

# The COVID-19 crisis: income support to informal workers is necessary and possible

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*This blog is part of a series on tackling COVID-19 in developing countries. Visit the OECD [dedicated page](#) to access the OECD's data, analysis and recommendations on the health, economic, financial and societal impacts of COVID-19 worldwide.*



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## Income recovery in the informal economy will require broad and longer-term support

Juana Corman wakes at 2:00 a.m., as she has for decades, to travel across town to the distribution centre where she picks up stacks of newspapers to sell. Normally, she would sell from her dedicated kiosk to pedestrians on Lima's busy streets, but under Peru's mandatory stay-at-home order, her work has changed. Now, she sells the daily paper house-to-house – delivering critical information to a city on edge. In one respect, Juana Corman is more fortunate than many other informal workers in the city – as an

essential worker she is able to continue working. However, selling door to door has meant a significant reduction in earnings at the same time as her costs have increased due to limited public transport and the need to purchase protective equipment.

Today, 61 percent of the world's workers are informal, 90 percent in developing countries, left out of basic labour and social protections. Governments aiming to slow the virus have put into place public health measures, ranging from border closures to full lockdown. Many of these measures have forced informal workers to give up their livelihoods, alter their ways of working and reducing incomes OR make it impossible for informal workers to earn their livelihoods. This threatens the very survival of these workers and their families who already living on the edge.

In response to the growing economic crisis that has accompanied the health crisis, countries are expanding and adapting social assistance measures in an attempt to provide at least a basic level of food and income security to the many households who rely on earnings from informal work. As of 17 April, the World Bank identified 133 countries which have implemented, adapted or expanded social protection or jobs measures in response to COVID-19. A large number of these are short term emergency measures.

Such measures are to be encouraged. At the same time, new research from Women in Informal Employment: Globalizing and Organizing (WIEGO) suggests that the impact of COVID-19 on informal incomes is unlikely to be short term. While the safety nets currently being put in place are vital during this time of immediate crisis, it is critical that longer-term thinking about how informal incomes can recover and broader thinking about how income security may be achieved are a part of the policy response.

### **Findings from a rapid assessment of the situation of informal workers**

WIEGO's first rapid assessment of the situation of informal workers in the context of the COVID-19 response included interviews with 23 participants, including leaders of international networks of informal workers, representatives from membership-based organizations (MBOs) of informal workers, and WIEGO team members working closely on the ground with MBOs. It looked at the impacts on four occupational groups that are known to be particularly vulnerable: domestic workers, home-based workers, street vendors, and waste pickers.

What did we find?

First, across the four groups, prohibitions on working in public space, decreasing demand, rising costs of inputs, inability to access markets and an increase in childcare responsibilities were identified as the main pathways through which incomes are being affected. However these manifest and impact differently on different groups within the informal economy, according to the set of economic relationships in which they are embedded, where their work takes place, and their gender.

For example, the fall in tourism has meant that home-based workers in South East Asia

have seen a decline in demand for their craft products, while domestic workers in Latin America have faced mass layoffs as demand for their services has reduced. Informal workers operating in urban public spaces, such as street vendors, face particular restrictions on their ability to sell their products and/or services as lockdown measures are enforced. Some groups of informal workers – waste pickers and food vendors in particular – have been classified as essential services in a number of countries. However, they are not provided protective gear. Moreover, with school closures women workers in these sectors are struggling more than ever to balance paid work with their childcare responsibilities.

Second, the short-term impacts of and responses to the crisis are of immediate concern to many MBOs and networks of informal workers as a humanitarian crisis unfolds in some parts of the world. However, many organizations are also concerned about the longer-term impacts on informal incomes.

For example, it is clear already that even when the worst of the health impacts of the virus have passed, tourism in South East Asia is unlikely to recover for some time. In this case home-based workers, street vendors and market traders in the informal economy who rely on tourist trade will require longer-term income support measures. The effects of globalisation also mean that as long as China, Europe and the USA are affected by the crisis, the export garment sector that relies heavily on home-based workers in Bangladesh, Cambodia, India, Pakistan and Viet Nam will remain dormant.

Third, these longer-term impacts will be exacerbated because the gains made by informal worker organizations are under threat. In Colombia, cooperatives of waste recyclers have fought hard to win municipal recycling contracts. They fear that leaving the streets would allow municipal governments to transfer these contracts to private waste management companies who have for many years competed for the contracts. At a public market in Ahmedabad in India, municipal officials have destroyed hard-won vending infrastructure, using the lockdown as justification for doing so. Domestic worker representatives expressed concern that loans taken out by governments during the crisis may undermine the inclusion of domestic workers and other informal workers into social protection and health systems in the longer term as austerity measures are imposed after the crisis.

### **What are the policy implications of these findings?**

Broadly speaking, macroeconomic interventions to stimulate the economy must take into account the needs of the informal economy, as well as the formal economy. While some informal workers may benefit from a general stimulus response, not all will benefit equally. Responses to secure incomes must include longer-term inclusion into social protection systems, while simultaneously supporting livelihood recovery tailored to the needs of different groups of workers in the informal economy, and ensuring the inclusion of the most vulnerable. This will require creative collaboration between governments and organizations of informal workers. Finally, the principle of “Do No Harm” must extend to informal livelihoods. It is critical at this time that governments

do not use the health crisis as an excuse to threaten the policy gains, relationships, contracts, structures and infrastructure, which informal workers have built up over the years to better secure their incomes.

### **Why we should all care about protecting and enhancing incomes in the informal economy**

If there is one thing that COVID-19 has highlighted, it is that informal workers are not residual to our economies. Many are essential workers who today are responsible for ensuring food security, collecting our waste and recyclables, and providing care work. Despite the tremendous value of this work in sustaining our economies and societies, informal workers are too often excluded or marginalized within economic and social policy. Going forward, this needs to change.