Informal employment: what is missing from national economic recovery plans?

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Abstract: Throughout 2021, fiscal stimulus packages were introduced to jump-start the COVID-19 ‘post-pandemic’ economic recovery process. While calls for economic recovery packages that promise to ‘build back better’ have come from many directions, the under-allocation of recovery resources directed at workers in the informal economy threatens the recovery of livelihoods for the majority of the world’s workforce. This paper analyses the economic recovery approaches of two low-income (Bangladesh and Kenya) and two middle-income (South Africa and Thailand) countries. The paper assesses the economic recovery responses in light of what is known about the impact of the crisis on informal workers globally, and the structure of informal employment in each country. The paper assesses national recovery packages with particular attention to the largest segments of informal employment and those where women are over-represented. The paper concludes with a reflection on what more needs to be done to ensure that national level economic recovery packages can support the livelihoods of the majority of workers in emerging and developing countries.

Key words: COVID-19, economic recovery, informal economy

JEL classification: E26, E60, E62, E65
1 Introduction

At the outset of the COVID-19 pandemic in the first half of 2020, there was near universal acknowledgement that employment losses, globally, would be borne disproportionately by vulnerable workers, in general, and informal workers, in particular (ILO 2020a). Of the world’s 2.2 billion informal workers, it was estimated that 1.6 billion would be among the most severely affected by job losses and reduced working hours (ILO 2020b). The result of this impact has been the reversal of decades of progress in human development. For example, the number of people living in extreme poverty in emerging markets and developing economies was expected to increase by 100 million by the end of 2021 (World Bank 2021a). Similarly, the gendered burden of job losses has threatened progress towards gender equality, as evidenced by the highly uneven recovery of employment between women and men throughout 2021 (ILO 2021a).

Country-level data on job losses provides support for the International Labour Organization’s (ILO) initial projections about the vulnerability of informal workers to the global ‘pandemic recession’. Most informal workers in the world are located in low- and middle-income countries and are in self-employment. Data from ILOSTAT shows that working hours in lower-income countries in 2021 were about 7 per cent below their pre-COVID (2019) levels, while the corresponding decrease was only about 4 per cent in high-income countries (ILO 2021b). Data from Peru in 2020 suggests that the difference in the decrease in labour income between employees and the self-employed (who are largely in the informal sector) was 21 percentage points (ILO 2021c). Following these unprecedented losses in global employment in 2020 and their accompanying impact on development progress, the ILO described 2021 as a year of stalled global recovery. This is particularly the case for low- and middle-income countries where employment, output and growth remain below their pre-COVID levels (World Bank 2021a).

By the first quarter of 2022, the economic downturn was compounded by a cost of living crisis precipitated by global supply chain constraints and the onset of the war in Ukraine. The United Nations’ Food and Agriculture Organization’s Food Price Index reached an all-time high (159.3 points) in March 2022, while ILOSTAT data estimated global inflation to be 9.2 per cent between 2021 and 2022. Throughout 2022 the situation was markedly worse in emerging market and developing economies, where inflation was more persistent, having reached 10.1 per cent in the second quarter of 2022 and 11 per cent in the third (IMF 2022). In other words the countries that were impacted the most during the pandemic then experienced some of the highest rates of inflation and food price increases.

Notwithstanding the stalled progress in job recovery and the ongoing cost of living crisis, there has been a renewed focus on medium-term recovery at both the global and national levels. Throughout 2021 fiscal stimulus packages were introduced to jump-start the economic recovery process. However, as with the uneven impact of the pandemic on job and earnings losses, the rollout of stimulus packages was also imbalanced. According to the October (2021) International Monetary Fund (IMF) Fiscal Monitor, the global stimulus amounted to roughly US$16.9 trillion but with only 13.8 and 0.4 per cent of this amount allocated, respectively, to emerging and developing countries (IMF 2021). In addition fiscal support in emerging and developing economies was concentrated on relief measures in 2020, while developed country stimulus packages were more focused on the medium-term recovery (World Bank 2021a).

While calls for economic recovery packages that promise to ‘build back better’ (or ‘build forward better’) have come from many directions, the under-allocation of recovery resources to countries that have borne the brunt of job losses threatens the recovery of livelihoods for the majority of
the world’s workforce. Not only has the quantum of stimulus packages been allocated disproportionately to advanced economies, but there is no clear roadmap for an economic recovery that addresses the large losses of informal jobs and stagnating demand in emerging and developing economies. At the same time the cost of living crisis has peaked at precisely the time that many middle- and low-income countries have reduced fiscal support for vulnerable groups, including informal workers, that were impacted by the pandemic (IMF 2022). Households in these countries are often supported by the earnings of informal workers and are particularly vulnerable to food price increases. The IMF (2022) estimates that up to half of household consumption expenditure is on food in these contexts, which means that food price inflation will likely have detrimental impacts on human development.

The remainder of this paper is structured as follows. Section 2 summarizes what is known about the impact of the crisis on informal workers through 2020–21. In Section 3 we analyse the national recovery plans from two middle-income and two low-income countries. This section aims to highlight the diversity of economic responses against the backdrop of the pandemic’s impact on informal workers in the selected countries. Section 4 then assesses these national recovery packages in terms of the extent to which they appear to target or align with the structure of employment in each country. The paper concludes with a reflection on possible pathways toward making national-level economic recovery packages more relevant to the livelihoods of the majority of workers in emerging and developing countries.

2 Impact of crisis on informal workers globally

Several assessments of the impact of the pandemic on employment globally focus on job losses, one of the most visible early indicators of the crisis in 2020. Domestic workers were especially vulnerable to job loss (see Chakravarty and Nayak 2022), particularly those who did not live in their employers’ homes when the pandemic began. Eight out of ten domestic workers globally are informally employed and therefore lack labour protections, which translated into job losses that were systematically higher than for other employees in the second quarter of 2020 (ILO 2021d). Live-out domestic workers were more likely to lose their jobs than live-in domestic workers due to employers’ fears of virus transmission, whereas live-in domestic workers experienced deteriorating working conditions due to higher workloads in 2020 (WIEGO 2021).

However, for self-employed informal workers, who represent the majority of informal workers globally (ILO 2018b), job loss has proven to be less relevant than other more nuanced forms of impact. For example, despite returning to their income-generating activities after lockdowns eased, weak demand meant that many self-employed workers in informal employment had to pawn or sell off their assets, deplete their meagre savings, and take out new loans to purchase food and basic necessities in order to survive in 2020 and 2021. Many also postponed their payments (often with compounding interest) for rent, utility bills, and school fees during the initial lockdown in 2020, leading to accumulated expenses once restrictions eased (Chen et al. 2021). Survey findings from 2021 show that workers were still struggling to repay these debts and few were benefitting from rent, utility, or tuition fee cancellations and temporary deferrals (Orleans Reed et al. 2021).

The disproportionate impact of the crisis on women in informal employment is well documented (Lakshmi Ratan et al. 2021), and a significant contributor to this disproportionate impact is unpaid care work. In one study of 38 countries, for example, a higher proportion of women than men reported increases in time spent on unpaid care responsibilities and a higher intensity of that work because of the pandemic (UN Women 2020). These increases posed a particular challenge for women workers. Earnings of women in informal employment in April 2020 were substantially
lower among those who reported an increase in care responsibilities due to a combination of lacking childcare support, working in public space with children present, the need to give attention to home-schooling, and caring for sick and elderly family members (Ogando et al. 2022). Moreover, women and men informal workers who noted an increase in care responsibilities due to COVID-19 restrictions in 2020 were more likely than other workers to sell their assets, draw down their savings, and take out loans (Ogando et al. 2022). Access to government relief was limited for informal workers—an important factor when considering the relevance of government recovery plans to the informal workforce.

3 Key pillars of national economic recovery plans

This section examines the national economic recovery approaches of four governments in response to the social and economic crises presented by the COVID-19 pandemic. Our analysis reviews the recovery plans from two low-income countries (Bangladesh and Kenya) and two middle-income countries (South Africa and Thailand) in a context of growing reliance on the IMF for concessional loans. For the period from 2020 to 2021, Bangladesh, Kenya, and South Africa received emergency financing from the IMF of US$732 million, US$3,086.35 million, and US$4,300 million, respectively. These IMF programmes include conditionalities aimed at fiscal consolidation, fostering private investment, and contractionary macroeconomic policies (IMF 2021).

The review in this paper focuses on five key areas that are, for the most part, common across the national economic recovery approaches and are aimed at stimulating economic development. These areas are: financing economic recovery; developing local value chains; facilitating international trade; boosting public investment; and supporting micro, small, and medium enterprises (MSMEs). These are areas that would theoretically have a bearing on the activities and income security of informal workers in the long run. The aim of this section is to distil what the plans say with regard to measures that are likely to have implications for employment, in general, and informal employment, in particular. It is based on a reading of published development plans and secondary literature conducted between August 2020 and September 2022. For all four countries the review included both long-term strategies formulated before the COVID-19 pandemic and crisis response plans developed in response to the pandemic.

3.1 Financing economic recovery

As governments tried to mitigate the social and economic impacts early in the pandemic, the need for greater government spending to support firms and households increased. The recovery approaches in all four countries therefore include measures to address the impact of the crisis on poor households. These measures focus primarily on cash and food support schemes and enhanced health care. To balance these measures the plans indicate an effort to strengthen macroeconomic policies in order to increase revenues and decrease debt in this context.

The four governments’ approaches to creating fiscal space vary to some extent, but in all four cases they are linked to strategies to recover jobs and stimulate economic activity. In the case of Bangladesh the eighth five-year development plan is centred on accelerating gross domestic product (GDP) growth through export-oriented, manufacturing-led growth in the garment, processed food, leather and footwear, light engineering, and pharmaceutical sectors, along with interventions in agriculture, services, and information and communication technologies (ICTs). The pathway to growth envisioned in the plan is to increase foreign direct investment inflows by improving the investment climate, delivering quick and efficient services to investors, and reducing
ICT taxes and regulatory barriers (Government of the People of Bangladesh 2020). Accelerated GDP growth is the foundation of the plan.¹ It is understood to increase demand for labour, in turn increasing the labour share of income, with the main impediment being a lack of skills and education among those employed in the informal sector (Government of the People of Bangladesh 2020: 44). The centrepiece of the COVID-19 recovery approach is a US$1.05 billion World Bank package combining three projects to attract private investment to the ICT sector and modernize government institutions.

The Kenyan government’s approach to creating fiscal space is likewise linked to its longer-term development strategy—Vision 2030. The fundamental pillar of its economic recovery strategy is a sound macroeconomic framework, and the strategy is centred around accelerated growth in private sector investment, strengthened health care systems, MSME growth, upcaled investment in ICT and digital infrastructure, and other growth-oriented measures (Republic of Kenya 2021). Following an economic stimulus programme focused mainly on cash support and jobs for youth early in the pandemic, its 2021 budget policy statement commits to a fiscal consolidation path over the medium term, alongside increasing efficiency in public investment, reversing tax cuts, and introducing new taxes and other revenue recovery measures. Priority pro-growth policy measures include improving business regulations and fast-tracking critical infrastructure, alongside improved security and reduced corruption. As of 2020 the total World Bank portfolio in Kenya stood at US$7.8 billion and focused on investments in the transport and energy and extractives sectors (World Bank 2022).

Thailand’s five-year development plan, in place from 2017 and aligned with its 20-year development strategy, differs substantially from those of Bangladesh and Kenya in that it foregrounds ethics and values, economic and social security, fair access to resources and quality social services, strengthening the grassroots economy, and preserving and restoring natural resources and environmental quality (Office of the National Economic and Social Development Board 2017). The only mention of growth among the plan’s seven objectives is to support green growth alongside quality of life. To ensure fiscal space, the 2017 Thai plan committed to increase competitiveness sector by sector through increased industrial and innovative capacity, and to strengthen budgeting, revenue collection, and state-owned enterprises. By 2021 the government had recommitted to stimulating exports and private investment to help promote recovery, but its restructuring policy aimed to balance competitiveness with improving income distribution and moving towards a low-carbon society (Office of the National Economic and Social Development Board 2022).

Finally, South Africa’s Economic Reconstruction and Recovery Plan of October 2020 is aligned with its longer-term development strategy, the National Development Plan 2030, launched in 2012. The National Development Plan commits to faster economic growth through an expansion of exports, alongside a developmental role for the state and recognition of the need for the benefits of growth to be more equitably distributed (Republic of South Africa 2012). The pandemic response plan created in 2020 recognizes the vulnerabilities in the economy already present due to low growth and ‘revenue leakages’ when the pandemic hit, and it commits to resource mobilization by enabling private sector investment, reducing the cost of doing business, and intensifying anti-corruption measures (Republic of South Africa 2020).

¹ The word ‘growth’ is mentioned 1,178 times in the 780-page plan.
3.2 Developing local value chains

Developing local value chains can be an important strategy for creating jobs and building resilient economies in the long run. For all four countries this includes support and investment in agricultural supply chains and promoting growth through greater investment in traditional sectors such as manufacturing, retail, and high-productivity service sectors. Each plan reflects sectoral choices for priority public and private investment linked to a particular vision of growth and employment.

For Bangladesh the emphasis of the five-year plan is centred primarily on global value chains. Its approaches for supporting agricultural supply chains include improvements in farm productivity, price policy support, water supply, farm credit and marketing support, as well as agricultural diversification. The plan also commits to the expansion of the ready-made garment (RMG) industry while also promoting non-RMG manufacturing diversification in food, leather, footwear, light engineering, pharmaceuticals, and service exports such as those related to international shipping (Government of the People of Bangladesh 2020). These sectoral choices reflect an intent to shift the growth strategy toward more job creation (relative to the previous five-year plan) alongside social assistance to reduce extreme poverty.

Kenya’s recovery plan similarly focuses on value chains in agriculture but, unlike Bangladesh, it explicitly focuses on deepening domestic production in order to reduce exposure to risks associated with dependence on imports. It envisions the revival and restoration of major cash crops through agro-processing, greater investment in warehousing, expansion of irrigation schemes, support for the large-scale production of staples, and an economic stimulus programme to subsidize small-scale farmers for the supply of farm inputs. The plan also prioritizes the establishment of special economic zones, which would boost manufacturing employment, and the streamlining of the motor assembly industry (National Treasury and Planning 2020). The Kenyan Building Back Better pandemic response plan briefly mentions employment creation as a goal across many sectors while envisioning a reduction in public sector employment to reduce the wage bill (Republic of Kenya 2021).

Thailand’s plan envisions the introduction of innovation and creativity at all stages of value chains in order to boost product and service standards as well as economic opportunities. The plan has a significant focus on agriculture and agro-industry, but also places importance on innovation and the commercialization of high-tech products and services which affect people’s quality of life and wellbeing. Infrastructure development and logistics development are also expected to increase the country’s competitiveness by facilitating Thai outward investment and promoting the involvement of Thai entrepreneurs in business activities abroad. The plan makes reference to deepening local, regional, and global value chains (Office of the National Economic and Social Development Board 2017).

South Africa’s National Development Plan makes a more explicit link between sectoral investment and employment through domestic value chains than other national plans. In recognizing the country’s significant challenge with unemployment in particular, the plan notes that:

Employment scenarios prepared by the Commission suggest that most new jobs are likely to be sourced in domestic-orientated businesses, and in growing small- and medium-sized firms. While most jobs are not created directly in exporting firms, the sectors that are globally traded tend to have more potential to stimulate domestic spin-offs. Given South Africa’s low savings rate and the need to invest at a higher rate, it is important to grow exports and expand output in those sectors.
The plan focuses on sectors where South Africa already has endowments and comparative advantage, such as mining, construction, mid-skill manufacturing, agriculture and agro-processing, higher education, tourism, and business services (Republic of South Africa 2012: 39). The pandemic Reconstruction and Recovery Plan of 2020 also commits to ‘employment-oriented strategic localization, reindustrialization and export promotion’, retaining the link between employment and value chain development while adding a mass public employment dimension. It envisions strengthening small and medium-sized supply chain inclusion, working with private sector firms to localize their supply chains, and ‘decisively’ shifting state procurement to local procurement (Republic of South Africa: 11–13).

3.3 Facilitating international trade

Bangladesh’s long-term national development vision is centred on export-led growth with ambitious growth targets. Both the five-year development plan issued in 2017 and the 20-year plan launched in March 2021 commit to improving the incentives for manufacturing exports. The vision is for the bulk of job creation to be in a diversified manufacturing sector that extends the model of low-cost labour as a source of competitiveness beyond the RMG sector into other manufacturing sectors (Bangladesh Planning Commission 2020: viii). Thus, the strategic framework envisions accelerated growth in manufacturing associated with a transfer of surplus labour from the informal economy into low-cost manufacturing jobs during the first ten years, while quality of employment would become more of a concern during the next ten years (Bangladesh Planning Commission 2020: X). In essence the plan defers concerns about working poverty to the post-2030 period.

Kenya’s approach to international trade, as articulated in its third medium-term plan for 2018–22 (Republic of Kenya 2018), is likewise linked to ambitious growth targets. The approach aims to raise the manufacturing share of GDP to accelerate growth and create jobs, and to guarantee food security by expanding food production and supply as part of its ‘Big Four’ priorities (including universal health care and more housing, in addition to boosting manufacturing and food security). The trade strategy is linked to state involvement in the formation of Special Economic Zones and Industrial Parks and an increased commitment to take advantage of various trade agreements, such as the East African Community and the African Continental Free Trade Area (National Treasury and Planning 2020). Textiles, agro-processing, and leather are among the sectors mentioned in the Build Back Better plan as priorities for spurring manufacturing activity linked to exports (Republic of Kenya 2021). Kenya’s strategy documents mention the need for employment creation without an explicit vision of how that may happen through trade or value chain development.

For Thailand, improving trade facilitation practices and supporting deeper sub-regional and regional integration through trade are part of the five-year development plan launched in 2017. That plan sees Thailand establishing itself as a major trade and investment base in the sub-region through increasing competitiveness in transportation and supply chain logistics. The five-year plan mentions jobs only in the context of enhancing opportunities for the 40 per cent of the population with the lowest incomes and fostering the self-reliance of communities based on the ‘sufficiency economy philosophy’—a development theory that prioritizes moderation, self-reliance, and human capital (Mongsawad 2010).

South Africa’s long-term development strategy envisions more robust regional trade with partners in Southern Africa through improvements in regional trade infrastructure and cooperation. The emphasis on regional trade reflects an expectation that more vibrant growth will take place in emerging economies (Republic of South Africa 2012). The country’s Reconstruction and Recovery Plan reaffirms this orientation. A priority intervention is ‘industrialization through localization’, where special measures to support local industries (e.g. through working capital loans at 0–2 per
cent interest to MSMEs) would be linked to investments in infrastructure, which would lead to reduced dependence on imported finished goods and more competitive export sectors. Alongside shifting state procurement to local producers and enacting mass public employment interventions, this approach is understood to be one which will generate jobs by building MSME participation in the manufacturing value chain.

3.4 Public investment

The Bangladeshi five-year plan explicitly places private investment at the forefront of the country’s development strategy, making the creation of a private investment-friendly environment the government’s primary role. The five-year plan released in July 2020 envisions public investment primarily in improving health infrastructure, rebuilding the social protection system, addressing infrastructure constraints, and strengthening water management (Bangladesh Planning Commission 2020: 115–16). Other areas targeted for public investment include education, skill development programmes, ICT training, and infrastructure projects.

Similarly, Kenya has prioritized investment in digital infrastructure and ICT services to facilitate e-commerce and the efficient delivery of public services. In particular the Kenyan government will focus on bridging digital gaps, developing appropriate content, skills development, and enhancing the affordability, accessibility and reliability of digital infrastructure. Investing in infrastructure is expected to stimulate consumer demand, in turn further increasing public and private investment. Deepening public financial management reform, including consolidating public investment project data into a centralized system for analysis, is envisioned as a way to reprioritize and rationalize spending so as to attain fiscal consolidation.

While there is consensus across the four countries that public investment in education, public health, and infrastructure is necessary for economic growth and the creation of jobs in the recovery, the national economic policy plans of middle-income countries also include labour market interventions such as investment in skills development programmes and the implementation of labour policies to boost employment, improve labour productivity, and increase wages. Thailand’s approach, for example, envisions human capital development via improved access to social protection and quality social services including education, public health, infrastructure, and social welfare, alongside workforce skills development.

Similarly, the South African National Economic Recovery and Reconstruction Plan (South African Government 2020) is concerned with the creation of jobs through public employment programmes, infrastructure investment and delivery, and achieving gender equality and economic inclusion of women and youth. Based on this approach mass employment opportunities will be created through social employment programmes, supporting the learning environment, as well as through initiatives that support and expand small producers producing food for their own consumption and for local informal markets. In addition, linked to the public employment programme, the South African government has proposed initiatives for employment protection and stimulation, such as fast-tracking measures that provide relief to industries, embracing digitalization for retraining retrenched workers, and promoting health and safety in the workplace alongside exploration of reasonable alternatives to retrenchments for affected firms.

3.5 Supporting MSMEs

Finally, a review of the national economic recovery policy plans indicates greater prioritization of policies targeted at MSMEs in order to boost employment, rebuild supply chains, and establish new pathways for economic growth. For Bangladesh this will be achieved through the provision of low-cost loans through the banking sector. Likewise, the Kenyan government will initiate
innovative financial products to increase credit to MSMEs. According to its 2021 Budget Policy Statement, the provision of credit to MSMEs is critical for fostering macroeconomic stability and ensuring inclusive growth. Moreover, expanding access to credit to MSMEs is envisioned to result in an increase in credit to the private sector and a decrease in the risk of lending by commercial banks (National Treasury and Planning 2020).

The expansion of grassroots economic development is identified as a priority intervention for covering a large number of communities in Thailand (Office of the National Economic and Social Development Board 2017). Furthermore, according to the Twelfth Economic and Social Development Plan (2017), production sectors such as farming, community enterprises, and MSMEs will be linked to research and education institutes, with the aim of ensuring access to research for commercialization and nurturing competent entrepreneurs.

As noted above, through its ‘industrialization through localization’ strategy, the South African government will provide low-interest working capital loans to assist firms during the start-up phase, fast-track the involvement of township and rural enterprises in the economy, and facilitate the participation of MSMEs in key sectors such as agriculture, infrastructure development, manufacturing, retail, and tourism. In addition, critical interventions in South Africa’s green economy strategy include support for MSMEs and cooperatives to take advantage of opportunities in the green economy, support for small-scale farmers through public private partnerships in forestry, and the integration of waste-pickers in the public waste management system.

4 Gap analysis

The paper now considers the relationship between the economic recovery approaches outlined in the previous section and the composition and characteristics of the employment structure in the four countries analysed. The objective is to assess the extent to which the plans do or do not make a connection, whether explicit or implicit, between the existing employment structure and the recovery approach. This ‘gap analysis’ in turn identifies questions for further research which could shed light on future evaluations of the recovery approaches.

4.1 Creating new jobs vs. supporting existing jobs

One notable characteristic of all four countries’ recovery approaches is that they each have a vision for job creation based on investments in targeted sectors. While all four address the quantity of employment, none explicitly addresses the quality of employment—either the quality of existing employment (for example, through measures that would address working poverty) or the quality of future employment to be created through the envisioned investments. The Thai plan comes the closest through its mention of supporting grassroots economic development, increasing wages, and investing in human capital development. However, none of the four plans centres working poverty as a relevant factor to be considered in developing economic recovery approaches.

Yet working poverty is widespread, and the negative impact of the pandemic on working poverty has been well documented. Globally, working poverty rates increased for the first time in 20 years in 2020 and 2021 (ILOSTAT 2022). Moreover, in many developing and middle-income countries, poverty is not necessarily associated with unemployment but with low-quality work (see Rogan and Reynolds 2019). This is particularly the case in contexts where a large segment of the workforce is in informal employment. According to recent ILOSTAT estimates, over half (54 per cent) of the workforce in Kenya is either in extreme or moderate poverty. Similarly, an estimated
19 per cent of the South African workforce and 26 per cent of Bangladesh’s workers are below an accepted poverty line (ILOSTAT 2022).

Implicit in the national recovery plans is an emphasis on short-term relief measures, such as emergency cash grants that are not linked to employment, combined with long-term growth and structural reform measures. In all cases the vision of job creation is one that would only be realized over many years. Interventions that could theoretically assist those in working poverty in the short to medium term—such as low-cost loans and skills training—are not explicitly linked to decent work deficits related to employment relationships. Rather, they locate the deficits in the workers themselves, without an analysis of the structural environment in which they work.

There is no mention, for example, of the potential role of digital platform employment in degrading the quality of existing or future jobs. Yet many people who access work through digital platform employment have no way to access social protection or labour rights, because the platform is designed precisely to avoid creating an employment relationship that would obligate employers to make social contributions. Instead of addressing the potential negative consequences of digital platform employment on job quality, the plans exclusively point to the potential for digital infrastructure of any kind to create jobs. Likewise, there is no mention of a government role in ensuring even basic standards of decent work or in protecting existing jobs. Put differently, the plans have much to say about potential job creation and nothing to say about potential job destruction or degradation.

Also implicit in the plans is a view of women’s employment that privileges women’s labour force participation over improving the quality of women’s employment. The plans say little about the overrepresentation of women in low-quality jobs, the barriers women face in accessing formal employment and decent work, and the effects of women’s exclusion from employment-based social protection. All of these factors affect not just women workers but also their households and communities—but they are not explicitly addressed in the plans.

4.2 Addressing employment vs. addressing informal employment

The plans’ treatment of informal employment is similar to some extent to their treatment of working poverty. They make little explicit reference to the prevalence of informal employment in the country, the links between informality and poverty, or the impact of the COVID-19 pandemic on informal workers. Rather, the plans assume the creation of wage employment through firm growth, without explicit attention to potential transitions from informality to formality among informal workers. To the extent that any approach to formalization is implicit in the plans, none of them reflect the principles embedded in ILO Recommendation 204 on Formalizing the Informal Economy.

Yet in all four countries informal employment accounts for a significant proportion of the workforce and is crucial to economic recovery. Informal employment accounts for 89 per cent of total employment in Bangladesh, 83 per cent of total employment in Kenya, 64 per cent of total employment in Thailand, and 34 per cent of total employment in South Africa (ILO 2018b; Kenya National Bureau of Statistics 2020). Although informal employment is a relatively low share of total employment in South Africa, earnings from informal employment are particularly important in reducing poverty in low-income households (Rogan and Cichello 2020). In Kenya the most recent data suggests that the informal economy continues to grow and accounted for 90.7 per cent of new jobs in 2019 (Kenya National Bureau of Statistics 2020).

By definition, workers in informal employment lack access to institutional buffers against risk, such as social protection and a range of labour protections. In the two low-income countries,
where more than eight in ten workers are informally employed, there is considerable scope for governments to stimulate recovery at the grassroots level by directing productive resources towards informally employed workers and creating a more enabling environment for income generation, asset accumulation, and the formalization of employment conditions. This potential is generally not addressed in the four country approaches to economic recovery, nor is there a vision of the role that formalizing the informal economy could play in the country’s overall economic trajectory.

4.3 Employment in households vs. formal sector units vs. informal sector units

The plans do have in common a clear emphasis on creating wage employment through private sector development in targeted sectors, alongside support for the self-employed through low-cost loans and skills development. The plans have an implicit focus on wage employment in private sector firms, without mention of whether the envisioned wage employment would be formal or informal. While there is some mention of wage employment in the public sector, there is no mention of wage employment in households. Self-employment is implicitly viewed through the lens of entrepreneurship and interventions designed to support enterprise growth among MSMEs.

However, the plans generally do not address the distinctions between formal and informal wage employment in different types of economic units. For example, there is no mention of informal wage employment at all, and no mention of informal wage employment in firms (whether formal or informal) or in households. Yet this diversity within the employment structure is relevant to the recovery approaches. A brief comparison of the structure of employment in Bangladesh and South Africa shows the relevance of these categories.

First, in Bangladesh more than a quarter of informal employment is located in households, whereas in South Africa around 7 per cent are employed by households (Table 1). Given that informal employment accounts for roughly nine out of ten workers in Bangladesh, and a quarter of those are employed by households, recovery efforts would have broad reach if they considered workers in households. Yet the plans make no mention of this significant segment of the workforce. Domestic workers in Bangladesh identify low wages, irregular payments, lack of leave provisions, numerous occupational health and safety hazards, lack of bargaining power, and lack of affordable housing as characteristics of their work and areas where government interventions could support recovery (WIEGO 2020).

As Table 1 shows, Bangladesh also has nearly three times as many informal workers in the formal sector compared to South Africa. Informal workers in the formal sector would include, for example, those working in garment factories, where they have an employment relationship with a formal sector employer but lack any form of social or labour protection through their work. Again, the recovery of these workers is not a factor in the recovery plan. Like workers employed by households workers in informal employment arrangements with formal sector firms lack bargaining power to negotiate better working conditions.
Table 1: Share of informal employment in total employment by status in employment

<table>
<thead>
<tr>
<th></th>
<th>Total informal employment (%)</th>
<th>Total</th>
<th>In the informal sector</th>
<th>In the formal sector</th>
<th>In households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>89.0</td>
<td>48.9</td>
<td>13.5</td>
<td>26.7</td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td>34.0</td>
<td>21.8</td>
<td>4.8</td>
<td>7.4</td>
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Source: adapted from ILO (2018b: Table B3), with permission.²

The modal category of informal employment in both countries is employment in informal sector units, representing nearly half of total informal employment. This is the segment of the workforce where interventions supporting the self-employed in small and micro enterprises have potential to support recovery. Yet the plans focus much more heavily on the creation of new jobs through private sector investment, where those new jobs are likely to be informal, and say little about the recovery of self-employed workers in small and micro enterprises aside from references to loans and skills training.

4.4 Informal employment vs. status in employment

The orientation in the plans toward entrepreneurship through investments in financial inclusion and skills training assume some degree of growth potential for operators of micro enterprises. Yet statistics describing the existing employment structure in the four countries, especially in the low-income countries, suggest natural limits on the extent to which growth-oriented interventions may help. In fact, there are very few operators within the informal economy who employ others. Globally, employers—those whose enterprises are productive enough for the operator to employ at least one other person—account for only 2 per cent of all informal employment.

Again a comparison between low-income and middle-income countries is instructive. In Bangladesh, for example, employers account for less than 1 per cent of total informal employment (Table 2). By contrast, own-account workers—those who are not employed by others and also do not employ others—account for over 36 per cent. Contributing family workers, who work in family enterprises but do not have autonomy or authority within the family enterprise, account for over 20 per cent. South Africa also has more than four times as many own-account workers than employers, although there are more employers than in Bangladesh. Though comparable national estimates do not exist in Kenya, the MSME survey estimates that 79 per cent of microenterprises are owned by a sole proprietor and 16 per cent operate as a family business (Kenya National Bureau of Statistics 2017), suggesting a similarly low portion of employers.

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Table 2: Distribution of workers in informal employment by employment status

<table>
<thead>
<tr>
<th></th>
<th>Employees</th>
<th>Employers</th>
<th>Own-account workers</th>
<th>Contributing family workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>41.6</td>
<td>0.7</td>
<td>36.4</td>
<td>21.3</td>
</tr>
<tr>
<td>South Africa</td>
<td>70.2</td>
<td>5.8</td>
<td>23.2</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Source: adapted from ILO (2018b: Table B5), with permission.

4.5 Men vs women in informal employment

The concentration of workers in the categories of own-account work and contributing family work is even more noticeable among women in informal employment. As Table 3 shows, more than half of all women in informal employment in Bangladesh are contributing family workers, reflecting gender norms that restrict women’s economic autonomy in that country. In both Bangladesh and South Africa, a far higher share of men than women are employees. This suggests that interventions aimed at employers who operate enterprises with one or more employees have little chance of reaching a significant number of women.

Table 3: Distribution of workers in informal employment by employment status and sex

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employees</td>
<td>Employers</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>43.8</td>
<td>1.1</td>
</tr>
<tr>
<td>South Africa</td>
<td>66.9</td>
<td>9.0</td>
</tr>
</tbody>
</table>

Source: adapted from ILO (2018b: Table B5), with permission.

Among women in informal employment in South Africa, a large proportion—nearly three-quarters—are employees of either households or firms. The fact that so many women are in employment relationships that lack social protection reflects their lack of bargaining power. It should be noted that domestic workers would fall into this category, and quarterly labour force data shows a significant drop in employment among domestic workers due to the pandemic from a little over 1 million domestic workers employed between January and March 2020 to only 848,000 domestic workers employed over the same period in 2021 (see Chakravarty and Nayak 2022). This reflects both a loss of employment and a greater likelihood of poverty and hunger in these workers’ households. Here again, improving the terms of employment—such as written contracts with protections against arbitrary dismissal—could have a significant impact on recovery, but such measures do not appear in the recovery plans.

5 An economic recovery for the informal economy?

Where expanding economic activities create employment opportunities, the economic recovery plans are largely silent on how these can contribute to a transition from the informal to the formal economy and support the livelihoods of informal workers. In particular the top-down approach taken in all four national economic recovery plans fails to examine the sectors of work within the informal economy that could benefit from more favourable integration into local and global supply
chains. This suggests limited recognition of the way the formal economy—workers, employers, and government—rely on the cheaper goods and services offered by the informal economy for their productive activities and social reproduction (Agarwala 2009: 315–42).

A useful example can be drawn from the case of Bangladesh. As noted above Bangladesh plans to expand the RMG sector to generate jobs and replenish foreign exchange reserves, as it accounts for 83 per cent of the country’s exports (ILO and UN Women 2020). The sector was hit hard by the pandemic as raw materials became difficult to procure, payments were delayed, and orders cancelled, with over one million workers fired or furloughed by March 2020 (Anner 2020). Within the RMG sector women outnumber men as factory workers and homeworkers (ILO and UN Women 2020). Factory workers are in either informal or formal waged employment, while homeworkers are dependent contractors in the informal economy. The latter work from their homes and have contractual arrangements of a commercial nature (but not a contract of employment) and are dependent on that unit for access to the market (ILO 2018a). Far from curtailing growth or diminishing productivity, women homeworkers in the informal economy subsidize the production costs of formal firms in the RMG sector. They enable factories to shift over the costs of production to workers operating from their homes (Chen 2014) and allow Bangladesh to fend off fierce competition in the global market.

However, there is no mention of homeworkers in the planned investments to expand the RMG sector. A more nuanced recovery policy would acknowledge the role of homeworkers in Bangladesh’s largest export industry. There are, moreover, a number of easily implementable policy interventions which could support informal livelihoods in a crucial sector. Key support measures could include work guarantee schemes linked to the garment industry, supply chain relief for selected sub-sectors, incentives for firms to provide work orders to home-based workers, the promotion of extended producer responsibility schemes, and the extension of social protection to homeworkers.

The South African context offers similar lessons. On the one hand economic recovery plans continue to privilege existing private sector firms in the agro-business sector through the Comprehensive Land and Agrarian Strategy, which calls on firms to create 317,000 new jobs in the fruit and other high-value crops. The inconsistencies in South Africa’s approach to food production and distribution suggest that there will be no significant redistribution of profits between large agro-business companies and smallholder farmers, waged informal agricultural workers, or street vendors and market traders. In response some informal worker organizations are calling for more significant shifts in economic recovery plans to redistribute profits more equitably across local and national supply chains.

On other hand the South African government’s social employment programmes will be targeted at the unemployed and directed at recycling and waste collection and supporting smaller food producers to produce for their own consumption and for local informal markets. This may reflect lessons learned from South Africa’s first lockdown in 2020 when the government initially banned informal trade, privileging the sale of food in supermarkets. Faced with immediate backlash the government was pushed by informal traders’ organizations to designate informal food vending in markets, streets, and home shops as an essential service given their critical role in food security in low-income areas (Bamu and Marchiori 2020). Such recognition is, therefore, an example of how recovery policies can be used to promote the integration of informal workers into supply chains.

Middle-income countries such as South Africa and Thailand could also consider extending and expanding their social assistance programmes as a complementary form of support to own-account workers and contributing family workers. Recent evidence from countries such as Brazil and South Africa suggests that social assistance through cash and in-kind transfers directed at
informal workers can alleviate poverty by reducing pressure on household finances for food and basic commodities (Köhler and Bhorat 2021; Lustig et al. 2020). The scope for public investment is greater in middle-income countries, but even this remains limited given the pressure imposed by international financial institutions for fiscal consolidation. A review of recent IMF loan arrangements suggests 83 countries will experience fiscal contraction by 2023. This will be most pronounced in middle-income countries, while low-income countries will maintain low and stagnating social spending levels (Kentikelenis and Stubbs 2021).

Finally, a promising proposal to integrate self-employed and waged workers in the informal economy into supply chains is to support worker collectives. National economic recovery plans mention support to cooperatives in South Africa and ‘community enterprises’ in Thailand. In these two countries the intention is to support workers who often face discrimination within the labour market. Evidence shows that women own-account operators organized into collectives, such as cooperatives or producer groups, will have greater capacity to create and sustain market linkages (Chen and Roever 2016; ILO and SEWA 2018). They can also help to formalize the economic activities of own-account workers through registration, allowing them to gain access to credit, business development support, and new markets. By reducing the transaction costs collective organizations can create economies of scale in terms of both backward and forward linkages. They also serve as aggregators by providing information on markets and supporting members to adapt to new risks and constraints brought on by the pandemic (ILO 2020c).

For cooperatives and collectives to access and compete in local and global supply chains, tailored policies are needed. National economic recovery plans in South Africa propose to reduce timeframes for relevant licences and permits, making it easier to register, while focusing on integration in specific sectors—retail, agriculture and agro-processing, financial services, manufacturing, and infrastructure. However, these measures are unlikely to level the playing field between cooperatives owned and managed by informal workers and larger corporations in the sectors. In India the Self Employed Women’s Association—the largest trade union of women informal workers—is calling for specific measures to reverse the disadvantages faced by women owned cooperatives by instituting procurement policies that privilege women-run cooperatives and collectives, expanded access to digital technology through improved infrastructure and simplification of online platforms, and representation of women-owned cooperatives in national and international policy spaces pertaining to the cooperative movement (SEWA 2020).

6 Conclusion

When reviewed against the composition of their respective labour markets, the four national economic recovery plans reviewed in this paper reveal a number of common gaps. The national plans place great emphasis on the formal private sector to generate employment, with little regard to the terms of waged employment in the formal and informal economy or the reliance of private firms and public services on the goods and services produced by self-employed informal workers. Across all four countries the MSME policies suggest a lack of awareness of the constraints faced by own-account workers and contributing family workers to national economic output and household incomes. The policies are unlikely to reach these workers and are aimed more at entrepreneurs in small and medium enterprises who will more likely be men. The intersection of gender and class biases in this approach risks penalising women self-employed workers most acutely. Where South Africa and Thailand recognize the need to specifically target ‘vulnerable workers’, including women, older persons, and people living with disabilities, in order to improve their access to markets, this remains in line with the World Bank’s approach to ‘target and
streamline’. Given the size of the informal economy even in these middle-income countries, this is a wholly inadequate approach to protect informal workers from adverse integration in the labour market and ensure they have more equitable access to productive resources and higher earnings.

The emphasis placed on formal private sector firms creates an inherent disadvantage in the recovery packages for informal workers and enterprises. The omission of explicit policies aimed at self-employed informal workers will likely exclude the vast majority of the labour force in Bangladesh, Kenya, and Thailand from an inclusive and equitable recovery. As a result these imbalances in the national economic recovery plans are likely to deepen inequalities and entrench the increase in poverty experienced by women and men in the informal economy as countries attempt to recover from the pandemic and ongoing cost of living crisis.

References


