



BUILDING BACK BETTER FOR WOMEN:
**WOMEN'S DIRE
POSITION IN THE
INFORMAL ECONOMY**

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Covid-19 has disproportionately impacted the lives and livelihoods of women – but the pandemic presents an opportunity to build back a more gender-equal global economy.

In the build-up to the G20 Leaders' Summit in Saudi Arabia, the official women's empowerment engagement group to the G20. The Women 20 (W20) Saudi Arabia has partnered with Accenture Research on a series of articles highlighting specific areas in which it is vital we take action to empower women.

A full report building on these articles will be delivered ahead of the G20 Summit in November 2020.

ACKNOWLEDGMENTS

The W20 Saudi Arabia is grateful to the following individuals for their invaluable support and dedication



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OVERVIEW

Nine months into the COVID-19 crisis, the damage to the global economy continues to be felt disproportionately by the 740 million women employed in the informal economy. These individuals—especially in developing and emerging countries—are among the world's most vulnerable and least represented.

As decisions are being made that will reshape the way the world works going forward, the G20 needs to better understand the challenges facing women in the informal economy, and take action immediately to support their social and economic empowerment.



Globally, 2 billion workers are in the informal economy representing 61 percent of global employment, including 740 million women¹.



WHAT IT MEANS TO BE A WORKER IN THE ‘INFORMAL ECONOMY’?

Unlike workers who are formally employed, workers in the informal economy have no or little job and social security protection. They do not have access to social security benefits that guarantee income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of a breadwinner.

This makes them particularly vulnerable to the current recession, and to situations where they are unable to work (through their own, or a family member’s sickness, or a lockdown), as they have no income replacement.

As a result, relative poverty² for informal workers and their families could increase by 34 percentage points globally and 36 percentage points in G20 countries, owing to their lost income during the crisis³.

The informal economy is diverse and includes different sub-groups. For example, depending on their employment status, individuals might:

- Work for an employer but the employer does not contribute to social security on their behalf (‘employees’)
- Run an enterprise that is not registered with the national authorities or has no formal book-keeping either with employees (‘employers’) or without employees (‘own-account workers’)
- Work for an enterprise run by a family member in a paid or unpaid capacity (‘contributing family workers’)⁴

Although the share of women in informal employment (58 percent) is lower than the share of men (63 percent) there are actually more countries around the world (55.4 percent) where the share of women in informal employment exceeds the share of men⁵.

Informal employment is more common among women than men in Sub-Saharan Africa, Latin America, southern Asia and, more generally, in low- and lower-middle-income countries⁶.

In the G20 overall, 50 percent of women's employment and 59 percent of men's employment is informal. These figures rise to 60 percent and 67.5 percent respectively for emerging economies⁷ in the G20⁸.

WOMEN ARE MORE LIKELY TO BE AT THE BOTTOM OF THE INFORMAL ECONOMY HIERARCHY

Men are more exposed globally to informal working than women, but women are more likely to be working in the most vulnerable positions.

Analysis carried out by Women in Informal Employment: Globalizing and Organizing (WIEGO) on the interactions between type of informal work, level of earnings and risk of poverty finds a hierarchy of earnings and gender segmentation across employment types.

Informal employers are at the top, with the highest earnings and lowest poverty risk, followed by own-account workers, employees, other informal wage workers, industrial outworkers/home-based workers and, at the bottom, unpaid contributing family workers⁹.

Women in informal employment are over-represented in the most vulnerable employment category of contributing family workers, home-based workers doing piece-rate work in the lower tiers of supply chains (whatever their employment status), and domestic workers¹⁰. By contrast, they are under-represented among employers and, to some extent, own-account workers.

Among the G20 countries 3.1 percent of men in the informal economy are employers, but for women this share is 1.5 percent. Similarly, 53.5 percent of men are own-account workers, compared with 32.7 percent of women¹¹.



The proportion of contributing family workers is more than three times higher among women than men in informal employment: 26.6 percent versus 6.9 percent on average in G20 countries.

For these workers, the transition to formality first requires access to better working and living conditions, including access to social protection, followed by the transition to another status. In emerging G20 countries, 18 percent of women in informal employment are working from home compared to 7 percent of men¹².



Gender pay gaps are another dimension of gender disparity in informal employment. Women in informal wage employment generally face a double penalty: on average, informal wage workers are paid lower wages than formal workers, and women are paid lower wages than men. In G20 countries, a woman in informal wage employment earns on average 68 percent of what a man in informal wage employment earns, and just 48 percent of what a man earns in formal wage employment¹³.

Moreover, women are more likely than men to work part time and for very limited hours, which has implications for their ability to access social protection and increases their risk of working poverty. In the G20, 28 percent of women in informal employment work fewer than 35 hours per week. For men this is 17.5 percent. And the proportion of women working under 20 hours a week, with the associated risk of working poverty, is two times higher among women than men¹⁴.



Women tend to work fewer hours as they balance work and care commitments. There is no country where men and women provide an equal share in terms of unpaid care work; globally, women contribute two to ten times more¹⁵. In fact, women account for 76.2 percent of total hours contributed in unpaid care work¹⁶.

INTERSECTING CHARACTERISTICS COMPOUND THE CHALLENGES THAT WOMEN FACE

Making matters worse, the challenges facing women in the informal economy are often compounded by other factors. A woman's ethnicity, disability, HIV status, sexual orientation, age, and level of education for example, may hamper her capacity to find employment in the formal economy and widen the inequality gap she must confront in the informal economy.

There is a clear link between an increase in the level of education of workers and a decrease in the share of informal employment¹⁷. The majority of women and men without education do not have the option to pursue formal employment. In the G20, 95 percent of women (and 93 percent of men) with no educational achievement work in the informal economy. By contrast, 45 percent of women with secondary-level education and 21 percent of those with tertiary education hold informal jobs, compared with 53 percent and 26 percent respectively for men¹⁸.

Indigenous women face both gender and ethnic-based inequalities. Globally, 86.3 percent of indigenous and tribal peoples work in the informal economy, versus about 66.3 percent of non-indigenous peoples, a gap of twenty percentage points¹⁹. But this gap widens amongst women: Indigenous women are 25.6 percentage points more likely to work in the informal economy than their non-indigenous counterparts (86.5 percent versus 60.9 percent)²⁰.

Young women are also over-represented in the informal economy—with 59 percent of women aged 15-24 in the G20 in informal employment, compared with 48 percent of adult women²¹. Like all workers in informal employment, they often lack all forms of social protections, such as maternity cover, access to unemployment benefits, pension, disability benefit and sickness benefit. This is particularly worrying, as without improving the future prospects of these young women we are poised to perpetuate gender and economic inequality.

86.3% of indigenous
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work in the
informal economy

THE PANDEMIC HAS EXACERBATED INEQUALITIES IN THE INFORMAL ECONOMY, ESPECIALLY FOR WOMEN

Many women (and men) in the informal economy were exposed to the physical impact of the virus. Continuing to work during the pandemic was a matter of survival for them and their dependents. So they did, putting their health in peril as hand washing, self-isolation and wearing masks or other personal protective equipment were not realistic options. For instance, waste-pickers handle contaminated materials without protective gear, and many migrant domestic workers are trapped in host countries as a result of border shutdowns, with no income or place to go²².

But women have also been more exposed to the financial impact of the crisis. The evidence points to alarming trends that threaten to exacerbate existing gender disparities.

The recession has hit hardest the sectors where there is a disproportionate number of women in informal employment. In the G20, 53.5 percent of women in informal employment are in high-risk sectors that suffered a drastic fall in economic output owing to pandemic-related lockdowns and social distancing measures, including accommodation and food services; real estate, business and administrative activities; manufacturing and wholesale/retail trade. This compares with 43 percent of men in informal employment²³.

Moreover, the pandemic affected large cohorts of women in the informal economy who work in Global Value Chains. For example, the slowdown in demand for apparel and agricultural products from high-income countries has led to a reduction in the production of these goods and related job losses. Countries including China, Indonesia, India, Mexico, Brazil, Turkey, South Africa, have been particularly hard hit, owing to their combination of high participation rates in informal employment and key role in global supply chains²⁴.

Additionally, among the G20 countries, 38 million domestic workers were significantly impacted by lockdown measures, 27 million of them in the informal economy and 25 million of them women—nearly all in emerging G20 countries²⁵. This could mean they have seen a reduction in hours, a reduction in income or job loss, as a result of lockdown and social distancing measures such as closing down public transport or restricting movements outside the household.

The impact on women goes beyond the economic cost. Preliminary evidence shows that violence against women has increased since the onset of the virus, prompting the UN to launch a 'shadow pandemic' public awareness campaign²⁶. For example, in France reports of domestic violence have increased by 30 percent since the lockdown on March 17, and in Argentina emergency calls for domestic violence cases increased by 25 percent since their lockdown on March 20²⁷. For women who lack financial independence, the options for escaping are severely limited²⁸.

G20'S NEEDED ACTION

The G20 should take immediate action to boost women's economic participation in the formal economy, by protecting those who work in informal jobs and in doing so create the conditions that enable their transition to formal employment in the longer run in line with the ILO Recommendation on Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)²⁹.

Fortunately, a number of countries have already deployed measures to mitigate the hardship facing these workers³⁰. Austria, Bangladesh, Belgium, Denmark, France, Germany, Ireland, Italy, Singapore, Spain, the United Kingdom and the United States (26 states) are among the countries that have introduced new subsidies or expanded access to pre-existing schemes, to compensate for the temporary reduction in the number of hours worked in firms affected by a temporary fall in demand or production³¹. These actions provided some social protection benefits to women (and men) in the informal economy who have lost their jobs, supporting their households as they look for other jobs. But they were temporary. Policymakers now have a real opportunity to strengthen, adapt and extend social protection systems to informal employment.

It is also vital that reforms go beyond social protection. Policymakers must consider other dimensions that systematically facilitate the transition of women from informal to formal employment.

This is a complex issue that requires interventions on multiple levels. The following are suggested areas for action of particular importance.

01

// Open doors through education

Education throughout the lifecycle gives women employment choices and unlocks their entrepreneurial capacity—feeding through to a boost in female participation and job creation. Digital access could help to accentuate this, either by giving access to educational material or through access to markets or alternative job opportunities. Increasing education availability would have positive ripple effects. For example, Was shared responsibility—which would allow more women to seek better jobs³².

02

// Address the childcare deficit directly

The fact that women perform the majority of care responsibilities affects their choice of work and their pay. For example, many women choose a lower-paid job in agriculture that gives them the flexibility to go back home and feed their children every few hours. Home-based textile workers get paid by unit produced, which is dependent on how much time they can share between work and childcare.

It is therefore essential to increase investments in the care economy³³, particularly by improving access to affordable care services for children, older persons and other dependent sick or disabled persons. This would give more choice to women about the type of jobs they take up. It would also mean better health and education outcomes for future generations.

It would also create new jobs in education and the health and social work sectors, which, in turn, would support countries' efforts to achieve the United Nations' Sustainable Development Goals (SDGs). Closing the large coverage gaps in the care economy to achieve the SDGs by 2030 would generate 120 million jobs in education and health and social work and 149 million indirect jobs in non-care sectors, according to ILO estimates³⁴. Given the urgent need to strengthen health systems and create new jobs, this could be a very powerful policy response.

03

// Improve access to finance and assets

Lack of finance is often cited as the major constraint towards formalization, in surveys of micro or small firms. According to the World Bank's Informal Enterprise Survey only around 11 percent of informal enterprises use loans and 23 percent have bank accounts³⁵. Informal enterprises owned, or run, by women face additional challenges in accessing finance. For example, 985 million women globally are financially excluded, either having no bank account or an inactive one³⁶. There is potential for digital banking to help improve access to financial services, but this has yet to materialize. Women are 33 percent less likely than men to own a mobile money account in low- and middle-income countries³⁷.

Policymakers could work with financial service providers to promote gender-inclusive access to credit, including e-finance. Digital and online solutions can also facilitate access to business registration, licensing, e-commerce platforms and funding opportunities for women-led startups. Yet broader change is needed, as laws and regulations that discriminate against women can also hinder their access to finance. For example, according to the World Bank, abolishing requirements to have the husband's name on a married woman's ID card results in greater access to finance³⁸.



04

// Bring organized support to women in the informal economy

The diversity among women in the informal economy has made it difficult for them to self-organize in ways that will make their voices heard. Yet supported, coordinated groups could help a great deal by providing skills training, advocating on their behalf with policymakers, enabling their access to finance and assets and empowering them with knowledge about their rights and potential support available to them. Such groups can also play a role in changing cultural and social norms that hold back women from becoming independent entrepreneurs. In addition, social partners should expand their membership and services to informal economy organizations and include them into their rank, as this would truly enhance inclusive social dialogue³⁹.

A notable example is the Self-Employed Women's Association (SEWA) in India, which has 1.5 million informal women workers in its union⁴⁰. SEWA has helped more than 300,000 women organize into cooperatives, supported them in a range of capacity building activities such as to develop business plans and market their products, and organized workshops with policymakers to represent their concerns⁴¹.

Towards Inclusive Recovery

The pandemic has laid bare the challenges facing women in the informal economy. In the short-term, policymakers have focused on mitigating the hardship facing these workers. But crucially, they have the opportunity to implement long term change, now.

They shall craft gender-responsive policies that enable their transition to fairly-paid, good-quality jobs, by investing in education, addressing the childcare deficit and improving access to financial assets.

Listening to, and incorporating in formal economy workers' and employers' organizations, the voices of informal women leaders is also essential in creating relevant policies. These actions are crucial as we seek to rebuild our economies and societies so that they are better, fairer and more resilient in the future.





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