

# COVID-19 Crisis and the Informal Economy:

## Executive Summary

Informal employment accounts for over **60 per cent** of all global employment, representing roughly two billion workers, and 90 per cent of employment in developing countries (ILO 2018). Early in the COVID-19 crisis, the ILO projected that 1.6 billion informal workers would be among those **most severely affected** and that they would lose 60 per cent of earnings during the first months of the pandemic (ILO 2020). The ILO forecasted that this would lead to a sharp growth in **relative poverty levels** among informal workers from 26 to 59 per cent globally, and a staggering 18 to 74 per cent among informal workers in low-income countries (Ibid). In regions that have experienced the worst effects of the pandemic and which have a high prevalence of informal employment, progress in reducing income poverty could be **set back by 30 years** (Sumner et al 2020).

Given the sheer size of the informal workforce, informal workers' vulnerability to falling into poverty, and the disproportionate impact they have suffered during the COVID-19 crisis, economic recovery for informal workers should be the cornerstone of national and global recovery plans. In order to achieve this, policymakers need to consider the barriers and pathways to getting two billion workers back on their feet and to rebuilding an economy for all, from the bottom up.

**The COVID-19 Crisis and the Informal Economy** is a WIEGO-coordinated<sup>1</sup> 12-city longitudinal study that assesses the impact of the COVID-19 crisis on specific occupational groups of informal workers and their households, with a focus on domestic workers, home-based workers, street vendors, and waste pickers. The Round 1 Global Summary presents the key findings of the first round of the survey and interviews across all 12 cities. It accompanies fact sheets which provide city-level results in greater detail.<sup>2</sup> A second round of field research will be conducted in June 2021 to measure the ongoing impacts of the crisis.

<sup>1</sup> The WIEGO-led COVID-19 Crisis and the Informal Economy Study was carried out with generous support from the Canadian International Development Research Centre (IDRC).

<sup>2</sup> Available at: <https://www.wiego.org/covid-19-crisis-and-informal-economy-study-city-fact-sheets>



Domestic Worker in Dar Es Salaam (Photo: Fanuel Halelwa), Home-based Worker in Tiruppur (Photo: SAVE), Street Vendor in Lima (Photo: Victor Mallqui), Waste picker in Dakar (Photo: Marta Moreiras).

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## Key Findings

**The impact on earnings among informal workers was as dire as projected by the ILO and other observers.** While the city-level samples were diverse, most respondents (74%) across the 12 cities reported not working at all in April of 2020. Average earnings in April were only 21 per cent of pre-COVID earnings, and 75 per cent of respondents reported zero earnings. By mid-2020, when most severe restrictions had been lifted, average earnings were still only 55 per cent of pre-COVID earnings. The severity of impacts reflects how, as one respondent put it, restrictions under the first waves of COVID-19 were intended for “the formal city,” and did not sufficiently account for large segments of the informal workforce that rely on daily earnings and lack social protection.

**Occupational sector and differentiated characteristics within these sectors strongly influenced how the COVID-19 crisis impacted workers.** Home-based workers across cities experienced a near standstill in demand and production, with little rebound by mid-year. Street vendors faced dwindling sales even once they could return to work. Waste pickers in most cities faced severe drops in access to recyclable waste, prices for reclaimed waste, and access to buyers. Among domestic workers, “live-out” workers were more likely to face unemployment, while “live-in” workers suffered deteriorating working conditions and terms of employment.

**Results confirm a disproportionate impact on women workers’ livelihoods.** Home-based workers, mainly women, suffered among the largest drop in earnings and the slowest recovery of the four occupations. Their experience demonstrates that the benefits of “working from home” during the crisis did not apply to women workers at the bottom of the supply chain, and confirms that home-based workers constitute an underappreciated component of the pandemic’s “she-cession.” Women vendors and waste pickers were also more likely to stop working during the pandemic and experienced steeper drops in earnings than men.

**Increased reliance on asset-depleting coping mechanisms and household responsibilities have put considerable economic and emotional strain on the households of the working poor.** In the absence of earning opportunities and sufficient government relief, workers frequently resorted to depleting their savings, borrowing, selling or pawning assets, and other strategies that exacerbated severe anxiety and household tensions. Direct and indirect care responsibilities increased for many and had demonstrable impacts on the number of working days even by mid-2020, particularly for women.

**In the absence of sufficient local government support, informal workers took their own health and safety initiatives and invested in protective protocols.** Survey findings show that the vast majority of informal workers used Personal Protective Equipment (PPE), predominately at their own expense and in spite of heavily constrained resources. Street vendors and waste pickers, however, lacked state-provided sanitation infrastructure at their places of work.

**Government relief efforts were an important source of support where they reached workers, but were limited and uneven in reach, and frequently undermined by local anti-worker policies.** Access to government relief measures was not widespread; overall, 41 per cent of workers reported receiving a government cash relief grant and 42 per cent reported receipt of government-provided food aid. Even in cities where cash relief or food relief reached the majority of workers, workers viewed them as essential supplements that were insufficient to meet household needs. In contrast, local actions like evictions, destruction of places of work, confiscation of merchandise, and stigmatization continued in many cities through the pandemic, undermining benefits of modest relief measures.

**MBOs (Membership-Based Organizations) played a crucial role in providing support to workers to mitigate the economic, physical and mental health impacts of COVID-19.** From facilitating negotiations with government agencies and local municipalities to supporting workers’ registration for relief measures, worker organizations rapidly mobilized much needed resources and reliable information for informal workers. They highlighted the essential goods and services that informal workers provide as well as the pre-existing structural injustices and inequalities that essential workers face, which were exposed and exacerbated during the COVID-19 crisis.

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## Key Recommendations

Findings underline that without strategic government support and investment, countries and cities are witnessing large segments of their working classes slip into poverty as a result of COVID-19. This demonstrates the need for **bottom-up, worker-centered approaches to recovery**, focused on the protection of livelihoods in the informal economy. An informal worker-centered recovery requires deliberate action of and alignment between national and local governments, which each play an enormous role in facilitating or harming workers' livelihoods.

Many potentially transformative policies proposed by informal worker organizations require no additional state spending, but rather **a commitment to end local government actions such as harassment, confiscations and evictions** that threaten workers' livelihoods. Other proposals require governments to **target stimulus packages to segments of the economy where informal workers and their activities are concentrated, and where small investments in small business can make a big impact.**

**The types of government intervention required by informal workers and demanded by their organizations include:**

**“Do no harm:”** An immediate end to harassment, eviction, extortion, and other penalties against informal workers

**“No recovery without us:”** Organizations of informal workers should be invited to help implement and monitor relief, recovery and reform efforts

**Financial assistance to pay off debts and restore savings and assets**, including short-term cash grants, moratoriums on payments and debt forgiveness, and low-interest business loans

**Recovery support for work and livelihoods**, including cash grants and stimulus packages targeted at informal workers, safe reopening of workspaces, procurement quotas for informal worker services, employment guarantee schemes, training and certification, programs, elimination of red tape to obtain licenses and work permits, and vaccination for informal workers

**Social protection for informal workers**, including expanding and upgrading social assistance programmes, reforming contributory social protection schemes to include informal workers, and providing child care services

**Enabling local urban policy and legal environment**, including the right to work in public spaces, moratoriums of permits and fees, provision of basic workspace infrastructure and protective equipment, and decriminalization of informal livelihoods

**Enabling national policy and legal environment**, via economic development plans that include informal workers at all levels, extension of labor rights to informal workers, and inclusion of informal workers in social and labor registries

**Fair terms of employment and trade**, including regular work orders, fair wages and piece rates, and fair prices for goods and services

## References

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**Round 1 Global Summary:** [bit.ly/R1GlobalSummary](https://bit.ly/R1GlobalSummary)

**WIEGO Working Paper 42: COVID-19 and Informal Work:** [bit.ly/WIEGOWorkingPaper42](https://bit.ly/WIEGOWorkingPaper42)

**City Fact Sheets:** [bit.ly/covidiesfactsheets](https://bit.ly/covidiesfactsheets)

**Summary of Demands of Informal Worker Organizations:** [bit.ly/DemandsForIWs](https://bit.ly/DemandsForIWs)

**All Study Materials:** [bit.ly/covid19ies](https://bit.ly/covid19ies)

**COVID-19 Crisis and the Informal Economy** is a collaboration between Women in Informal Employment: Globalizing and Organizing (WIEGO) and partner organizations representing informal workers in 12 cities: Accra, Ghana; Ahmedabad, India; Bangkok, Thailand; Dakar, Senegal; Dar es Salaam, Tanzania; Delhi, India; Durban, South Africa; Lima, Peru; Mexico City, Mexico; New York City, USA; Pleven, Bulgaria; and Tiruppur, India. The mixed methods, longitudinal study encompasses phone questionnaires of informal workers and semi-structured interviews conducted with informal worker leaders and other key informants. Round 2 will be conducted in the first half of 2021. For more information, visit [wiego.org/COVID-19-Global-Impact-Study](https://wiego.org/COVID-19-Global-Impact-Study).



**Women in Informal Employment: Globalizing and Organizing (WIEGO)** is a global network focused on empowering the working poor, especially women, in the informal economy to secure their livelihoods. We believe all workers should have equal economic opportunities, rights, protection and voice. WIEGO promotes change by improving statistics and expanding knowledge on the informal economy, building networks and capacity among informal worker organizations and, jointly with the networks and organizations, influencing local, national and international policies. Visit [www.wiego.org](https://www.wiego.org).

**Partner and collaborating organizations:** Asiye eTafuleni; Asociación La Parada; Bokk Diom; CETRAFOR - Central Única de Autoempleados de La Victoria, Rumbo a la Formalización; CONFIAR - Confederación de Instituciones de Ambulantes y Afines de la Región Lima y Callao; Conservation, Hotels, Domestic, Social Services and Consultancy Workers Union (CHODAWU); Delhi Roundtable of Waste Pickers (DRT); Federation of Informal Workers Thailand; FENAREP - Federación Nacional de Recicladores del Perú; FENVENDREL - Federación Nacional de Vendedores de Diarios, Revistas y Loterías del Perú; Frente Nacional de Recicladores Ambientalistas del Perú; Greater Accra Markets Association (GAMA); HomeNet Thailand; Informal Hawkers and Vendors of Ghana (IHVAG); IPROFOTH - Instituto de Promoción y Formación de Trabajadoras del Hogar; Jan Pahal; Kayayei Youth Association; Kpone Landfill Waste Pickers Association; RENATTA - Red Nacional de Trabajadoras y Trabajadores Autoempleados; Self Employed Women's Association (SEWA); SEWA Delhi; Sindicato Nacional de Trabajadores y Trabajadoras del Hogar (SINACTRAHO); SINTRAHOGARP - Sindicato de Trabajadoras del Hogar del Perú; SINTTRAHOL - Sindicato de Trabajadores y Trabajadoras del Hogar de Lima; Social Awareness and Voluntary Education (SAVE); Street Vendor Project; Sure We Can; The Bulgarian Trade Union of Self-Employed and Informal Workers (UNITY); Trabajadores Voluntarios y Desempleados de la Ciudad de México (TVDCM); Unión de Aseadores de Calzado de la Ciudad de México (UACCM).



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