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Informal Workers and Just Transitions

Toward a New Eco-Social Contract

A transition to a more equitable and sustainable economy must address the needs and concerns of informal workers, especially women, minorities and migrants who have been historically marginalized and excluded from previous social contracts. This issue brief looks at how the universality and indivisibility of human rights can provide a framework for including all workers equitably in a new eco-social contract for a more just and sustainable post-Covid-19 world.

The current economic model of neoliberal globalization, which is associated with rising inequalities and unsustainable extraction of natural resources, has led to environmental destruction and human precarity (Kempf and Hujo 2022:171). Globally, social contracts are shaped by power asymmetries and have resulted in the exclusion of key actors and the widening of inequalities between insiders and outsiders of social protection systems along the lines of formal and informal work (Plageron et al. 2022:1).

Informal workers make up the largest share of the global workforce, however, they often remain invisible. Approximately 61 percent of the world's employed population—roughly two billion people—work in the informal economy (ILO 2023a). The majority of informal workers live in the global South, 55 percent of women in the world are informally employed and the share of women in informal employment exceeds that of men in 56 percent of countries, especially in low- and lower-middle-income countries (ILO 2023b). The expansion of the global

informal labour sector and the historical and contemporary injustices associated with it requires us to recognize informal workers as key actors of new eco-social contracts (Hammer and Ness 2021). This seems even more necessary in the aftermath of the Covid-19 pandemic that has further revealed that in existing social contracts informal workers tend to be ignored, stigmatized or considered unskilled and thus less valuable.

Against this backdrop, several actors claim that our social contract has broken down and that we need a new eco-social contract for social, economic and environmental justice (Kempf and Hujo 2022). A transition to a more equitable and sustainable economy must address the needs and concerns of those who have been historically marginalized and excluded from previous social contracts through a human rights-based approach (UNRISD 2022:278). We also need a transition to a net-zero economy—or at least a low-carbon world—to solve the urgent climate crisis. An ambitious just transition is essential in the design of



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new eco-social contracts since it can bring together environmental and social policies and can “provide the basis for transformative and equitable low-carbon transitions” (Krause et al. 2022:378).

New eco-social contracts and the need for a human rights-based approach

Labour regulations implicit in existing social contracts are largely based on a global North approach to industrial relations, which assume that workers are formally employed (Ashiagbor 2019). This has led to one of the biggest misconceptions about informal work, which is its abnormality, even though the majority of the global workforce is informally employed. As a result, labour market regulations have consistently failed to protect informal workers through the denial of basic human rights such as fundamental labour rights, job stability, workplace health and safety, social protection and just wages (Ghosh 2021; Plagerson et al. 2022).

New eco-social contracts need to address the challenges informal workers face by fostering inclusion and the protection of human rights for all. To safeguard informal workers’ rights when transitioning to a low-carbon or net-zero economy, their voices must be heard, and current international and domestic legal systems need to be revisited. Governments should adopt a human rights-based approach to informal work, moving beyond the idea of a formal employment contract and focus instead on the employer-employee relationship as a gateway to the enjoyment of labour rights (Plagerson et al. 2022:1–2).

When it comes to achieving a just transition, the universality and indivisibility of human rights (Whelan 2010) provide useful normative principles for including all workers in new eco-social contracts. A just transition that is guided by the universality of human rights ensures that no one is left behind. The indivisibility of rights enables us to address the compound vulnerability of informal workers and the challenges that they face, including those stemming from climate change, low wages and lack of representation.

Workers’ rights cannot be enjoyed without the fulfilment and protection of environmental, social and political rights. The interdependence of human rights becomes even more present in the wake of global crises like Covid-19 and the climate crisis. A human rights-based approach would ensure that employment, workers’ rights and decent work are at the epicentre of just transition strategies while economies shift toward sustainable production. Regional courts can play a positive role in this regard and inform national just transition strategies, as shown by the 2017 *Lagos del Campo* judgement of the Inter-American Court of Justice, which has recognized the direct justiciability of social, labour and environmental rights (IACHR 2017).





Social protection programmes must be viewed as a long-term commitment to addressing poverty and inequality.

Informal workers' voices: The challenge of their representation

New eco-social contracts should include informal workers in policy making and social dialogue processes to ensure that their voices are heard. This requires a considerable reform of existing legal and institutional frameworks. Unlike formal workers, most informal workers constitute a heterogeneous group and do not have statutory collective bargaining rights. Traditional social dialogue mechanisms tend to exclude workers outside of formal employment relationships, either de jure or de facto (Alfers and Moussié 2022:107–108). Legal systems would need to ensure that informal workers' representatives, which are often members of disadvantaged groups such as people living in poverty, Indigenous people, migrants, women or young workers, are part of social dialogue mechanisms. At the international level, informal workers' organizations have successfully contributed to the development of the ILO Homeworkers Convention (No. 177), Domestic Workers Convention (No. 189) and the ILO Transition from the Informal to the Formal Economy Recommendation (No. 204) (Alfers and Moussié 2022:110–111). However, there is still a long way to go to consistently address the concerns of informal workers in

labour market and social protection strategies and policies, and to include them in decision making that affects them.

Certain countries have developed a more systematic approach where informal workers are represented through unions or civil society organizations, such as Argentina, Brazil, Mozambique and South Africa (Alfers and Moussié 2022). In Mozambique, the National Union of Farm Workers acts as a negotiating partner with the government, addressing the concerns and demands of rural workers who are outside the formal labour system but part of global value chains, with the objective of influencing agricultural policies (Schmidt et al. 2023). Similarly, the Indian movement of home-based workers has advocated for recognition by society and by key decision-making institutions (Banerjee 2022).

By building on these and other models of representation, societies can ensure that the voices and rights of informal workers are better recognized and integrated into policy-making processes, fostering true inclusivity in new eco-social contracts. However, most countries continue to lack organizational structures or channels to achieve this objective. In this regard, the role of the state is crucial for ensuring the equal participation of all

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constituencies that may be affected by the transition to a net-zero or low-carbon economy.

Formalization and a just transition

Just transition strategies and policies should go beyond procedural dimensions and ensure the protection of informal workers' rights. A just transition can constitute an exceptional opportunity to foster the transition of workers from the informal sector to the formal one, as expressed in principles 19(e), 21(h) and 27(c) of the 2015 ILO Guidelines for a Just Transition (ILO 2015). For example, the recent Argentina Green Jobs Programme (Government of Argentina 2023) adopted in February 2023, which aims to ensure the creation of sustainable jobs and the implementation of a just transition that protects both the environment and workers, constitutes an interesting example as it particularly addresses informal work. Article 2(6) aims to foster measures to transition workers from the informal to the formal sector, particularly in a country where the informality rate amounts to roughly 35 to 40 percent of the workforce. Furthermore, Article 2(8) adopts an intersectional approach with special protections for vulnerable workers (Gobierno de Argentina 2023). The programme emphasizes the importance of reskilling and upskilling, as well as the implementation of measures to protect workers who may be adversely impacted by this transition.

Ensuring the right to social security and protection for every worker, as recognized in principle 20(g) of the 2015 ILO Guidelines for a Just Transition (ILO 2015), be it formal or informal, is another crucial aspect of a successful just transition. As in many regions, in Latin America and the Caribbean, pre-pandemic social security systems were poorly designed to protect informal workers against a systemic health crisis. Despite this, most countries succeeded—at

least partially—to implement measures that increased social protection for informal workers as new transfer programmes were put in place. These measures guaranteed a social protection floor for the population of working age, at least temporarily, expanding benefit coverage to include unemployment and loss of income due to the pandemic.

Since informal workers have consistently been excluded from many employment-based social protection schemes, the post-Covid-19 world could be an opportunity to renegotiate this social contract. Social protection programmes must be viewed as a long-term commitment to addressing poverty and inequality and creating sustainable pathways out of poverty, rather than simply a short-term safety net (Devenish and Afshar 2022). Continuing social welfare policies that were created during the pandemic can be a way to universalize the right to social protection.

A contract for gender justice

Globally, women are more likely to work in precarious jobs in the informal economy such as domestic work and in other forms of home-based care work: over 80 percent of the world's domestic workers are women (IMF 2021; OECD 2019). Women not only face lower wages and higher levels of informality and discrimination, but also structural barriers that prevent them from fully integrating into the economy. For example, in many countries in both the global North and South,



women shoulder the responsibility of caring for their families and having to leave paid work to perform unremunerated care work (OECD 2019). A new eco-social contract must acknowledge the unequal distribution of care work and recognize that previous social contracts have been built upon an unequal sexual contract (Pateman 1988). It must go hand-in-hand with a contract for gender justice where activities of (re)production are equitably shared by women and men (Esquivel and Kaufmann 2017; Kempf and Hujo 2022:183). It must reject the gendered division of labour and emphasize the importance of care work and reproductive labour. Additionally, it is imperative that a just transition to a green economy considers the ways in which gendered divisions of labour shape and are shaped by the climate crisis, particularly in labour sectors such as agriculture, tourism and hospitality (Koning and Smith 2021).

Conclusion

The current climate crisis urges us to rethink the existing economic model and the social contract on which it is built. A transition to a more equitable and sustainable economy must address the needs of those who have been historically excluded from previous social contracts, particularly those who are most vulnerable to economic precarity and socioeconomic marginalization.

The world is at a post-Covid-19 juncture and has a unique opportunity to build new eco-social contracts embracing a human rights-based approach where people are placed at the centre. Informal workers have a key role to play in the transition to a green economy where (i) social dialogue mechanisms ensure the participation of informal workers' organizations; (ii) employers guarantee every worker's rights; and (iii) laws and policies adopt an intersectional feminist approach to dismantle gender-based barriers to decent work and guarantee economic rights protections.



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About Issue Briefs

This issue brief was prepared by Mauro Pucheta, with Lauren Danielowski and Daniela Chávez Mendoza. UNRISD Issue Briefs flag ideas and contribute knowledge that can improve the quality of development debates, policy and practice.

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ISSN 2518-6817

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UNRISD gratefully acknowledges support from its institutional and project funders. See www.unrisd.org/funding for details. Our work would not be possible without their support.

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