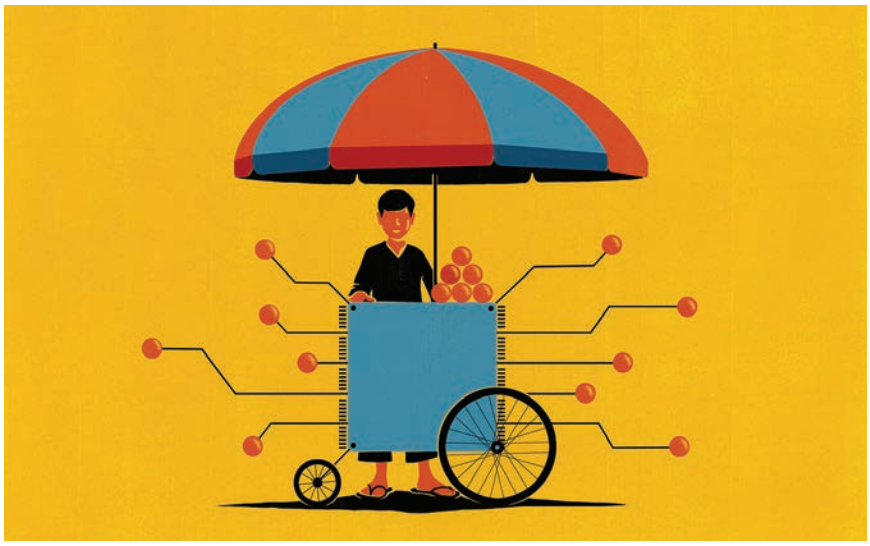


AI and the Informal Economy



Anthony Tan

Southeast Asia shows how to extend benefits to millions outside the formal economy

How can artificial intelligence benefit more people in developing economies? Any serious answer must start with the economic lives that people actually lead. Most of today's global AI conversation is framed around advanced economies and formal labor markets—salaried jobs, banked populations, institutions that can measure what people earn. Southeast Asia requires a different starting point.

Here, 78 percent of the workforce, numbering hundreds of millions, operates in the informal economy. These are the street hawkers, stall owners, construction workers, and ride-hailing drivers on whom so much of everyday economic life depends. It's a mistake to treat the informality of their work as a passing phase or a development problem to be solved.

It's true that many people do move from informal to formal work, and AI-enabled platforms can provide a pathway for those who want to do so. But the informal economy is the structural foundation on which the region's economic activity rests. It persists because its flexibility and adaptability are features, not failures.

Southeast Asia shows that it's possible to strengthen the resilience and earning power of informal workers in ways that matter well beyond the region. AI-enabled platforms here demonstrate that informal workers can get access to credit, earn more predictably, and participate more fully in economic life—without depending on formal systems.

The task facing policymakers: Extend those gains by focusing on building new skills and designing rules around informality rather than importing formal-economy assumptions that could weaken what's working already.

Platform power

Consider Mylene Estrella. She turned her grandmother's neighborhood bakery in Manila into a premium gifting brand, Mylene's Ensaymada and Banana Cake, which now sells to customers across the Philippines' capital. She scaled up the business with a Grab loan, credit a traditional bank would have denied, and she works with an AI assistant for marketing support.

Last year Grab disbursed $3.2 billion in loans to driver partners and merchant-partner borrowers like Mylene. Sixty-eight percent of those borrowers accessed formal credit for the first time through our platform. We use AI to read platform-generated records of earnings and activity to judge creditworthiness. We set credit limits based on platform earnings, deduct repayments in proportion to daily income, and grant hardship relief on a case-by-case basis if earnings cease. Half of driver-partner borrowers say they turned to Grab to avoid unlicensed lenders.

Average driver-partner earnings per online hour rose by 5.5 percent year over year last year. Platforms like Grab learn from their interactions with informal workers to improve service delivery and propose ways users can maximize their earnings. For example, Grab's ability to assess real-time demand and match driver partners helped boost earnings and shrank the unpaid gap between one job and the next. The platform also reads real-time demand and predicts the best spot for the next job.

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Illustration by Dan Bejar

Skills that pay

Realizing AI's potential more broadly requires investment in the skills that allow workers to understand and benefit from AI-enabled tools. Gains from participating in the platform are multiplied for workers who understand how AI shapes the demand patterns on which they depend.

All workers today benefit from AI literacy. But an informal worker must access opportunities to build skills without a formal employer to provide training on paid time and at a fixed workplace.

More than 1.5 million driver partners completed at least one GrabAcademy course last year. That reach is the channel through which practical, work-relevant training reaches workers who have no employer to provide it. AI, meanwhile, pairs tools with training: One in four micro, small, and medium enterprises on the platform now uses Grab's Merchant AI Assistant, which supports marketing, menu management, and operations, and underpinned a 15 percent lift in sales.

My three asks

Scaling up this resilience requires moving beyond what a single company can do alone. It requires governments to govern for the economy as it is. Imposing rules developed for formal employment and applying them without adjustment risk eroding the adaptability on which informal workers depend. Here, I outline three asks.

First, fund AI literacy as a public good. AI literacy must be funded with the same seriousness as roads or energy. Public-private partnerships already work: SkillsFuture Singapore, an initiative led by the skills and workforce development agency, has recognized Grab as an industry leader in championing skills development. Governments are uniquely placed to scale up this kind of permanent, codesigned training across the informal workforce, built with local institutions and structured for workers with irregular hours.

Second, rethink how success is measured. Governance frameworks determine what regulators reward and which platforms are incentivized to build. Frameworks calibrated around formalization rates or financial stability alone will consistently miss what matters for the informal economy: earnings stability and breadth of participation. Regulators must adopt metrics that reflect the informal economy's actual dynamics—earnings volatility, participation in multiple platforms, access to credit—and hold platforms and themselves accountable to those metrics.

Third, unify regional AI governance. The diversity of regulatory frameworks across Southeast Asia's main markets is a massive structural constraint. It makes it harder for platforms to decide how to store data or scale up what works. The May 2026 Association of Southeast Asian Nations' Digital Economy Framework Agreement establishes the needed regional coordination architecture. But policymakers must ensure that the framework works for the informal economy and does not impose formal economic assumptions on a regional scale.

Designing for informality

Southeast Asia offers an instructive case study for what AI-enabled development of the informal economy can look like. After all, informal work accounts for 86 percent of employment in Africa, 68 percent in Asia, and 51 percent in Latin America. For policymakers in these regions, Southeast Asia is the proof of concept for a different development trajectory.

The central lesson is that the most effective measures have been built around informality rather than imported from systems developed for different economic conditions. Real-time behavioral data serve where documentation requirements fail. Platform-based distribution reaches where institutional access does not.

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Designing around informality does not mean accepting that workers remain unprotected. Closing the gap between the protection afforded to formal and informal workers is important. However, we must strive to build protection that travels with the worker across jobs and platforms. Take social insurance as an example. Rather than waiting for them to be reclassified as employees, coverage can be funded through a portable plan that follows workers. Malaysia's March 2026 Gig Workers Act does this, extending social security coverage to gig workers through the national program without making them employees.

Closing the AI divide is a task no single actor can manage alone. Building the structures that allow governments and platforms to collaborate effectively is among the most consequential policy investments of this decade. Southeast Asia has the opportunity to show the rest of the world how it can be done. I would even say it's doing so already. F&D

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