



# Impact of COVID-19 on informal workers

## SUMMARY

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- The COVID-19 pandemic is a major economic and labour market shock, presenting significant impacts in terms of unemployment and underemployment for informal workers
- In rural areas, the livelihoods of especially the self-employed and wage workers are at risk, because agri-food supply chains and markets are being disrupted due to lockdowns and restrictions of movement. Families might resort to negative coping strategies such as distress sale of assets, taking out loans from informal moneylenders, or child labour.
- Specific groups of workers, including women, youth, children, indigenous people, and migrant workers, who are overrepresented in the informal economy, will experience further exacerbation of their vulnerability.
- Response measures should foster the expansion of social protection coverage to informal workers in agriculture and rural sectors, including timely cash transfers, food or in-kind distributions. Specific measures should be tailored towards women workers with care responsibilities at home, families that may resort to child labour as a coping strategy, as well as other vulnerable subgroups. Efforts should be made to maintain agricultural supply chains and strengthen the market linkages for local producers, while promoting decent work.

## POLICY ISSUES

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Informal workers, whether wage workers or self-employed, are among the groups most at risk of losing their jobs and incomes. By definition, they do not have secure employment contracts, and therefore usually do not enjoy workers' benefits, social protection or workers' representation. Informality is especially widespread in agriculture and rural sectors, where more than 80 percent of the self-employed are informal, as well as the majority of wage workers and the totality of contributing family workers (among which women are overrepresented). In developing countries, over 90 percent of agricultural workers are informal (ILO, 2018). Particularly difficult is the situation of wage workers in the agricultural sector, who represent nearly half of the total agricultural labour force, but remain largely invisible to policy and decision-makers. They are already among the poorest workers and often employed on a seasonal, casual or temporary basis. This makes them even more vulnerable to the economic shocks brought on by the COVID-19 pandemic.

Key policy issues to be considered are the following:

- **The COVID-19 pandemic is expected to have significant impacts in terms of unemployment and underemployment, especially on informal workers.** International Labour Organization (ILO) estimates an increase of 5.3 million ("low" scenario) and 24.7 million ("high" scenario) in unemployment from a base level of 188 million in 2019 because of the current crisis

(ILO, 2020). The lockdowns at country and sub-national levels, as well as the restrictions on the movement of people have led to the closure of non-essential businesses with negative outcomes on labour markets worldwide, particularly in the informal sector. As the COVID-19 spreads across regions with large informal economies (sub-Saharan Africa, South and Southeast Asia and Latin America), it is therefore expected that more informal workers will lose their jobs and face extreme poverty and food insecurity.

- **Informal workers in the agriculture and food supply sector are at risk of losing their jobs due to the COVID-19 pandemic, even though these are considered essential systems that should remain operational.** Agri-food supply chains and markets are inevitably being disrupted due to lockdowns and restrictions of movement. The strict quarantines and the closure of roads disrupt logistics, which may hurt micro and small intermediaries in aggregation and distribution. The closure of markets and schools lead to the loss of selling and buying opportunities and decrease the demand for agricultural products, thus reducing the demand for agricultural labor. Where school-feeding programmes were directly sourcing from local producers, the negative impacts on informal workers in rural areas might be even more significant.
- **The reduction in wage employment opportunities risks limiting the ability of small-scale producers to diversify their incomes.** Seasonality is a factor influencing the demand for labor in the agricultural sector. Since planting and harvesting periods are more labor-intensive, should the lockdowns and restrictions overlap with the periods, a huge opportunity to complement household income for the poorest farmers through wage work in agriculture would be lost. Beyond agriculture, restrictions of movement in severely affected cities will impede rural people from moving to urban centers to seek for alternative job opportunities. They will negatively affect farmers' livelihoods by limiting their ability to work for a wage, hire temporary workers, and buy/sell inputs/outputs, leading to a greater risk of food insecurity.
- **Many informal workers in the agriculture and rural sectors may expose themselves and their families to additional risks and vulnerability.** Without alternative livelihood strategies in sight, informal workers may continue to work without taking adequate preventive measures or appropriate protection, thus exposing themselves and their families to health and safety risks.<sup>1</sup> Seasonal, migrant workers in agricultural sectors are also affected by the lockdown, and the undocumented workers face worsened working conditions and more difficulty in mitigating health and safety risks. Those in the rural areas with limited access to relevant information and medical treatment will face catastrophic consequences for their life and livelihoods. Further, when experiencing income losses, they may resort to negative coping strategies, such as distress sale of assets, predatory loans from informal moneylenders<sup>2</sup> or child labour. As schools are closed, some children may be asked to support their families in farm-related work, both on the family farm or as wage workers, which could expose them to hazardous or age-inappropriate tasks. Children already engaged in child labour are likely to face worsened hardship and shoulder even more responsibility to meet the food security needs of the family.

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<sup>1</sup> At least half of the world's population still do not have full coverage of essential health services (WHO, 2020). Many low- and middle-income countries face challenges in providing universal health coverage (UHC) especially for informal workers (Vilcu *et al.*, 2016). Please visit WHO's Coronavirus 2019 page for guidance: <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>

<sup>2</sup> A study of multiple countries in sub-Saharan Africa, South and Southeast Asia found that in the absence of health coverage, responses to health shocks by people in or near poverty typically include distress sales of assets and taking out loans from informal moneylenders, sometimes at exploitative interest rates (CPAN, 2019).

- **Rural women will be hit harder by the social and economic impacts of the crisis.** They make up 41 percent of the world's agricultural labour force. In many countries in Southeast Asia and sub-Saharan Africa, more than 60 percent of women work in the agricultural sector (ILO, 2019). In lower income countries, women's rates of informal employment are higher than men's, so they are more at risk of income losses in the current situation. Furthermore, since women shoulder the main responsibility for caregiving in their households and rural communities, they are more likely to be burdened with additional household tasks that increase when more people stay at home during a quarantine. This can cause further marginalization of women in rural labour markets, particularly when they have to compete with men for scarce lucrative jobs. Additionally, existing trends point to less access to sexual and reproductive health and a rise in domestic violence during the crisis (UN WOMEN, 2020).
- **Other groups of workers, such as youth, indigenous people and migrant workers, also risk to be disproportionately affected.** Young people are twice as likely as adults to be in temporary employment, with almost 80 percent of working youth employed in informal jobs, reaching up to more than 95 percent in developing countries (ILO, 2017). Especially in rural areas, young people are 40 percent more likely to be in casual wage work without a contract (ILO, 2017). Indigenous peoples and ethnic minorities are also disproportionately represented among informal workers, especially in agriculture, and are particularly marginalized. Many migrant workers are also under informal or irregular arrangements, leaving them without access to recovery measures put in place by governments (FAO, 2020a, 2020b).

### EXAMPLES OF MEASURES TAKEN IN SUPPORT OF INFORMAL WORKERS

The most common measures taken so far include the introduction of cash grants and food distribution for vulnerable groups, and temporary employment schemes for informal workers. As of May 15, a total of 181 countries planned to or have introduced social protection programmes. 26 out of 181 countries (14 percent) specifically target informal workers including nine countries from Africa, nine from Latin America and Caribbean, five from Asia and Pacific, two from Europe, and one from Middle East<sup>3</sup>. The number of countries has more than doubled over the past month (e.g. only 11 countries mainly in Latin America and Caribbean had taken measures targeted for informal workers as of 27 March) indicating the rapid spread of COVID-19 to countries with large informal economies.

A targeted cash transfer scheme is the major form of assistance that 19 out of 26 countries have adopted. The amount varies by region and country ranging from USD 17 in Togo and Tunisia to USD 300 in El Salvador. The second major intervention is food assistance adopted by four countries. Along with a food package, in Rwanda and Sudan, other essential items such as soap are also distributed. In Philippines, public work opportunities are offered to informal workers in disinfection and sanitation services. In Indonesia, subsidized vouchers are distributed to unemployed informal workers for skilling and re-skilling training. In Mexico, preferential loans of MXN 25 000 (USD 1 000) are provided to microenterprises in informal family businesses.

In order to identify and reach the target recipients, some countries use existing platforms that are already comprehensive of information on informal workers, or introduce new mechanisms for registration, such as dedicated websites.<sup>4</sup> Other countries use more localized ways or use

<sup>3</sup> The 26 countries are Burkina Faso, Cabo Verde, Egypt, Morocco, Namibia, Rwanda, Sudan, Togo, and Tunisia from Africa, Argentina, Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Jamaica, Mexico, and Saint Lucia from Latin America and Caribbean, Australia, Fiji, Indonesia, Nepal, and Philippines from Asia and Pacific, Georgia and North Macedonia from Europe, and Jordan from Middle East.

<sup>4</sup> In Tunisia, informal workers households with low-cost/free healthcare card are registered in the social security system. In Egypt, they are registered in the workforce databases of governorates. In Colombia, they are identified by the existing national system for beneficiaries' selection for social programmes (SISBEN) and tax collection databases. The U.S. sets up a simple website where

utility usage data to identify target beneficiaries. In Rwanda, the government uses the lowest administrative entity known as “isibo” that covers 15 to 20 households. Households can self-report to any committee members in the local level administrative by calling them directly or dialing a dedicated toll-free number to express their need for food. In El Salvador, the government targets households using the electricity usage and any households with monthly consumption of 0-250 kilowatts/hour get the transfers.

Beyond social protection, in many countries, measures were introduced to maintain the supply chain of agricultural products, which is also indirectly expected to benefit informal workers. Local initiatives have emerged across regions to establish direct market linkages between small-scale producers and urban consumers. In China, a support system was established with a number of "vegetable basket" product supply bases around large and medium-sized cities, which also provided more nearby employment for farmers. In Korea, the Ministry of Agriculture developed an online trading platform that directly links smallholder producers with consumers to ensure market access to the farmers, and fresh produce to urban consumers. In Austria and Germany, platforms were developed to match supply and demand of labour in the agricultural sector. Farmers can indicate their demand for labour / seasonal workers while those affected by temporary or permanent unemployment or underemployment can indicate their availability.

### POLICY RECOMMENDATIONS

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Recommendations need to consider the existing employment and social protection policies, as well as the pre-existing gender and age disparities in the rural labour market. Different interventions can be implemented in synergy.

- **Provide temporary compensation in the form of in-kind food/vouchers or targeted cash transfers to informal workers who are not able to work, or universal one-off cash payments.** In addition to using existing systems and databases that are inclusive of information on informal workers or setting simplified online mechanisms to apply for the emergency aid, engage with informal workers’ organizations and other community grassroots organizations to improve targeting.
  - Ensure that social protection measures form part of a package of measures including health and hygiene support, and relieving the working poor from loan repayments, rent and utilities payments.
  - Package the above-mentioned measures with sustainable financial measures (micro loans, micro insurance, group loans, etc.) to assist informal workers’ financial recovery while protecting them from the loan debt trap after the crisis.
  - Enact stimulus packages that aim to sustain jobs and the economy, including for micro-, small- and medium-sized enterprises.
- **Provide targeted support to women workers with care responsibilities at home, families that may resort to child labour as a coping strategy, as well as to other vulnerable groups of informal workers.** The support could include targeted cash, food or in-kind distributions, as well as distance support (e.g. radio campaigns) to raise awareness and listen to their needs.
  - Include women and youth in response and recovery decision-making, e.g. by leveraging the capacities of their organizations or leaders.
  - Ensure students’ access to alternative means of education and learning, taking into account the digital divide that rural areas and vulnerable households may experience

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undocumented workers can submit their social security number and address to receive a cash grant by check. Argentina and Morocco also used on-line self-registration and cross-checking to add informal sector workers as beneficiaries.

- (e.g. use radios where the internet is not available). After the crisis, introduce additional training sessions for students who could not benefit from distance learning solutions.
- Ensure that messages about the importance of maintaining children in schools and protecting them from hazardous child labour are consistently disseminated. Special attention needs to be paid to the prevention of teenage pregnancy during the lockdowns.<sup>5</sup>
- Liaise with community organizations to disseminate up-to-date health information to diminish the spread of COVID-19, bearing in mind that those who are vulnerable have less access to information.
- **Maintain agricultural supply chains and strengthen the market linkages for local producers, while promoting decent work and introducing labour matching mechanisms for informal workers to access available employment opportunities in agriculture food value chains.**
  - Liaise with local administrations to promote market linkages at the micro level (e.g. introduce vegetable delivery sourced from local producers). Consider the provision of passes to ease the logistics issues under the restrictions of movement.
  - Facilitate matching platforms of labour demand and supply in the agri-food system. Where possible, provide online and via phone job search counselling and intermediation.
  - Invite, support and monitor employers of wage farm workers for guaranteeing more sick pay, protections and information for workers in the fields.

### **THE ROLE OF THE FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS**

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- The Food and Agriculture Organization of the United Nations (FAO) will work with ministries to support the design of policy measures that address the needs of informal workers in the rural economy as part of the COVID-19 response.
- In the short term, FAO will monitor and map policy and programmatic responses to support informal workers, especially in the agriculture and rural sectors, and disseminate information on lessons learned.
- In the short term, FAO will solicit vulnerable groups of informal workers, such as the rural youth, to express their concerns and their needs for support, and inform about the coping strategies their organizations are introducing to face the emergency.
- In the medium to long term, FAO will support its Member Countries in integrating decent rural employment promotion measures in the strategies and plans for recovery that will be put in place, paying due attention to informal workers and gender inequalities in agriculture and rural sectors.
- In the medium to long term, FAO will further collaborate with other organizations such as the ILO in supporting a transition to formality in the informal rural economy, including by investing in inclusive agri-food value chains, generating more and better jobs in rural areas and supporting the organization and voice of rural informal workers.

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<sup>5</sup> During the Ebola crisis, a spike in pregnancy was observed.

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## ACKNOWLEDGEMENTS

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The lead author of this brief are Hitomi Ho and Ileana Grandelis, Rural Youth Employment Officer and Programme Officer, Regina Kistler and Anna Befus from FAO's Economic and Social Development Department contributed to its preparation.



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Recommended citation: FAO. 2020. *Impact of COVID-19 on informal workers*. Rome.  
<https://doi.org/10.4060/ca8560en>

Last updated:  
19/05/2020

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CA8560EN/1/04.20