The Urban Informal Economy
Achieving Prospering and Territorial Equality

Martha Alter Chen and Caroline Skinner
Women in Informal Employment: Globalizing and Organizing

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This paper has been produced as an Issue-Based Contribution to the sixth Global Report on Local Democracy and Decentralization (GOLD VI): the flagship publication of the organized constituency of local and regional governments represented in United Cities and Local Governments. The GOLD VI report has been produced in partnership with the Development Planning Unit (University College London), through the programme Knowledge in Action for Urban Equality (KNOW). GOLD VI focuses on how local and regional governments can address the local manifestations of growing inequalities and contribute to create ‘Pathways toward urban and territorial equality’. The GOLD VI report has been produced through a large-scale international co-production process, bringing together over a hundred representatives of local and regional governments, academics and civil society organizations. This paper is an outcome of this process and is part of the GOLD VI Working Paper series, which collects the 22 Issue-Based Contributions produced as part of the GOLD VI process.

In particular, the present paper has contributed to Chapter 8 on ‘Prospering’, which focuses on prosperity as a culturally specific and multi-dimensional concept, including income but not only. The chapter explores key drivers of urban inequality reflected in the scarcity of decent work and in social-spatial disparities in the location of different productive activities within cities. Through the lens of ‘prospering’, the chapter analyses how local and regional governments can increase decent work opportunities, and, drawing on the impacts of COVID-19, how they can mitigate the effects of future pandemics and of climate change on decent work, urban prosperity and inequality.

This paper was produced by Martha Alter Chen and Caroline Skinner from Women in Informal Employment: Globalizing and Organizing (WIEGO).

WIEGO is a global network focused on empowering the working poor, especially women, in the informal economy to secure their livelihoods. It believes that all workers should have equal economic opportunities, rights, protection and voice. WIEGO promotes change by improving statistics and expanding knowledge on the informal economy, building networks and capacity among informal worker organizations and, jointly with the networks and organizations, influencing local, national and international policies.

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Introduction

Globally, 61 per cent of the workforce is informally employed - a total of 2 billion informal workers worldwide. Most urban employment in developing and emerging economies is informal. The global estimates also show a significant overlap between working informally and being poor.¹ The tripartite International Labour Conference (ILC) discussions about informal employment have been foundational. As far back as 2002, the ILC recognized that informal workers face greater deficits than formal workers regarding the four pillars of decent work: economic opportunities, rights, social protection and voice. In addition to greater deficits in decent work, the working poor in the informal economy face greater deficits in decent living – they have less access to adequate and affordable health, education, housing and basic infrastructure services. Most live, and some work, in informal, underserved settlements.

Making matters worse, the working poor in the informal economy – especially the self-employed – face greater exposure to risks and shocks than formal workers, including high exposure to policy uncertainty and policy hostility (as existing policies and laws tend to be biased against them); to economic shocks and risks (shifts in demand, prices, and competition); and to occupational health and safety risks (associated with both their work and their workplaces). Also, because they often live in informal settlements with decent living deficits, informal workers face greater vulnerability to non-economic shocks than formal workers, including health shocks, natural disasters, climate change and political conflict. Despite the high exposure to risks and shocks of different kinds, the working poor in the informal economy have limited (if any) access to legal and social protections.

The COVID-19 crisis has further exposed these vulnerabilities. It widely accepted that the pandemic and associated government restrictions have had a disproportionately negative impact on informal workers and their livelihood activities;² that many informal workers provide essential goods and services; and that many, essential frontline workers are informally employed, without health insurance or paid sick leave. Given this combination of decent work and decent living deficits and greater exposure to risks and shocks, but also the contributions that urban informal workers make, a concentrated focus on this group should be central to achieving prospering and territorial equality. This issues-based contribution to the UCLG Gold Report aims to outline what is known about the informal economy but also an agenda for action, with a focus on local authorities.

The paper starts by outlining the size and composition of the informal economy including considering the relationship between informal employment, poverty and gender in Section 2. Understanding the size and composition of the informal economy at city level is critical for urban policy and planning, so in Section 3 we present urban and city level statistics from India, showing what analysis is possible from labour force surveys. In Section 4, to further illustrate both the nature of the urban informal economy and how local authorities and formal-informal dynamics shape livelihood opportunities, we reflect on three illustrative urban worker groups – home based workers, street and market traders, and waste pickers. This suggests a broadening of policy levers beyond reduction of red tape and access to finance and training.³ In Section 5 we consider the impact that measures to prevent the spread of COVID-19 have had on the informal economy, drawing largely on WIEGO’s 11 city study. This section ends by detailing the distinct pathways through which each worker group was impacted by the economic downturn again illustrating the role of local government as well as the supply and demand linkages with the formal economy. Together, this content informs the Conclusion in which we highlight priority interventions, with special attention paid to the role of local government.

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3. These intervention suggestions are a frequent refrain from the World Bank (see enterprisesurveys.org) and the International Monetary Fund (see for example IMF, 2017 for Sub-Saharan Africa) but also at country level (see for example Fourie, 2018 for South Africa) and neo-classically trained economists (see for example Perry et al’s, 2007 analysis of the informal economy in Latin American countries and Grimm et al, 2012 analysis of the informal sector in West Africa).
1. The size and composition of the informal economy

This section reflects the first-ever global estimates of informal employment. They were compiled by the ILO, based on statistics collected by national statistical offices following the international definitions and methods of the International Conference of Labour Statisticians (ICLS).

Table 1 and 2 show the share of informal employment in total, urban and rural employment by country income levels and geographic regions, respectively. This shows that for urban areas in much of the Global South, informal employment predominates.

Table 3 shows informal employment data by gender. Globally, men have higher rates of informal employment than women. However, women’s rates of informal employment are higher than men’s in developing countries and in over half of all countries. Lower rates of employment and/or informal employment for women in many emerging countries contribute to the higher global average for men.

With respect to age, Table 4 shows that globally, the share of informal employment in total employment is higher among young workers (age 15-24) and older workers (age 65+) than among other adult workers (age 25-64). In developing countries, almost everyone in the younger and older age groups who is working, is informally employed.

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4. The ICLS defines ‘informal sector’ as employment and production that takes place in unincorporated, small or unregistered enterprises while ‘informal employment’ refers to employment without social protection through work both inside and outside the informal sector. The ‘informal economy’ refers to all units, activities, and workers so defined and the output from them. (ILO, ‘Women and Men’ (3rd ed)).

5. ILO, ‘Women and Men (3rd ed)’

6. In the country income groups used by the ILO, ranked by US$ per capta per annum, there are 30 developing [low-income] countries (US$ 1,066 or less), 101 emerging [middle-income countries including 51 lower-middle income countries (US$ 1,066 to 3,955) and 50 upper-middle income (US$ 3,996-12,235), and 57 developed [high-income] countries (US$12,236 or more). Several lower-middle income countries, including Ghana and India, have informal employment rates around 90 per cent (the developing country average).

7. Rural-urban estimates come from estimates generated by Florence Bonnet at the ILO for this report.

9. Unfortunately, labour force data, unlike census data, does not include variables on the type of dwelling the interviewee lives in and access to basic services. These data would allow for interrogation of the relationship between labour market inequalities and territorial inequalities.

<table>
<thead>
<tr>
<th>Countries by income level</th>
<th>Wage Employment</th>
<th>Self-employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>36</td>
<td>64</td>
</tr>
<tr>
<td>Developing</td>
<td>21</td>
<td>79</td>
</tr>
<tr>
<td>Emerging</td>
<td>37</td>
<td>63</td>
</tr>
<tr>
<td>Developed</td>
<td>51</td>
<td>49</td>
</tr>
</tbody>
</table>

Table 5 shows the composition of informal employment by status of employment. It shows that globally self-employment predominates, and particularly in developing and emerging economies.

Table 6 shows status in employment of all workers and by sex. The data show that only 3 per cent of informal employment is constituted by employers and that men are much more likely than women to be employers. The vast majority of informal workers are own account workers (45 per cent), employees (36 per cent) and contributing family workers (16 per cent). Again, women are much more likely than men to be contributing family workers, the most vulnerable category of self-employment.

<table>
<thead>
<tr>
<th>Countries by income level</th>
<th>Employers</th>
<th>Employers</th>
<th>Employers</th>
<th>Contributing Family Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>36 16</td>
</tr>
<tr>
<td>Developing</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>36 16</td>
</tr>
<tr>
<td>Emerging</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>36 16</td>
</tr>
<tr>
<td>Developed</td>
<td>6</td>
<td>4</td>
<td>8</td>
<td>36 16</td>
</tr>
</tbody>
</table>

The global estimates also show a significant overlap between working informally and being poor: a higher percent of informal workers, than formal workers, are from poor households; a higher percent of all workers in poor households, than in non-poor households, are informally employed; and only three per cent of all informal workers are employers who hire paid workers, the one segment of informal workers that, on average, are non-poor (Bonnet, Vanek, and Chen, 2019).8

WIEGO has long explored the links between informality, poverty, and gender. This work suggests a hierarchy of earnings and segmentation by employment status and sex depicted in Figure 1. This model was initially confirmed using national labour force data from Costa Rica, Egypt, El Salvador, Ghana, India, and South Africa.9 In all countries, average earnings went down and the risk of being from a poor household went up as workers moved down the employment statuses. [For a recent analysis of these relationships using labour force survey data from South Africa see Rogan and Alfers 2019].10


9. Unfortunately, labour force data, unlike census data, does not include variables on the type of dwelling the interviewee lives in and access to basic services. These data would allow for interrogation of the relationship between labour market inequalities and territorial inequalities.

10. Rogan and Alfers, ‘Gendered Inequalities’
The inequalities between those at the base and the tip of the broader economic pyramid can be traced through nested layers of inequality: between capital and labour, between formal and informal workers, and between different groups of informal workers – and between women and men at each level. In today’s globalized economy, income and wealth are concentrated at the tip of the economic pyramid and the formal workforce is trying to hold onto the gains it has made over the years. At the same time, formal work is being informalized and new forms of informal work, such as most gig work, are being created.

2. Urban, city and worker group estimates

Since it is at city level where many policies, regulations and plans that directly affect urban informal workers are made, in addition to national estimates, city level data is critical. While national statistical agencies seldom report labour force or enterprise data disaggregated by cities, this type of analysis is possible. WIEGO has done this using labour force data from India, Thailand, Ghana, South Africa, and Mexico.

The two tables below, based on data from India, provide an example of what estimates are possible using city-level data. These show employment in India is overwhelmingly informal: 90 per cent of all workers are employed under informal arrangements (table 7). In urban areas and in Delhi, a smaller share is informally employed (around 80 per cent). Nationally, 92 per cent of women and 90 per cent of men are informally employed. However, to some degree in urban areas and more so in Delhi, the ratio is reversed. In urban areas, the percentage of men’s and women’s employment that is informal is roughly equal (79 and 78 per cent, respectively), while in Delhi a higher percentage of men workers than women workers are informally employed (82 per cent for men and 76 per cent for women).

<table>
<thead>
<tr>
<th>Area</th>
<th>Total employment</th>
<th>Informal employment as per cent of total employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Women</td>
</tr>
<tr>
<td>India</td>
<td>461.52</td>
<td>104.95</td>
</tr>
<tr>
<td>Urban India</td>
<td>150.25</td>
<td>29.91</td>
</tr>
<tr>
<td>Delhi</td>
<td>6.09</td>
<td>0.91</td>
</tr>
</tbody>
</table>

Table 7: Total employment and informal employment by sex in India, 2017-18 (numbers in millions and per cent in parentheses)
Source: Raveendran and Vanek, 2020:2
The data analysts were able to generate estimates on six groups of workers: home-based workers, domestic workers, street vendors/market traders, waste pickers, informal construction workers, and informal transport workers. These often-overlooked groups of workers are essential to the functioning of cities. As tables 9 show, these worker groups are predominately informal.

Together these groups comprise 29 per cent of total employment nationally: 27 per cent among women and 30 per cent among men (table 8). In the urban areas, the six groups comprised 35 per cent of total employment: 40 per cent for women and 34 per cent for men. In Delhi, they comprised 27 per cent — 24 per cent for women and 27 per cent for men.

<table>
<thead>
<tr>
<th>Worker Group</th>
<th>India</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Women</td>
<td>Men</td>
<td></td>
</tr>
<tr>
<td>Home-based worker</td>
<td>41.855</td>
<td>17.195</td>
<td>24.660</td>
<td></td>
</tr>
<tr>
<td>Domestic worker</td>
<td>5.235</td>
<td>3.399</td>
<td>1.836</td>
<td></td>
</tr>
<tr>
<td>Street vendor/market trader</td>
<td>11.887</td>
<td>1.201</td>
<td>10.685</td>
<td></td>
</tr>
<tr>
<td>Waste picker</td>
<td>2.197</td>
<td>0.721</td>
<td>1.475</td>
<td></td>
</tr>
<tr>
<td>Informal construction*</td>
<td>51.937</td>
<td>5.155</td>
<td>46.781</td>
<td></td>
</tr>
<tr>
<td>Informal transport*</td>
<td>20.164</td>
<td>0.097</td>
<td>20.067</td>
<td></td>
</tr>
<tr>
<td>All groups</td>
<td>133.275</td>
<td>27.770</td>
<td>105.505</td>
<td>29.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Worker Group</td>
<td>India Urban</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Women</td>
<td>Men</td>
<td></td>
</tr>
<tr>
<td>Home-based worker</td>
<td>16.998</td>
<td>6.776</td>
<td>10.222</td>
<td></td>
</tr>
<tr>
<td>Domestic worker</td>
<td>3.811</td>
<td>2.825</td>
<td>0.986</td>
<td></td>
</tr>
<tr>
<td>Street vendor/market trader</td>
<td>6.288</td>
<td>0.687</td>
<td>5.601</td>
<td></td>
</tr>
<tr>
<td>Waste picker</td>
<td>1.516</td>
<td>0.527</td>
<td>0.989</td>
<td></td>
</tr>
<tr>
<td>Informal construction*</td>
<td>14.174</td>
<td>1.188</td>
<td>12.986</td>
<td></td>
</tr>
<tr>
<td>Informal transport*</td>
<td>9.543</td>
<td>0.062</td>
<td>9.482</td>
<td></td>
</tr>
<tr>
<td>All groups</td>
<td>52.330</td>
<td>12.064</td>
<td>40.266</td>
<td>33.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Worker Group</td>
<td>Delhi</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Women</td>
<td>Men</td>
<td></td>
</tr>
<tr>
<td>Home-based worker</td>
<td>0.411</td>
<td>0.063</td>
<td>0.349</td>
<td></td>
</tr>
<tr>
<td>Domestic worker</td>
<td>0.223</td>
<td>0.118</td>
<td>0.105</td>
<td></td>
</tr>
<tr>
<td>Street vendor/market trader</td>
<td>0.167</td>
<td>0.012</td>
<td>0.155</td>
<td></td>
</tr>
<tr>
<td>Waste picker</td>
<td>0.040</td>
<td>0.006</td>
<td>0.033</td>
<td></td>
</tr>
<tr>
<td>Informal construction*</td>
<td>0.387</td>
<td>0.015</td>
<td>0.372</td>
<td></td>
</tr>
<tr>
<td>Informal transport*</td>
<td>0.402</td>
<td>0.000</td>
<td>0.402</td>
<td></td>
</tr>
<tr>
<td>All groups</td>
<td>1.630</td>
<td>0.214</td>
<td>1.415</td>
<td>27.3</td>
</tr>
</tbody>
</table>

* Includes all informal workers in the specific industry category.
All other groups are mainly informal but potentially include a few formal workers.

Having city-level data like this is essential to ensuring that economic, social and infrastructure planning at city level is sensitive to the informal economy in general and the diversity within it, in particular. For area-based planning within cities this will need to be supplemented with other data – see for example Roever (2011) on street vendor census data.12
Since it is at city level where many policies, regulations and plans that directly affect urban informal workers are made, in addition to national estimates, city level data is critical. While national statistical agencies seldom report labour force or enterprise data disaggregated by cities, this type of analysis is possible. WIEGO has done this using labour force data from India, Thailand, Ghana, South Africa, and Mexico.

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Globally, there are 260 million home-based workers. While the overwhelming majority (86 per cent) of home-based workers are in developing and emerging countries, the number in developed countries (35 million) is substantial. Although there are large differences in the numbers of home-based workers across regions, the percentage of home-based work as a share of total employment varies between 3 to 10 per cent in most regions. The exception is in East and South-Eastern Asia (excluding China), where home-based work is 18 per cent of total employment and 23 per cent of non-agricultural employment. Asia and the Pacific, which has the largest population among the regions, accounts for 65 per cent of home-based workers [Bonnet et al. 2021:2-3]. In most countries, the majority of home-based workers are self-employed, with a minority being sub-contracted workers.

For home-based workers, whose home doubles as their workplace, housing is an essential productive asset. Inadequate housing is a commonly cited problem by home-based workers (see for example Chen, 2014). A small house hampers productivity as the home-based worker cannot take bulk work orders because she cannot store raw materials and her work is interrupted by competing needs for the same space of other household members and activities. Although they remain largely invisible, home-based workers are engaged in many branches of industry. Poor quality housing often results in raw materials and finished goods being damaged. Monsoon rains, for example, force home-based workers to suspend or reduce production, as equipment, raw materials or finished goods get damaged when roofs leak or houses flood; products (e.g., incense sticks) cannot dry due to leaks and humidity; and orders are reduced due to decreased demand and/or difficulties associated with transport during the rains. Home-based workers are also negatively impacted by single-use zoning regulations, which ban commercial activities in residential areas.

3. Home-Based Workers

Home-based workers produce goods or services for the market from their own homes or adjacent grounds and premises: stitching garments and weaving textiles; making craft products; processing and preparing food items; assembling or packaging electronics, automobile parts, and pharmaceutical products; selling goods or providing services (laundry, hair-cutting, beautician services); or doing clerical or professional work, among other activities. Although they remain largely invisible, home-based workers are engaged in many branches of industry.

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When the home is also the workplace, basic infrastructure services are essential for the productivity of work, notably electricity but also water and sanitation. The accessibility and cost of public transport is also a key factor for home-based workers who commute to markets on a regular, if not daily, basis to buy raw materials and other supplies, to negotiate orders, and to sell or deliver finished goods. The distance between the home-based worker’s home and the market, contractor, or customers she deals with is critical, affecting the cost of transport. When home-based workers are relocated to peripheral areas of the city, they often have poor access to public transport and their transport costs rise sharply. A WIEGO study of home-based workers in Ahmedabad (India), Bangkok (Thailand) and Lahore (Pakistan) found that transport accounted for 30 per cent of business expenses; and of those who had to pay for transport, one quarter operated at a loss. This shows the extent to which city-wide planning can impact on livelihoods.

In sum, home-based workers and their livelihood activities are affected by local government policies and practices, notably land allocation, housing policies, zoning regulations, basic infrastructure services, and public transport. This is because their homes are their workplaces, and they have to commute to markets and transport supplies/goods to and from their homes. In addition, their livelihood opportunities are shaped by the multiple backward and forward linkages with formal economy players – in supply of inputs, access to markets and prices for inputs and finished goods. This suggests understanding which value chains informal workers are in and what their position is within these value chains, is critical to economically informed interventions and livelihood security [see for example von Broembsen 2020 and Tewari 2020].

### 3.2 Street Vendors

Street vendors offer a range of goods and services from streets and other public spaces. They represent 4 per cent of urban employment in India, between 12 and 24 per cent of urban employment in 8 African cities, and 15 per cent of non-agricultural employment in South Africa. Street vendors offer working people, the poor and even middle-class consumers, a convenient place to buy goods at low prices; serve as key links in the wider urban distribution system; and enrich the cultural life of cities. Research consistently confirms the critical role played by informal food vendors in urban food security. The African Food Security Urban Network (AFSUN), for example, found that 70 per cent of home-based workers in Ahmedabad (India), Bangkok (Thailand) and Lahore (Pakistan) found that transport accounted for 30 per cent of business expenses; and of those who had to pay for transport, one quarter operated at a loss. This shows the extent to

Street vendors contribute around half of daily protein intake.

**Daily, street vendors are directly affected by the regulations and policies of city governments and the practices of city officials.** Across most cities worldwide, government policies or practices undermine the ability of street vendors to pursue their livelihoods. Roever’s study of street traders in five cities for example found abuse of authority by the police and local officials a common complaint; this includes police harassment, demands for bribes, arbitrary confiscations of merchandise, and physical abuse. These practices tend to take place in urban policy environments that do not define a role for street trade or offer a viable space to accommodate it.

Where cities attempt to regulate street vending, the licensing and permitting practices and their associated taxes, fees, tolls and levies have a significant impact on vendors. Most vendors “pay all manner of tolls, levies, and fees – as well as bribes – to use public space”. But most street vendors lack basic infrastructure services at their vending sites, including running water and electrical power.

21. Crush and Frayne, ‘Supermarket Expansion’
22. Steyn et al., ‘Nutritional Contribution of Street Foods’
23. Roever and Skinner, ‘Street Vendors and Cities’, p. 4-6
“Prepared food vendors must cook at home or ferry water to their stalls, street tailors and hairdressers stop working when the power goes out, and market vendors spend time and money organizing ad-hoc waste removal systems where city services fail”.

The fact that most cities do not consult with street vendors around such practices only compounds the problem.

When they operate without a license, street vendors are considered illegal under most municipal acts or by most municipal officials: leaving them subject to treatment as criminals and to rent-seeking in the granting of licenses. But the license regime for street vending is opaque and repressive. Many cities have inappropriate license ceilings: for instance, in New York City, since 1983 there has been a cap on food vendor licenses of 3,000, despite an estimated 20,000 food vendors operating.

There are many ways in which the formal economy shapes livelihood prospects for informal traders. Research consistently shows that street vendors source their products in the formal economy. Informal vendors have long been the final point of sale for big corporates. For example, across Africa Coca-Cola’s makes use of ‘micro-distributors’, local entrepreneurs who in turn target informal retailers – both home-based and in the streets. Similarly, vendors are a key component of Unilever’s distribution model in the global South. Street vendors often operate in areas partly managed by property owners in business improvement districts – which can be a driver for exclusionary practices (see, for example, Devlin 2021 on New York and Bukasa, 2014 on Cape Town). There is also contestation around access to space. Increasingly, cities around the world, are allocating public space for large-scale modern retail – malls and shopping arcades – at best neglecting and at worst removing informal traders. (Morange, 2015; Skinner, 2009; Walker 2015 and Öz and Eder, 2012, provide evidence of the role or interests of property developers and owners in trader displacement and removals in Nairobi, Durban, Istanbul and Porto Alegre respectively.)

3.3 Waste Pickers

Around the world, large numbers of people make a living and create value from waste. Waste pickers collect, sort, recycle, and sell materials, reclaiming reusable material for personal use or recyclable materials for use by industries as raw materials or packing materials. Waste pickers may collect household waste door-to-door or from the curbside; commercial and industrial waste from dumpsters; or litter from streets and urban waterways. Some work on municipal dumps. An estimated 24 million people worldwide, of whom 80 per cent are informal, make their living picking waste. Waste pickers constitute around one percent of urban employment in many countries (ILO, 2013: 48).

In cities without adequate waste management systems, waste pickers help reduce accumulation of solid waste in the streets, public spaces, urban water resources as well as dumps, landfills and incinerators. They contribute to public health and lower the costs of solid waste management borne by municipalities. Further recycling is one of the cheapest, fastest ways to reduce greenhouse gas emissions and use fewer virgin resources. Despite the public service they provide to the city, the environment, and the economy, waste pickers often are denied access to waste, or face confiscation of the waste by city authorities or municipal street cleaners. Organisations of waste pickers are rarely allowed to compete alongside private companies for solid waste management contracts.

Also, despite the public service they provide to the city, the environment and the economy, waste pickers are usually treated as nuisances by authorities and with disdain by the public. They are particularly susceptible to violence by the police. They may face exploitation and intimidation by middlemen, which can affect their earnings. Most crucially, they are negatively impacted by the privatization of municipal solid waste management services which increases competition for waste and renders the recycling activities of waste pickers invisible or even illegal. Again, interventions to

27. Brown, ‘Rebel Streets’
28. In early 2021, after years of campaigning, this cap was lifted with 400 new licenses being introduced until 2032.
30. Unilever, ‘Sharing Our Expertise’; Yadavallei and Prinsloo, ‘Developing a Distribution Solution’
31. Devlin, Winning a Right to the Sidewalks: Street Vendors in New York; Bukasa, ‘Securing Sustainable Livelihoods’
33. ILO, ‘Women and Men (2nd edition)’, p. 37
34. ILO, ‘Women and Men (2nd edition)’, p. 48
35. UN-Habitat, ‘Solid Waste Management’; Scheinberg, ‘Informal Sector Integration’
36. Telus Institute, ‘Assessment of Materials Management Options’
support waste pickers need to be aware of which value chain they are feeding their recyclables into. Waste pickers forming cooperatives, as they have done in parts of Brazil, Colombia and India can lead to secure livelihoods as they wield more power in these value chains.³⁸

To sum up, all three groups are subjected to stigmatization, exclusion or penalization by the state without legal or social protections. Yet each group typifies the need for a specific public resource: public services (home-based workers), public space (street vendors) and public procurement (waste pickers). Home-based workers need to negotiate with government to secure housing tenure, mixed use zoning and basic infrastructure services for their homes-cum-workplaces and with owners of capital to negotiate fair terms of trade. Street vendors need to negotiate with the police and city government to stop them from harassing, bribing and evicting street vendors and from confiscating their stock and equipment, and to secure a vending site in a central location; with wholesalers from whom they buy goods and retailers for whom they often sell goods; and with the general public who either buy their goods or support government efforts to evict them. And waste pickers need to negotiate with city government and the general public to secure a right to waste, to waste collection and recycling and, ideally, a municipal contract to collect and recycle waste and space to sort, store, bundle and process waste.

4. The impact of COVID-19 on informal employment³⁹

In April 2020, the ILO estimated that 1.6 billion of the world’s 2 billion informal workers would be among the most severely affected by the COVID-19 crisis.⁴⁰ In just the first month of the crisis, according to the ILO estimates, the earnings of informal workers decreased by about 81 per cent in Africa and Latin America.⁴¹ Across lower-middle and low-income countries, 82 per cent of earnings from informal employment were lost in April 2020.⁴²

Subsequent research confirms the informal economy has been disproportionately hit hard. Surveys in Burkina Faso, Mali and Senegal suggest that, by the end of April 2020, across these three West African countries a quarter of all workers had lost jobs or were not able to work and half of all workers had experienced a decline in earnings.⁴³ Statistics South Africa (Stats SA) data suggest that in the strict lockdown in the second quarter of 2020, there was a 29 per cent drop in informal employment relative to the same period in 2019. This compared to an 8 per cent decline in formal employment. It also showed women’s job losses were substantially greater in all types of informal employment.⁴⁴

Adding a city-level and sector-based approach to understanding impacts on informal workers, WIEGO is leading a 11-city longitudinal study. Using a survey questionnaire and in-depth interviews, Round 1 assessed the impact of the crisis in April 2020 (the period of peak restrictions in most cities) and in June/July 2020 (when restrictions had been eased in most cities) in comparison to February 2020 (pre-COVID-19). Round 2 will assess continuing impacts versus signs of recovery in the first half of 2021, compared to the pre-COVID-19 period and Round 1.

The findings confirm, first and foremost, that the impact of the crisis on the ability of informal workers to work was substantial. Across the cities, nearly three quarters (74 per cent) of the respondents reported not working at all during the peak lockdowns/restrictions in April 2020. By mid-2020, when severe restrictions had been eased or lifted, most informal workers had returned to work but about one fifth (21 per cent) were still unable to work; and average days of work per week and earnings of those who were able to work were lower than pre-COVID-19.

But there was significant variation across the cities (Figure 2). This variation reflects the degree and length of government restrictions on movement, transport and commerce as well as the sample in each city. It also reflects the ability of local organizations of informal workers to support their members during the peak lockdowns. Dakar is an outlier as the sample

³⁹ This section draws on joint work by WIEGO and local partners. We would like to acknowledge the partners in each city (local organizations of informal workers and local researchers) as well as the WIEGO crisis study team (Mike Rogan, Sarah Reed, Laura Alfers, Marty Chen, Erofili Grapsa, Jenna Harvey, Ghida Ismail, Ana Carolina Ogando, Sally Roever and Marcela Valdivia).
⁴⁰ ILO, ‘COVID-19 and the World of Work, 2nd ed’
⁴³ Balde, Boly, and Avenyo, ‘Labour Market Effects of COVID-19 in Sub-Saharan Africa’
⁴⁵ The study was carried out in the following cities: Ahmedabad, Bangkok, Delhi and Tiruppur (Asia); Accra, Dakar, and Durban (Africa); Lima and Mexico City (Latin America); New York City (North America); and Pleven (Eastern Europe). The study was also carried out in Dar es Salaam but since the government denied the presence of COVID-19 and did not impose lockdowns, the data from Dar are not included in the data presented in this paper.
included only waste pickers: all of whom worked at a dump site which was not closed. In Bangkok, the lockdown was partial and relatively short, and fresh food vendors were allowed to continue to work. In Mexico City, the restrictions affected different groups in varying ways – although waste pickers (representing 18 per cent of the sample) did not receive official designations as essential workers, they continued to work throughout the period of restrictions alongside formal sanitation workers.

It should be noted that “ability to work” in this study means the ability to work for at least one day. But the decline in employment is also reflected in average working days per week compared to the average working days per week pre-COVID-19. Across the city samples, there was a 77 per cent reduction in working days between February and April 2020: from an average of 5.6 per week to 1.3 days. By mid-year, working days had recovered to some extent, with the full sample reporting a weekly average of 3.5 days of work. However, this still denotes a 38 per cent loss in average working days, relative to pre-COVID-19, even after the easing or lifting of lockdowns and other restrictions.

As suggested in Figure 3, the losses in working days during the first six months of the pandemic were not experienced evenly. In Ahmedabad, one of the three cities in India where a strict national lockdown was imposed for 10 weeks, the total sample of informal workers reported a nearly 100 per cent reduction in working days – from 6.2 in February to less than 1 (0.2) in April. Moreover, by mid-year, the informal workers in Ahmedabad had recovered to less than half (2.5 days on average) of their pre-COVID-19 working days. By contrast, in Accra and Bangkok where the national lockdowns were partial and relatively short, the average working days in mid-2020 (5 days) were nearly as high as the average working days pre-COVID-19 (6 days). But across the 11 cities, the data suggest that the loss of working days in April was severe and that, by mid-year, none of the city samples from the study had returned to their previous levels of work. Indeed, in roughly half of the city samples, average working days by mid-year were still less than half of average working days in February 2020.
Not surprisingly, these reductions in employment translated directly into decreased earnings (Figure 4). Across the entire sample, average earnings in April 2020 were only 19 per cent of pre-COVID-19 average earnings. By mid-year, earnings had not recovered to their pre-COVID-19 levels: on average, the total sample reported earning only 56 per cent of their pre-COVID-19 February earnings. However, as with work, the losses in earnings varied across the sample. In four cities where the national lockdown was full and long and where earnings losses were the greatest in April – Ahmedabad, Delhi, Lima and Tiruppur – the recovery of earnings was the slowest. In Tiruppur, where the entire sample was comprised of home-based workers who, pre-COVID-19, depended on factories to outsource work to them and where factories depend heavily on export demand, earnings in April and June were only 6 per cent and 12 per cent, respectively, of pre-COVID-19 earnings. Most of those who were able to earn had found jobs in the factories after the migrant factory workers returned home. However, in four cities where the national lockdown was partial and/or relatively short – Bangkok, Durban, New York and Pleven – earnings were much higher in June compared with April, but still somewhat lower than their pre-COVID-19 levels. In April in Durban, where one of the strictest lockdowns was enforced, average earnings had decreased to around 5 per cent of pre-COVID-19 earnings. Following the easing of restrictions after three weeks, average earnings in Durban recovered by mid-2020 to roughly three-quarters of pre-lockdown levels.

Given the scale of losses in work, working hours and earnings across the sample, as well as the fact that just over 40 per cent of the sample received cash grants and/or food aid, it is not surprising that the ability of workers and their households to meet their basic needs was compromised. In 7 of the 11 cities, more than a third of respondents reported hunger in their households: see Figure 5. In three cities where full national lockdowns were imposed – Durban, Lima, and Tiruppur – the majority of respondents reported hunger in their households.
In response to the decline – or loss – of work and earnings and the need to buy food and pay for other essentials (rent, utilities, health care and education), the respondents and their families resorted to different coping strategies. The two most prevalent coping strategies across the sample were borrowing and drawing down savings (Figure 6). Even in Dakar, where all respondents were able to work in April and mid-2020, well over half of the respondent households borrowed money and over 40 per cent drew down savings. In Bangkok, where over half of the respondents were able to work in April and all were working by mid-2020, 35 per cent of the respondent households borrowed money and 48 per cent drew down savings. Both borrowing and drawing down savings are likely to have long-term implications for the recovery of livelihoods and household well-being.

In addition, across the 11 cities, many households of the respondents postponed paying rent, utility bills and school fees and were, therefore, facing a mounting debt with compounding interest. Overall, the data from the study suggest that, in the absence of comprehensive government support, informal workers were forced to cushion the blow by depleting their already meagre savings or by going into debt and, in some cases, mortgaging or selling physical assets. It is likely that many of the informal workers in these and other cities have taken on unsustainable levels of debt.

### 4.1 Sector-specific findings

The impact of the COVID-19 crisis on informal workers was not uniform: it differed across cities as well as between and within sectors. Figure 7 shows impacts by worker group overall, across the study sample. Home-based workers and street vendors were the least able to work and had the lowest average earnings in both April and mid-2020. Street vendors faced decreased demand and sales even once they could return to work. Waste pickers faced a decline in access to waste and in market outlets and prices for reclaimed waste, in both periods. The impacts varied considerably across sectors, due in large part to the strictness of pandemic restrictions in different cities but also to market or value chain dynamics and other variables within sectors (Table 10).
In April 2020, all four sectors cited government restrictions on movement and commerce as the most common reason for not working, and disruptions in markets and supply chains as the second most common reason: for domestic workers the disruption was changes in the hiring practice of their employer. By mid-2020, when restrictions had eased, disruptions in markets and supply chains had become the most significant factor for home-based workers and street vendors, employer hiring practices had become even more important for domestic workers, and health concerns had become most important for waste pickers unable to work (Table 10). It should be noted that a low percentage of respondents reported care and other household responsibilities as a reason for not being able to work, although that percentage had increased (especially among street vendors and waste pickers) by mid-2020 when more respondents were able to go back to work.

There was substantial variation in average earnings, relative to average earnings pre-COVID-19 (February 2020), across the four sectors in both April and mid-2020 (Figure 8). Home-based workers reported the greatest decline in April and the least recovery by mid-2020, followed by street vendors and market traders. Domestic workers reported the least decline in April and waste pickers reported the greatest recovery by mid-2020.

### Table 10: Percent Reporting Different Reasons for Not Working, by Sector: April and Mid-2020

<table>
<thead>
<tr>
<th></th>
<th>Domestic Workers</th>
<th>Home-Based Workers</th>
<th>Street Vendors</th>
<th>Waste Pickers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restrictions</td>
<td>56</td>
<td>75</td>
<td>85</td>
<td>75</td>
</tr>
<tr>
<td>Market/Supply Chain Disruptions</td>
<td>65</td>
<td>62</td>
<td>54</td>
<td>37</td>
</tr>
<tr>
<td>Transport Constraints</td>
<td>3</td>
<td>17</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Health Concerns</td>
<td>12</td>
<td>26</td>
<td>39</td>
<td>40</td>
</tr>
<tr>
<td>Care &amp; Other Household Responsibilities</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>6</td>
</tr>
</tbody>
</table>

Note: respondents could report more than one reason.
4.2 Pathways of impact and recovery

For specific groups of informal workers, the pathway to recovery needs to address – if not reverse – the pathways of impact. Table 11 presents the different pathways of impact and recovery for the specific groups of workers. In terms of pathways of impact, the demand for finished goods and supply of raw materials/stock went down, the prices of raw materials went up and the prices of finished goods went down for home-based workers, street vendors and waste pickers in most cities. **Going forward, inclusive recovery for informal workers and their livelihoods needs to increase demand and supply, promote fair prices and wages/piece rates, promote appropriate and fair regulations, and provide basic infrastructure and transport services.**

<table>
<thead>
<tr>
<th>Demand</th>
<th>Supply</th>
<th>Prices/Wages</th>
<th>Regulations</th>
<th>Public Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Home-Based Workers: Self-Employed</strong></td>
<td>customers &amp; buyers</td>
<td>raw materials – purchased</td>
<td>prices of raw materials + prices of finished goods</td>
<td>basic infrastructure services at home=workplace + public transport services</td>
</tr>
<tr>
<td><strong>Home-Based Workers: Subcontracted</strong></td>
<td>factories &amp; firms</td>
<td>raw materials – supplied by factories/ firms</td>
<td>piece rates or wages for finished goods</td>
<td>zoning regulations + housing tenure + labour regulations</td>
</tr>
<tr>
<td><strong>Street Vendors</strong></td>
<td>Customers</td>
<td>wholesale markets + producers of goods</td>
<td>buying price of stock + selling price of goods</td>
<td>access to public space + regulation of natural markets + license/permit system</td>
</tr>
<tr>
<td><strong>Market Traders</strong></td>
<td>Customers</td>
<td>wholesale markets + producers of goods</td>
<td>buying price of stock + selling price of goods</td>
<td>plans for + regulation of built markets</td>
</tr>
<tr>
<td><strong>Waste Pickers</strong></td>
<td>waste dealerships</td>
<td>generators of waste + sites of waste disposal</td>
<td>prices for recycled waste</td>
<td>solid waste management systems &amp; rules</td>
</tr>
</tbody>
</table>

Note: respondents could report more than one reason

Table 10: Percent Reporting Different Reasons for Not Working, by Sector: April and Mid-2020
Source: WIEGO COVID-19 Crisis Study (2020)
Conclusion and key recommendations

Formalization of the informal economy has been a constant theme in policy debates and prescriptions. The debates on formalization, however, have too often narrowly focused on regulating and taxing informal enterprises while neglecting how to increase the productivity and earnings of informal enterprises. The debates have also tended to call for de-regulating labour markets while neglecting how to increase the benefits and incomes of informal wage workers. Registering and taxing informal enterprises should be done by simplifying bureaucratic procedures and offering benefits and incentives in return for paying taxes. Concurrently, appropriate regulations should discourage employers from hiring workers informally or informalizing existing jobs. Employers should be encouraged to contribute to health coverage and pensions for their workers and extend other workers' benefits such as paid sick leave and overtime pay.

The formalization discourse was given impetus through deliberations at the 2014 and 2015 International Labour Conferences leading to the adoption in June 2015 of Recommendation 204 (R204) on the Transition from the Informal to the Formal Economy. R204 provides guidelines for extending protections to informal workers and shifts the discourse away from plucky entrepreneurs who evade taxes and regulations to vulnerable workers and economic units who need protection and incentives to formalize. One of the mandated provisions of R204 is “regulated access to public space for urban informal workers”.

Thanks to ILO R204, and the two-year deliberations that preceded its adoption, the discourse on formalization is now more likely to focus on the rights, not just the responsibilities, of informal workers and informal enterprises in the formalization process; and to see formalization as a gradual incremental process, not as a one-time registration or legal incorporation.

While all informal workers share a common set of demands — e.g., freedom from harassment and fear, the right to organize, legal standing, and social protection — urban informal workers want to be recognized by cities for their economic contributions and incorporated on fair terms into urban policies and plans. The New Urban Agenda adopted at Habitat III includes several articles that mandate integration of the informal economy into city policies and plans. Also, each sector of informal workers has specific needs and demands: a specific set of economic rights. Most of the specific needs of home-based workers, street vendors and waste pickers in cities can and should be granted by local government:

- For home-based workers, secure housing tenure and basic infrastructure services as well as no forced relocation; secure and transparent contracts that provide fair prices or piece-rates.
- For street vendors, secure access to public space, licenses or permits to sell, identity cards and basic infrastructure services (e.g., water and sanitation).
- For waste pickers, access to waste, waste management contracts and remuneration from municipalities and infrastructure (for sorting and storing reclaimed waste).

COVID-19 has spotlighted the inequality of impact and need to increase resilience to crises especially amongst informal workers. WIEGO’s 11-city study highlights the kind of recovery measures informal workers need to revive their economic activities. The organizations of informal workers which collaborated on the 11-city study voiced common demands for recovery and reforms going forward, which can be categorized as follows:

- financial assistance to pay off debts and restore savings and assets;
- cash grants and stimulus packages, including government procurement, to support the recovery of informal livelihoods and enterprises;
- policy and legal reforms, at both the national and local levels, to create an enabling environment for the informal economy; and
- universal comprehensive social protection that provides both social insurance and social assistance to informal workers.
The enabling environment at the local or city level demanded by the organizations of informal workers, with examples of targeted demands from selected cities, is as follows:

<table>
<thead>
<tr>
<th>Policy Demands</th>
<th>City Examples</th>
</tr>
</thead>
</table>
| Regulated access to - and right to work in - public spaces, including moratoriums on permits and fees | **Bangkok** <br>Bangkok Metropolitan Authority should allow vendors and motorcycle taxi drivers displaced by recent evictions to return to their original places of work.  
**Ahmedabad** <br>The Ahmedabad Municipal Corporation should reopen and protection all natural markets of street vendors and all wholesale markets  
**Durban** <br>The eThekwini Municipality should institute a moratorium on permit fees (irrespective of whether informal workers are in arrears or not).  
**Accra** <br>The NBSSI, relevant municipal assembly departments and the Ministry of Local Government and Rural Development should expand markets to create space for street vendors.  
**Lima** <br>Local governments must comply with Ordinance 1787 that regulates commerce in public space and promotes formalized relocations. |
| Basic infrastructure services at their workplaces                               | **New York** <br>New York City Council should use its Capital Fund to create a land trust for sustainability work and to ensure that worker-led sorting and depot spaces can continue to exist.  
**Accra** <br>Municipal governments must invest in infrastructure improvements at places of work to allow for better ventilation and sanitation and an overall safe and secure working environment.  
**Durban** <br>eThekwini Municipality should reactivate public bathing facilities. |
| Transport between home, markets and workplace                                  | **Ahmedabad** <br>The Ahmedabad Municipal Corporation should provide affordable and accessible public transport for informal workers their goods between their residences, wholesale markets and vending sites/markets  
**Decentralization of informal workers and their livelihood activities, with legal protections against abuse by police, local authorities, and employers** |
| Decreased harassment & evictions                                                | **Durban** <br>eThekwini Municipality should stop harassment as well as confiscation and impounding of goods.  
**New York** <br>New York City should immediately implement City Council Intro 1116, adopted in February 2021, which would raise the cap on food vending permits; establish a single vending enforcement agency to harmonize regulations and remove New York Police Department permanently from vending enforcement; and establish a multi-stakeholder Vending Advisory Committee. |

For details and examples of the other demands, see Common Platform of Demands.

The evidence contained in this report suggests informal work is a key manifestation of inequality. What we hope to have shown is the myriad of policy levers available to both national and local authorities that could improve lives and livelihoods for the majority of the worlds workers. We suggest that a worker group / industry lens allows for a more nuanced understanding of current constraints but also more economically informed, targeted and potentially effective interventions. Vested interests, lack of political will and state capacity are among the issues standing in the way of advancing the interests of informal workers.

Thus, informal workers acting collectively and wielding greater power remains critical. But this also requires that informal worker organizations be invited to participate in relevant urban planning and policy processes.
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