



## Regular Research Article

## Locked down and locked out: Repurposing social assistance as emergency relief to informal workers

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## ABSTRACT

The COVID-19 pandemic presents a particular challenge to countries with high levels of labour market informality. Informal workers and their households are especially vulnerable to the negative economic consequences of the pandemic and associated lockdown measures, while the very fact of their informality makes it difficult for governments to quickly provide targeted economic relief. Using South Africa as a case study, we examine how an established social assistance system – not originally designed to support informal workers – can be re-purposed to provide emergency relief to these workers and their households. We examine how expansions of this system on the intensive margin (increasing the value of existing social grants) and extensive margin (introducing a new feasibly-implemented grant) can be used to mitigate this COVID-19-associated poverty. We compare the efficacy of the different policies by using pre-pandemic nationally representative household survey data to project how a negative shock to informal incomes can be mitigated by the different social grant measures, with a particular emphasis on poverty impacts. We find that an intensive-margin expansion of the existing Child Support Grant is complementary to the extensive-margin introduction of a new Special COVID-19 Grant, and that this combined policy intervention performs best out of the options considered. However conclusions as to this “optimal policy” are not simple technical determinations. We show that these conclusions are in fact sensitive to both unavoidable technical assumptions about how resources are consumed and shared within the household, as well as to normative value judgments about which populations to prioritise and how to value poverty reduction spillovers amongst the non-targeted group. While our approach helps identify a range of sensible policy approaches, there is no escaping the limits to our knowledge or the issue of normative goals – a finding likely applicable to a broad range of empirical policy analyses.

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## 1. Introduction

No country has been spared the economic fall-out of the ongoing COVID-19 crisis. Middle-income countries such as South Africa, however, find themselves facing a particular policy challenge. On the one hand, like high-income countries, many middle-income countries have the fiscal and institutional capacity to deliver some form of direct economic relief to their populations. On the other hand, like low-income countries, these countries also face high levels of informality within the labour force, with these informal workers and their households often being particularly vulnerable to the negative economic consequences of COVID-19 lockdown

measures. Informal workers, whether self-employed or employed in the formal sector, are excluded from contributory insurance mechanisms through which government relief can be channeled, and yet are more likely to lose income during the crisis than formal workers (International Labour Organisation, 2020). For these reasons, extending emergency support to informal workers and their households has been a priority of governments in high- and middle-income countries throughout the world (Gentilini, Almenfi, Dale, Demarco, & Santos, 2020). The dilemma faced by these countries is that while many have the resources and capacity to deliver some relief to vulnerable workers, a substantial number of these workers remain – by virtue of their informality – largely invisible to the bureaucratic systems which could disburse this relief. An important question, therefore, is how these countries can leverage both existing systems, which are not explicitly targeted at informal workers, as well as new purpose-built measures,

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