

Countries Provide Support to Workers in the Informal Economy

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Original post [here](#).

In response to the COVID-19 crisis, countries have begun to help informal sector workers through safety-net programs, cash transfers, and public-works programs.

Workers in the informal economy are especially vulnerable to negative impacts from the COVID-19 pandemic. Informal workers are those in jobs without social insurance in sectors of the economy that are neither taxed nor regulated. The [International Labor Organization](#) (ILO) estimates that 1.6 billion of the approximately 2 billion informal economy workers globally will be significantly impacted by the COVID-19 pandemic, with [workers experiencing](#) an average earnings decline of 60%. Without an alternative income source, the ILO [estimates](#) that the proportion of informal economy workers in low-income countries living in relative poverty will increase from 18% to 74%. Informal workers are already twice as likely as formal workers to belong to poor households.

In general, [informal economy](#) workers have higher exposure to occupational health and safety risks. COVID-19 increases risks for workers, and many who become infected do not have a source of income security or healthcare coverage. Policies targeting informal economy workers are thus an important component of the government policy response to COVID-19, but policymakers face additional challenges in designing policies. Informal workers are not officially registered, making them harder to reach, and the informal economy varies widely across countries and regions.

In response to the COVID-19 pandemic, [countries have implemented](#) support programs for informal sector workers using the following:

- Existing unemployment insurance or social safety net programs
- New direct cash or in-kind transfers
- Public works programs
- Support to micro, small and medium-sized enterprises (including informal businesses)

Existing unemployment insurance or social safety net programs

Many countries have existing social safety net programs, such as cash and in-kind transfer, social pension, and school meal programs. In response to the COVID-19 pandemic, these programs can be expanded or enhanced to include more vulnerable and high-risk individuals. By utilizing existing programs, policymakers can quickly respond to the urgent needs of informal workers.

In the United States, the [Pandemic Unemployment Assistance](#) (PUA) provision of the CARES Act expands unemployment insurance eligibility to include self-employed individuals or those who may otherwise be excluded. Though low-income countries have higher proportions of the workforce in informal jobs, industrialized countries, including the US, also have an informal labor force. The share of workers in informal jobs in the [US](#) has steadily increased in the past decade, and the ILO estimated that informal employment accounted for 30 million jobs in 2018,

or 19% of the total labor force. States are permitted to provide unemployment benefits to self-employed, gig economy, or other informal workers through PUA for 39 weeks. The benefits include what the state provides and \$600 through the Federal Pandemic Unemployment Compensation (FPUC) program under the CARES Act.

[North Macedonia](#) expanded its existing unemployment insurance system to include informal sector workers, with an additional 20,000 households expected to benefit. These informal workers can receive 7,000 denars (USD 125) in April and May. [Lesotho](#), [Kazakhstan](#), and [Vietnam](#) have also expanded social protection programs to include informal sector workers.

New direct transfers or grants

Other countries have introduced new cash transfers for informal workers in response to the COVID-19 pandemic. Identifying eligible individuals can be a challenge, as many informal workers are not registered, and policymakers also face the challenge of providing access to benefits quickly.

On March 25, Thailand introduced a cash transfer of 5,000 baht (USD 153) per month for three months for informal workers. The government initially committed to support 3 million workers, but demand far exceeded the commitment size. The Thai government has since announced that [14.5 million](#) individuals are eligible to receive support. Individuals are required to submit applications online to claim the benefits. The website to submit applications opened on March 28, and despite a system crash, 8.5 million individuals were able to submit applications on the first day. However, not all individuals are approved automatically, and some applicants are asked to provide additional information, such as a picture of their workplace, and others have been rejected.

In [Egypt](#), workers in the informal sector are eligible to receive a one-time payment of LE 500 (USD 32) to recoup some lost income due to the COVID-19 shutdowns. This one-time payment was initially expected to go to 400,000 individuals. Like Thailand, the actual demand exceeded the announced size, as 1.2 million people applied for the grant in the first week. These benefits will be provided to individuals who are registered in government workforce databases and distributed through post offices.

Identifying informal workers can be a major challenge, as these workers may not have formal employment contracts or be officially registered. In [Guatemala](#), the government determines eligibility based on [electricity consumption](#) to provide the emergency cash grant of GTQ 1,000 (USD 130) to informal and self-employed workers. Individuals receive emergency grant payments electronically, either through smartphones or ATM withdrawals. Similarly, in [El Salvador](#), the government's new cash transfer program targeted households using electricity. Households with usage between 0-250 kilowatts/hour received the transfers. In [Ecuador](#), informal workers who earn less than USD 400 per month are required to register to receive the emergency cash benefit. After registering for the benefit, individuals receive a text message with information regarding nearby payment locations where the USD 60 benefit can be collected. In [Brazil](#), informal workers, including domestic workers, can receive an emergency cash transfer of USD 115 per month for three months. The government identifies beneficiaries through the social registry, but individuals who are not registered can apply online.

In addition to cash transfers for vulnerable individuals, some countries have launched programs that provide training support to informal workers. Indonesia's Kartu Pra-Kerja (pre-

employment card) program provides vouchers for training and re-skilling to unemployed workers in addition to unemployment benefits. The program is estimated to benefit 5.6 million informal workers impacted by COVID-19, and [eligible recipients](#) receive benefits through bank transfers or through e-wallet platforms.

Public-works programs

Many governments have announced programs that provide financial aid to unemployed workers, some of whom come from the informal economy, in exchange for participation in a public-works program. Government-sponsored public-works programs have traditionally consisted of infrastructure projects. The US's Public Works Administration is often cited as an important part of the government's response to the Great Depression in the 1930s. To varying degrees, many countries are also hiring people to do COVID-19 testing or sanitation.

Many countries have increased funding to existing public-works programs. In [Nepal](#), the Prime Minister's Employment Program was originally introduced in early 2019 and guaranteed 100 days of work per year to work on infrastructure projects. In [April](#) the government extended the program; it also announced that informal sector workers who had lost their jobs due to the crisis would receive 25% of a local daily wage if they chose not to participate in the public-works projects. The [Philippines](#) added an additional sub-program to its broader TUPAD public-works program that provides between 10 and 30 days of work to displaced, underemployed, or seasonal workers. In [Kenya](#), the government introduced a new program, Kazi Mtaani, focusing on unemployed workers in informal settlements in poor countries.

Other countries have provided public-works projects in health and hygiene. For example, [South Africa's](#) program provides work in essential services and waste collection but also includes a new initiative to hire 20,000 people to support the distribution of sanitizers and hygiene education as well as to work in disinfection and sanitization. [Kenya's](#) program includes street cleaning, garbage collection, bush clearance and drainage unclogging services, as well as fumigation and disinfection. The emergency expansion of the existing Philippines program provided 10 days of employment in sanitation and disinfection activities to eligible workers.

Beyond infrastructure and sanitation, governments have looked to hire many contact tracers. These [contact tracers](#) "work with patients to help them recall everyone with whom they have had close contact during the time-frame while they may have been infectious, then contact the individuals to let them know of their potential exposure." In the US, according to one [survey](#), state governments plan to hire at least 36,000 people to work in contact tracing. Similarly, the [UK](#) will hire 18,000 contact tracers. Though some countries have leveraged existing surveillance technologies or mobile apps, there is likely going to be a high demand in other countries for contact tracers, which a government could fill using a public works program.

Support to micro SMEs and informal businesses

The [ILO](#) predicts that the informal economy will grow as workers are pushed out of small businesses that close, in some cases permanently, due to economic shut-down measures taken by governments to help prevent the spread of the disease. Some countries have introduced measures to support these micro SMEs and informal businesses.

The government in [Burkina Faso](#) has suspended fees charged on informal sector operators for rent, security, and parking. In [Gabon](#), the government has a lending mechanism with approximately USD 375 million in funding to facilitate access to commercial bank financing for

both formal and informal companies. In [Malaysia](#), the government introduced a special, one-time MYR 3,000 (USD 690) grant program for micro SMEs with less than 5 employees (excluding the owner) and less than MYR 300,000 in turnover. Support to micro SMEs and informal businesses will be important as governments begin to lift stay-at-home orders and restrictions.