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A Tale of Africa Today: balancing the lives and livelihoods of informal workers during the COVID-19 pandemic

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Summary

In Sub-Saharan Africa (SSA), more than 80 percent of workers find their livelihoods in the informal sector. They are artisans and shop owners, fishers and divers, tailors and weavers, truck drivers and market sellers, among many other informal jobs.

In the era of the COVID-19 pandemic, saving lives and protecting livelihoods are both deeply challenging in SSA countries with high informality and almost no social protection. Informal workers and their families are most vulnerable to the disease, as they toil in crowded bazaars and busy streets. Moreover, informal workers are typically poor and cannot stockpile food or cash for a long lockdown. Strict containment

measures directly jeopardize their income, their livelihoods, and their lives.

The analysis confirms that higher rates of informal employment (as a fraction of total employment) are associated with higher rates of COVID-19 infection or disease spread. Not surprisingly, countries with relatively larger populations are also more likely to experience higher rates of infection.

Given the adverse socioeconomic effects of COVID-19 containment on informal businesses and workers lacking social protection, countries should take proactive steps to curb the spread of infections, treat affected people, and at the same time provide social safety nets and economic relief for informal workers and businesses.

THE COVID-19 PANDEMIC IN SUB-SAHARAN AFRICA (SSA)



GLOBAL SHOCK IS PROJECTED TO CONTRACT ECONOMIC ACTIVITY BY **2.8% IN 2020 UP FROM 2.2% IN 2019**

THE PANDEMIC COULD PUSH BETWEEN **40 TO 60 MILLION PEOPLE** INTO EXTREME POVERTY **27 MILLION OF THEM** IN SUB-SAHARAN AFRICA

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Introduction

The COVID-19 pandemic, combined with lockdowns and other containment efforts, has struck a brutal blow to the global economy. In Sub-Saharan Africa (SSA), this global shock is projected to contract economic activity by 2.8 percent in 2020, amid high uncertainty, up from 2.2 percent in 2019 (World Bank 2020a). This pandemic could push between 40 to 60 million people into extreme poverty, 27 million of them in Sub-Saharan Africa, thus wiping out the hard-won progress of the last decade. The COVID-19 crisis is first and foremost a health crisis. However, the spread of the disease in SSA will also be shaped by economic and labor conditions, especially within the informal sector that accounts for more than 80 percent of the workforce (ILO 2018).

This analysis explores how the living and working conditions of informal sector participants make them the most vulnerable to disease outbreaks. The COVID-19 shock and its adverse economic effects have triggered a cascade of job losses and bankruptcies. This pandemic has emptied payrolls and sparked widespread pay cuts, furloughs, and layoffs, with businesses and workers in hospitality, service, tourism, and transportation sectors particularly hard-hit (World Bank 2020a). This can push even more of the labor force into the informal sector.

Two-thirds of the urban population live in packed housing with communal sanitation and water scarcity. They shop in crowded markets and congested streets and have little or no access to health systems or social safety nets (Nguimkeu and Okou 2019, World Bank 2020b). Because it is challenging, and at times impossible, for informal workers to comply with social distancing require-

ments, a high level of informality will likely increase the risk of COVID-19 infection (Loayza and Pennings 2020).

The evidence suggests that higher rates of informality are associated with higher vulnerability to COVID-19, even when we compare countries with other similar features such as population, income level, and health spending. Specifically, we find evidence that one percentage point increase in the share of informal employment between countries is associated, on average, with a 4 percent increase in the number of COVID-19 cases. This underscores the urgent need for robust health, fiscal, and monetary policies that countries should proactively take to: a) curb the spread of the infections; b) treat affected people; and c) provide social safety nets and economic relief.

How are Informal workers affected by COVID-19?

Channels of socioeconomic impacts. The COVID-19 pandemic and containment measures undertaken to curb its spread can have negative impacts on the socioeconomic welfare of workers, by triggering job and income losses. The adverse impacts on socioeconomic welfare occur through supply and demand. On the supply side, the COVID-19 shock can contract labor supply owing to increased morbidity and mortality. Widespread sickness and fatalities deplete the labor force and restrict the ability of workers to operate in close contact. Moreover, containment efforts such as lockdowns, workplace shutdowns, and border closures have disrupted and damaged supply chains. Elevated downside risks have also led to a tightening of credit conditions that has forced many small businesses to close temporarily or permanently.

On the demand side, heightened COVID-induced uncertainty and unemployment can raise financing costs and hold back business investment. Households also reduce their spending on goods and services and increase their precautionary savings, which weigh on consumer demand. Thus, informal workers face a sharp drop in income as buyers become scarce, and are exposed to income and health risks, with little capacity to mitigate them. They are also particularly vulnerable to these pernicious effects because their income is unstable, they often lack skills for alternative livelihoods, and informal work typically lacks any social protection (Amin and Okou 2020).

Containment measures disproportionately affect informal sector workers. The first cases of COVID-19 were reported in SSA countries between late February and early March of 2020. By the third week of August 2020, the continent had more than 1,148,849 confirmed cases and 26,664 deaths due to the virus (Africa CDC). To address this health crisis, countries have implemented unprecedented containment measures, including travel bans, restrictions on public gatherings, closures of workplaces, schools and bars. Most containment measures were intended to be brief but strict, with curfews enforced by police and soldiers (Dyer 2020). Yet the containment restrictions have disrupted labor markets, raised unemployment, cut supply and food chains, tightened credit, frozen regional and international trade, heightened uncertainty, weakened domestic and foreign direct investments, led to a sudden stop of foreign remittances, contracted business and consumer demand, buffeted oil markets, and therefore, threatened the livelihoods of large swaths of the population. SSA countries that are highly dependent on oil and commodity exports (Angola, Democratic Republic of Congo, Ghana, and Nigeria), tourism (Cabo Verde, Ethiopia, Mauritius, and Seychelles) and remittances from abroad (Nigeria, Ghana, Kenya, and Senegal) have been hit particularly hard. To limit the economic harm of the COVID-19 pandemic and support recovery, many governments in SSA have eased their monetary stance (Ghana, Kenya, Mauritius, Rwanda, and South Africa), and lowered reserve requirements to increase liquidity (Botswana, Mozambique). Virtually all countries provided substantial fiscal support and some are offering social protection support including direct cash transfers (Cabo Verde, Namibia, Rwanda, and Uganda). Some are focusing on food distribution (Burkina Faso, Niger, Nigeria, and Senegal) as well as fee waivers for basic services to households and businesses (Democratic Republic of Congo, Gabon, Ghana, Mali, Togo). Of course all of these interventions are needed in most countries. To further strengthen the relief effort, there have been calls for international assistance, especial-



Photo: Ousmane Traore/The World Bank

ly a freeze on external debt service payments (World Bank 2020a,b).

Exacerbating effects of informality. Pervasive informality often reflects a range of push and pull factors in society. These include poor living conditions, limited financial and medical resources, high reliance on remittances and the absence of social safety nets, all of which can also worsen the health and economic impacts of the COVID-19 pandemic (World Bank 2020b). In SSA, the informal sector absorbs at least 80 percent of the labor force (Nguimkeu 2014). Informal activities are conducted in-person and cannot easily move online. Informal workers typically live and work in precarious conditions, without adequate access to water, sanitation, and workplace protection equipment. Most informal workers do not have insurance and bear the costs of COVID-19 testing and treatment. In fact, household out-of-pocket health expenditure remains high in several African countries and could reach over 70% of current health expenditure as in Cameroon, Comoros, Equatorial Guinea, Guinea-Bissau, Nigeria, and Sudan (World development indicators 2019). Even before the pandemic, access to health care, including free health care, was out of reach for informal workers, as the cost of missing even one day of work is far too high a price to pay (Gerdin and Kolev 2020).

Given that the vast majority of jobs in SSA are in the informal sector (Bonnet et al. 2019), containment restrictions clearly curb the ability of many workers to earn a living and put a huge strain on their families. This is particularly true for women and men who are the single head of households. The precarious nature of informal labor means that their daily source of income could be significantly affected by the pandemic, especially during confinement periods (Ataguba 2020). There-

fore, lockdowns and social distancing measures are ill-suited for informal workers who must go out each day to earn a living among the outdoor markets and shops on the streets.

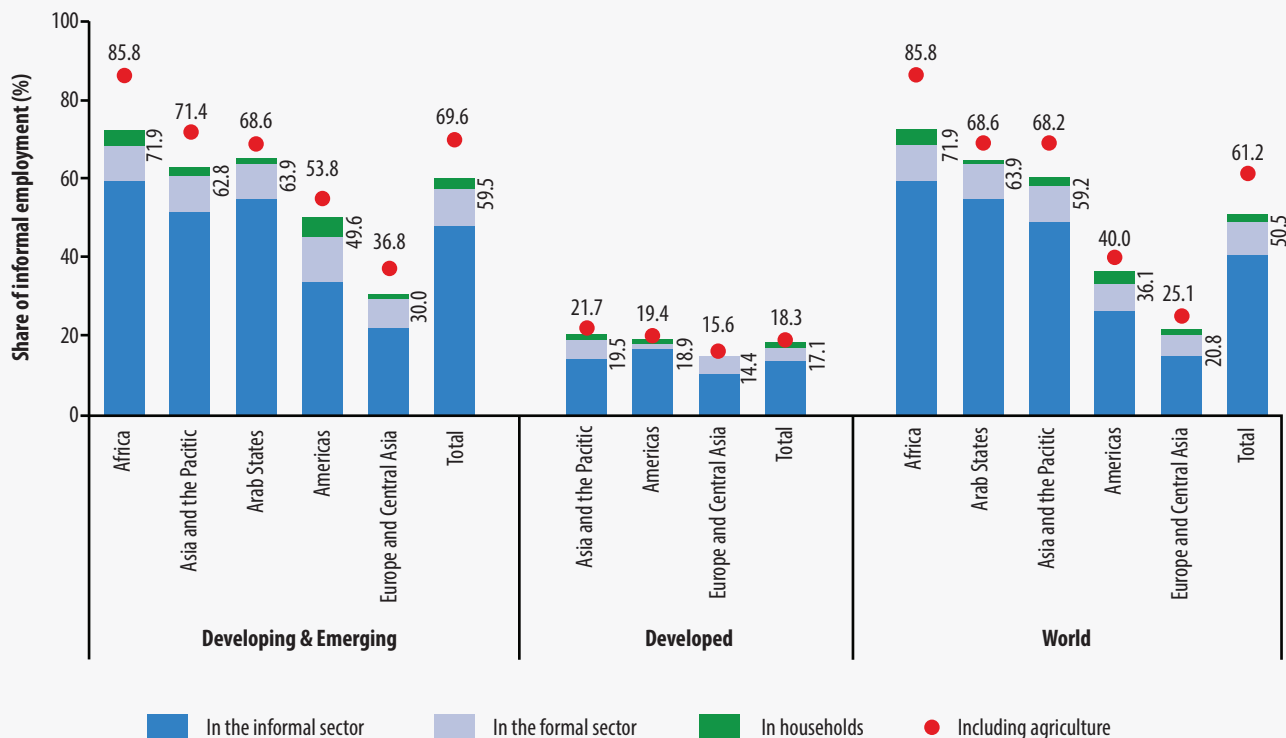
Informality Increases Vulnerability to COVID-19 Outbreaks

Overview of informal labor. The share of informal labor ranges from 43% (Gabon) to 98% (DR Congo), with 88% in Ghana, 90% in Tanzania, 47% in Ethiopia, 95% in Mozambique, and an average of about 77% of total employment in the 46 SSA countries represented in Table 1. Most informal workers lack an alternative income or savings to rely upon when external shocks or crises hit—such as they are experiencing right now. Studies show that informal insurance arrangements between informal workers are often weak (Coate and Ravallion 1993; Ligon et al 2002). Social distancing measures create new vulnerabilities for these workers and their communities. Staying home and missing work is lost income that quickly, within days, leads to missed meals, or not paying rent. COVID-19 containment can lead to a stark trade-off for informal workers: “die from hunger or from the virus” (ILO 2020). Unfortunately, informal

employment is the main source of income for people in SSA, which has the highest share of informal labor compared to other regions of the world. As shown in Figure 1a, 86% of workers—about 20 percentage points higher than in emerging markets and developing economies (EMDEs)—are employed in the informal sector. Moreover, both young and older persons tend to face a higher level of informality (Nguimkeu and Okou 2019). In Africa, 95% of young and older persons are informal workers. This share is much higher than the average for EMDEs (85%) and worldwide (77%), as shown in Figure 1b.

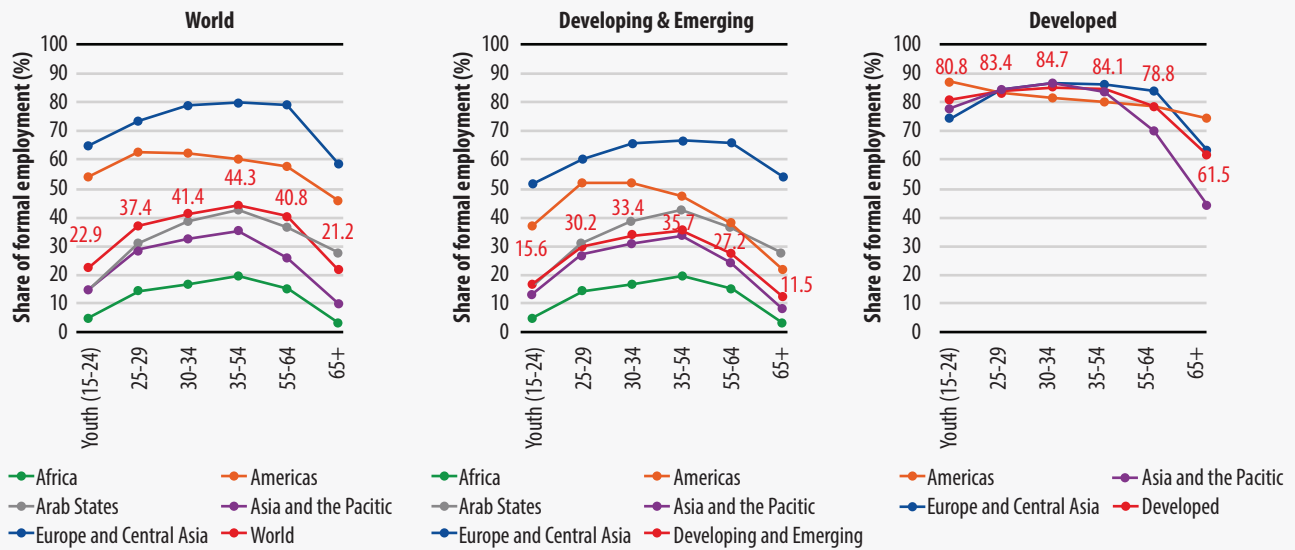
Overview of informal businesses. Informal enterprises, which account for about 90% of all enterprises in SSA, share many of the same vulnerabilities as individual informal workers. (Benjamin and Mbaye 2012). These are mainly unregistered small-scale units, such as carpenters, shop owners, restaurant owners, grocers, employing ten or fewer undeclared and low-skilled workers including unpaid family workers who labor in precarious conditions without social protection or health and safety measures at the workplace (ILO 2020). These microenterprises are usually excluded from any sort of financial assistance program, and

Figure 1: Pervasive Informal Labor in Africa
a. Informal employment, by region and level of development, 2016



Source: Nguimkeu and Okou (2019)

b. Formal Employment, by Worker Age and Economy's Level of Development, 2016



Source: Ngimkeu and Okou (2019)

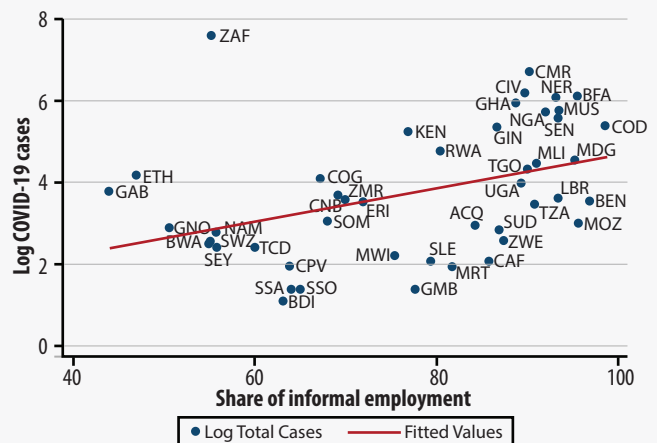
they would often opt to keep operating despite social distancing requirements. Fortunately, in some African countries, governments are providing assistance to households and small businesses. For example, Niger and Togo have suspended tariffs for electricity and other utilities. Nigeria has implemented a cash transfer program for small businesses called “Trader Moni”. These types of actions should be extended to all African countries as they help informal businesses comply with containment measures.

Effects of informal labor on the COVID-19 spread. Informal workers and enterprises are expected to have increased vulnerability to COVID-19 outbreaks due to the living and working conditions under pervasive informality. Figure 2 shows a scatter plot of the relationship between the number of cases of COVID-19 and rates of informality – measured as the share of informal labor – in a sample of SSA countries. This relationship is illustrated with an upward-sloping line thus suggesting that increased levels of informal employment are associated with higher rates of COVID-19 infection. For example, countries like Cameroon (CMR) and Burkina Faso (BFA) are at the top-tier of those with both higher levels of informality and COVID-19 cases, whereas countries like Botswana (BWA) and Seychelles are at the bottom-tier.

We conducted a more thorough analysis of the relationship between informal employment and the vulnerability to COVID-19 spread among 46 SSA countries, while also accounting for their disparities in population size,

income (measured by GDP per capita), and the quality of their healthcare system (measured by public Health Expenditure). In this sample of countries, GDP per capita ranged from US\$211 in Burundi to US\$14,385 in Seychelles, with an average of US\$2,614. Likewise, health expenditure ranges from 0.9% of GDP in Nigeria to 7% of GDP in Swaziland. We look at the total number of confirmed official cases as of April 10, 2020, about 3 weeks after the first effective onsite of the disease in most countries.¹ With this choice, we hoped to use a distribution of cases that better reflects the early conditions of

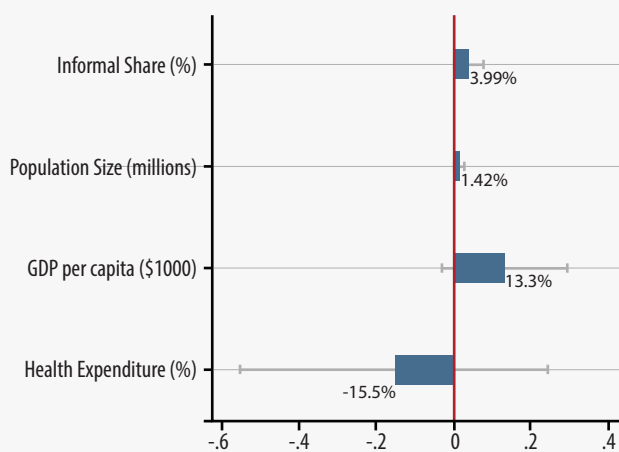
Figure 2: Cases of COVID-19 and size of informal employment in SSA



Source: Authors Calculations

these countries before containment measures took effect. Given that outbreaks may also lead to widespread job losses that push many workers into the informal sector, using pre-crisis measures of informality helps focus on the analysis on the effect of informal labor on workers vulnerability to COVID-19, and not the other way around.

Figure 3: The effect of some key indicators on COVID-19 transmission in SSA



Source: Authors Calculations

The analysis confirms that higher rates of informal employment (as a fraction of total employment) are associated with higher rates of COVID-19 infection or disease spread. Not surprisingly, countries with relatively larger populations are also more likely to experience higher rates of infection. However per capita GDP and health expenditure, generally considered driving factors for improved health outcomes (Cutler et al., 2006), do not appear as significant predictors of the spread of COVID-19 in SSA. This result is consistent with those found by Nguimkeu and Tadadjeu (2020) with a robust model that included epidemiological, environmental, and demographic factors. This implies that, while income can improve material conditions, it is not associated with a significantly lower level of COVID-19 spread in SSA. Likewise, increased public health expenditure, which is a commonly used indicator for the quality of healthcare infrastructure (see Ssozi, and Amlani, 2015; Gallet and Doucouliagos, 2017), had no statistically significant association with the spread of COVID-19.

Effects of non-pharmaceutical policy interventions.

To flatten their infection curves, SSA countries such

as Nigeria, Rwanda, Uganda, and Zimbabwe have implemented a wide range of non-pharmaceutical policy interventions (NPIs) including social distancing, lockdowns, curfews, and travel bans, etc., during different phases of the COVID-19 outbreak. By contrast, some countries, such as Benin, decided against strict lockdowns amid concerns of the socioeconomic effects. Countries that implemented effective NPIs are expected to substantially reduce the spread of COVID-19 in the longer term. Given limited data availability on these interventions, the model discussed in Table 2 does not explicitly account for NPIs among the model explanatory factors. Accordingly, the analysis purposely focuses on the first month the pandemic hit SSA, from late February 2020 to early April 2020, before most interventions were fully in place or effective. This should help limit the confounding influence of NPIs on the spread of the COVID-19 in our estimations.

Conclusion

Informal sector workers in SSA are critically exposed to the COVID-19 pandemic, not only because they are most vulnerable to socioeconomic shocks but also because they live and work in close proximity, increasing the likelihood of infection. To save lives and protect livelihoods, policymakers should implement programs that target informal sector workers and businesses. These should include reducing the opportunity cost of staying at home during crises and increasing conditional cash transfers, food assistance, supplies distribution and healthcare support, especially for informal workers and socially vulnerable households. Expanding social protection programs, fee waivers, and access to credit, as well as debt relief for informal businesses and workers can all help further mitigate the economic cost of the COVID-19 shock. Better support systems and social protection programs could help reduce the spread of disease outbreaks, especially if workers are allowed to stay home. Finally, this pandemic is a clear reminder of the need for African countries to strengthen their health systems, ease access to health services and accelerate efforts in universal health coverage of informal sector workers and their families. Studies show that some developing countries have begun the hard work to support informal workers with social protections (see e.g., Wagstaff et al. 2016), and SSA countries such as Ghana have already taken the lead.² Follow up is also key, as the months ahead will show us the efficacy of these initiatives.

¹ Although the initial cases of COVID-19 occurred in Sub-Saharan Africa in late February, it is only around March 17, 2020 that the number of new cases started rising and the phenomenon became increasingly intense.

² See <http://nhis.gov.gh/>

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