

The impact of the COVID-19 on the informal economy in Africa

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The COVID-19 pandemic has hit Africa at the time when the region is experiencing modest economic growth. The African Development Bank's 2020 African Economic Outlook (AEO) observes that Africa's economic growth remained stable in 2019 at 3.4 percent and is on course to pick up to 3.9 percent in 2020 and 4.1 percent in 2021. While this is higher than that of other emerging and developing countries, the AEO continues to observe the growth remained insufficient to address the structural challenges of the persistent current and fiscal deficits and debt vulnerability". Early estimates from UNECA already suggests that growth could slow down to 1.8 percent, this again could be optimistic, as the full impact of the pandemic remains unclear.

In addition, while extreme poverty has declined, it still affects 35 percent of the population. Lastly, Africa is still haunted by multiple inequalities of access to economic and social opportunities, particularly for women and the young, and among them those with disabilities and those living with HIV. According to AEO, the challenge is thus twofold: to raise the current growth path and to increase the efficiency of growth in generating employment. In view of this situation, it is no wonder that the biggest fear among African governments today is the loss in this momentum as they struggle to mitigate the COVID-19 pandemic.

Perhaps what compounds the fears of the governments in the region during this COVID pandemic is the recognition that recent growth has been due to growth in sales in commodities, services, and manufacturing, and including mining and agriculture, the sectors that operate largely in the informal economy. The informal economy refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. The ILO (2018) report indicates that informal employment is the main source of employment in Africa, accounting for 85.8 percent of all employment. In other words, the informal economy in Africa is not a marginal phenomenon, but rather a space where the majority of working men and women sustain themselves.

The scope, characteristic and the nature of the informal economy in Africa will determine how countries can effectively mitigate the impact of the COVID-19 pandemic. This is because the informal economy in Africa is not only driven by the individual characteristics of the informal economy actors, workers and economic units alike, or their motives but also by existing, and/or the lack thereof, of strong, effective institutions governing the economies, in general, and the labor markets, in particular.

In most parts of the continent, the economic and institutional environment consists of an inadequate regulatory framework, inappropriate modalities to comply with the laws and a weak enforcement system and an overall lack of transparency and accountability such that economic actors are enticed to circumvent public institutions rather than work through them. But most importantly, government concerns over the informal economy emanate from the fact that the people working in the informal

economy are vulnerable to impoverishment, hunger and disease, as they lack the necessary social protection coverage and support mechanisms if they lose their livelihood.

These include waste recyclers, street vendors, transport workers, construction workers, domestic workers and many more including small peasants in rural or peri-urban areas that were producing for the urban market. It also includes migrant workers, whether national or international, as they may well be without a 'home' under lockdown, in addition to vulnerabilities of all workers in the informal economy. The closing of education and training providers not only means of major loss of investment in skills, it also puts many learners in the informal economy at a disadvantage who may not be able to benefit from distance and e-learning for lack of connectivity. As such, the very measures that are crucial to slowing the spread of the virus have a direct cost for more than three-quarters of the population in Africa whose livelihood is dependent on the informal economy. Simply put, dependence on the informal economy means not being able to afford to be under total quarantine. There are already growing reports on the economic losses faced by workers engaging in certain occupations due to reduced demand, lack of access to markets, and the loss of mobility of people and goods. In turn, this brings to the fore several ways in which the informal economy is impacted:

- The issue of feasibility/effectiveness of lockdown measures in a large urban setting where a large part of the population makes its livelihoods and consume through the informal economy, in particular markets in public spaces. It includes the feasibility of social distancing measures in areas/slums where people live/work close to each other
- The cost of lockdown in terms of income source deprivation for the low income and vulnerable groups. At the same time, an increase of basic goods prices and reductions and/or shifts in demands and consumption patterns is expected. Coupled with the challenge for women to reconcile their family and professional roles, this will put them at increased risk and increase the costs of the pandemic
- The cost of the lockdown for poor urban consumers because of no or difficult access to informal economy markets and the associated increase of basic consumption goods' prices
- The decrease of basic consumption goods prices to producers in rural areas because of lack of access to urban markets while the price of those goods in urban setting will increase because of scarcity will be an incentive for informal trading and flows of those goods between rural and urban areas, which can contribute to spread the virus.
- The lack of basic sanitary infrastructure in big urban markets, especially for clients and workers to wash regularly their hands, is a factor of virus spreading.
- Since the majority of those working in the informal economy are women and girls, the disparities between men and women based on social norms and gender stereotypes are likely to worsen. This is also related to increased risk of violence and harassment at work and of stigmatization of certain categories of workers
- The challenge in scaling up awareness-raising about the risk of COVID-19 in poor, crowded, and unsafe living conditions where many of the most vulnerable in the informal economy settle. This includes conditions in which large families share a common space and other factors that make confinement and social distancing impossible.
- If a lot of information about the Pandemic is floating around in social media circles and news, there is a general lack of awareness campaigns for the poor and the informal workers, regarding

the facts about the virus, its seriousness, the myths around it and most importantly its prevention.

Another way COVID-19 affects the informal economy in Africa is through cross-border trade. Informal cross-border trade (ICBT) constitutes a major form of informal activity in most African countries (FAO, 2017). In the Southern African Development Community (SADC), for example, it makes up an estimated 30- 40 percent of total intra-SADC trade, with an estimated value of \$17.6bn.

Typically, women represent up to 70% of ICBT in the continent, trading a variety of commodities either in raw or semi-processed, including basic to luxury goods produced in other countries. In addition, the informal economy is not completely insulated from global value chains. For example, a large number of informal economy operators often traveled to China to buy electronic goods, cosmetics, and hairstyling and beauty products.

The suspension of international travel has, therefore, had a devastating impact of these informal traders. Although the overall impact of border closures on African economies maybe too early to determine, it is expected that similar interruptions in supply chains will translate into reduced income for not only retailers, but also moneychangers, transporters, and other people operating into different parts of these chains.

In many ways, the COVID-19 pandemic is an opportunity to reflect on the fundamental principles of social justice, one of which is poverty anywhere constitutes a danger to prosperity everywhere. It follows then that we are only as safe as the most vulnerable among us. In other words, those who are unable to quarantine themselves or to get treatment to endanger their own lives and the lives of others, and if one country cannot contain the virus, others are bound to be infected, or even re-infected. This makes the inclusion of the informal economy actors in national responses to COVID-19 not only a matter of protection of the citizens in the countries concerned but a necessity for all countries in this world.

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