Informality and green transition
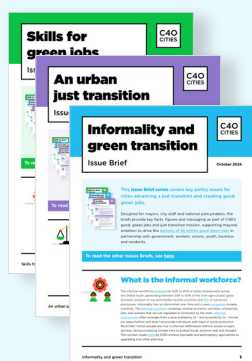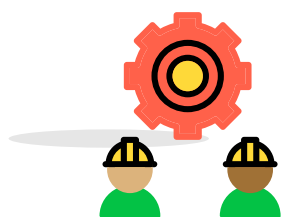
Issue Brief

October 2024

This **Issue Brief series** covers key policy issues for cities advancing a just transition and creating good green jobs.

Designed for mayors, city staff and national policymakers, the briefs provide key facts, figures and messaging as part of C40's good, green jobs and just transition mission, supporting mayoral ambition to drive the [delivery of 50 million good green jobs](#) in partnership with government, workers, unions, youth, business and residents.

To read the other Issues Briefs, see [here](#).

What is the informal workforce?

The [informal economy](#) comprises diverse economic activities, enterprises, jobs, and workers that are not regulated or protected by the state. [Informal employment](#) often emerges from scarce availability of – and accessibility to – formal job opportunities and does not provide individuals with legal or social protection. The informal workforce [accounts](#) for **50% to 80% of urban employment across the Global South**, generating between 25% to 50% of the (non-agricultural) gross domestic product of low-and middle-income countries and [15%](#) of advanced economies. Informality has not diminished over time and is even [increasing](#) in many countries. More than **1 billion people also live in informal settlements** without access to basic services, facing increasing climate risks including floods, extreme heat and drought. This number could [triple](#) by 2050 without equitable and participatory approaches to upgrading and urban planning.

Why this matters

Critical contribution to climate action

Across the world and particularly in Global South cities, a significant share of informal workforces work in high-emitting sectors with high potential for transformation, including waste, transport, construction, and food. Informal waste pickers, for example, collect between 50 and 100% of Global South cities' waste, and informal transport accounts for up to 90% of motorised trips in some African cities. They contribute critically to emission reduction and climate resilience by providing essential care services but often face systemic challenges such as poor quality work, precarious conditions, and a lack of social protections, recognition and representation in decision-making processes. A climate transition must not be at the expense of safe and secure livelihoods for informal workers. A climate transition must ensure safe, secure livelihoods for informal workers.

Un(der)recognised and highly vulnerable to climate and economic impacts

Informal workers are integral to global and national supply chains impacted by climate change and the climate transition. Women, youth and migrants are overrepresented in unregulated work and are often found at the lower/most vulnerable end of value chains, e.g. women informal workers earn lower incomes than their male counterparts. Precarious employment is on the rise in advanced economies as well, where migrants and people of colour face precarious conditions across sectors at the heart of the climate transition, as diverse as construction and care. The lack of legal protection and access to infrastructure, services and public decision-making spaces also makes informal workers highly vulnerable to climate hazards and loss and damage. These challenges are rarely reflected and addressed in climate and just transition planning, highlighting the need for investments in climate resilience, participatory urban planning, green jobs, skills development, and early warning systems. Recognising their role and strengthening labour conditions, opportunities and resilience of informal workers will reduce inequality and support more effective climate action.

Good green jobs for informal workers

In lower-income countries, formal job creation falls far short of the millions of young people entering the workforce each year, driving unemployment, poverty, and economic informality - key factors in global migration. Urban investment in and equitable access to good, green jobs and skills can foster economic inclusion and create better working conditions and job security for informal workers, leading to the creation of workers' associations or formalisation where appropriate and desired by the workers themselves.

In focus

Informal workers' access to social protection[1] critical for a just transition and climate resilience

For the first time, more than half of the world's population is covered by at least one social protection benefit; yet, 3.8 billion people are still entirely unprotected. The low- and middle-income countries who have seen little progress in the last decade are the same countries where informal communities are disproportionately impacted by loss and damage from climate change.

Social protection offers a critical policy tool that can help cities address multiple intersecting issues: improving access to decent work, safeguarding workers against the impacts of the climate transition, such as loss of income, reducing inequality and economic vulnerability, and supporting people's adaptation and resilience to climate impacts.

Local governments are formulating integrated responses to these issues, such as Accra's pilot initiative offering improved healthcare and life insurance for 209 informal workers.

Cities are ready to scale these actions with the support of national governments and international actors, who play a key role in helping make the growing pool of funds and financing mechanisms more suitable and accessible to cities.

Facts and figures

61.2%

or two billion **of the global workforce, are in informal employment, with 50%-80% in the Global South**, predominantly in cities.

83%

Nearly
83% of employment in Africa

and 85% in Sub-Saharan Africa is **informal**, absorbing many of the continent's young employment seekers.

There is a **higher share of informal work among women** in some regions, for instance in **Sub-Saharan Africa** (83% to 65%), adding additional layers of intersectionality and vulnerability.

Informal workers are between

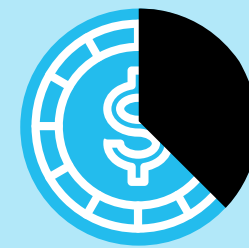## 3 and 4 times more likely to be poor

than formal workers, while accounting for between 70 and 90% of the total working poor.

Informal waste pickers collect between

50 and 100%

of cities' waste in the Global South, generating numerous economic, environmental, health and social contributions.

In low-income countries, up to

39% of GDP

comes from goods and services produced by informal enterprises.

8 million

climate migrants can be expected to move to 10 C40 Global South cities

studied in C40's groundbreaking new research, with the majority of them likely to move into informal settlements and take up informal employment. Informal settlements around the world are already receiving around 180,000 people every day.
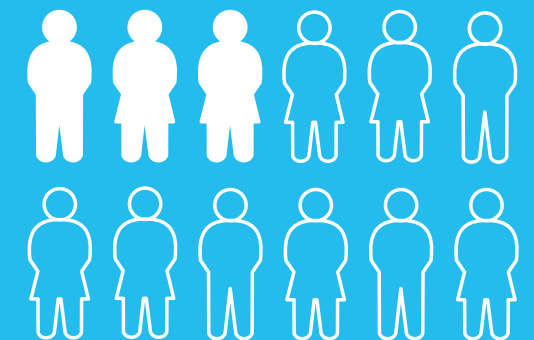
In Africa alone,
12 million youth
entered the labour force in 2020, against a total of
3 million formal jobs
created over the same year.

While less predominant and characterised by different challenges, **informal work represents 15% of GDP in advanced economies** and is on the rise in the form of precarious work such as gig economy work.

The crucial role of cities

As the closest level of government to residents and with a unique understanding of local dynamics and vulnerabilities, cities are well-placed to co-design and co-deliver local **solutions that meet the needs of informal workers**.

Cities achieve this by:

Engaging with informal workers and other actors

Cities design and deliver climate policies with the active and meaningful participation of informal workers workers' cooperatives, unions, employers, youth and communities. They offer space and capacity-building to foster collaboration, build workers' skills to participate in co-designing local responses, and enable community-based responses to the green transition and climate hazards. Cities also partner with regional and national governments and informal sector organisations, advocating for increased local support.

Recognising informal worker rights and contribution, and measuring risks and impacts

Cities and mayors can champion the inclusion of informal workers in public policies, reducing stigma and promoting their role in climate action and the economy. Identifying informal workers' contributions, livelihood needs, and climate risks is essential for evidence-based policies. Cities collaborate with informal sector actors to gather localised data and conduct integrated, participatory research on climate and employment impacts.

Improving labour standards, worker benefits and skills, and social protection

Cities leverage their legislative and fiscal powers to improve job quality, safety, and agency for informal workers. They simplify cooperative registration, offer grants or tax exemptions, and allocate budget for sector-specific infrastructure. Cities also enhance access to social protection, green jobs, and skills-building opportunities.

Adopting a holistic approach across mitigation, climate resilience and just transition

Cities incorporate climate adaptation and just transition principles into broader urban planning and development policies. They explore the interlinkages between social protection, loss and damage, just transition, and other climate finance instruments and develop enabling governance schemes to cut through silos.

Bengaluru has engaged vulnerable groups, decision-makers, and implementers to assess the needs of formal and informal workers and ways to improve participatory approaches to waste management. **Accra** has engaged and built trust with informal waste workers through a participatory needs assessment process, and worked with the regional government to develop a new policy framework for enhanced collaboration. Accra has also led consultations with informal transport unions and workers, youth, persons living with disability, and other underserved groups to co-develop a roadmap for inclusive green transport transformation.

Accra is combatting discrimination through print and digital campaigns highlighting informal workers' contribution to public health and sanitation and climate resilience. **Bogotá's** "Recycling is the Way Out" campaign encourages residents to separate waste for informal cooperatives. **Amman** has introduced legislation recognising certified waste pickers. **São Paulo** is measuring the share of informal employment in the green economy. **New York City** is dispelling myths about immigration, highlighting how migrant workers, including undocumented immigrants, support the economy and essential services.

Dar es Salaam has trained informal waste workers to improve waste management and working conditions, and **supported** migrants and refugees in accessing green jobs in the waste sector. **Jakarta** is working with its bus rapid transit service and transport workers to electrify its fleet, reskill its formal and informal operators, and improve job quality and social protection. **Accra** has created new mechanisms to provide access to improved healthcare and life insurance for 209 informal workers as part of a pilot. **Rio de Janeiro's** Recicla Comunidade project upgrades recycling in low-income areas, boosts income for residents, and builds climate resilienceis. **Milan** enhances migrant job inclusion and working conditions through essential job training.

Addis Ababa and Freetown have conducted gender needs assessments and collaborated with women in informal employment to shape policies that support better livelihoods and resilience. **eThekwini and Tshwane**, have engaged in a gap and needs analysis on the impact of recent climate events on informal workers to inform city policy-making and just transition strategies. **Rio de Janeiro** has invested in early warning systems for the city's poorest, high-risk areas to reduce flood impacts.

What mayors need others to do

Mayors need national governments and international actors to enable scaled action for a rapid green transition that delivers for informal workers and residents. Key actions include:

`National governments`

Support local governments to deliver locally and (re) design national policies

- Recognise the contribution and needs of informal workers and cities' unique challenges with respect to local climate action across diverse sectors in just transition and resilience strategies.

- Work with cities to integrate the needs of informal workers and urban contexts in Nationally Determined Contributions (NDCs 3.0) under the **CHAMP** initiative.

- Strengthen local governments' fiscal and other powers to improve the provision of and access to social protection, employment, and skills development as well as basic services for informal workers, including affordable housing, clean energy, food, health care, and transport.

- Integrate informal sectors into policies and projects by design across social protection, just transition, loss and damage, and other climate finance instruments, and support cities in expanding research on the impacts of loss and damage and L&D finance on urban development.

- Integrate informal sector needs into commitments to allocate at least 40% of upfront climate investments for cities to channel to low-income communities and those affected by the transition (see our issue brief on Urban Just Transition).

`National governments`
`International organisations`
`Finance institutions`

Expand universal social protection and labour standards

- Expand social protection and ensure universal coverage of social systems for informal workers and dwellers, especially in the Global South but increasingly also in the Global North particularly for care and gig economy workers, in line with the commitments made by national governments in the Pact for the Future and the SDGs.

- Protect spending on social assistance by ending practices that result in austerity measures that disproportionately impact poor and vulnerable workers and squeeze vital public spending.

- Earmark funding specifically for social protection programmes, labour standards and rights, and public service provision as part of broader mainstreaming of gender-responsive and human rights-based approaches.

Credit: Abinet Teshome

Credit: Subrata Biswas

Where to go for more information

See more at:

- City stories: Strengthening partnerships with informal workers to deliver a just transition,

- Inclusive Climate Action Spotlight Series: Case Study 3 "Cities engaging informal workers and communities for strong climate action, resilience and to address loss and damage",

- Inclusive Waste Management in Cities and C40's good, green jobs microsite.

Endnotes

1 Social protection is defined by the ILO as the set of public measures that a society provides to protect its members against economic and social distress caused by the absence of, or a substantial reduction in, income from work as a result of various contingencies (sickness, maternity, employment injury, unemployment, invalidity, old age, or death of the breadwinner). It also covers the provision of health care and of benefits for families with children.