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Leveraging social protection to reduce inequalities in the just transition

Policy Paper

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Abstract: Addressing the dual challenge of climate change and inequality require policies delivering on both environmental and social sustainability aspects. In this context, social protection can play a critical role, particularly through supporting a just transition. The paper examines this role and offers strategic recommendations on how social protection can provide a safety net against the short-term impacts of the transition, but also on how it can play a transformative role going beyond the safety nets.

Drawing on research from the EU-AFD Research Facility on Inequalities, with examples from South Africa, Colombia and Mexico, the paper examines the nexus between social protection, inequality reduction and the just transition. The paper demonstrates how well-designed measures can protect workers and households, strengthen community resilience and reduce structural inequalities. Without such systems, climate action risks leaving the most vulnerable behind. Social protection is conceptualized not only as a compensatory mechanism but also as a transformative instrument that goes beyond providing safety nets. A just transition will therefore require comprehensive social protection systems that are integrated with active labor market policies, industrial strategies and redistributive fiscal measures to ensure no one is left behind.

Key messages

- **Transition policies risk exacerbating existing inequalities.** Policies such as carbon pricing, green tariffs and coal phase-outs can disproportionately affect vulnerable and low-income groups. These policies can deepen inequalities without adequate compensatory and redistributive mechanisms. Reallocating the revenues into social protection, through cash transfers or universal benefits, can mitigate the regressive impacts of these reforms.
 - **Inequality undermines climate action.** Without addressing structural inequalities (economic, social, gender, and spatial), transition and climate policies risk exacerbating them.
 - **Transition risks are unevenly distributed.** Low-wage workers, informal workers, rural households, women and the youth face higher exposure to job losses, price shocks and reduced local economic activity.
 - **Social protection is essential for a just transition.** It protects workers, households, and communities against the adverse impacts of climate policies, while also enabling them to benefit and seize the opportunities in the new green economy.
 - **In addition to social protection measures, reskilling, mobility support and targeted training programs are necessary.** To ensure equitable access to new emerging jobs, aligning new employment opportunities with the skills, location and qualifications of displaced workers is essential.
 - **Social protection can be transformative.** Beyond mitigating the impact of the transition, social protection can drive structural change, supporting skills development, green jobs, energy access, and equitable redistribution of transition costs and benefits.
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Introduction

As the world contends with the climate crisis, there is increasing attention on the role that social protection can play in supporting climate change mitigation and adaptation efforts, while fostering a just transition. Climate and environmental change are undoubtedly the most significant challenges faced by humanity, threatening poverty reduction, decent work, and sustainable development. Efforts to mitigate and adapt to a changing climate and environment are urgent and can pave the way to a more resilient and inclusive economic growth.

However, numerous obstacles stand in the way of achieving these positive socio-economic outcomes. Structural inequalities, which, depending on the contexts, can underpin high levels of unemployment or a lack of quality access to opportunities and services, limit the scope for inclusive growth and a just transition (Philip, 2025). Inequality is in fact a major constraint on climate action and on inclusive growth. Growth that takes place in contexts of high inequality tends to not be inclusive and to reproduce existing patterns of distribution (Yasser et al., 2025). While income inequality is often the dimension most commonly measured and used, other forms of inequality such as asset inequality (land distribution, ownership), gender inequality, spatial inequalities, inequalities in education and health, and environmental inequalities all play a significant role. This multidimensional aspect of inequality creates structural challenges that require a holistic and comprehensive set of social policies in order to deliver solutions.

On the other hand, climate change mitigation and adaptation policies risk further exacerbating existing inequalities and vulnerabilities. Green transitions can have adverse effects on employment, income or prices and there is a growing recognition that climate change adaptation requires policies that address structural inequalities. There is therefore an urgent need for a transition to environmentally and socially sustainable economies, in a way that reduces poverty and inequalities, promotes decent work and leaves no one behind.

The just transition is about addressing these dual responsibilities together: reducing greenhouse gas (GHG) emissions as well as addressing the socio-economic challenges of those affected by the transition (Bhorat et al., 2025) and paving the way to a more equitable structure of ownership and production. With many countries in the global south facing the impacts of climate disruption and aggravated risks in the future, it raises the question of how policy making should address both social and environmental protection together as a key element of social sustainability.

Social protection has been identified as a key instrument in explicitly aligning the transition process with policies aiming at protecting poor households from welfare losses and increased poverty. Literature highlights how social protection in low and middle income countries can tackle climate change issues by “helping mitigation through measures to compensate for adverse impacts of environmental actions” (see Berthe et al. [2022] for a literature review).

Inequalities—economic, social, and historical—should be regarded not merely as outcomes of climate and low-carbon policies, but as systemic, pre-existing conditions that shape how such policies are experienced and implemented (Dwarkasing, 2023). Social protection constitutes a key instrument for mitigating these inequalities, whether they are generated by environmental transitions or rooted in longer-standing structural factors. In this paper we highlight how social protection plays a central role in supporting the energy transition and is, in fact, a necessary condition for its success, particularly in preventing the exacerbation of existing inequalities and in preventing future inequalities.

1. Concepts and Methods

In order to develop appropriate social policy responses, it is critical to understand the impact of the just transition on inequality and the role social policy can play in reducing these inequalities. As such, social protection and just transition can be seen as mutually reinforcing pathways for the reduction of inequalities, as the long-term sustainability of the transition process depends on the distributional effects of such a transition. Reducing inequalities becomes a necessary condition for a socially and politically viable green transition. Considering multidimensional inequalities, we argue that social protection can play a central role in addressing them by mitigating welfare losses caused by the transition and by complementing labor and industrial policies. This section introduces the core concepts of just transition and social protection before examining the nexus between them.

1.1 – Core concepts

1.1.1 – Just transition

Green transition describes the transition from high to low-carbon economies by reallocating resources from more to less polluting economic activities. The policies implemented in the context of the green transition can include direct and indirect carbon pricing policies, but also the measures that promote green structural change or green transition (McCord & Costella, 2023):

- Carbon pricing policies include the reduction of energy subsidies and the introduction of carbon prices, that aim to increase energy prices to discourage energy consumption.
- Measures promoting green structural change or green transition entail the closure of traditional “brown economy” industries in energy-intensive sectors such as coal mining, and developing the “green economy” based on the shift from carbon to renewable energy-based production and organic agriculture.

While there is optimism that the transition to a green economy has the potential to create jobs across sectors such as renewable energy and agriculture, this outcome is, however, not guaranteed and depends on the implementation of complementary policies, in the industrial, trade and competition and social ambit (Becerra & Piñeros-Ruíz, 2024; Bhorat et al., 2025; OECD, 2012).

The just transition concept focuses on the social dimension of the ecological and energy transition (Berthe et al., 2022). It is based on the idea that justice and equity must be an integral part of the transition to a low-carbon world. It started from a trade union demand to manage the transition toward a low-carbon economy, promoting decent work for all in an inclusive society, with the goal to end poverty (Berthe et al., 2022). It is now promoted and included in the guides of numerous international and national organizations, but also in the preamble of the Paris Agreement, the cornerstone global compact on climate action. Reflecting this momentum, 72 out of 193 countries (39 percent) have incorporated explicit references to just transition in their Nationally Determined Contributions (NDCs), with South Africa being the first to do so in 2016 (ILO, 2025).

The term “just transition” highlights the need to secure the livelihood of those negatively affected by the green transition, and also the need for societies to guarantee a minimum level of well-being for everyone, therefore ensuring the transition is just, leaving no one behind.

The term “just transition” can also be used in a more generic way to highlight an inclusive transition to a low carbon and sustainable economy. An inclusive transition would entail ensuring that everyone finds a place in a transitioning economy, going beyond the idea of helping the poor and vulnerable (Annecke & Wolpe, 2022). The framework also poses the question of the role of different actors in the transition and how it can be reappropriated by various strata of societies and not only captured by elites (Berthe et al., 2022).

The concept encompasses therefore the following five elements: (i) investment in the creation of green and decent jobs; (ii) skills development and retraining for the new sectors/occupations; (iii) access to social protection; (iv) promotion of social justice (poverty eradication and social inclusion); (v) strengthening local dialogue, often at the local level (David, 2019).

A distinction can be made between an affirmative and a transformative just transition (Annecke & Wolpe, 2022). Affirmative just transition would entail redistributing environmental, economic and social burdens within the given socio-economic paradigm. A transformative just transition, on the other hand, would envision restructuring the entire system of production and ownership with the goal to democratize the distribution of environmental risks and reintegrating the economy into society (Annecke & Wolpe, 2022). A growing number of actors now frame the just transition not merely as a technical response to the climate crisis, but as a transformative project that challenges the very structures sustaining social and environmental inequalities (Leal Filho & Pons-Giralt, 2024). This involves “redesigning our relationship with the environment,” which “requires dismantling the hierarchies that divide the social and ecological realms, fostering a more just and inclusive horizon of coexistence” (Bell et al., 2024; Leal Filho & Pons-Giralt, 2024).

Another way to define a just transition is through the prism of the literature on human rights approaches to transitional justice. Montmasson-Clair (2021) puts the principle of distributive justice at the core of the just transition. Distributive justice concerns the allocation of resources and risks and who bears the costs and can be operationalized across three areas: i) labor market policies that facilitate the transition through reskilling initiatives, support for small enterprises, and worker benefits such as retirement packages; ii) industrial policies that put forward a domestic green economy agenda; and iii) social protection measures, including health insurance, social grants, and other financial safety nets for affected workers.

In this paper, we will be using the term “just transition” as it emanates from this former definition, since we consider that it best encompasses the transformative role that both social protection and just transition pathways can play in contexts marked by inequality.

1.1.2 – Social protection

Social protection refers to a set of policy measures adopted to reduce poverty and vulnerability and provide income security across the life cycle (McCord & Costella, 2023). Social protection is typically provided through the provision of social assistance or social insurance. Social assistance includes non-contributory cash and in-kind transfer programs funded from the general tax base such as child grants, disability grants and social pensions, that is provided without any contribution and is often poverty-targeted. Social insurance includes pensions and unemployment benefits for which beneficiaries must contribute before receiving support. Social protection also includes social care (such as family support services and home-based care), and active labor market policies, which promote employment through skills development and training, employment creation and job search support.

Social protection became a priority for international development policy at the end of the twentieth century. Internationally, social protection policy addresses how societies respond to a large spectrum of human needs that are collectively recognized, yet insufficiently met, thereby requiring public intervention in order to ensure equitable well-being (Annecke & Wolpe, 2022). Either directly, through redistribution, or indirectly, by addressing structural disadvantages and opportunity gaps, social protection can be a strong driver for the reduction of inequality and therefore a pathway to more cohesive and resilient societies.

For the first time, more than half of the world's population are covered by some form of social protection. However, 3.8 billion people are still entirely unprotected (ILO, 2024). Moreover diverging trends emerge on the global level between high-income and low-income countries, with high-income countries edging closer to a universal coverage (85.9 percent), while low-income countries' coverage rates stagnate at 9.7 percent, hardly increasing since 2015 (ILO, 2024). Gender gaps also persist, and only 33.8 percent of the working-age population is legally covered by comprehensive social security systems.

Low-income economies are more vulnerable to physical risk—in particular to acute events, rising sea levels and excessive heat—and in parallel have lower ability to mitigate the challenges posed by the energy transition to a net zero-carbon future. Financial and technical support is therefore crucial. High-income economies, which consume a large share of the world's resources and generate significant emissions, generally face higher risks from the transition to a low-carbon future. Countries more dependent on fossil fuel revenues are also among the most exposed to transition risk.

Beyond these differentiated risks, a more daunting prospect is that populations in countries most exposed to the climate crisis are also the least prepared. In the 20 countries most vulnerable to the climate crisis, only 8.7 percent of the population is covered by some form of social protection (ILO, 2024). In Africa, where the population faces pronounced vulnerabilities to climate, more than 80 percent of the population remains uncovered by any form of social protection. However, the Asia and Pacific region has achieved an increase in coverage from 38.7 to 53.6 percent between 2015 and 2023.

One of the reasons behind these coverage gaps is the fact that many workers and their families are neither covered by contributory mechanisms nor by non-contributory mechanisms. Workers on temporary contracts, in part-time work, workers on digital platforms and those in self-employment are even less likely to be covered, finding themselves in informal employment. In South Africa for example, around 70 percent of the employed population contribute to social security, but that number decreases to 40 percent for part-time workers. In Mexico, more than 50 percent of the employed population contribute to social security, compared to less than 10 percent of the self-employed and 20 percent for the employees with temporary contract (ILO, 2024).

While many countries have adopted social policies and frameworks, their actual implementation is still lacking. These protection gaps are largely associated with significant financing gaps and underinvestment in social protection. The imminent shocks, either related to climate events or to the restructuring of the economy, will worsen these gaps and therefore further undermine protection.

1.2 – Analytical framework

In this paper we use an analytical framework that brings together climate, social and inequality perspectives in order to examine the nexus between social protection, inequality reduction and just transition. Inequality is understood not only as an outcome of transition policies, but also as a structural condition that shapes their implementation, the way they are experienced, and ultimately their effectiveness. The analysis considers both individual (income loss, unemployment, health shocks) and collective risks (community-level vulnerabilities, energy poverty, environmental degradation), and the central role of social protection in mitigating these risks, and enabling a more equitable outcome.

The paper draws on research conducted under the EU-AFD Research Facility on Inequalities^[1], which includes a wide range of empirical country studies. South Africa, being one of the countries that is most advanced in terms of just transition strategies (Anekwe et al., 2025) and where fiscal policy is highly progressive, underpinning an extensive social protection system (Lustig et al., 2023), is used as an example throughout the paper to illustrate the challenges and opportunities of linking social protection to a just transition. The approach is based on evidence from various analyses of transition policies such as carbon pricing and fossil fuel phase outs, from labor market assessments of skills needs, reskilling and green job creation, and from studies on the role of social protection in mitigating adverse effects.

The analytical framework is grounded in the premise that social protection and just transition can be seen as mutually reinforcing and interdependent pathways for the reduction of inequalities. The long-term sustainability and political viability of the transition process depend on the distributional effects of shifting from carbon-based and high-emission production

systems toward greener, low-carbon activities with a smaller footprint. This structural shift creates both opportunities and vulnerabilities and they risk exacerbating existing inequalities: as some workers will be able to adapt and benefit from the adoption of low-carbon technologies, others may be left behind. For example, tax rebates and subsidies for renewable energy investments such as rooftop solar or electric vehicles, tend to benefit higher-income households liable to taxation, while leaving aside poorer households who are not, thereby reinforcing existing inequalities.

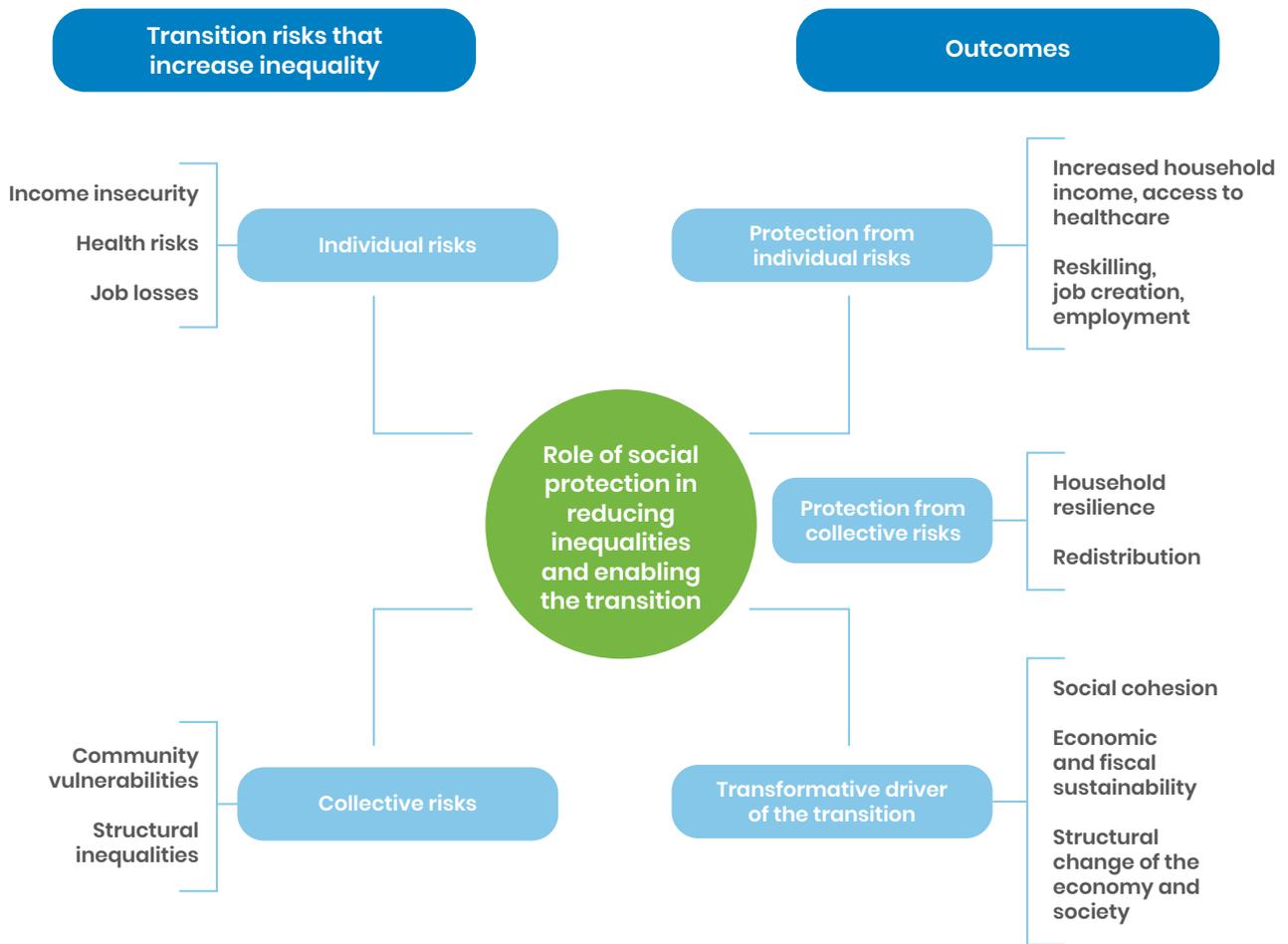
The framework therefore identifies social protection as one of the key policy interventions to protect against the adverse distributional impacts of transition policies, but also to prepare and ensure the success of these policies. We draw on evidence that social protection expenditure plays a prominent role in reducing and preventing poverty, containing inequality and addressing social exclusion. Countries that spend more on social protection are those that experience larger reductions in income inequality (Cardoso et al., 2025; Visentin et al., 2024). It thus mitigates the impacts of the structural change brought by the transition to a low carbon economy.

To understand how transition policies affect inequality, and how social protection plays its role in mitigating these impacts, the framework examines the multiple channels through which the low-carbon transition can exacerbate or transform existing divides.

The low-carbon transition is a complete restructuring of the economy that involves both the productive spheres and the institutions which constitute them. The analysis therefore considers the full spectrum of risks generated by this restructuring (both individual and collective), and how social protection systems can mitigate these risks while enabling a more equitable outcome (Figure 1).

[1] <https://www.afd.fr/en/eu-afd-research-facility-inequalities>

Figure 1 - Nexus of social protection and just transition



Source: AFD

1.2.1 – Transition risks

First, individual risks refer to shocks that directly affect worker or household welfare, most prominently income insecurity, unemployment, and the loss of employment-based healthcare or other benefits. These risks affect workers and households differently, reflecting and often aggravating existing inequalities, with the poorest or those not benefiting from social protection coverage being the least able to adapt.

The shutdown of mines, power stations and factories producing petrol-fueled vehicles for example, disrupts local contractors, but also reduces spending in local economies, deepening spatial and economic inequalities and impacting on small local enterprise and the informal sector (Philip, 2025). Human, physical and financial capital constraints can hinder low-skilled workers in high-carbon segments of the labor market to shift into new “green” employment (McCord & Costella, 2023). Workers in agricultural sectors with high emission intensity may also be adversely affected. Combined, these policies impact household

consumption through increased prices and reduced income, which puts pressure on the social protection system, as some form of compensation for these adverse impacts is required to prevent further widening of socio-economic inequalities.

In Colombia, Becerra & Piñeros-Ruíz (2024) examine the impact of the green transition on the Colombian labor market and find that approximately 15.9% of Colombian employment is directly affected by the green transition, and highlight the need for targeted training programs. The labor market effects of the green transition can vary over time, with job losses preceding job gains as there may be a lag in green sector development. There can also be a spatial misalignment, with the creation of new jobs in a different region or area to where old jobs have been lost. Women and men can also be differently affected (with traditional roles being challenged when men face job loss, or when women are more represented in some informal jobs). Finally, educational and skill misalignments can also take place where the skills required for new jobs do not match the ones of the current workforce. The result is likely to be an increase in unemployment, with low-skill occupations bearing most of the burden.

On the other hand, carbon pricing, one of the most prominent tools for the regulation of greenhouse gas (GHG) emissions, also has distributive consequences. In Mexico, Scott et al. (2024) demonstrate how carbon and fuel taxes, if applied without compensatory measures can disproportionately burden poorer households and deepen existing inequalities, underscoring the pressure on social protection systems to compensate for these regressive impacts. By analyzing how tax revenues could be recycled into transfers, the paper links green fiscal tools with the social protection agenda, highlighting how social policy must adapt to counteract inequalities amplified by transition policies.

Protecting the environment also requires an adjustment of agriculture, forestry and fishery production. It can therefore create new forms of vulnerabilities and inequality by disproportionately affecting those whose livelihoods depend on high-emission activities. Farmers and workers engaged in traditional practices may be facing income loss as they are required to adapt their production models to comply with environmental regulations. This puts pressure on social protection systems to provide targeted compensation and support mechanisms to help farmers cope with the impact of climate policies on their income, and to diversify their livelihoods and economic activities (FAO, 2024).

In contrast to individual risks, collective risks are borne at the community and regional level and are closely intertwined with long-standing structural inequalities. The geographic concentration of high-emission industries—such as mining, fossil-fuel power generation, heavy manufacturing, or intensive agriculture—means that their decline can destabilize entire local economies. This may lead to reduced local revenues, weakened public services, and the widening of pre-existing spatial inequalities. Communities with limited economic diversification, inadequate infrastructure, or historically marginalized populations often have fewer alternative livelihood opportunities and more constrained access to assets, skills, and mobility. As a result, they are structurally less able to take advantage of emerging opportunities in low-carbon sectors.

Such collective risks therefore stem not only from the direct effects of transition policies but also from the unequal distribution of adaptive capacity across territories and social groups, shaped by patterns of spatial marginalization, gender inequalities, racial or ethnic stratification, and uneven access to public goods, markets, and social services. Given these risks, social protection is therefore conceptualized as a central pillar of just transition, addressing both the direct impacts of climate policies and the underlying inequalities that drive differentiated vulnerability.

1.2.2 – Social protection’s central role for the just transition

Social protection systems, which are at the heart of the framework, are designed to address a whole range of risks, from individual-level shocks to macro-level shocks. Not only do they address the negative effects of the transition process, but they also shape it in a socially-just manner, therefore becoming a prerequisite for enabling a just transition. Effective social protection also plays a role in pre-distributive processes: comprehensive social protection systems lead to a lower degree of inequalities, which further enhances the chances of success of the transition.

Social protection plays a critical role in shielding workers, households and enterprises from the adverse effects that can arise from climate mitigation measures and other environmental policies. Combined with active labor market policies, they can even help people transition to greener jobs and more sustainable economic structure.

Social protection provides income security, stabilizes consumption, and ensures continued access to essential services such as healthcare. It includes cash transfers, unemployment benefits, labor market services, and reskilling programs that support workers during periods of job displacement or labor market restructuring. Evidence consistently shows that countries investing more in social protection achieve greater reductions in income inequality, demonstrating the centrality of these instruments for managing distributional impacts. It can also complement labor and industrial policies in providing the support needed by the most vulnerable so that they are not excluded from the new opportunities.

Historically, the connection between social protection and climate policy has largely been framed through the lens of climate change adaptation and disaster response. This is because,

for many countries in the Global South, the most immediate climate-related risks were those linked to extreme weather events and slow-onset ecological change, while mitigation-related transition risks were less visible or less pressing. As a result, the dominant that integrates social protection with climate objectives has centered on building resilience to climate shocks rather than on managing the distributional consequences of decarbonization. In this context, the most often used approach has been Adaptive Social Protection (ASP) (Berthe et al., 2022). The approach puts an emphasis on transforming productive livelihoods as well as protecting and adapting to changing climate change conditions, going beyond simply reinforcing coping mechanisms therefore acting against the structural causes of poverty and inequalities. The idea is to provide long-term solutions to address the underlying causes of vulnerability (Davies et al., 2009).

This transformative role of social protection goes beyond cushioning the negative impacts of the transition. It helps reshape the structure of the economy by redistributing resources, expanding opportunities, and strengthening social cohesion (ILO, 2023).

1.2.3 – Outcomes

The effectiveness of social protection within a just transition framework ultimately lies in the outcomes it enables. By stabilizing incomes, expanding access to essential services, strengthening household and community resilience, and addressing the structural determinants of inequality, social protection contributes directly to the social and political feasibility of the transition. These outcomes go beyond compensating for adverse effects: they create the conditions for inclusive economic restructuring, greater social cohesion, and the sustained public support required for ambitious climate action. In this sense, social protection is not only a defensive mechanism but a transformative lever that shapes the long-term trajectory of the transition.

At a broader level, social protection contributes to household and community resilience. Redistribution mechanisms help correct territorial inequalities that arise where high-emission activities are spatially concentrated, while support to affected households prevents localized economic decline from turning into long-term exclusions. These mechanisms play an important role in reducing unequal exposure to risks and in supporting communities whose adaptive capacity is structurally constrained by limited assets, weak infrastructure, or historical marginalization.

Finally, social protection generates transformative outcomes that shape the wider trajectory of the transition. By reducing structural inequalities, strengthening social cohesion, and enhancing the legitimacy of climate policies, social protection contributes to the political and economic conditions required for sustained decarbonization. The equitable distribution of costs and benefits reinforces the social contract, increasing public support for ambitious climate action. In this sense, social protection is not only a compensatory tool but a driver of inclusive structural change, helping to ensure that the transition to a zero-carbon economy is both fair and feasible.

Taken together, these components form an analytical framework that situates social protection at the center of a just transition, through its central role in reducing inequalities. By examining how individual and collective risks arise from transition dynamics—and how social protection can mitigate or transform them—the paper identifies policy levers for ensuring that climate and development strategies are both socially fair and politically sustainable.

Building on this understanding, the next section turns to the strategic policy choices required to operationalize these principles. It outlines how governments and development partners can design and strengthen social protection systems so that they effectively

reduce inequalities, support workers, households and communities through the transition while advancing long-term goals of inclusion, resilience and structural transformation.

2. Strategic recommendations

Effective strategic action for a just transition must respond directly to the three categories of risks identified in the analytical framework: individual risks affecting workers and households, collective risks shaping community and territorial vulnerabilities, and structural inequalities that determine who can benefit from economic transformation. Drawing from international evidence and country experiences (mainly the South African case as mentioned earlier), the recommendations that follow are therefore organized around a set of integrated policy directions that protect incomes and essential services, build skills and employability, strengthen household and community resilience, and transform the distributional foundations of the economy.

2.1 – Actions to strengthen income security for affected workers and households

The first priority of social protection measures during the transition is to protect against the risk of income loss. The main social protection instruments that will respond to this risk are those that ensure income security: cash transfers for income replacement, unemployment benefits, and service provision for support workers.

2.1.1 – Expand cash transfers and unemployment benefits

Cash transfers already exist in most developing countries as part of social protection systems. Coverage should be extended to support those affected by the transition to offset income losses and maintain household consumption. Existing social protection programs can be expanded either by providing additional coverage to existing beneficiaries or extending coverage to additional households. During Covid-19, similar measures were used to respond to the increased household income needs and

were proved effective in stabilizing incomes. The creation of the Social Relief Distress (SRD) grant in South Africa as part of social support to food insecurity extended the social grant system to include unemployed people for the first time in South Africa (Patel et al., 2023). This showcases how non-contributory transfers can protect the unemployed and how it could be adapted to support workers retrenched during the coal transition.

2.1.2 – Use flexible income replacement mechanisms

Income replacement through cash transfers is necessary to respond to the loss of wages which unemployment can engender. Temporary income support grants can guarantee income security to workers allowing them to reskill and adjust to the new employment opportunities. Existing unemployment benefits are usually the main instrument, but they are limited in time and their efficiency is limited in contexts where labor demand is very weak. Which is why social policies need to be well coordinated with labor market and employment policies (including active labor market policies).

In South Africa, the Unemployment Insurance Fund (UIF), the Labour Activation Programme (LAP) funded by the UIF, and the Compensation Fund are good examples of instruments that can be leveraged to provide training-linked income support for displaced workers. The UIF is designed to serve as a safety net for vulnerable workers, providing short-term relief to workers, when they become unemployed, or unable to work because of illness or maternity leave (Bhorat et al., 2025). The Temporary Employer-Employee Relief Scheme allows employees who face the risk of retrenchment due to financial distress in the company, to participate in training while temporarily foregoing their regular wages, in exchange for a training allowance during the

course of the training. In the context of the just transition aiming to reskill and retrain coal mining industry workers facing retrenchment, the LAPs could play a critical role in providing this type of support by providing them with the required skills needed to transition into jobs in other industries (Bhorat et al., 2025).

2.2 – Actions to safeguard health and basic services during the transition

While cash transfers can constitute the backbone of the social assistance system in many countries, there are other measures aiming to provide a more inclusive and just society and to helping people fully participate in all spheres of social, economic and political life. These policies include public healthcare, education, housing, energy and water.

2.2.1 – Ensure continued access to healthcare and basic services

Ensuring continued access to healthcare and basic services is essential for a just transition. As the move away from fossil fuels takes place, employment-based benefits that have traditionally guaranteed access to such services for workers in formal sectors are at risk of being eroded. Public healthcare systems and social service delivery must therefore expand to fill the gap, particularly in coal-dependent regions. Integrated measures—linking health, water, housing, education, and energy access—can protect well-being, sustain human capital, and maintain community stability through the transition. These measures are also essential to build social acceptability of the mitigation policies. It is also important to showcase the co-benefits of mitigation policies on health, and thus, prevent further health expenses.

2.2.2 – Adapt basic service grants

When it comes to traditional fossil fuel transitions, coal mineworkers usually enjoy better access to medical schemes compared to the broader labor market. In the case of the just transition, coal miners forego higher wages and also risk losing access to medical aid if their employment status changes (Bhorat et al., 2025), hence the importance of providing healthcare services that would compensate for the loss of medical aid. In South Africa, to mitigate for this risk, Ledger (2025) advocates for a revision of Free Basic Services (FBS) grants to serve developmental needs, beyond only serving survival needs, in a context where the sustainability of FBS is put in peril by the energy transition.

2.2.3 – Prioritize child protection

Children, especially those in poverty, are bearing the brunt of the climate crisis, described as structural violence against children, compromising their well-being and prospects. Yet the majority of children still lack access to social protection, especially in low-income countries. Only 7.6 percent of children aged 0 to 18 in low-income countries receive a child or family cash benefit, exposing them to missed education, poor nutrition, poverty and inequality (ILO, 2024). Social protection instruments—such as child grants, school feeding schemes, and conditional cash transfers—play a key role in maintaining educational continuity and long-term human capital development during periods of economic adjustment.

2.3 – Actions to invest in skills, employability and job creation

As the economy transitions from brown to green, changes in the structure of the economy will occur, which will entail significant changes in labor demand. Workers must be able to access new opportunities in renewable energy, green infrastructure, and sustainable industries. Active labor market policies will therefore be needed, alongside social safety nets. Those include a range of interventions that would facilitate a just transition, spanning skills development, job search, subsidies to promote market-based employment, and direct job creation in the form of public works (McCord & Costella, 2023).

2.3.1 – Develop large-scale reskilling and targeted training programs

Loss of jobs is one of the most significant negative impacts of the transition to a low carbon economy. A basic level of social protection in the coal phase out process relates to the future livelihoods of mine and power station workers. This would include reskilling and providing future employment and retirement opportunities. The provision of training and skills development interventions for workers exiting the brown economy can improve their ability to take up job opportunities in the new green economy.

Evidence from Colombia illustrates the challenge. Becerra & Piñeros-Ruíz (2024) find that green jobs are predominantly concentrated among high-skilled, urban, male, and highly educated workers, often those with STEM degrees in managerial positions, who occupy the upper tiers of the income distribution. At the skill level, workers in non-green occupations often find their skills less suitable to green transition. Targeted training programs are therefore needed to bridge this divide and ensure that non-green workers can transition successfully

into green occupations. These programs should give particular attention to empowering workers from typically excluded and vulnerable groups such as women, informal workers, and rural populations, who face systemic barriers to entry into the green economy.

In South Africa, this need is acute in coal-dependent regions such as Mpumalanga, where declining demand for coal threatens employment not only for coal mine workers but all of those involved in the coal value chain: truck drivers, power station workers, food sellers, informal builders (Annecke & Wolpe, 2022). Reskilling and providing jobs is therefore needed, but also offering social protection for retrenched miners and other impacted workers in the coal value chain.

A key challenge—often overlooked in transition strategies—is the spatial misalignment between where jobs are lost and where new opportunities emerge, requiring coordinated policies that combine income protection, mobility assistance, reskilling, and regional development.

2.3.2 – Expand public employment programs for decent job creation

Direct job creation through the implementation of Public Works Programs (PWP) can be used to provide state-sponsored employment opportunities in times and places where market-based opportunities are insufficient, contributing to both social and environmental objectives. In South Africa, public works programs have been developed since 2003, with skills training included in the programs (Annecke & Wolpe, 2022). The Expanded Public Works Programme (EPWP) has generated over 8 million employment opportunities (ILO, 2018). An advantage of the program was offering employment opportunities to unskilled workers as well as a skills development program. The two Public Employment Programs (PEPs), the EPWP and the Community Works Programme (CWP)

have contributed 2.6% of total employment and just over R12 billion in wages in the 2019/20 period (Donaldson, 2022). The Presidential Employment Stimulus (PES) has further demonstrated that employment interventions can deliver strong social and environmental returns, creating measurable social value exceeding their direct fiscal cost. Similarly, initiatives such as the Basic Package of Support illustrate how social protection can accompany young people in preparing for employment, connecting them to opportunities and building resilience in the face of scarce job creation.

The development of public employment programs (PEPs) is often presented as offering added values beyond income effects. PEPs opt to contribute to the other dimensions of social protection (promotive, transformative, and developmental) by including participation in work, that is more than just the income (Philip, 2025). If designed as decent jobs, PEPs can also support structural change by linking employment to low-carbon infrastructure, ecosystem restoration, or care work, aligning with just transition objectives. They create pathways for skills development and integration into greener labor markets, democratizing access to new opportunities. And, if embedded in long-term planning, they can move beyond temporary relief to productive safety nets and transformative development.

Participating in decent work offers structure, access to networks, information, capabilities, self-esteem, community recognition and more, which are all vital for social and economic functioning, as well as social cohesion and stability. Therefore, enabling participation in decent work contributes to the promotive dimension of social protection, which focuses on enhancing capabilities and social inclusion (Philip, 2025). Work also functions as a redistributive instrument, providing assets and resources in poor communities and local

economies, contributing to the transformative and developmental dimensions of social employment. With appropriate design, PEPs can also provide additional self-employment and enterprise activity by providing the skills and attributes associated with work experience (Philip, 2025). It can therefore provide a pathway and a reprieve from precarity, toward building resilience through a first work experience.

2.3.3 – Address youth and gender inequalities

Just transition approaches need to go beyond those at risk of losing their job and seek to prepare the next generation for future opportunities. In South Africa, Mudiriza et al. (2024) show that youth, particularly those not in education, employment or training (NEET), are disproportionately affected by the economic and social changes associated with a just transition. In Mpumalanga, the region with the highest exposure to the coal exit, NEET rates have exceeded 37% for over a decade, with young women from low-income households being disproportionately affected. The youth NEET rate is found to be 45.9% in 2023. To respond to these demographic inequalities, transition strategies should:

- Align training programs with emerging green job opportunities in order to facilitate a smoother transition from education to employment, especially for young people living in income poor households.
- Provide targeted support to NEET youth, that would align with their aspirations, lifting them from financial precarity and providing the stability required to pursue education and employment opportunities.
- Implement gender-responsive social policies, including early childhood and family support, to allow women's equal access to opportunities and their full participation in economic and educational endeavours in the emerging green economy.

- Develop localized strategies that account for disparities across municipalities and regional labor markets. These localized and inclusive approaches are essential in contexts such as Mpumalanga where 62% of households rely on social grants and 18% of the workforce is employed in coal-related industries.

2.3.4 – Leverage existing systems while expanding coverage

Designing a comprehensive social protection package that takes into account the respective needs of workers and communities can be a challenge. Building on existing social protection systems and adapting can provide the needed support while reinforcing long-term social and economic development objectives. Bhorat et al. (2025) demonstrate how existing mechanisms in South Africa—such as the UIF and LAPs can be leveraged in terms of financial and administrative resources, to support a social protection policy package for displaced workers. Their *just transition policy matrix approach* offers a framework for designing a set of social protection policy responses that account for and are tailored to the respective needs of different groupings of at-risk workers. They formulate and cost four just transition social protection policy responses: mobility assistance in the form of a job relocation grant; a temporary income support grant; education and training support in the form of a skills development grant; and early retirement package.

2.4 – Actions to enhance household and community resilience

Social protection systems must build resilience at both household and community resilience. As extreme weather conditions become more prevalent such as floods and extreme high temperatures, they will have an unequal impact on households, disproportionately affecting the poor. In response, social protection should offer protection against climate-related damage and loss to life and property because of these increased adverse weather conditions.

2.4.1 – Address energy poverty by integrating energy access into social protection systems

Poor households face an additional layer of vulnerability as they face the risk of inadequate and unreliable energy access. In many low- and middle-income countries, households still rely on wood or charcoal, undermining health and the environment (Poggi & Ramaholimihaso, 2024). Research on energy poverty shows how traditional social protection instruments, such as cash transfers, pensions, or public works, can play a critical role in shielding households from the risks of inadequate energy access (Poggi & Ramaholimihaso, 2024). Cash transfers dedicated to energy purposes have proved effective in promoting both access to and use of modern energy sources. Similarly, public works programs that focus on green infrastructure (such as off-grid electrification or clean cooking initiatives) can both create jobs and enhance household energy resilience (Annecke & Wolpe, 2022).

Effective subsidies for energy consumption are also essential to protect households from price increases associated with the transition to renewable energy, and to complement the design of a sustainable and

equitable tariff system. Social protection tools such as social registry of relevant targeting, interoperability of databases become critical elements of the policy actions. The case of the Free Basic Electricity grant in South Africa, whose design could be improved by better targeting the level of subsidies, illustrates the challenges of a complex tariff reform (Mohlakoana & Wolpe, 2023).

In fact, to design effective energy-related social protection, policymakers must take into account contextual heterogeneity and factors driving inequality in access and energy use. For instance, women in rural areas often face greater energy insecurity. Efforts should therefore be made to ensure programs are gender-responsive and to broaden gender-disaggregated administrative data on social protection in order to drive inclusive policy frameworks.

2.4.2 – Build community-level resilience through integrated social policies

Beyond individual protection, resilience must be fostered at the community level. Social assistance can strengthen collective capacities by addressing community-level vulnerabilities and chronic poverty, providing support during periods of acute economic and livelihood disruption, and ultimately building resilience (Costella et al., 2017).

In many rural or mining-affected areas, loss of biodiversity, land degradation, limited access to livestock, human capital, public services and credit have compounded the vulnerabilities of communities who rely heavily on natural resources. Women in particular are vulnerable as the erosion of natural resources increases their investment of time in chores and tasks, in particular where the mines have polluted the land, air and water and destroyed

the biodiversity (Annecke & Wolpe, 2022). Social policies that link social assistance with climate-resilient and sustainable agriculture and livelihood strategies can help address these vulnerabilities. Other initiatives may build resilience, reduce the pressures on ecosystems, introduce high quality seed and eco-friendly fertilizers and well as oversee the development of green infrastructure (Annecke & Wolpe, 2022).

2.5 – Actions to address structural inequalities through redistributive policies

To achieve a just transition, reducing structural inequality is fundamental. Without redistributive measures, climate and fiscal reforms, such as carbon pricing or green taxes, can increase inequalities by burdening low-income households. Social policies play a critical role in counteracting the regressive effects of these measures and ensuring that the costs and benefits of the transition are fairly distributed.

2.5.1 – Design compensatory and redistributive mechanisms

Green fiscal measures, including carbon pricing and green taxes can be regressive, disproportionately impacting low-income households who tend to spend a higher share of their income on energy and basic goods. Evidence from Mexico illustrates this risk. Scott et al. (2024) find that indirect green taxes can disproportionately affect poorer households unless designed with redistribution in mind. Without adequate social protection measure, there is a clear risk of increasing inequalities.

To prevent such outcomes, carbon and energy taxes must be paired with social protection mechanisms such as targeted cash transfers, universal transfers or non-contributory

pensions. The increase of transfers and the use of targeted instruments could in fact significantly increase the redistributive impact of the fiscal system as Scott et al. (2024) show.

2.5.2 – Reallocate revenues into social protection systems

Reallocating revenues from the energy taxes to effective social spending instruments is therefore crucial for the transition to be both redistributive and effective. Any reform of energy prices must therefore be strictly conditioned to include compensatory instruments to avoid any impoverishing effects. In Mexico, Scott et al. (2024) show that increasing social transfers can significantly increase the redistributive effects of the fiscal system while simultaneously reducing greenhouse gas emissions.

2.5.3 – Ensure sustainable financing

Financing social protection sustainably is essential for long-term resilience. The question of the long-term sustainability of expenditures and fiscal efficiency is a central concern to ensure a just transition. Establishing sustainable financing mechanisms for pensions and other schemes helps ensure not only financial stability, but also the creation of a fiscal space that would support the transition.

Inequality itself is a source of economic instability. As Stiglitz (2012) notes, inequality fuels economic volatility by intensifying boom-and-bust cycles, leaving countries less resilient in the face of climate shocks or urgent structural transformations. By reducing inequality, social protection can mitigate such instability, enhance countries' resilience and strengthen national economic performance.

2.6 – Actions to embed social cohesion in the transition

Ensuring that fairness and equity remain central to the governance of the transition is critical for the legitimacy and sustainability of climate and transition policies. Social cohesion, trust, and inclusive participation are therefore essential. Social protection systems are crucial in that context as they reduce polarization by ensuring the burden of climate and transition policies is fairly shared across income groups, genders, and regions. They can help ensure that the transition is perceived as fair and that vulnerable groups are empowered to influence, collectively or individually, the decision-making process in the just transition. They also allow them to challenge existing power relations, in the workplace and at home, by granting them the choice to opt out of certain decisions (Jakuja, 2023). This guarantees that the transition is not only economically viable, but also socially sustainable.

Evidence from South Africa's Presidential Employment Stimulus (PES) underscores this point. As Philip's (2025) analysis shows, employment stimulus programs not only create jobs but also generate substantial social and environmental dividends. In its first year, the Social Employment Fund (SEF) created measurable social value exceeding R1.8 billion relative to selected indicators, surpassing its direct budgetary costs. Such initiatives demonstrate how well-designed social protection and employment measures can simultaneously support livelihoods, strengthen communities, and advance environmental goals.

2.7 – Actions to advance transformative pathways

Social protection should be positioned not only as a safety net but as a driver of structural transformation toward inclusive and sustainable economies. Not only can it help cushion people from the negative impacts of the transition, it can also provide support to better equip individuals and households to grab opportunities stemming from the transition.

2.7.1 – Align policies with social protection

A just transition requires deeper structural change: redistributing economic opportunities, shifting ownership patterns, and reorienting production systems toward sustainable and socially just outcomes. Transformative social policy, therefore, must move beyond immediate income support to renewing not only the economy but also social institutions. Social protection policies should therefore not be conceived in a silo, as they are closely connected with other policies. Aligning industrial, labor, and climate policies with social protection would facilitate the shift in production and consumption, and moving away from an economic model where exploitation is central to one which centers well-being of people and planet. Vona (2019) emphasizes that reducing labor market inequalities is critical to sustaining public support for climate policies, a goal to which social protection can directly contribute.

Poggi & Ramaholimihaso (2024) put forward the transformative potential of integrating social protection with energy policies, by linking transfers or subsidies to clean energy adoption, off-grid electrification, or efficient cooking solutions. In this way, social protection can move beyond cushioning shocks to actively enable structural change and advance inclusive low-carbon transitions.

Social protection should be tied to strategies that diversify local economies, expand care and green infrastructure sectors, and redistribute opportunities toward those historically excluded. In practice, this requires aligning social protection with industrial, labor, and regional development policies so that it becomes a driver of structural change, rather than a temporary buffer.

2.7.2 – Foster institutional arrangements and integrated transition planning

Transformative social protection requires institutional arrangements that promote coordination across ministries, sectors, and levels of government. Integrating planning across social protection, labor, climate, and industrial policy domains ensures that interventions reinforce one another and avoid fragmentation. South Africa's **Presidential Climate Commission (PCC)** provides an example of how institutional innovation can support an integrated approach to the just transition. By embedding principles of equity, participation, and inclusiveness into national transition planning, the PCC aligns climate action with broader socio-economic and developmental goals.

2.7.3 – Explore universal approaches

In South Africa, calls for a Universal Basic Income (UBI) are in play, which will protect and ensure vulnerable South Africans do not fall in deeper poverty and reduce the current inequality gap (Jakuja, 2023). As a permanent social security policy, a UBI would ensure basic needs are met, that economy is properly regulated and that higher productivity and therefore jobs are created due to increased sustained demand. With high levels of unemployment and inequality, a UBI would be a necessary component of the just transition. A UBI would be part of an inclusionary and highly expansive social security mitigation

strategy, not only to support a just transition, but also to account for the historical legacies contained in the social security sector.

The Social Policy Initiative proposes a UBI covering individuals of working age (18-59) both employed and unemployed (Jakuja, 2023). They insist on the need for a UBI to be accompanied by other policies focusing on the productive supply side of the economy. The financing options for the UBI should be progressive and sustainable in time in order to preserve its ability to reduce inequality. Options to finance a UBI in South Africa include using the Reserve Bank's foreign exchange reserves or the multilateral climate funds such as the Green Climate Fund.

3. Conclusion

Mitigating the climate crisis and achieving a just transition are the most urgent and significant challenges of our time. Yet these goals cannot be achieved without strong and inclusive social protection systems. Social protection is not only a tool to cushion the impacts of transition but also a prerequisite for its very feasibility: if inequalities remain high, the transition will not succeed.

Before infrastructures are transformed, investment in social protection is essential to reduce vulnerabilities, strengthen resilience, and build the social and political foundations for a fair transition. Without such investment, the adaptation and structural transformation required by the transition risk deepening poverty, eroding living standards, and exacerbating inequality. Social protection can serve as a mechanism to mitigate the negative impacts of an energy transition.

Social protection policies safeguard against a myriad of individual risks, ensuring income security for retrenched workers and their households, providing health services, increasing household resilience and enhancing skills and employability for workers exiting the brown economy, improving their ability to take up job opportunities in the new green economy.

At the collective level, social protection helps reducing vulnerabilities by supporting inclusive community initiatives and shielding households from energy poverty. By mitigating the regressive effects of carbon pricing and green taxes, it also plays a role in reducing structural inequalities through universal transfers or targeted instruments. Finally, social protection is crucial to enhance social cohesion and trust, by ensuring that the burden of climate and transition policies is distributed fairly among income groups, genders, and regions.

Beyond cushioning people from the negative impacts of the transition, social protection can also go beyond safety nets and pave a transformative pathway for the just transition. It can equip individuals and households to grab opportunities that stem from the transition. The case of South Africa is illustrative, where social protection measures and recent initiatives are seeking to link income support with reskilling and employment opportunities in renewable energy sectors. This shows how social protection can both mitigate risks and facilitate pathways into the green economy.

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