

# The Government of Jamaica (GoJ) COVID-19 pandemic stimulus response: an opportunity to regulate and formalize?

COVID-19  
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979

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## Abstract

**Purpose** – The purpose of the paper is to determine whether the Government of Jamaica’s COVID-19 Allocation of Resources for Employees (CARE) Stimulus Response program provides a sufficient opportunity for formalization of the informal economy.

**Design/methodology/approach** – A careful examination of the program has been conducted, specifically through reading the CARE brochure, reading the budget presentation by the Minister of Finance in which the program was introduced and details highlighted, following program updates at COVID-19 Press briefings and the Minister’s Twitter account, and following related articles and programs via original and social media.

**Findings** – This paper suggests that any capitalizing on the opportunity to promote formalization is insufficient. Early data show increased applications for licenses and registration by informal operators, but the CARE program is only short-term, and the benefits of formalization will have to surpass those of informality to be sufficiently attractive. Other attractors must necessarily involve simplifying the process of contributing to the National Insurance Scheme; and offering unemployment insurance; along with access to finance, education and training and policymaking opportunities. COVID-19 provides the possibility of a “new deal” for the informal economy that could yield productivity gains and more inclusive development.

**Originality/value** – This is one of the earliest examinations of how the short-term financial support schemes implemented by the GoJ as its COVID-19 Stimulus Response has been used as an incentive to formalize the large informal economy.

**Keywords** Formalization, Informal economy, Social protection, COVID-19, CARE Stimulus program, Government of Jamaica

**Paper type** Research paper

## 1. Background and introduction

The paper provides an assessment of the Government of Jamaica’s (GoJ) COVID-19 Allocation of Resources for Employees (CARE) program, paying particular attention to how the government has sought to assist workers and businesses, and highlighting the winners and losers. It emphasizes how by the various eligibility criteria for five of the program’s short-term grants, licensed operators and tax paying businesses are rewarded. The action is a potential win for the government, seeking to formalize the large informal and unregulated sector by bringing them into the formal accountable (taxation and regulatory) framework and social protection system. The short-term financial support schemes provide an opportunity to incentivize the sector to formalize. But will they be enough? Are they sufficient attractors for formalization? The paper argues that the eligibility criteria are by no means a slam dunk or jackpot because formalization will require other elements or attractors to motivate the change to playing by the rules. The view, therefore, that the eligibility criteria for one of the CARE program’s short-term benefits might be a sufficient attractor to formalization of informal sector workers and operatives could perhaps be short-sighted.

The paper, although highlighting and referencing the informal economy, avoids any substantial discussion of definition, save for simple reference to some of the defining features:



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the absence of regulation and payment of taxes. It is not the intention to engage in a discussion of who it consists of, but rather to examine how eligibility for benefits under the stimulus package has been framed and the potential opportunity it affords the government in bringing more businesses and workers into the formal accountable network and social protection system. The paper is therefore structured with [Section 2](#) providing a tight review of the general literature around the informal economy and the challenges with regulation and social protection coverage, in addition to the formalization of the sector. [Section 3](#) details the CARE program. [Section 4](#) provides a discussion of the eligibility criteria and the extent to which the program is a sufficient opportunity provided the state for regulation and formalization of the informal economy. [Section 5](#) gives some recommendations and concluding remarks.

## 2. Literature

Jamaica recorded its first confirmed COVID-19 case on March 10, 2020 approximately six weeks after the World Health Organization declared the virus a global health emergency. By the following day, on March 11, the WHO raised its declaration to pandemic. The labor market fallout was immediate, with the impact on the hotel and tourism sector being the most severe, turning hot spots into ghost towns. Estimates of furloughed sector workers indicate close to 99% being affected [1]. The recent reopening of the country's borders to international travelers on June 15 has seen the return to work of a small percentage of workers – close to 5,000. When fully operational, the sector provides employment for close to 400,000 Jamaicans [2], with one-third being directly employed to hotels, and the remainder engaged through the affiliated services such as transportation, craft-making, agriculture, entertainment, restaurants and retail operations. . . Tourism is Jamaica's largest earner of foreign exchange, accounting for approximately 42% of foreign exchange earnings. Preliminary estimates for 2018 valued the sector as accounting for about 20% of GDP [3].

Most of the allied services referred to are provided by small businesses and own account/self-employed operators, many of whom are in the informal sector. According to the October 2018 Labour Force Survey, approximately 47% of the nonfarm employed labor force was engaged in informal employment, and the majority were found within the "Service Workers and Shop and Market Sales Worker" and "Craft and Related Trades Workers" occupational categories.

Much of the employment in the informal economy is precarious in terms of the absence of benefits such as sick leave, vacation leave, health insurance and pensions. Workers usually have to fend for themselves if they fall on hard times or during periods of crisis, or must rely on the state. While it is expected that all workers contribute to the National Insurance Scheme (NIS), participation is particularly low. Only 41% of the employed labor force contributes, and national pension coverage is even lower at about 22%. Coverage among the self-employed and informal economy as a whole, is especially low at about 5 and 11%, respectively. There are no particularly attractive instruments offered to the self-employed and informal workers beyond the usual financial protection which the scheme offers to contributors and their families against income loss caused from job injury, incapacity, retirement and/or death of the contributor or insured.

For decades, attempts at attracting the majority of informal sector workers into the NIS [4], the taxation system and regulatory bodies have largely been unsuccessful for a myriad number of reasons. Some include the distrust of government's intentions regarding the use of earnings and business information, a general disregard for participating in the formal system viewed as being subjected to the imposition of a burdensome and unfairly levied tax, a culture of tax evasion, along with the cost of formalization, some clumsiness in the administrative processes associated with formalization and NIS coverage, and the low capacity of the economy to create good jobs in the formal sector. There is also the deterrent of

the perceived low value of social protection benefits offered by the formal system relative to the benefits of informality. Currently, the highest NIS pension is valued at less than J\$8,000 (approximately US\$56) [5] per fortnight, highlighting how low a replacement income it represents, and its insufficiency if no other financial support is available.

Compensating for low participation and coverage in the formal social protection system, and low value pensions, are remittances which play a significant role in the financial status of many households. Caribbean peoples' migratory history has made remittances an enduring feature of Caribbean life, providing a substantial financial buffer and vital income source for many households. The 2017 Jamaica Survey of Living Conditions, reports that close to one-half of households (49.3%) received remittances from overseas. Remittance inflows account for close to 16% of Jamaica's GDP which is more than three times the global average of 4.93%. COVID-19 has dealt a huge blow to these inflows, with early data for the first six weeks of the pandemic's impact on Jamaica suggesting a 15% decline compared with the corresponding six week period in the previous year [6]. This reduction poses a significant risk to households who would fall below the poverty line or experience food insecurity without this informal means of social protection.

Against this backdrop of increased unemployment and reduced remittance inflows, the GoJ introduced a J\$25bn stimulus package to cushion the devastating impact of the pandemic on lives and livelihoods. The CARE program represents one critical component and aims to provide temporary cash assistance to as many businesses, workers and other individuals affected by the pandemic. It was announced within two weeks of the first confirmed COVID-19 case in Jamaica, and payments began in early May, with the disbursements of the Compassionate Grant to the most vulnerable. The CARE program has shown up the huge gaps in social protection coverage, as the informal economy, particularly the unregistered and unlicensed operatives have turned out to be marginal beneficiaries. Those who have played by the rules in terms of being registered tax payers, paying over statutory deductions to the relevant authorities, and licensed and formally recognized in "trade" associations are the ones singled out for the bulk of the state assistance. Verification of the legitimacy of operations is critical and has been the main criterion for benefitting.

The *informal economy* is defined by the International Labour Organization (ILO) as "all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements [7]." The concepts *informal sector* and *informal employment* are merged. They assert that "[w]orkers in the informal economy differ widely in terms of income (level, regularity, seasonality), status in employment (employees, employers, own-account workers, casual workers, domestic workers), sector (trade, agriculture, industry), type and size of enterprise, location (urban or rural), social protection (social security contributions) and employment protection (type and duration of contract, annual leave protection)." [Castells and Portes \(1989, p. 12\)](#) highlight the unregulated nature of the sector, pointing out that it comprises "all income-earning activities that are not regulated by the state in social environments where similar activities are regulated". They assert, along with [Bromley and Wilson \(2017\)](#), that the sector and economy are permanent features of capitalism and neoliberalism, given the growth in labor flexibility. Most societies therefore depict this labor market duality, with a formal and informal sector coexisting. Some authors, however, characterize this feature more as a continuum rather than a duality.

[Lewis \(1954\)](#), in his seminal paper on Economic Development with Unlimited Supplies of Labour, recognized the duality of Caribbean economies, describing them as comprising a subsistence and capitalist sector, with the earnings in the subsistence sector acting as a wage floor for the capitalist sector. It would later provide the seeds to the formal/informal economy differentiation such as highlighted by [Hart \(1973\)](#) and the [ILO \(1972\)](#). [Lewis \(1954\)](#) characterized the subsistence sector not by its relationship to the legal arrangements of the formal system or precarity as regards social protection and employment security, but by its

capital deficiency, education and skills deficiencies and the absence of good governance. He saw the sector as “all that part of the economy which is not using reproducible capital. Output per head is lower in this sector than the capitalist sector, because it is not fructified by capital . . .” (cited in Emmanuel (Ed.), 1994, p. 909). For him, transition into the capitalist sector came through capital availability and access to training and technology.

The Jamaican labour market is characterized by dualistic features, having a large informal economy operating alongside, yet interrelating with, the formal economy. According to [Wedderburn et al. \(2011\)](#), it “has been an integral part of the culture and economy in Jamaica.” The IDB, in a 2006 study, estimated the sector as contributing approximately 40% of all economic activity [8], and spanning “a diverse group of enterprises and workers, ranging from local peddlers to relatively sophisticated entrepreneurs”, with the average micro and small enterprise meeting only about one-third of the legal requirements for operation ([IDB, 2006](#), p. 39). Many of the operatives are therefore unregistered and avoid taxes. [Witter and Kirton \(1990\)](#) give a similar definition for Jamaica, proffering that it operates in violation of the legal framework. The Caribbean Policy Research Institute (CaPRI), reports that “[t]here is a high incidence of unregistered companies [and that they] do not report their income to any authority and do not file or pay taxes” ([CaPRI, 2016](#), p. 5). The 2020 World Doing Business Report rankings place Jamaica quite low at 124 in terms of paying taxes [9]. CaPRI ([CaPRI, 2016](#)) highlights the costly nature of informality, reporting that “the IMF estimates that the compliance gap for the General Consumption Tax (GCT) between 2008 and 2013 ranged between 23 and 33 percent of potential GCT revenues. This represented uncollected GCT revenue measuring between 2.3 and 3.5 percent of GDP.”

In addition to the effect on taxes and revenue collection, informality is reported as imposing a cost to the market through its distortion of competition. By remaining informal and being unable to access credit and take advantage of technological and skills development opportunities, businesses stymie their own expansion, market competition and efficiency, thereby limiting their performance as the [IDB \(2006\)](#) Jamaica study found. [Farrell \(2004, p. 30\)](#), noting the views of the McKinsey group about informality, highlighted how it “stifles economic growth and productivity [by keeping companies] subscale and unproductive . . .”

While the sector is not homogeneous and has some players who are very successful in terms of earnings and profits as [Jones et al. \(2006\)](#) remind, there is a great deal of precariousness ([Castelles and Portes, 1989; Harding and Jenkins, 1989; Stelzl, 2010](#)). [Stelzl \(2010, p. 663\)](#) highlights this economic and social precarity, writing that “[w]ork in the informal economy tends to be precarious, risky and carries a decreasing degree of social protection.” [Standing's \(2011\)](#) concept of the “Precariat” applies to this vulnerability having to do with the absence of work and employment security. In spite of the risks and “precarity,” the sector is a safety net for many who are unable to gain employment in the formal sector, and for those living in poverty, and is therefore a normal and positive response to unemployment and poor social status, according to [De Soto et al. \(1989\)](#). The [ILO \(2014, p. 3\)](#) notes this reality, writing that “[i]t plays a significant role . . . , especially in income generation, because of the relative ease of entry and low requirements for education, skills, technology and capital. But most people enter the informal economy not by choice, but out of a need to survive and to have access to basic income-generating activities.” Beyond its safety net character, it can be a space that acts as a form of resistance to unwanted state power ([Portes and Haller, 2005; Hart, 1990](#)), and can be very helpful in providing job flexibility for raising children, caring for older relatives and serving as a business incubator ([Dellot, 2012; Williams and Martinez Perez, 2014](#)).

Whatever the view of the informal sector and economy, the activities contribute to the economic and social development of the societies. The ILO asserts the rights of all who are engaged to decent work and social protection, in the same way as for those engaged in the formal sector and economy. Along the lines of [Lewis \(1954\)](#), they see formalization manifested

in a more effective and efficient labor market through increased access to credit, skills and public services, and the associated improved productivity. Their Recommendation 204 (2015) calls for the transition to the formal economy for the reasons that it “is essential to [achieving] inclusive development and [the realization of] decent work for all” and would ensure the rights of workers, offer social protection and improve public revenues and general business competitiveness. In terms of Rights and Social Protection, the Recommendation expresses the need to extend “in law and practice, to all workers in the informal economy, social security, maternity protection, decent working conditions and a minimum wage”, that social protection floors should cater to their “needs and circumstances”, and that social insurance coverage should be sufficiently flexible in their “administrative procedures, benefits and contributions” so as to be sensitive to workers’ “contributory capacity.”

Transitioning to the formal sector is not necessarily easy for all individuals and businesses, however. Work by [De Soto et al. \(1989\)](#), [Johnson et al. \(1999\)](#) and [Schneider and Enste \(2000\)](#) show that factors such as the cost of formalization related to government regulation, tax compliance and social security contribution can be deterrents. [La Porta and Shleifer \(2014, p. 116\)](#), point out that the “lack of access to finance” is a significant obstacle. They highlighted how being subjected to inspection and being paid a portion of their profits in earnings led to firms in Brazil and Sri Lanka becoming formalized. [Sookram and Watson \(2008\)](#), studying small businesses operating informally in Trinidad and Tobago, cited burdensome government regulations and a perceived low risk of detection by the tax authorities as the main reasons for operating in the sector. The ILO also encourages ease of transition through simplified administrative processes, reduced costs, entrepreneurship training, financial literacy and access to financial services. [Williams \(2020\)](#), and [Williams and Kayaoglu \(2020a, 2020b\)](#), writing about European governments’ COVID-19 pandemic responses, recommend that state authorities use “voluntary disclosure initiatives” as incentives for formalization, attracting informal operatives “out of the shadows and . . . onto the radar of the state authorities . . .” ([Williams and Kayaoglu, 2020b, p. 88](#)). Citing the successful use of these voluntary disclosure schemes in Italy and in the United Kingdom, [Williams \(2020, p. 8\)](#) asserts that “[g]iving access to the short-term financial support currently being offered to declare enterprises and workers, if they voluntarily disclose their previous undeclared work, would be a powerful incentive to make use of any voluntary disclosure scheme.” Importantly, [Chen \(2012\)](#) advises that in discussions about formalization, it is important to acknowledge that one size does not fit all, it may not be a feasible option for all players, and that it is a process. Her recommendation therefore is for different forms/options to be available to players in the sector.

### **3. The Government of Jamaica’s stimulus package and COVID-19 Allocation of Resources for Employees (CARE) program [10]**

The COVID-19 pandemic has magnified the social inequality within the society, laying bare the plight of all individuals and workers, particularly the poor and working class, and those within the informal economy, many of whom rely on daily earnings and have no form of social protection or other form of assistance to cushion negative financial shocks. Its impacts on the informal economy have been devastating as seen in countries across the world ([ILO, 2020a](#)). Lockdown measures have meant significantly reduced incomes and earnings due to the curtailment of commercial activity, which will result in increased levels of poverty and inequality.

The GoJ’s response of a \$25bn stimulus package referred to as “the largest stimulus package in Jamaican history” was not an option, but a necessity, to assist with balancing lives and livelihoods. It aligns with the ILO policy framework regarding managing the impact of the COVID-19 pandemic on the labor force, particularly pillars 1, 2 and 3 which address

stimulating the economy, supporting incomes and businesses, and protecting workers [11]. It is predicated upon specific guiding principles [12] including the subsidization of people and not profits and the protection of the neediest; transparency and accountability to the taxpayers; preservation of productive capacity; simplicity; a prescribed and finite period; and the pursuance of market-based solutions if conditions deteriorate and additional measures are needed.

Embedded within the stimulus package is the J\$10bn CARE program disbursed as direct, temporary cash transfers to individuals and businesses to help buffer the financial impact of the pandemic. Verification of operating licenses, tax payments and statutory deductions, and loss of job and income, among other criteria, are necessary for eligibility. The IMF summarizes it as “(1) temporary cash transfers to businesses in targeted sectors based on the number of workers employed; (2) temporary cash transfer to individuals where loss of employment can be verified since March 10; (3) grants targeted at the most vulnerable segments of society [13].”

The program consists of nine components which offer assistance to employers, employees, the unemployed, unregistered and unregulated persons, retirees and tertiary level students. They are the:

- (1) Supporting Employees with Transfer of Cash (SET Cash);
- (2) Business Employee Support and Transfer of Cash (BEST Cash);
- (3) COVID-19 General Grants;
- (4) COVID-19 Compassionate Grants;
- (5) COVID-19 Programme of Advancement Through Health and Education (PATH) Grants;
- (6) COVID-19 Small Business Grants;
- (7) COVID-19 Tourism Grants;
- (8) COVID-19 Student Loan Relief and
- (9) Other COVID-19 Support Programmes.

### 3.1 SET cash [14]

The Supporting Employees with Transfer of Cash (SET Cash) grant is a temporary, five-month (April–August 2020) cash transfer of \$18,000 (approximately US\$127) [15] per month calculated at \$9,000 per fortnight, to formerly employed persons who lost their employment with the onset of the first positive local COVID-19 case on March 10, 2020. The major eligibility criteria for the grant include proof of identity; proof of employment prior to March 10, 2020, and payment of statutory deductions by the employer; verification of lost employment on or after March 10 and up to June 30, 2020, including date of layoff or termination (done via employer’s completion of P45 form providing information on name of employee and taxable income); name of employer; a Taxpayer Registration Number (TRN); and verification of taxable annual income of less than or equal to \$1.5m (the income tax threshold and insurable wage ceiling for the NIS) by the Revenue Administration Information System (RAIS) Tax Administration System.

### 3.2 BEST cash [16]

The Business Employee Support and Transfer of Cash (BEST Cash) grant is a similar temporary five-month (April to August) transfer of \$18,000 per month, calculated at \$9,000

per fortnight, to registered businesses engaged in the tourism sector and registered with the Tourism Product Development Company (TPDCO) for each of their employees retained. The grant is paid based on the number of workers with annual taxable income less than or equal to \$1.5m (approximately US\$10,000) income tax threshold that the businesses have retained on their payroll. The eligibility criteria are proof of name and address of business, along with bank account information and business TRN; proof of number of workers retained with taxable annual income of up to \$1.5m; proof of business registration with the TPDCO; proof of Business registration with the Tax Administration Jamaica as having a minimum of one employee; proof of filed payroll returns for the period of the grant, as evidence of the number of employees retained; and verification of such filed returns by submission of S01 form [17] in the RAIS Tax Administration System.

### 3.3 COVID-19 General Grant

This is a single cash payment of \$25,000 (approximately US\$176) and \$40,000 (approximately US\$281) available to specified business operators, mostly small businesses. The smaller \$25,000 amount is targeted at “barbers, hairdressers, beauty therapists, cosmetologists, market vendors, taxi and bus operators (i.e. PPV licensees) who are registered with a Municipal or Transport Authority by April 30, 2020.” (CARE brochure) The larger \$40,000 grant is available to what are considered larger operatives such as “bar and night club operators who are registered with a Municipal Authority by April 30, 2020” and “craft vendors, JUTA, MAXI and JCAL operators [18] who are registered with the Tourism Product Development Company by April 30, 2020.” (Chen, 2012) To qualify, beneficiaries must provide proof of license or registration with a Municipal Authority at any time during the period April 1, 2018–April 30, 2020, for barbers, hairdressers, beauty therapists and cosmetologists; proof of registration with the Transport Authority by taxi and bus operators, by April 30, 2020; proof of registration with a Municipal Authority by bar and night club operators, by April 30, 2020; proof of registration with the TPDCO by craft vendors, JUTA, MAXI and JCAL operators, by April 30, 2020; name and address of the business; along with registration or license number, business TRN and business bank account information.

### 3.4 COVID-19 Compassionate Grant

This is a single \$10,000 (approximately US\$70) grant catering to needy persons identified as individuals such as tertiary students, unemployed persons, persons in informal employment, the elderly and pensioners. Eligible persons should not be formally employed and not receiving any of the other cash grants under the CARE program, except for those receiving the COVID-19 Programme of Advancement Through Health and Education (PATH) grant who are registered as poor. In order to benefit, applicants are required to provide their name and address, TRN and bank account or remittance company information.

### 3.5 COVID-19 PATH grant

This grant is available only to persons enrolled in the PATH, the state’s flagship Conditional Cash Transfer (social assistance) programme targeting vulnerable households. PATH is generally paid on a bi-monthly basis, but the grant adds an additional payment. Whereas between April and June, enrolled persons would normally receive two equal payments, the COVID-19 grant represents an additional payment to make a third. This was facilitated through an additional \$1bn to the program.

The categories of individuals covered by PATH are children from birth to the completion of secondary school; pregnant and lactating women up to six months since the birth of the last child; elderly household members 60 years and older; family members with a certified permanent disability; and adult poor family members under the age of 60 years.

### *3.6 COVID-19 Small Business Grant*

This is a single payment of \$100,000 (approximately US\$704) available to all small businesses, but with clear stipulations regarding the size of operations and payment of taxes and proof of registration. The specific eligibility criteria are proof of average annual sales of up to \$50m (approximately US\$351,865) for the period 2017–2019; proof of business registration, with filed tax returns for the 2019 financial year; proof of filed payroll taxes to show that the business has employees, verified through the S01 form via the RAIS Tax Administration System; along with name and address of the small business, business TRN, business bank account information and similar name, address, TRN for the application's signatory.

### *3.7 COVID-19 Tourism Grant*

This is a one-off grant of varying unspecified sizes, made available to operatives in the tourism sector, "inclusive of hotels, attractions and tours, which are registered with the Tourism Product Development Company (TPDCO)". The payments come from a \$1.2bn pool of funds, and are determined by a Grants Committee following set criteria, inclusive of a maximum grant amount. Eligibility includes the submission of up-to-date management accounts; projected cash-flow statement with justification or assumptions; brief recovery plan; statement of personal assets and liabilities; and proof of tax compliance.

### *3.8 COVID-19 Student Loan Relief*

This is not a grant, but a "deferral of student loan principal and interest payments for 3 months (until July 2020) for loans outstanding to the Student Loan Bureau (SLB)." The beneficiaries do not need to apply since they will already be known to the SLB. The relief package also includes the waiving of late fees for the period April to June 2020.

### *3.9 Other COVID-19 Support Programmes*

These entail the provision of funds to specific Government Ministries and all Members of Parliament to assist particular "categories of Jamaicans who have been affected by the effects of the Covid Pandemic." The specific sums are funded through expenditure reallocation among and within Ministries, as follows: \$200m to the Ministry of Industry, Commerce, Agriculture and Fisheries to assist small farmers; \$150m to the Ministry of Local Government to assist homeless persons and others in shelters and elderly persons in infirmaries; and \$189m to Members of Parliament, through their Constituency Development Funds, "to assist vulnerable Jamaicans, who are not otherwise benefiting, with food, medicine, hygiene supplies and water."

## **4. Discussion**

The Government's COVID-19 stimulus response package has to be discussed against the background of the fragility of the Jamaican economy which had for the past three decades registered growth rates of below 1% per annum, and unsustainably high levels of public debt, and in the context of a large informal economy and the gaps in the national social protection system, particularly as it relates to coping with shocks and providing unemployment insurance. There is definite need for greater crisis responsiveness to be built into the system.

It may be argued that the economic fragility is rooted in an inadequate understanding of how a natural resource-based economy (such as a tourism economy based on sea, sun and sand, and on a high degree of creativity depicted in the arts, sports and music and entertainment industries) can be restructured and developed. In 2013, the country entered into a borrowing relationship with the IMF in the form of an Extended Fund Facility (EFF),



and in 2016, a precautionary Stand-by Agreement which ended in September 2019. The intervention spanned two political administrations, a testament to the country's commitment to greater fiscal prudence in a context of a conservative approach to the industrialization of tourism. At the beginning of the EFF, Jamaica's debt was 145% of GDP, but at the end of the Stand-by Agreement, it was down to 95%, with projections for a further substantial reduction to 60% by fiscal year 2025/2026 [19]. These have since been revised to 2027/2028 due to COVID-19's devastating economic impact. The last quarter of 2019 also saw the unemployment rate at a historic low of 7.2%, the lowest in recorded history. Should the government fail to effectively manage the impact of COVID-19, there is a real risk that these gains will be severely eroded, along with substantial damage to the economic fabric. Faced with a large informal economy, governments have to be mindful, as the ILO (2020b) asserts, to avert any potential crisis which may be exacerbated by the sharp loss of income and earnings by operatives, and to prevent as a response to business closures in the formal sector, any huge expansion in the informal economy.

As the eligibility criteria for many of the grants reveal, the government has "rewarded" those who have played by the rules. By extension, they have sent a message that formalization and regulation are recommended. For receipt of the SET Cash Grant, proof of loss of employment (layoff or termination) due to the pandemic is mandatory, along with proof of taxable income up to \$1.5m annually and payment of their statutory deductions by the employer. For the BEST Cash, proof of business registration, tax registration and filed payroll returns for the months of April to June, 2020 are required. The latter is particularly important as evidence of the business continuing to keep workers employed. In terms of the General Grants paid to self-employed and mostly own-account operatives, and bar and night club operators, registration with a Municipal Authority and the Tourism Product Development Company is mandatory. This requirement follows the ILO policy framework which recommends "working with workers' and employers' organizations, including those active in the informal economy, social solidarity organizations and local government bodies [towards] . . . reinforcing social protection systems and supporting the transition to the formal economy" (ILO, 2020b, p. 5). Even for the Compassionate Grant, a TRN is required for eligibility. For the Small Business Grant, evidence of business registration, annual sales of up to \$50m for the 2017–2019 period, the filing of taxes in the previous financial year, along with filed payroll returns, a TRN and banking information are required. Evidence of registration with the TPDCO, up-to-date management accounts, along with a projected cash-flow statement, a business recovery plan, statement of personal assets and liabilities and tax compliance are needed for the Tourism Grant.

It is evident that registered and tax paying individuals and businesses are the intended beneficiaries of the major grants. Benefits are linked to playing by the rules which includes possessing licensing and registration credentials for operating a business, filing statutory deductions and possessing a TRN that is needed for most business transactions. For those who were not registered at the time of announcement of the CARE program, a grace period was given to get registered so as to be able to benefit. When applications were opened on April 9, players who had not met the criteria were allowed up to April 30 to get licensed and registered.

The \$25bn Stimulus package, with its \$10bn CARE program, has to be viewed as a commendable initiative, and so too its requirement for transparency and accountability in the disbursement process. The details show the breadth of the CARE program, offering assistance to a wide range of individuals and business operators. Its efforts to preserve livelihoods by supporting small businesses must be seen as laudable, even while recognizing the small value of the grants and the protracted nature of the pandemic. Approximately 500,000 applications have been made so far, representing one-quarter of the adult population. Not surprisingly, the overwhelming majority has been for the Compassionate Grants.

In terms of the applications for the General Grant, data show some movements in licensing and registration. The TPDCO reports, for example, an increase in the applications for licenses in April alone, the period within which an amnesty of sorts was granted. Their data show a 10% increase in the number of licenses issued by the Jamaica Tourist Board to contract carriage owners, and a 7% increase in the licenses to contract carriage drivers. They also report a 69% increase in licenses granted to craft vendors who own craft shops, and a 55% increase in craft shop assistants. Similar to the TPDCO, the Transport Authority reports an increase in the number of applications for licenses and renewals. They record a small 1.2% increase in the applications for new licenses, and a 14.5% increase in applications for renewals in April alone. The data from these two entities point to early success in the use of the General Grant to encourage formalization, certainly licensing and registration.

The veracity of the claims made and authentication of the persons receiving the grants are important for accountability to the taxpayers who are funding the CARE program. Good stewardship of taxpayers' money and fiscal prudence are important to the verification process which involves the Office of the Auditor General. To facilitate the applications, an online platform was developed with clear evidence of joined-up government as it required alignment between various processes and information across several government agencies. The Government, through the Minister of Finance, has operated with refreshing transparency, giving updates and directly responding to challenges expressed by applicants and answering queries via various social media accounts and platforms. Additionally, regular updates are provided via the COVID-19 Press briefings and opportunities for wide-scale participation through questions to the government officials.

By the eligibility requirements, the government has "rewarded" business regulation and registration, and signaled the risky nature of operating "in the shadows". The Prime Minister, speaking at a Press Conference on April 3, 2020, appealed to unregistered businesses to become formalized by obtaining some form of government identification, and registering with the Municipal authorities or a relevant professional association. Formalization was stressed as being important for better planning and budgeting by the government. But considerations about formalization have to go beyond what is in it for the government/state, to assessing the type of opportunities it creates for the players to gain access to better methods and techniques/technologies, and capital in order to raise their average labor productivity and profitability. Any push must consider attractors that would make it less beneficial to operate informally. As earlier pointed out, pension benefits from the NIS are particularly low and do not constitute a realistic contribution to day-to-day living expenses. As currently structured, the NIS would have to become a sufficient attractor, offering unemployment insurance or unemployment benefits and a much easier way of registering and paying over contributions.

The question arises of what the government will do with the new information collected through the applications for the various COVID-19 Grants. Specifically, what trust will it engender, and what incentives might it consider to secure the formalization of the informal businesses and bring more persons into the social protection system? Providing temporary assistance through a low value grant such as the BEST Cash and SET Cash is not sufficiently attractive to effect massive interest in formalization. Ascertaining the views of small informal business owners, operators and workers regarding suitable forms of social protection and cushioning, fructifying them with capital investments and upgraded physical infrastructure to facilitate greater creativity and increased productivity are important for giving voice and opportunities to a sector that is important to the economy, and serving as useful attractors.

## 5. Recommendations and concluding remarks

It is clear that through the GoJ's stimulus response to the COVID-19 pandemic, an opportunity has been provided to increase efforts at the formal registration of informal businesses and

operatives, and expand the process of transitioning them into the formal accountable network and social protection system – the NIS. The extent to which this is a sufficient opportunity for such an endeavor is questioned, however, as far more will be required of the state. To assert the views of the ILO (2014, p 7), “Informality is principally a governance issue.” In respect of social protection coverage, a universal social protection system will need to be designed, to include easier ways of making NIS contributions, shock responsiveness and unemployment insurance or at least some unemployment crisis fund to provide short-term assistance in unprecedented circumstances such as these. Greater flexibility will be required to facilitate micro and small business and the self-employed who experience periods of earnings volatility and may not be able to make regular and sustained contributions to the NIS. Taking account of the seasonality which defines some of the players’ earnings will therefore be necessary. Agreeing with Razavi (2020), “Governments must use the momentum created by the current crisis to make rapid progress toward collectively financed, comprehensive, and universal social-protection systems.”

The push for formalization has to be linked to a viable job-creation program to address under-employment and poverty, otherwise, informal operators will likely view formalization as a way to extract taxes from them without commensurate development support and benefits. Informality must be seen as mainly a consequence of a capital stock that is too small and competitively unsophisticated to create sufficient good jobs in the formal sector. To reverse this, some important priorities must be expanded access to credit, land and other relevant infrastructure including Internet access; improved levels of education, training and technology; along with ramped up efforts at financial inclusion, financial literacy and easier ways of doing business. A fresh competitive strategy is needed to produce and accumulate capital, and create intra-industry exports that bring along good formal sector jobs. What COVID-19 provides therefore, is an opportunity for new and innovative thinking around helping the informal sector improve their labor productivity and competitiveness which would provide the seeds to formalization, and also new and innovative thinking about what the thrust to greater formalization will require.

## Notes

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14. The SET Cash grant started off as a three-month benefit from April to June 2020, but was later extended to August, given the protracted nature of the pandemic’s effect on employment.
15. Calculations are based using the average of the monthly exchange rates for April–June 2020, as per the Bank of Jamaica’s published Monthly Average Exchange Rates of J\$139.66 for April, \$145.62 for May and \$141.01 to US\$1. Available at: [http://boj.org.jm/foreign\\_exchange/fx\\_rates\\_monthly.php](http://boj.org.jm/foreign_exchange/fx_rates_monthly.php) [accessed July 26, 2020]. The three-month average exchange rate is therefore calculated as \$142.10.
16. Similar to the SET Cash grant, the BEST Cash grant also started off as a three-month benefit from April to June 2020, but was later extended to August, given the protracted nature of the pandemic’s effect on employment.
17. The S01 form is the Employer’s Monthly Statutory Remittance Payroll Deductions form. It is required to provide information “related to the emoluments, deductions and PAYE taxes and statutory contributions for ALL employees on staff . . .” Available at <https://www.facebook.com/notes/tax-administration-jamaica/employers-to-file-enhanced-s01-form-for-march-and-onwards/10158185924055682/>.
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