

Part III

**Facilitating the transition
from the informal to the formal
economy in the context of COVID-19**

105. Substantial numbers of own-account workers, micro and small businesses, and workers in the informal economy, particularly in developing countries, have been extremely vulnerable to the economic and social shocks caused by the pandemic. The ILO estimates that some 1.6 billion informal economy workers, representing 76 per cent of informal employment worldwide, have so far been significantly affected by the lockdown measures, including many who were working in the hardest-hit sectors.¹⁶⁶

106. Informal economy workers have struggled during the crisis to earn an income sufficient to feed themselves and their families during the epidemic, especially as most of them cannot rely on income replacement or savings. For these women and men, choosing to stay home and not work often means losing their jobs and livelihoods.¹⁶⁷ Moreover, they generally have little or no access to health-care services and no income replacement in the event of illness or lockdowns that prevent them from carrying on their economic activities. Informal enterprises, which account for eight out of every ten enterprises globally, are facing a similar situation.

107. International labour standards provide a solid framework to guide interventions at all stages of the crisis. Of particular relevance to micro- and small enterprises and informal economy workers in the context of COVID-19 are 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), for the reasons set out below.¹⁶⁸

► 1. How have COVID-19 and related containment measures affected the informal economy?

(a) Impact across countries

108. ILO data suggests that workers in developing countries, especially those in the informal economy, have been affected to a greater extent than in past crises. The more limited opportunities for teleworking and the greater vulnerability of informal workers to lockdown measures appear to have exacerbated the effect of the downturn and created new labour market challenges in developing countries.¹⁶⁹

109. On the assumption that these workers do not have alternative sources of income, estimates from April 2020 predict that the lost earnings will result in an increase in the rate of relative poverty (defined as the proportion of workers with monthly earnings that fall below 50 per cent of the median earnings of the population) for informal workers and their families of almost 34 percentage points globally; more than 21 percentage points in upper-middle income countries; around 52 points in high-income countries; and 56 points among lower and low-income countries.¹⁷⁰

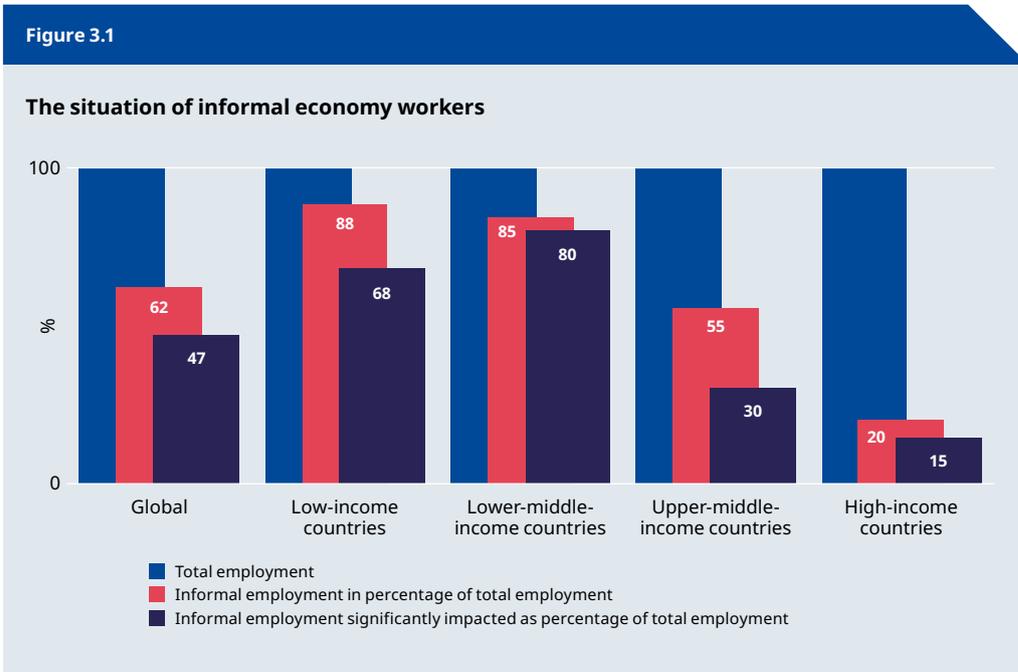
¹⁶⁶ ILO, “COVID-19 Crisis and the Informal Economy: Immediate Responses and Policy Challenges”, ILO brief, May 2020.

¹⁶⁷ ILO, “Covid-19 Crisis and the Informal Economy”.

¹⁶⁸ The scope of application of the Recommendation is developed in paragraphs 358 and ss. of the 2020 General Survey. Furthermore, the ILO: [Guidelines concerning a statistical definition of informal employment](#), 17th ICLS, Geneva, 2003 as well as the ILO: [Resolution concerning the International Classification of Status in Employment](#), 15th ICLS, Geneva, 1993 and the ILO: [Resolution concerning statistics on work relationships](#), 20th ICLS, Geneva 10–19 October 2018 (ICLS/20/2018/ Resolution I) are useful in this respect.

¹⁶⁹ ILO, “ILO Monitor: COVID-19 and the World of Work – Fifth Edition – Updated Estimates and Analysis”, 30 June 2020.

¹⁷⁰ ILO, “COVID-19 Crisis and the Informal Economy”.



(b) Impact on specific groups

110. As noted in Chapter III of the 2020 General Survey, specific groups who face particular challenges in accessing the formal labour market are typically concentrated in informal work.¹⁷¹ Recommendation No. 204 recognizes that decent work deficits, and particularly the denial of rights at work, the absence of sufficient opportunities for quality employment, inadequate social protection and the absence of social dialogue, are most pronounced in the informal economy.¹⁷² Its guiding principles highlight the need to pay special attention to those who are especially vulnerable to the most serious decent work deficits in the informal economy (Paragraph 7(i)). Similarly, the guiding principles set out in Recommendation No. 205 indicate that, in taking measures on employment and decent work in response to crisis situations arising from disasters, there is a need to pay special attention to population groups and individuals who have been made particularly vulnerable by the crisis. This section examines the situation of two specific vulnerable groups.

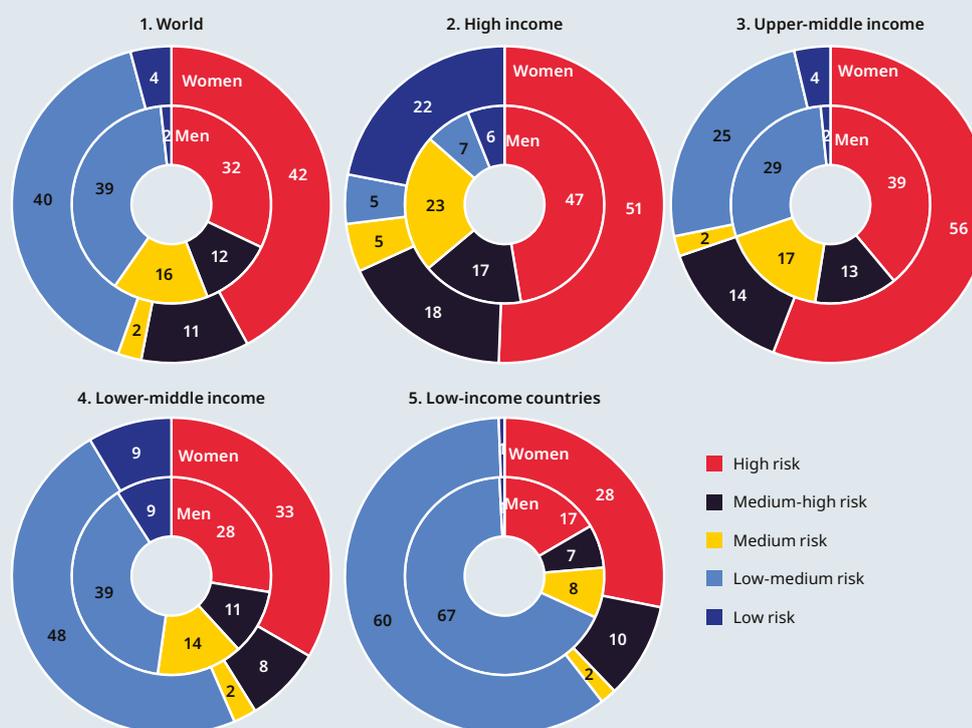
(i) Women

111. Women informal workers are over-represented in high-risk sectors. As of April 2020, the data indicates that 42 per cent of women in the informal economy were working in high-risk sectors, compared to 32 per cent of their male counterparts. Women are concentrated in sectors that are critically affected by the pandemic, such as services, hospitality (hotels and restaurants) and tourism. Moreover, the crisis has had a disproportionate impact on women and girls, who are also affected by economic activity moving into the domestic sphere, where they shoulder most of the burden of unpaid care work. This has meant that it has been more difficult for women to take advantage of some of the flexible work options that have been offered and adopted in response to the pandemic. Working from home, for example, has been even more difficult where the pandemic has also resulted in the closure of childcare centres and schools.

¹⁷¹ Paras 403 to 406.

¹⁷² Recommendation No. 204, third preambular paragraph.

Figure 3.2

**Gender differences in the impact of the crisis in the informal economy:
Women are over-represented in high-risk sectors**

(ii) Young persons

112. Globally, young people account for over four out of ten workers employed in the most affected sectors of the informal economy. Compounded by pandemic-related disruptions of access to education and training, this places young women and men at risk of becoming a “lockdown generation”, who will bear the impact of the crisis for years, and possibly for their entire working lives. Almost three quarters of young people work in the informal economy, a percentage that reveals the magnitude of the youth employment crisis in the context of the pandemic. This vulnerable group is largest in upper middle income countries, where 54 million informally employed young people were working in the worst affected sectors at the onset of the pandemic.¹⁷³

(c) Impact across economic sectors

113. The pandemic has affected different economic sectors in different ways. Sectors such as accommodation and food services, manufacturing, the wholesale and retail trade, and the millions of farmers producing food for urban markets, have been profoundly affected.¹⁷⁴ The resulting economic shocks are expected to lead to a large-scale restructuring of economic activity, which may in turn lead to the redeployment of informal (and formal) labour towards less severely affected economic sectors, or to demand-driven sectors that are likely to recover more quickly. The restructuring of production and supply chains could, however, increase frictional unemployment or result in further expansion of the informal economy.¹⁷⁵

¹⁷³ ILO, “ILO Monitor: COVID-19 And The World Of Work – Fourth Edition – Updated Estimates And Analysis”

¹⁷⁴ ILO, “Covid-19 Crisis and the Informal Economy”.

¹⁷⁵ ILO, “Covid-19 Crisis and the Informal Economy”.

► 2. The dilemma of lockdown: Choosing to work and risk infection, or to starve

114. Restrictions on movement during the lockdown, including the closure of markets, have left workers in the informal economy with little choice other than to starve or to defy preventive measures, with the risk of exposing themselves and their families to the virus. Many cannot work remotely from home; however, staying at home means losing their incomes.

115. However, the impact of the crisis has been uneven throughout the informal economy. Workers in different activities are exposed to different risks, with the most disadvantaged groups being also the most affected. Some have been forced to stop working, while others have continued their activities, but without adequate protection.

(a) Hard-to-reach groups

116. Unregistered and unrecognized, workers and enterprises in the informal economy are often difficult to reach, which means that they often do not receive the assistance that they need. The imposition of sanitary measures, the collection of taxes and the distribution of benefits in the informal economy always present challenges. Indeed, the exclusion of most informal workers from statistical data implies that the authorities do not have a reliable estimate of the number of people affected, their exact location or the level of their needs, which makes it difficult to target and deliver relief measures.¹⁷⁶ This is a particular challenge for national and local governments, who are seeking to mitigate the negative effects of the pandemic. MSMEs operating in the informal economy have also faced difficulties in gaining access to assistance packages during the crisis.¹⁷⁷

Viet Nam – Information from tax and utility bills is being used for the purpose of providing new cash transfers to informal households and self-employed workers who have been forced to close their businesses temporarily.¹⁷⁸

Zimbabwe – SMEs and other informal traders have been encouraged to register with their associations so that they can receive assistance during the lockdown.¹⁷⁹

117. Digital technology has proved to be an effective tool to identify or facilitate the self-identification of workers and enterprises in the informal economy so that they can have access to benefits. Nevertheless, information management systems are still inefficient in many countries, resulting in the exclusion of many people who are in need of assistance. Universal identity systems linked to socioeconomic data on households and individuals, combined with an effective mode of delivery, are crucial for the extension of coverage to as many people as possible.¹⁸⁰

Brazil – A mobile app has been developed and introduced to identify informal workers who are not on any official government register, but who are entitled to emergency assistance during the COVID-19 crisis.¹⁸¹

¹⁷⁶ Ghida Ismail, “[Time to Rethink Street Vending: Lessons from Uganda](#)”, Globaldev, 13 July 2020.

¹⁷⁷ UN, [Policy Brief: The World of Work and COVID-19](#), June 2020.

¹⁷⁸ Era Dabla-Norris and Changyong Rhee, “[A ‘New Deal’ for Informal Workers in Asia](#)”, *IMFBlog* (blog), 30 April 2020.

¹⁷⁹ Nesiya Mhaka, “[Smes To Get Incentives](#)”, *The Herald*, 8 April 2020.

¹⁸⁰ Federico Díez, Romain Duval, Chiara Maggi et al, “[Options to Support the Incomes of Informal Workers during COVID-19](#)”, IMF research, Special series on COVID-19, 20 May 2020, 5.

¹⁸¹ Ministry of the Economy, *Brazil*, “[Trabalhadores informais já podem solicitar auxílio emergencial de R\\$ 600 pelo aplicativo ou site da Caixa](#)”, Notícias, April 2020; *O Globo*. “[Aplicativo vai cadastrar trabalhadores informais com direito à ajuda de R\\$ 600 por mês](#)”, 3 April 2020.

118. In a number of countries, digital technologies are being used to facilitate the delivery of benefits, particularly where band and/or phone coverage is sufficiently broad.¹⁸² Benefit payments are being made via mobile phone in many developing countries.¹⁸³

Kazakhstan – The authorities have sent SMS messages to thousands of eligible citizens inviting them to provide the information needed to facilitate their transfers. This is deemed to be quicker and more efficient than sending cheques or leaving it to citizens to take the initiative to apply for assistance.¹⁸⁴

Malaysia – The supplemental PRIHATIN SME economic stimulus package adopted in April 2020 provides for a cash transfer to SMEs that is accessible online and via mobile phone.¹⁸⁵

Thailand – The Government has introduced a cash transfer of US\$153 for three months for up to 10 million farmers and 16 million workers not covered by the national social security system. The transfer is paid through cash-less digital payment platforms (Promptpay).¹⁸⁶

119. Digital payment methods are being widely used to prevent exposure to the virus by limiting the handling of cash. However, many benefit recipients still do not have digital bank accounts and/or access to mobile cash transfers. Together with restrictions on mobility, this makes it difficult for many informal workers to collect the income support. Alternative mechanisms are being used in some countries, such as pre-paid cards earmarked for essential purchases.

United States – The Government has provided 4 million “economic impact payments” authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the form of prepaid debit cards.¹⁸⁷

¹⁸² See the case of *Togo* (NOVISSI) below.

¹⁸³ Francois Jurd de Girancourt et al., “[How the COVID-19 crisis may affect electronic payments in Africa](#)”, Mc Kinsey & Company, June 2020.

¹⁸⁴ OECD, “[The COVID-19 Crisis in Kazakhstan](#)”, Tackling Coronavirus (COVID-19): Contributing to a global effort, 20 April 2020.

¹⁸⁵ Prime Minister’s Office of *Malaysia*. “[Additional PRIHATIN SME Economic Stimulus Package \(PRIHATIN+\)](#)”, Speeches, 6 April 2020.

¹⁸⁶ Dabla-Norris and Rhee. “A ‘New Deal’ for informal workers in Asia”.

¹⁸⁷ Internal Revenue Service, Economic Impact Payment Information Center, “[Mailed check payments may be sent as debit cards](#)”.

(b) The need for adequate occupational safety and health protection for informal workers

120. The vast majority of workers in the informal economy experience greater OSH risks, lack OSH protection and are more likely than workers in the formal economy to suffer work-related illness, accident or death. COVID-19 has compounded existing risks. Moreover, because workers in the informal economy have a pressing need to work, they are less likely to respect lockdowns and other containment measures, thereby impeding government efforts to protect public health and prevent transmission.

121. The specific risks associated with COVID-19 are exacerbated for informal economy workers by their living and working conditions. In urban areas, even if they stay at home, informal economy workers and their families are often still at greater risk due to overcrowded and unsanitary living conditions which make physical distancing nearly impossible. Lack of access to clean running water not only limits the possibility of hand-washing, but often means that women have to line up to collect water, endangering themselves, their families and communities. Governments are struggling to impose physical distancing and sanitary measures and to monitor virus infection among workers in the informal economy.

122. Informal economy workers, particularly in rural areas, often lack information about the virus, its symptoms and protection measures, such as social distancing. If they continue to work, they usually have no access to PPE or hand-washing stations. Physical distancing is frequently difficult, if not impossible for many informal workers, such as street and market vendors, domestic workers and home delivery workers. In some cities, specific measures have therefore been adopted to improve safety for informal workers, such as vendors.¹⁸⁸

123. Informal workers who carry out activities considered to be essential are also at high risk. Waste pickers, domestic workers and street vendors have continued to work, often at their peril, to ensure public access to food and basic services, and to maintain a clean and safe urban environment.¹⁸⁹

124. Waste pickers handle contaminated materials, while living and working in close proximity to others. Recognizing the essential service provided by these workers, some governments and NGOs have taken measures to raise awareness of their need for protection.¹⁹⁰ In turn, homeworkers, while accustomed to working at home, face competing users of their workplace. They share their dwellings with family members who have been confined with them in small living spaces that lack basic infrastructure. The majority of these workers are women, who have also had to take on increased household chores and childcare during lockdown.¹⁹¹

125. As noted previously, if they fall sick, most informal workers have little or no access to medical care, nor do they have income security in the form of sickness or employment injury benefit. If they are unable to access health care, the virus is likely to spread more widely. If they do have access to health care, many may incur out-of-pocket costs that could force them into debt or to sell their productive assets, plunging them into deeper poverty. In many cases, particularly in rural areas, health-care services are not available. The Committee stresses that increased inequality can therefore pose a significant threat to the public health.

¹⁸⁸ For example, in *Switzerland*, measures have been adopted in the city of Carouge to regulate the distribution of market stands. Ville de Carouge, "[Marchés de Carouge](#)".

¹⁸⁹ Women in Informal Employment: Globalizing and Organizing (WIEGO), "[Impact of Public Health Measures on Informal Workers Livelihoods and Health](#)". See also Part I.

¹⁹⁰ The Global Alliance of Waste Pickers has developed recommendations based on information from health experts and from waste picker organizations around the world ("[Recommendations for Waste Pickers regarding Coronavirus \(COVID-19\)](#)"). There have been similar national initiatives in many countries, such as *Mexico*, where the "[Los rifados de la Basura](#)" campaign has developed awareness-raising activities concerning the role of waste pickers and measures necessary to improve their protection. Similar campaigns are being carried out in *Brazil*, *Colombia*, *Ghana* and *India*: WIEGO, "[WASTE PICKERS: Essential Service Providers at High Risk](#)".

¹⁹¹ See Part IV.

(c) Access to workplaces and markets

126. Informal food markets play an essential role in ensuring food security in many countries, both as a source of food and as a place for smallholder farmers to sell their products.¹⁹² While food markets have been allowed to continue trading in some cities, in other cases complete bans have been imposed on vending, leading to a huge fall in the incomes of vendors. In some countries, vendors have taken to sleeping in markets and avoiding contact with their families so as not to infect them, thereby assuming greater risks for their own health and that of the public.¹⁹³

127. The authorities in some countries have taken measures to redesign street markets with a view to ensuring better and more secure conditions for both workers and their customers.¹⁹⁴

Italy – The municipality of Milan has developed “food aid systems” to compensate for the restrictive measures taken to limit the spread of the virus. The systems are mainly targeted at elderly and vulnerable people. A temporary food supply infrastructure has been created including: a logistical centre at the food bank; seven temporary food hubs with storage capacities; and vehicles and minibuses for food delivery. The system serves around 20,000 people and is coordinated at the municipal level. A map is available of food retail outlets at the neighbourhood level showing grocery shops offering home delivery service.¹⁹⁵

Peru – A mobile wholesale market service has been established to distribute food in the Lima Metropolitan area.¹⁹⁶

(d) Increased risk of child labour and debt bondage

128. Loss of income and deepening poverty could trigger a sharp rise in child labour and a fall in school enrolment rates, especially for young girls. The massive disruption to education caused by lockdown measures and the lack of distance-learning solutions in many countries could also drive an increase in child labour. Poor households may resort to child labour to cope with the job losses and health shocks associated with the pandemic.¹⁹⁷ Children from minority groups are more vulnerable to child labour. In the case of girls, the risks are aggravated by increased domestic chores and caring responsibilities.¹⁹⁸ The severe socio-economic effects of the pandemic, with a spike in unemployment prompted by lockdowns, have pushed many disadvantaged workers into an even more precarious situation and is likely to increase cases of forced labour. The impact is much harsher for those in the informal economy, as well as day labourers, temporary employees and all workers without social protection coverage.¹⁹⁹

¹⁹² WIEGO, “[Street Vendors: Essential Goods and Urgent Needs](#).”

¹⁹³ See, for example, *Uganda*. Pilar Balbuena and Caroline Skinner, “[For World’s Street Vendors, Life May Never be the Same after COVID-19](#)”, *WIEGO Blog* (blog), 7 June 2020.

¹⁹⁴ Sophie Davies, “[Architects Are Redesigning Cities to Help with Social Distancing](#)”, World Economic Forum (WEF), COVID-19, 12 June 2020.

¹⁹⁵ Cited in Food and Agriculture Organization of the United Nations (FAO), “[Urban Food Systems And COVID-19: The Role Of Cities And Local Governments In Responding To The Emergency](#)”, 9 April 2020.

¹⁹⁶ Municipalita of Lima, “[Mercado mayorista móvil se trasladó a Villa María del Triunfo y Ate](#)”, Noticias, 3 April 2020.

¹⁹⁷ For example, in *Côte d’Ivoire*, to assess the impact of the pandemic on child labour, the International Cocoa Initiative (ICI) analysed data from 263 local communities, in which 1,443 cocoa-growing households were visited under the ICI Child Labour Monitoring and Remediation System (CLMRS) between 17 March and 15 May 2020. The findings show that the percentage of children working was higher during this two-month period, at 19.4 per cent, compared with 16 per cent in the same months in the same communities in previous years, corresponding to a 21.5 per cent increase in child labour identification. ICI Analysis, “[Hazardous Child Labour in Côte d’Ivoire’s Cocoa Communities during COVID-19: Rapid Analysis of Data Collected during Partial Lockdown](#)”, July 2020.

¹⁹⁸ ILO, “[COVID-19 Impact on Child Labour and Forced Labour: The Response of the IPEC+ Flagship Programme](#)”, May 2020. See also: Business & Human Rights Resource Centre, “[Africa: Millions of African Children at Higher Risk of Child Labour due to Covid-19](#)”, 17 June 2020.

¹⁹⁹ UN News, “[UN rights expert urges States to step-up anti-slavery efforts to protect most vulnerable during COVID-19](#)”, 5 May 2020.

► 3. Looking for solutions

129. The crisis is expected to have long-lasting effects on the economy, with recovery likely to be slow and uneven. In view of the vulnerability of small enterprises and workers in the informal economy, the Committee urges governments to explore all options to finance support measures for informal economy actors and to provide adequate social protection. In this regard, the Committee highlights that, where relevant, many of the economic, financial and social measures suggested in Part I may also be applicable to the informal economy. It further recalls that, to limit the risk of long-term unemployment and increased informality, phenomena which are difficult to reverse, it is crucial to support job creation and help people into work. To achieve this, the aim of full and productive employment and decent work should be placed at the heart of crisis responses.²⁰⁰

130. Recommendation No. 204 provides comprehensive guidance on the elements to be taken into consideration in developing and implementing policy responses for the informal economy, including the promotion of strategies for sustainable development, poverty eradication and inclusive growth, and the generation of decent jobs in the formal economy, the promotion of a conducive business and investment environment, and the promotion of entrepreneurship, micro, small and medium-sized enterprises, and other forms of business models and economic units, such as cooperatives and other social and solidarity economy units (Paragraph 11(a),(c) and (g)).

131. Policy responses involving the implementation of short-, medium- and long-term measures based on country-specific contexts (enterprise structure, level of informality and the diversity of the informal economy), are essential for successful outcomes. Following the urgent lockdown measures adopted and the reduction in economic activity, policies should focus on re-activation and recovery. The policies and programmes will need to be flexible and based on consultation with the social partners and the persons affected by the measures to be taken, with monitoring to maintain, adjust and phase out interventions, as appropriate.

Spain – The Decree²⁰¹ on social measures for the reactivation of employment, protection of self-employment and competitiveness of the industrial sector reaffirms that the fundamental basis of the regulations adopted in light of COVID-19 is internal flexibility measures, of a temporary nature, which aim to stabilize employment, avoid the destruction of jobs and support production, as well as making the precise mechanisms more flexible so as to avoid unnecessary additional burdens.

(a) Assessment and diagnosis (rapid assessments)

Paragraph 8 of Recommendation No. 204 provides that: “Members should undertake a proper assessment and diagnostics of factors, characteristics, causes and circumstances of informality in the national context to inform the design and implementation of laws and regulations, policies and other measures aiming to facilitate the transition to the formal economy.”

132. As the impact of the pandemic continues to intensify around the world, countries need access to immediate, real-time support in order to assess its employment impact accurately. Rapid diagnostics seek to assess the impact on the economy and review existing policies, their objectives and impact in order to identify gaps. One of the objectives of such diagnostics in relation to informality is to assess the effects of the pandemic on workers and enterprises in the informal economy, and on those most vulnerable to exclusion.

²⁰⁰ ILO, [Recovering From the Crisis: A Global Jobs Pact](#), International Labour Conference, 98th Session, 19 June 2009, para. 11.

²⁰¹ *Spain*, [Royal Legislative Decree No. 24/2020](#), of 26 June.

Jordan – The ILO and the Fafo Institute for Labour and Social Research issued a rapid assessment in May 2020 exploring the impact of the pandemic on disadvantaged groups in the Jordanian labour market, including Syrian refugees, women and workers in informal employment. The assessment was based on a selected sample of 1,580 workers and jobseekers, who have received support or participated in programmes and project schemes implemented by the ILO in Jordan, including those employed under its employment-intensive programme. The assessment provides insight and information to support the Government and development partners in designing or adapting employment interventions and policy responses to the crisis.²⁰²

(b) Preventing the informalization of formal jobs

133. The difficulties faced by MSMEs and own-account workers in the formal economy due to COVID-19 lockdowns have reduced, or completely wiped out their income. In the absence of income replacement assistance, especially in low- and lower-middle income countries, where social protection systems are weak and their coverage is limited, many people are compelled to resort to making a living as informal microbusiness operators, own-account workers or informal employees. Moreover, increased costs will be incurred in ensuring the safety of workers when operations resume. These additional costs, combined with other factors, such as labour market rigidities, excessive bureaucracy, high costs and unclear regulations, raise the risk of MSMEs and own-account workers being pushed into informality. The rise in informalization everywhere therefore poses a threat to both employers and workers. The first step towards designing effective interventions to prevent informality due to the crisis is to recognize the heterogeneity of the informal economy, the many different categories of work involved and the various drivers that lead to both the growth of the informal economy and the informalization of the formal economy.²⁰³

134. As already noted, fiscal measures have been adopted in the great majority of countries to support enterprises and enable them to continue operating while retaining their employees. In other countries, measures have been taken to ensure enterprise liquidity. Many governments have facilitated the provision of soft loans through reduced interest rates for SMEs, as well as debt restructuring with interest reduction and extended repayment periods.²⁰⁴ Many countries, have decided to bear the social security costs. Such measures have either been adopted generally or are more focused on certain sectors that have been severely affected by the pandemic. Specific measures have also been designed to cover self-employed workers. All of these measures are crucial to avoiding the informalization of the economy.

Czechia – Legislation has been adopted waiving minimum mandatory pension insurance contributions for self-employed workers for six months. The waiver will cover around 1 million self-employed persons, and the period from March to August will normally be included in their pension insurance.²⁰⁵

²⁰² ILO, “[Employment-Intensive Investment Programme Activities in Jordan](#)”, updated in June 2020. Other organizations and institutions also carry out rapid assessments: see, for example, in *Nepal*: World Vision, “[Rapid need assessment: Cohesive Response to COVID-19 in Nepal](#)”, 7 May 2020.

²⁰³ ILO, [Transitioning from the Informal to the Formal Economy](#), ILC.103/V(I), 2014, 4.

²⁰⁴ For example, in *Thailand*.

²⁰⁵ Government of *Czechia* “[The Government Has Decided to Extend Restrictions on Public Movement Until 1 April, and Has Also Approved Further Steps to Support Employers](#)”, Press release, 24 March 2020.

Jamaica – COVID grants have been introduced for marginal self-employed and informally employed persons, with JMD 1 billion in additional funding being allocated to the Ministry of Labour and Social Security for the provision of the grants.²⁰⁶

135. The Committee notes that many of the support measures introduced by governments address the formal economy, even in countries where most economic activity is informal. These measures may help to prevent informalization, but do not cover the needs of the informal workers and businesses that are essential to their national economies and employ large sectors of the population.

Portugal – Self-employed workers in their first year of activity are exempt from social security contributions, and were not therefore eligible for extraordinary income support measures until the beginning of May. However, the Government has recently announced the extension of existing schemes to previously excluded groups, including informal workers with no previous social security contributions.²⁰⁷

136. The Committee considers that it is thus essential, as highlighted by many participants in the ILO Global Summit on COVID-19 and the World of Work (1–2 and 7–9 July 2020), to provide adequate tools and assistance to enterprises and workers to help them remain in the formal economy. Policies need to be focused on the provision of income support for both businesses and workers to maintain the economic fabric, with special attention being paid to enterprises that are at greater risk of business failure and the self-employed and workers who are more likely to fall into informality. Recognition of the many avenues available to prevent informalization and promote formalization through coherence between the various policy measures therefore remains an enduring challenge at the national level.

(c) Ensuring adequate earnings and income support

137. The immediate loss of revenue for informal economic units caused by the pandemic and the lockdown may force informal businesses to close temporarily or permanently, leading to job losses and a surge in poverty and hunger. The projected contraction of GDP and the rise in unemployment is illustrated by the estimates of the United Nations Economic Commission for Latin America and Caribbean (ECLAC) indicating that, as of 2020, 79.2 per cent of the population in the region (491 million people) are in low or lower-middle income strata with per capita incomes of below three times the poverty line.²⁰⁸ Development processes therefore need to give priority to supporting the efforts made by informal workers and businesses to secure their livelihoods by guaranteeing their social and economic rights. Income support for workers and enterprises operating in the informal economy is critical to prevent them from plunging into even deeper poverty. As there is little time to design new schemes, the focus should therefore be on scaling up successful programmes, such as cash transfers, child allowances and shelter and food relief programmes. In many cases, conditional and unconditional cash transfers may be needed for an extended period of time. Many and diverse measures have already been adopted throughout the world to prevent exclusion, and in some cases their coverage has been expanded, benefit amounts increased or subsidies provided for utilities.

²⁰⁶ KPMG, “[Government and Institution Measures in Response to COVID-19](#)”, KPMG 2020 CEO Outlook, COVID-19 special edition.

²⁰⁷ Ricardo Paes Mamede, Mariana Pereira and António Simões, eds, [Portugal: Rapid Assessment of the Impact of COVID-19 on the Economy and Labour Market](#), (ILO, 2020), 13.

²⁰⁸ ECLAC, “[Addressing the Growing Impact of COVID-19 with a View to Reactivation with Equality: New Projections](#)”, Special report COVID-19, No. 5, 15 July 2020.

138. International and regional organizations have also been active in assessing the measures taken at the national level and in proposing and designing responses designed to help ease the most pressing needs of those who are most vulnerable to the negative effects of the pandemic. For example, ECLAC and FAO have put forward a proposal that governments should establish an anti-hunger grant to supplement emergency basic income for all those in extreme poverty.²⁰⁹

(i) Cash transfers

139. One means of reaching informal economy workers that has been found to be effective is the provision of cash transfers to registered families classified as vulnerable or poor.²¹⁰ Cash transfers are being provided in numerous countries²¹¹ in all regions.²¹²

Argentina – The Government has established an Emergency Family Income (IFE) for certain informal and single-income workers, consisting of an ARS 10,000 bond to mitigate the impact of the pandemic on the worst affected families.²¹³

Burkina Faso – Cash transfers have been introduced for informal workers to help informal fruit and vegetable retailers affected by the pandemic, particularly women.²¹⁴

Chile – Under the Emergency Family Income (IFE) Act (No. 21230 of 16 May 2020), financial assistance is provided to households with insufficient informal or formal income, and whose income has fallen because they cannot work due to the pandemic.²¹⁵

²⁰⁹ Under this proposal, the value of each grant would be equivalent to 70 per cent of the regional extreme poverty line (US\$67 in 2010). Taking into account changes in the projections made in the report, the total cost of the anti-hunger grant has been re-estimated at US\$27.1 billion, equivalent to 0.52 per cent of regional GDP. Depending on each national or local situation, this can take the form of cash transfers, food baskets, food vouchers or school food programmes. Although the responsibility for the initiative would lie with central governments, it would also require the involvement of municipalities, businesses, civil society organizations and individuals, as well as international cooperation. ECLAC-FAO, “[Preventing the COVID-19 Crisis from Becoming a Food Crisis: Urgent Measures against Hunger in Latin America and the Caribbean](#)”, COVID-19 report, 16 June 2020.

²¹⁰ For example, the Government of *Nigeria* has allocated cash payments for four months to families registered in the National Social Register of poor and vulnerable households. However, problems have arisen regarding the numbers benefiting from the programme. Kunle Sanni, “[Nigerian govt pays N20,000 to 5,000 Abuja households – Minister](#)”, *Premium Times*, 2 April 2020.

²¹¹ In addition to the examples described, cash transfers have also been provided for workers in the informal economy in countries such as *Bangladesh*, *Côte d’Ivoire*, *Fiji*, *Gabon*, *Georgia*, *Indonesia*, *North Macedonia*, *Mauritius* and *Mexico*.

²¹² For example, in *Indonesia*. See: “[Indonesia to Provide Cover for 115m People at Risk of Falling Back into Poverty](#)”, *Jakarta Globe*, 9 April 2020.

²¹³ The Emergency Family Income in *Argentina* was initially announced as a single payment, but in June 2020 a second round of benefits were provided.

²¹⁴ United Nations Development Programme (UNDP), “[Burkina Faso. Briefing socioéconomique. Impacts socioéconomiques du COVID-19](#)”, May 2020.

²¹⁵ For the conditions governing the benefit, see *Chile*, Ministry of Social Development and the Family, “[Ingreso Familiar de Emergencia](#) (IFE)”. The IFE has been extended with the addition of three payments to the benefit provided at the beginning of May. The amount of the benefit is higher (CLP100,000 per person, or about US\$125) than the first round (which was CLP65,000, or about US\$80) and its coverage has been extended from around 1.7 to 2.1 million households. See ECLAC, “[Addressing the Growing Impact of COVID-19](#)”, 21.

Guatemala – In its report, the Government refers to diverse measures adopted to mitigate the impact of the pandemic, including cash transfers to almost 1,000 families of 1 million quetzals.

Namibia – In addition to wage subsidies and various worker loan schemes, a one-off emergency income grant has been introduced for formal and informal workers who have lost their jobs.²¹⁶

Togo – NOVISSI, a cashless transfer scheme, has been introduced to support eligible persons in the informal economy whose daily income has been disrupted by the pandemic. The monthly financial aid provided to the most vulnerable persons and families through NOVISSI will continue for the duration of the crisis.²¹⁷

(ii) In-kind transfers

140. In some countries, specific measures have been taken to distribute food to those most affected by poverty and hunger during the pandemic.

Czechia – Additional funding has been provided for the Rural Development Programme in response to the urgent needs of entrepreneurs in the agriculture, food and forestry sectors in order to ensure food security for the population and increase the production capacity of the food industry. A total of CZK 3.3 billion will be released from the Government budget reserve for this purpose.²¹⁸

Guatemala – Similarly, the Government of Guatemala indicates in its report that 200,000 boxes with food will be distributed among excluded groups, the majority of which are in the informal economy.²¹⁹

India – An INR1.7 billion package has been adopted, which will focus primarily on migrant and daily wage labourers, both urban and rural, to ensure that no one goes hungry. The package includes a mix of food security and direct cash transfer benefits to shield poor families during lockdown.²²⁰

²¹⁶ UN, [Policy Brief: The World of Work and COVID-19](#).

²¹⁷ Government of *Togo*, "[NOVISSI program](#)".

²¹⁸ Government of *Czechia*, "[Measures Adopted by the Czech Government against the Coronavirus](#)", 23 June 2020.

²¹⁹ [Preparan cajas de alimentos para familias afectadas, el Periodico de Guatemala](#), 4 April 2020.

²²⁰ This measure was adopted as part of the Pradhan Mantri Garib Kalyan Yojana (PMGKY) of 2016, a welfare scheme launched by the Prime Minister. "[Coronavirus: FM Sitharaman announces package worth Rs1.70,000 crore for poor, daily wagers](#)", *India Today*, 26 March 2020. Similarly, the Government of *Guatemala* indicates in its report that 200,000 boxes with food will be distributed among excluded groups, the majority of which are in the informal economy.

141. In some cases, assistance has taken the form of covering costs, such as the payment of utility bills or rent.

Armenia – The Public Services Regulatory Commission has recognized coronavirus as a situation of force majeure, with the result that utility payments can be delayed without leading to light, water or gas being cut off.²²¹

(iii) Access to loans and credit

142. In the same way as prior to the pandemic, access to credit is crucial to ensure survival, incomes and even growth in the informal economy.

Mexico – The Government has given 1 million micro credits primarily to informal workers, domestic workers and micro- and small enterprises.²²²

Thailand – A range of measures have been taken to support informal workers, including:

- ▶ Cash support of THB5,000 for three months from April to June 2020 for workers in general, temporary workers and freelance workers not registered with the Social Security System (SSS).
- ▶ Workers registered with the SSS will receive 50 per cent of their previous wages (up to a maximum of THB15,000 a month) if the employer stops operations temporarily.
- ▶ Cash support of THB5,000 for three months for farmers from May to July 2020.
- ▶ Special loans of THB10,000 per person, at 0.1 per cent interest, with no collateral required.
- ▶ Special loans of THB50,000 per person, at 0.35 per cent interest, with collateral.
- ▶ Loans to State pawn shops to further boost liquidity for low-income citizens.²²³

(iv) Tax waivers

143. Temporary waivers or the rescheduling of tax payments have been introduced in some countries to preserve livelihoods and prevent bankruptcies.

Azerbaijan – The deadline for submitting tax returns and making tax payments has been extended for microenterprises.²²⁴

Honduras – Deadlines for the filing and payment of 2019 taxes have been extended for individuals and SMEs.²²⁵

²²¹ Ugo Gentilini, Momahed Almenfi and Ian Orton, "[Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures](#)", Living paper, version 3, 3 April 2020.

²²² Consejo Nacional de Evaluación de la Política de Desarrollo Social (CONEVAL), "[La crisis sanitaria generada por la COVID-19 y sus consecuencias económicas ponen en riesgo avances en desarrollo social y puede afectar en mayor medida a grupos vulnerables](#)", Comunicado No. 06, 11 May 2020.

²²³ KPMG, "[Thailand: Government and Institution Measures in Response to COVID-19](#)", last updated 8 July 2020.

²²⁴ OECD, "[OECD Policy Responses to Coronavirus \(COVID-19\): Tax Administration Responses to COVID-19: Measures Taken to Support Taxpayers](#)", 21 April 2020.

²²⁵ OECD, "[OECD Policy Responses to Coronavirus \(COVID-19\)](#)".

(v) Public works

144. Some governments have established public work programmes to provide emergency employment for workers in the informal economy and to support basic medical services in quarantined areas.²²⁶

South Africa – The Expanded Public Works Programme (EPWP), a national programme supported by the ILO, has made provision for projects and programmes providing essential services, such as home and community-based care and waste collection, to continue operation, but with increased safety measures in place. It has also launched an initiative hiring 20, 000 young people to work with health NGOs to distribute supplies such as sanitizers and soap, educate people on proper hygiene to prevent transmission, disinfect high-risk areas and conduct clean-up campaigns.²²⁷

(d) Social dialogue

145. With a view to developing and implementing consensus-based policy responses to the pandemic, governments should involve the social partners at the earliest possible stage in the national crisis response.²²⁸ The social partners have an essential role to play in rapidly bringing the needs and concerns of labour market actors at the grassroots level to the attention of the public authorities. Respect for freedom of association, the right to organize and the effective recognition of the right to collective bargaining are enabling mechanisms that are conducive to productive social dialogue, especially in times of crisis, and should be promoted in both the formal and informal economies.²²⁹

(e) Creating a conducive environment for sustainable business and investment

146. There is a stark trade-off between stopping the pandemic and safeguarding global and national economies, particularly for businesses in the informal economy. The pandemic is having a devastating impact on the revenues and liquidity of businesses and their capacity to comply with tax requirements and meet their normal operational expenses. The provision of support to small businesses to help them survive will enable them to maintain jobs, avoid informalization and facilitate transition to formality. In this regard, as highlighted in the 2020 General Survey, measures to foster and facilitate entry into business, reduced compliance costs, access to public procurement and to adequate and inclusive financial services, as well as training and skills development, are crucial for the survival and formalization of businesses in the informal economy.²³⁰

Business New Zealand highlights that, while protection for workers, especially those affected by uncertainty in relation to the employment relationship, is of course desirable. Nevertheless, excessive regulation may keep some workers out of work, particularly where the employer concerned operates on a small scale. This acts as an impediment to business growth and improved employment opportunities.

²²⁶ For example, *Philippines*: Ferdinand Patinio, “[DOLE issues rules for cash-for-work program amid Covid19](#)”, Philippine News Agency, 18 March 2020. See also *Uzbekistan*: Gentilini, Almenfi and Orton. “Social Protection and Jobs Responses to COVID-19.”

²²⁷ ILO, “[Activities of the Employment Intensive Investment Programme in South Africa: COVID-19 Response](#)”.

²²⁸ This approach is also emphasized in the ILO Global Jobs Pact 2009 in response to the global financial and economic crisis.

²²⁹ See Part VII.

²³⁰ Paras 449–465.

(i) Access to finance

147. Tailored responses are needed to reach and support small businesses, including direct financial support and loan guarantees to avoid saddling enterprises with too much debt. The temporary subsidies to small enterprises to cover labour costs and the extension of credit lines and loan guarantees under concessional terms that have been introduced to support job retention also have the effect of preventing informalization.²³¹

148. For small businesses, microfinance and semi-formal financial institutions can be an effective means of reaching enterprises and own-account workers operating in the informal economy. Income support for poor workers and households is vital for firms, especially those that produce consumption goods.

Brazil – Small entrepreneurs, cooperatives and informal workers can apply for new credit lines out of a BRL6 billion emergency credit fund administered by the Ministry of Regional Development designed to help guarantee working capital and resources for investment. As of 15 May 2020, informal workers, cooperatives and small entrepreneurs had received BRL128.3 million in emergency credit.²³²

(ii) Simplified procedures

149. In response to the crisis, it is important for governments to give priority to simplifying and expediting procedures for accessing unemployment benefit, extending support to own-account workers and making it easier for small informal businesses to access credit and loan guarantees. Entrepreneurship can also be promoted by simplifying procedures and providing support for start-ups.²³³

(iii) Adequate information

150. In the reactivation phase, it is necessary to ensure the provision of timely information to informal economy operators on the status of containment measures and how to return safely to their work activities.

(f) Extending social protection

151. As already indicated in the 2020 General Survey, a lack of social protection is a key defining characteristic of the informal economy. The process of the transition to formality involves the progressive extension of social security to all workers in the informal economy.²³⁴ This is even more important in times of crisis, when vulnerabilities and risks increase. It is therefore crucial to ensure protection for persons and families who are affected, and particularly for the most vulnerable, including those in the informal economy, by strengthening social protection systems to provide effective health coverage, income support and pensions.²³⁵ In countries with a large informal sector, most workers are not covered by statutory social protection. These workers need to be placed at the centre of policy efforts. Social protection measures are a necessary part of any adequate crisis response and serve to ensure that those most affected by the crisis have effective access to health care, support, jobs and income security. They therefore make a major contribution to preventing and alleviating poverty, unemployment and informality, and accordingly to fostering economic and social stability and peace.

²³¹ See Part I.

²³² Government of *Brazil*, “[Crédito emergencial para empreendedores e trabalhadores informais já soma R\\$128,3 milhões](#)”, Notícias, 15 May 2020.

²³³ Although start-ups play a key role in job creation, innovation and long-term growth, they are currently facing major challenges to their survival and growth. See OECD, [OECD Policy Responses to Coronavirus \(COVID-19\) “Start-ups in the Time of COVID-19: Facing the Challenges, Seizing the Opportunities”](#), 13 May 2020.

²³⁴ Paras 440 and 441.

²³⁵ ILO Global Jobs Pact 2009, Preface, iv.

152. The absence of universal health protection increases vulnerabilities and stigmatizes at-risk groups, discouraging them from seeking treatment, which in turn increases the public health risk. The lack of sickness benefit or paid sick leave encourages people to go to work even if they are sick, which jeopardizes their own health and risks further contagion. The crisis has exposed significant gaps in social health protection coverage for workers in the informal economy and their families, revealing their lack of both financial and geographical access to quality health care, particularly for those living in rural and remote areas.²³⁶

Mexico – Measures were taken to extend health coverage and conduct awareness-raising campaigns in rural areas.²³⁷

Thailand – Steps have been taken to enhance financial protection to cover health care expenses by granting COVID-19 patients access to the Universal Coverage Scheme for Emergency Patients, including both nationals and non-nationals.²³⁸

153. Some countries have taken steps to ensure at least a basic level of income security for those who are sick or quarantined, including for those in the informal economy.²³⁹ A lack of unemployment protection measures, including partial unemployment or partial income compensation, means in turn that companies are unable to preserve jobs while coping with the financial impact of the pandemic.²⁴⁰ Countries with a strong and efficiently run social protection system have a valuable built-in mechanism to stabilize the national economy and address the social impact of the pandemic, although they may need to reinforce existing social protection systems. In the case of other countries, the priority is to meet urgent needs, while building the foundations for a stronger and more effective social protection system.²⁴¹

154. The Committee notes that, while many measures have been taken at national level to provide income support, those countries with established contributory and non-contributory social protection schemes were already better equipped to facilitate the quick and effective roll-out of benefits, thanks to existing administrative and delivery mechanisms.²⁴² Mobile applications and online penetration have been very useful for the identification and distribution of benefits.²⁴³ In some cases, benefits were granted through the use of universal pensions, or universal child benefits. Other countries used social security institutions as channels for identifying and delivering benefits to previously uncovered groups.

Cabo Verde – Income support to low income formal and informal workers was provided through the database of the National Social Security Institute, creating a pre-registry within the single registry to facilitate identification and delivery.²⁴⁴

²³⁶ ILO, “[Extending Social Protection to Informal Workers in the COVID-19 Crisis: Country Responses and Policy Considerations](#)”, ILO brief, 14 September 2020, 4.

²³⁷ ILO, “[Extending Social Protection to Informal Workers](#)”, 4.

²³⁸ ILO, “[Extending Social Protection to Informal Workers](#)”, 4.

²³⁹ ILO, “[Extending Social Protection to Informal Workers](#)”, 4.

²⁴⁰ ILO, “[Social Protection Responses to the Covid-19 Crisis: Country Responses in Asia and the Pacific](#)”, 25 March 2020. See also “[Extending Social Protection to Informal Workers](#)”.

²⁴¹ ILO Global Jobs Pact 2009, para. 13.

²⁴² ILO, “[Extending Social Protection to Informal Workers](#)”, 5.

²⁴³ In *Mauritius*, the social pension is delivered by the postal service, while *Thailand* and *Zimbabwe* have partnered with digital payment platforms to disburse income supports. See “[Extending Social Protection to Informal Workers](#)”, 6.

²⁴⁴ ILO, “[Extending Social Protection to Informal Workers](#)”, 6.

155. In addition to ensuring the protection of workers in the informal economy during the immediate crisis, such measures can facilitate the development of adapted solutions that also meet the priority needs of informal economy workers in the medium and long term. If policies are well designed, the current critical situation can offer an opportunity to encourage workers to participate and contribute, as well as building trust.²⁴⁵

Finland – In its report, the Government refers to cases involving migrant labour exploitation in the country in sectors such as hospitality, construction and agriculture. The same elements are largely present in most cases of labour exploitation: poor working conditions, excessive working hours, no overtime pay or Sunday increments, pay not in keeping with collective agreements, deficient occupational safety and health, and inhuman living conditions in lodgings provided by the employer. The Government of Finland has taken action in response to the problems that have come to light. A set of actions was announced in August 2020 to combat labour exploitation. The 14 measures announced seek to better protect the victim and introduce additional consequences to the employer. In addition, the current action plan to tackle the grey economy and economic crime, the eighth of its kind, draws attention to factors such as promoting a fair labour market.

²⁴⁵ ILO, “Extending Social Protection to Informal Workers”, 7.