International Labour Organization

Framework Convention on International Tax Cooperation

ILO input to the Third Session of the Intergovernmental Negotiating Committee on the United Nations Framework Convention on International Tax Cooperation

Abstract: This technical note contains **two inputs of the International Labour Organization** (ILO) to the Third Session of the Intergovernmental Negotiating Committee on the United Nations Framework Convention on International Tax Cooperation.[1] The first input highlights the need to include the progressive extension of social protection within the sustainable development section of the Convention, emphasizing its role in promoting inclusive growth and strengthening tax revenues. The second input addresses challenges countries face with respect to ensuring the payment of social security contributions for all workers, including, for example, cross-border remote workers and digital nomads. Globally, workers' and employers' contributions to social insurance make up nearly a quarter of total government revenues or 7.7 per cent of GDP.

The proposed text thus focuses on how Member States can ensure that workers and employers contribute to social security in line with UN human rights instruments and ILO Conventions and Recommendations through cooperation and international agreements (e.g. trade, social security or other) to ensure the financial sustainability of social security systems and public finances, while at the same time ensuring workers and their dependents' access to social protection.

Social protection added to the sustainable development section of the UN Framework Convention on Tax Cooperation

Extending social protection is essential for eradicating poverty, reducing inequalities, formalizing employment and enterprises, facilitating a just transition to a green economy and promoting gender equality.[2] Research commissioned by the ILO demonstrates that investing in social protection generates significant returns. Every dollar invested in social protection can increase GDP on average by 1.84 dollars within two and a half years.[3] This means social protection is not merely a cost; it is an investment that creates a virtuous cycle of inclusive growth and increases tax revenues.

Despite these benefits, today, only 52.4 per cent of the global population is covered by at least one social protection benefit (SDG indicator 1.3.1) with 35.1 per cent of the population covered by contributory social protection mechanisms, and 17.3 per cent by non-contributory mechanisms largely financed by taxes. Globally, governments spend on average about 28.9 per cent of their total expenditure or 12.9 per cent of GDP on social protection. Part of this is financed via workers' and employers' contributions to social insurance, which make up nearly a quarter of total government revenues or 7.7 per cent of GDP.

To close the social protection coverage gap, more government finance is needed. ILO estimations show that the annual average financing gap to achieve a social protection floor in developing countries accounts for 3.3 per cent of their GDP annually or US$1.4 trillion in absolute terms. This average masks significant disparities among regions and countries. For example, in the case of Africa, the financing gap is 17.6 per cent of the region's GDP per year.[4] The main strategies to close the social protection financing gap are by increasing tax revenues to help extend non-contributory social protection benefits, extending social insurance coverage that allows mobilizing more social insurance contributions, or a combination of both. The urgency of financing social protection is also recognized by the outcome document of the 4th International Conference on Financing for Development, which positions social protection as central to inclusive development, urging countries to increase coverage by at least two percentage points per year (¶27i), and calls for predictable financing of social protection, especially in times of crisis, including within IMF supported programmes (¶54h). **This is why the ILO proposes the following text for inclusion in the section on "sustainable development" of the UN Framework Convention on Tax**: **Ratifying States should ensure the progressive extension of coverage of social protection systems, including floors, to all, in line with UN international human rights instruments and ILO international labour standards.**

Workers and employers contribute to national social security systems added to the fair allocation of taxing rights of the UN Framework Convention on Tax Cooperation

The ILO defines social security contributions as a prior payment that gives rise to rights and entitlements to guaranteed protection through social insurance mechanisms. Globally, taxes and social security contributions from both workers and employers are among the most common ways to finance social protection, as recognized by the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102), the Social Protection Floors Recommendation, 2012 (No. 202) and other ILO standards providing guidance on how to design and administer social protection systems.[5] The ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204), further emphasizes that Members should take appropriate measures to address tax evasion and the avoidance of social contributions. The UN International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, as well as other ILO standards, also underscore the obligation to ensure equal treatment and access to social security for migrant workers, reinforcing the need for coordinated approaches across borders.

However, as the world of work continues to evolve and globalize, certain categories of remote workers, especially those who can work and live in countries other than the country of their employment, still face significant challenges in affiliating to contributory social protection schemes.

Currently, there is no internationally agreed legal nor statistical definition of remote work. However, it is generally understood that remote work can be described as situations where the work is fully or partly carried out on an alternative worksite other than the location where the work could typically be expected to be carried out, taking into account the profession and the status in employment.[6] Thus, workers who perform their work across borders for an extended period of time, such as digital nomads, may work in countries different from their country of nationality or from the location of their employer or clients. Some of them face a challenge in affiliating to social insurance and paying taxes.[7]

As for remote workers, there is no internationally agreed definition for digital nomads. However, the Business Advisory Group on Migration, which is housed at the International Organisation of Employers provides the following definition: digital nomads are individuals who stay and work in a foreign country for a limited period of time, provided that their employers or clients are located outside of that country and they do not otherwise enter the local labour market or provide any goods or services to local businesses (as required under most countries' digital nomad visa rules).[8] The European Trade Union Institute also defines digital nomads as people who use the internet and technology to do their work while travelling around from place-to-place, highlighting that 'digital nomad' is not the only term for this emerging and subjective category of worker; whilst the term may have both hopeful and derogatory connotations, terms such as 'location-independent' and 'remote worker' are sometimes used as more neutral alternatives.[9]

In recent years, more countries have introduced digital nomad laws and visas to bring economic benefits, such as local consumption, while fostering innovation as in many cases digital nomads work in areas related to technology or creative industries. As highlighted by the United Nations World Tourism Organization, as of February 2023, 54 countries offered digital nomads visas.[10] Within the European Union, some countries require digital nomads to be affiliated with a social security system in order to obtain a visa. For example, Spain and Italy specify social security as an explicit condition in their digital nomad visa application forms.[11] By contrast, other countries, mostly outside the EU attract digital nomads by offering reduced or no income taxes. In many cases, they do not require proof of social security affiliation, and some jurisdictions do not even provide the option to voluntarily join their local social security system.[12]

Tax and social security exemptions may be appealing to digital nomads because they frequently move from one country to another, and may not remain long enough in a given country to qualify for social security benefits. Instead of creating visa schemes that exempt digital nomads from contributing to social security, a fairer and more sustainable solution would be to improve the payment of contributions to relevant social security schemes. It is also important to promote the conclusion of relevant agreements to ensure access to social security benefits and the maintenance of social security rights in the course of acquisition and of acquired rights, as relevant. Ensuring that contributions and insurance periods accrued in one country can be recognized by another one would make social protection systems more attractive and relevant for these workers.

To address these challenges and ensure the payment of social security contributions for workers and employers the ILO proposes the following wording for the "*fair allocation of taxing rights*" section of the UN Framework Convention on Tax: **Ratifying States should ensure that workers and employers contribute to social security schemes in line with UN human rights instruments and ILO international labour standards, collaborate through multilateral or bilateral social security agreements to provide workers and their dependents with access to such schemes and ensure the financial sustainability of social security systems and public finances.**

[1] For a description of why the world needs a UN global tax convention: here.
[2] ILO, *World Social Protection Report 2024-26: Universal Social Protection for Climate Action and a Just Transition*, 1st ed.
[3] Dante Cardoso et al., "The Multiplier Effects of Government Expenditures on Social Protection: A Multi-Country Analysis," *Department of Economics, FEA-USP Working Paper*.
[4] Umberto Cattaneo et al., *Financing Gap for Universal Social Protection Global, Regional and National Estimates and Strategies for Creating Fiscal Space*, 2024.
[5] ILO, *World Social Protection Report 2024-26*.
[6] ILO, *Room Document: 13. Remote Work, Telework, Work at Home and Homebased Work*, 2023; ILO, *COVID-19: Guidance for Labour Statistics Data Collection*, 2020.
[7] Nicola Countouris et al., *The Future of Remote Work* (2025).
[8] Business Advisory Group on Migration, *Digital Nomads and Hybrid Work: A Deep Dive into the Benefits, Drawbacks and Possible Ways to Improve Uptake of Digital Nomad Visa Programmes*, 2024.
[9] Countouris et al., *The Future of Remote Work*.
[10] UNWTO, ed., *Digital Nomad Visas* (World Tourism Organization (UNWTO), 2023 Countouris et al., *The Future of Remote Work*.
[11] Government of Spain, *BOE-A-2022-21739 Ley 28/2022, de 21 de Diciembre, de Fomento Del Ecosistema de Las Empresas Emergentes.*, 2022; Government of Italy, *Decreto 29 Febbraio 2024. (24A01716) (GU Serie Generale n.79 del 04-04-2024)*, 2024.
[12] UNWTO, *Digital Nomad Visas*; Hari KC and Anna Triandafyllidou, "Digital Nomadism and the Emergence of Digital Nomad Visas: What Policy Objectives Do States Aim to Achieve?," *International Migration Review*, SAGE Publications Inc, January 22, 2025, 01979183241306367