

TACKLING CORONAVIRUS (COVID-19)
CONTRIBUTING TO A GLOBAL EFFORT

WEBINAR

COVID-19 and informality in Eurasia: The sudden loss of a social buffer

Thursday, 11 March 2021

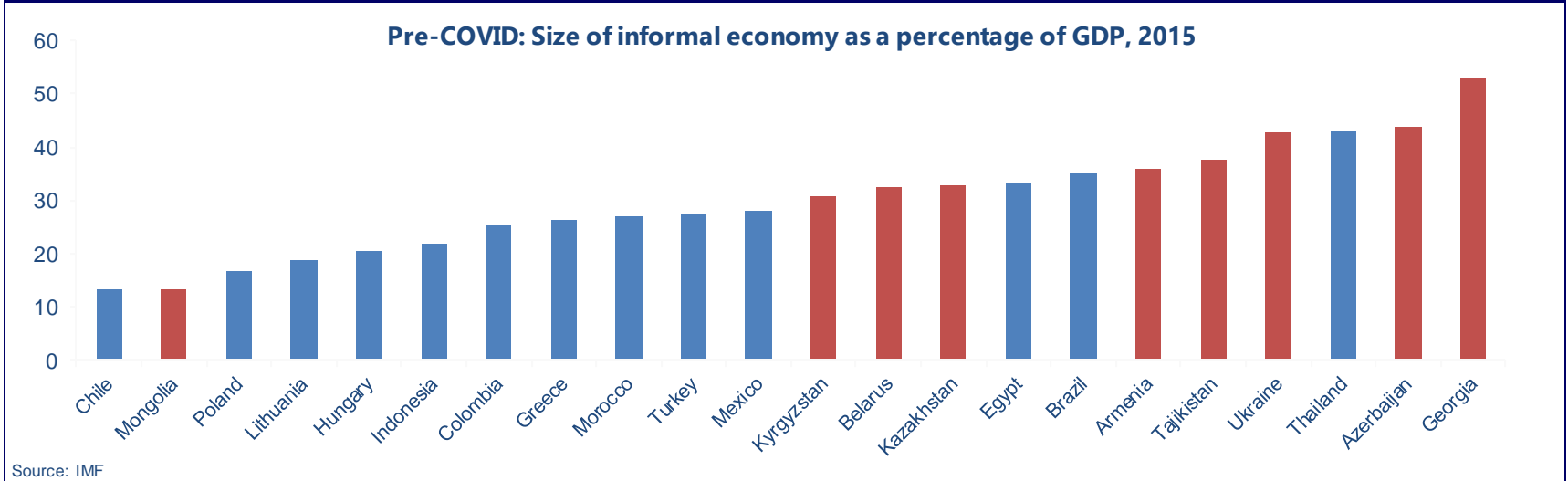
Setting the scene: informality in Eurasia and its specificities

Arnault Prêtet, Deputy Head, Central Asia Unit, OECD Eurasia Division

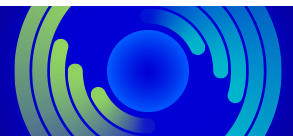
OECD Eurasia Competitiveness Programme

Eurasia countries have a long history of informality, and informality remains pervasive

Even before COVID-19 hit, most countries in the region had among the largest informal sectors worldwide



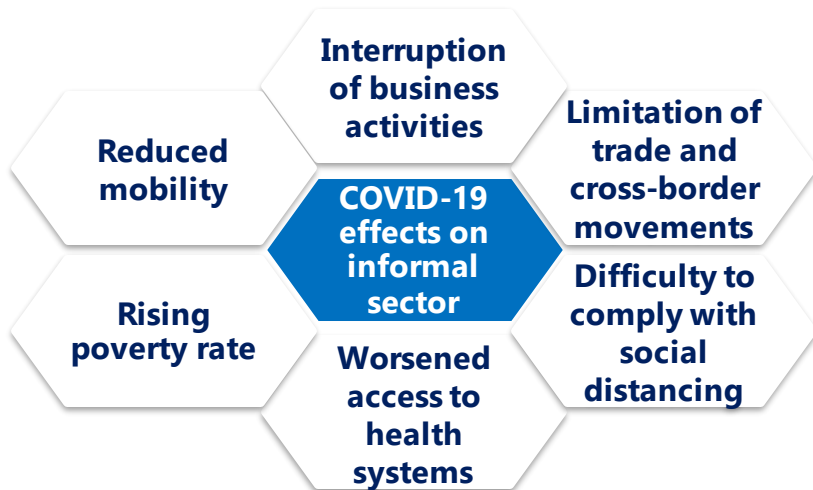
- **Defining and measuring** the informal sector remain a challenge largely due to the complex realities of informality.
- The **composition and features of Eurasia's economies** have fostered informality, with large agricultural sectors, *bazaars* and market places, widespread self-employment, a young population and massive labour migration.



COVID-19 has hit the informal sector hard, preventing it from acting as a social buffer

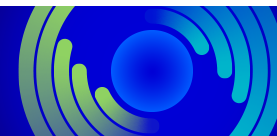
COVID-19 has disproportionately affected the large informal sector in Eurasia

COVID-19 effects have reinforced traditional barriers to formalisation in Eurasia countries

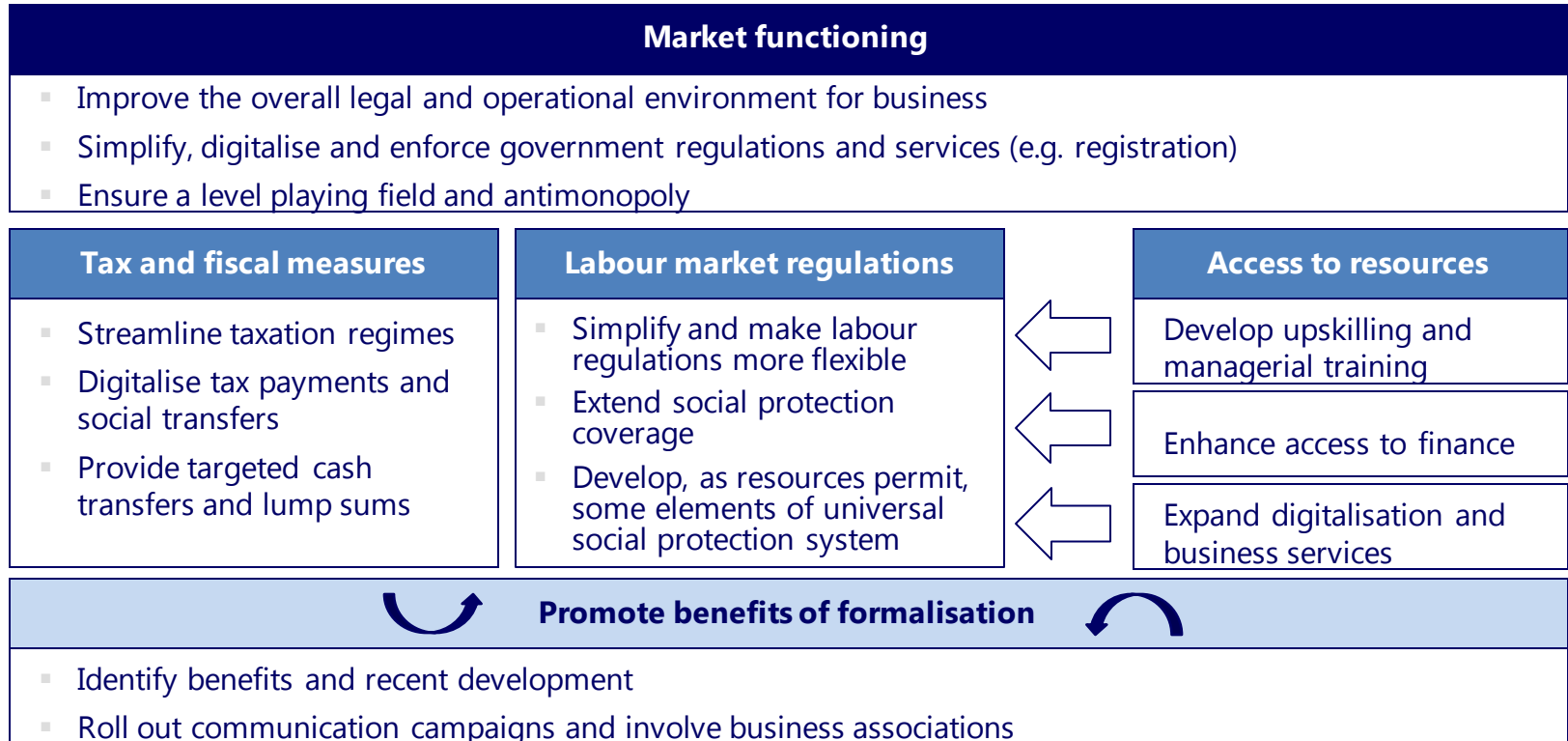


- **Weaknesses in the formal business environment:** registration, access to finance, taxation, red tape, etc
- **Low trust in government,** corruption and shortcomings in public service delivery
- **Limited digital connectivity** and access to services
- **Low financial inclusion** and financial literacy
- Reliance on **largely informal remittance flows**
- **Skill mismatch** with local labour market
- Overstretched **social protection and healthcare systems**

- **Emergency package and initiatives designed by governments in the region have mainly targeted formal businesses,** leaving informal firms behind in most countries.
- **Building back better** will require encouraging firms and workers to transition to the formal sector



Reducing informality cannot be separated from broader economic development, but some targeted measures can help foster firm formalisation



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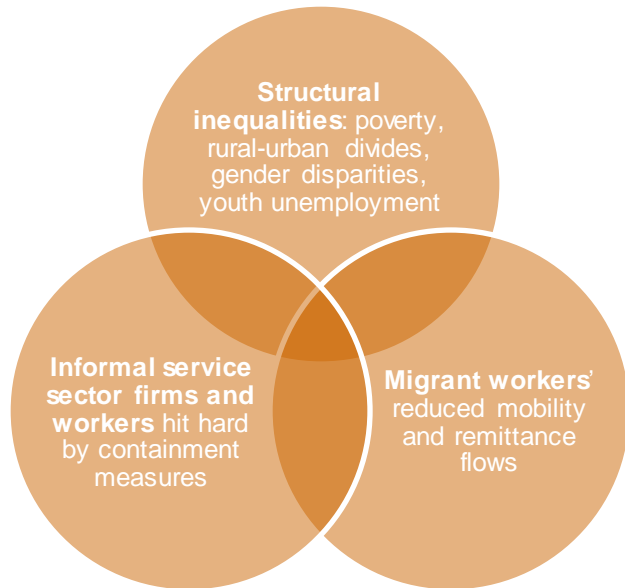
SESSION I: The socio-economic costs of COVID-19 for the informal sector

Antti Rauhala, Policy Analyst, OECD Eurasia Division

OECD Eurasia Competitiveness Programme

The COVID-19 pandemic has disproportionately hit the informal sector and further exposed structural inequalities, while direct government support has been limited

Informal sector workers largely belong to overlapping vulnerable groups, all hit by COVID-19



Half of countries in the Eurasia region maintain stringent containment measures. Closure of market places and restaurants, and reduced opening hours have strongly affected the informal sector.

The livelihoods of 70% of informal sector workers are threatened by the pandemic, with **incomes falling up to 60%** according to ILO.

Many informal sector workers are at **higher risk of infection and struggle to access healthcare**. In the region, 56% of healthcare expenditure are out-of-pocket compared to the global average of 38%.

Up to **2.2 million people in the emerging Europe and Central Asia faced poverty** in 2020 because of the pandemic, 60% of them in Central Asia.

Significant **loss of remittances**: from est. 13% in Ukraine, up to 50% in Uzbekistan. In Russia, 40% of Central Asian migrants reported permanent job loss, 75% unpaid leave because of the pandemic



► Informality and COVID-19 in Eurasia: The Sudden Loss of a Social Buffer

OECD webinar

▶ How do we define informality in economic units?

- ▶ **ILO Recommendation N° 204** defines the **informal economy** as “all economic activities by **workers** and **economic units** that are – in law or in practice – not covered or insufficiently covered by formal arrangements”.
- ▶ **Economic units**: Own-account workers, enterprises that employ workers, cooperatives and other social and solidarity economy organisations.
- ▶ **Measuring informality**: To what extent are economic units **registered** with the relevant agencies at the national level? To what extent do they **comply** with the regulations that apply to them (e.g. on business, tax, social, labour issues)?

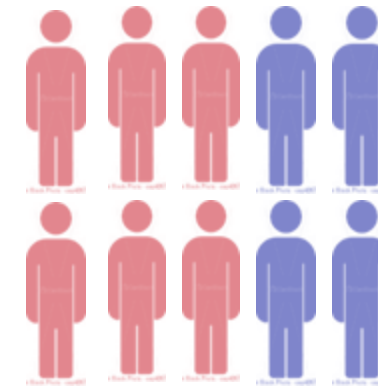
Is informality a common phenomenon?

Informal economic units



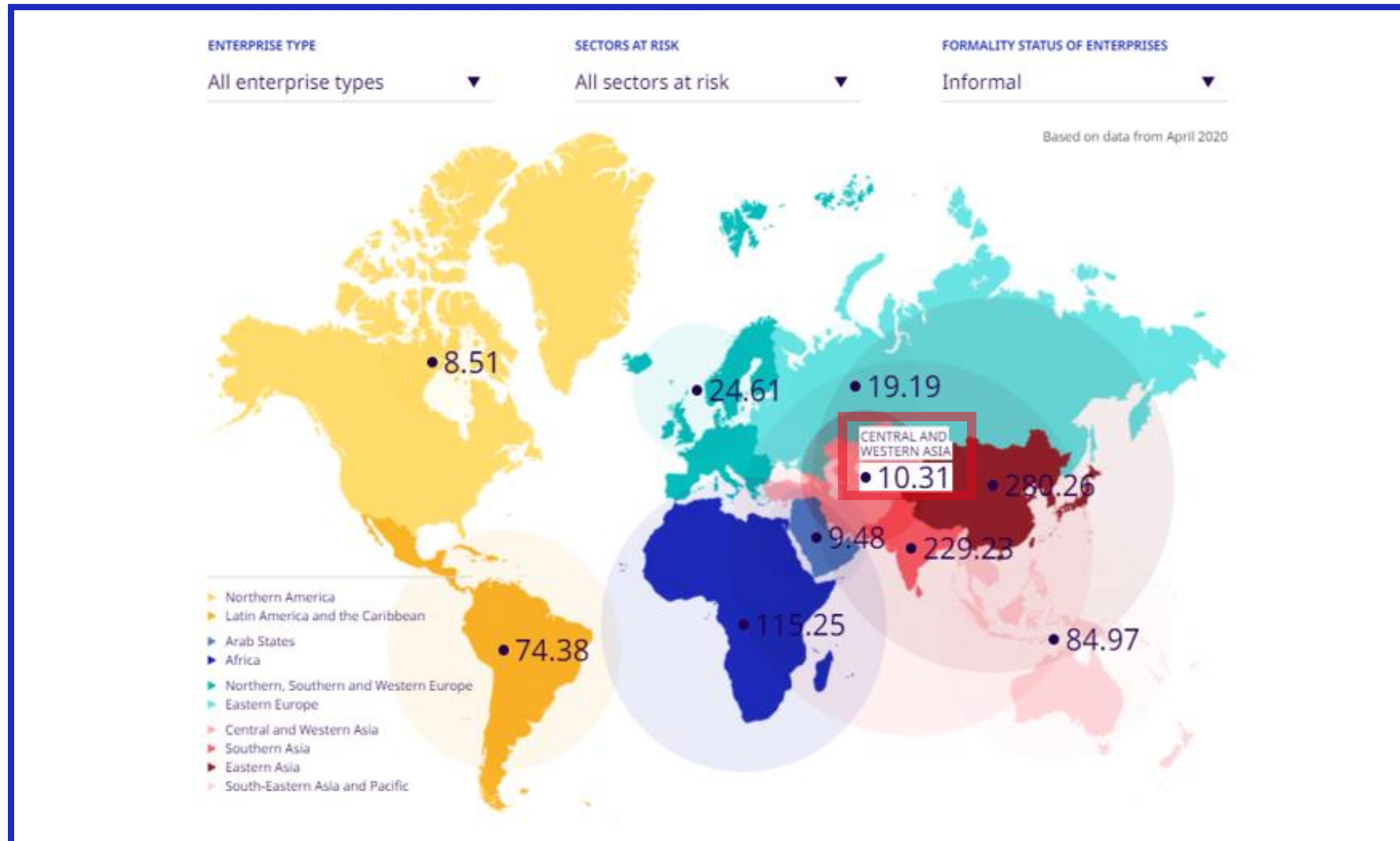
Globally, **8 out of 10** economic units are informal

Informal workers



Globally, **6 out of 10** people who are employed are in informal employment

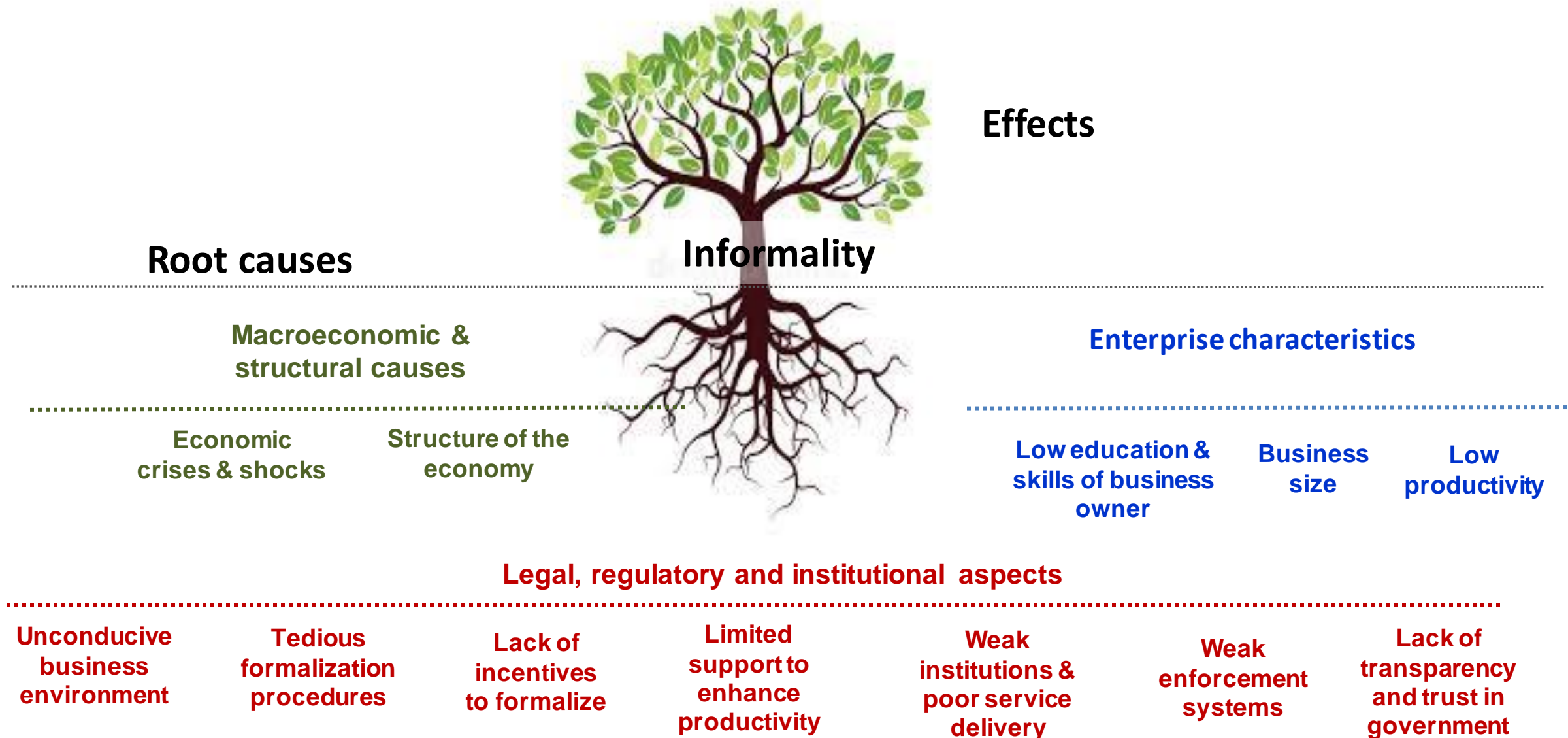
Number of jobs in sectors at risk from the COVID-19 crisis by region, enterprise type and formality status (in millions)



Access the jobs in sectors at risk tool here:

<https://www.ilo.org/global/topics/employment-promotion/small-enterprises/covid-19-vis/lang--en/index.htm>

Why are economic units informal?



How diverse is informality?



Farmer

Sells produce at a local market
Struggles to make ends meet



Corporate company

Deliberately under-declares part
of its taxes to make more profit



Tailor

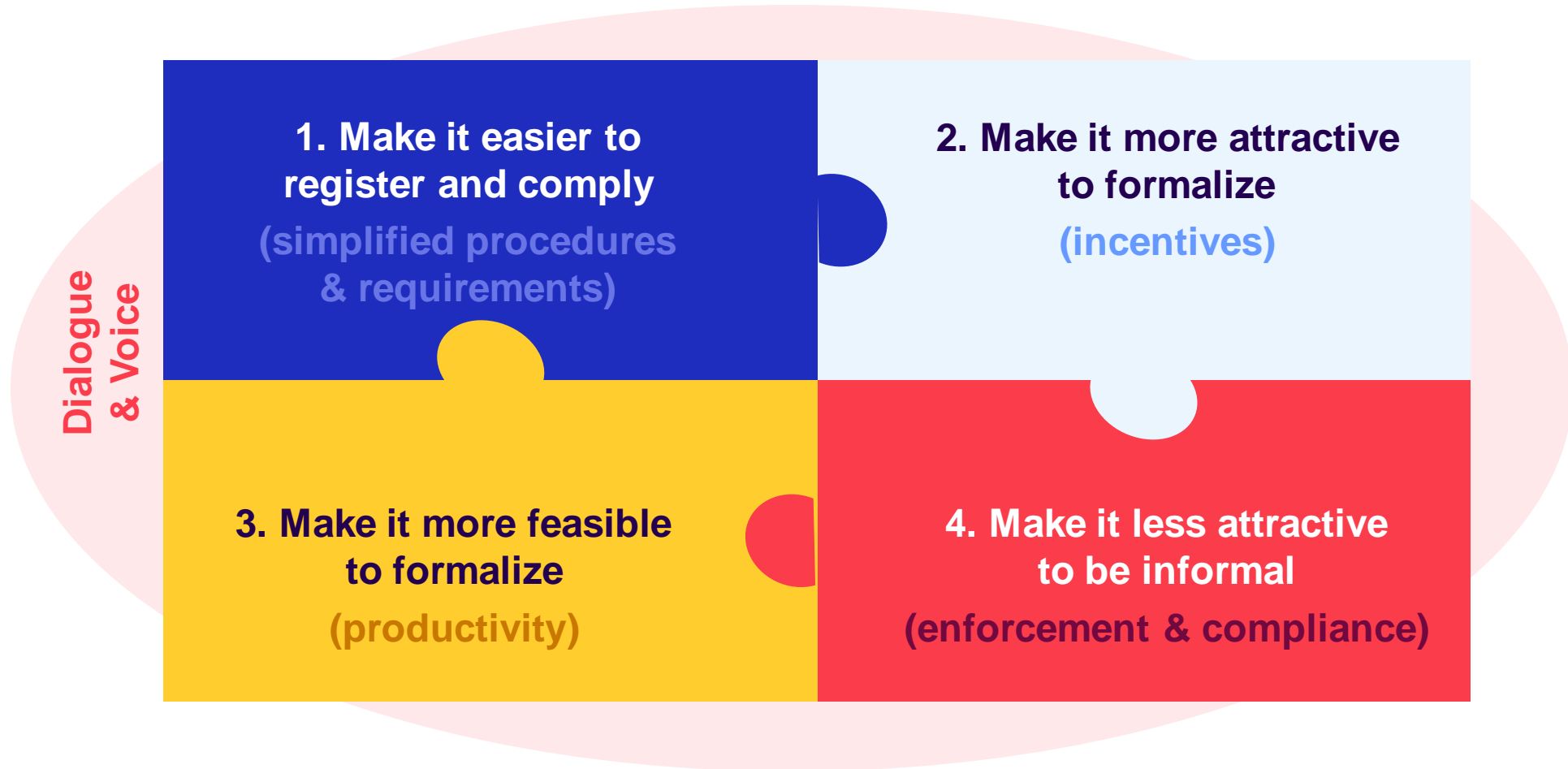
Municipal license
Does not see the need to formalize...



Olive oil producer

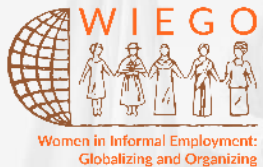
Needs support on how to declare
workers and grow the business

What can be done to reduce informality in economic units?



Thank you!

Judith van Doorn
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COVID19 AND INFORMALITY SOME INSIGHTS AND REFLECTIONS FROM WIEGO

Jane Barrett

Organization and Representation Programme Director

OECD EURASIA WEBINAR

11 MARCH 2021



OUTLINE

- Understanding how informal workers are organized in the EaP region and Central Asia
- Some insights from WIEGO's 12 city study on the impact of the pandemic
- Some policy implications regionally and globally

STREET AND MARKET VENDOR ORGANIZATIONS AFFILIATED TO STREETNET INTERNATIONAL

- Ukraine (FITUE)
- Kyrgyzstan (Commercial Workers Union)
- Moldova (Business Sind)
- Georgia (Self employed & Commercial Union)
- Belarus (“Vmeste”)
- Azerbaijan (Xhidmat-ISH)

HOME BASED WORKER ORGANIZATIONS AFFILIATED TO HOMENET EASTERN EUROPE.CENTRAL ASIA

- Albania
- Bulgaria
- Macedonia
- Serbia
- Montenegro
- Bosnia and Herzegovina
- Armenia
- Turkey
- Kazakhstan
- Tajikistan
- Uzbekistan
- Kyrgyzstan

DOMESTIC WORKER ORGANISATIONS

- Large numbers of DWs from the region employed in Western Europe
- Ukraine: New Domestic Employees Union
- Kazakhstan: Until it was denied registration in 2017, the Independent Trade Unions of Kazakhstan KNPRK
- Bulgaria: UNITY

WASTE PICKER ORGANIZATIONS

- Macedonia: Association of Informal Collectors
- Serbia: Yurom Centra, and a union in Nis
- Bulgaria: Za Zemiata (environmental org)

COVID-19 CRISIS AND THE INFORMAL ECONOMY STUDY

Cities featured in the study:



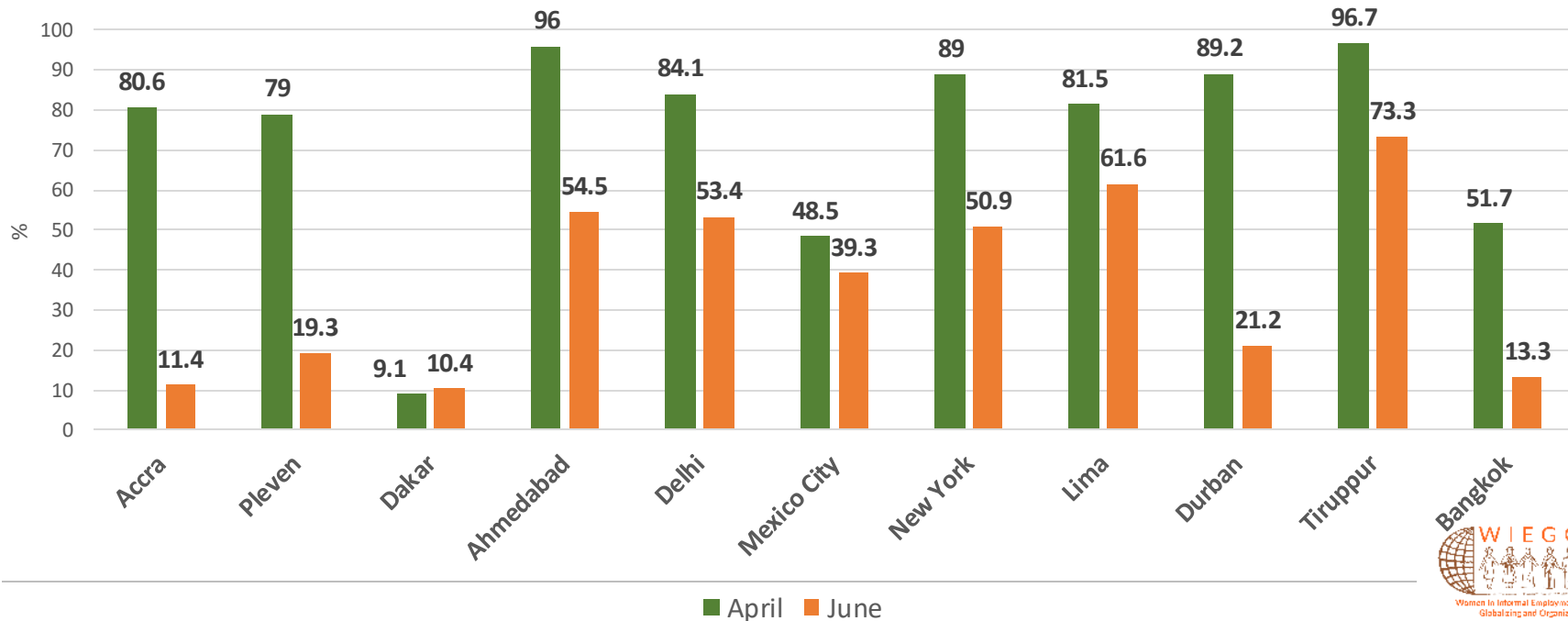
- | | |
|-----------------------------|--------------------------|
| 1- Accra (Ghana) | 7- Durban (South Africa) |
| 2- Ahmedabad (India) | 8- Lima (Peru) |
| 3- Bangkok (Thailand) | 9- Mexico City (Mexico) |
| 4- Dakar (Senegal) | 10- Pleven (Bulgaria) |
| 5- Dar es Salaam (Tanzania) | 11- New York City (USA) |
| 6- Delhi (India) | 12- Tiruppur (India) |

- Round 1 – June/July 2020
- Mixed method longitudinal study of urban informal workers in 12 cities
- Sample – Member-based organisations of informal workers across four sectors
- Survey - 2,292 respondents (73% women and 27% men) – reached over telephonic interviews
- In Pleven 176 street vendors, domestic workers and home based workers

LOSS OF WORK

75% of workers did not work at all in April 2020. 79% of women & 66% of men
36% of workers had not returned to work by mid-year (2020). 41% of women & 25% of men

Percentage NOT able to work, by city



REASONS IN PLEVEN FOR NOT BEING ABLE TO WORK

Street vendors: Lack of buyers

“I had trouble selling my stock because the police were checking the documents of the drivers. People were allowed to travel only for health reasons or for work. I was forced to go to another market in the city but it was very difficult to sell. Then I tried to sell to smaller markets in the district once a week but it was also very difficult.”

– Man Street Vendor

Home-based workers: Lack of raw materials, higher cost of raw materials, lack of buyers

“Home-based workers can’t buy raw materials now. We depend on raw materials from China. There are no imports now. We are forced to buy from Bulgarian producers. Fabrics, threads but we buy at a higher price. Everything is getting more expensive. And we can’t sell at a higher price because no one will buy our products. That’s why we sell at the same rate but our sales revenue is low.”

– Woman Home-Based Worker

Domestic workers: Loss of clients and fear of infection

“House cleaning orders continue to decrease. More than half of employers have cancelled the placed orders [because of] the fear of infection and they don’t have financial resources to pay. When the city was under lockdown, many people stayed at home and they preferred to clean their homes on their own.”

– Woman Home-Based Worker and Domestic Worker

Elena Petrova Manova, a 36-year old home-based worker had been working as a hairdresser for 10 years prior to the lockdown. when the city was under lockdown, Elena was left without work and had to rely on her parents for help. Photo credit: Svetlin Ivanov



LOSS OF EARNINGS

Across the 12 cities

April:

- average earnings in April were only 21% of pre-COVID earnings
- 19% for women and 25% for men

Mid-year:

- average earnings in mid-year were only 55% of pre-COVID earnings
- 50% for women and 65% for men

In Pleven, gross average earnings

- Domestic workers in April 45% of pre COVID, returning to 93% in June
- Street vendors 26% of pre COVID, returning to 72% in June
- Home based workers 0% of pre COVID, returning to 48% in June

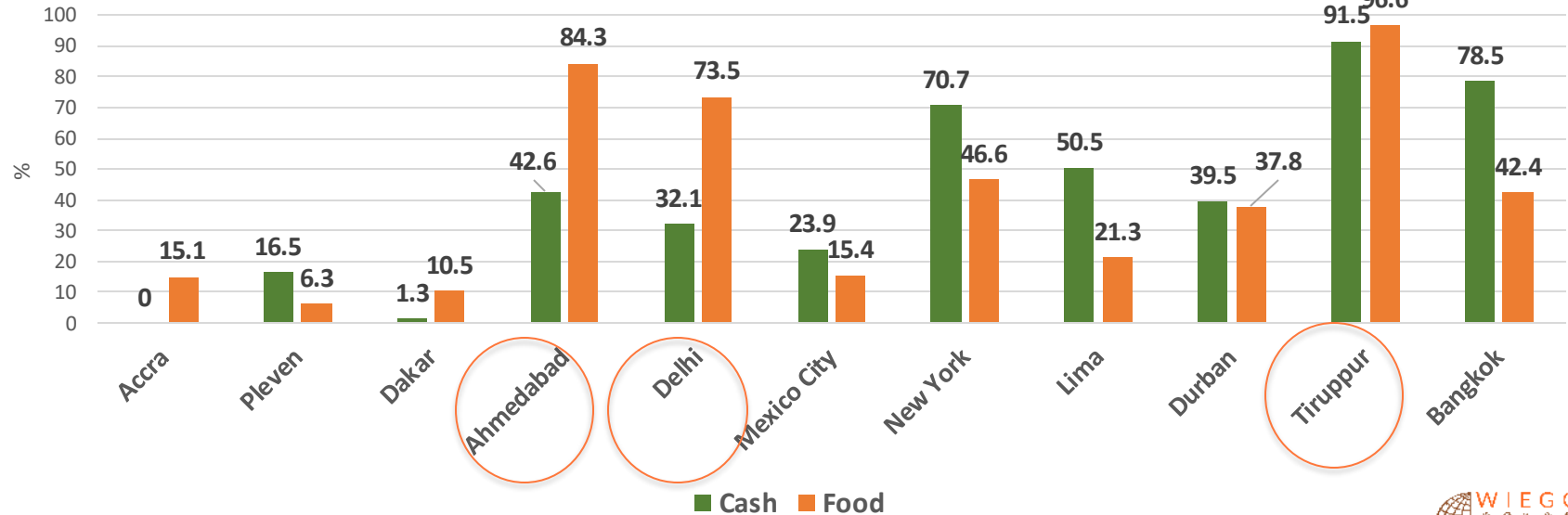
Snejka Miteva Ivanova, 63 years old, has been a domestic worker for 20 years. Snejka specializes in rehabilitation therapy. She continued to meet with clients during the covid-19 crisis, and struggled with the lack of transportation options. She lives with her adult son, who lost his job as a bartender as a result of the crisis. photo credit: Svetlin Ivanov



GOVERNMENT SUPPORT

- 41% reported receiving some type of government **cash grant**
- 42% reported receiving some type of government **food relief**

Types of government relief



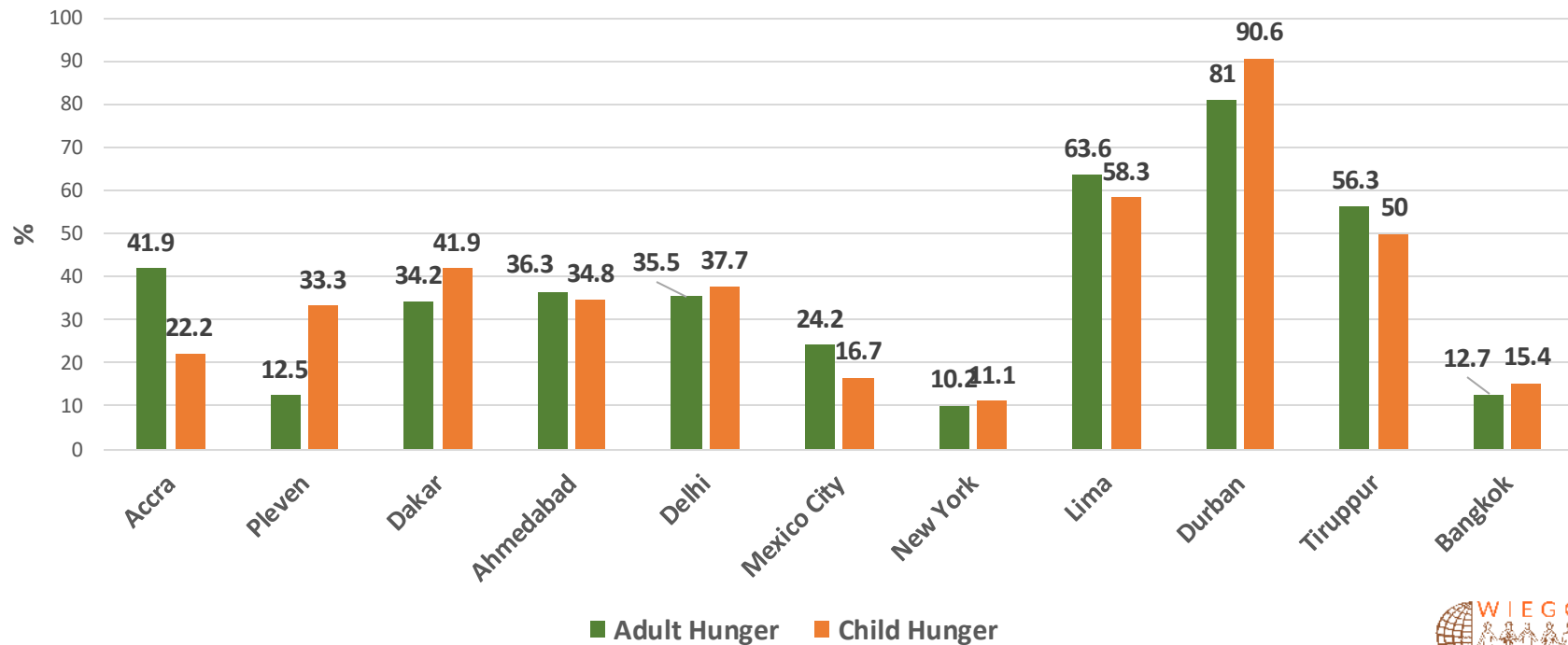
PLEVEN WOMAN HOME-BASED WORKER ON RELIEF

“The government proposed many relief measures but not for the informal sector. Our members are not eligible for any of these measures. One of the main conditions was paid social security contributions. Many of our members don't pay. That's why we didn't receive any support.”

The workers organisation UNITY stepped in to provide food baskets, support to access grants, strengthening ties between farmers and street vendors, and online training. Note: As of August 2020 government introduced a supplementary old age pension until March 2021.

PREVALENCE OF HUNGER/FOOD INSECURITY

Prevalence of adult and child hunger



OTHER INDICATORS IN PLEVEN

- 40% of domestic workers reported increased exposure to chemicals
- 47% of respondents reported increased household responsibilities including care for elderly, child care & cleaning
- 18% borrowed money or drew on savings or sold assets
- Consumption shrunk
- Some relocated to live with relatives
- Some shifted to work or work strategies e.g. from domestic work to home based work
- In May/June, 71% of street vendors used PPE while working, 69% of domestic workers, and 10% of home based workers

"Informal workers don't have health insurance. They have to pay for medical checks, surgery, dental treatments before, during the COVID-19 pandemic and now." Woman Home-Based Worker

LOCAL AND NATIONAL SUPPORT NEEDS

For producers and sellers

- Access to markets or bazaars
- Training in online marketing where appropriate
- Local procurement policies
- Safe and secure working environments
- Ratification of ILO Convention 177 and adherence to ILO Recommendation 204
- Business support in the form of grants and small credits

For domestic workers

- Ratification of ILO Convention 189

SUPPORT NEEDS CONT.

All sectors

- Universal basic income
- Extension of social protection coverage
- Child and elderly care provision and support
- Inclusion in equitable COVID vaccine programmes
- Recognition and inclusion of informal worker organizations in policy and other processes

IN THE WORDS OF A PLEVEN HOME BASED WORKER

“We have to unite, to support each other because the government doesn’t support us. We have to do our best [for] institutions to recognize us as workers. Subcontracted workers [need] to have labour rights, self-employed [need to have] access to markets and premises at local level. Domestic workers have to insist that our government should ratify Convention 189. Street vendors don’t have any rights. We all should unite and place demands on our government to recognize us as workers, to [show] that we are visible. Only in this way we will have access to social schemes.”



THANK YOU

Women in informal employment: globalizing and organizing (WIEGO) is a global network focused on securing livelihoods for the working poor, especially women, in the informal economy. We believe all workers should have equal economic opportunities and rights. WIEGO creates change by building capacity among informal worker organizations, expanding the knowledge base about the informal economy and influencing local, national and international policies.

visit www.wiego.org

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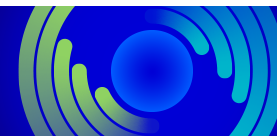
PANEL 2: Formalising firms for a more inclusive economy

Talisa zur Hausen, Policy Analyst, OECD Eurasia Division

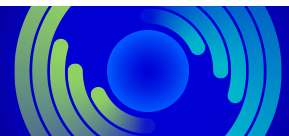
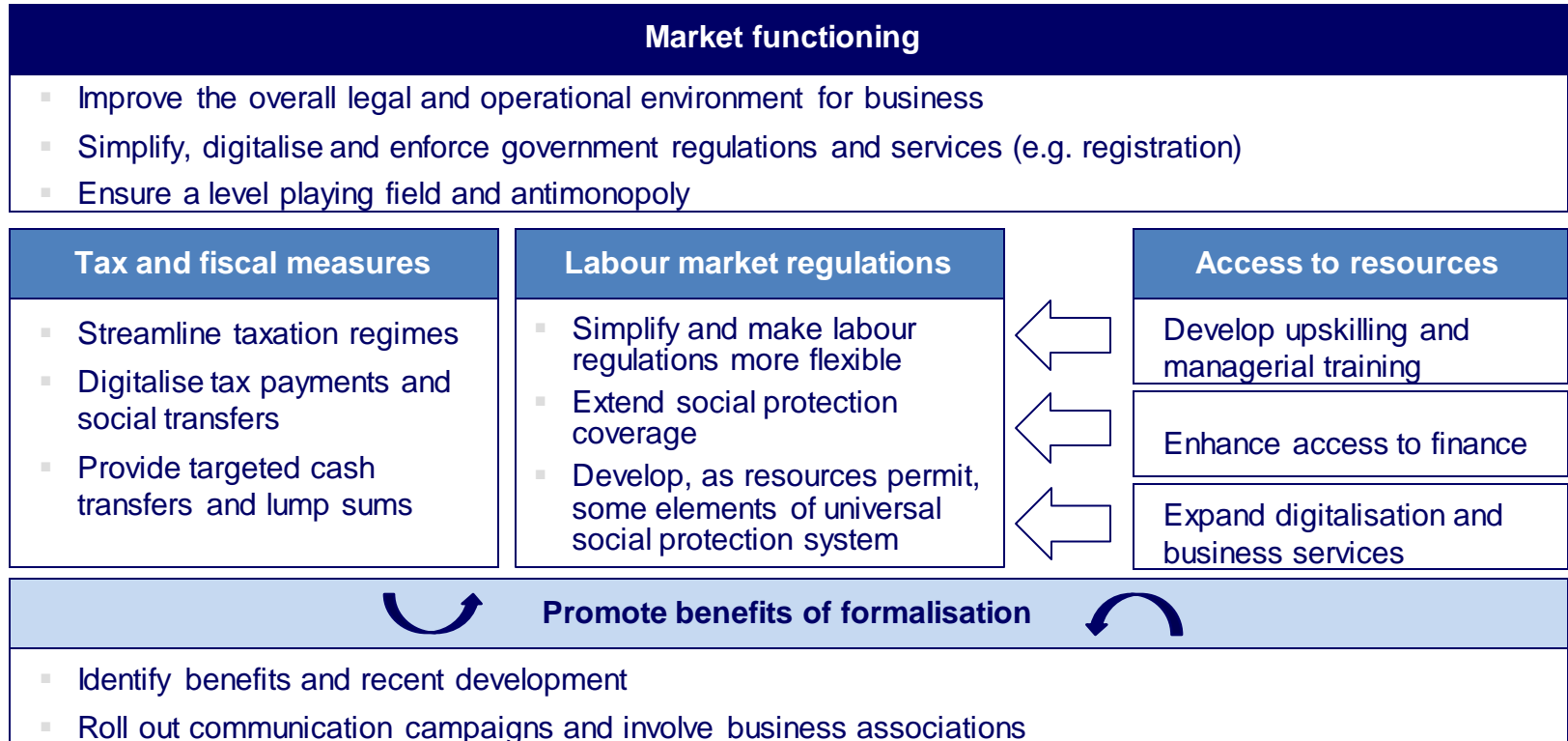
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Immediate measures should be taken to protect people and provide liquidity to informal firms and workers (1/2)

Priorities	Types of support	Possible policy responses
Targeting	Target informal workers and improve data collection	<ul style="list-style-type: none"> Reliance on small administrative units or communities to identify those in need Implementation of digital tools to identify beneficiaries in need of immediate support Make careful use of administrative information from health, energy and tax systems
Protecting people and providing liquidity	Health and sanitary measures	<ul style="list-style-type: none"> Direct support to provide masks and other equipment to ensure safety of workers Implementation of a comprehensive public health strategy Considering mobile clinics and care services Enhanced regulations to guarantee the supply and prices of medical equipment
	Employment measures (including labour migrants)	<ul style="list-style-type: none"> Issuance of work guidance and implementation of occupational safety standards Developing upskilling programmes for informal workers Extension of working visas, permits or removing obligations to leave for labour migrants and enhanced information points and coordination with sending governments
	Unconditional financial and in-kind support	<ul style="list-style-type: none"> Cash transfers, emergency income relief programmes and social allowances Expansion of the coverage of social assistance schemes (e.g., unemployment benefits) Extension of formal financial programs to informal firms (e.g., Soft loans, credit guarantees) Temporary freeze of utility payments and suspension of evictions and rental payments



Over the long-term, governments could consider a broader set of policies to address business informality (2/2)



Formalising firms for a more inclusive economy

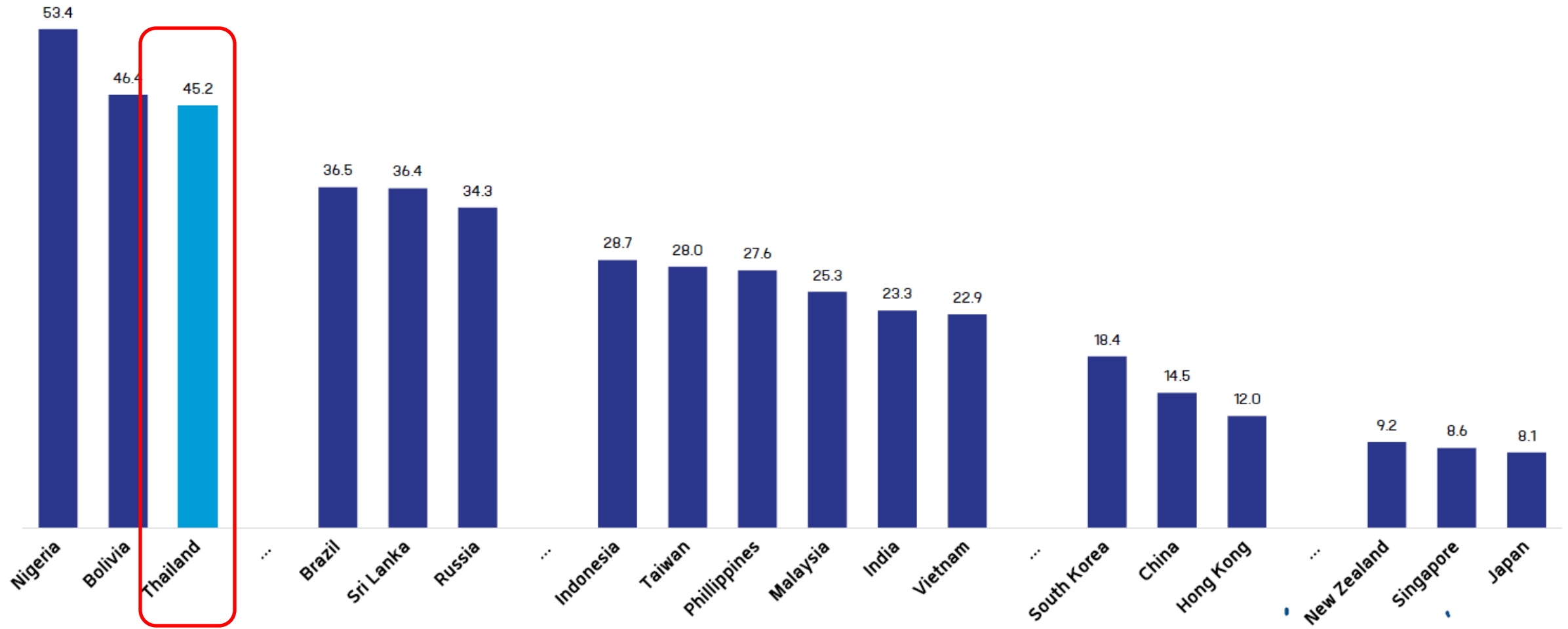
By Dr.Wimonkan Kosumas

Deputy Director General

Office of Small and Medium Enterprises Promotion (OSMEP)



Global Informal Economy Ranking



Informal Sector Definition



“the collection of firms, workers and activities that operate outside the legal and regulatory framework”

Firm Level

informality includes all those enterprises, but also auto-entrepreneurs that **produce legal goods and services** but are **not compliant** with the country’s labour, fiscal and/or other administrative laws and regulations

Labour

the **non-compliance with labour regulations**, the **non-payment or partial payment of social security** and pension contributions, and/or the exclusion from labour rights.



Informal economy covers both Informal enterprises and Informal employment: identified by Main characteristics

The primary objective is often just to **generate employment and incomes to the persons concerned**, without a motivation to strive for growth or create a large enterprise.

The enterprises are relatively **often home-based or without a permanent physical location**. Their employers and employees have relatively low educational levels.

The enterprises **employ only a few employees**, or not set up as separate legal entities that can be distinguished from the owner. They show a **lack of compliance with government regulations**.

Possible Scenarios in 2030



Forced Flexibility

- Work from home
- Multiple jobs/persons



The Great Divide

- New high value employment accelerated
- Internationalization



Skills Activism

- High turnover rate
- Upskill / Reskill
- Temporary workforce



Innovation Adaption

- Outsourcing trend
- Job insecurity

“Informal is a part of the New Normal”



Agile &
Small
Business

Gig Workers/
Freelancer



Digital



Physical



Senior Workforces

New normal informal sector comprises both necessity-driven and opportunity-driven entrepreneurs

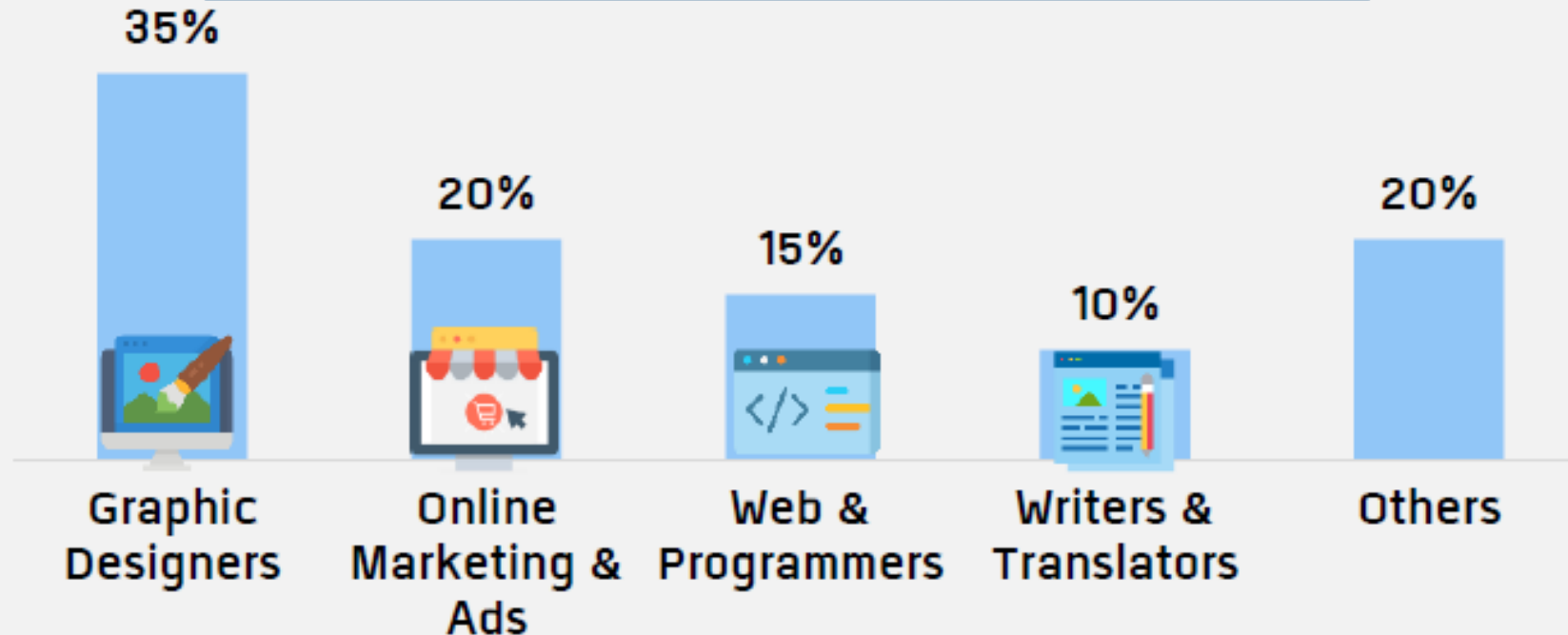


2 Mil. Freelancers
(2019)

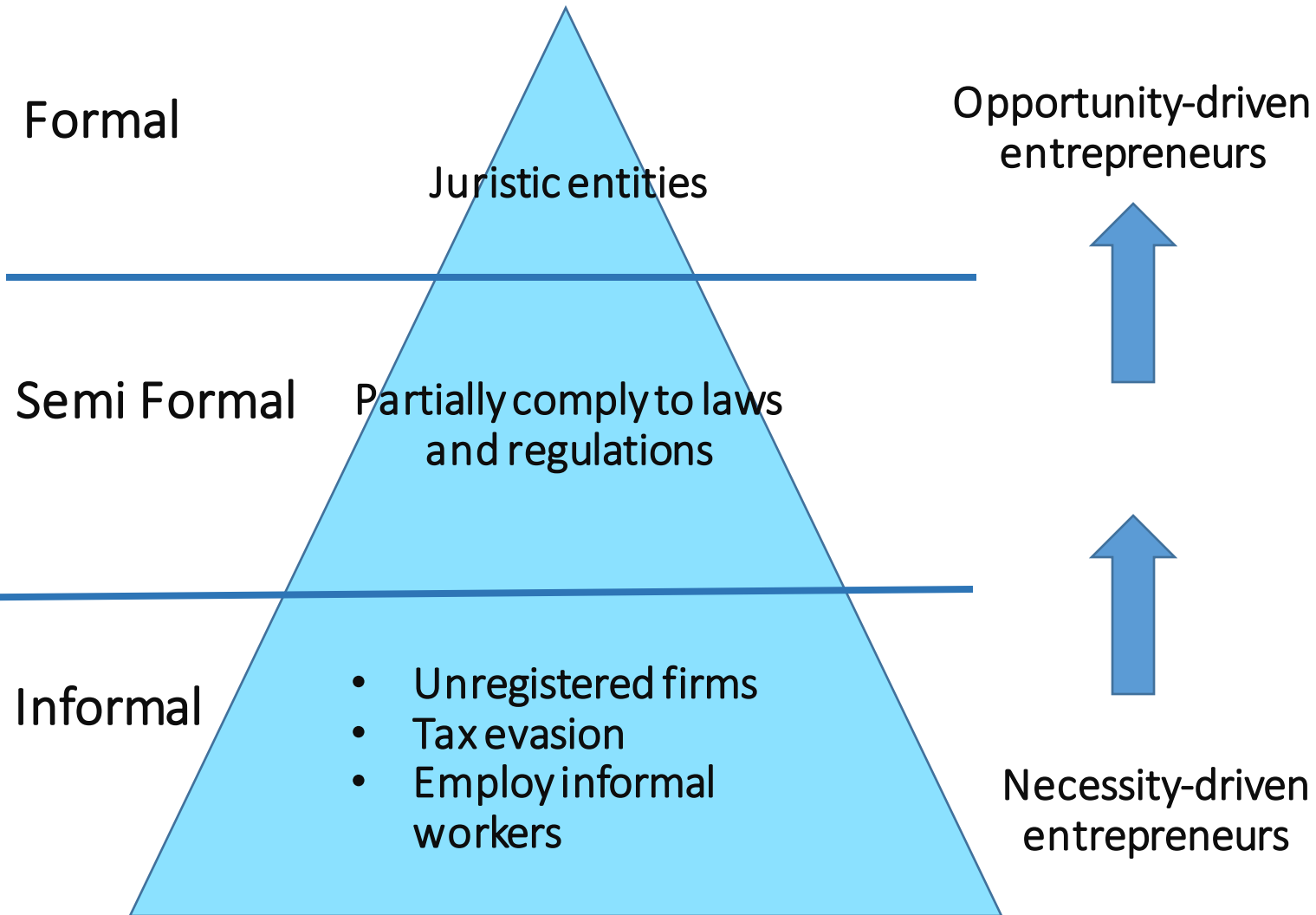


300,000-
600,000/Year

Top 5 Freelancers



Thailand's Approach towards Formalization Before COVID-19



Stick and Carrots

Amendment of the Revenue code Act (No.48, B.E.2562)

- Require all financial institutions to submit reportable financial account information to the Revenue Department by 31 March of every year.
- Another regulation requires financial institutions to report to Revenue Department of any account holders who have more than 400 financial transactions per year with more than 66,000 USD (2 mil Baht in total value)
- Incubation, training, internationalization and marketing support, product development from the government

Thailand's Approach towards Formalization after COVID-19

Necessity-driven entrepreneurs

- Limited access or no access to government services
- High cost informal finance
- No book keeping / lack of financial literacy
- Not register with the government
- Tax evasion

SME Database and formalization is by products of digitalization



Opportunity-driven entrepreneurs through digitalization

Entrepreneurs access to

- Inclusive government digital service



SME Academy 365



e-market place



Financial Literacy

- Simple book keeping software
- Access to government financial institutions
- Digital payment
- Access to government procurement e-platform



Digital Payment

The Blue Flag Scheme



Social welfare Smart card with
monthly Subsidies
(14.55 Mil. Card Holders)



90,685 Local Moms and Pops Shop

Transaction Data Transmitted to Ministry of
Finance





Financial Inclusion

Rao Mai Ting Gun or No one is left behind scheme
: Started in April 2020



\$500
(15,000 Baht)



15 Mil affected by COVID-19

- Temporary Workers
- Contract employees
- Self-employed

Rao Chana Scheme
: Started in Feb 2021



\$230
(7,000 Baht)



31.1 Mil affected by COVID-19

- Self-employed
- Freelances
- Farmers
- Informal Workers



Financial Inclusion

Khon La Kring or 50:50 Co-Sharing Scheme



\$5 Subsidies/person/day
(up to \$100 within three month)



Government e-wallet



50% co-pay by the government

1.3 Mil small shops
and street vendor
all over the
countries



Stimulus Measures linked to digital payment

We travel together Scheme



เราเที่ยวด้วยกัน

- Up to \$90 for hotel cost
- Up to 1000 baht for airfare



- 7,400 Hotels
- 62,700 Restaurants, Tour operators, License OTOP shops, Health & wellness related business