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The COVID-19 crisis and the South African informal economy: A stalled recovery

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The COVID-19 crisis and the South African informal economy

A stalled recovery

Michael Rogan¹ and Caroline Skinner²

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Women in Informal Employment:
Globalizing and Organizing

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Abstract: This paper seeks to identify the differentiated impacts of the crisis on specific groups of informal workers. The analysis draws on official nationally representative labour force surveys collected quarterly by South Africa’s national statistical agency (Statistics South Africa). Based on an analysis of six quarters of labour market data (with the first quarter of 2020 as the ‘pre-COVID’ baseline), the paper aims to identify the labour market impacts of the first three waves of the pandemic and of one of the world’s strictest ‘lockdowns’ (as it was described at the time—in April 2020). In investigating the contours of the pandemic’s impact on the South African informal economy, the paper focuses, in particular, on the different impacts by gender, sector, and status in employment. The findings show that both relative and absolute job losses have been greater in the informal economy, while the rate and level of recovery have been greater for formal employment. Further, the data suggest uneven impacts within the informal economy with women informal workers, those working in the informal sector and those in retail and community and social services being particularly hard hit. The pandemic period has thus widened pre-existing inequalities and fault lines. In policy terms, this suggests that the informal economy should be a priority in economic recovery efforts but also that support requires differentiated approaches and a range of measures.

Key words: COVID-19, South Africa, informal economy, labour markets

JEL classification: E24, E26, J21, J46

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1 Introduction

Since the onset of the COVID-19 pandemic, it has been recognized that 1.6 billion of the world's 2.2 billion informal workers are among the most severely affected (ILO 2020). This widespread recognition makes the current crisis somewhat unique. In the past, it has often been assumed that the informal sector absorbs jobs which have been lost in the formal sector due to greater flexibility in the ability to respond to downturns and to make adjustments at the intensive margins (Ohnsorge and Yu 2021; Verick 2010). However, not only is the current crisis fairly unique in the way it has impacted on labour markets in particular and economies in general, but the effects of the crisis have been experienced most acutely in the sectors of the labour market in which women, young people, and informal workers are most heavily concentrated. Together with a well-documented gendered component to the crisis (Alon et al. 2020), this has meant that informal economies in middle- and low-income countries have been left exposed and with few resources to recover. The fact that the majority of employment in these economies is informal (ILO 2018; Ohnsorge and Yu 2021) then translates into a vicious cycle of reduced demand and limited fiscal space to stimulate the economy (see Roever et al. 2022).

However, despite these widespread *a priori* expectations of a crisis in informal employment, there is not necessarily a consensus on this outcome. For example, a recent World Bank publication on informal employment argued that ‘the [pandemic may have induced an *increase* in informal employment] that may not be unwound in the recovery’ (Ohnsorge and Yu 2021: xviii—emphasis added, paraphrase in brackets). While the precise impact of the pandemic on labour markets is an open empirical question, it is clear that there are some expectations that the disruptions to the global economy during 2020 and 2021 will lead to a longer-term increase in informal employment in some contexts. At the time of writing, 18 months into the pandemic, data are only now becoming available to provide evidence on the impact on employment, in general (Khamis et al. 2021; Lee et al. 2020; OECD 2021), and informal employment, in particular (Balde et al. 2020; Cueva et al. 2021; Köhler et al. 2021; Lakshmi Ratan et al. 2021).

This paper seeks to identify the differentiated impacts of the crisis on specific groups of informal workers. It draws on official nationally representative labour force surveys. South Africa's national statistical agency (Statistics South Africa) collects labour force data on a quarterly basis which provides an important opportunity to track the impacts of the pandemic and accompanying government restrictions on the labour market over a key time period. Based on an analysis of six quarters of labour market data (with the first quarter of 2020 as the ‘pre-COVID’ baseline), the paper aims to identify the impacts of the first three waves of the pandemic and of one of the world's strictest ‘lockdowns’ (as it was described at the time—in April 2020). In investigating the contours of the pandemic's impact on the South African informal economy, the paper focuses, in particular, on the different impacts by gender, sector, and status in employment.

The remainder of the paper is structured as follows. The next section begins with a brief description of the South African informal economy and then provides some context on the timelines of the pandemic and associated government restrictions and responses throughout 2020 and 2021. The definition of informal employment used throughout this paper is based on the International Conference of Labour Statisticians (ICLS) recommendations, where informal employment includes all types of employment, both inside and outside of the informal sector,

without adequate legal and social protection¹ (see Hussmanns 2004; ILO 2013). Section 3 begins the empirical section of the paper by identifying the employment impacts of the pandemic and government restrictions in 2020. Section 4 then narrows the focuses to the gender-differentiated impacts of the pandemic on employment within the informal economy. In Section 5 employment changes by industry sector and status in employment are investigated. Finally, Section 6 concludes with some reflections on how policy responses can mitigate the impact of the crisis on informal workers by understanding the differentiated nature of employment changes within the informal economy.

2 Background, progression of the pandemic, and the South African policy environment

South Africa's informal economy is smaller than its developing country counterparts, averaging around one third of total employment over the post-apartheid period (ILO 2018; Rogan and Skinner 2021). The relatively small size of the informal economy amidst some of the highest levels of open unemployment in the world has been an enduring curiosity. Analysts point to a range of factors including the legacy of apartheid restrictions on the economic activities of Black South Africans, but also the way in which economic concentration in the formal sector constrains sales and output growth, as well as employment creation in the informal sector (Philip 2018; Rogan and Skinner 2021).

While employment in the informal economy is dominated by Black South Africans—in 2019, for example, this group constituted 89 per cent of informal employment despite accounting for only 75 per cent of total non-agricultural employment (own calculations from the Quarterly Labour Force Surveys [QLFSs])—it is heterogeneous in most other respects (Rogan and Skinner 2018). In addition, and well before the onset of the COVID-19 crisis, there were existing inequalities and fault lines within the South African informal economy (Heintz and Posel 2008; Rogan and Alfers 2019). Perhaps most notably, there has been consistent gender inequality within the informal economy, with women being over-represented in the lowest earning types of informal employment but also experiencing an earnings gap within informal occupations (Rogan and Alfers 2019).

Against this backdrop, there have been several studies, to date, which suggest that the existing vulnerabilities within the informal economy have been exacerbated by the pandemic (Benhura and Magejo 2020; Köhler et al. 2021; Rogan and Skinner 2020). Once the World Health Organization declared COVID-19 a global pandemic in early March 2020, the South African government acted swiftly—instituting some of the strictest measures to prevent the spread of the virus. Over the subsequent 18 months, the country has variously lifted restrictions and re-imposed them in response to multiple waves of infections. The country has experienced higher COVID-19 prevalence and fatalities in comparison to African and global averages. The vaccination programme only started in earnest in May 2021. While vaccination rates are higher than the average

¹ In operationalizing this definition, the paper follows Statistics South Africa's measurement approach in which employment in the informal sector consists of both employees and the self-employed. Employees are identified as working in the informal sector if they work in establishments that employ less than five people and do not report income tax being deducted from their salaries. The self-employed in the informal sector includes employers, own-account workers, and persons helping unpaid in their household business who are not registered for either income tax or value-added tax. Informal employment is then identified as a broader category which includes all persons in the informal sector (as above) and employees in the formal sector and persons employed in private households who are not entitled to a pension or medical aid and who do not have a written contract of employment (Rogan and Skinner 2021: 758).

for Africa, they remain low in comparison to rates in the Global North, with only 36 per cent of the adult population being fully vaccinated by the end of November 2021. In 2020, the South African government instituted a range of support measures to households, employees, and employers. These included: increasing existing social grants for six months; introducing the Social Relief of Distress Grant (SRD grant); extending the Temporary Employer/Employee Relief Scheme (TERS); and initiating new support to small businesses. Assessments have repeatedly found, however, that informal workers have largely been missed by these impact mitigation measures (Skinner et al. 2021; WIEGO and Asiye eTafuleni 2021).

3 Employment impacts of the pandemic and government restrictions in 2020

First and foremost, the impact of the pandemic and the introduction of government restrictions to contain the spread of the virus resulted in the single greatest shock to the post-apartheid labour market. During the previous significant economic downturn, the global financial crisis in 2008/9, roughly one million jobs were lost (Verick 2010). As Table 1 suggests, the impact of the current crisis on job losses has been substantially greater. In the second quarter of 2020, a year-on-year comparison with 2019 suggests that roughly 2.2 million jobs were lost at the outset of the crisis. This period coincided with the introduction of the severe ‘lockdown’ restrictions. By the fourth quarter of 2020, many of the initial government restrictions had been relaxed (although the second wave of the virus resulted in the reinstatement of some restrictions in the final weeks of the calendar year). However, the labour market still had roughly 1.4 million fewer jobs relative to the same quarter in 2019. The estimates of total employment in the table below, therefore, depict a sharp initial shock to the labour market followed by a somewhat muted recovery throughout 2020.

Apart from the scale of job losses during the unfolding of the crisis, the other key feature from the South African context is the disproportionate number of informal jobs that were lost. Of the nearly 2.2 million net jobs lost during the second quarter of 2020, roughly 1.5 million were informal jobs. By the third quarter, 1.2 million of the 1.7 million lost jobs were informal and, during the final quarter of the year, 860,000 of the 1.4 million lost jobs were in the informal economy. Therefore, both relative and absolute job losses were greater in the informal economy, while the rate and level of ‘recovery’ was greater for formal employment.

Table 1: Total employment in the South African labour market, 2019–20

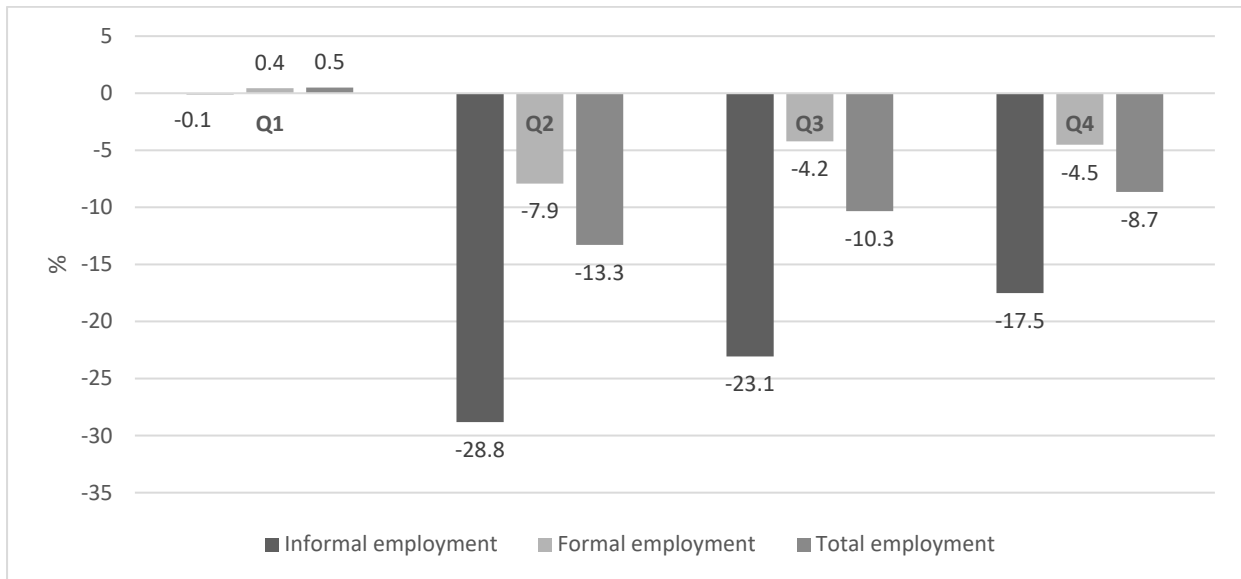
	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
	2019	2020	Absolute change	2019	2020	Absolute change	2019	2020	Absolute change	2019	2020	Absolute change
Informal employment	4,945,832 (69,326)	4,941,020 (70,934)	-4,812	5,085,705 (70,394)	3,620,309 (75,750)	-1,465,396	5,093,242 (70,639)	3,918,667 (78,234)	-1,174,575	4,907,311 (69,516)	4,047,667 (79,054)	-859,644
Formal employment	10,790,712 (102,468)	10,838,100 (105,043)	47,388	10,649,907 (101,922)	9,807,229 (128,052)	-842,678	10,673,496 (102,222)	10,223,020 (130,715)	-450,476	10,933,092 (103,708)	10,440,274 (130,340)	-492,818
Total employment	16,513,041 (119,609)	16,595,799 (123,167)	82,758	16,535,411 (119,900)	14,336,719 (148,151)	-2,198,692	16,593,818 (120,346)	14,880,503 (150,413)	-1,713,315	16,640,794 (120,864)	15,200,723 (149,904)	-1,440,071

Note: the data are weighted. Standard errors in brackets. Sample not restricted to the working-age population. The table does not reflect the category of 'other employment' which includes observations that could not be classified as 'formal' or 'informal'. Therefore, the estimate of total employment is greater than the sum of formal and informal employment.

Source: authors' calculations from the Quarterly Labour Force Surveys (QLFSs).

Figure 1 allows for greater ease of comparison between informal and formal job losses by expressing labour market changes, by quarter, in relative terms. During the initial phase of the crisis (the second quarter of 2020), informal employment contracted by about 29 per cent, while formal employment decreased by 8 per cent. In other words, informal job losses were more than three times greater than formal job losses. A similar pattern is evident throughout the remainder of 2020, with the relative rate of informal job losses being far higher than formal job losses. By the end of 2020, informal job numbers were 18 per cent lower, year-on-year, while formal jobs were only about 5 per cent lower than 2019 levels.

Figure 1: Year-on-year (2019–20) changes in informal and formal employment, by quarter

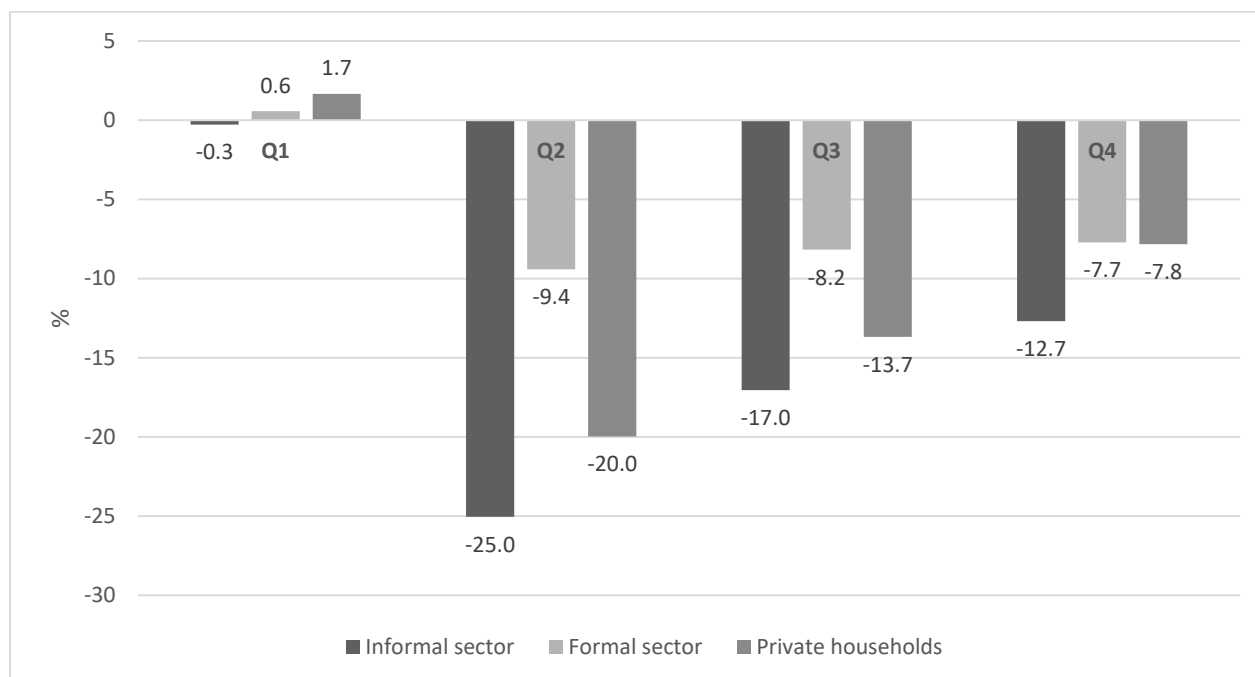


Note: the data are weighted. Sample not restricted to the working-age population.

Source: authors' calculations from the Quarterly Labour Force Surveys (QLFSS).

Figure 2 looks more closely at these job losses by comparing employment in 2020 to the corresponding quarter in the previous year in the formal and informal sectors and in private households. In the second quarter, relative job losses were far higher in the informal sector and in private households (mostly consisting of women engaged in domestic work), than in the formal sector. In quarters 2 through 4 of 2020 the largest job losses were in the informal sector, with employment losses more than double those in the formal sectors in quarters 2 and 3, in comparison to the previous year. Somewhat surprisingly, employment in private households recorded a quicker recovery than employment in the informal sector over the course of the year. Informal sector employment made the slowest recovery following the greatest initial decrease in job numbers.

Figure 2: Year-on-year (2019–20) changes in the formal and informal sectors and private households



Note: the data are weighted. Sample not restricted to the working-age population.

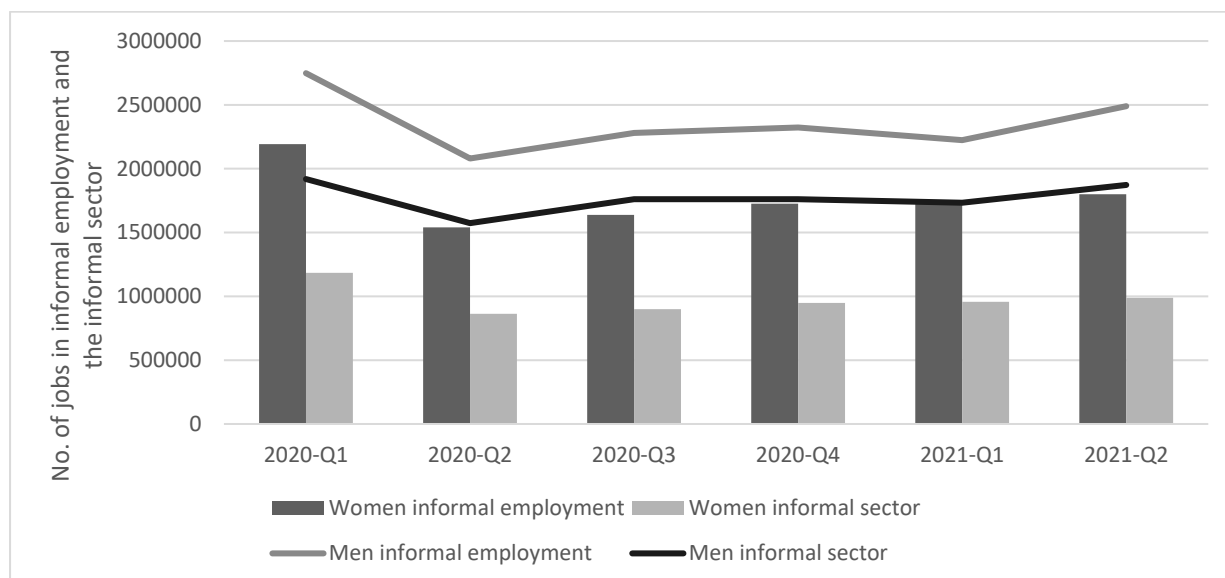
Source: authors' calculations from the Quarterly Labour Force Surveys (QLFSs).

4 Gender differences in the loss of employment and earnings

One of the most distinguishing features of the current crisis both in South Africa (Casale and Posel 2021; Casale and Shepherd 2021; Rogan and Skinner 2020) and globally (Alon et al. 2020; Collins et al. 2021) is the disproportionate job and income losses borne by women. During the first two quarters of the crisis, women's informal employment, at the extensive margin, contracted more than men's (e.g. by 30 per cent in the second quarter and by 27 per cent in the third quarter). By the fourth quarter of 2020, and likely driven by the return to work of many domestic workers, both women's and men's informal employment numbers were about 17.5 per cent lower than in the same quarter of 2019. Therefore, in terms of job losses in the informal economy, women seem to have experienced a greater impact earlier in the crisis but then 'recovered' to similar levels to men by the end of the calendar year.

However, this overall picture masks important differences within the informal economy. The estimates in Figure 3 suggest that, among men (lines), the number of jobs in informal employment in the second quarter of 2021 is still lower than that at the outset of the crisis (the first quarter of 2020), but that informal sector employment has recovered to pre-COVID levels. Among women (bars), however, both informal employment and informal sector employment are substantially lower than the pre-crisis period. Perhaps most notably, the rate of employment recovery among women (both within and outside of the informal sector) has improved very little (if at all) since the third quarter of 2020. As such, the gendered features of the crisis in informal job losses have persisted for four consecutive quarters.

Figure 3: Total employment in the informal sector and in informal employment (2020–21), by gender



Note: the data are weighted. Sample not restricted to the working-age population.

Source: authors' calculations from the Quarterly Labour Force Surveys (QLFSs).

Table 2 explores these gendered differences in losses in both informal and formal employment within the context of the broader impact of the crisis on the South African labour market. The first step was to identify the determinants of labour force status based on two multinomial logit models—one estimated before the crisis and one during the first period of pandemic job losses (2019-Q2 and 2020-Q2, respectively). The regressions control for gender, race, level of education, marital status, age (and its quadratic), and province. The regressions are first estimated with the full working-age sample (Table 2) and then separately for women and men (Figure 5). Since the focus of this chapter is on changes between the pre-crisis and crisis periods, Table 2 presents the results in the form of average predicted probabilities derived from the multinomial logit estimates. The table presents the predicted probabilities of being in strict unemployment, discouraged unemployment, informal employment, and formal employment by gender and population group.

Table 2: Selected average predicted probabilities of labour force status, 2019–20 (second quarters)

	Unemployed		Discouraged		Informal employment		Formal employment	
	2019-Q2	2020-Q2	2019-Q2	2020-Q2	2019-Q2	2020-Q2	2019-Q2	2020-Q2
Gender								
Women	18.3 (0.37)	10.3*** (0.33)	7.7 (0.23)	6.3*** (0.28)	11.6 (0.28)	7.0*** (0.26)	21.2 (0.38)	17.0*** (0.42)
Men	19.6 (0.40)	11.8*** (0.39)	7.4 (0.70)	6.0 (0.30)	16.8 (0.36)	10.5*** (0.36)	32.3 (0.46)	25.2*** (0.54)
Race								
African/Black	21.5 (0.33)	12.0*** (0.30)	7.7 (0.23)	6.8 (0.26)	15.2 (0.27)	9.6*** (0.27)	25.0 (0.33)	19.6*** (0.37)
Coloured	18.1 (0.91)	9.7*** (0.89)	7.4 (0.70)	7.2 (0.94)	9.6 (0.62)	6.0*** (0.70)	34.7 (1.24)	24.5*** (1.49)
Indian/ Asian	8.6 (1.24)	10.6 (2.07)	2.2 (0.58)	3.1 (0.97)	12.0 (1.30)	5.0*** (0.92)	23.39 (1.83)	23.6 (2.18)
White	7.5 (0.84)	5.4 (0.81)	3.0 (0.63)	2.2 (0.58)	9.3 (0.91)	5.1*** (0.76)	32.21 (1.43)	28.7 (1.58)

Note: the data are weighted. Conditional predicted probabilities are based on the estimates from the multinomial logit model. The specified independent variable is set to a certain value while each confounder is fixed at its mean value. Predicted probabilities for economic inactivity and 'other' employment are not displayed—but were included in the regression. Sample restricted to the working-age population. The base model included additional controls for level of education, marital status, age, and provincial fixed effects. *** – indicates that the change from 2019(Q2) to 2020(Q2) is significant at the 95% confidence level. Standard errors are in brackets.

Source: authors' calculations from the Quarterly Labour Force Surveys (QLFSs).

As suggested by the results in the table, the onset of the pandemic had a substantial effect on the South African labour market. Overall, there was a large reduction in both formal and informal employment along with a substantial and significant decrease in unemployment² for both women and men and among the African and Coloured sample. In terms of decreases in formal and informal employment, the decreases were large and significant, particularly for informal employment. Among women, for example, the probability of informal employment decreased by 4.6 percentage points (from 11.6 per cent to 7 per cent), while the likelihood of formal employment decreased by 4.2 percentage points (from 21.2 per cent to 17 per cent). Similarly, among working-age men, there was a 6.3 percentage point drop in informal employment after the onset of the crisis and a 7.1 percentage point drop in the probability of being in formal employment. Given the lower probabilities of informal employment for both women and men (relative to formal employment), these percentage point changes denote larger relative decreases in the probability of informal employment (e.g. by 39.6 per cent among women and 37.5 per cent among men).³

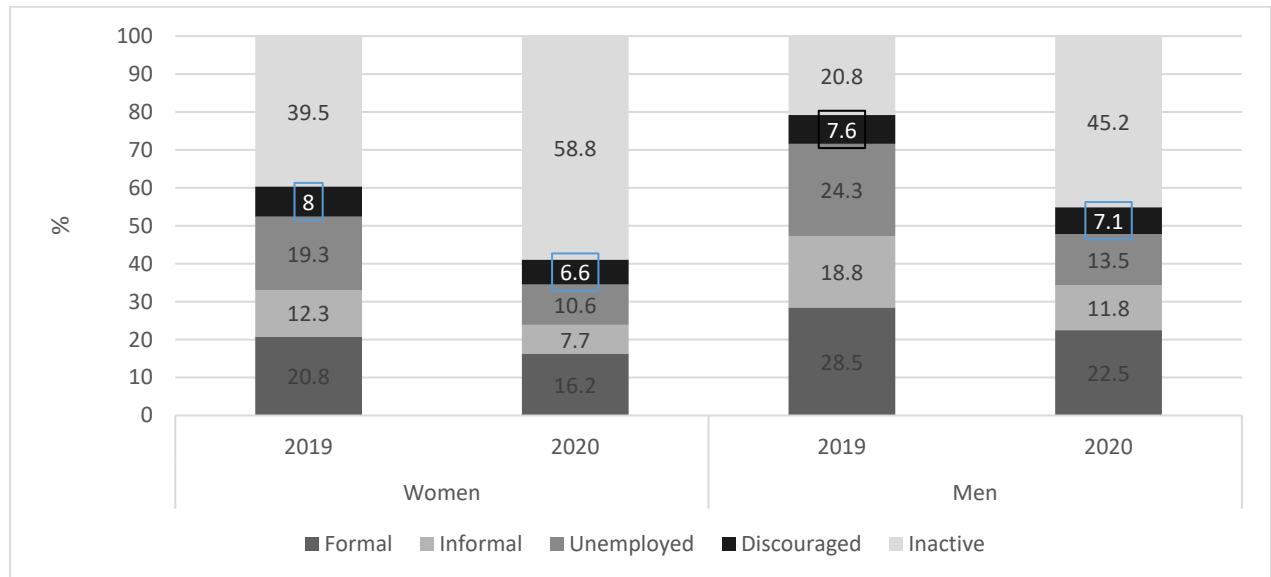
While these estimates demonstrate the large and significant decreases in the probability of informal employment during the first months of the pandemic in South Africa (after controlling for several factors), Figure 4 considers the labour market changes for the Black African population alone. In South Africa, the informal economy is fairly homogenous, in terms of race, with roughly 90 per cent of all informal workers identifying as Black African (own calculations from the 2019 QLFS – Q2). Given the gender differences in labour force participation, the estimates in the figure below are also based on separate regressions for women and men. The results suggest large and significant differences in the probabilities of employment and inactivity between Black African women and

² Given the unique features of the current crisis, unemployment actually declined while economic inactivity (i.e. labour force withdrawal) increased significantly. This decrease in unemployment coincided with a large increase in economic inactivity (not shown in the table).

³ The corresponding relative declines in the probability of formal employment for women and men are 19.8 per cent and 21.9 per cent, respectively.

men. Perhaps most notably, the likelihood of labour force non-participation (inactivity) among working-age women increased from about 40 per cent for women in 2019 to nearly 60 per cent in 2020 (and from 21 per cent among men to 45 per cent).

Figure 4: Average predicted probabilities of labour force status among Black Africans, 2019–20 (second quarters)



Note: the data are weighted. Conditional predicted probabilities are based on the estimates from separate multinomial logit estimates for women and men. The specified independent variable is set to a certain value while each confounder is fixed at its mean value. Sample restricted to the working-age population. ‘Other employment’ not included. The base model included additional controls for population group, level of education, age, marital status, and provincial fixed effects.

Source: authors’ calculations from the Quarterly Labour Force Surveys (QLFSs).

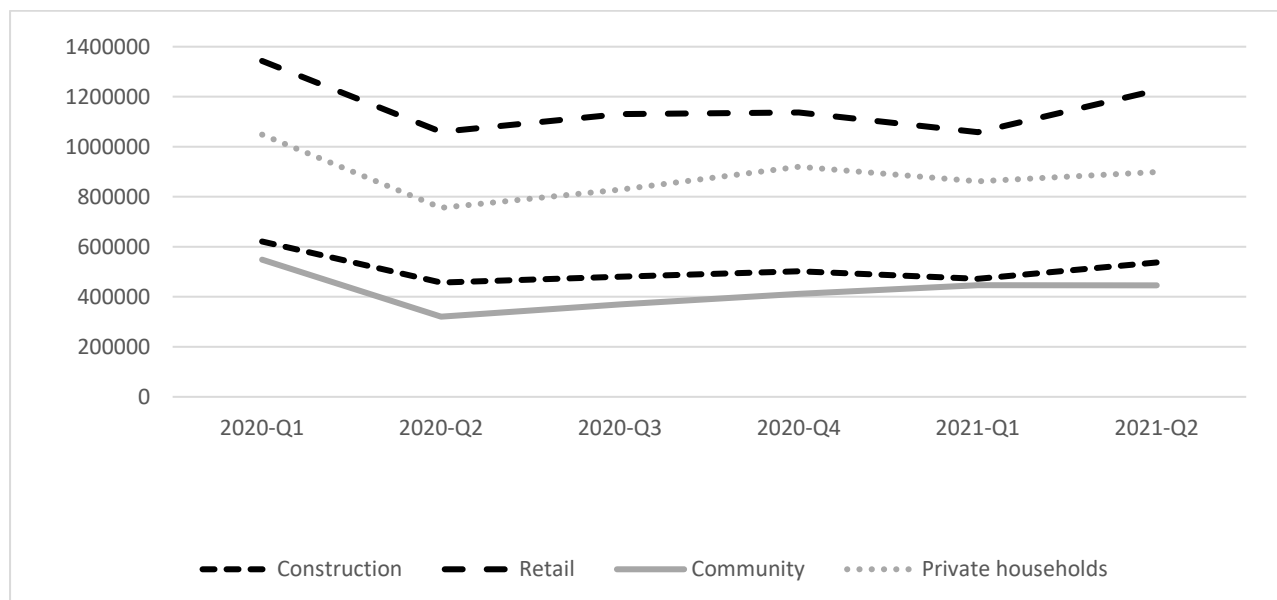
Turning to the main categories of interest, among women, the probability of being in both informal and formal employment decreased by 4.6 percentage points between 2019 and the onset of the crisis. The relative decreases in the likelihood of being in informal employment were, therefore, considerably larger than the decreases in the probability of formal employment (37.4 per cent and 22.1 per cent, respectively). Among men, the relative decreases in the likelihood of informal and formal employment were 37.2 per cent and 21.1 per cent, respectively. Therefore, among both women and men, the conditional probabilities for informal employment decreased by far more than for formal employment. Complementing the descriptive analysis earlier in the paper, the multivariate analysis suggests that a particular feature of the current ‘pandemic recession’ is a large and disproportionate impact on informal employment.

5 Changes in informal employment by industry sector and status in employment

The informal economy consists of a diverse set of activities and employment arrangements. As such, the effects of government restrictions to contain the spread of COVID-19 are likely to vary for different groups of workers. Figure 6 presents six quarters of informal employment estimates for the four largest industry sectors in the informal economy: wholesale and retail trade, private households (domestic work), construction, and community and social services. Wholesale and retail trade is the single largest employer in the informal economy and includes trade in streets, markets, and from homes (*‘spaza’* shops), as well as various service activities. As demonstrated by the sharp decrease in the second quarter of 2020, workers in this sector were impacted by the government ‘lockdown’ in April of that year. Restrictions on movement and all non-essential

activities were stringently enforced. The severe reduction in income, consumption, and aggregate demand meant that this sector was slow to recover over the course of 2020 and into 2021 (depicted by the flat line for most of the period). Only in the second quarter of 2021 is there evidence of a recovery in employment in informal trade, but the employment numbers were still lower than pre-pandemic levels—see the first quarter of 2020.

Figure 6: Employment in the informal economy (2020–21), by industry sector



Note: the data are weighted. Sample not restricted to the working-age population.

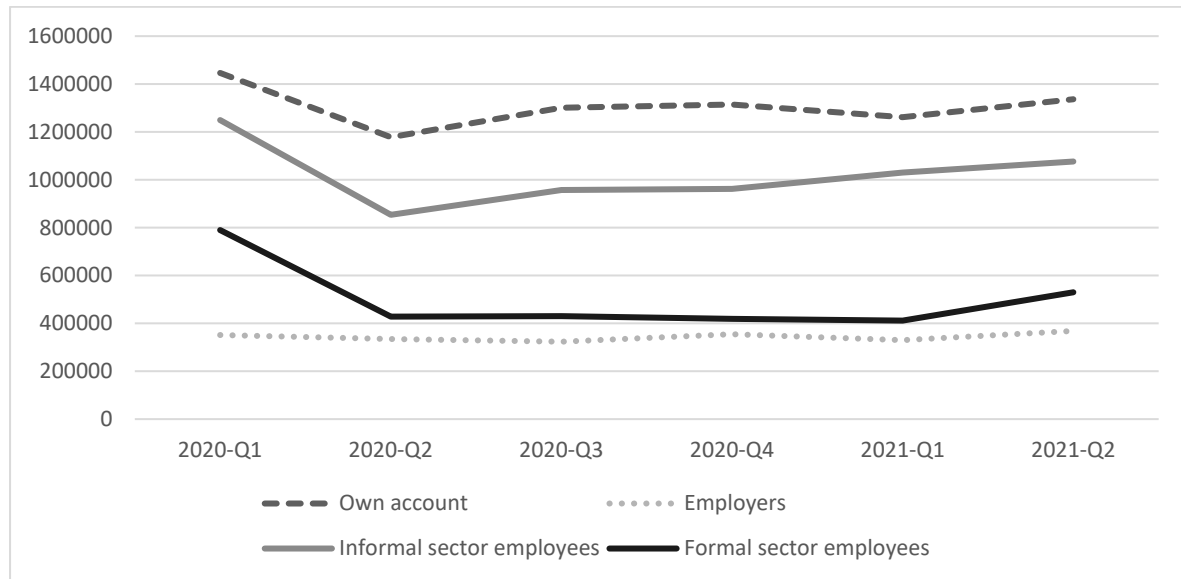
Source: authors' calculations from the Quarterly Labour Force Surveys (QLFSs).

Informal employment in private households consists of domestic workers and other types of household employment (e.g. gardeners) and is predominately a source of employment for women, at 73 per cent of total employment. The estimates in Figure 6 show a sharp contraction in employment in private households followed by a muted recovery. Despite a brief increase in employment numbers in domestic work at the end of 2020, the recovery in 2021 has been somewhat flat. In contrast, informal employment in the construction sector (93 per cent men) saw a more gradual drop off in the second quarter of 2020 and then a similar (in size) recovery between the first two quarters of 2021. While still lower than before the pandemic, the difference in employment in this sector between the start and end of the period falls within the survey margin of error. Finally, employment in community and social services, which includes informal child-care providers, hairdressers, mechanics, traditional medicine providers, and waste recyclers and is dominated by women (62 per cent), saw the largest relative decline over the period. Following a large shock at the outset of the crisis, these activities gradually recovered during 2020 but recovery stalled in 2021. By the end of the period, informal employment in the community and social services was still 20 per cent lower than at the start of the pandemic. Taken as a whole, the findings from Figure 6 demonstrate that the crisis was not felt evenly across the informal economy, and that the sectors in which women are concentrated were disproportionately impacted.

Finally, Figure 7 presents estimates of employment changes in the informal economy by status in employment. The categories are based on the ILO's statistical framework (Husmanns 2004) and include two groups of self-employed workers (own-account workers and employers) and two types of employees (those in informal sector enterprises and those employed informally in the formal sector). Own-account work is the single largest category in the South African informal economy and is often the most visible type of informal employment as it includes street vendors, waste

pickers, and other workers who operate in public spaces. At the outset of the crisis, there was an immediate and sharp drop in own-account work when access to public spaces was restricted. However, there has been a gradual recovery over the following quarters as demand for essential goods (and basic food products, in particular) has increased. By the middle of 2021, the recovery was still incomplete, however, with own-account employment about 8 per cent lower compared with the beginning of 2020. The other category of self-employment, employers, is a relatively small group, which is comprised predominantly of men (81%) and does not seem to have been affected by the pandemic (at least in terms of employment numbers).

Figure 7: Total employment in the informal economy (2020–21), by status in employment



Note: the data are weighted. Sample not restricted to the working-age population.

Source: authors' calculations from the Quarterly Labour Force Surveys (QLFSs).

The two types of informal employees (those in the informal sector and those in the formal sector) recorded the largest declines in employment during the height of the crisis. The larger of the two types of employees (informal sector employees) experienced a roughly 30 per cent reduction in employment between the first two quarters of 2020. For these employees, the recovery was relatively slow over the course of 2020 and, by the middle of 2021, the number in employment was still considerably lower (14 per cent) than in the period prior to the pandemic. By far the most vulnerable group of employees is comprised of those who work informally for formal sector firms. This type of employment has some parallels with 'precarious employment' in the broader literature but, in the South African context, includes male-dominated (62 per cent) occupations such as construction and agricultural labourers as well as taxi drivers (but also several types of restaurant, retail, and service workers). At the outset of the pandemic, these employees saw a nearly 50 per cent reduction in employment (at the extensive margin) and practically no recovery for the following three quarters. Employment numbers only increased again in the second quarter of 2021, but employment levels were still 33 per cent lower than in early 2020. This suggests that some formal firms/industries responded⁴ to the economic downturn by laying off their most vulnerable workers—i.e. those that were outsourced and/or working on insecure contracts and without any type of social protection.

⁴ It is, of course, also possible that smaller formal firms that employed workers informally did not survive the pandemic and closed altogether.

6 Conclusion

Analysis of official South African employment data over the 2020–21 period shows that measures to prevent the spread of COVID-19 have had a disproportionately negative impact on informal workers. Countering World Bank predictions that the pandemic may induce an *increase* in informal employment, the South African data show that both relative and absolute job losses have been greater in the informal economy, while the rate and level of recovery have been greater for formal employment. Further, the data suggest uneven impacts within the informal economy with women informal workers, those working in the informal sector and those in retail and community and social services being particularly hard hit. The pandemic period has thus widened pre-existing inequalities and fault lines. In policy terms, this suggests that the informal economy should be a priority in economic recovery efforts, but also that support requires differentiated approaches and a range of measures.

The COVID-19 recovery efforts provide an opportunity to address pre-existing disparities and to accelerate structural change in the economy. The crisis has highlighted both the essential services informal workers provide but also their lack of social protection. By way of example, in 2019, only 20 per cent of South Africa's 1.2 million domestic workers reported being registered for the unemployment insurance fund (UIF) (Quarterly Labour Force Surveys, own calculations). This is despite registration being a legal requirement for employers of domestic workers. While domestic workers are the largest group, this is also the case for other informal wage workers—farm workers, taxi drivers, waiters, and construction workers—and for employees in informal enterprises. As a result, the vast majority of informal wage workers who lost their jobs in 2020 were unable to access relief from TERS. Changes underway in the social protection system (see, for example, the Department of Social Development 2021) need to extend protections to informal wage worker—including unemployment insurance, maternity leave, occupational health and safety protections, and pensions.

The anaemic jobs recovery in the informal economy is, in part, an outcome of constrained demand. Cash transfers not only reduce poverty and inequality, they are a key mechanism to boost demand. Existing evidence suggests grant recipients often use the money to buy local goods and services but also to search for work or start their own informal enterprises (Davis et al. 2016; Fisher et al. 2017). As noted earlier in the chapter, the South African government introduced a temporary relief grant (the SRD Grant) of ZAR350⁵ a month per person. While the grant amount is very small (roughly the equivalent of US\$22), its impact on poverty and inequality has been well documented (Barnes et al. 2021), with many arguing this should form the basis of a universal income guarantee (see, for example, IEJ 2021). Institutionalizing the SRD Grant is a critical policy priority for those working informally. In addition, small business support should be extended to the informally self-employed. Despite stating that the informal sector is a target of support, the Department of Small Business Development's support programme has not reached informal enterprises (Skinner et al. 2021; WIEGO and Asiye eTafuleni 2021). Given the disproportionate impact of the crisis on women informal workers, they should be a particular target for both forms of support but have fallen through the gaps so far (ibid). Finally, economic recovery efforts will likely be thwarted by repeated waves of COVID-19, making vaccination a key priority. Continuing vaccination efforts but also addressing disinformation about vaccinations in general, and among informal workers in particular, is critical.

⁵ Many have noted that ZAR350 is below the food poverty line of ZAR585 (IEJ 2021:4).

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