COVID-19 and the Informal Sector: What it means for women now and in the future

By Turkan Mukhtarova | July 2020

The COVID-19 pandemic and its socioeconomic effects have created a global crisis, unparalleled in history. The adverse economic impact of COVID-19 has been most pressing for women, and particularly women working in the informal economy. This policy brief highlights the key impacts of the pandemic on women who work in the informal economy in developing countries. It underscores their vulnerability to economic stress, as this demographic often lacks legal and social protections, and analyzes government responses to address the economic fallout.

1. Introduction

The COVID-19 pandemic has so far infected more than 7.7 million people and claimed over 433,000 lives. It has also had devastating impacts all around the world. It is projected that the global economy will shrink by some $7.5 trillion—an amount larger than the combined GDPs of Latin America and the Caribbean (LAC) and the Middle East and North Africa (MENA) regions. The International Labor Organization (ILO) estimates that four out of five people in the global workforce of 3.3 billion are currently not at work due to full or partial lockdown closures.

Economic recessions typically have uneven impacts on women and men, depending on their sector, status in employment, and place of work. In 2008, for example, more men than women became unemployed because job losses were concentrated in male-dominated sectors such as construction and manufacturing.

In the current downturn, the adverse economic impact of COVID-19 has been most pressing for women, particularly women working in the informal economy. Nearly 432 million women in developing countries who are engaged in paid jobs work informally. Further, the ILO estimates that 42 percent of informal women workers are engaged in “nonessential” sectors, such as wholesale and trade, hospitality, and food services. A household survey from Kenya reports that more than half of working women “have been rendered jobless by the coronavirus pandemic.”

Related research is available at giwps.georgetown.edu.
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Much of the research drawn on in the brief was done at the height of lockdown measures. However, as governments have begun rolling these restrictions back, we are seeing large increases in cases in countries that were spared initially, such as Brazil, India, and Russia. We may be going into a second wave of lockdowns as the pandemic progresses.

**FIGURE 1**

The Informal Economy

<table>
<thead>
<tr>
<th>ENTERPRISES</th>
<th>WORKERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td>Seasonal farm laborer</td>
</tr>
<tr>
<td>Informal</td>
<td>Home-based Worker</td>
</tr>
<tr>
<td></td>
<td>Daily wage construction worker</td>
</tr>
<tr>
<td></td>
<td>Own-account taxi driver</td>
</tr>
<tr>
<td>Informal</td>
<td>Domestic worker</td>
</tr>
<tr>
<td></td>
<td>Waste picker</td>
</tr>
<tr>
<td></td>
<td>Rickshaw driver</td>
</tr>
<tr>
<td></td>
<td>Self-employed vendor</td>
</tr>
<tr>
<td></td>
<td>Self-employed taxi driver</td>
</tr>
<tr>
<td>Formal</td>
<td>Civil servant</td>
</tr>
<tr>
<td></td>
<td>Salaried employee</td>
</tr>
<tr>
<td></td>
<td>Employed taxi driver</td>
</tr>
<tr>
<td></td>
<td>Wage laborer</td>
</tr>
<tr>
<td></td>
<td>Taxi driver enrolled in social security scheme who works in an informal enterprise</td>
</tr>
</tbody>
</table>

**Informal Economy**
Not registered, don't pay tax, no accounts

**Formal Economy**
Registered, pay tax, maintain accounts

SOURCE:
2. Preexisting Disparities and Current Challenges

Over 60 percent of all workers globally are informally employed: 90 percent in developing countries and 67 percent in emerging countries.¹¹ In 56 percent of countries, the percentage of women working in the informal economy exceeds the percentage of men.¹² In Sub-Saharan Africa and South Asia, over 70 percent of female employment is in the nonagricultural informal sector (Table 1). Stay-at-home orders, shrinking consumption, and declining demand in both the local and export markets are estimated to have cut informal-sector earnings by nearly 60 percent globally in the first month of the pandemic.¹³

For women and their families already living in poverty, these impacts can be a shock to their economic stability overall. These shocks can impede their ability to purchase critical necessities, such as medicine and food.¹⁴

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**TABLE 1**

The share and number of women working informally in developing countries by region

<table>
<thead>
<tr>
<th>REGION</th>
<th>SHARE</th>
<th>NUMBER (MILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific</td>
<td>61%</td>
<td>223</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>25%</td>
<td>17</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>64%</td>
<td>68</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>41%</td>
<td>5.8</td>
</tr>
<tr>
<td>South Asia</td>
<td>72%</td>
<td>46</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>79%</td>
<td>73</td>
</tr>
</tbody>
</table>

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**SOURCE:**

Author’s calculations based on each region’s most recent available data. Data does not include agricultural employment. Regions do not include high-income countries classified by the World Bank. Source: Modeled ILO Estimates, ILOSTAT. Accessed on May 12, 2020. Available at https://ilostat.ilo.org/topics/informality/.
Box 1: Common challenges faced by informal workers in developing countries

- Physical distancing is impossible in overcrowded urban neighborhoods and informal settlements.
- Police harassment of informal workers across all regions is resulting in the confiscation of goods, fines, or physical violence and abuse.
- Restrictions on mobility make it difficult for informal workers to collect income support, since many do not have digital bank accounts or access to mobile money transfers.
- Informal workers have limited access to information on the virus and how it spreads and have been the target of misinformation campaigns.
- Lockdown measures are increasing the threat of domestic violence for women informal workers.
- Women informal workers across all sectors are finding it more difficult to work due to an increase in childcare responsibilities as schools and childcare centers have closed.

SOURCE:

Across the world, the pandemic has resulted in a variety of challenges for women working in the informal sector in both urban and rural areas:

Globally, street vendors and market traders who sell products other than food can no longer operate or are facing an increased risk of virus exposure. Street vendors—an essential part of urban economies around the world—account for a sizeable share of informal employment: for example, 13 percent of nonagricultural employment in Senegal, 19 percent in Benin, and 24 percent in Togo. Most street vendors worldwide are women (88 percent in Ghana, 68 percent in South Africa, and 63 percent in Kenya).15
COVID-19 restrictions have slashed the incomes of street vendors globally. In India, 90 percent of street vendors have not been able to work. While the government excluded carts selling food, grocery and dairy products from lockdown measures, restrictions continue to remain on street vendors. In Peru, fresh produce sellers face a different challenge. Although considered essential workers, they are not provided protective equipment by the government to allow them to work safely. Therefore, some vendors have become ill, others choose not to sell out of fear of getting the virus, and some sleep outside the market to avoid infecting family members at home.

Massive layoffs for domestic workers have left women without compensation, and migrant workers are often the hardest hit. There are more than 60 million domestic workers around the world, 80 percent of whom are women. Millions are experiencing job loss, delayed wages, and abuse by employers.

In 2019, only 30 countries had ratified the 2011 ILO Domestic Workers Convention (C189), which recognizes the right of domestic workers to decent working conditions. Domestic workers in countries that have not signed on to the convention have become particularly vulnerable during this crisis. In the Middle East, the situation is exacerbated due to the kafala (sponsorship) system. Migrant workers' visas are often tied to their employer which creates a situation where they are unable to leave or change their employment without their employer's permission.

Major shutdowns in large economies have cut demand for home-based workers, who produce goods or services in or near their homes for local, domestic, or global markets. Home-based workers and enterprises are part of global value chains in high-end modern industries—such as assembly work in electronics and packaging in pharmaceuticals—and in traditional sectors like textiles, footwear, and artisanal production. A survey of 340 garment factories in India showed that 58 percent of surveyed factories outsource to homeworkers. Most of these home-based workers are women—for example, over 70 percent in both Brazil and Ghana. These dependent contractors are typically not covered by labor protections, have little control over when they work or their working conditions, and often have limited options for recourse for unfair treatment.

During the lockdown, there have been reports of home-based workers being unable to collect payments from previous orders. Simultaneously, the market infrastructure for handicraft and handmade products has frozen, as products cannot be sold or transported.
Box 2: Voices from the front lines

The Self Employed Women’s Association (SEWA) is an Indian trade union registered in 1972 that supports 1.9 million poor, self-employed women workers operating in the informal economy. SEWA's main goal is to organize women workers to obtain work security, income security, food security, and social security (at least health care, childcare, and shelter). The livelihoods of most of these workers are hard hit in some way or another by the pandemic. In the quotes below, SEWA members describe in their own words some of the challenges they are facing:

"We have become prisoners in our homes. I have a harvested cotton crop that I can’t sell, a standing castor crop that I can’t harvest, and a mounting debt that I can’t repay. This Corona seems more like a livelihood threat than a health threat—for poor informal sector women workers like me. —Jamuben Ahir, a small farmer from Patan district of Gujarat

"Everyone is sitting at home for past 8 days. My sons used to work at the local stores...now the stores are also closed. We don’t have any cash on hand. Every year, I and my husband would work as agricultural laborers and help farmers in harvesting wheat. In return, farmers would give us wheat for our annual household consumption. This year there is no harvesting worst so don’t know what will we eat The first thing you need in morning is tea but we don’t have cash to buy tea leaves and sugar When my husband doesn’t get his morning tea he gets very angry and hits me with whatever he can lay his hands on —55-year-old, Kailashben

SOURCE:
More broadly, there is also a risk that temporary measures will not be reversed after the pandemic. For example:

- In India, under the national lockdown protocols, local governments are reportedly using forced evictions and strong-arm police measures to close trading spaces to street vending permanently.\(^3^2\)

- In Colombia, waste pickers have expressed concerns that private companies will use the COVID-19 situation to justify the transfer of waste management contracts to large private companies.

- Complying with public health guidelines will incur high out-of-pocket costs (e.g., access to water in urban slums) for low-income households. In this context, households may use short-term coping strategies (such as selling assets to finance food consumption), which could lead to long-term poverty.\(^3^3\)

For women working in the informal economy and in their households, the impact of COVID-19 can be a shock to their overall economic stability and survival. Many informal workers remain economically and socially marginalized, which weakens their voice and representation in decision-making processes that impact their livelihoods and well-being. This is particularly the case for women workers, who are located in isolating occupations such as domestic work, home-based work, and unpaid family work.

The next section explores relief measures to help vulnerable populations recover from the economic effects of the COVID-19 pandemic. All of the government policy responses are taken from the COVID-19 response tracker of Women in Informal Employment: Globalizing and Organizing (WIEGO) unless otherwise noted.\(^3^4\)

### 3. Addressing the Economic Fallout

Initial findings show that governments are using a mix of both new and preexisting programs of various duration and amount. New social assistance measures in response to the pandemic have included the expansion of coverage, an increase in benefits, and the simplification of administrative requirements. For example, 34 countries have increased benefits among preexisting programs, 12 have added additional payment cycles for existing social assistance schemes, 87 have extended the range of coverage for social assistance measures, and 89 are providing new social assistance programs.\(^3^5\) The good news is that many governments have included informal economy workers to cushion the effects of the crisis.

**Among social assistance measures, transfers (both cash and in-kind) remain the most widely used intervention by governments and make up 283 COVID-related measures.**\(^3^6\) **There are twice as many cash-based programs as in-kind programs, and they last for an average of three months.**\(^3^7\)
Examples of efforts to expand the reach of cash and in-kind transfers include:

Scaling up cash assistance by advancing or increasing benefit payments, or by adopting new targeted programs: Several countries have enacted programs and measures to support informal workers and women. In Pakistan, the government is providing an additional Rs1,000 (US$6) to 4.5 million women who are existing cash-transfer beneficiaries. In Argentina, the government is providing a lump sum benefit of US$160 to workers receiving no income or state subsidies. The Brazilian congress has approved a benefit of R$600 (US$120) for each informal worker and R$1,200 (US$240) to single-parent, female-headed households for three months. In India, the government is providing cash transfers to widows for three months.

Supporting all in-kind measures (food items or meals): At the beginning of 2020, there were 135 million people worldwide facing extreme hunger. According to the World Food Program, that figure may double to 265 million people by the end of this year. An increasing number of governments are providing food assistance for low-income households. In Nigeria, the governor of Lagos announced a relief package that provides essential food delivery for 200,000 households. Similarly, in India, the government announced a program that provides delivery of free food for 800 million families.

Governments are initiating relief measures to decrease the financial burden on the poor through support for utilities, housing, and taxes. These measures, such as freezes on rent payments, can also apply to the workspaces informal workers use, and thus can help informal businesses restart their economic activities.

Examples of efforts to expand utility and housing support include:

Utility bills suspension: Policies on utility payment suspensions vary widely in terms of their scope (all utilities or selective), beneficiaries (citizens or residents), and duration. For example, in El Salvador, the government has suspended all utility payments, while in Senegal, the government is paying electricity and water bills for low-income households.

Mortgage relief and protection against evictions: Loss of income has left millions of people around the world with potential housing insecurity. Several governments are adopting, alongside other social assistance measures, policies to protect tenants from evictions and provide assistance for mortgage payments. For example, in Bolivia, the government has exempted families that fail to meet their financial obligations from mortgage loan payments. In Venezuela, on the other hand, the government has suspended residential and commercial rent payments.

Value-added tax (VAT) breaks and refunds on essential goods and services: In Colombia and Trinidad and Tobago, the government is providing VAT refunds for essential goods and services. At least 30 countries have turned to VAT measures to lower the prices of essential goods. Existing social assistance programs reach only small shares of vulnerable populations. While these examples show that some governments are adopting measures to support informal workers and women, significant gaps remain, both in policy and in implementation worldwide.
4. The Immediate Crisis and the Way Forward

The COVID-19 pandemic and its socioeconomic effects have created a global crisis, unparalleled in history, that requires a response to match its scale and complexity. This crisis has made it apparent that the compounded impacts are exacerbated for women and girls, who are generally earning less, holding insecure jobs, and living in poverty. This has important implications for policymaking in the immediate crisis and beyond.

The short-term response has been impressive, but continuous emergency income support for workers and businesses operating in the informal economy is critical. Additionally, due to the large gender gap in access to financial accounts, a majority of women are unable to access transfers delivered via digital platforms. Ensuring that women possess the tools to access digital benefit is equally as important as the benefits themselves.

This crisis has also underlined the importance of creating universal entitlements to income support. Many informal workers earn just above the poverty level, but without support they are very likely to fall into poverty due to the economic impacts of COVID-19. Therefore, it is imperative to reform social assistance schemes to extend beyond the poor—both horizontally and vertically—to ensure that the “missing middle,” which includes women working in the informal economy, will have access to them.

In the aftermath of the crisis, social assistance measures should continue to be seen as part of a larger relief package. Social assistance programs should include loan repayments, rent and utilities payments, and tax breaks on essential goods. With economic recovery expected to be slow and uncertain, and with the potential of resurgent waves of COVID-19 in the future, continuing assistance alongside innovative and targeted support will be paramount to ensuring the economic survival of women, now and in the post-COVID-19 world that emerges.

Notes

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6 Author’s calculations based on each country’s most recent available data. Data does not include agricultural employment. “Statistics on the Informal Economy,” ILOSTAT, accessed May 12, 2020, https://ilostat.ilo.org/topics/informality/
7 “They are found both within the formal sector (within registered enterprises), and the informal sector (within unregistered enterprises), and within households.” Laura Alfers, 2020. “Informal Workers and Social Protection” https://socialprotection.org/sites/default/files/publications_files/SPACE_Informal%20Workers_V1.pdf.


ILO. “ILO Monitor: COVID-19”.


Ibid.


Ibid.


WIEGO, “Home-Based Workers”.

“Dependent contractors are workers who have contractual arrangements of a commercial nature (but not a contract of employment) to provide goods or services for or through another economic unit. They are not employees of that economic unit, but are dependent on that unit for organization and execution of the work, income, or for access to the market.” See WIEGO, 2019, “Understanding the Statistical Term ‘Dependent Contractor’ A Q&A with Firoza Mehrota.” www.wiego.org/blog/understanding-statistical-term-dependent-contractor-qa-firoza-mehrota.


Ibid.

Ibid.

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Ibid.

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