POST-COVID 19 POVERTY REDUCTION:
A BETTER NEW DEAL FOR INFORMAL WORKERS

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REMARKS

Premise: recognize multidimensions of poverty – but see promoting Decent Work (SDG#8) for the working poor = key pathway to poverty reduction (SDG #1)

Focus: informal workers, COVID-19 and poverty reduction

Key Messages:

Pre-COVID-19: majority of workers IE but excluded from economic plans and policies = most IW poor

COVID-19: disproportionate impact on IWs + recognition of IWs as essential workers – but exclusion from recovery plans

Post-COVID-19: integration of IWs into recovery plans = key to both economic recovery and poverty reduction

Opportunity to include the excluded, the essential workers
INFORMAL WORKERS: MAJORITY OF WORKFORCE (except developed countries)

First-ever global estimates (ILO 2018)

- **globally:** 61% of all workers – 2 billion workers
- **by country income group:**
  - developing: 90%
  - emerging: 67%
  - developed: 18%
- **by geographic region:**
  - Latin America – 51%
  - South East Asia – 66%
  - South Asia – 78%
  - Sub-Saharan Africa (excluding South Africa) – 76%
INFORMAL EMPLOYMENT: LINKS WITH POVERTY

- **At the country per capita income level:** rate of informal employment is
  - highest in developing (low-income) countries: 90%
  - lowest in developed (high-income) countries: 18%
  - in the middle in emerging countries: 67%

- **At the household per capita income level:** in all country income groups
  - higher % of informal workers than of formal workers are from poor households
  - higher % of workers from *poor* households than from *non-poor* households are informally employed

Source: ILO 2018

- **At the individual earnings level:**
  - informal workers have lower earnings, on average, than national poverty lines and than formal workers – with the exception of those who are employers (only 4% of all IWs)
INFORMAL WORKERS: UNEQUAL EXPOSURE TO RISKS

The working poor in the informal economy – especially the self-employed – face *inequalities in exposure to risks and shocks*, including relatively high exposure…

- to *policy uncertainty and policy hostility* – as existing policies and laws tend to be biased against them
- to *economic shocks and risks*
- to *occupational health and safety risks*

Making matters worse, the self-employed in the informal economy are:

- *stigmatized* as somehow *illegal or criminal* OR having low productivity = *a drag on the economy*
- *penalized and even criminalized* for trying to earn an honest living

Pre-COVID-19 = Inequality + Injustice + Indignity (3 Is)
1.6 billion people employed in the informal economy – 80% of the global informal workforce (or nearly half of the total global workforce) - could see their livelihoods destroyed due to the decline in work, working hours and earnings brought on by lockdowns or other restrictions to curb the spread of COVID-19 (ILO 2020).

During April 2020, the first month of the crisis, informal workers globally experienced a 60% drop in income.
WIEGO 12-CITY STUDY: IMPACT ON INFORMAL WORKERS

- Dire impact on work & earnings during peak lockdowns (April 2020)
  - 74% of respondents not able to work
  - average earnings = 19% of pre-COVID earnings

- Slow recovery process as severe ‘lockdowns’ + restrictions eased (June-July 2020)
  - 21% of respondents not able to return to work
  - average earnings = 56% of pre-COVID earnings

- **triply handicapped for recovery**: to meet basic necessities, IWs had to…
  - **deplete meagre resources** by drawing down or depleting savings and pawning or selling assets
  - **go further into debt** by borrowing money; and
  - **postpone payments** of rent, utility bills and school fees (often with compounding interest)
INFORMAL WORKERS: ESSENTIAL BUT EXCLUDED

- COVID Crisis ► recognition of informal workers as essential workers – who produce or provide essential goods and services
- BUT informal workers not recognized as essential to economic recovery + excluded from recovery plans and stimulus packages
- Also, in many countries, IWs face continued restrictions and other punitive measures on their livelihoods, including destruction of their workplaces and infrastructure (in the name of economic recovery and/or public health)
12-CITY COMMON DEMANDS:
RELIEF ➤ RECOVERY ➤ REFORMS

RELIEF
Financial Assistance to Pay Off Debts & Restore Savings and Assets
▼

RECOVERY
Recovery of Livelihoods & Employment: recovery cash grants + stimulus packages, including government procurement
▼

REFORMS
Enabling Legal and Policy Environment: National & Urban
Social Protection: Social Assistance & Social Insurance
1. Work and Employment Recovery
   - Creation of Informal Worker Fund
   - Right to work in public space
   - Jobs guarantee
   - Employment protection payments
   - Quotas for informal worker goods and services
   - Business platform development
   - Equality under economic policies

2. Training and Skills Development for Post-COVID Economy
   - Care work skills upgrading
   - Technology and marketing skills upgrading
   - Free and subsidized training

3. Equity in Social Protection
   - Unemployment insurance for all
   - Equal coverage under Social Security Act

4. Stakeholder Participation
The Prime Minister and the Ministry of Finance introduced a 50-50 scheme intended to help street vendors and small businesses (as retailers) as well as working poor with savings less than 500,000 Thai Bhatt (as customers).

Minister of Labour has proposed or introduced the following:

- Amendments to existing Social Security for informal workers (Article 40 of the SS Act)
  - reduction of contribution fee by 40% for 6 months (during COVID)
  - use of rehabilitation center for accident victims (designed for formal workers but under-utilized)
- COVID check-up center for formal workers and informal workers registered under SS Article 40
- Informal Worker Law, including fund for informal workers, to go to the Cabinet this month
- Amendments to Street Vendor Decree: urging Bangkok Municipal Authority (BMA) to make these amendments and offered to serve as intermediary in discussions between BMA and street vendors
- Inter-ministerial consultations regarding informal economy at which HomeNet Thailand and the Federation of Informal Workers have been invited to speak on at least one occasion
A BETTER NEW DEAL FOR INFORMAL WORKERS

Post-COVID – 3 possible scenarios

- “Bad Old Deal” - return to old normal which was bad for informal enterprises
- “Worse New Deal” - reversals of gains made for informal enterprises
- “Better New Deal” - reforms to protect & promote informal enterprises

Better Deal: Fundamentals

- recognize + value informal workers
- integrate informal livelihoods into economic plans & policies
- address specific constraints, risks and needs of specific groups of informal workers

Better Deal: Guiding Principles

- “Do No Harm” – stop harassment, bribes, confiscations & evictions + stop negative narratives
- “Nothing for Us, Without Us” – include informal workers in relief, recovery and reform processes
THANK YOU!