

THE INFORMAL SECTOR IN TIMOR-LESTE DURING COVID-19



THE RESEARCH

In June 2020 Matadalan Institute (MDI), in partnership with Oxfam and Dr. Brett Inder from Monash University, surveyed 446 informal businesses in 7 municipalities. The aim was to learn about how the State of Emergency (SoE) affected informal businesses.

BACKGROUND

The vast majority of the informal sector in Timor-Leste is small scale, self-employed workers undertaking low-skilled work with few capital inputs. These are often vulnerable workers – not subject to labour laws, minimum wage or workplace safety protections. As a result, often those in the informal sector are poorly equipped to cope with shocks and to access support during these shocks. The COVID-19 2020 State of Emergency provides a very real examples of such shocks, with informal sector businesses unable to access much of the support available in the Government's economic response package.

INFORMAL SECTOR IN TIMOR-LESTE

The 2015 Census shows that in Timor-Leste:

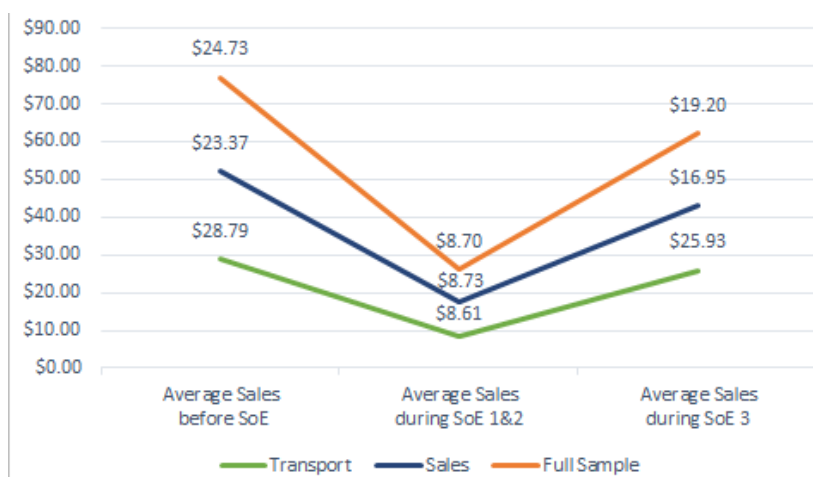
- More than 14,500 people work in informal businesses in sales, with kiosks, street vendors or market sellers.
- Around 3,600 work in transport, with taxis, buses or microlets.
- These businesses are the main incomes for around 8% of households in Timor-Leste.

INCOME

Respondents were asked about their typical daily sales income over three periods:

- Before the March 2020 State of Emergency (pre-COVID-19).
- During the first two months of State of Emergencies (State of Emergency 1 & 2 : March- May 2020), when restrictions were tight.
- During the third State of Emergency (State of Emergency 3 : May-June 2020), when restrictions were not as tight and the COVID-19 monetary support payments of \$200 per eligible households were made.

TABEL 1: AVERAGE DAILY SALES FOR
INFORMAL BUSINESSES BEFORE AND DURING
THE STATE OF EMERGENCY



**INCOMES
65% IN
SOE 1 & 2**



During State of Emergency 1 & 2, incomes were 65% below what they were before the pandemic (on average). Transport businesses suffered the most.

**INCOMES
\$10 PER
DAY**



During the State of Emergency 1 & 2, about 70% of businesses earned less than \$10 per day, a big increase in low income earners, compared to 25% before the pandemic.

**INCOMES
IN SOE 3**



After restrictions reduced (State of Emergency 3), incomes increased, but were still mostly below their original levels. Average Incomes returned to about 22% below the pre-State of Emergency level.



Women in Dili Market during COVID-19
State of Emergency/OXFAM

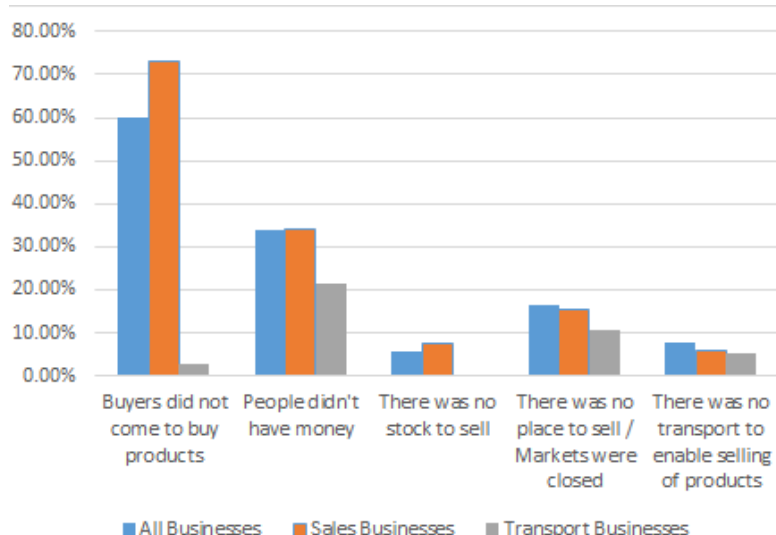
REASONS FOR DROP IN SALES INCOME

The major difficulties respondents reported with doing business during the State of Emergency were:

- Loss of customers and lack of money in the community.
- Market closures and reduced transport options also had some impact.

Model estimates suggest that before COVID-19, businesses run by women and those with disabilities tended to have lower sales, as do those relying on savings or family funds for business capital. However, these businesses (those run by women, people with disabilities, and that relied on informal sources of capital) suffered smaller drops in income during the State of Emergency, showing greater resilience.

TABEL 2: DIFFICULTIES INFORMAL BUSINESSES
ENCOUNTERED DURING THE SOE



THE GOVERNMENT COVID-19 US\$200 SUPPORT PAYMENT TO HOUSEHOLDS

78% INCREASE IN SALES

80% RECEIVED BETTER PRICES

One aim of a short term cash transfer to households during a crisis is to stimulate demand for local businesses, by encouraging people to spend more money. This seems to have been successful, at least in the short term:

- When asked if they perceived an impact of the cash transfer on their business, 78% of the sample perceived a noticeable increase in sales.
- 80% of respondents found they received better prices for their products and services after the cash transfer had been paid.

LESSONS FOR ECONOMIC RECOVERY

- Timor-Leste's informal sales and transport businesses suffered substantial drops in sales during the strict State of Emergency periods (State of Emergency 1 & 2). These declines of around 65% are far more than the macroeconomic indicators suggest (World Bank forecast a 5% GDP contraction).
- Those working in informal sector businesses show great resilience – while they suffer in a crisis, they can also recover well, despite their many challenges.
- Broad economic stimulus provided to households can make a substantial difference to these businesses, generating strong demand and improved prices that help the businesses survive.
- Other strategies for targeted support to informal businesses would be a smart investment in broad-based economic recovery.

For more information:



mdi_fan@yahoo.com
lucios@oxfam.org.au



[Mata Dalan Institute](#)
[Oxfam in Timor-Leste](#)

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