



**EMBARGO**

Not to be published or distributed before  
Thursday 7 May at 15.00 CEST

► **ILO Brief**

7 May 2020

## **COVID-19 crisis and the informal economy : Immediate responses and policy challenges**

### ► **Introduction**

At the end of April 2020, the number of COVID-19 infections had exceeded 2.8 million cases worldwide, with the death toll nearing 195,000, and 210 countries and territories affected.<sup>1</sup> As a result, a growing number of nationwide or local initiatives have been taken to prevent the spread of the deadly virus.

Pending the discovery of vaccines and treatments, physical distancing remains the only way to break the chain of transmission and protect large segments of the population. Full or partial lockdown measures are therefore now being implemented all around the world, affecting more than 5 billion people. It is estimated that these measures bear a significant impact on 1.6 billion informal workers, with women over-represented in the most hard-hit sectors.<sup>2</sup>

Many women and men in the informal economy need to earn an income to feed themselves and their families, as most of them cannot rely on income replacement or savings. Not working and staying home means losing their jobs and their livelihoods. “To die from hunger or from the virus” is the all-too-real dilemma faced by many informal economy workers. Unfortunately, we are talking of many workers. In 2020, over 2 billion workers<sup>3</sup> are earning their livelihoods in the informal economy. This is 62 per cent of all those working worldwide. Informal employment represents 90 per cent of total employment in low-income countries, 67 per cent in middle-income countries and 18 per cent in high-income countries.<sup>4</sup> Women are more exposed to informality in low- and lower-middle income

countries, and are often in more vulnerable situations than their male counterparts.

Similar observation applies to informal enterprises, which account for eight out of every ten enterprises in the world. These are mainly unregistered small-scale units, often employing ten or fewer undeclared and low-skilled workers, including unpaid family workers, mainly women, who labour in precarious conditions, without social protection or health and safety measures at the workplace. They have low productivity, low rates of savings and investment, and negligible capital accumulation, which make them particularly vulnerable to economic shocks, and are often excluded from COVID-19 crisis-related short-term financial assistance programmes for businesses.

**This policy brief focuses on the immediate responses that countries can take to address the consequences of the Covid-19 pandemic on the informal economy at its early stages, while pointing to areas that will need sustained investment in the future in order to ensure well-being and decent work for workers and economic undertakings in the informal economy. This brief will be followed by another on mid- to long-term responses, once the rapid propagation phase of the virus has passed.<sup>5</sup>**

1 Johns Hopkins University Center for Systems Science Engineering, <https://gisanddata.maps.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6>.

2 [ILO Monitor: COVID-19 and the world of work \(third edition\)](#).

3 In order to simplify the text and in line with statistical practices, the term “workers” is used here to refer to all people in employment: employees, independent workers with or without employees and contributing family workers.

4 For complete statistics, see ILO: [Women and Men in the Informal Economy: A Statistical Picture](#) (third edition, Geneva 2018)

5 The Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) and the Employment and Decent Work for Peace and Resilience Recommendation, 2017 (No. 205) will be of particular relevance in that context.

## ► 1. Covid-19: The devastating impact of a health and economic crisis on those operating in the informal economy

### 1.1. The impact of lockdown and other containment measures

ILO estimates show that, assuming a situation without any alternative income sources, lost labour income will result in an increase in relative poverty for informal workers and their families of more than 21 percentage points in upper-middle-income countries, almost 52 points in high-income countries and 56 points in lower- and low-income countries.<sup>6</sup> This includes workers in sectors such as accommodation and food services, manufacturing, the wholesale and retail trade and many more, including over 500 million farmers that were producing for the urban market. Because those in the informal economy need to work, lockdowns and other containment measures are a source of social tension and transgressive practices and behaviour, which are endangering governments' efforts to protect the population and fight the pandemic.<sup>7</sup>

Further, logistical challenges within supply chains, particularly cross-border and domestic restrictions of movement, may lead to disruptions in food supply, undermining informal workers' food security.<sup>8</sup> Informal food markets play an essential role in ensuring food security in many countries, both as a source of food and a place for smallholder farmers to sell their products, and their closure will lead to increased food insecurity and poverty.

### 1.2. Health risks and shocks

The specific risks associated with COVID-19 exacerbate the main vulnerabilities of poor workers in the informal economy. In urban areas, even if they stay at home, these workers and their families remain exposed to the virus because of overcrowded and unsanitary living conditions that make physical distancing nearly impossible. Lack of access to running water not only limits the possibilities for hand-washing, it often forces women to line up for water, thereby endangering themselves and their community. Informal economy workers, particularly in rural areas, are poorly informed about the virus, its symptoms and preventive measures such as physical distancing. If they continue working, they usually have no access to personal protective equipment (PPE) and hand-washing stations. Physical distancing is difficult to apply by those working, for example, as street and market vendors, domestic workers or home delivery workers. For many, their home is their workplace, with the conditions described above.

The overwhelming majority of workers in the informal economy have higher exposure to occupational health and safety risks, no appropriate protection, and an increased likelihood that they will suffer from illness, accident or death. COVID-19 adds to these risks. If they fall sick, most workers, including migrants<sup>9</sup>, do not have guaranteed access to medical care and no income security through sickness or employment injury benefits. If they are unable to access health care, the virus will spread more widely, with fatal consequences. If they can access health care, many will incur out-of-pocket costs that will force them to go into debt or to sell their productive assets, plunging them into deeper poverty. Before the crisis, 100 million people fell into poverty annually as a result of catastrophic health expenses.<sup>10</sup> And for many, particularly in rural areas, health-care services are not available.

### 1.3. Damage to the economic fabric

Restrictions on the movement of people and the sudden stoppage or severe downscaling of economic activities to contain the propagation of COVID-19 are having a strong impact on informal enterprises and are likely to have the following consequences.

1. *An immediate loss of revenue for informal economic units.* Given that they have no savings or other financial cushion, most owners of informal enterprises may have no choice but to use their negligible business capital for consumption. As a result, they may be forced to close their informal business temporarily or permanently, leading to job losses and a surge in poverty. Loss of income and deepening poverty, in turn, could trigger a sharp rise in child labour and lower school enrolment rates, especially for young girls.
2. *An expansion of the informal economy following the financial collapse and permanent closure of formal micro<sup>11</sup>, small and medium-sized enterprises (MSMEs), triggering an unprecedented surge in unemployment and underemployment.* The crisis is likely to have long-lasting effects on the economy, with the recovery expected to be slow and uneven. In the absence of income replacement, especially in low- and lower-middle income countries where social protection systems are weak and coverage is low, many people could resort to making a living as informal microbusiness owners, own-account workers or informal employees. Some formal MSMEs could be also pushed into informality.

6 ILO Monitor, op. cit., note 2.

7 [Jobs for Peace and Resilience: A response to COVID-19 in fragile contexts](#) (draft) (ILO, Geneva, 2020)

8 ILO: [COVID-19 and the impact on agriculture and food security](#), ILO Sectoral Brief (Geneva, 17 April 2020).

9 ILO 2020. [Protecting migrant workers during the COVID-19 pandemic: Recommendations for Policy-makers and Constituents](#).

10 World Health Organization and the International Bank for Reconstruction and Development/World Bank: [Tracking Universal Health Coverage: 2017 Global Monitoring Report](#) (WHO and World Bank, Geneva and Washington D.C., 2017)

11 Includes own-account workers (independent workers without employees).

3. *The uneven impact of the crisis in different sectors<sup>12</sup> may trigger large-scale restructuring of economic activities.* This could in turn cause a reallocation of informal (and formal) labour towards less severely affected economic sectors or sectors with consumption demand that might recover relatively faster. The restructuring of production activities and supply chains could lead to frictional unemployment or further expansion of the informal economy.

Once restrictions are lifted, there is still uncertainty that they could be reinstated if the number of cases of infection starts rising again. Such uncertainty might lead to precautionary saving by consumers and low investment by firms. The combined effect may be damaging to the economic fabric, resulting in lower demand, production and employment levels, and a further contraction of the formal economy, which is likely in turn to result in the growth of the informal economy.

## ► 2. Applying immediate responses

Immediate responses cannot separate health and economic impact and must follow a multi-track strategy that combines the following lines of action:

- (a) *Reducing the exposure of workers and their families to the virus and the risks of contagion;*
- (b) *Ensuring those infected have access to health care;*
- (c) *Providing income and food support to individuals and their families, to compensate the loss of, or reduction in, economic activity;*
- (d) *Reducing and preventing the damage to the economic fabric and preserving employment.*

Existing international labour standards provide a strong foundation on which to build key immediate responses to the COVID-19 crisis.<sup>13</sup> These immediate responses are aligned with the overall ILO policy framework for coping with the COVID-19 pandemic in the world of work. The framework has four interconnected pillars: Pillar 1 – Stimulating the economy and employment (at the macro and sectoral level); Pillar 2 – Supporting enterprises, jobs and incomes (at the meso level); Pillar 3 – Protecting workers in the workplace (micro level); and Pillar 4 – Relying on social dialogue for solutions (cross-cutting). The action lines described in sections 2.3, 2.4 and 2.5 below relate mostly to Pillars 3 and 2. The action lines described in sections 2.5 and 2.6 relate mostly to Pillars 1 and 2. Pillar 4 cuts across the overall design and implementation of all measures.

### 2.1. General considerations

- Informal workers and enterprises are not registered, which makes it difficult for public authorities to identify and reach disadvantaged groups in the informal economy, and makes those operating in the informal economy fearful of the public authorities.

In addition, the informal economy presents a high level of heterogeneity; policy interventions must therefore be tailored to the diverse characteristics, circumstances and needs of the workers and economic units concerned.

- The design and implementation of effective and equitable responses requires the involvement of key players in the labour market, in particular governments and the most representative workers' and employers' organizations.<sup>14</sup> Informal economy workers and enterprises should have the possibility to express their views and defend their interests, notably through their membership-based organizations, on policy measures that will affect them directly. Their inclusion at an early stage of the design process will also enhance the effectiveness of such measures. Given the role of representative workers' and employers' organizations in social dialogue institutions and processes, it is even more important in the current context that these organizations further strengthen their relationships with organizations, workers and enterprises in the informal economy. This will foster social dialogue that is inclusive and more responsive to the specific needs of informal economy operators.<sup>15</sup>
- The COVID-19 pandemic is not affecting all countries with the same intensity, at the same time. Nobody knows exactly how the virus will spread in regions and countries. But all countries are at risk and need to be prepared to address its health, economic and social consequences. And in a pandemic such as this, the responses of one country have an impact on all others. If one country cannot contain the virus, others are susceptible to infection, or even re-infection. As the United Nations Secretary-General said at the launch of a report on the socioeconomic impact of COVID-19, "Let us remember that we are only as strong as the weakest health system in our interconnected world."<sup>16</sup>

<sup>12</sup> See also [ILO's series of sectoral briefs](#), which provide a preliminary assessment of the impact of COVID-19 on specific social and economic sectors and industries.

<sup>13</sup> (coronavirus). [FAQ. Key provisions of international labour standards relevant to the evolving COVID-19 outbreak](#), ILO NORMES, 23 March 2019

<sup>14</sup> The Employment and Decent Work for Peace and Resilience Recommendation, 2017 (No. 205) emphasizes, in particular, the importance of social dialogue in responding to crisis situations and the vital role of employers' and workers' organizations in crisis response, taking into account the Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87) and the Right to Organize and Collective Bargaining Convention, 1949 (No. 98).

<sup>15</sup> ILO: [Transition to formality: the critical role of social dialogue](#), Dialogue in Brief, Issue No. 1, March 2017.

<sup>16</sup> See <https://www.un.org/press/en/2020/sgsm20029.doc.htm>.

## 2.2. Identifying the needs and priorities of the groups in the informal economy that are the most vulnerable to the COVID-19 crisis

Conducting rapid assessments<sup>17</sup> is one way to identify priorities and determine the extent and nature of the direct and indirect effects of COVID-19 on the informal economy, particularly as they relate to the most vulnerable groups.<sup>18</sup> The objective of rapid assessments is to:

- (a) Give voice to the women and men in the informal economy and to their organizations so that crisis responses take account of their situation; and
- (b) better understand the diversity of their situations, needs and perceptions, in order to guide the government, the social partners, informal economy organizations and other non-governmental support initiatives for the implementation of immediate and medium-term measures.

## 2.3. Limiting exposure and the risks of contagion, taking preventive measures

In countries in which a large part of the population secures its livelihood through the informal economy, lockdowns should be accompanied by effective measures to:

- (a) communicate through appropriate channels about the virus, how it spreads, its health consequences, preventive measures, lockdown rules, and measures to mitigate the impact on the incomes of workers and economic units in the informal economy;
- (b) coordinate the implementation of lockdown measures with workers and economic units in the informal economy, notably through their organizations, to expand the measures' reach and thereby enhance understanding and effectiveness;
- (c) urgently extend coverage of social protection schemes and other relief and economic assistance packages to disadvantaged groups in the informal economy, and ensure timely delivery of quality services to the workers and businesses concerned; and
- (d) support authorized employment-generating activities taking into account health and safety rules.

Measures should aim to minimize direct contamination in workplaces, including by:

- (a) raising awareness of the risks related to COVID-19 and providing accessible information on preventive measures, safe workplace behaviour and symptoms in case of infection;
- (b) developing communication materials such as pamphlets, posters, videos, text messages and radio spots that can be easily understood and reach those who work in the informal economy;
- (c) ensuring physical distancing, disinfecting premises, identifying and equipping/re-organizing risk areas, notably when informal employment occurs in fixed premises, and, when possible, adopting working time arrangements to avoid having everyone in the workplace at the same time.

Sector- and occupation-specific health guidelines should be developed for, for example, street vendors, domestic workers, home delivery workers, waste pickers and taxi drivers. In consultation with workers and their representatives, PPE should be used by workers and provided and maintained by the employer, at no cost to the workers.

Low-cost hand washing stations or hydroalcoholic solutions should be made available where informal workers operate. Steps should be taken to organize daily screening of workers with symptoms and safe transportation to hospitals in an emergency.

## 2.4. Ensuring that those who have been infected have effective and affordable access to health care

Guaranteeing effective and affordable access to health care for workers in the informal economy and their families is essential for addressing the COVID-19 pandemic. It is especially important to:

- (a) limit out-of-pocket payments to a minimum by rapidly extending social health protection and adjusting existing social protection schemes (e.g. waiving co-payments or user fees if they exist); and
- (b) ensure availability of quality health services, increase the capacity and accessibility of health-care facilities, especially in rural areas, and remove other financial, geographical or administrative barriers.<sup>19</sup>

In view of the health challenges facing many countries, measures to enhance access by informal workers and their families to affordable health care should not be limited to testing and treatment for coronavirus, but should also cover the full range of communicable and non-communicable

17 Assessments are currently being conducted in many countries. For example, the ILO, together with the Institute for Applied International Studies, is conducting assessments of the impact of COVID-19 in Jordan, Lebanon and Iraq, focusing on refugee, migrant and national workers employed in the informal economy.

18 ILO: Rapid assessment of the effects on the informal economy of Covid-19 and the preventive measures associated with it. A practical tool (2020, forthcoming).

19 ILO: [Social protection responses to the COVID-19 crisis: Country responses and policy considerations](#), Social Protection Spotlight (Geneva, 23 April 2020); WIEGO: [Informal worker demands during COVID-19 crisis](#), 2020.

diseases these workers and families are exposed to and that, in many cases, act as co-morbidity factors.<sup>20</sup>

Countries that had already invested in expanding social health protection coverage have been able to respond more rapidly and inclusively.<sup>21</sup> However, in view of the scale of the challenge, the resources allocated may need to be scaled up further, including through international support. Guaranteeing effective access to affordable health care and ensuring at least a basic level of income security for those who are sick or (self-)quarantined are essential means for safeguarding public health and livelihoods.<sup>22</sup> Workers in the informal economy usually do not have access to specific sickness benefits<sup>23</sup>, but it is possible to extend or introduce new benefits to address this need.

## 2.5. Providing income and food support for individuals to compensate for the loss of, or reduction in, economic activity

The repercussions of the COVID-19 pandemic call for rapid and effective measures to enhance income security for workers in the informal economy, especially for women with young children – a group at highest risk of economic hardship. Countries can use different mechanisms to extend income support to informal economy workers.<sup>24</sup>

(a) Countries that already have contributory and non-contributory social protection schemes can extend coverage to those not yet covered, building on existing administrative and delivery mechanisms.<sup>25</sup> They can raise benefit levels, advance the payment of benefits and relax eligibility conditions. This can be done through different programmes, including unemployment benefits, universal pensions, child benefits or social assistance programmes.<sup>26</sup> Countries that invested in social insurance before the crisis are better prepared to provide urgent support for those who lost their jobs, sometimes including those in the informal economy.<sup>27</sup> They can even use unemployment protection schemes to support job retention through short-time work schemes, including for self-employed or domestic workers, regardless of

whether they are informal or not, thereby facilitating a quick recovery.<sup>28</sup>

(b) Where it is not possible to scale up existing programmes, other mechanisms need to be put in place to offer the necessary income support. One-off payments can be made to large categories of the population, in some cases as a universal benefit paid to the entire resident population, or to those not protected through other mechanisms. A sectoral approach can be implemented that prioritizes workers in occupations that are particularly affected.

(c) In some contexts, food support is necessary to prevent hunger among those most affected. In some countries, governments have organized food support for vulnerable households and to safeguard nutrition in rural areas. This also helps support the agricultural sector and ensure uninterrupted food production.

Mobilizing the necessary resources, defining eligibility criteria, setting benefit levels, reaching out to individuals, registering eligible beneficiaries and delivering benefits promptly, in the middle of a fast-moving crisis, is a daunting task. Digital technologies can be harnessed to identify and register workers and pay benefits, but alternative mechanisms need to be made available for those who do not have access to technology.

A crucial aspect of any such strategy is working with workers' and employers' organizations, including those active in the informal economy, social solidarity organizations and local government bodies. Their role is key to designing and implementing emergency responses and to reinforcing social protection systems and supporting the transition to the formal economy.

## 2.6. Reducing and preventing the damage to the economic fabric: maintaining employment opportunities

Governments around the world have taken measures, including by adopting fiscal and monetary policies, to mitigate the pandemic's impact on enterprises. Those

20 During the 2014–2015 outbreak of Ebola virus disease in West Africa, limited access to health-care services exacerbated mortality from HIV/AIDS, malaria and tuberculosis (see A.S. Parpia et al.: “Effects of Response to 2014–2015 Ebola Outbreak on Deaths from Malaria, HIV/AIDS, and Tuberculosis, West Africa”, in *Emerging Infectious Diseases* (2016, Vol. 22, No. 3, pp. 433–41)).

21 For example, Thailand had enhanced financial protection under the Universal Coverage for Emergency Patients Policy, which applies to both nationals and non-nationals.

22 K. Lönnroth et al.: “Income security in times of ill health – the next frontier of the SDGs”, in *British Medical Journal* (forthcoming).

23 ILO 2020. ‘Sickness Benefits during Sick Leave and Quarantine: Country Responses and Policy Considerations in the Context of COVID-19’. Geneva: International Labour Organization.

24 An overview of the measures taken is available in the [ILO COVID-19 Social Protection Monitor](#).

25 ILO: [Extending social security to workers in the informal economy: Lessons from international experience](#). A living document (Social Protection Department, Geneva, 2019).

26 For example, in Peru the government has introduced an emergency cash benefit for independent workers (see <https://www.gob.pe/institucion/mtppe/noticias/112028-comunicado-01-bono-independiente>).

27 For example, domestic workers in South Africa and garment workers in Viet Nam are now covered by unemployment insurance. See C. Peyron Bista and J. Carter: [Unemployment Protection: A Training Package and Good Practices Guide: Experiences from ASEAN](#) (ILO Regional Office for Asia and Pacific, Bangkok, 2017).

28 These mechanisms are notably used in Europe to retain jobs (see Organisation for Economic Co-operation and Development: [Supporting people and companies to deal with the Covid-19 virus: Options for an immediate employment and social-policy response](#) (Paris, 2020).

measures may, however, bypass informal enterprises since they often fall out of the purview of government policies and programmes. A tailored and gender responsive approach is needed to reach out to them.<sup>29</sup> A failure to do so could derail development trajectories towards reducing hunger, poverty, and decent work deficits, leading to social instability. It could also derail countries' efforts to contain the spread of the pandemic.

A variety of financial and monetary measures can be taken to support economic units in the informal economy.

- (a) Financial support can take the form of grants, subsidized loans, grace periods on outstanding loans and debt rescheduling aimed at overcoming liquidity crunches.
- (b) Measures to reduce operating costs, such as waivers or deferred payments for public services such as electricity, water or rent, can also be introduced.
- (c) Subsidies in the form of reduced rates for mobile calls and internet access, along with training, may enable some units in the informal economy to experiment with digital tools for business continuity and income generation.

However, identifying and reaching out to informal enterprises is a daunting task for governments. Self-identification by owners, accompanied by an "entry level" registration by government and some degree of verification, could be a viable conduit. MSMEs could be registered using an existing statute (e.g. on individual micro entrepreneurs) or by local municipalities, with support from community centres and other types of social and solidarity organizations.

It may be feasible to channel funds through banks, microfinance institutions and financial cooperatives with clearly defined and officially announced criteria for disclosure and enhanced transparency. This would improve the plight of women informal entrepreneurs in particular. Where possible, distribution through ATMs or digital government-to-person (G2P) payments could be used to facilitate cashless transactions that meet physical

distancing requirements. For informal enterprises, such payments, if combined with an "entry level" registration system and awareness-raising activities, could facilitate a future transition to formality, especially if the incentives are put in place to foster such transitions.

With targeted financial support, training, adequate hygiene and PPE, and advice on how to reduce the risk of infection for employees and customers, informal enterprises and workers could be helped to scale up their production of goods and services that are deemed essential during the pandemic (such as food delivery). Such measures could ensure business continuity and protection from loss of employment. For example, if informal enterprises received adequate financial support and training, they could start producing affordable cloth masks and hydroalcoholic solution/soap that meet health safety requirements. They could provide services for the daily cleaning and disinfection of stalls and markets, the spatial reconfiguration of marketplaces, or to set up an alternating sales system. They could also remain in business by reaching customers using ICT tools and platforms and continue to operate using delivery apps for home delivery.

Tripartite and bipartite social dialogue should be the bedrock of policy responses. Employers' and workers' organizations can play a critical role in delivering or advocating for support services, such as access to technologies, finance and business development services, and fostering linkages with formal enterprises as an incentive for formalization. To be even more effective, the measures should strengthen dialogue and cooperation between the tripartite partners and the organizations representing those in the informal economy. Moreover, as governments themselves are facing an unprecedented fiscal crisis, mobilizing the budgetary resources needed to support informal enterprises would require sweeping budgetary reallocations, the issuance of government bonds, or borrowing from multilateral organizations. Therefore, effective consultation with social partners is essential to prevent possible negative impact of such actions on the overall economy.

### ► 3. Building partnerships

The United Nations framework for the immediate socioeconomic responses to the COVID-19 crisis<sup>30</sup> sets out an integrated support package aimed at protecting the needs and rights of people affected by the pandemic. It focuses in particular on the most vulnerable countries and on people who risk being left behind, and emphasizes the need to concentrate, among others, on workers in the informal economy, while stressing the risk of growing informality because of the COVID-19 crisis. The framework

provides an enabling environment for United Nations agencies to forge partnerships to tackle the specific challenges related to the informal economy.

In view of the high prevalence of the informal economy, developing and emerging countries are confronted with limited fiscal space and capacity to mobilize domestic financial resources. Designing and implementing adequate responses will require support from international

<sup>29</sup> For instance, in Argentina the government has allocated 10 million pesos for informal workers (see: <https://www.infobae.com/economia/2020/03/23/en-medio-de-la-cuarentena-total-el-gobierno-anuncio-un-ingreso-familiar-de-emergencia-de-10000-para-los-trabajadores-informales-y-monotributistas/>).

<sup>30</sup> The United Nations Sustainable Development Group: A UN framework for the immediate socio-economic response to COVID-19, second draft for discussion (New York, 7 April 2020).

cooperation, notably to provide the resources required to strengthen the delivery of health services, provide income support to individuals and their families, and ensure that economic units receive financial relief. Indeed, the United Nations Secretary-General<sup>31</sup> recommended a set of measures to increase the financial capacity of developing countries. In this respect, partnership between the donor community and international financial institutions to provide the required resources to developing countries is in the interest of all countries because the presence of the virus *somewhere* is a threat *everywhere*.

Crisis responses are effective and foster social cohesion when they are perceived as being fair and making equitable demands on all members of society. ILO experience has shown that social dialogue is instrumental

in this regard and that governments and social partners need to strengthen their partnership to design effective measures to overcome the negative impact of the crisis. Those working in the informal economy must be central to all COVID-19 responses that affect them: social dialogue can be the prime means of bringing about their participation. During the last decade, employers' and workers' organizations made great progress in affiliating those in the informal economy and/or in delivering services to them.<sup>32</sup> The current crisis is an opportunity to strengthen these ties further, including with social and solidarity economy organizations. It also provides an opportunity to enhance women's participation in social dialogue processes so that their specific constraints in the informal economy are addressed.

## ► 4. Concluding remarks

Stimulating the economy and employment is essential to ensure that the social and economic consequences of the crisis are overcome. Such responses should be designed and implemented on the basis of social dialogue, a tried-and-tested means of ensuring that crisis responses are equitable, effective and take account of the capacity and needs of all those directly involved. The current critical situation offers the opportunity to build trust and strengthen social dialogue with employers' and workers' organizations, and to engage in partnerships with those in the informal economy for better tailored interventions.

International labour standards provide strong foundations for the design and implementation of equitable policy responses that leave no one behind and that ensure respect for all human rights, equality of opportunity and treatment without discrimination on all aspects of employment and occupation, including based on health status. This is particularly important for crisis responses targeting the informal economy, which employs the most disadvantaged workers, those who, even in normal circumstances, frequently suffer human rights violations and discrimination.

The ILO can support the design and implementation of immediate responses to the crisis. In the medium to long term, well-being and decent work for those in the informal economy will depend notably on sustained efforts in the areas described below.

### (a) Strengthening health systems to ensure access and financial protection for all

The health issues created and aggravated by COVID-19 have underlined the imperative need to strengthen health systems' capacity and resilience, with a view to ensuring that the immediate response will lay the groundwork for the reforms that will be needed in the medium to long term. It is also paramount to ensure access to health care and financial protection for all. Many countries have weak, inefficient and fragmented health-care systems that are not accessible to all, with barriers that are particularly high for those in informal employment. Reversing such trends should be a priority. Urgent action is needed to close gaps in health coverage and ensure equity in the use of services, in particular to avoid gender-based discrimination and secure access for groups particularly vulnerable to exclusion, such as low-income households, migrants, and disabled or chronically ill persons. In many countries, this will require profound reforms, a sizable increase in the public resources allocated to the health system and, equally importantly, greater effectiveness and efficiency in the use of available resources.

31 The United Nations Sustainable Development Group: [Shared responsibility, global solidarity: Responding to the socio-economic impacts of COVID-19](#) (New York, March 2020).

32 ILO: [Interactions between Workers' Organizations and Workers in the Informal Economy: A Compendium of Practice](#) (2019).

## **(b) Building universal social protection**

The COVID-19 emergency has underscored the worrying consequences of insufficient coverage and efficiency gaps in social protection for workers in the informal economy. It has highlighted and reasserted the importance of ensuring adequate social protection coverage for workers in all forms of employment, adapted to their circumstances and in line with international social security standards and the ILO Centenary Declaration for the Future of Work. In particular, it is urgent to accelerate the building of social protection systems, including floors, for addressing the most pressing needs. The crisis has expedited much-needed reform, compelling numerous governments to temporarily extend social protection to uncovered groups by introducing extraordinary measures and legislation, particularly in the areas of sickness, unemployment and social assistance benefits, including cash transfers and food support. Going forward, such stop-gap measures should be transformed into sustainable social protection mechanisms for all, including those currently in the informal economy, based on a fair sharing of the cost between employers, workers and governments, and ensuring compliance with labour and social security legislation. This is an important step towards promoting decent work, eliminating child labor and supporting transitions to formality.

## **(c) Supporting the recovery of productive economic units, stepping up their productivity and facilitating their transition to formality so as to enhance formal job opportunities**

Workers and enterprises in the informal economy lack the means to weather the consequences of the pandemic. Failure to support them could lead to an unprecedented labour market crisis and deepen poverty. By working in concert, financial technologies, workers' organizations, business associations and networks, and local government agencies can reach informal workers and units. Adequate incentives and technical assistance can facilitate the formalization of informal enterprises in the medium to

longer term. Measures to mitigate the contraction of the formal economy, especially micro and small enterprises, are critical to prevent further "informalization", particularly in developing countries. Special attention should be paid to those enterprises hovering on the edge of informality, as they could easily shift to the informal economy in order to survive. By taking appropriate measures, enterprises can also play a key role to protect the occupational health and safety of their workers, including from the risks related to COVID-19. As countries move from containment to recovery, it will be essential to restore an environment that is conducive to business and to reinvigorate productivity growth in order to promote recovery and encourage the transition to formality.

## **(d) Facilitating the transition to formality**

The last decade has been marked by growing recognition that the large size of the informal economy is a major obstacle to poverty reduction, the achievement of decent work for all and sustainable development. This explains the inclusion in the 2030 Agenda for Sustainable Development of Target 8.3 and its indicator on informal employment (Sustainable Development Goal 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all). The COVID-19 crisis has once again laid bare the vulnerabilities of the millions who earn a livelihood in the informal economy, and serves as a reminder of the crucial need to make the transition from the informal to the formal economy a priority area in national policies. Economic recovery, while necessary, will not by itself reduce informality; suitable public policies are also essential. The Transition from the Informal to the Formal Economy Recommendation (No. 204) (and its Annex) remains a relevant tool in that regard. Since its adoption in 2015, great strides have been made towards understanding the drivers of informality and finding the mechanisms to overcome the obstacles to formality. Coming out of the COVID-19 crisis, there needs to be a determined move in that direction.

### Contact details

International Labour Organization  
Route des Morillons 4  
CH-1211 Geneva 22  
Switzerland

T: +41 22 799 6754  
E: [inwork@ilo.org](mailto:inwork@ilo.org)  
[www.ilo.org/informaleconomy](http://www.ilo.org/informaleconomy)