



Adversity or Opportunity? Exploring the Effect of COVID-19 on Ghana's Informal Economy

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Abstract. This study purported to explore the effect of the COVID-19 pandemic on the informal sector in Ghana. Particularly, the study sought to explore the nature of adversity, opportunities arising from the pandemic and remedial measures. The study adopted a mixed method and used a sample of 186 small-scale business owners and operators. The study found that the major driver of people into the informal sector were the lack of job opportunities in the formal sector rather than the need to evade government regulations. The adverse effects of the pandemic on informal businesses included lowered sales, shortage of supplies and closure of businesses. However, there were opportunities for informal businesses propelled by business diversification and technology. The study recommended the need for government to support and protect the informal sector to enhance mutual revenue generation amidst this pandemic.

Keywords: Coronavirus · COVID-19 · Informal · Economy · Africa · Ghana

1 Introduction

The novel coronavirus, COVID-19, has had severe impact on the health and economy of countries all over the world. In many countries, laws restricting movement of persons and productivity have been mainly adopted to limit the spread of the virus [1, 2]. But aside the health effects of the COVID-19 pandemic, lockdowns and restrictions enforced in response to the pandemic have slowed down economic activities globally with many hitherto vibrant economies entering economic recession [3–5].

Surprisingly, the feisty nature of the virus has apparently not manifested itself fully to most developing countries, particularly in Africa [6] despite grim predictions made earlier by experts and researchers [7, 8]. Statistics of infections and deaths being reported from most African countries have mercifully been low relative to regions in the global north [9]. When the world reached the dreaded one million deaths mark in September 2020, the death count for Africa was just about 36,000 accounting for less than 5% of reported COVID-19 related deaths globally [9]. This fortune of Africa in such a time of a global pandemic have raised interests in what could probably be accounting for the

disparities in reported cases. Among the dominant speculations are that Africa has a relatively younger population and has favourable climatic conditions [9].

Economically, reports around the world have equally shown that COVID-19 pandemic has affected productivity with many sectors such as tourism [1], health [10] and education [11] among the worst hit. Though the health implications of the pandemic, for some contentious reasons, has reportedly been discriminatory in favour of African countries, little is known about the economic resilience of African countries to the pandemic. For a continent that is heavily informal [12, 13], how will the effects of the pandemic which has proven to be highly disruptive be countenanced?

This study thus purports to explore the effect of the COVID-19 pandemic on the informal sector in Ghana. First, the study explores the nature of adversity caused by the COVID-19 pandemic. Second, the study evaluates opportunities arising from the pandemic and finally, the study provides a primary account of measures that could be adopted to minimize the effects of the pandemic. This study offers insight into the economics of survival for the informal sector amidst the coronavirus pandemic.

2 Conceptualization

2.1 COVID-19 Pandemic: Africa's Situation

Since the outbreak of the novel coronavirus in Wuhan, China in late December 2019, almost every country around the world has recorded cases of infections. The first case in Africa was confirmed on February 4, 2020 in Egypt and by April, there were about 20,000 confirmed cases with a little of 1,000 COVID-19 related deaths [8]. The main concern when the outbreak started in Africa, however, was the likely inability of the continents health and economic systems to survive the pandemic. Several predictions about Africa's COVID-19 experience were bleak and negative. Lone and Ahmad [8] opined that the "high burden of infectious diseases, weak health systems, poverty" (p. 1302) were among the major indicators pointing to the vulnerability of the continent to the COVID-19 pandemic. Other economic related concerns were challenges the pandemic would bring on the importation of Chinese products [8], decrease in oil revenue for oil producing countries such as Nigeria and Ghana, reduction in tourism, investors withdrawing, overburdening of budgets to address health needs and inadequate revenue generation from taxes [14].

For almost a year of facing the pandemic in Africa, the story has been that while the world was recording a cumulative of over 124 million cases of COVID-19 with 2.7 million related deaths as of March 26, 2021, Africa, with 47 countries affected, had recorded just over 3 million cases and 76,914 deaths at the same period [15]. That means as at date, Africa is accounting for just about 2.6% of confirmed cases and deaths globally. This suggests that the health effects of coronavirus have not been as devastating as predicted about a year ago. What remains however are the economic implications of the pandemic.

Most of these COVID-19 research on Africa's economy is somewhat concentrated on the formal sector whereas Africa's economy is heavily informal. The World Bank estimates that the informal sector in Africa accounts for 80.8% of jobs on the continent [12]. In Sub-Saharan Africa, the informal sector is estimated to account for more than

66% of employment by the International Labour Organization [13]. Despite its dominance in the economies of several African countries, the informal sector appears not to be the focus in research assessing the impact of the pandemic on African economies. Most of the ongoing studies have examined implications of the pandemic on the formal sector which accounts for not more than a fifth of the economic activities on the continent. This skewness in COVID-19-economy related research amongst developing countries in Africa has the potential of misrepresenting the true socio-economic picture of African countries amidst the pandemic.

2.2 The Informal Sector in Ghana

Generally, the informal economy is defined as the collection of economic activities that are unrecorded in official national statistics such as gross domestic product [16]. This sector is characterized by business activities that often have questionable compliance with established judicial, regulatory, and institutional frameworks [16].

For the past couple of decades, the informal sector in Ghana has been estimated to account for 80% of the total labour force in Ghana [17]. The sector is predominantly made up of the agriculture sector as well as non-agriculture economic activities including small-scale garage and vehicle repair shops and operators, small-scale minerals mining locally referred to as ‘galamsey’, shoe-manufacturing businesses, private lotto operators, private commercial drivers, motorcycle riders for transport and delivery (known as ‘okada’ riders), hairdressers and barbers, seamstresses and tailors, small-scale loan and savings operators (known as ‘susu’ collectors), food vendors, construction and masonry work, spare parts dealers among numbers others who engage in various forms of retail trade (this list is however inconclusive) [17, 18]. Indeed, trade is the largest informal non-agricultural sector accounting for 46% of informal workers followed by manufacturing (23%) and non-domestic private services (17%) [19]. The sector is dominated by women especially in the retail trade business [19].

As the major source of livelihood for the majority of Ghana’s economically active population, the extent to which the COVID-19 pandemic affects the informal sector will provide an understanding of the number of people and extent of adversity the pandemic has had on the livelihood of Ghanaians.

3 Methods

3.1 Research Design and Procedures

The study adopted the mixed method and purposively collected data from owners and operators of small-sized informal businesses in the capital city of Ghana, Accra. Semi-structured questionnaires designed by the researchers were self-administered to 186 respondents who participated in the survey aspect of this study. Besides 11 respondents out of these survey participants offered themselves upon request and were interviewed via mobile phone in the local dialect and their responses were recorded and transcribed into English. This was to ensure that they felt comfortable in expressing themselves and clearly understood questions they were being asked. Both the semi-structured questionnaire and interview guide were adapted from the major research questions of this study.

3.2 Participants

The sample were distributed over various economic activities (see appendix). Of the 186 respondents, 72 representing 39% were males while the remaining 114 representing 61% were females. This is consistent with the informal sector in Ghana which is dominated by women. Of this, majority of the respondents (63%) particularly among the males were between the ages of 18 to 35. This represented a very youthful workforce used as participants in the study.

4 Results

4.1 Factors Driving Entry into Informal Sector

Results when respondents were asked about factors that drew them into the informal sector is shown below.

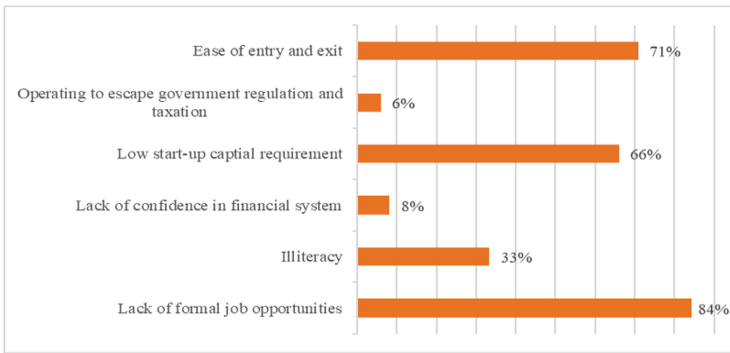


Fig. 1. Chart showing factors that account for respondents' involvement in the informal sector.

From Fig. 1 above, the three major reasons driving respondents into the informal sector were the lack of formal job opportunities (84%), ease of entry and exit into the sector (71%) and the relatively lower start-up capital requirement needed to start a business in the informal sector. Responses that received the least confirmation were the lack of confidence in the financial system (8%) followed by operating to purposely to escape government regulation and taxation (6%).

In the interview, respondents further explained that the absence of job opportunities especially for those of them with lower educational background meant that they needed to be engage in some form of economic activity that could support their livelihood. Respondents lamented about government's inability to provide job for them and thus forcing them to be innovative.

For instance, a taxi driver who indicated that he was 54 years stated that:

“This is the job I have been doing for more than 20years to take care of my family. Some of us we could not continue with our education because my parents are poor, we cannot work in government offices. We need to find alternative means of making money and this business is what has been supporting for all these years”.

4.2 Adversity Due to COVID-19 Pandemic

Results when respondents were asked about the nature of adversity imposed on them because of the COVID-19 pandemic is presented below.

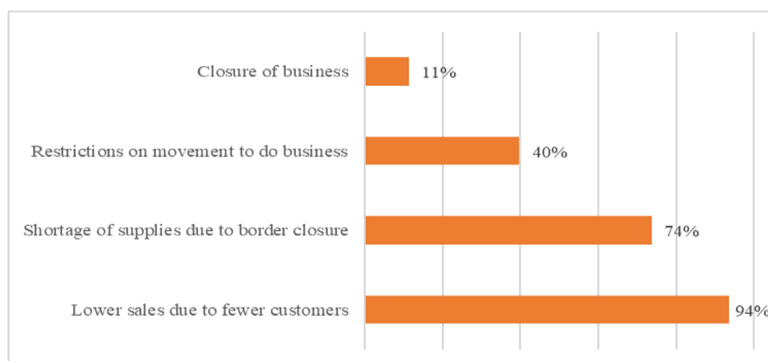


Fig. 2. Chart showing *nature of adversity* in informal sector due to the COVID-19 pandemic.

From Fig. 2 above, majority of respondents (94%) indicated that they were making relatively lower sales in this period of the pandemic as compared to pre-COVID-19 periods. Also, as many as 74% of respondents indicated that the shortage of supplies of imported products, due to the closure of borders, had adversely affected their business. Other respondents (40%) also indicated that restrictions on movement imposed by government to reduce the spread of the virus had limited their mobility to engage with or transport customers. 11% of respondents even indicated that their businesses were closed initially when the pandemic lockdowns were enforced.

In the interview, respondents explained that the fear of the virus spreading coupled with government's restrictions on social gatherings had affected their businesses. Many respondents reported making relatively lower incomes in the pandemic period since the patronage of their products and services had drastically reduced.

For instance, a hairdresser lamented that:

“Before this pandemic I was having contracts for weddings and engagement ceremonies. Weekends especially were very busy for me. But now that there are no weddings and funerals many of my clients do not come to do their hair”.

Besides, respondents also explained that the restrictions of movement imposed by the government in the form of a partial lockdown made it difficult for them to transport passengers to their destinations. Also, the requirement of passengers spacing out thus leading to the reduction of passengers a commercial vehicle could take resulted in reduced income for those in the commercial transport business. On the issue of the restriction of movement, some traders also indicated that they had to close their shops and since they opened, many of their clients are no longer coming resulting in a complete close of their previous trade and have now gotten into new businesses. Others had to

abandon their initial trade and go in for other activities they felt was more sustainable and could not be affected even if there should be another lockdown.

A trader whose first business collapsed due to the pandemic explained that:

“I now have to come and sell food because at first I was dealing in second-hand clothing but when we all had to go home people were no longer buying. If they say there is a disease spreading who will be interested in buying clothing. At least for the food we all realized that when there was lockdown, they asked the food vendors to still do their business. People may be sick but still have to eat so I think this one is better”.

A motorbike rider (okada) lamented about government’s restrictions saying:

“For we the okada riders the Police have not been fair with us at all. I understand them because they say we are in COVID-19 and so we should not pick passengers at our back. But this is the only job we do. First, they said we cannot move from one community to another because of the lockdown. But now they are also arresting us for trying to make some money after we have gone hungry for long”.

4.3 Opportunities Amidst the Pandemic

Results when respondents were asked about opportunities they were chancing upon amidst the pandemic is presented below (Fig. 3).



Fig. 3. Chart showing opportunities identified during this pandemic.

From Fig. 2 above, the opportunities respondents indicated has been occasioned by this pandemic include increased delivery services (51%), the local production of imported goods (41%), the selling of goods online (45%) and the digitalization of services (13%).

From observation, some of the respondents were engaging in the local production of COVID-19 related goods such as hand sanitizers, nose masks, food products, liquid soaps, locally produced buckets with nozzles for washing of hands known as ‘veronica’ buckets and mechanically operated hand washing equipment. Respondents indicated

that these were not their trade or production activities prior to the pandemic. However, upon realizing a high demand and relatively low availability of such products on the open markets, they diversified their activities and ventured into such production activities. For instance, some seamstresses and tailors who were interviewed explained that they were compelled to produce nose masks from local fabrics because there was high demand for them as compared to the production of clothing. Also, some respondents in agribusiness also were observed to be packaging food products such as rice, sugar and wheat for distribution to shops to be sold as well as to be delivered to individuals who were using them. These were all products which hitherto were being imported into the country.

Also, the study found that there were increased online activities using technology. Some traders were now delivering their goods to customers who called them on phone instead of waiting in their shops for the customers. Hence, they were posting their products on social media platforms like WhatsApp, Facebook and Instagram to reach out to their customers. Other were also using online trading sites such as jijji.com and jumia online to market their products and reach out to customers. Among such traders using online platforms were the spare parts dealers, food vendors and retail traders.

A food vendor explained her new online business:

“I am a teacher in a private school and I teach at the basic level. Since the closure of schools we have not been paid. They started with half of our monthly salary for about 2 months in March and April, 2020 and stopped from there. So when I realized the situation was getting worse I realized I had to do something. Knowing I am a good cook, I started by telling some few friends about my food and some were interested. So they call me on phone, make their order and I deliver it to them. When I realized that I was getting more orders, I put my food menu online on Facebook, and it has since I get orders all over even from Nsawam (about 34km from vendor)”.

Another private teacher who does his studies online narrated this:

“I was looking for a job and had attended a couple of interviews. But the situation became worse when COVID-19 struck. Many of the companies were not calling for interviews and others I had attended were not yielding any job for me. So knowing that I am an economics graduate, I realized I could teach mathematics at the senior high school level. I called a friend who was a teacher and he helped me with the curriculum and I started online. So I have kids who have signed on and I teach them using zoom. They pay me through mobile money at the end of every session”.

The use of technology for business also seems to have boosted delivery services. Most of the motorbike riders who hitherto were engaged in the transport of people have diversified into providing delivery services. This was in recognition of first, the danger of having passengers sit right behind a rider without knowledge of the passengers COVID-19 status. Second was the inability and unwillingness of people to move out of their homes because of the need to work from home or preserve oneself from getting infected and yet had demands for goods which they preferred was delivered to them at home. Third was the realization that the Police had no issues with motorbike riders engaging in

delivery services but rather were against the use of motorbikes for commercial transport of people.

For instance, an okada rider narrated that:

“Now we do more of the delivery because the disease is making people reluctant to go outside. So they buy their things online from their supplier and we do the delivery for them. It is faster that way and the person doesn’t need to come out..... With the delivery the police don’t worry you like when you are doing the okada itself”.

4.4 Mitigating Measures to Reduce Impact of Pandemic

Respondents indicated that though they acknowledge there has been some attempts by government to support the sector, there was the need for government to provide more accessible support devoid of political considerations especially as the general election (held in December 2020) was over to help enhance their businesses considering they had lost due to the lockdown and restrictions imposed by government. Also, respondents were of the view that there should be immediate policies that will help the consumption of their local products so it will encourage them to boost production. In addition, they were of the view that government and its agencies including schools and hospitals should take the lead and patronize local products to encourage the populace to also prefer such products. Another recommendation from respondents was that government regulations such as the use of motorbike for transport should be made to support individuals in the sector rather than discourage such economic activities that are supporting livelihoods.

For instance, a trader lamented that:

“We heard the government was providing some money to help those of us doing small, small businesses but that money did not get to us. It was rather given to their party members so they will vote for them. But now that we all see that the campaign is over, this is the time that we need government to come to our aid because COVID-19 has made us lose a lot of money and even things are now more expensive since they are not coming from outside now”.

5 Discussion

This study purported to explore the effect of the COVID-19 pandemic on the informal sector in Ghana. Particularly, the study sought to explore the nature of adversity caused by the COVID-19 pandemic, identify the opportunities being capitalized on in the informal sector and provide an account of measures to minimize the challenges and enhance the fortunes of informal businesses amidst the pandemic.

The study found that among the major driver of people into the informal sector were the lack of job opportunities in the formal sector for the economically active population, the flexibility in the informal sector allowing people to easily get into various forms of trade and the relatively lower amount of start-up capital needed to get into a trade or provide a service in the informal market. This corresponds with the study of Ocran [18] that asserts that limited job opportunities in the formal sector makes the informal

sector a resort for economic survival. Besides, this finding is contrary to assertions that the informal economy by business activities that often have questionable compliance with established judicial, regulatory, and institutional frameworks [16]. From the study, it was found that the need to evade taxes and business regulations was not a major driver of informal business but rather unemployment. The sector in Ghana thus may rather be serving more of an alternative source of livelihood rather than as an undocumented business activity.

Despite the sector facing challenges in terms of lowered sales, shortage of supplies due to border closure (as predicted by [8]) and even in some cases the need to close, flexibility of the sector in terms of relatively low capital requirement and absence of regulatory requirements makes the sector amenable to changes, able to easily embrace new entrants and capable of resisting external shocks such as the COVID-19 pandemic. The sector seems to provide innovative ways of doing business. As found in the study, the pandemic driven digitalization agenda [20, 21] seems to be catching up fast with the informal sector in Ghana, offering diverse business models and strategies such as online marketing and delivery services to actors in the sector.

The study also found that initial support by government to small and medium scale enterprises had not been readily accessible as they appear to have been politicized. Also, the study showed that the informal sector needed to be protected to enhance local production of goods which hitherto were imported. The study showed that there was a call for greater support for the informal sector through the patronage of local produce and services by government agencies and the public as well as the enactment of regulations that promoted rather than hindered their alternative sources of livelihood.

6 Limitations, Implications and Future Research Directions

The study focused on the informal sector in Accra and thus may not provide adequate representation of the sector in rural areas and the hinterland in the country. However, most of the informal sector in rural areas are in the agriculture business. Besides, the infection rates of the COVID-19 virus were heavy in urban areas, particularly Accra while other communities outside Accra had significantly lower rates of infection. The sample used for this study have their businesses in these urban areas, hence, their experiences and responses to the pandemic were relevant for this study.

The study has significant policy implications. The findings of this study shows that the informal sector in Ghana has vast potentials for providing viable sources of income for households amidst this pandemic. There is therefore the need for government to provide sufficient financial support to players in this sector to help them scale up their business, thus creating more income for households and corresponding revenue for government. Also, there is the need for protectionist policies that will favour businesses in the informal sector, especially as the major world economies such as China and Europe will be seeking for enhanced trade opportunities in African markets to make up for their losses.

7 Conclusion

The informal sector has long been the backbone of the Ghanaian and for that matter the African economy. This pandemic has indeed affected many businesses but has also revealed the resilience of the sector in terms of agility and responsiveness to the demands of the public.

As much as the pandemic has brought considerable adversity to economic activities, there are beaming opportunities in the informal economy propelled by technology. In an economy that is highly informal the application of technological has proven not to be a misfit but rather an enabler for improved goods and service delivery. This study thus shifts from traditional formal industries and presents a more representative picture of how a dominantly informal economy is surviving a pandemic.

Appendix

See (Table 1).

Table 1. Economic activities of respondents

Economic activity	Frequency
App riders (Uber & Bolt)	4
Spare parts dealers	8
Retail traders	58
Motorbike riders (Okada)	27
Taxi and private commercial bus (trotro) drivers	9
Hairdressers and barbers	29
Seamstress and tailors	8
Food vendors	13
Private class teachers	6
Shoe manufacturers	3
Plastic buckets manufacturers	2
Soap and sanitizer makers	9
Agribusiness	3
Lotto operators	11
<i>Total</i>	<i>186</i>

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