

# The Takeaway

Policy Briefs from the Mosbacher Institute for  
Trade, Economics, and Public Policy

## Identity, Resilience, and Risk in the Informal Sector

### Differential Effects of COVID-19 in Lagos, Nigeria

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*While the health effects of COVID-19 are being widely reported, less is known about the economic, social, and security impacts of the pandemic. This brief reports on the risks of and resilience to the COVID-19 pandemic among informal sector vendors in Lagos, Africa's largest city with a population of more than 24 million. Their experiences are indicative of those of a large and particularly vulnerable subset of the population in the developing world—actors in the urban informal economy—who live day to day and whose economic activities are deeply impacted by the crisis.*

Informal market vendors face risks that are both economic and personal. Economically, they risk loss of income, increased household food insecurity, and need to draw down business savings or assets. Personally, they face anxiety about the security of their business, increased criminal activity targeting their home or business, and even increased violence within their own home. While most vendors experienced hardship during



#### WHAT'S THE TAKEAWAY?

**The economic impact of COVID-19 is especially severe for members of the informal economy.**

**Risk and resilience among this population are unequal.**

**Identity, not poverty, is the most important driver of risk and resilience among vendors in Lagos.**

**The crisis has also increased social polarization among groups.**

the initial months of the pandemic and associated lockdown, vendors face differential risk and are differentially resilient.

This report focuses on how identity—in this case ethnicity and indigeneity—affects the economic impact of the COVID crisis and moderates access to state benefits. We will show that although other characteristics such as wealth can play a role, identities are key determinants of one's experience of the crisis. Because these factors may be overlooked in economic targeting of policy responses, we focus our attention on issues of identity. First, we examine how identity, among other factors, moderates risk and resilience in the wake of the early part of the crisis. Second, we examine how the crisis may have feedback effects on identity cleavages and the relationship between different groups and the government.

### LAGOS IN THE WAKE OF COVID-19

To curb the spread of COVID, the Nigerian government imposed travel bans, closed schools, and prohibited mass gatherings. On March 30th, President Buhari placed Lagos, neighboring state Ogun, and the capitol city Abuja in total lockdown, ordering all residents to remain at home and shutting down all but essential businesses. While markets were closed down, vendors selling food and groceries were allowed to operate for four hours every 48 hours.<sup>1</sup> The full lockdown, which lasted for over five weeks, prevented many Lagosians working in the informal sector from conducting their business or traveling to work.

To cushion the economic impacts of COVID, the federal and state governments distributed food palliatives and cash transfers to vulnera-

ble residents in Lagos. These policies were reportedly targeted to the most vulnerable. But, these economic stimulus packages are not without controversy. Some citizens allege that the distribution process is politicized, with party members and “middlemen” commandeering the distribution and taking the lion's share for themselves.<sup>2</sup> Others say that there is no assistance from the state, and they rely on religious and local networks for aid.<sup>3</sup>

In May 2020 we conducted a randomized survey of informal market vendors in 146 markets across Lagos. Our data are able to shed light on the burden of the crisis and the sources of support informal vendors received. We can also observe whether benefits are indeed targeted to the most vulnerable, and whether the distribution of benefits is politicized. To examine the latter, we analyze differential access by groups that have historically had privileged access in Lagos. In particular, members of the Yoruba ethnicity dominate state and local politics and tend to be advantaged by their position in clientelistic networks that grant them easier access to government attention in exchange for political support. While Yoruba are more likely to be indigenous to Lagos, there are Yoruba residents that hail from outside Lagos state whose families have arrived more recently. This introduces an additional cleavage we explore: that between indigenous and non-indigenous Yoruba.

### STUDY SAMPLE

The survey data in this report capitalizes on prior work with Adrienne Lebas and Janica Magat of a representative sample of market vendors,<sup>4</sup> making rapid data collection at a distance feasible among this otherwise hard-

to-reach population. Our survey successfully reached 868 of 1179 vendors (74%) who completed the most recent survey from our previous project. Of these, exactly half of the 868 vendors reached belong to the majority Yoruba ethnicity. Seven percent of all respondents report that their families are originally from Lagos state; we thus consider them indigenes. All of respondents indigenous to Lagos are also of the Yoruba ethnicity.

**IDENTITY MATTERS**

The economic impact of the lockdown is evident among our study population. Almost half of vendors reported their shops were closed at the time of the survey; all but two percent of the remaining sample reported being affected by limited hours or alternate locations. Among the economic consequences of lockdown, the most commonly cited are loss of income (70%), lack of access to food (37%), and loss of electricity or water (13%). Average weekly income drops by more than half relative to our data from 2018.

Reported knowledge of and access to state benefits in response to the crisis is limited. Only 29% of the sample saying they know about steps the government is taking to help people. Many fewer actually received benefits: 5% of the sample said their household received benefits and 2.5% said their business received benefits. About 16% of the sample said they applied to government benefits to support their business.

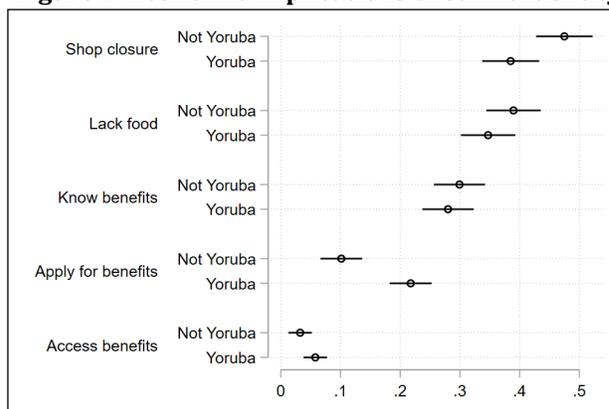
Investigating the determinants of risk, we see that respondents with greater cash savings were less likely to be food insecure during the crisis. However, we found no evidence that access to state benefits was correlated with vulnerability. Instead, the only consistent pat-

terns we found in the application and access to state benefits were identity-related. Yoruba respondents, members of the ethnic majority, were significantly more likely to access and apply to state benefits. Furthermore, as summarized in Figure 1, controlling for other demographic characteristics, Yoruba respondents were significantly less likely to report negative economic effects of COVID including shop closures and food insecurity.<sup>5</sup>

**THE PANDEMIC EXACERBATES EXISTING IDENTITY CLEAVAGES**

A growing concern in developed and developing countries alike is increasing polarization along partisan or other group lines, often exacerbated by increased access to information and social media. This type of polarization could be particularly dangerous in times of crises because it can incite some groups to blame other groups for the crisis as well as advocate for denying access to needed benefits on the basis of group status. In Nigeria, as in many other African democracies, the overlap between ethnicity and partisan affiliation contributes to increasing affective polarization as overlapping social and political boundaries further enshrine barriers across groups.

**Figure 1: Economic implications of ethnic identity**



Source: Author's survey data

We find evidence that the negative economic effects of the crisis contributed to polarization and xenophobia among our sample of respondents. Specifically, we find that shop closures increased polarization (distaste for the outgroup) among Yoruba and their likelihood of identifying with an exclusive group (their ethnicity) relative to an inclusive group (their city). Experiences of food insecurity increased feelings of xenophobia among the Yoruba as well.

### POLICY IMPLICATIONS

The COVID crisis has laid bare existing inequalities in Nigeria just as it has in the United States and elsewhere. Our data suggest that differential experiences during the crisis can worsen these inequalities if governments ignore them. We find additional evidence that the crisis decreased trust in government and reported willingness to pay tax. To avoid these ill effects in the future, we would recommend the Lagos State Government increase transparency around eligibility rules for each policy and invest in better communication around the range of benefits being offered so

that eligible individuals can make claims. To explicitly reduce future inequalities, communications about how to apply and gain access to benefits should also be funneled through organizations trusted by marginalized groups such as religious and marketplace associations. The cautionary tale told by our data could be instructive to other countries as well.

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#### Notes:

<sup>1</sup> TVC News Nigeria (2020). COVID-19 Lockdown: Markets to open from 10am to 2pm daily- FG. <https://www.tvcnews.tv/covid-19-lockdown-markets-to-open-from-10am-to-2pm-daily-fg/>

<sup>2</sup> Okon, D. (2020). Lamentation still trails Lagos, FG's palliative package as middlemen hijack programme. [https://businessday.ng/features/article/lamentation-still-trails-lagos-fgs-palliativepackage-](https://businessday.ng/features/article/lamentation-still-trails-lagos-fgs-palliativepackage-as-middlemen-hijack-programme/amp/)

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<sup>3</sup> African Arguments (2020). We hope our cries will attract attention. <https://africanarguments.org/2020/04/29/vulnerable-covid-19-we-hope-our-cries-willattract-attention/>

<sup>4</sup> Gottlieb, J., Magat, J. & LeBas, A. (2020). Formalization, tax appeals, and social intermediaries: Evidence from a field experiment in Lagos, Nigeria. Working Paper.

<sup>5</sup> Gottlieb, J., Lebas, A., & Magat, J. (2020, July). Resilience and risk in the informal sector: Responses to economic and security risks of COVID-19 in Lagos. Nigeria. Wave 1 Report.

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