tax regime, or to permanently have two types of social contribution regimes, the second being more affordable but with a very basic social protection.

► Bibliography

Amarante, V. & Perazzo, I. (2013). “Trabajo por cuenta propia y monotributo en el Uruguay”, en Revista Internacional del Trabajo ILO, Vol. 132, N.o 3-4, pp. 623-641.

Amarante, V., Arim, R. & Yapor, M. (2015). Desigualdad e informalidad en Uruguay. Trigésimas Jornadas Anuales de Economía, Banco Central del Uruguay

Bertranou, F. (2007), Economía informal, trabajadores independientes y cobertura de la Seguridad Social en Argentina, Chile y Uruguay, ILO, Chile.

Bertranou, F. (ed.) (2009) Trabajadores Independientes y protección social en América Latina (Santiago, ILO-BPS).

BPS (2021). Monotributo en Uruguay. Actualización (2021). Asesoría General en Seguridad Social. Comentarios de Seguridad Social N° 79. Setiembre 2021

Cetrangolo, O. et. al. (2014). Monotributo en América Latina. Los casos de Argentina, Brasil y Uruguay. Lima: ILO, Programa de Promoción de la Formalización en América Latina y el Caribe, 2014.

CINVE (2019). Informalidad de trabajadores no dependientes y normativa reciente para su reducción en Uruguay. Observatorio de Seguridad Social. Informe No. 6

Duran-Valverde, F. (Ed.) (2013). Innovations in extending social insurance coverage to independent workers: Experiences from Brazil, Cape Verde, Colombia, Costa Rica, Ecuador, Philippines, France and Uruguay (Ginebra, ILO).

ECLAC (Economic Commission for Latin America and the Caribbean). Statistics and Indicators: Social Public Expenditure. Available at: http://estadisticas.cepal.org/cepalstat/WEB_CEPALSTAT/Portada.asp?idioma=i [2022].

Hernán, R.P.G. (2018). Análisis comparativo de la implementación del monotributo colombiano vs Argentina, Uruguay, Brasil y Perú. (Thesis, Universitaria Agustiniana, Facultad de Ciencias Económicas y Administrativas).

ILO (2015) Protegiendo a los trabajadores independientes mediante el régimen de Monotributo

---- (2018). 'Women and Men in the Informal Economy: A Statistical Picture (Third Edition)'.

---- (2019) Extension of social security to workers in informal employment in the Asian region.

---- (2020). Extending Social Protection to Informal Workers in the COVID-19 Crisis: Country Responses and Policy Considerations'. Social Protection Spotlight.

---- (2021a). Building the future of social protection for a human-centred world of work. ILC. 109/Report V.

---- (2021b). Extending Social Security to Self-Employed Workers: Lessons from International Experience.

---- (2021c) World Social Protection Report 2020–22: Social protection at the crossroads in pursuit of a better future.

---- (2021e). Extending Social Security Coverage to Workers in the Informal Economy: Lessons from International Experience (Good Practice Guide).

---- (2022a). Panorama de la Protección Social en América Latina y el Caribe: Tendencias de la seguridad social con foco en los sistemas de pensiones y la seguridad económica de las personas mayores. Serie Panorama Laboral en América Latina y el Caribe 2022

---- (2022b). Un crecimiento débil y crisis global frenan la recuperación del empleo en América Latina y el Caribe. Serie Panorama Laboral en América Latina y el Caribe 2022

INE (2022). Boletín técnico. Actividad, empleo y desempleo. Agosto 2022

Lanzilotta, B. (2007). "El empleo por cuenta propia y la cobertura de la seguridad social en el Uruguay". Preliminary document. ILO. Santiago, Chile.

Naranja, M. (2014) Monotributo: Descripción y análisis de su evolución. Montevideo: BPS.

OECD, ILO (2019), Tackling Vulnerability in the Informal Economy, Development Centre Studies, OECD Publishing, Paris

UNDP (2021). 'Informality and Social Protection in African Countries: A Forward-looking Assessment of Contributory Schemes'.

► ANNEX 1 – Sectors of Activity

Activity	Description
Handicrafts	Production and sale of handicrafts in wood, leather, looms, jewellery, tapestries
Production of artisanal goods not included in the previous category through the use of:	Modelling pastes, such as ceramics, plaster, resin and cements. Raw materials of vegetable origin, such as pumpkin, vegetable fibres and paper. Raw materials of animal origin, such as wool, leather, horns and bones. Wood. Metals and jewellery. Semi-precious stones. Mixed techniques of the aforementioned items
Tutors	Exam preparation support, supervised homework, language teacher, music teacher, singing coach, handicraft teacher. Not included in Monotax: private classes at the student's home
Cutting, tailoring and fabrics	Seamstress, crocheter, artisan embroiderer, machine embroiderer, artisan weaver, machine weaver, tailor, seamstress, ironer
Cosmetics and makeup	Cosmetologist, hair stylist, manicurist, hairdresser, podiatrist, makeup artist, epilator, and beauty salon
Vehicle care	Car, motorcycle, bicycle care
Dosing	Vaccinators of the National Commission of Hydatidosis (Zoonosis)
Artisanal food preparation	Preparation of meals, cakes and artisan desserts, liqueurs, jams and sweets
Street market vendors	Urban street markets, <i>expoferias</i> (indoor markets, excluding clothing sales), permanent markets.
Tour guide	
Brick and block makers	Craft production of bricks and blocks
Leather goods	
Massages	Masseur, lymphatic drainage, aesthetic. Reiki and yoga are not included.
Messenger service	Service to businesses are not included.

Trades	Locksmith, carpenter, sharpener, bookbinder, mattress maker, upholsterer, wall paperer, photographer, blacksmith, welder, and shoeshiner.
Pet walkers and trainers	
Small business	Taxi stands, video and DVD rental, cyber cafés, <i>santería</i> (religious paraphernalia), etc.
Artisanal fishing, support services and sale of the product	Support services for artisanal fishermen: boat washing and repair of fishing gear.
Outdoor lettering painter	
Advertising with mobile loudspeaker	
Overlocking of stockings	
Serigraphy	Fabric printing by ironing
Service	Service in refrigeration, television, audio equipment, remote control, computers and appliances.
Shining services	Furniture polishing and shoe polishing
Radio space utilization service	In radio stations outside of Montevideo, with a maximum of 5 hours per week
Sexual services	Persons without distinction of gender, authorized to perform sex work under Law 17.515 of July 2002.
Repair shop	
Repair of bicycles, motorcycles and footwear	
Tattoo and piercing	
Textiles	Fabrics, looms, making of blankets, covers, ponchos, etc.
Workers of Mercado Modelo (porters)	
Street food vending	Candy, <i>garrapiñada</i> (candied peanuts), toasted peanuts, ice cream maker.
Street vending at public shows	Coffee, pop, candy, toys, etc.
Sale of miscellaneous items	Items for cell phones, newspapers and magazines, flowers, incense and candles, handbags and wallets, makeup items, sunglasses, books, ferrules and rubber items, perfumes, tools, disused items, low-value antiques, batteries, watches, combs, firewood.
Sale of groceries, fruits, vegetables and flowers	Grocery stores, fruit and vegetable stands, self-service stores, minimarkets, flower shops.

Food sale	Food trucks, sale of sausages, hamburgers, and hot dogs; grills, fishmongers, stands of <i>tortafritas</i> (fried dough), empanadas and pastry, sale of pet food at street markets.
Sale of sweets, school supplies, photocopies, etc.	Kiosks, beach kiosks, small shops. Not included in Monotax: kiosks that supply gambling services
Plasterer	
Source: AT&R – BPS (2021)	

► ANNEX 2 – Research Methodology

The field work for this study was carried out based on a mainly qualitative approach and combined two specific techniques: focus group discussions and in-depth interviews. A quantitative descriptive analysis and a media coverage analysis were carried out to supplement the qualitative approach. The implementation was carried out in three stages.

Initial Phase

First, all the secondary information available was collected and qualified informants were contacted. This phase produced a first round of in-depth interviews with fourteen informants from academia, unions, and civil society organizations with a significant presence of Monotax workers, aimed at understanding the implementation process, and characterizing its achievements and challenges.

As well, all the relevant regulations (laws, decrees, and regulations) were compiled. The analysis of the regulations allowed us to understand the foundations of the Monotax and Social Monotax regimes, the successive modifications of the Monotax, and the actions of the current government during the pandemic. All the news pieces from print media, Internet portals and television shows that mentioned Monotax in the last four years were compiled (N= 115 pieces). This allowed us to explore the public discussion in the period, the main aspects reported by the media, the measures announced during the pandemic, and the voices of workers from specific sectors of activity.

Quantitative Analysis

The annual reports of the BPS give an account of the magnitude of the Monotax registrant population and its evolution over time (Graph 2), and provide an outline of some its characteristics, such as their sectors of activity, the province of residence or the amounts collected from these taxpayers. This information is very relevant for evaluating the deployment of this regime, but it has some limitations

when evaluating its impact. In turn, the Continuous Household Survey (ECH), a comprehensive annual survey to a nationwide representative sample, allows to get a better understanding of the entire target population of the Monotax: informal workers in a situation of non-dependent employment. As noted, the most relevant precedent for this approach with ECH is the work of Amarante and Perazzo (2013), where they attempt to estimate the target population of Monotax for 2011.

From 2014 to present, a question was added to the ECH that allows to record the taxation regime for non-dependent workers^{viii} in the household. However, to accurately calculate the Monotax registrant population, as proposed by Amarante and Perazzo (2013), it is necessary to translate the exhaustive list of sectors of activity. Otherwise, the potential population would be overestimated by including workers that do not meet the requirements to register under the Monotax. This information allows to carry out some descriptive analyzes to evaluate the impact of this regime.

A quantitative analysis was performed based on secondary sources of the BPS and INE's analysis of its Household Continuous Surveys (ECH by its Spanish acronym) from 2014-2018 and 2020-2021. With this information, we analyzed the socioeconomic and labor market variables for three population groups: current Monotax registrants (both in the General and Social regimes), potential Monotax registrants, and employed workers. . Regarding potential registrants, the methodology of Amarante and Perazzo (2013) was used to estimate the population using household survey data. Quantitative information was processed and analyzed with Stata.

Qualitative Analysis

In a first phase, a total of 13 in-depth interviews were carried out with General and Social Monotax registrants, as well as with potential registrants who had chosen not to register. This stage focused on gathering the perspectives of the beneficiaries, getting as close as possible to their specific experiences, the advantages and disadvantages they find in the regimes, and their assessment of its elements. Annex 4 contains a detailed table with the interviewees, their taxpayer status, and their sector of economic activity. The selection of cases for the interviews sought to account for gender and generational representation.

viii. This question was not asked in the 2019 edition.

In the second phase, three focus groups were held with 18 workers who were not involved in the interview phase. The participants of the first group were Social Monotax registrants of both genders, with different ages and sectors of activity. The second group was made up of Social Monotax registrant women of different ages and sectors of activity, and the participants of the third group were General Monotax registrants with different economic activities, genders and ages. Annex 4 contains a detailed table with the participants, their taxpayer status, and their sector of economic activity.

The in-depth interview guidelines for Monotax registrant workers mainly focused on their experiences with registration. A first block of questions inquired about the worker's personal information and their work history, delving into informal work experiences. The second block explored what "being a Monotax registrant" meant to interviewees, as well as the implications for their daily life and the requirements and difficulties that they had to overcome to achieve registration. The third block inquired about the difficulties, lessons learned and suggestions to improve the system. To end the interviews, a battery of questions focused on the forms, practices, and experiences around social protection.

Regarding the dynamics of focus group discussions, they were organized in four stages. In a first phase, participants were questioned individually about their history as workers and Monotax registrants, which led to a debate between them. In the second phase, participants were asked to discuss what the Monotax is, its limitations and possibilities, to then give way to a third stage of debate on the social protections provided by the mechanism, and how they have experienced the transformations in their work. In the fifth phase, participants were invited to return to the issue of the Monotax as an instrument in order to capture lessons learned and suggestions for improving the system.

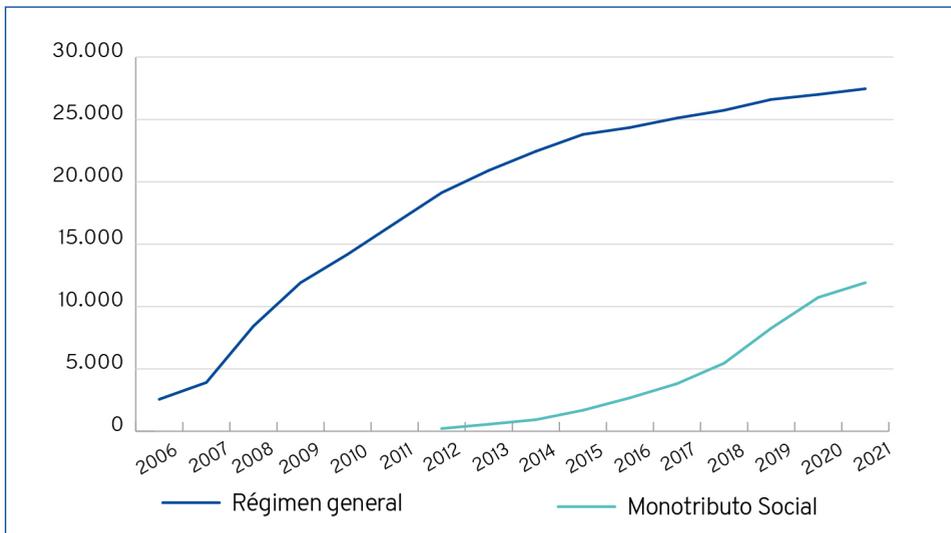
The analysis of the information was carried out in the Atlas Ti software. The quotes supporting the findings of the qualitative analysis are included as endnotes in Annex 5.

► ANNEX 3 – Characteristics of Current and Potential Monotax Workers

The number of Monotax registrants, in general terms, according to official records, has grown steadily since 2006. First, the General Monotax grew strongly until 2014, and then its growth trend decreased. But in 2011, the Social Monotax emerged, and after 2015 its growing trend continued.

► Graph 1

Number of active Monotax registrants, annual averages



Source: Prepared by the authors based on ATyR information (BPS, 2021)

Coverage among potential registrants: methodological specifications

The annual reports of the BPS based on administrative data, describe the magnitude of the Monotax population and its evolution over time, as shown in Graph 2. They also outline some characteristics, such as the sectors of activity they are concentrated in, the number of dependent employees, in which provinces of the country they are concentrated, and the contributions collected from this regime.

This information is very relevant for evaluating the implementation of this regime, but it has some limitations when evaluating its impact. For its part, the Continuous Household Survey (ECH by its Spanish acronym), a comprehensive annual survey to a nationwide representative sample run by the INE, allows to get a better understanding of the entire target population of the Monotax: informal workers in a situation of non-dependent employment. As noted, the most relevant precedent for this approach with ECH data is the work of Amarante and Perazzo (2013), where they attempted to estimate the target population of Monotax for 2011.

From 2014 to present, a question was added to the ECH that allows to record the legal status and taxation regime for non-dependent workers^{ix}. However, to accurately calculate the potential Monotax registrant population, as proposed by Amarante and Perazzo (2013), it is necessary to translate the exhaustive list of sectors of activity established in Monotax regulations. Otherwise, the potential population would be overestimated by including workers that do not meet the requirements to register under the Monotax. On the other hand, the ECH asks about Social Monotax registration, but for some reason that we are unaware of, it fails to adequately capture this population, thus leading to an underestimate.

It should also be considered that the BPS administrative data tends to overestimate the number of formal workers, since they record the number of taxpayers active at some point in the calendar year, but do not consider the cases of taxpayers that fluctuate between formality and informality. Therefore, the total number of taxpayers in BPS data is usually higher than the actual number. In this case, ECH data are better for estimating formality and informality, since they take seasonality into account in their sample design. As a summary, it can be said that the actual number of Monotax workers must be located somewhere between the number on BPS data and the estimate of this study based on ECH data.

Results

1. Monotax coverage among potential population

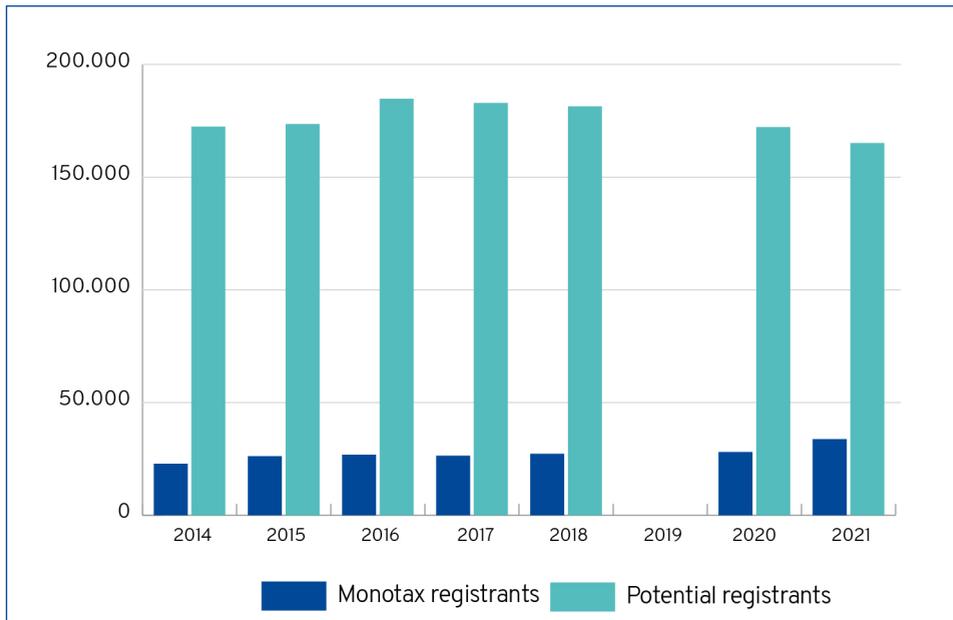
A central aspect is to estimate what coverage this policy has among the population that could benefit from it. For this, the methodology of Amarante

ix. This question was asked in every edition of the survey since 2014, except in 2019.

and Perazzo (2013) is used, which includes non-dependent workers with less than 2 employees who do not make any type of social security contributions, do not exceed the limits of income established in Monotax regulations, and work in a sector of activity included in the regulations. As well, retirees that also meet these conditions are included, but in this case the person's household income is considered for the legal limit. This allows to distinguish between those people who are Monotax workers and those who are not registered but could be. As can be seen in Graph 1, the population of Monotax registrants is around 28,000 people, but the potential Monotax population is slightly above 170,000, i.e., the coverage of Monotax represents 14% of the potential Monotax population. The actual coverage can be expected to be somewhere between our calculation of 14% based on ECH data, and 23% according to the total number of Monotax workers registered in BPS records.

► Graph 2

Monotax registrants and potential registrants by year



Source: Prepared by the authors based on ECH (2020)

In order to draw descriptive comparisons between the Monotax population, the potential registrant population, and the rest of the workers in the economy, we used information from 2020. That year under the pandemic, the ECH survey fieldwork underwent some modifications due to the impossibility of in-person interviews, but the information it provides for this population is anyway robust compared to the past and compared to administrative data^x.

We can see that the coverage is highly variable depending on the activity sector, where “Wholesale and retail...” and “Art, Entertainment and Recreation” show the highest figures with a rates of 20%. On the other hand, sectors such as “Transportation and storage” show low coverage rates of 5%.

► Table 1

Administrative data, Monotax registrants based on to ECH and potential population based on ECH.

Sector of activity	Administrative data	Monotax registrants	Potential registrants	Proportion of registered target population
Arts, entertainment, and recreation	321	625	2511	19.93%
Wholesale and retail trade; repair of motor vehicles and motorcycles	13406	12246	50472	19.53%
Teaching	1201	1041	4567	18.56%
Information and communication	162	62	300	17.13%
Other service activities	5703	4843	24030	16.77%

x. Data for 2021 was discarded because of an important methodological change introduced that year that leads to overestimations of this population, both compared to administrative data and to previous editions of ECH.

Manufacturing Industries	3017	3167	19803	13.79%
Social services and those related to human health.	283	647	4276	13.14%
Construction	1328	1802	13375	11.87%
Lodging and food services	988	1149	13659	7.76%
Administrative activities and support services	1953	1809	31628	5.41%
Transport and storage	359	90	1607	5.30%
Activities of households as employers, undifferentiated activities of production of household goods and services for own use.	20	191	4960	3.71%

Prepared by the authors based on ECH (2020) and BPS data.

2. The work of Monotax registrants: occupation category, income

We can also see some characteristics of those who register under this regime. The ECH asks about the category of occupation and allows us to distinguish between in the self-employed with a business location, those without business locations and employers with less than 2 dependent employees. Self-employed workers without business location are usually identified with the most vulnerable population, while those with a location are quite diverse. But considering the potential Monotax population, they can be identified with population in vulnerable working conditions, while it is reasonable to expect that the employers can be a population with better conditions than the other two. In this context, the most vulnerable population are those with the lowest Monotax coverage rate, while the self-employed with business location and employers have a coverage of around 16%.

▶ Table 2

Current and potential Monotax registrants according to occupation category

	Monotax registrants	Potential unregistered	Total	Monotax coverage
Self-employed w/o location	394	26264	26658	1.48%
Self-employed w/ location	25741	137120	162861	15.81%
Employer	1537	7804	9341	16.45%
Total	27672	171188	198860	13.92%

Prepared by the authors based on ECH (2020)

Lastly, regarding employment conditions, there are some primary findings on these populations. We looked at hourly income and compared the Monotax registrants to the workers of the entire economy, and to the potential Monotax population. Monotax registrants have incomes of around 75% of the average income of workers in the economy, a ratio that is maintained throughout the income distribution. On the other hand, the incomes of potential Monotax workers represent half of the average for rest of the workers in the economy.

Monotax registrants tend to dedicate more hours to work than the average worker in the economy, and in fact they compensate for the lower hourly income with more hours of work, thus obtaining similar monthly salaries. But the opposite happens to the potential population, with workloads close to 60% of the workload of Monotax registrants^{xi}. The average weekly hours for all workers in the economy is 38 hours, for Monotax registrants it is 44 hours, and 29 hours for potential registrants. In fact, underemployment for the entire economy is 8%, while for Monotax registrants it is 3.5%, and for potential registrants the figure rises to 22%. These low monthly salaries may be very low compared to the benefits that this policy provides, and it is a point that requires further research policy before an expansion of the policy can be implemented.

xi. The average of weekly hours of formal workers is 38 hours, for Monotax registrants it is 44 hours, and 29 hours for potential registrants.

► **Table 3**

Distribution of hourly income (in UYU) for Monotax registrants, all workers and potential registrants.

	1st Quartile	2nd Quartile	Average	3rd Quartile
All workers	114	174	234	275
Monotax registrants	83	129	155	203
Potential registrants	58	93	138	155

Prepared by the authors based on ECH (2020)

3. The work of Monotax registrants: age and gender

The labor market in Uruguay shows higher employment rates for men compared to women, across for all age groups. The difference is considerable at early ages, then there is a certain tendency to equality in middle age groups, but it deepens again as retirement age approaches.

As can be seen, Monotax workers show a contrasting gender distribution, with higher female rates across all age groups, with a very substantial difference in the middle age groups. Potential registrants have lower female employment rates in the early ages, but then there is a female majority for the rest of the age groups.

This may indicate that the Monotax may be an effective tool to formalize self-employed women who otherwise tend to be discriminated against in formal work. On the other hand, men may not be getting formal jobs at early ages and informal self-employment tends to be their source of income then. But throughout the life cycle they manage to work formally, while for most women informal work remains the option for their entire working life.

► **Table 4**

Current and potential Monotax workers by age groups and gender.

Age groups / Gender	All		Monotax registrants		Potential registrants	
	Men	Women	Men	Women	Men	Women
14 to 29	57%	43%	49%	51%	55%	45%
30 to 45	54%	46%	42%	58%	46%	54%
46 to 60	54%	46%	41%	59%	49%	51%
60 and more	59%	41%	48%	52%	48%	52%
Total	55%	45%	43%	57%	49%	51%

Prepared by the authors based on ECH (2020)

► ANNEX 4 – Interviewees

REP: Representatives of workers in sectors with a high presence of Monotax registrants			
	NAME	ORIGIN	TIME (min)
1.	Flor deLiz Feijoo	General Secretary of the <i>Sindicato Único de la Aguja</i> (the only clothing industry union); head of the Gender Secretariat and member of the Executive Secretariat of PIT-CNT.	75
2.	Danilo Dardano	Coordinator of the Productive Development Department of PIT-CNT and leader of the UNTMRA (National Union of Metal Workers and Related Branches). He was a representative in the negotiations for the Social Monotax at the Ministry of Labor.	25
3.	Helena Almirati	Representative of the National Coordinator of Solidarity Economy and <i>Mercado de los Artesanos</i> (artisans association.) Negotiator in the process of Monotax introduction for the handicrafts sector.	50
4.	Andrés Palermo, Sergio Rivero and Mateo Chiesa	Board members of the <i>Sindicato Único de Repartidores</i> (Unique Delivery Workers Union, SINUREP), a sector with a high presence of online platform workers. Andrés Palermo is the president and spokesperson.	40
6.	Silvina Brocal	Leader of the <i>Sindicato Único de Asistentes Personales</i> (Single Union of Personal Assistants, SUAP) of the National Care System.	53
7.	Carlos Aulet	Workers' representative at the board of Fondes-Inacoop. Member of the Productive Development Department of PIT-CNT. Self-management reference for PIT-CNT.	75
TOTAL INTERVIEW TIME			318

NO: Non-Monotax workers in sectors with presence of Monotax workers				
	NAME	ORIGIN	AGE	TIME (min)
1.	Juan	Food vendor currently registered as Literal E (not Monotax.)	45	15
2.	Carlos	Street vendor in public transport. Leader of the <i>Sindicato Único de Vendedores en Transporte de Pasajeros</i> (Single Union of Street Vendors in Public Transport, SUVATP) and member of the Uruguayan Federation of Commerce and Services Employees (FUECYS). He was a Social Monotax registrant from 2018 to 2020.	59	80
3.	Carmen	Retired, she works as a felt artisan and is currently not a Monotax registrant. She was a Social Monotax registrant from 2015 to 2020, but now her retirement is incompatible with registration.	64	95
4.	Daniel	Leader and spokesperson for the <i>Unión de Conductores y Trabajadores de Aplicaciones del Uruguay</i> (Uruguayan Union of Drivers and Workers of Applications, UCTRADU). Uber driver.	-	50
5.	Karina	Sex worker and leader of the organization of sex workers OTRAS, a member organization of PIT-CNT.	-	33
TOTAL INTERVIEW TIME				288

EMP: Employers (collective interview)				
	NAME	ORIGIN	TIME (min)	
1.	Gabriel Chevalier	Coordinator of the Secretariat of Employability of the Municipality of Montevideo, which manages the Social Inclusion Program for Urban Solid Waste Sorters (this program includes the <i>Motocarros</i> Project and the Commercial Waste Transporters Project)	85	
	Silvia González	Social worker of the Secretariat of Employability of the Municipality of Montevideo, member of the team Social Inclusion Program for Urban Solid Waste Sorters		
TOTAL INTERVIEW TIME				85

REF: Institutional references and qualified informants			
	NAME	ORIGIN	TIME (min)
1.	Hugo Bai	Economist at the Instituto Cuesta Duarte (PIT-CNT's think tank) and technical adviser to the Workers' Representation Team on the board of the BPS	52
2.	Verónica Amarante	Professor and Director of the Institute of Economics of the School of Economics and Management of the University of the Republic. PhD in Economics from the University of Sussex. Research interests: development, gender and labor economics, focused on Uruguay and Latin America. Co-author of the main study on Monotax in Uruguay to date.	34
3.	Marcela Gonzalez	Coordinator of the Labor and Productive Inclusion Division of the Ministry of Social Development (MIDES). This division is located under the Social and Labor Promotion Area of the National Social Development Directorate, and contains the following programs: Productive Enterprises, Rurality, Employment Liaison, Social Monotax, and Inclusive Businesses.	65
	Rossana Umpiérrez	Currently in charge of the Social Monotax program at the Ministry of Social Development and member of the team since its creation.	
4.	Ivonne Perazzo	Masters in Economics and professor at the School of Economics and Management of Universidad de la República. Specialist in labor market and informal work. Co-author of the main study on Monotax in Uruguay to date.	47
	Matías Brum	PhD in Economics and professor at the School of Economics and Management of Universidad de la República. Labor market specialist. He is currently developing a research project on informal workers for the Ministry of Labor and Social Security.	
TOTAL INTERVIEW TIME			198

▶ ANNEX 5 – Quotes from interviews and focus groups

1. *I was a Monotax registrant a little while ago, I was working in a pharmacy, and I gave up everything to do what I liked.* GROUP 1. Social Monotax Mixed
2. *I've been a Monotax registrant for 15, 20 years...First, I started with a small business... I paid more, a bit more than four thousand pesos. The Monotax was great for me because I paid less.* GROUP 3Mixed General Monotax
3. *We became Monotax registrants because many clients at the time began to request a receipt and we did not have one. Opening a business, a proper business so to speak, implied a lot of expenses.* GROUP 1. Mixed Social Monotax
4. *Before 2012, everything was informal. From 2012 to present, there are many people who are formal, but there's also informal people. And also, people like us who work [formally] and sometimes we are informal as well. We said "Don't worry, I won't give you an invoice".* GROUP 1. Mixed Social Monotax
5. *Thanks to that you get access to many things, right? Like, for example, the POS [machine]. So... I was able to [gain] access. And, on the other hand, I can work with a calm mind too. Contributing gives you peace of mind.* GROUP 3. Mixed General Monotax
6. *- Being informal puts, like, a ceiling to the clients [you can get] ... Sure. -There are customers, for example, who don't buy from them: they buy from me.* GROUP 3. Mixed General Monotax
7. *Your clientele changes. It happened to me, after I became formal, that there were clients who didn't want to work with me anymore, and others did. It's not just that it creates a new clientele, but there's also clients who are looking for informal [workers] to pay less.* GROUP 1. Mixed Social Monotax
8. *It opens doors. It opens doors for you.* GROUP 1. Mixed Social Monotax
9. *When you go to buy something, if you give [the customer] the invoice it's like your work is presented differently*

10. *I became formal because of this issue: to be able to sell, to be able to compete, to be able to be in formal street markets...* GROUP 3. Mixed General Monotax
11. *On the issue of street markets, it happens like this: if you want to access a street market, in Punta del Este or whatever, if you want to access a street market, you must have it [tax registration], but it is compulsory.* GROUP 1. Mixed Social Monotax
12. *Essential requirement: you must have Monotax [registration]. If you have an ID, you can participate, if you don't have an ID, you can't. - Any market organized by the Municipality of Montevideo asks you for that.* GROUP 1. Mixed Social Monotax
13. *As a company, you take the paper from the DGI and the BPS to Banco República and ask for a micro account, that's what it's called.* GROUP 1. Mixed Social Monotax
14. *P3:Of course, for example, I wanted that thing of the POS [machine] (...) the same now as the majority pay with transfer - But you can have a POS [machine].- I didn't know that. Do they give it to you for free?- Banco República, because you have that account, gives you a micro account.* GROUP 1. Mixed Social Monotax
15. *You work with invoices that, whether you like it or not, are important. Because, for example, the stores I sell to, I sell with an invoice: "There you are. Bye!". And it's another guarantee for those who buy from you. Besides that, you can have the POS [machine]. For that, you must have a [registered] company, because otherwise they won't give it to you. And, like it or not, people see you differently. Because if I'm going to buy from her, and the painting costs 20,000 pesos...- You wish! [laughter] - And I have to pay cash [I would say]: "Oh, no, thank you." But if she tells me 'You can pay it in six installments'... Then, yes! It opens up a much larger spectrum [of sales] for you. In addition to small business fairs. It's not the same.* GROUP 2. Social Monotax Women
16. *If you didn't have your registration, you wouldn't have the POS [machine]. You wouldn't have an open bank account. - You don't have that client. - You don't get that client. - The thing is people don't want to carry cash with them. - For a long time, I resisted financial inclusion and giving money to the banks, but I gave up.* GROUP 1. Mixed Social Monotax
17. *- It's a way, let's say, of being a legal company - Yes, of being legal - Of being a legal company - I would say, a formality - A business formalization - It's also very important for us to make retirement contributions - That too. - Otherwise, it gets complicated.* GROUP 1. Mixed Social Monotax

18. *I started working on my own and, well... [I registered] to be able to have the [retirement] contributions and so on.* GROUP 3. Mixed General Monotax
19. *- I agree on the retirement issue: I don't know if by contributing I'm gonna have a retirement to support myself. What matters is the access to formality in jobs. There are places where you can't work if you don't make social security contributions]*
GROUP 1. Social Monotax Mixed
20. *We contribute based on a presumptive [income] of 6,000 pesos. - And we're gonna have that retirement, corresponding to that presumptive minimum. That's all.* GROUP 3. Mixed General Monotax
21. *The year I applied for the Monotax I got pregnant and thanks to having the Monotax I got prenatal care and everything... Like, pregnancy insurance.* GROUP 3. Mixed General Monotax
22. *The only bad thing is that they pay you 90 pesos, 100 pesos per day. -Yes, because you contribute the minimum (...), and when they pay you it's 90 or 100 pesos per day.* GROUP 1. Mixed Social Monotax
23. *For the State, the MIDES [Social] Monotax isn't a businessman, he is an employee... - Of course. We are a burden. Why? Because they subsidize us. So, they are covering for the rest of what we don't contribute... Then, we aren't someone who generates a benefit... we generate debt. - Or an expense. The same when we get sickness leave... They pay us 83 pesos per day. - 83 pesos per day...* GROUP 2. Social Monotax Women
24. *Having access to glasses...Compression stockings...I didn't know that. Compression stockings, binders... Didi you know? There is a lot of misinformation.- The times I went to find out about the glasses, they gave me 2,000 pesos... Very little...But if it adds up, it helps you...*Mixed General Monotax
25. *After 2020, and until now, they eliminated the help for children's glasses -they only give glasses to workers-, the subsidy for the speech therapist, the motor development specialist... everything. - It's true.* GRUPO 2. Social Monotax Women
26. *I don't pay the mutualista [private health care provider available through contributions] because since my husband works in [the Nacional Directorate of] Migration, I have the right to the [Police] Hospital, so... - You have public health care... - At the moment I make the minimum contribution. - Me too. (...) - I am in public health care. - Go public health care! - Sure, medicines and everything is*

free. - Of course... and paying 3,200 pesos more... They charged me 3,200 pesos more for having the mutualista. - 3,200 pesos? - Yes, a little more than 4,000. That was the first two months and then I changed to public health care. GROUP 3. Mixed General Monotax

27. -With FONASA, you pay 4,750 pesos for the first 12 months, but if you don't have FONASA, you pay 490 pesos for the first 12 months.- We use public health care, and we pay the minimum in the BPS. GROUP 1. Mixed Social Monotax

28. P3: Yes, that's true. I also stayed with my partner the same way, because it was more convenient for him to pay my FONASA because it was 2% more than before. I was paying 4,000 pesos more. GROUP 1. Mixed Social Monotax

29. P6: It's optional, but if we want to have health coverage, the cost skyrockets. It's almost unaffordable. (...)

P6: There's 2,000 pesos of Monotax [minimum contribution] and a person pays 3,000 pesos for FONASA. It becomes unsustainable. The issue of FONASA is unfeasible for us. GROUP 1. Mixed Social Monotax

30. - Now, it's easier. I had to go to the MIDES. I registered on the web page. I waited for two months. I decided to send them a WhatsApp and they told me I had to come to declare, to sign an affidavit. They don't notify you. Sometimes they don't give you the minimum knowledge you may need later on. - The institutions don't take good care of you: the BPS makes you do everything online - Sure. - If you can't find the place where the item is..... - If your technology fails too much... GROUP 1. Mixed Social Monotax

31. - I went there. I got a wonderful social worker who's there to lend you a hand. GROUP 1. Mixed Social Monotax

32. P3: Of course, when I was authorized, I called the BPS and asked, "What do I have to do?", because they said "You have to go to the desk", and I don't know what else. And they told me "You can do it here or do it online". I did it online and that's it. You go to the BPS website and say that you are going to register a company through Social Monotax. You fill out the data again and, in my case, after two hours they told me I was registered. GROUP 1. Mixed Social Monotax

33. - You go pick up a paper at the MIDES. We did it in one day. We paid a stamp of 150 pesos, we went to the BPS and submitted everything. GROUP 1. Mixed Social Monotax

34. *In the middle of the pandemic, in 2020, they wouldn't attend in person anywhere... They sent me affidavit via email, and I filled it out and sent it back via email. A few days later they called me and told me that I could already register the Monotax. - I did it in person, I went directly to the MIDES... They also asked me for some data... absolutely all my personal info. I think the response came in two weeks. GROUP 2. Social Monotax Women*
35. *Q1: Maybe they can have an office for us, right? That you go to a certain floor of the BPS, you go to such and such an office and they attend to Monotax registrants. GROUP 1. Mixed Social Monotax*
36. *I think that the Monotax, if you have debt, is frozen...I didn't pay last month. It was peanuts, I was stupid. And the guy who registered the Monotax for me, a friend who is an accountant, told me my company is frozen. And he told me, as I almost don't go out to work, "Why are you going to reopen it if you're not using the POS [machine]? In 20 days, you activate it again..." - Yes, but when you reconnect... - They won't charge me, he told me. It won't generate debt. GROUP 3. Mixed General Monotax*
37. *- Today two months after not paying, the BPS lowers the curtain, the company is inactivated. - The company is inactivated, but you can catch up and they reactivate it. - But if you don't pay for five months, do you have to pay for those five months at once? [Several people speak at the same time] - No, no, only the two months you owe. - That's the advantage of the MIDES Monotax - I had understood that if you stopped paying, you were suspended. - After two months, BPS unregisters you, they disable your register. But it [the debt] continues to generate interest. The advantage of the MIDES Monotax for us is that the BPS inactivates you, but you don't generate interest on that debt. It remains frozen, and that makes a huge difference. GROUP 1. Mixed Social Monotax*
38. *I mean, you have 80,000 pesos that you can earn per month... but that also includes the cost of everything you bought. - Because we all have expenses.- Therefore, the profit is much less. GROUP 3. Mixed General Monotax*
39. *I have to buy raw materials, so the 70,000 pesos that I'm going to bill the client has to be everything, right? What I invested in raw materials plus my labor. I mean, it's very little, so to speak. - Sure, but for example, I charge the client 78,000 pesos, but I, as my colleague says here, I have to break down my costs.- Fixed costs and variable costs - Then suddenly my profit is 23 of the 78 [thousand pesos].- Yes, and that's if I don't break anything, no machine. GROUP 1. Mixed Social Monotax*

40. *I think there's two major bad things. Not being able to make a gradual contribution before becoming a Sole Proprietorship. And the other thing is not being able to invoice companies: you can only invoice an end consumer. You can't deduct VAT, the company cannot deduct VAT at the end... - A company contacted me to make the end-of-year packs, to give as gifts, and I cannot invoice them, because the Monotax has to invoice the end consumer only.* GROUP 3. Mixed General Monotax
41. *-There's a problem... Because if the limit is 80,000 pesos... - Sure. You can hire two people, but you have to pay within those 80,000... - - That's almost impossible. (...)
- For specific moments, if you hire someone.* GROUP 3. Mixed General Monotax
42. *I called the BPS, to put one of my daughters [as an employee], as a replacement when I can't work... To also help her too... To put one of my daughters, the eldest. To help me... They told me that the MIDES [Social] Monotax doesn't allow me to do that. I have to cancel the MIDES [Social] Monotax.* GROUP 2. Social Monotax Women
43. *We opened a Monotax because we wanted to open a store, which is what we did now. So, we needed a company and the best, and most affordable, option for us was the Monotax.*
44. *If you exceed the square meters, they start to charge you an additional for the area of the premises. As a Monotax registrant, if you have a place where you serve the public or produce, if you don't exceed 16 square meters, you are exempt from all [additional] contributions - Close to home there's a motorcycle mechanic shop that also sells spare parts. The DGI came and because she has a Monotax registration, and [the place] was more than 16 meters, they gave her a fine of almost 40,000 pesos.* GROUP 1. Mixed Social Monotax
45. <https://www.lr21.com.uy/sociedad/25236-los-vendedores-ambulantes-protestan-contra-el-monotributo>
46. *In the MIDES, we have been working with programs to strengthen businesses, or even to create businesses. In 2005, there were already some programs (...) There's a history of working to generate or strengthen self-employment or entrepreneurship. (...) In 2008, around that time, a meeting of entrepreneurs was held, they came from across the national territory, there were 300 more or less. And, within that framework, we asked the question 'How can we improve the marketing? Because, for us, marketing was a problem. And the feedback from the entrepreneurs was: "improve the formalization systems, because one of the big problems we have in*

marketing is that we are informal, and the answers to formalize our enterprises are not adequate to what we need". "After that meeting a written proposal was developed and taken to a roundtable for inclusion and strengthening, which was inter-institutional: the Ministry of Economy and Finance, the DGI, the business chambers, the PIT-CNT. And, from there came the first proposal for a formalization mechanism. REF 3. Interview to MIDES representatives

47. <https://ladiaria.com.uy/trabajo/articulo/2022/5/monotributistas-del-mides-denunciaron-situacion-critica-y-reclamaron-medidas-al-gobierno/>
48. *So, one of the characteristics of the Social Monotax is the possibility of suspending the payment, the tax, as many times as required by the life of the company. In other words, every time the person isn't going to market, or cannot sustain the enterprise, they can suspend it through a mechanism before the BPS; and you can register it, too, as many times as you require or need to do so. And you don't lose your invoice [registration] number, and your work history with BPS is not interrupted. Also due to seasonality, because there are many enterprises that refer to [not operating during] certain times of the year. Another of the characteristics that we wanted to integrate into this law is staggered payment. So, the payment of this tax [SIC] is made gradually over 48 months: they begin by making a small payment of 490 pesos, at today's value, for 12 months of activity... And so, it doubles, until almost reaching 2,000 [pesos], which is the current amount of the General Monotax. REF 3. Interview with MIDES representatives.*
49. *When you just start, you pay an amount for a year, 25%, then 50%, then 75% and only after the fourth year you pay the full amount. then. But if you start and make your best effort, by the time you reach the fourth year and pay the full amount, it's already given us a tremendous boost. GROUP 1. Mixed Social Monotax*
50. *It was a MIDES project with the CPUED cooperative. So, the cooperative was in charge of all that. They held several workshops throughout the year, we all went together... And, well, we received training, minimal but it always helped... We do everything: accounting, we calculate costs... Also, this social media thing: there were photography workshops, social media management workshops... many topics, not so deep but, at least, for those who had no idea... Because I had some idea, but many people were at zero, starting from scratch.*
51. *When I received training as an entrepreneur, the business was clearly for the NGO that was giving the training. Because we were 100 entrepreneurs, we had one training session: photography, products... Different things. Each workshop lasted*

- 45 minutes. So, we would go in teams to listen to a workshop, the other... That was the training. And then they assigned us a personal adviser, who would come to your house, and tell you how to calculate the cost and how to make the business plan. [They were] Students, who came to do their “homework”, but they couldn’t realize who was in front of them. And who benefits here? The NGO that sold the training program. TRA 3. Interview with craftswoman.
52. <https://www.gub.uy/presidencia/comunicacion/noticias/mides-formalizo-180-trabajadores-traves-del-monotributo-social>
53. “When my father couldn’t get a job, I focused on finding a job that was declared and everything. I was in a company [...] And I was also in a gas station... I tried different things. I was also in a cleaning company, working both day and night” TRA 5. Interview with motocarro worker
54. As summarized by Carlos Torrens, street vendor on buses and leader of SUVATP (Sindicato Único de Vendedores Ambulantes en el Transporte de Pasajeros - Single Union of Street Vendors in Public Transport): When the decree was applied in 2018, they registered us in the Monotax. There were 309 registered workers. Then there was a problem... A colleague suddenly set up a tent just at the time of the elections, protesting against the Monotax... - How could a future president of the country say “I’m not going to ask you to register under Monotax”? But that’s what happened. So, after you managed to have this sector’s workers to be formalized for the first time, to have their documentation, a mayor at that time and presidential candidate said “No, you don’t have to pay Monotax”. (...) And, today... there’s more or less left... let’s say 10 [registered workers] ... Because those 309 got angry. They immediately left; they didn’t pay the Monotax anymore. Because if it’s not a requirement for them I don’t want to be required either. - In other words, most of them are informal now. - Now yes, most are informal. NO 3. Street vendor
55. There are people who are like that: “Oh, if they’re from MIDES they’re people who don’t work”. Or things like that.
56. It was for the MIDES [Monotax workers] ...- MIDES [Social Monotax workers] got 7,000 pesos a month. GROUP 3. Mixed General Monotax
57. Being illegal also implies that you have to put yourself in the shoes of those who are there, because there’s a lot of people GROUP 1. Mixed Social Monotax Monotax

58. *-I see it in my neighborhood. (...) my son is a mechanic [Monotax workers], but there are two more mechanics on the block and neither of them is formal... - The street market vendors...- They work undeclared.- The street market vendors... the one who sells fried dough on the corner... the one who sells bread...GROUP 3. Mixed General Monotax*
59. *And I guess it depends on who.- I think that, to have a little more income... - I don't think anything of that... I think that some people are convinced that it is to cheat. GROUP 3. Mixed General Monotax*
60. *We were at a street market on Sunday, and of the 22 entrepreneurs in the group, 13 of us are formal. The others were all illegal and they asked us "How do I do it?" and "Where do I go?" "I can't pay" - Because they lack information.- Because of a lack of information, and many had stopped paying. GROUP 1. Mixed Social Monotax*
61. *In my field there's a lot of informality. A workshop that has informal people working, who are selling much more than what they declare. -But it's always been like that, right? I think so, it's neither more nor less. - For us, competition is tough. GROUP 1. Mixed Social Monotax*
62. *There's informal competition. GROUP 1. Mixed Social Monotax*
63. *Sometimes there's clients that you don't need to invoice, and... - Nobody controls anything, that is, they don't control anything (...) - In some cases, many colleagues suddenly work for you and don't even ask for a receipt. And sometimes it's not necessary. What is sometimes necessary, uh, ... You don't lose work because it's money. And not paying a fine depends on that, because the guy isn't interested [in the invoice]. It happened to me. I do sewing at home and I sometimes don't give an invoice. GROUP 1. Mixed Social Monotax*
64. *Those compatriots are told that they're entrepreneurs, or businesspeople in some case. And I think... I'm convinced that in reality they're workers whose income, for more than 90% of them, must be lower than that of industrial workers, for example. I mean, he's far from being a businessman. So, it can be an alternative solution, but only for the short term. But not with that... speech that they are entrepreneurs and that it's going to guarantee their income. (...) Because they're workers, and really, many work longer hours, with fewer benefits without a doubt, with less income than as an average worker in our country. REP 2. PIT-CNT representative*

65. *I was earning very little at the hairdresser's, I was frustrated, working on Sundays and everything. Then a colleague tells me: "You can't be earning just 500 pesos a day with your job? Think about it... maybe one day I don't do anything, and another day I make 3,000, 4,000 pesos. - Sure, that's being an entrepreneur, that's how it is.-Totally. It's wonderful. That's wonderful. I've gone from having 100 pesos in the register to... And the next day I have 4,000, 5,000 pesos! That's wonderful! It's the beauty of being a businesswoman... That adrenaline, all that... - Right there you're capturing the dark, the terrible and the beautiful. - Sure.* GROUP 3. Mixed General Monotax
66. *A feeling I have... Being very lonely... you have no... ways of... This [meeting with peers], for example. To me, one of the things that's good about this [participant points to the group]. - It's very good, yes. - There are people who are like you, they're in the same situation... Because afterwards you don't have any meeting points. When you're dependent there are organizations, they give you a job, they allow you to talk about your problems, get informed, know what's going on... - Your coworkers...*
67. *When I was a worker, I joined workers' organizations, and when I switched to this modality, I lost... At one point, especially during the pandemic, a representative of SMEs appeared... Whenever I heard him, he always referred to companies that are small, but have people employed... That is the feeling that I get from... - We are on time. [Laughter]. - Well, yes. -We can organize an end-of-year dinner.* GROUP 3. Mixed General Monotax
68. *5: I share a business location with 35 other businessmen... and they're all Monotax registrants. - Where? - In [the province of Canelones], "Nido" it's called. Most of us are women, because it was a public-private project focused on women in vulnerable situations... although now there are men, spouses, few, but there are. And... we're all Monotax registrants. Also, we complement each other a lot, we self-manage... we learned to self-manage, social media, we form teams. And we do raffles on special dates... we all chip in for a fund or a product... And that generates movement, visibility, more people, more customers.* GROUP 2. Social Monotax Women
69. *- An associative Social Monotax. MIDES Monotax, with association. That's the other modality being used. It is called "de facto partnership".* EMP 1. Secretariat of Employability (Municipality of Montevideo)
70. *I'm a fan of the Monotax in the sense that... you shouldn't have a dependent job*

all your life, and the Monotax can open a door for you to also have that economic autonomy and for you to have all the tools to be truly an entrepreneur one day.
 REP 1. SUA-Textile

71. *For example, I stopped during the pandemic: I closed it. And I had to pay 3,000 pesos to close it. And many are in debt.* NO 3- Street vendor.
72. *A form of soup kitchen ran by volunteers for their neighbors. They re-emerged and multiplied exponentially across the country during the pandemic. Many of them continue to operate to date.*
73. *Wow, I didn't remember. First, they gave two months [of subsidy], then three months. - It was 7,000 pesos, yes, (...) - Yes, it was in June, July and August, and then it stopped. And then they gave two more months. -It helps.* GROUP 1. Mixed Social Monotax
74. *For example, if you had overdue payments, you weren't eligible [for the subsidy]. And you were in the middle of a pandemic- (...) if you had overdue payments, and you paid a month late, you weren't eligible.* GROUP 1. Mixed Social Monotax
75. *Did you take advantage of the loan? - The MIDES [Monotax registrants] were given 7,000 pesos per month. - Yes, but nothing for us. - With the pandemic there was a loan... [participants speak simultaneously] It was great for me. - Yes? Did you take it out? -Hmm... I took out four loans. - Did they charge you the same or plus interest? - Very little. Payments of 550 pesos. - Affordable.* GROUP 3. Mixed General Monotax
76. *Though there were a few months when they gave us half of it, or something like that... - What? - Yes, yes...Oh, yes, you're right that we were paying less! - Two or three months after that they we were charged half [of the contributions].* GROUP 3. Mixed General Monotax
77. <https://www.pitcnt.uy/novedades/item/4813-monotributistas-reclaman-soluciones-al-gobierno>
78. <https://www.elobservador.com.uy/nota/no-tenemos-ni-derecho-a-enfermarnos-mas-de-16-mil-monotributistas-mides-piden-ayuda-al-gobierno-202276153218>
79. *Do you recommend the Monotax or not? - Yes. - Yes - Me too. - Otherwise, I wouldn't have opened the company. - Me neither. - I don't know what to say... I*

mean, let's see... I have it, my work tool, I prioritize it... But if I had to tell you, I would tell you the pros and cons. Because the cons outweigh the cons for me now. - What cons? - Not having medical coverage. My child has no coverage. GROUP 2. Social Monotax Women

80. *It would be interesting social coverage: as Monotax registrants who contribute a minimum, we could have access to a FONASA coverage, but not at today's cost, at a lower cost. Because who wouldn't like to have coverage of...? I think that any of us or any Monotax worker would be interested in having FONASA coverage... But we can't, because of the cost. - It's a very big limitation, a huge one. -- Because having the benefit of FONASA you can choose a provider. - You can have access to treatments, for example. GROUP 1. Mixed Social Monotax*
81. *- (Moderator) We're going to think about some suggestions in case it's implemented in other countries - Information. - Information. GROUP 3. Mixed General Monotax*
82. *I improved my income under the Monotax and I, as I'm 51 and close to retiring, I wanted to start contributing more and they told me I couldn't. GROUP 3. Mixed General Monotax*
83. *It is an affordable fee for you to try. It's like, they open that path for you to try and grow. This Monotax thing is, like, a push. So that you can open up, experiment, try. The idea is to always try to grow. GROUP 2. Social Monotax Women*
84. *- You can upgrade from a Monotax to a small business, right? - You can always upgrade. - But the leap is very big. You start to contribute a lot. - [participants speak simultaneously] - There is no transition. - It skyrockets, there's no intermediate step. GROUP 3. Mixed General Monotax*
85. *-If you are over 80,000 pesos a month, you can't stay [in the Monotax] anymore: you become a Sole Proprietorship- If you declare it...GROUP 3. Mixed General Monotax*
86. *- When financial inclusion began, the food street markets, which are regulated by the Ministry of Economy and Finance, reached an agreement, through the Association of Street Market Vendors, so that we could enter the financial inclusion [regime] and improve our revenue. There was a special agreement, for a special Literal E [a tax exempted Sole Proprietorship regime] which started to pay VAT gradually (...) And honestly for us it was a very good agreement, because it allowed us to improve the tax system [SIC] and do it gradually. All of us entered the regime, or the vast majority. It benefited us all. And it was very good. NO 1. Street market*

▶ Otros títulos de nuestra serie

- Informe Técnico N°37:** El rendimiento jubilatorio en los principales regímenes del sistema previsional paraguayo
- Hugo Bai, Braulio Zelko
- [Para revisarlo haga clic aquí](#)
-
- Informe Técnico N°36:** La industria vitivinícola en Chile: el enfoque de las cadenas mundiales de suministro para el análisis y la mejora del cumplimiento normativo en el mundo del trabajo
- Gerhard Reinecke, Nicolás Torres
- [Para revisarlo haga clic aquí](#)
-
- Informe Técnico N°35:** Consideraciones para la definición de un régimen tributario y de aporte a la seguridad social simplificado en Paraguay
- Oscar Cetrángolo
- [Para revisarlo haga clic aquí](#)
-
- Informe Técnico N°34:** La economía política de la protección social en Paraguay
- Claudina Zavattiero
- [Para revisarlo haga clic aquí](#)
-

Informe Técnico N°33: Evolución y desafíos del sector servicios globales en Uruguay: condiciones laborales, brechas de género y orientaciones de política

Vivian Couto, Álvaro Lalanne

Para revisarlo haga clic aquí

Informe Técnico N°32: La densidad de cotizaciones al IPS en Paraguay

Hugo Bai, Braulio Zelko

Para revisarlo haga clic aquí

Informe Técnico N°31: Uruguay: Dificultades de acceso y sostenimiento de las mujeres jóvenes en el trabajo en el contexto pandémico

María Julia Acosta, Gastón Díaz, Cecilia Gazzano, Juan Rivas

Para revisarlo haga clic aquí

Informe Técnico N°30: El impacto de la pandemia y las políticas de empleo juvenil en Paraguay

Juan Jacobo Velasco, Gerhard Reinecke

Para revisarlo haga clic aquí

Informe Técnico N°29: Análisis de los datos que surgen del Registro Obrero Patronal de Paraguay: El desafío para la producción de estadísticas a partir de registros administrativos

Horacio Santander

Para revisarlo haga clic aquí

Informe Técnico N°28: Cuidados y mercado laboral en Uruguay

Verónica Amarante

Para revisarlo haga clic aquí

Informe Técnico N°27: Informalidad laboral en tiempos de la COVID-19: análisis del mercado laboral chileno

Andrés Bustamante, Marcela Cabezas, Andrés Gutiérrez, David Niculcar, Joaquín Nilo

Para revisarlo haga clic aquí

Informe Técnico N°26: Cadenas de Suministro Mundiales y Trabajo Decente en los países del Cono Sur: Upgrading económico y social.

Análisis de las cadenas textil, vestuario y automotriz en Paraguay.

José Veláztiqui, Juan Cresta y Julio Ramírez

Para revisarlo haga clic aquí

Informe Técnico N°25: Situación y perspectivas de la jornada de trabajo en América Latina

Andrés Marinakis

Para revisarlo haga clic aquí

Informe Técnico N°24: Diálogo social tripartito en seguridad y salud en el trabajo. Marcos regulatorios, avances y desafíos en seis países de América Latina.

Carmen Bueno, Paula Álvarez

Para revisarlo haga clic aquí

Informe Técnico N°23: Transferencias no contributivas y su aporte a los procesos de formalización: Experiencias y lecciones del Cono Sur para Paraguay.

Guillermo Montt, Camila Schmidlin, Valentina Jorquera

Para revisarlo haga clic aquí

Informe Técnico N°22: Desafíos para el trabajo decente: El trabajo en plataformas digitales en Paraguay.

Dionisio Borda, Ignacio González, Verónica Serafini, Robert Marcial González, María Luz Rodríguez

Para revisarlo haga clic aquí

Informe Técnico N°21: Barreras a la formalización del trabajo en Paraguay: Análisis cualitativo de las percepciones de trabajadores y empleadores.

Guillermo Montt, Gustavo Setrini, Lucas Arce

Para revisarlo haga clic aquí

Informe Técnico N°20: Aportes de la experiencia internacional para el diálogo social sobre la reforma de la seguridad social en Uruguay.

Guillermo Montt, Charles Knox-Vydamov y Valentina Jorquera.

Para revisarlo haga clic aquí

Informe Técnico N°19: El trabajo en plataformas durante la pandemia por COVID-19: Los derechos fundamentales y el caso chileno.

Alberto Coddou.

Para revisarlo haga clic aquí

Informe Técnico N°18: La seguridad social en el Paraguay y sus desafíos en contexto de la COVID-19.

Guillermo Montt, Camila Schmidlin, Mónica Recalde.

Para revisarlo haga clic aquí

Informe Técnico N°17: Economía de plataformas y transformaciones en el mundo del trabajo: el caso de los repartidores en Santiago de Chile.

Antonia Asenjo, Alberto Coddou.

Para revisarlo haga clic aquí

Informe Técnico N°16: Consideraciones para una Constitución Laboral.

Francisco Tapia.

Para revisarlo haga clic aquí

Informe Técnico N°15: Protección ante la desocupación en Chile. Desafíos y oportunidades luego de una crisis sistémica.

Guillermo Montt, Félix Ordóñez e Ignacio Silva.

Para revisarlo haga clic aquí

Informe Técnico N°14: El derecho de la seguridad social en Chile y el mundo: Análisis comparado para una nueva constitución.

Guillermo Montt, Alberto Coddou.

Para revisarlo haga clic aquí

Informe Técnico N°13: El desarrollo de la institucionalidad del trabajo, empleo y seguridad social en el Paraguay (1870 - 2013).

David Velázquez.

Para revisarlo haga clic aquí

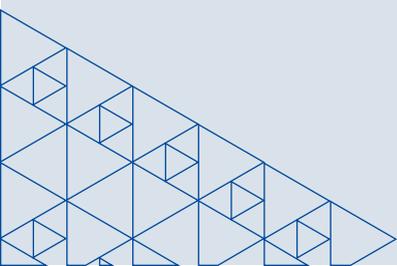
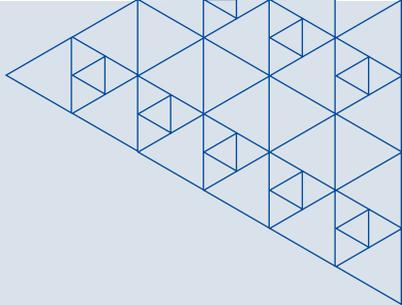
Informe Técnico N°12: La Política y el Programa Nacional de Seguridad y Salud en el Trabajo: el caso de Chile.

Carmen Bueno.

Para revisarlo haga clic aquí

-
- Informe Técnico N°11:** Experiencias de políticas públicas para la formalización económica y laboral en Chile.
- Lysette Henríquez.
- [Para revisarlo haga clic aquí](#)
-
- Informe Técnico N°10:** Rotación ocupacional e informalidad laboral: El caso de los trabajadores independientes en América Latina.
- Roxana Maurizio.
- [Para revisarlo haga clic aquí](#)
-
- Informe Técnico N°9:** ¿A mitad de camino entre Bismarck y Beveridge? La persistencia de los dilemas en el sistema previsional argentino.
- Fabio Bertranou, Pablo Casalí y Oscar Cetrángolo.
- [Para revisarlo haga clic aquí](#)
-
- Informe Técnico N°8:** Upgrading económico y social en las Cadenas Mundiales de Suministro de Servicios Globales: El caso de Uruguay.
- Vivian Couto.
- [Para revisarlo haga clic aquí](#)
-
- Informe Técnico N°7:** Las MIPYMES en América Latina y el Caribe: Una agenda integrada para promover la productividad y la formalización.
- Carlo Ferraro y Sofía Rojo.
- [Para revisarlo haga clic aquí](#)
-

-
- Informe Técnico N°6:** Segmentos críticos de la informalidad laboral en Paraguay.
- Pablo Casalí, Evelyn Vezza, Mónica Recalde, Diego Sanabria.
- Para revisarlo haga clic [aquí](#)
-
- Informe Técnico N°5:** Paraguay. Trabajadores independientes: caracterización y políticas para la formalización.
- Pablo Casalí, Evelyn Vezza, Mónica Recalde, Diego Sanabria.
- Para revisarlo haga clic [aquí](#)
-
- Informe Técnico N°4:** El mercado laboral en Chile: Una mirada de mediano plazo.
- Juan Jacobo Velasco, Gerhard Reinecke.
- Para revisarlo haga clic [aquí](#)
-
- Informe Técnico N°3:** Paraguay: Situación actual de las mipymes y las políticas de formalización.
- Horacio Santander.
- Para revisarlo haga clic [aquí](#)
-
- Informe Técnico N°2:** Utilización de tecnologías de la información y de la comunicación en las inspecciones del trabajo. Una visión comparada en torno a países seleccionados.
- Carmen Bueno y Pablo Páramo.
- Para revisarlo haga clic [aquí](#)
-
- Informe Técnico N°1:** El futuro de la protección social en América Latina: reflexiones para los debates sobre el futuro del trabajo.
- Fabio Bertranou.
- Para revisarlo haga clic [aquí](#)
-



Equipo de Trabajo Decente y Oficina de Países de la OIT
para el Cono Sur de América Latina

Tel: +56-2 2580-5500
E-mail: santiago@ilo.org
www.ilo.org/santiago

Santiago de Chile

