How are workers in the informal economy coping 30 Days after announcement of the first COVID-19 Case in Kenya?

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Carol Yogo
Informal sector comprise units that engage in production of goods and services to generate employment and income to the participants.

Division of labour and capital as factors of production is blurred.

Diseconomies of scale

- Largely unregulated
- Most activities are legal
- Presence of illegal or unlicensed activities

Low bargaining power for labour
Casual unemployment

Background of the Study
Informal sector in numbers

- Employs 2 billion globally (93% in developing and emerging economies)
- 85% + of labour market in Africa (ILO, 2018)
- 90% of new jobs in Kenya (KNBS, 2017-2019)
- Employs 60% + women in developing countries
- Employs 15 million in Kenya compared to 2.9 million in the formal sector
Who are they?

Domestic workers, cleaners, drivers, construction workers, micro business owners, employees of micro businesses, security guards, farm workers, touts
IMF has declared a global recession - COVID-19 pandemic

Worse situation brought forward

Has affected everyone everywhere & no one knows when it will end

Slower speed of achievement of Sustainable Development Goals

Governments are acting haphazardly, no data to guide actions

If not addressed, well off households will slide below the poverty line

The Issue
COVID-19 Cases in Kenya

COVID-19 cases in Kenya

- COVID-19 positive Cases
- Recoveries
- Deaths

Website: https://nieraglobal.org/
Twitter: https://twitter.com/NIERA_EA
Linkedin: https://www.linkedin.com/company/network-of-impact-evaluation-researchers-in-africa/?viewAsMember=true
Government response to COVID-19

- Learning institutions closed.
- Public and private sector workers ordered to work from home.

15th March

- Bars closed. Restaurants undertake takeaway services only.
- Public gatherings (worship) funerals, weddings restricted to 15 people.

22nd March

- International flights suspended except cargo.
- Nation-wide curfew 7pm to 5am announced.
- Public service vehicles to reduce capacity by 50%.

25th March

- Compulsion of use of face masks while in public.
- Quarantine and social distancing enhanced.

April

Firm and continuous rules enforced directly impact on workers in the informal sector.

- Future measures are uncertain
- Not known when the crisis will end
Economic Measures:

- **Income tax**
  - 100% tax relief to Kenyans earning KSh 24,000 (US$228) and below
  - Pay as you earn (PAYE) reduction from a maximum of 30% to 25%

- **Residents income tax**
  - Reduction of resident income tax to 25%

- **Value Added Tax (VAT)**
  - Reduction of VAT from 16% to 14% effective 1 April 2020.

- **Turnover tax of SMEs**
  - Reduction of turnover tax rate from 3% to 1% for all micro, small and medium enterprises (SMEs)

- **Loan defaulters suspension**
  - Temporary suspension of the listing of loan defaulters for any person, micro, SMEs and corporate entities whose loan account is in arrears effective 1 April 2020.

- **Ksh I billion health kitty**
  - KSh 1 billion (US$9.5 million) from the Universal Health Coverage kitty to be channelled to the employment of new health workers

- **Ksh. 10 billion fund**
  - KSh 10 billion (US$95 million) fund established for vulnerable groups including the elderly and orphans, among others

- **Central Bank Rate reduction**
  - Central Bank of Kenya to lower the Central Bank Rate from 8.25% to 7.25%

- **Residents income tax**
  - KSh I billion (US$9.5 million) fund established for vulnerable groups including the elderly and orphans, among others
Research Questions

- Were participants in the informal sector prepared for a crisis with dire consequences like the COVID-19?

- How have participants in the informal sector responded to the COVID-19 crisis?

- What support has been availed to the informal sector participants to help them cope with COVID-19 crisis?

- What are the gender implications of this crisis to workers in the informal sector?

- What interventions can be designed and tested for effectiveness in helping participants in the informal sector bear with the COVID-19 pandemic?
## Methodology

<table>
<thead>
<tr>
<th>Limitations:</th>
<th>Face to face interviews - impossible</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Limited access to gadgets and internet</td>
</tr>
<tr>
<td></td>
<td>Actual population is not certain</td>
</tr>
<tr>
<td>Advantage:</td>
<td>Mobile phone penetration is high</td>
</tr>
<tr>
<td></td>
<td>Google surveys are easy to administer on WhatsApp</td>
</tr>
</tbody>
</table>
Our Approach

Guided by Pragmatism and Realism

Survey – 6th – 13th April 2020

WhatsApp google link for those who could access devices and internet

Asked for recommendations in and out of their counties

Phone interviews

Random sampling: Had a phone or could access a phone
Sample Size and Response

Cochran’s Formula

\[ e = \frac{Z^2 pq}{e^2} \]

- \( e \) – margin of error 0.04
- \( Z \) – 2.05
- \( p,q \) - 50%

Assumptions are consistent with other studies.

Sample size = 657; Response = 447 (68%)
Our 447 Respondents

- **Gender**
  - Female: 39%
  - Male: 60%
  - Prefer not to say: 1%

- **Employment Status**
  - Employed: 59%
  - Employed but also do some other business: 37%
  - Self employed: 4%

- **Residential Area**
  - Pre-urban: 34%
  - Rural: 17%
  - Urban: 49%

- **Age**
  - 18-23: 27%
  - 24-29: 9.8%
  - 30-35: 8.5%
  - 36-41: 42%
  - 42-47: 16.1%
  - 48-53: 17.4%
  - 54-59: 21.5%
  - More than 60: 8%

- **Number of People Supported**
  - Only myself: 6.5
  - Less than 3 people: 48.3
  - 4 – 7 people: 33.6
  - 7 – 10 people: 7.2
  - More than 10 people: 4.5

- **Profession**
  - Manufacturing (casual employment by...)
  - Agriculture (farm workers)
  - Domestic work (house girl, house boy, ...)
  - Construction (mason, painter, carpenter...)
  - Entertainment
  - Hotel, Restaurant, Bar (cook, waiter, c...)
  - Essential Services (employed by a cle...
  - Transport (Boda Boda rider, Tuk Tuk d...
In 2019, did you think a crisis like COVID-19 could occur?

If your answer is YES, how did you prepare for it?
Ex-post strategies

- I HAVE BORROWED MONEY: 22%
- I HAVE STARTED SPENDING MY SAVINGS: 18%
- OBSERVING ALL GOVERNMENT HEALTH MEASURES: 16%
- STAYING AT HOME: 14%
- WASHING HANDS/SANITIZING: 13%
- BOUGHT FOOD: 7%
- SPEND LESS: 5%
- NOTHING: 1%
- MOVED TO RURAL AREA: 1%
- I HAVE TO DO CASUAL JOBS: 1%
- KEEPING SOCIAL DISTANCE: 2%
51.2% reduction in income
Reduction in income

1. Affected men the same way as women
2. Worst affected are those above 53 age group
3. Worst affected are self employed
4. Employment cushions income
5. Income diversification helps
6. Those in peri-urban counties worst affected

<table>
<thead>
<tr>
<th>Gender</th>
<th>Pre-crisis income</th>
<th>Post crisis income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>2.31</td>
<td>1.19</td>
</tr>
<tr>
<td>Female</td>
<td>2.43</td>
<td>1.24</td>
</tr>
<tr>
<td>Mean</td>
<td>.064</td>
<td>.936</td>
</tr>
<tr>
<td>Std Deviation</td>
<td>.048</td>
<td>.945</td>
</tr>
</tbody>
</table>

| Mean Difference | F | .12 | 0.05 |
| ANOVA-Test     | p-value | .278 | 0.821 |

<table>
<thead>
<tr>
<th>Age in Years</th>
<th>Pre-crisis income</th>
<th>Post-crisis income</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-29</td>
<td>2.27</td>
<td>1.12</td>
</tr>
<tr>
<td>30-41</td>
<td>2.47</td>
<td>1.27</td>
</tr>
<tr>
<td>42-53</td>
<td>2.50</td>
<td>1.54</td>
</tr>
<tr>
<td>Above 53 years</td>
<td>2.75</td>
<td>1.13</td>
</tr>
</tbody>
</table>

| ANOVA-Test | F | .2921 | 1.835 |
| p-value    | 0.034 | .036 |

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Pre-crisis income</th>
<th>Post-crisis income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td>2.30</td>
<td>1.27</td>
</tr>
<tr>
<td>Employed + Business</td>
<td>2.63</td>
<td>1.63</td>
</tr>
<tr>
<td>Self Employed</td>
<td>2.48</td>
<td>1.10</td>
</tr>
</tbody>
</table>

| ANOVA-Test | F | 3.253 | 3.427 |
| p-value    | .040 | p-value | .033 |

<table>
<thead>
<tr>
<th>County</th>
<th>Pre-crisis income</th>
<th>Post-crisis income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>2.44</td>
<td>1.15</td>
</tr>
<tr>
<td>Peri-urban</td>
<td>2.55</td>
<td>.92</td>
</tr>
<tr>
<td>Urban</td>
<td>2.22</td>
<td>1.48</td>
</tr>
</tbody>
</table>

| ANOVA-Test | F | 5.358 | 10.691 |
| p-value    | .005 | p-value | .000 |
As a result of the crisis......

- I have not been affected yet: 4.0%
- My business has been closed or shut down: 9.0%
- Sales from my business have gone down significantly: 20.0%
- I lost my job: 13.0%
- I have started spending my savings: 24.0%
- I have borrowed money (from a friend, a relative, mobile app, employer etc): 29.0%
## Job Losses

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage of those who have lost their jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing (casual employment by a manufacturing company)</td>
<td>16.5</td>
</tr>
<tr>
<td>Hotel, Restaurant, Bar (cook, waiter, cleaner)</td>
<td>15.3</td>
</tr>
<tr>
<td>Transport (Boda Boda rider, Tuk Tuk driver, Matatu driver, Taxi driver, Tout, employee of transport SACCO)</td>
<td>16.5</td>
</tr>
<tr>
<td>Domestic work (house girl, house boy, casual employment to clean houses and clothes)</td>
<td>10.6</td>
</tr>
<tr>
<td>Essential Services (employed by a cleaning company or security company)</td>
<td>10.6</td>
</tr>
<tr>
<td>Small Business (Hawker, Butchery, Salon, Barbershop, Retail shop, Garage, Petrol Station etc)</td>
<td>10.6</td>
</tr>
<tr>
<td>Construction (mason, painter, carpenter, plumber)</td>
<td>4.7</td>
</tr>
<tr>
<td>Agriculture (farm workers)</td>
<td>3.5</td>
</tr>
<tr>
<td>Education</td>
<td>3.5</td>
</tr>
<tr>
<td>Entertainment</td>
<td>2.4</td>
</tr>
<tr>
<td>Small Business (Butchery, Salon, Barbershop, Retail shop, Garage, Petrol Station etc)</td>
<td>2.4</td>
</tr>
<tr>
<td>Customer service</td>
<td>1.2</td>
</tr>
<tr>
<td>Mechanic</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0</td>
</tr>
</tbody>
</table>
Received support yet?
1. 83% have not received any support
2. Those in urban counties, men and those employed have received comparatively more support
3. Most support is from the private sector in form of face masks and sanitizers – self seeking?
4. Being employed by private sector provides a safety net
### Support received

#### ANOVA - Test

<table>
<thead>
<tr>
<th>County Group</th>
<th>Received Support?</th>
<th>Total</th>
<th>ANOVA-Test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>197</td>
<td>22</td>
<td>219</td>
</tr>
<tr>
<td>Percent</td>
<td>90.00%</td>
<td>10.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Peri-urban</td>
<td>65</td>
<td>10</td>
<td>75</td>
</tr>
<tr>
<td>Percent</td>
<td>86.70%</td>
<td>13.30%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Urban</td>
<td>108</td>
<td>45</td>
<td>153</td>
</tr>
<tr>
<td>Percent</td>
<td>70.60%</td>
<td>29.40%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

#### SUM OF SQUARES

<table>
<thead>
<tr>
<th>Groups</th>
<th>SUM OF SQUARES</th>
<th>DF</th>
<th>MEAN SQUARE</th>
<th>F</th>
<th>SIG.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>1.279</td>
<td>2</td>
<td>.639</td>
<td>4.545</td>
<td>.011</td>
</tr>
<tr>
<td>Within Groups</td>
<td>62.457</td>
<td>444</td>
<td>.141</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>63.736</td>
<td>446</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Main worry if crisis persists is food

More women than men are worried about getting sick, children not going to school and job loss
Gender Implications of the Crisis

No significant differences based on county of residence, employment status (employed, self employed, employed and doing business)

<table>
<thead>
<tr>
<th>Gender</th>
<th>County Group</th>
<th>ANOVA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Pre-urban</td>
</tr>
<tr>
<td>Female</td>
<td>44.9%</td>
<td>19.3%</td>
</tr>
<tr>
<td>Male</td>
<td>52.0%</td>
<td>15.2%</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>P-value</td>
</tr>
<tr>
<td></td>
<td>1.011</td>
<td>0.365</td>
</tr>
</tbody>
</table>
Gender Implications as a result of the crisis

1. More women than men – have had their businesses closed, sales reduced significantly and have started spending savings
2. More women than men have borrowed money and bought food as a way of dealing with the crisis
Implications of the study – Policy Makers

Informal sector workers have tough choices to make – food or health.

Political economy of the informal sector matters – time for expeditious social support is NOW. Coordinated efforts can help.

They cannot afford a total lockdown - social support is inadequate and not sustainable. Requires $15m per day assuming a transfer of $1.

Recovery lies in how well economic and social support is targeted to the needy and integrated.
Implications of the study – the invisible side

Mental health issues  Surge in crime levels  Uprising of the poor
Implications in more practical terms

- **Lifeline fund to cushion businesses** – Agri-businesses that induce production and distribution effects

- **Highly subsidize or eliminate cost of water, sanitation and health related services** (time for NHIF to come out)

- **Sector specific rescue plans** – county governments can be very useful e.g. Nakuru temporarily converted a stadium to an open market

- **Pursue formalization in the long-run**
Interventions that can be designed and tested

- Cash Transfers and Other Safety Nets
- Behavioral Interventions
- Tele-Psychology
- E-Learning and Home Schooling
- Effectiveness of Government Policy
Interventions at USIU-Africa – Tele-Psychology
SMS, WhatsApp, Telephone, TV & Radio, Online.
Can it be enhanced with cash transfers?
Contact us

www.nieraglobal.org
twitter.com/NIERA_EA