



BRIEF

# WOMEN-OWNED INFORMAL ENTERPRISES IN THE DEVELOPING WORLD: Strategies for a Post-COVID-19 Recovery

## INTRODUCTION

As COVID-19 hammers economies worldwide, the informal sector—comprising both self-employment in small unregistered enterprises and wage employment in unprotected jobs<sup>1</sup>—has become engulfed in an unparalleled crisis. Deemed a barrier to inclusive development and the full exploitation of citizens' potential for economic progress, the informal sector is, however, often the only livelihood option available to millions of people across the world.

Though considered unruly, difficult to govern and prone to extortion and other forms of abuses by multiple actors, the informal sector contributes immensely to the economies of countries and provides livelihood opportunities for many poor and marginalized people globally.<sup>2</sup> Currently, an estimated two billion people, comprising 61 percent of the world's employed population, rely on the informal economy for livelihoods.<sup>3</sup> International Labor Organization (ILO)

estimates indicate that informal enterprises represent about 82.7 percent of all employments in low- and middle-income countries, ranging from 85.8 percent in Africa; 68.2 percent in Asia and the Pacific; 68.6 percent in the Arab States; 53.1 percent in Latin America and the Caribbean; to 25.1 percent in Europe and Central Asia.<sup>4</sup>

Women in the developing world are particularly affected by informality. Generally, this part of the world has more women than men in informal employment. In India alone, 94 percent of female workers operate in this informal sector. In Tanzania, about 83 percent of women are employed in the informal economy. While women are significantly less likely than men to own a formal or informal enterprise, own the majority of the most vulnerable informal enterprises in that part of the world.<sup>5</sup> Informality compounds women's barriers to equality. It lowers their access to finance; diminishes their ability to exercise property, business,

## SHARE AND NUMBER OF WOMEN WORKING INFORMALLY IN DEVELOPING COUNTRIES BY REGION<sup>6</sup>

REGION	SHARE	NUMBER (MILLIONS)
EAST ASIA & PACIFIC	61%	223
EUROPE & CENTRAL ASIA	25%	17
LATIN AMERICA & CARIBBEAN	64%	68
MIDDLE EAST & NORTH AFRICA	41%	5.8
SOUTH ASIA	72%	46
SUB-SAHARAN AFRICA	79%	73

and labor rights; limits their networks, heightens their vulnerability to extortion; and depletes their voice and visibility.

Women-owners of informal enterprises are more likely than their male counterparts to operate from home and to participate in less profitable ventures.<sup>7</sup> The income penalty and reduction in returns to education

associated with informality is also higher for women than for men.<sup>8</sup> The gender gap in profits between male- and female-led small and medium enterprises in Nigeria is as high as 39 percent. This is largely due to women's high participation in low-investment sectors, low level of education, and childbearing and family roles that prevent female entrepreneurs from investing enough time to their businesses.

### WOMEN AND WORK IN KENYA

**Nearly half (48 percent) of all employed people in Kenya are women.**

However, women and men tend to do different types of work. For example, 39 percent of men are paid employees earning a wage or salary, compared to only 18 percent of women. In contrast, 37 percent of women are own-account workers who work for themselves with no regular employees, compared to 31 percent of men; 29 percent of women are unpaid family workers compared to 22 percent of men; and 11 percent of women are in unclassified forms of self-employment, compared to 4 percent of men. Adding the last three categories together, 77 percent of women are self-employed but not employers, compared to 57 percent of men (culled from Budlender, 2011).<sup>9</sup>



## COVID AND WOMEN-OWNED INFORMAL ENTERPRISES IN THE DEVELOPING WORLD

COVID-19 is having a disproportionate impact on women's work and enterprises in the developing world. Compared to men, women are 1.8 times more likely to lose their jobs during this recession.<sup>10</sup> Due to a combination of well-documented factors, women-owned informal enterprises in the developing world were already in a vulnerable and precarious situation before the pandemic.<sup>11</sup> Since then, COVID-19 containment measures such as mobility restrictions, physical distancing, quarantines, lockdowns, social isolation, and closures of markets have, inter alia, worsened matters. These actions have disrupted the supply chains that many women-owned informal businesses rely on, shrunk their client base, triggered

losses and damage to their goods, and forced many of these businesses to operate below capacity or shutter temporarily or permanently.<sup>12</sup>

To comply with public health guidelines on the pandemic, many women-owned informal businesses in the developing world have incurred huge out-of-pocket costs that drained their savings and increased running costs. Shutdowns have generally cut local, domestic and global patronage for the services and goods of women-owned informal enterprises. The result has been pains and cries heard from every quarter of the informal economy in the developing world, from women in informal cross-border retail trade in West Africa to those in street trade and food vending in Asia and Latin America.

## COVID-19 AND THE INFORMAL SECTOR IN UGANDA



Some estimates for the potential impact of the Covid-19 pandemic on poverty incidence places Uganda among the top ten contributors to additional global poverty as a result of unemployment and labor income shocks associated with Covid-19 response measures.

**Over 13.67 million or 98 percent of Uganda's total working age population is engaged in the informal sector.**

Commonly, business operations in the informal sector are neither registered nor protected by the state, have no registered interests or assets, and are vulnerable and excluded from governments impact mitigation programs for businesses, as well as social safety nets and protection accorded by formal labor contracts. The lockdown and other Covid-19 related restrictions have affected the operation of informal businesses and small and medium-sized enterprises that continue to pay rent for premises without operations. Some continue to pay wages to employees who are not working, servicing loans that are not being put into productive use, while the few that are operating are buying input at higher than normal prices. With close to 50 percent of Ugandan businesses not surviving past their third birthday under normal circumstances, it is likely that investments, jobs and livelihoods will be lost because of the Covid-19 pandemic. The short-term response measures, like food distribution targeting only the urban poor vulnerable households during lockdown, have had little impact in reducing the effects of Covid-19 on those living in poverty in Uganda. This also applies to ill-targeted economic stimulus that benefit workers in the formal sector rather than those in the informal sector (culled from Development Initiative, 2020).<sup>13</sup>

With the pandemic, the predicament of women owners of informal enterprises in the developing world has generally intensified. In some countries, rules and guidelines implemented to control COVID-19 were enforced using police who particularly harassed women owners of informal business, confiscating their goods, demanding bribes, imposing fines, or physically abusing them.<sup>14</sup> Many informal businesses suffered forced evictions as harsh measures are used to close trading spaces and dislodge street vendors.<sup>15</sup> The pandemic has reduced the productivity, operations, sales, business opportunities and incomes of many women-owned informal enterprises in the developing world. Several informal entrepreneurs are currently unable to repay or obtain business loans. Given their limited access to social protection as well as capacity to absorb economic shocks, many women-owned informal enterprises have little chances of making it through the pandemic. Millions of women-owned businesses in the developing world have currently shuttered. Even with the discovery of potentially effective vaccines, COVID-19 is on course to shut down many more women-owned businesses in the next year.<sup>16</sup> In some parts of the developing world, governments are using the pandemic as grounds to transfer some services provided by women-owned businesses to big companies. In India, waste pickers worry that private companies will use the COVID-19 situation to justify the transfer of waste management contracts to large private companies.<sup>17</sup>

During pandemics and shocks, women's informal businesses have a harder time recovering than those owned by men. As sales, savings and incomes are depleted, households headed by women owners of informal business are experiencing compromised livelihoods, nutrition and wellbeing. The pandemic's toll on the lives of women-owners of informal businesses in the developing world is already evident in their growing vulnerabilities to gender-based violence, and adverse sexual and reproductive health and rights (SRHR) outcomes. Rachel Moussié and Silke Staab contend that without income replacement measures, women in the informal sector generally face the impossible choice between their families going hungry and breaking the rules to put food on the table, risking contagion and or sanctions.<sup>18</sup> Income losses and declines can be devastating for women whose earnings and bargaining power are already lower than men's. The closure of schools and childcare facilities in response to COVID-19



has exponentially increased unpaid work for many women in informal businesses, resulting in added income losses and heightening the socio-economic inequities between men and women. Further, with the closure of public spaces, restrictions on social interaction, and the collapse of global supply chains and local distribution networks, many informal business owners are firmly locked out of decent livelihoods during this period.

Due to massive loss of jobs among women in formal employment, the informal economy is also fast expanding with the implication that there will be overcrowding in the sector, which, in turn, will knock more women even lower down on the economic ladder and deeper into poverty.<sup>19</sup> A major consequence of this unfolding process is the intensification of the profitability gap between men-and women-owned informal enterprises.

Gender-sensitive responses that center the protection of vulnerable women-owned informal enterprises are urgently required to mitigate the impacts of the pandemic and ensure lasting recovery for informal businesses.<sup>20</sup> While developing world economies may continue to operate at a reduced capacity, with operating restrictions on informal businesses until everybody is vaccinated, interventions need to give women-owned informal businesses immediate relief and guarantee them extended support while the crisis lasts. All evidence points to the fact that many women-owned businesses will not make it through the current pandemic without additional support.<sup>21</sup>

## SUPPORTING WOMEN-OWNED INFORMAL ENTERPRISES TO RECOVER POST-COVID-19

As several extant studies and expert opinions suggest, an emerging silver lining of the pandemic is the rare opportunity to rethink policy and programmatic engagement with women-owned informal enterprises to assist them during this time and support long-term national recovery efforts.<sup>22</sup> While the pandemic has brought the worldwide neglect of vulnerable informal businesses into bold relief, experts agree that it also offers an opportunity to begin to do the right thing, particularly for women in the informal sector in the developing world.<sup>23</sup>

A multi-faceted support package informed by robust understanding of the varieties and dynamics of these businesses need to be urgently put in place. As policymakers, donors and other stakeholders turn their attention to economic recovery, evidence suggests that the plight and challenges of women-owned informal businesses in the developing world can be tackled through well-thought-out policy and practical solutions. These solutions will entail:

1. Research on the dynamics of the informal sector and the intersections of gender and other social forces that mediate the short and medium-term implications of COVID-19 for informal business in the developing world.
2. Establishment and strengthening of national universal basic income schemes to ensure that informal workers and enterprise owners can continue to earn a living during the pandemic and afterwards. Several sources, including UN Women, suggest that unemployment insurance, targeted cash transfers, and wage subsidies have the potential to ameliorate the economic shocks and other effects of the pandemic on informal businesses operations.
3. Application of robust gender and intersectional lens in all policy and programmatic responses to COVID-19. There is emerging evidence that unless they are gender sensitive and properly targeted, COVID-related policies will not benefit the most vulnerable of women informal workers and business owners.
4. Active engagement of women informal workers,

women entrepreneurs, and their organizations in all COVID-19 policies and interventions, and support for their participation in, and linkage with trade platforms to expand market access and connections during the pandemic and afterwards.

5. Creation and strengthening of mechanisms to support informal businesses to restart and enjoy access to adequate socio-economic protection, including state-backed and subsidized flexible and no-interest credits, hassle-free business license requirements, rent freeze or forgiveness and waivers on utilities, training on business planning support and create incentives for formalization.
6. Facilitation of digital access, digital financial inclusion as well digital literacy and training for women in informal enterprises to engage, where possible, in business transactions without having to travel extensively.
7. Pivoting economic recovery efforts towards developing the informal economy and infrastructure for affordable, decent and accessible social and health services and amenities.



Remy Gieling/Unsplash

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