Connect the dots: the urban informal sector and climate vulnerabilities in Southeast Asia’s megacities

By Sofiah Jamil

In the megacities of developing Southeast Asia, the informal sector plays an important role in supporting economic development. Yet, in discussions of the ramifications of climate-related natural hazards, this sector is often under-recognised. This NTS Alert notes that the sector, and the people working within it, is often disproportionately affected by the impacts of climate hazards. As such, cities that seek to address the economic risks and financial costs of such hazards must also improve the adaptive capacity and resilience of those in the sector. With low-income groups making up a major part of the sector, this would mean addressing issues that transect with those related to poverty. To that end, this NTS Alert examines initiatives in the region that address the vulnerabilities of the urban poor.

Introduction

Climate events can have massive economic costs. Damage from the 2011 floods in Thailand has been estimated at USD44 billion.¹ The disaster was also largely responsible for Thailand’s annual growth rate being only 0.1 per cent that year.² Less dramatic, but also highly worrying for Southeast Asia’s economies, is the damage caused by various lower-intensity climate events that strike the region each year. For example, the 2009 Typhoon Ketsana in the Philippines led to losses of USD130 million in the agricultural sector alone.³

Contents:

- Introduction
- The significance of the informal sector
- Economic impacts of informal-sector vulnerabilities
- Challenges facing
Such climate events pose a threat to the economies of Southeast Asia and to ASEAN-level initiatives to promote growth. The region’s centres of economic activity—megacities such as Manila, Bangkok and Jakarta—are recognised as being particularly vulnerable in this regard. The increased attention given to the economic ramifications of climate events has not however extended to the informal sector—despite 50 to 60 per cent of the workforce in many Southeast Asian cities being part of the sector; and even though the sector is an integral element of the economies of those cities.

This NTS Alert argues that there is a need to address that attention gap. It suggests that with the informal sector playing such a large economic role, megacities that seek to mitigate the economic risks and costs of climate hazards must also improve the adaptive capacity and resilience of those in the sector. As informal-sector workers in many of Southeast Asia’s megacities are largely from the poorest segments of society, this would mean tackling issues that transect with those related to poverty. This NTS Alert thus examines initiatives in the region that address the climate vulnerabilities of the urban poor, drawing lessons from the successes and failures of the various programmes.

The significance of the informal sector

Box 1: About the informal sector

The informal sector is generally defined as an economic sector consisting of small-scale, self-employed activities (with or without hired workers), typically at a low level of organisation and technology, with the primary objective of generating employment and incomes. Unlike the formal economy, these activities are usually not taxed, not monitored by any governmental agency, nor included in a country’s gross national product (GNP).\(^a\)

The informal sector is made up of a variety of jobs, including: backyard farming or raising of poultry and livestock; small-scale manufacturing of food, clothing, or wood products; operation of tricycles, taxis or jeepneys (in the case of the Philippines); money-changing and -lending; leasing operations; and freelancing and subcontracted services. It also includes underground and illegal production and unlicensed trading/peddling.


The activities of the informal sector often fall outside of official purview (Box 1). This has led some to regard the informal sector as a separate, even marginal, economy (see, for example, ‘dualist’ views of the informal sector\(^7\)). However, in many megacities in the developing economies of Southeast Asia, the informal sector is far from a peripheral factor. Not only is it large, it provides a range of products and services integral to urban economies, including affordable food and transportation. Furthermore, the informal sector plays a role in supporting companies in the formal sector. Formal-sector companies are able to reduce business costs through employing the services of those in the informal sector. In those megacities, the sector is also a source of employment for the urban poor. This is a significant role given that poverty appears to be rising in urban areas (while decreasing in rural areas).\(^8\)

With the informal sector playing such a broad and deep role in the economy of the megacities of developing Southeast Asia, any discussion of climate vulnerabilities should be based on a good understanding of the vulnerabilities associated with the sector and their economic ramifications. This is explored further in the next section.

\(^7\)To the top

Economic impacts of informal-sector vulnerabilities

A climate disaster often has disproportionate impact on those in the informal sector. Many informal-sector workers, because of their low earning capacity, live in less desirable parts of the city including along river banks. Drainage and infrastructure in such areas are often poor—increasing their vulnerability to climate hazards such as flooding. Compounding the situation is the rise of migration from rural areas.\(^9\)

With their poor skills sets, rural migrants often enter the informal sector, and join the ranks of those living in densely populated and unsafe areas.
In the event of a climate disaster, these informal-sector workers often bear the brunt of responding and rebuilding. Not only are they most likely to be directly affected by climate events due to living in high-risk areas, they are also among the least able to cope given that they often have little or no forms of social security.¹⁰

Such pressures affect the ability of informal-sector workers to provide the variety of services that play an important, yet under-appreciated, role in the economy of some megacities. For example, jeepneys, a common mode of public transport in Metro Manila, although designed to be operational in flooded streets, may be less available in a post-disaster situation – because jeepney drivers have to deal with flooding issues affecting their homes and families. Hawkers may also be unable to sell food, reducing the availability of affordable food options. To minimise such disruptions, at-risk megacities would need to tackle urban climate risks more generally, and the vulnerabilities faced by the informal sector and the urban poor more specifically. However, doing this has proven to be challenging.

**Challenges facing Southeast Asia’s megacities**

In the wake of the 2009 Manila floods caused by Typhoon Ketsana and the 2011 Bangkok floods, the Philippines and Thailand introduced new legislation. In the Philippines, the National Climate Change Act launched in 2009 emphasises mainstreaming disaster risk reduction (DRR) mechanisms into climate change adaptation (CCA) measures. The Act led to the creation of the Climate Change Commission, and support for the Philippine Disaster Risk Reduction and Management Act of 2010. The laws on DRR and CCA have been praised by the UN as being ‘the best in the world’.¹¹ In Thailand, the government formulated water management and flood prevention schemes in early 2012 worth USD9.4 billion.¹² It also increased intergovernmental cooperation with countries well-versed in disaster management such as Japan.¹³ While these are laudable, challenges remain, both at the macro level and also at the local, implementation level.

**Funding and allocation**

A major challenge is the need for a dramatic increase in funding. According to the latest Asian Development Bank (ADB) estimates, the Asia-Pacific would need around USD40 billion per year up till 2050 for CCA measures.¹⁴ This is much higher than what is available: according to estimates for 2009–2010, only USD4.4 billion was available for adaptation activities globally.¹⁵ For developing countries, it would certainly take an immense amount of political will to commit the substantial amount required.

Another concern is that most plans currently provide for immediate disaster relief; and not enough support is given to longer-term rehabilitation efforts. This particularly affects poor families living in slum areas. These urban residents often lack any form of social security or savings, and are thus not able to cope when their property or sources of livelihood are washed away by floodwaters.

Without the necessary support, it would be difficult for them to recover before the next weather disaster and this may reduce their level of resilience when faced with another disaster.

**Implementation difficulties**

Megacities that seek to address climate vulnerabilities also face several implementation difficulties, especially at the local level and in addressing the specific needs of informal-sector workers.

**Interval between weather events**

The increasing frequency and intensity of typhoons has meant a narrower time frame in which to ensure that an initiative is successfully adopted or to rebuild after a disaster. At present in the Philippines, an average of 19 typhoons occur annually, with about 6 to 8 making landfall.¹⁶ Also, depending on the level of preparedness of an area, floods may take a considerable amount of time to subside. In the case of the floods in Thailand in July 2011, the waters did not fully subside until January 2012.¹⁷

**Coordination**

Difficulties in coordinating efforts between different governmental levels and agencies contribute to inefficiencies in implementation. For instance, in the Philippines, not only does the Aquino government have to coordinate with various municipalities across Metro Manila and factor in the high costs of infrastructure projects, it also has to deal with legal battles as a result of uncompleted flood management projects.
Support from bureaucracy

A key factor in successful implementation of government-initiated projects is support from the bureaucracy. Unfortunately, such support has sometimes been lacking. In the Philippines in 2011, President Benigno Aquino announced a five-year on-site, in-city resettlement project worth USD245 million. This plan replaced the (failed) strategy of resettling the urban poor in locations far from their sources of livelihood (jobs in the urban informal sector such as street vending). Middle management within the civil service, however, continues to favour the convenience of the old strategy, and is not in total agreement with President Aquino’s on-site, in-city projects. This is a significant problem, as lack of progress on the in-city relocation plan makes it difficult to continue with other aspects of flood mitigation such as road and drainage work.

In Indonesia, Jakarta’s recently elected Governor Joko Widodo launched a similar initiative at the end of 2012 aimed at allowing riverbank dwellers to live in their current areas, but in better-organised housing known as kampong deret (rows of apartment blocks) and kampung susun (clusters of apartment blocks integrated into existing transportation and retail hubs). While many have high hopes for Governor Widodo’s plan, it remains to be seen whether the difficulties experienced by previous administrations – residents refusing to be relocated for example – can be overcome. The slum dwellers would have to be relocated to temporary homes while the apartment blocks are built, and that is when such problems could come into play. Moreover, slum upgrading is only the first step; medium- to long-term maintenance costs and land tenure issues must be taken into consideration and discussed with slum residents if the housing plan is to address urban vulnerabilities on a sustainable basis.

Sector-specific issues

Implementing policies targeted at the poor in the informal sector have their own particular difficulties. For instance, providing social security is complicated by the scale of operations being small, benefits being too expensive, lack of awareness of relevant schemes and the absence of a clear employee-employer relationship. Addressing these difficulties would require governments to invest time and effort into not only engaging with but also gaining the trust of the poor, many of whom are sceptical of government initiatives. Officials managing social security programmes must take a flexible approach, listening to the specific needs of the urban poor, treating them as clients rather than relegating them to the position of dependants of the state.

The difficulties outlined here suggest the need for innovative, targeted responses. These have largely come from civil society groups; and there is much that can be learnt from the success of their programmes, which are discussed further in the next section.

Protecting and empowering urbanites in the informal sector

Several civil society organisations (CSOs) have taken up tasks that national/local governments have not been able to implement. By first gaining the trust of poor communities, CSOs have been able to work with those communities to formulate better solutions, ones that integrate the needs of the poor into DRR and CCA programmes. These efforts encompass diverse needs, including primary concerns relating to health, housing and employment.

Health

CSOs can help prepare the poor for weather-related disasters through awareness programmes. For example, in Jakarta, efforts were made to mitigate the spread of water-related diseases such as malaria and dengue by increasing community awareness of the health issues that could arise during a disaster. However, given that some flood victims refuse to evacuate from their homes, awareness initiatives must be complemented with housing measures (as highlighted in the section below).

CSOs can also play a role in supporting existing health needs. For example, Philippine Business for Social Progress (PBSP), a foundation focused on poverty alleviation, has integrated the health concerns of the urban poor into its DRR programmes. Those who need medication, such as tuberculosis patients, are given information on who to contact in times of disaster.
CSOs have also made efforts to introduce risk management principles into housing for the urban poor. PBSP, for instance, supports national resettlement efforts by facilitating a community mortgage programme to purchase land for informal settlers and then ‘reblocking’ the estate to ensure the proper provision of water and electricity to homes. The programme also makes it mandatory for the estate manager to incorporate risk reduction measures (such as proper drainage and waste disposal systems) and provide annual progress reports. The villagers are also organised under a Home Owners' Association.

In Thailand, UN-HABITAT’s Baan Mankong (Secure Housing) programme, a land tenure programme that has been in operation since 2003, has increased the urban poor’s adaptive capacity while still living in slum areas. Rather than simply distributing houses to the poor, the programme provides infrastructure subsidies and soft housing loans. It also empowers communities and their respective community networks to drive the process. Communities are encouraged to become part of the planning process, deciding collectively on improvements related to housing, environment and basic services.

Employment

There is also scope to implement initiatives that improve the ability of urban areas to mitigate flood disasters while also meeting the socioeconomic needs of the most vulnerable sections of society. In Manila and Jakarta, improper waste disposal have resulted in clogged drainage systems, thus exacerbating the impact of flooding. In response, CSOs have supported community recycling projects that provide waste-pickers with jobs. These projects empower local communities through increasing community action and collaboration with the private sector, and reducing dependence on government aid. They also equip workers with better skills, thus enhancing their employability.

These examples suggest that much could be done by governments to support the urban poor, and thus reduce the impacts of climate hazards on the informal sector. However, it should be noted that a common factor behind the success of the above schemes is their emphasis on empowering the urban poor to make decisions as part of community networks. Such local empowerment would ultimately be dependent on the level of engagement and trust between the people and the different levels of government, which itself requires time and concerted commitment.

Conclusion

This NTS Alert has highlighted the importance of not only protecting but empowering citizens involved in the urban informal sector of developing Southeast Asia. A well-coordinated combination of technical, socioeconomic and political capabilities is essential to mitigate the effects of the weather-related disasters that are occurring with increasing frequency and intensity. Failure to do so will not only increase urban vulnerabilities but also result in lost opportunities to build national economies and in turn an economically stronger Southeast Asia.

Notes

1. Thin Lei Win, 'We were “not well prepared” for the floods, says Thailand water expert', AlertNet, 19 Jan 2012, http://www.trust.org/alertnet/news/we-were-not-well-prepared-for-the-floods-says-thailand-water-expert


9. There are various push and pull factors that contribute to rural-urban migration, such as the perception that there are better livelihood opportunities in cities, and low agricultural productivity in rural areas possibly due to environmental degradation or weather-related disasters. Urbanisation itself contributes to rural-urban migration as the encroachment of new urban developments into rural areas increases the rate of groundwater extraction and instances of pollution. For the effects of urbanisation on rural areas, see: Isidoro R. Malaque III and Makoto Yokohari, Environment & Urbanization 19, no. 1 (2007): 191–206, http://dx.doi.org/10.1177/0956247807076782. For information on rural-urban migration, see: Arjan de Haan, ‘Livelihoods and poverty: The role of migration – A critical review of the migration literature’, The Journal of Development Studies 36, no. 2 (1999): 1–47, http://dx.doi.org/10.1080/00220389908422619; and Graeme Hugo, ‘Climate change and migration: Some lessons from existing knowledge of migration in Southeast Asia’, in Climate change, migration and human security in Southeast Asia, ed. Lorraine Elliott, RSIS Monograph no. 24 (Singapore: RSIS, 2012), http://www.rsis.edu.sg/publications/monographs/monograph24.pdf

10. For examples, see: Center for Trade Union and Human Rights (CTUHR), ‘Workers, urban poor skip meals and sleep longer to cope with crisis’, Quezon City, http://www.arikibongbayan.org/breakingnews/22-ctuh%20on%20soaring%20prices.htm


15. Ibid.


27. Ibid.


© 2012 NTS-Centre | Share this Publication | Unsubscribe