

Report IV

▶ **Inequalities and the world of work**

Fourth item on the agenda

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► Introduction

Inequalities and the world of work: A major challenge of our time

- 1. In recent decades, growing inequality in many countries has emerged as a major concern; the catastrophic social and economic fallout from the coronavirus disease (COVID-19) pandemic since early 2020 has heightened this concern and highlighted the urgent need for action.** In the decades and years before the pandemic, different forms of inequality, including *vertical* inequalities between rich and poor and *horizontal* inequalities between different groups in society, had generally been on the increase or remained stubbornly high in many countries. Progress in reducing gender pay and employment gaps had also stalled in many places, and the extent of gender-based violence had become increasingly visible. The sudden COVID-19 crisis has highlighted, and in many instances deepened in a dramatic way, some of these pre-existing inequalities. Looking across multiple forms of disadvantage in the labour market, it appears that the global pandemic tends to aggravate inequality and division in a quite extraordinary way.
- 2. There was already an emerging world consensus before the COVID-19 pandemic that high levels of inequality have adverse social, economic and political consequences.** The existence of high levels of inequality means in practice that millions of people are unable to meet their needs or those of their families, save for retirement or enjoy protection when they fall sick. It means that access to labour market opportunities is unfairly divided among men and women, the old and the young, and indigenous peoples, migrants, people with disabilities and other groups. It means that jobs around the world are segmented by level of reward and by level of social and employment protection. Recent literature has demonstrated how these and other inequalities can have harmful effects on the pace and sustainability of economic growth¹ and may result in environmental degradation,² slow down efforts to reduce poverty,³ erode social cohesion and increase the risk of social unrest or political instability.⁴
- 3. The objectives of reducing inequality and promoting inclusive growth⁵ are therefore becoming ever more important at the international level.** Central to efforts in this regard is the United Nations (UN) 2030 Agenda for Sustainable Development (2030 Agenda), which pledges that “no one will be left behind”. Furthermore, it calls for sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; gender equality; and the adoption of fiscal, wage and social protection policies with

¹ Jonathan D. Ostry, Andrew Berg and Charalambos G. Tsangarides, “Redistribution, Inequality, and Growth”, IMF Staff Discussion Note SDN/14/02, 2014.

² ILO, *World Employment and Social Outlook 2018: Greening with Jobs*, 2018; S. Nazrul Islam, “Inequality and Environmental Sustainability”, UN Department of Economic and Social Affairs (DESA) Working Papers, No. 145, 2015.

³ World Bank, *Poverty and Shared Prosperity 2016: Taking On Inequality*, 2016.

⁴ OECD, *Under Pressure: The Squeezed Middle Class*, 2019.

⁵ While there are different definitions of the notion of “inclusive growth”, all definitions have in common the idea of a broad sharing of the benefits of, and opportunities to participate in, economic growth: IMF, “How to Operationalize Inequality Issues in Country Work”, June 2018.

a view to progressively achieving greater equality.⁶ Multilateral institutions have also strengthened their activities linked to the promotion of equality. For instance, the World Bank has expanded its mandate beyond the elimination of extreme poverty and promotes “shared prosperity”, seeking to foster the income growth of the poorest 40 per cent of the population.⁷ The International Monetary Fund (IMF) has documented the adverse impact of high levels of inequality on economic growth in a series of studies and has included inequality issues in its country work.⁸ The Organisation for Economic Co-operation and Development (OECD) has published a series of flagship reports on inequality, launched a New Approaches to Economic Challenges initiative and an Inclusive Growth initiative, and created the Centre for Opportunity and Equality as a platform for policy-oriented research on inequalities.⁹ The Human Development Report 2019 of the United Nations Development Programme (UNDP) was devoted to inequalities.¹⁰ UN regional commissions have also expressed concern about inequality, with the Economic Commission for Latin America and the Caribbean calling for “social compacts for equality” to be forged,¹¹ the Economic and Social Commission for Western Asia drawing attention to the “significant knowledge deficit on inequality issues” in the Arab region,¹² the Economic Commission for Africa observing that “robust economic growth in Africa over the last 15 years has not significantly helped to reduce social and economic inequalities on the continent”,¹³ and the Economic and Social Commission for Asia and the Pacific promoting more inclusive and equitable societies.¹⁴ The G20 and the G7 have also made a commitment on various occasions to reducing inequalities, including the pledge at the G20 Brisbane Summit in 2014 to reduce the gender gap in labour market participation by 25 per cent by 2025. There is thus a growing sense, particularly now in the light of the disastrous experience of COVID-19, that action is required and that it is imperative to apply a coherent and coordinated approach at the international level.

The general discussion

- 4. At its 334th Session (October–November 2018), the Governing Body decided to place an item for a general discussion on “inequalities and the world of work” on the agenda of the 109th Session of the International Labour Conference, initially scheduled to be held in June 2020 but postponed to 2021 because of the COVID-19 pandemic.** The Office had first raised the possibility of including such an item on the Conference agenda at the 323rd Session (March 2015) of the Governing Body, and the subject was further discussed

⁶ United Nations General Assembly, “Transforming Our World: The 2030 Agenda for Sustainable Development”, A/RES/70/1, 21 October 2015.

⁷ World Bank website.

⁸ IMF, “The IMF and income inequality”, n.d.

⁹ OECD, “Inequality”, n.d.

¹⁰ UNDP, *Human Development Report 2019: Beyond Income, Beyond Averages, Beyond Today – Inequalities in Human Development in the 21st Century*, 2019.

¹¹ UN Economic Commission for Latin America and the Caribbean, “ECLAC: The Region Has Underestimated Inequality”, press release, 28 November 2019.

¹² UN Economic and Social Commission for Western Asia, *Rethinking Inequality in Arab Countries*, 2019.

¹³ UN Economic Commission for Africa, “Poverty, Inequality and Jobs in Africa – Expert Group Meeting and Policy Forum”, Addis Ababa, 6–7 June 2018.

¹⁴ UN Economic and Social Commission for Asia and the Pacific, *Inequality in Asia and the Pacific in the Era of the 2030 Agenda for Sustainable Development*, 2018.

and developed for the consideration of the Governing Body at various sessions, including in October–November 2016, March 2017 and again in March 2018.

5. **Reducing inequality, in many of its different manifestations, and promoting the principle of equality of opportunity and treatment have always been inherent in the mandate and work of the ILO.** The ILO Constitution emphasizes that “universal and lasting peace can be established only if it is based upon social justice” and calls for, among other things, equal remuneration for work of equal value, and policies to “ensure a just share of the fruits of progress to all”. The 1944 Declaration of Philadelphia, which is annexed to the ILO Constitution, also refers to the principle of equal opportunity on multiple grounds, including gender and ethnicity.
6. **The ILO Centenary Declaration for the Future of Work (Centenary Declaration)¹⁵ is strongly aligned with the agenda of reducing inequality.** It calls on the ILO to “carry forward into its second century with unrelenting vigour its constitutional mandate for social justice by further developing its human-centred approach to the future of work, which puts workers’ rights and the needs, aspirations and rights of all people at the heart of economic, social and environmental policies” and identifies the private sector as “a principal source of economic growth and job creation”. The Declaration includes several references to inequality. It notes in particular that “persistent poverty, inequalities, and injustices ... in many parts of the world constitute a threat to those advances [in economic and social progress] and to securing shared prosperity and decent work for all”. The Declaration also highlights the importance of “harnessing the fullest potential of technological progress and productivity growth, including through social dialogue, to achieve decent work and sustainable development, which ensure dignity, self-fulfilment and a just sharing of the benefits for all”.
7. **Over the years, the ILO has adopted many international labour standards that provide a path to decent work for all and are highly relevant to the current discussion on inequalities.** The fundamental importance to the ILO of the setting, promotion, ratification and supervision of international labour standards is reaffirmed in the Centenary Declaration, which considers that “[i]nternational labour standards also need to respond to the changing patterns of the world of work, protect workers and take into account the needs of sustainable enterprises, and be subject to authoritative and effective supervision”.
8. **The outcome of this general discussion is expected to contribute to delivering on the promises of the Centenary Declaration and to enhance the ILO’s contribution to the 2030 Agenda.** The UN Secretary-General has stated that “inclusion, empowerment and equality” lie at the heart of sustainable development.¹⁶ The 2030 Agenda notes with concern the “rising inequalities” and the “enormous disparities of opportunity, wealth and power” that exist in the world. The reduction of inequalities is identified as a central element of the 2030 Agenda, and this objective is reflected in various interrelated Sustainable Development Goals (SDGs). Goal 10 focuses specifically on reducing inequality within and among countries, including through fiscal, wage and social protection policies; Goal 4 calls for inclusive and equitable quality education; Goal 5 calls for gender equality; and Goal 8 calls for sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Other Goals relate to reducing other forms of inequality, and include: ensuring equal access to economic resources, basic services,

¹⁵ The [ILO Centenary Declaration for the Future of Work](#), adopted by the Conference at its 108th Session (2019).

¹⁶ United Nations, “[Secretary-General’s Remarks to Opening of High-Level Political Forum Ministerial Segment](#)”, 16 July 2019.

property and social protection (Goal 1); ensuring healthy lives and promoting well-being for all at all ages (Goal 3); building resilient infrastructure in developing countries (Goal 11); and providing access to justice for all and legal identity for all, including birth registration (Goal 16). In fact, the objective of reducing inequalities cuts across all of the SDGs. It is also reflected in the respective targets, which call for disaggregation by gender, age and rural-urban location, all of which are important dimensions of inequality.

- 9. The general discussion on inequalities and the world of work will complement two parallel discussions at the 109th Session (2021) of the Conference: the recurrent discussion on social protection (social security) and the general discussion on skills and lifelong learning.** It will also provide input for the recurrent discussion on social protection (labour protection) that is scheduled for the 111th Session (2023) of the Conference. Considering the range of policy areas falling within the remit of labour protection, the general discussion on inequalities and the world of work will provide useful guidance to sharpen the focus of the 2023 discussion.

The report

- 10. This background report provides a global review of data and research on inequalities and the world of work, with a special focus on the adverse consequences of the COVID-19 pandemic for equality and insights drawn from the COVID-19 responses of governments and employers and workers' organizations.** Its aim is to highlight the centrality of work – reflecting the constellation of labour market conditions, worker rights, labour institutions and business and economic performance – to understanding inequality. Inequality of incomes is highlighted in the narrative because it is the key to understanding how individuals and their families resource their livelihoods, given that the vast majority of household incomes in the world derive from paid work in one form or another. Through the prism of income inequality, the analysis considers the various labour market drivers that shape relative levels of income and the quality of employment opportunities, with attention being given to enduring and intersectional divisions among workforce groups, especially those based on gender, age, education, migrant status, race and ethnicity, disability and tribal and indigenous group, as well as between formal and informal economy workers.
- 11. The report comprises four chapters.** The first chapter highlights the complexity and multiplicity of inequalities and documents recent trends in the different forms of inequality. It shows that many inequalities – particularly income inequality, which captures and reflects many other forms of inequality – emerged prior to the COVID-19 crisis and appear to be more marked because the crisis is mostly affecting those that were already disadvantaged or in a vulnerable situation. The second chapter reviews a series of critical and intersecting dimensions that have played a key role in influencing inequalities in the world of work and considers how those overlapping inequalities have been emphasized or have evolved since the outbreak of the COVID-19 crisis. The third chapter reviews examples of measures and policies that can reduce these inequalities, drawing from experience gained during the COVID-19 crisis. The fourth and final chapter presents some ideas on possible ways forward. It should be noted that, in this report, in order to simplify the text and in line with statistical practice, the term “worker” is used irrespective of employment status and includes not only paid employees but also own-account workers and contributing family workers.

► Chapter 1

The problem of inequalities

- 12. The COVID-19 pandemic, which has triggered an unprecedented economic and social crisis, has highlighted the dramatic extent and consequences of pre-existing inequalities and appears to have led to further increases in levels of inequality, as the most disadvantaged populations have been the hardest hit.** The fact that low-income workers and their families have been the most vulnerable to and most severely affected by the pandemic, in terms of both its effects on their health and its adverse economic consequences, has been widely documented. Workers in the informal economy have suffered massive losses of income and have little or no access to social protection benefits and other income support. In many countries, reductions in working hours, resulting from mandatory lockdowns and other policies, have affected lower-skilled occupations more than higher-paying managerial and professional ones. Women have been disproportionately affected by the closures of entire economic sectors, in which they were over-represented, while at the same time being overexposed to the virus in sectors that have been categorized as “essential”. Ethnic and racial minorities, who are frequently disproportionately represented among low-income groups, have also been more severely affected than other workers and in many instances have fallen further behind. Among the groups in particularly vulnerable situations are migrant workers and workers with disabilities.
- 13. Even before the pandemic, there was growing concern about the adverse effects of high and often rising levels of inequality, and a recognition of the need for urgent and decisive action to reduce them and ensure more inclusive growth in the future; COVID-19 has reinforced this sense of urgency.** While there may not be a consensus on the level of inequality that is acceptable, there has been a growing view, heightened by the consequences of COVID-19, that the levels of inequality in many countries are excessive, undermining social, environmental and economic progress. Research has suggested that high levels of inequality slow the pace of economic growth, erode democracy, social cohesion and trust, contribute to environmental degradation and have negative effects on mental and physical health. This has contributed to the growing realization that urgent action is needed to reverse the trend towards higher levels of inequality and to ensure that the opportunities and benefits of economic and social progress are enjoyed and shared more equitably in the future.
- 14. This first chapter provides context for the discussion on inequalities and the world of work by highlighting the complex nature of inequality and documenting some recent trends in different forms of inequality.** The first section asks why inequality matters and briefly reviews the recent literature on the consequences of high levels of inequality. The second section discusses the complexity and multiplicity of inequalities, distinguishing between, among others, vertical, horizontal and gender-based inequalities. The third and fourth sections present recent trends in income inequality, a measure of inequality that captures and reflects many other forms of inequality, and highlight the uneven profile of inequality. The last section discusses the importance, but also the limitations, of tackling inequality by means of redistribution through taxes and transfers and through the public provision of social services.

Why inequality matters

- 15. Recent years have seen an increase in research on the effects of high levels of inequality and an improved understanding of their negative economic consequences.** In the past, rising levels of inequality were sometimes considered to be a natural side effect of structural change and economic development that could positively influence economic growth by providing incentives for innovation and entrepreneurship and by increasing savings and investment. Recent research, including by the IMF and the OECD, has demonstrated, however, that high levels of inequality tend to have a harmful effect on the pace and sustainability of economic growth – meaning that greater equality is associated with longer and stronger periods of economic growth.¹⁷ This is due, among other factors, to the adverse effects of inequality on trust, on the health of certain groups within countries and on the investment in their skills and education. It is also because higher inequality reduces the share of income dedicated to consumption (because higher earning and wealthier individuals consume a smaller share of their income), which can create shortfalls in the aggregate demand.
- 16. High levels of income inequality slow down poverty reduction.** Although economic growth has contributed to significant poverty reduction in some developing countries, persistent or rising levels of inequality mean that, in spite of such economic growth, millions of low-income households remain unable to cover adequately the costs of their basic needs. According to the World Bank, SDG target 1.1 of eliminating extreme poverty by 2030 might not be achieved without reductions in inequalities within countries, especially among those countries with large concentrations of poor people.¹⁸ Therefore, achieving the SDG on ending poverty (Goal 1) will be possible only if that Goal is pursued in conjunction with efforts to achieve the Goal on reducing inequality (Goal 10). Reducing poverty most effectively would require a combination of higher economic growth and decreased levels of inequality. Reducing inequality will also require the achievement of other SDGs, such as Goal 16, on promoting peaceful and inclusive societies for sustainable development, and global health goals, which are significantly influenced by socio-economic inequalities.¹⁹ Furthermore, research has shown that high levels of inequality and poverty may result in local environmental degradation, which may in turn affect sustainable development.²⁰
- 17. High levels of income inequality often correlate with low levels of social mobility.** Policy debates sometimes focus on the importance of ensuring equality of opportunity for all individuals, rather than on income inequality per se.²¹ In practice, however, equality of opportunity and equality of incomes are often correlated. This means that, more often than not, countries with greater income inequality also tend to be those with reduced intergenerational social mobility and higher intergenerational economic advantage and

¹⁷ Ostry, Berg and Tsangarides, "Redistribution, Inequality, and Growth"; Federico Cingano, "Trends in Income Inequality and its Impact on Economic Growth", OECD Social, Employment and Migration Working Papers No. 163, 2014.

¹⁸ World Bank, *Taking On Inequality*, 2.

¹⁹ ILO, *Improving Employment and Working Conditions in Health Services: Report for Discussion at the Tripartite Meeting on Improving Employment and Working Conditions in Health Services*, TMIEWHS/2017 (2017), para. 17.

²⁰ ILO, *World Employment and Social Outlook 2018*; Nazrul Islam, "Inequality and Environmental Sustainability".

²¹ Equal opportunity refers to a situation in which all people would be "equally enabled to make the best of such powers as they possess" (definition by Richard Tawney, quoted in Anthony B. Atkinson, *Inequality: What Can Be Done?* (Harvard University Press, 2015, 9), or alternatively as "a situation in which circumstances that are beyond personal control (such as family background or sex) do not play a role in determining inequality of outcome" (John Roemer, as quoted in Atkinson, *Inequality: What Can Be Done?*).

disadvantage.²² This suggests that income inequality and the lack of equal opportunities may have similar root causes that policy discussions should take into account.

- 18. High levels of inequality erode social cohesion and increase the risk of social unrest and conflict.** Equitable societies with strong and prosperous middle classes often experience stronger social cohesion; these societies tend to have lower crime rates, enjoy higher levels of trust and life satisfaction, and benefit from greater political stability.²³ Stronger social cohesion may also facilitate societal transformations, such as moving to a low-carbon economy.²⁴ By contrast, in a number of countries with rising levels of inequality – especially when combined with stagnant average incomes – popular discontent has reached the middle classes and the social compact has started to unravel, undermining public trust in policies and institutions and sometimes even leading to social unrest.²⁵ In more extreme cases, persistent inequalities and discrimination against specific groups of individuals can even be a source of violent conflict.²⁶ According to the World Bank, “[i]n more cohesive societies, threats arising from extremism, political turmoil, and institutional fragility are less likely”.²⁷
- 19. As the experience of COVID-19 is revealing, societies that are characterized by greater levels of equality appear to be better prepared in facing external shocks such as pandemics.** Evidence from around the world has demonstrated an alarming two-way dynamic, or feedback loop, between inequalities and the COVID-19 pandemic, comparable to that already observed with many diseases and conditions, including for instance HIV and malaria. The different inequalities described below have meant that workers and their families in many countries have been particularly vulnerable to the effects of the COVID-19 crisis. It is becoming increasingly clear, in other words, that high levels of inequality have diminished the resilience of many countries to respond and adapt to the external shock. At the same time, it appears from the evidence reviewed in this report that the terrible economic consequences of the pandemic are amplifying and aggravating these inequalities in ways that, if not effectively addressed, risk entrenching the inequalities and imbalances in our societies as economies struggle to recover from deep recessions.

The different forms of inequality

- 20. When seeking to tackle the problem of inequality, consideration may be given to the question of “inequality of what and among whom?”**²⁸ Many inequalities are of a socio-economic nature, linked to access to essential services such as those related to health, education or housing, but also to income and access to means of subsistence, especially those related to employment. The SDG on reducing inequality within and among countries (Goal 10) targets the reduction of income inequality and social, economic and political

²² Miles Corak, “Income Inequality, Equality of Opportunity, and Intergenerational Mobility”, *Journal of Economic Perspectives* 27, No. 3 (2013), 79–102.

²³ OECD, *Under Pressure*, 3.

²⁴ Nazrul Islam, “Inequality and Environmental Sustainability”; Jean-Marie Baland, Pranab Bardhan and Samuel Bowles (eds), *Inequality, Cooperation and Environmental Sustainability* (Princeton University Press, 2018).

²⁵ OECD, *Under Pressure*, 27–28.

²⁶ Frances Stewart (ed.), *Horizontal Inequalities and Conflict: Understanding Group Violence in Multiethnic Societies* (Palgrave Macmillan UK, 2008).

²⁷ World Bank, *Taking On Inequality*, 3.

²⁸ This was highlighted in Atkinson, *Inequality: What Can Be Done?*

integration, regardless of any considerations related to the identity of the person (age, sex, disability, race and so on).

- 21. It is useful to distinguish between inequalities according to whether they are *vertical* (between richer and poorer people) or *horizontal* (between different groups or categories in society).** In recent years, the debate on vertical inequalities has increasingly focused on how, in many countries, the richest 1 per cent or the top 10 per cent of income earners have improved their situation compared to the poorest 99 per cent or bottom 90 per cent. There is also a large body of literature focusing on the extent to which people living in relative poverty have been able to catch up with, or have fallen further behind, the middle classes in their respective countries. Horizontal inequalities occur when some groups within the population find themselves disadvantaged and discriminated against on the basis of their visible identity, for example their gender, colour or beliefs, among others.²⁹ Recently, public attention has increasingly been devoted to racial or ethnic inequalities, and to the rifts between migrants and nationals. *Spatial* inequalities between rural and urban areas and, more recently, between large mega-cities and smaller, more peripheral, cities have also been studied with increasing concern.
- 22. Gender inequalities represent one of the greatest forms of inequality today.** Gender inequalities cut across the inequality debate and continue to pervade all aspects of social and economic life, affecting countries at all levels of development.³⁰ They are often rooted in discrimination and the entrenched stereotypes relating to women in society, the value of their work and their position in the labour market. Women and girls still perform the greatest share of unpaid care work. While women spend on average 4 hours and 25 minutes per day performing unpaid care work, men spend only 1 hour and 23 minutes on such work. Furthermore, 21.7 per cent of women perform such work on a full-time basis compared to 1.5 per cent of men.³¹ Gender-based violence and harassment also remain pervasive, with one UN agency estimating that 243 million girls and women across the world were subjected to physical domestic violence between April 2019 and April 2020.³² Recent campaigns against gender-based violence and harassment have dramatically increased awareness of these unacceptable practices, which deprive girls and women of their dignity and compromise their safety and health.
- 23. The concepts of vertical and horizontal inequality make it possible to acknowledge the reinforced and intensified situations of inequality and social injustice faced by people who are at the intersection of different types of inequality.** The concept of “intersectionality” captures the complex way in which inequalities based on different personal characteristics overlap and accumulate.³³ Indeed, particular dynamics of inequality appear where people belong to multiple disadvantaged groups. For example, the intersection of urban–rural, ethnic and gender inequalities tends to place women from ethnic minorities in rural areas in particularly vulnerable situations.
- 24. Some inequalities start well before individuals enter the world of work, and limit their opportunities.** For many people, the experience of inequality starts at birth or at a young age, with unequal opportunities in access to healthcare, literacy or quality education due to

²⁹ Stewart (ed.), *Horizontal Inequalities and Conflict*.

³⁰ OECD, *The Pursuit of Gender Equality: An Uphill Battle*, 2017, 17.

³¹ ILO, *A Quantum Leap for Gender Equality: For a Better Future of Work for All*, 2019, 13.

³² UN Women, “[Violence against Women and Girls: The Shadow Pandemic](#)”, April 2020.

³³ Coleen Sheppard, “[Multiple Discrimination in the World of Work](#)”, ILO Working Paper No. 66, 2011, 4.

poverty, gender, family background or other factors, including a lack of legal status or identity, which later almost inevitably translate into fewer job opportunities and lower earnings. Many girls, in particular, face unequal opportunities and persistent gender stereotypes in their access to education and health services and in other aspects of life. Similarly, girls and boys from ethnic minorities, indigenous and tribal populations or remote rural areas often face great barriers in accessing quality education and other essential services. Conversely, others are born with many advantages that give them greater and easier access to many opportunities, including with regard to building their human capital and the labour market.

- 25. Inequality of opportunities should not distract focus away from inequality of outcomes.** One approach to promoting equality focuses exclusively on the idea of creating equal opportunities for all. This approach seeks to level the playing field so that gender, ethnicity, birthplace, family background and other characteristics that are beyond an individual's control do not influence or harm a person's future perspectives,³⁴ ensuring that all people are "equally enabled to make the best of such powers as they possess".³⁵ A focus on opportunities, however, should not distract from the importance of observed inequality of outcomes. Indeed, high levels of inequality make it much more difficult to ensure equal opportunities for the next generation. Hence, high levels of inequality today tend to reduce social mobility tomorrow. As pointed out by the late inequality expert Anthony B. Atkinson, "if we are concerned about equality of opportunity tomorrow, we need to be concerned about inequality of outcome today".³⁶

The growth of income inequality

- 26. The inequality in household incomes (income inequality) reflects many other correlated or underlying forms of inequality.** Income inequality has moved to the centre of policy debates in recent years. Income inequality, however, is related to many other forms of inequality – inequality of opportunity, or inequality of access to health services or education, for example. To some extent, therefore, income inequality is like a prism, which reveals many other forms of inequality, including those generated in the world of work.
- 27. Levels of income inequality within countries vary widely and are highest in some developing countries.** Income inequality is frequently measured through the so-called Gini coefficient, a measure which ranges from 0 in a perfectly equal society in which everyone has the same income to 100 in the most unequal society in which one person possesses all the income. In practice, the Gini coefficient of disposable household incomes varies from less than 25 in countries with the lowest level of inequality to more than 60 in those with the highest level. The Gini coefficient tends to reach higher levels, and also reveals greater variability, in poorer countries.³⁷ For example, no high-income country has a Gini coefficient in excess of 40, while this level is exceeded in numerous developing countries. High-income

³⁴ See the World Bank [website](#).

³⁵ This definition is by Tawney, quoted in Atkinson, *Inequality: What Can Be Done?* 9.

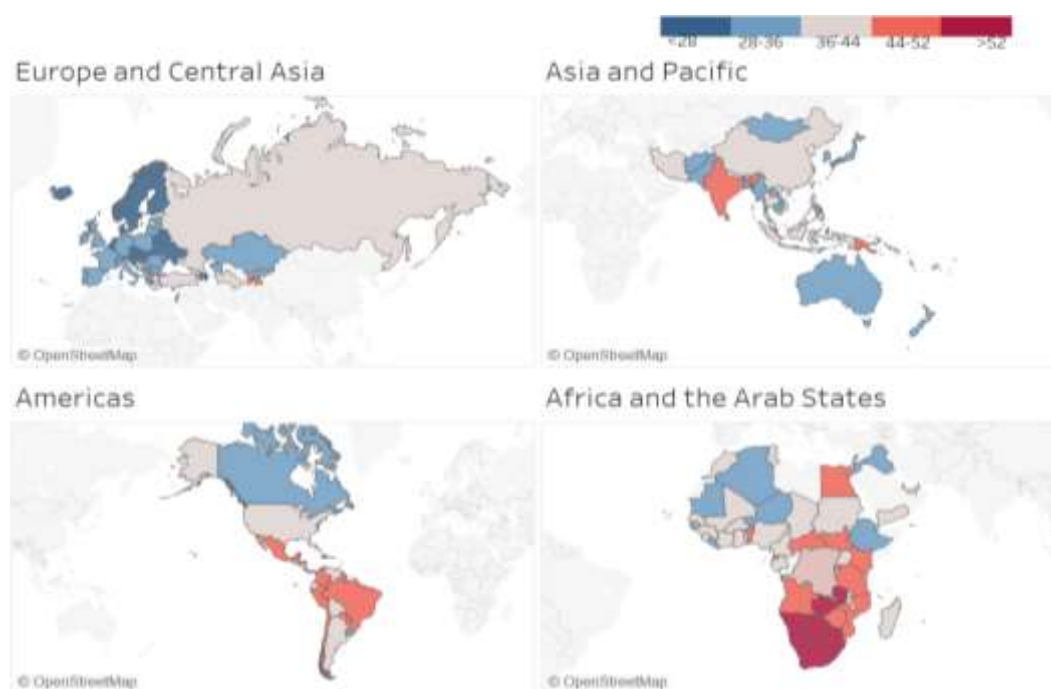
³⁶ Atkinson, *Inequality: What Can Be Done?*

³⁷ Carlotta Balestra et al., "Inequalities in Emerging Economies: Informing the Policy Dialogue on Inclusive Growth", OECD Statistics Working Papers 2018/13, 2018.

countries have an average Gini coefficient of around 32, whereas low- and middle-income countries have an average Gini coefficient of around 40.³⁸

- 28. In spite of successes in reducing income inequality in a number of countries, Latin America and Africa remain the two most unequal regions in the world.**³⁹ Both regions have the largest proportion of countries with relatively high levels of income inequality, as measured by both the Gini coefficient (figure 1) and by the share of total income held by the top 10 per cent of income earners (figure 2). In Latin America, as a result of stronger than average income growth for low-income households, levels of income inequality decreased from a high base after the 1990s in various countries,⁴⁰ including significant declines in the Plurinational State of Bolivia, Brazil, Ecuador, Nicaragua and Peru. In Africa, where data remain scarce, income inequality trends since the 1990s have been mixed – with inequality levels apparently increasing in Rwanda and South Africa,⁴¹ yet decreasing in Burkina Faso and Malawi, for example.⁴² In Asia, where inequality levels remain on average lower than in Africa and Latin America, income inequality has increased in countries such as China and India, where economic growth has led to poverty reduction but also to far higher income dispersion since the 1990s.

► **Figure 1. Income inequality by country in different regions (Gini coefficient)**



Note: This data set homogenizes observations from different sources. Data are for 2016 or 2015 in most cases.

Source: Frederick Solt, "The Standardized World Income Inequality Database", in *Social Science Quarterly* 97, No. 5 (2016), 1267–1281.

³⁸ ILO calculations based on: Frederick Solt, "Standardized World Income Inequality Database 2018", accessed 5 October 2020.

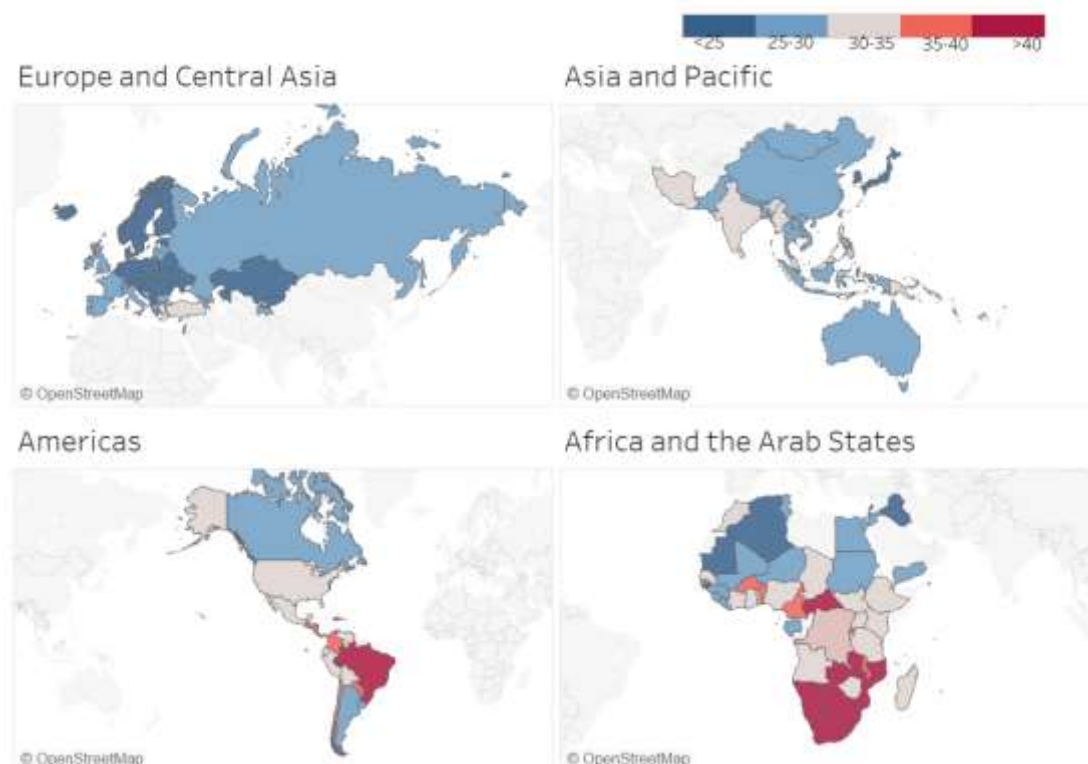
³⁹ See also World Bank, *Taking On Inequality*; and Gabriel Zucman, "Global Wealth Inequality", *Annual Review of Economics*, 2019, 11, 109–138. Zucman argues that measures of income shares among the wealthy elite underestimate the rise of inequality because financial globalization makes it difficult to measure wealth at the top.

⁴⁰ Julián Messina and Joana Silva, *Wage Inequality in Latin America: Understanding the Past to Prepare for the Future* (World Bank, 2018).

⁴¹ World Bank, *Taking On Inequality*, 11.

⁴² Solt, "Standardized World Income Inequality Database".

► **Figure 2. Share of income held by the top 10 per cent in different regions**



Source: World Bank, “Income Share Held by Highest 10 per cent”, World Development Indicators database, accessed 10 February 2020.

29. **Since the 1980s, income inequality has increased in a majority of countries, particularly in high-income countries.**⁴³ In OECD countries, the average incomes of the top 10 per cent reached almost ten times those of the bottom 10 per cent, compared to a ratio of 7 to 1 in the 1980s.⁴⁴ Also, the Gini measure of income inequality for industrialized countries increased, on average, by 3 percentage points (from 30 to 33) between 1988 and 2008.⁴⁵ From 1990 to 2015, inequality measured by the Gini coefficient increased in 77 out of 140 countries (figure 3). There is nevertheless inter-country heterogeneity. In France, the level of income inequality measured by the Gini coefficient has remained steady since the 1980s, while in the United Kingdom of Great Britain and Northern Ireland, it increased markedly in the 1980s to a relatively high level, then plateaued and has partially declined in recent years. Furthermore, levels of income inequality increased considerably more in North America than in Europe.⁴⁶

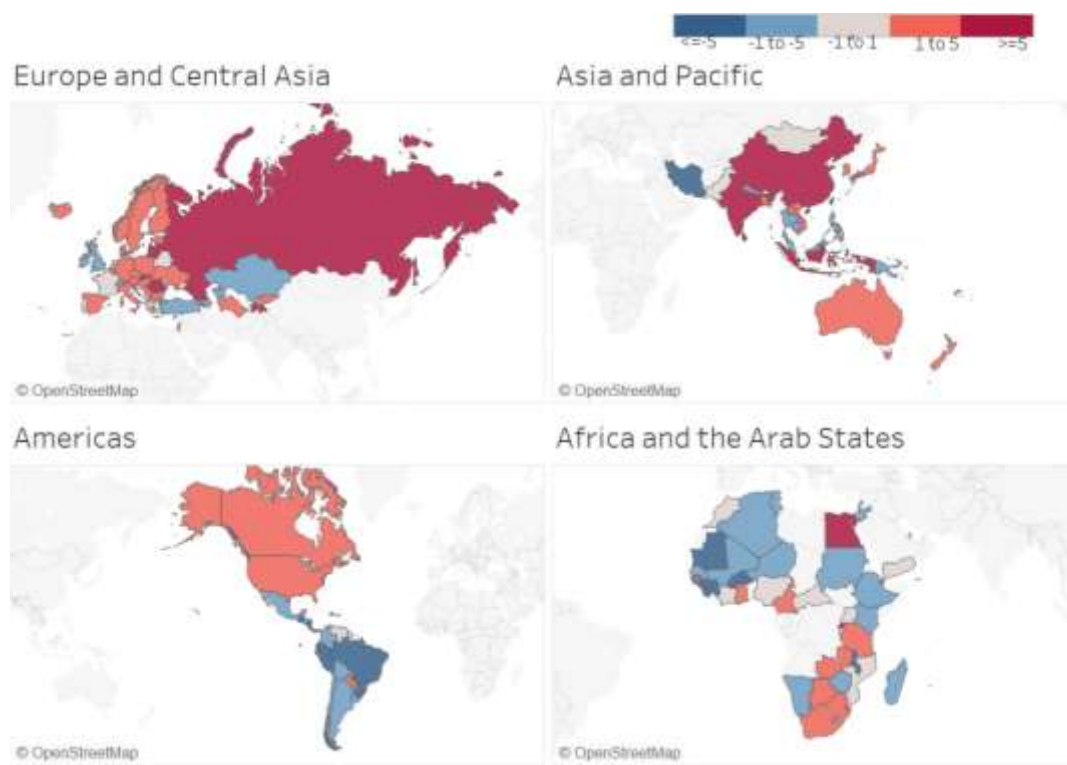
⁴³ See also Salvatore Morelli et al., “Post-1970 Trends in Within-Country Inequality and Poverty: Rich and Middle-Income Countries”, *Handbook of Income Distribution 2*, (2015), 593–696.

⁴⁴ OECD, “Understanding the Socio-economic Divide in Europe”, 2017.

⁴⁵ World Bank, *Taking On Inequality*.

⁴⁶ Facundo Alvaredo et al. (eds), *World Inequality Report 2018* (Belknap Press, 2018).

► **Figure 3. Evolution of the Gini coefficient, 1990–2015**



Note: <= -5: Decrease in Gini coefficient of 5 or more percentage points; -1 to -5: Decrease of between 1 and 5 percentage points; -1 to 1: Decrease of 1 percentage point to increase of 1 percentage point; 1 to 5: Increase of between 1 and 5 percentage points; >=5: increase of 5 or more percentage points.

Source: Frederick Solt, "Standardized World Income Inequality Database 2018", accessed 5 October 2020.

- 30. In many high-income countries, the trend towards higher levels of income inequality was accompanied by a progressive erosion of the middle class.**⁴⁷ The OECD estimates that, on average, the share of people who live in middle-income households (defined as households earning between 75 and 200 per cent of median national income) fell from 64 per cent in the mid-1980s to 61 per cent in the mid-2010s. The change was largest in Canada, Finland, Germany, Israel, Luxembourg, Sweden and the United States of America.⁴⁸ Because house prices have risen three times faster than median household income over the last two decades, younger generations born and raised in middle-income households in these countries are finding it challenging to reproduce a middle-class lifestyle.⁴⁹
- 31. Although the focus of this report is on inequalities *within* countries, global income inequality also remains an enormous challenge.** Data from the World Inequality Database⁵⁰ show that, while income growth in many emerging economies, including China and India, vastly outpaced growth in high-income countries, the shares of total income captured by the richest and the poorest in the world have diverged since the 1980s. By disaggregating global income trends into each percentile of the world distribution of

⁴⁷ Daniel Vaughan-Whitehead (ed.), *Europe's Disappearing Middle Class? Evidence from the World of Work* (Edward Elgar/ILO, 2016).

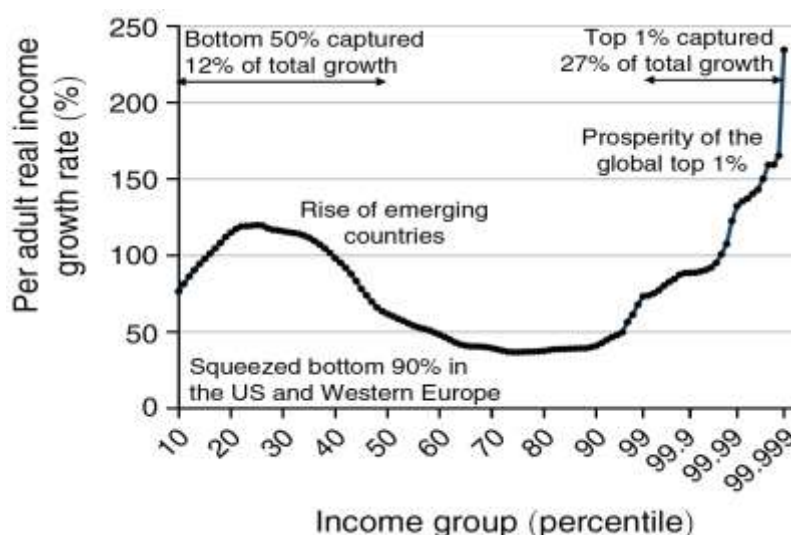
⁴⁸ OECD, *Under Pressure*.

⁴⁹ For the United States, see Robert B. Reich, *Saving Capitalism: For the Many, Not The Few* (Vintage, 2016).

⁵⁰ See the [World Inequality Database](#).

income from poorest to richest, it is possible to appreciate how differential patterns of income growth feed into a world picture of income inequality. This widely recognized picture, known as the “elephant curve” of global inequality,⁵¹ is shown in figure 4. It reveals that, since the 1980s, cumulated income growth has been the most marked for the richest, relatively weaker for the poorest (mostly in sub-Saharan Africa), and much weaker for the group between the 70th and the 90th percentiles (due to a modest income growth for the poor and middle classes in high-income countries). Fast income growth in large middle-income countries such as China and India is reflected around the 20th percentile, although it is also much more limited than the cumulated income growth experienced by the richest. However, recent analyses have shown a slowdown in total income growth for the top 1 per cent since the financial crisis of 2008.⁵²

► **Figure 4. The elephant curve: Total income growth by percentile across all world regions, 1980–2016**



Note: Real income growth refers to growth for each percentile of the population. The bottom percentiles are excluded because their income is close to zero.

Source: Facundo Alvaredo et al., “Global Inequality and Policy: The Elephant Curve of Global Inequality and Growth”, *AEA Papers and Proceedings* 108, figure 2 (2018).

32. Prior to the COVID-19 crisis, economic and productivity growth in emerging economies had lifted 1.2 billion people out of extreme poverty – but unfortunately the crisis will push millions of people back into poverty. The share of the world population living in extreme poverty (on less than US\$1.90 a day at purchasing power parity) was reduced substantially in recent decades from 36 per cent in 1990 to 9 per cent in 2017 – representing a fall from 1.9 billion to 689 million people.⁵³ The bulk of the reduction was due to improved incomes in the East Asia and Pacific region, which accounted for around half of the world’s extreme poor in 1990 yet had almost eliminated extreme poverty by 2017.

⁵¹ Developed initially by Christoph Lakner and Branko Milanovic, “Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession”, *The World Bank Economic Review* No. 30(2) (2016), 203–232.

⁵² Branko Milanovic, “Elephant Who Lost its Trunk: Continued Growth in Asia, but the Slowdown in Top 1% Growth after the Financial Crisis”, *VOX, CEPR*, October 2020.

⁵³ The data in this paragraph are sourced from World Bank, *Poverty and Shared Prosperity 2020: Reversals of Fortune*, 2020.

Unfortunately, because of the COVID-19 crisis, global poverty is expected to increase considerably again, reversing some of the gains for the first time in over two decades.⁵⁴

The uneven profile of inequalities within countries

- 33. In most regions of the world, women are over-represented among the poorest people and under-represented among the richest.** World Bank data analysis suggests that women are especially penalized in the South Asia and East Asia and the Pacific regions,⁵⁵ which likely reflects unequal access to quality education, inequalities and injustices in labour market participation and gender earnings gaps in those regions (see Chapter 2). This is problematic not only in terms of social justice for women, but also because poverty among women is more likely to expose children to severe health and food deprivation.⁵⁶ The UNDP's Gender Social Norms Index suggests that the majority of women in most countries in the world still suffer as a result of discriminatory beliefs, including the belief that university is more important for a man than for a woman and that men should have more right to a job than women.⁵⁷ This also feeds into significant gender inequality in control over assets, such as capital or land, resulting in women's under-representation among the world's richest. Several countries do not grant married men and women equal ownership rights to property. The COVID-19 pandemic and associated recession is exacerbating existing inequalities in women's and men's paid and unpaid work, including care work, and risks reversing international progress towards gender equality.⁵⁸
- 34. Some particular groups – ethnic or racial groups, indigenous and tribal peoples, and migrants – tend to be over-represented among low-income households and suffer disproportionately from inequality.** In 2015, in South Africa, 40 per cent of overall income inequality could be explained by race.⁵⁹ In Brazil, the incidence of low income is lowest for white men and highest for Afro-Brazilian women.⁶⁰ In the United States, African-Americans and Hispanics have, on average, the lowest household incomes.⁶¹ In Malaysia, the reduction in income inequality between 2002 and 2014 reflected to a large extent the

⁵⁴ Mohamed Buheji et al., "The Extent of COVID-19 Pandemic Socio-Economic Impact on Global Poverty: A Global Integrative Multidisciplinary Review", *American Journal of Economics* 10.4 (2020), 213–224.

David Laborde, Will John Martin and Rob Vos, "Estimating the Poverty Impact of COVID-19: The MIRAGRODEP and POVANA frameworks", International Food Policy Research Institute Technical Note, 2020.

Andy Sumner, Chris Hoy and Eduardo Ortiz-Juarez, "Estimates of the Impact of COVID-19 on Global Poverty", UNU-WIDER Working Paper 2020/43, 2020, 800–809.

Giovanni Valentini, "COVID-19 and Global Poverty: Are LDCs Being Left Behind?" *The European Journal of Development Research* 32.5 (2020), 1535–1557.

World Bank, "Projected Poverty Impacts of COVID-19 (coronavirus)", June 2020.

⁵⁵ World Bank, *Poverty and Shared Prosperity 2020* (figure 3.7).

⁵⁶ Hans Ekbrand and Björn Halleröd, "The More Gender Equity, The Less Child Poverty? A Multilevel Analysis of Malnutrition and Health Deprivation in 49 Low- and Middle-Income Countries", *World Development* 108 (2018), 221–230.

⁵⁷ A survey of 31 countries revealed that Australia, the Netherlands, Spain and Sweden were the only countries where the share of men showing no apparent gender bias in their answers in respect of specific indicators was close to or more than half. See UNDP, *2020 Human Development Perspectives: Tackling Social Norms: A Game Changer for Gender Inequalities*, 2020.

⁵⁸ ILO, "ILO Monitor: COVID-19 and the World of Work". Fifth edition, June 2020; ILO, *The Women at Work Initiative: The Push for Equality*, ILC.107/DG/I(B), 2018.

⁵⁹ World Bank, *South Africa Economic Update: Jobs and Inequality*, 2018, 26.

⁶⁰ ISSC, IDS and UNESCO, *World Social Science Report 2016: Challenging Inequalities – Pathways To A Just World*, 2016, 56.

⁶¹ Rakesh Kochhar and Anthony Cilluffo, "Key Findings on the Rise in Income Inequality within America's Racial and Ethnic Groups", Pew Research Center, 12 July 2018.

reduced income gap between different ethnic groups.⁶² The burden of inequality is also more likely to be shouldered by indigenous and tribal peoples, who continue to face discrimination, exclusion and marginalization around the world.⁶³ The ILO estimates that there are 477 million indigenous people worldwide, representing 6 per cent of the world's population, but accounting for 19 per cent of the extreme poor.⁶⁴ Migrants also make up a relatively large proportion of low-income households in many countries, although migrant workers often have high labour force participation rates. In Europe, migrants from outside the European Union (EU) face a risk of poverty that is multiple times higher than that of EU nationals and tend to have lower average income levels.⁶⁵ In the Arab States, the subregion with the largest proportion of migrant workers, the income gap between migrants and nationals is particularly high.

- 35. Spatial inequalities, particularly between rural and urban areas, but also between larger and smaller cities and richer and poorer regions, are also contributing to a growing sense of fractured and unequal societies.** Four out of five people in poverty live in rural areas.⁶⁶ Given that the rural population represent 48 per cent of the global population, this amounts to an overwhelming penalty against rural life. Moreover, the over-representation of poor people living in rural areas has increased in recent years. In certain regions, the share is much higher (for example, in South Asia and sub-Saharan Africa), reflecting the relatively low level of urbanization in many countries in these regions and the high share of employment in agriculture.⁶⁷ Not only are there significant income gaps between urban and rural areas, residents of rural areas also face more unequal access to public services, including schools and healthcare, and unequal digital access. In an analysis of 65 middle- and low-income countries, urban-rural inequality accounted for 40 per cent of all inequality, which is a significant share.⁶⁸ Such spatial inequality tends to lead to rural-urban migration.

The importance and limitations of redistribution through taxes and transfers and through public social services

- 36. A country's system of tax and transfers can redistribute income so that households can enjoy greater levels of equality in respect of disposable income.** A household's primary income (or market income⁶⁹) consists of income from employment (wage employment or self-employment) and income from property (such as interest from capital or rent from land). Market income does not take into account taxes or transfers. A household's secondary income (or disposable income) is equal to market income plus transfers from the State (such as child benefits and pensions), minus taxes paid by

⁶² Muhammed Abdul Khalid and Li Yang, "Income Inequality and Ethnic Cleavages in Malaysia: Evidence from Distributional National Accounts (1984–2014)", World Inequality Lab, *Issue Brief* 5, 2019, 4.

⁶³ World Bank, *Indigenous Latin America in the Twenty-First Century: The First Decade*, 2015.

⁶⁴ ILO, *Implementing the ILO Indigenous and Tribal Peoples Convention No. 169: Towards an Inclusive, Sustainable and Just Future*, 2020.

⁶⁵ European Investment Bank, "Migration and the EU: Challenges, Opportunities, the Role of EIB", 13 April 2016.

⁶⁶ World Bank, *Poverty and Shared Prosperity 2020*.

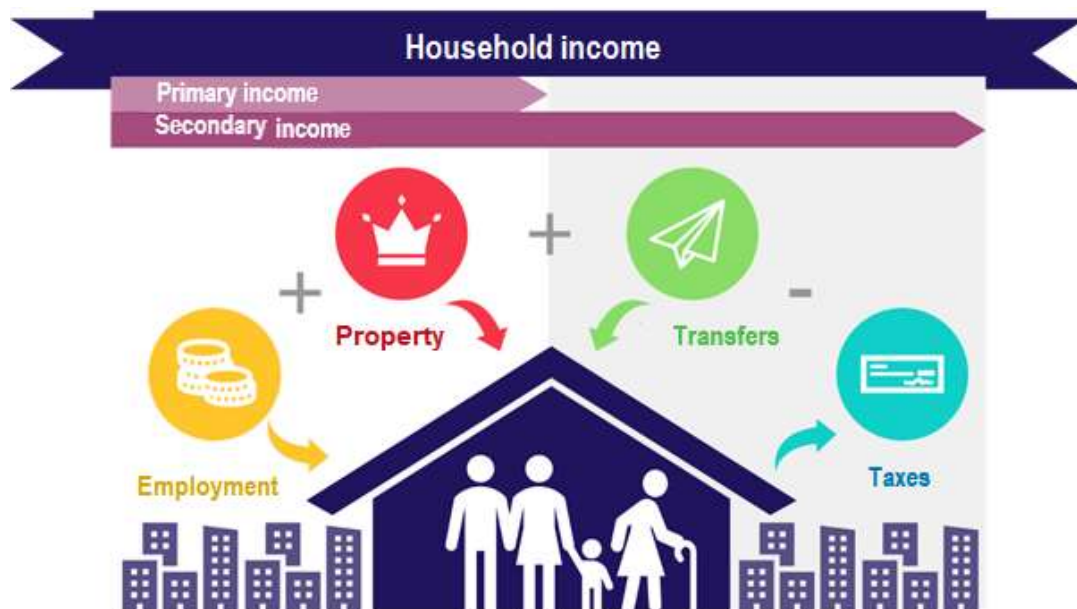
⁶⁷ Work is under way at the World Bank to improve the harmonization of the definition and measurement of "urbanization" in order to improve consistency of estimates across countries; see World Bank, *Poverty and Shared Prosperity 2020*.

⁶⁸ Alwyn Young, "Inequality, the Urban-Rural Gap, and Migration", *The Quarterly Journal of Economics*, 128, No. 4 (2013), 1727–1785.

⁶⁹ The statistical definition of market income differs only slightly from the definition of primary income; the two terms are used synonymously in this report.

households (see figure 5 and the definitions provided in box 1). The incidence of redistribution through tax and transfers on income inequality depends on many factors, including the amount of taxes levied and distributed, and the progressivity of taxation and transfers, in other words the extent to which high-income earners pay a bigger share of their income in taxes than low-income earners and the extent to which, proportionally, transfers benefit low-income families more than high-income families.⁷⁰ In recent years, many countries' tax systems have become less progressive,⁷¹ through the introduction of fewer tax brackets, the reduction of top marginal tax rates or the adoption of flat tax schemes.⁷² On the side of transfers, inequality reductions can be achieved through social security transfers, including benefits for children and families, maternity, unemployment, employment injury, sickness, old age, disability and survivorship, and health protection. Social protection systems address these areas through a mix of contributory schemes (social insurance) and non-contributory tax-financed benefits, including social assistance.⁷³

► **Figure 5. Factors that produce primary and secondary incomes (or “market income” and “disposable income”)**



⁷⁰ See: Keeley Brian, “How Does Income Inequality Affect Our Lives?”, *Income Inequality: The Gap Between Rich and Poor*, Chapter 4, OECD Insights (Paris: OECD Publishing, 2015).

⁷¹ A progressive tax system requires those with higher incomes (or greater wealth) to contribute a larger share of their income (or wealth) to general government revenues. Malte Luebker, “Redistribution Policies”, *Labour Markets, Institutions and Inequality: Building Just Societies in the 21st Century*, ed. Janine Berg (Edward Elgar/ILO, 2015).

⁷² Salvador Barrios et al., “Progressive Tax Reforms in Flat Tax Countries”, Euromod Working Paper Series EM 2/19, 2019.

⁷³ ILO, *World Social Protection Report 2017–19: Universal Social Protection to Achieve the Sustainable Development Goals*, 2017, 2.

► **Box 1. What is household income?**

As stated by the International Conference of Labour Statisticians, “household income consists of all receipts in cash, in kind or in services that are received by the household or by individual members of the household at annual or more frequent intervals, but excludes windfall gains and other such irregular and typically one-time receipts”.¹ According to that definition, the components of household income are:

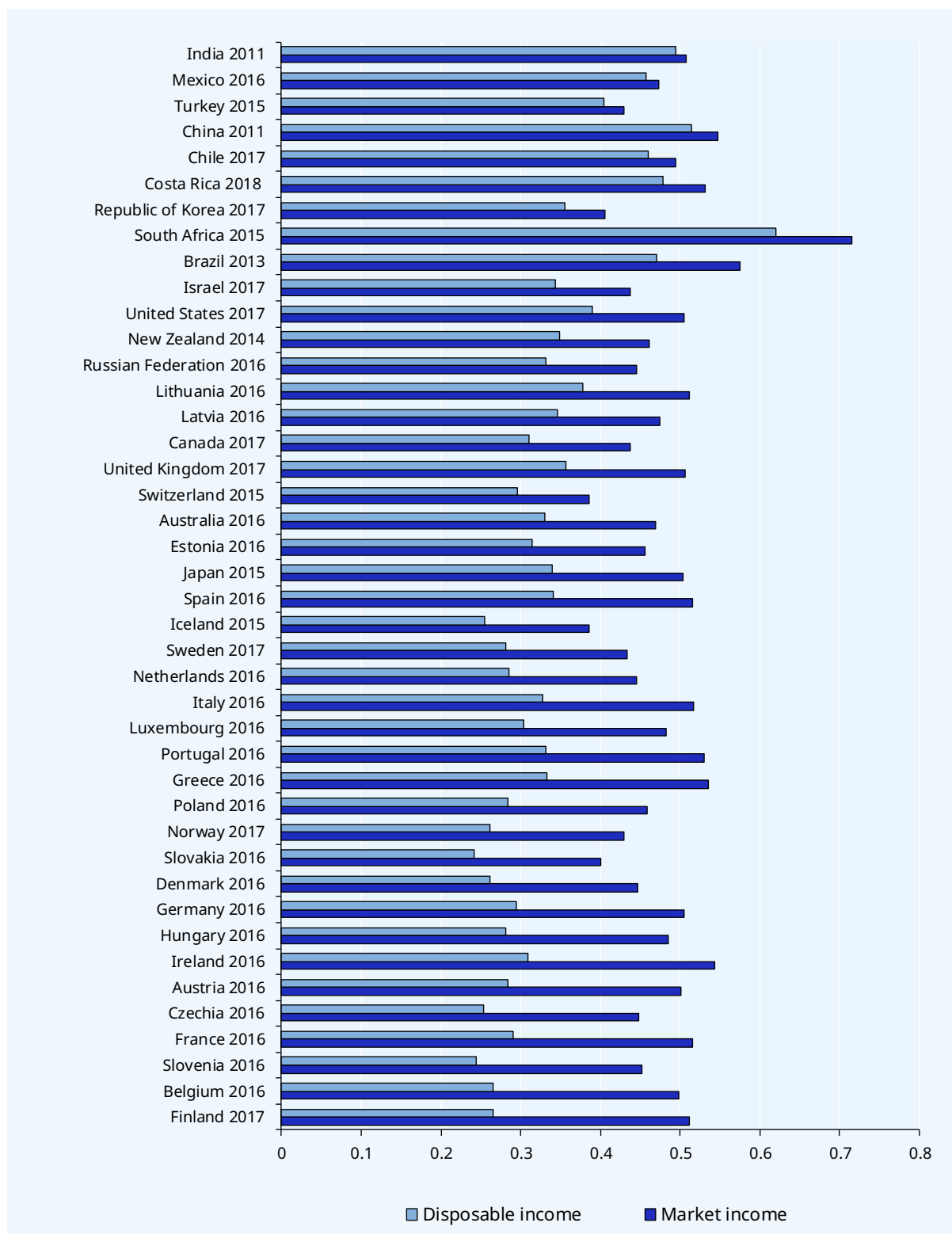
- **Primary income:** Income received from participation in the production process,² representing:
 - *income from employment* (wages, and income from self-employment);
 - *property income*, from non-financial and financial assets (interest, dividends and so on); and
 - *income from the production of household services for own consumption*³ (value of owner-occupied housing services, unpaid domestic services and so on).
- **Secondary income:** Disposable income *after the deduction of taxes* (such as income tax and wealth tax) *and the receipt/deduction of transfer payments* (social contributions, social benefits, social assistance and other social transfers).⁴
- **Tertiary income:** Disposable income adding the benefits of *public expenditure* on healthcare and education, among other activities.⁵

¹ ILO, *Household Income and Expenditure Statistics*, Report II, Seventeenth International Conference of Labour Statisticians, 2003. ² Eurostat, “Glossary: Allocation of primary income account”, n.d. ³ UN Economic Commission for Europe, *Canberra Group Handbook on Household Income Statistics*, 2011. ⁴ Eurostat, “Glossary: Secondary distribution of income account”, n.d. ⁵ UNDP, *Humanity Divided: Confronting Inequality in Developing Countries*, 2013.

37. There are limits on the extent to which the redistribution of incomes alone can reduce or counteract rising levels of inequality. The current trend towards high and rising levels of inequality in many countries poses several challenges. First, in many developing countries, there is relatively limited scope for redistribution through taxes and transfers because of limited fiscal resources, due to high informality. The problem is that the informal economy is largely excluded from tax and transfers and, when it is of a large size, this translates into a low level of tax revenue. It should be noted that, for some of these countries, remittances, which are a form of transfer, could contribute to lower levels of inequality as they represent an important source of income for lower-income households.⁷⁴ Figure 6 shows that there is far less redistribution in countries with lower income levels. Second, in many countries, including those with highly developed tax and transfer systems, inequalities in incomes arising from earnings from work and from capital have grown and the ability to redistribute incomes through taxes and transfers has been diminished.

⁷⁴ Zsóka Kóczán and Franz Loyola, “How do Migration and Remittances Affect Inequality? A Case Study of Mexico”, IMF Working Papers, WP/18/136 (2018).

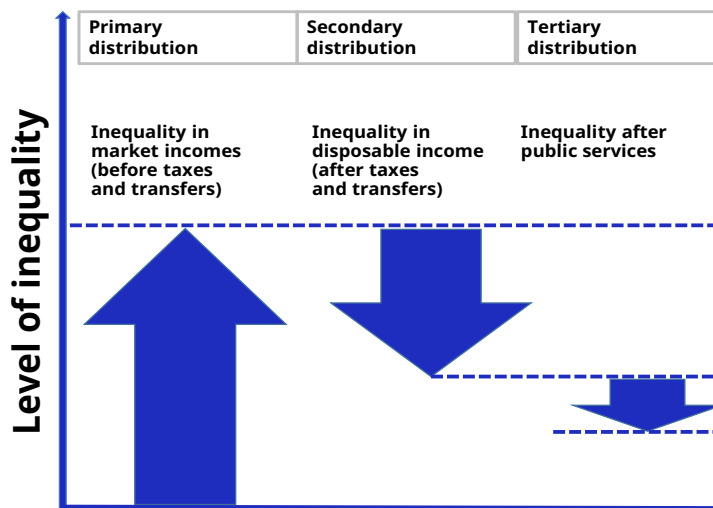
► **Figure 6. Inequality measures of market and disposable incomes** (Gini coefficient, selected countries, latest year, ranked from smallest to largest difference)



Source: OECD Income Distribution Database.

38. **Inequality levels can also be reduced through government expenditure on public social services (see figure 7).** In many countries, people have to pay (but are sometimes unable to pay) considerable amounts to satisfy basic rights and needs such as healthcare or quality education, while, in others, governments provide such services free of charge as a tax-funded public good. The “tertiary income” adds these in-kind benefits and entitlements to the overall net distribution of income (see box 1).⁷⁵ The availability of public social services has a direct bearing on household incomes, as lower-income households who are forced to purchase these services on the market will pay a proportionally larger share of their income than higher-income households. Moreover, a lack of public care services, such as childcare or long-term care for example, affects women’s ability to engage in paid work (given persistent inequalities in who does the care work) and this translates into lower earnings and benefits over their working life.

► **Figure 7. Primary, secondary and tertiary distribution of income**



39. **This first chapter describes how, in many countries, levels of inequality were rising before the COVID-19 crisis, and how the pandemic has further highlighted and deepened inequalities, showing that there is an increasingly urgent need to tackle inequality to ensure a human-centred approach to recovery and the future of work.** Concerns about inequality were already growing before the pandemic but have been further heightened by the COVID-19 crisis. There was increasing evidence prior to COVID-19 that high levels of inequality have negative social, economic and political consequences. The COVID-19 crisis has shown that high levels of inequality also make societies less resilient in the face of health pandemics, giving rise to an alarming feedback loop between inequality and the pandemic – which, unless firm action is taken, may well result in even more dramatic increases in the future.
40. **Income inequality can be reduced by means of redistribution through taxes and the provision of public services, but there are limits to what these measures can achieve.** Furthermore, there exist many different forms of inequality – including gender inequalities and inequalities between different groups – not all of which can be reduced or eliminated through redistribution. Comprehensive measures to tackle and reduce levels of inequality in the world of work are thus necessary.

⁷⁵ Luebker, “Redistribution Policies”.

► Chapter 2

Inequality and the role of the world of work

- 41. The varied and changing world of work plays a key role in influencing inequalities.** Across the world, incomes available after redistribution through taxes, transfers and public social services are characterized by persisting inequalities, which can be combated only through actions to address the primary distribution of incomes. This is because labour markets, labour institutions and the nature of work, whether in the form of paid employment or self-employment, play an important role in influencing inequalities of opportunity, outcome and treatment. Without broad access to work and labour earnings, the main source of income for the majority of households in the world would collapse. Without equality of opportunity and treatment in the labour market there can be no gender equality and no equity between different groups in society. Without closure of the existing gaps in social security, there can be no social protection for all. Without formalization of the informal economy, there can be no access to decent work. Without productivity growth, combined with rising skills and decent work, there can be no upward convergence. Furthermore, while some inequalities are generated within the world of work, other forms of inequality (such as unequal access to quality education, health or housing for example) originate well beyond the world of work; their consequences, however, can be either mitigated or magnified in the world of work.
- 42. This chapter reviews a series of critical and overlapping factors that play a key role in influencing inequalities in the world of work.** While there are many factors that influence the extent of inequality in the world of work, this report cannot be exhaustive, and the chapter focuses on: the unequal distribution of work and labour income; the extent of gender inequality and discrimination in the labour market; the extent of informality as a major source of inequality; productivity levels and differentials between enterprises; gaps in social protection; and the incidence of contractual arrangements on inequalities.
- 43. The chapter also provides information, to the extent possible, on how these existing and overlapping inequalities have been exposed or have evolved since the outbreak of the COVID-19 crisis.** First, workers in low-paid and insecure jobs, or with low earnings from self-employment, have not only been first in line to lose work, but typically they have no savings to rely on and therefore have quickly fallen into poverty after losing work or suffering from ill health. Second, women have been more disadvantaged than men by the COVID-19 shock – not least because they have had greater exposure to COVID-19 at work due to the fact that nursing, social care work and domestic work are performed predominantly by women, they have had to take on more childcare work when schools and childcare services have been closed, and they have borne the brunt of employer responses to reduce working hours. Third, workers outside of formal employment – the vast majority of workers in low-income countries – have often had to continue working despite the high health risks because most of them cannot rely on income replacement or savings. Among each of these groups, young workers, migrants and people from ethnic minorities or from tribal and indigenous communities have been especially disadvantaged. Furthermore, in many formerly sustainable enterprises, productivity levels have collapsed. The COVID-19 crisis has also revealed the large existing gaps in social security coverage, and the urgent need to close these gaps. The chapter also documents possible links between diverse forms of contractual arrangements and inequalities.

The unequal distribution of work and labour income

- 44. Even before the pandemic, unemployment affected millions of people.** Inequalities related to access to productive employment influence many other inequalities that individuals suffer within a society. In 2019, prior to the outbreak of the COVID-19 pandemic, there were already an estimated 188 million people in unemployment around the world, equivalent to an unemployment rate of 5 per cent (6 per cent for women and 5 per cent for men). Moreover, the rate of unemployment was almost three times higher among young people.⁷⁶ When individuals or certain groups are more likely to be unemployed, their income prospects are compromised. In some cases, even when access to employment is obtained, some earn low wages, which do not allow them to meet their basic needs and those of their families, especially in terms of access to food, healthcare, education or decent housing. According to the OECD, an increase of 1 percentage point in the share of employment reduces income inequality (measured by the Gini coefficient) by 0.65 percentage points.⁷⁷ Following the outbreak of the COVID-19 pandemic, those experiencing difficult access to employment or occupying lower paying and insecure jobs have been the most affected by the crisis. Looking at labour market transitions in seven middle and high-income countries during the first two quarters of 2020, compared to the same period of 2019, a recent study found that women, young people, the less educated and lower earners were less likely to keep their jobs, which has contributed to a deepening of pre-existing inequalities and vulnerabilities.⁷⁸
- 45. While unemployment is a widely used indicator, this measure of labour “underutilization” is less useful in countries where informality or inactivity, rather than unemployment, characterize people’s responses to insufficient opportunities for formal economy work.** The ILO has pioneered a more comprehensive measure of labour underutilization, which, in addition to unemployed individuals, takes into account people in work who would like to work more paid hours (“time-related underemployment”) and people out of employment who would like to work but who are not actively searching for a job or are not available for work (“the potential labour force”). In 2019, this composite measure accounted for 13.1 per cent of the global workforce (or 473 million people), a figure that is considerably higher than the rate of unemployment (5 per cent). It included 165 million people in time-related underemployment and an estimated 119 million people in the potential labour force, in addition to the 188 million people who were unemployed.⁷⁹ This measure captures an especially large share of the workforce in low-income countries (a rate of 20 per cent, compared to an unemployment rate of 4 per cent), signalling major obstacles to people’s opportunities to access paid work.
- 46. Among those who work, inequality in the distribution of wages and labour incomes is among the most important determinants of inequality.** In many high-income countries, growing wage inequality – with large gains at the top of the distribution and stagnating or declining relative wages of workers with lower levels of education and skills at the bottom⁸⁰ – has been identified as the single most important factor driving higher income inequality

⁷⁶ ILO, *World Employment and Social Outlook: Trends 2020*, 2020.

⁷⁷ OECD, *Divided We Stand: Why Inequality Keeps Rising*, 2011.

⁷⁸ Janine Berg and Sergei Soares, *Transitions in the Labour Market under COVID-19: Who Endures, Who Doesn’t and the Implications for Inequality*, forthcoming.

⁷⁹ ILO, *World Employment and Social Outlook: Trends 2020*.

⁸⁰ OECD, “Understanding the Socio-economic Divide in Europe”.

in recent decades.⁸¹ This is relatively unsurprising, since wages from paid employment are, in this category of countries, the largest source of household income, accounting for 70–80 per cent on average.⁸² In many countries, growing wage inequality took place alongside job polarization, where the reduction in the number of middle-skilled and middle-paid jobs pushed many workers into low-skilled and low-paid jobs, or out of work entirely.⁸³ In some middle-income countries, a reduction of inequality in labour earnings has contributed to a fall in income inequality. In various Latin American countries, a reduction in wage inequality – as a result of sharp increases in wages at the bottom of the distribution, including through formalization, as well as narrowing wage gaps between urban and rural regions and between ethnic minorities and the majority of the population – has been identified as one of the main drivers of reduced income inequality since the late 1990s.⁸⁴

47. Within countries, certain groups of people tend to have much lower labour incomes, contributing to horizontal inequalities. Particular dynamics of inequalities arise where people belong to multiple groups, generating “intersectionalities” of cumulative disadvantage.⁸⁵ Groups with wage gaps or wage penalties, besides women and informal economy workers (groups that are discussed in the sections below), frequently include:

- **Members of racial or ethnic groups**, who continue to suffer from wage gaps and wage discrimination. In the United States, for example, the racial wage gap against black and Hispanic workers did not improve between 1980 and 2015: it was estimated respectively at 27 and 29 per cent in 1980 and 27 and 31 per cent in 2015.⁸⁶
- **People in rural communities.** Spatial inequality, which tends to lead to rural–urban migration, is characterized by rural wage gaps averaging for instance 32 per cent in the United Republic of Tanzania and 60 per cent in Uganda, when account is taken of differences in education.⁸⁷ In India, 2011–12 data suggest that daily wages in urban areas were more than twice as high as those in rural areas.⁸⁸
- **Migrant workers**, who are also frequently underpaid when compared to nationals with similar characteristics. New ILO data suggest that, in high-income countries, out of an average migrant pay gap of 12.6 per cent, 10 percentage points remain unexplained by differences in labour market characteristics.⁸⁹
- **Persons with disabilities**, who experience lower rates of employment (36 per cent on average compared to 60 per cent for persons without disabilities), and suffer disability

⁸¹ OECD, “Time to Act: Making Inclusive Growth Happen”, OECD Policy Brief, 2017; Luebker, “Redistribution Policies”.

⁸² ILO, *Global Wage Report 2014/15: Wages and Income Inequality*, 2015, xvii; see also: Edward Webster, Imraan Valodia and David Francis (eds), *Towards a Southern Approach to Inequality: Inequality Studies in South Africa and the Global South*, (Routledge, 2020).

⁸³ OECD, *OECD Employment Outlook 2019: The Future of Work*, 2019, box 3.1.

⁸⁴ Messina and Silva, *Wage Inequality in Latin America*; Carlos Rodríguez-Castelán et al., “Understanding the Dynamics of Labor Income Inequality in Latin America”, World Bank Policy Research Working Paper No. 7795, 2016.

⁸⁵ Sheppard, “Multiple Discrimination in the World of Work”.

⁸⁶ Eileen Patten, “Racial, Gender Wage Gaps Persist in U.S. Despite Some Progress”, Pew Research Center, 2016.

⁸⁷ Patricia Jones, Olivia D’Aoust and Louise Bernard, “The Urban Wage Premium in Africa”, *Wage Inequality in Africa*, ed. Shirley Johnson-Lans (Palgrave Macmillan, Cham, 2017).

⁸⁸ ILO, *India Wage Report: Wage Policies for Decent Work and Inclusive Growth*, 2018, 14.

⁸⁹ ILO, *The Migrant Pay Gap: Understanding Wage Differences between Migrants and Nationals*, 2020.

wage gaps (12 per cent in Spain, 14 per cent in the United States and 16 per cent in Chile).⁹⁰

- **Indigenous and tribal peoples**, who earn 18.5 per cent less, on average across the world, than their non-indigenous counterparts, with significant regional variations (31.2 per cent in Latin America and the Caribbean and 7.9 per cent in Northern America).⁹¹

- 48. The COVID-19 crisis has led to a sharp drop in employment and labour earnings, the extent of which varies widely among different categories of workers.** The ILO has estimated that 255 million full-time equivalent jobs were lost in 2020.⁹² This includes losses due to job cuts as well as decreases in the number of hours worked. Without accounting for COVID-19 income support measures, the ILO estimates that global labour income fell by 8.3 per cent in 2020 relative to 2019, amounting to US\$3.7 trillion.⁹³ Many of those who have lost their jobs during the current crisis have left the labour market (71 per cent of employment loss has resulted in inactivity). This is either due to the difficulty of undertaking an active job search when lockdown measures are in place or due to discouragement in the face of unprecedented job losses. This explains why the global unemployment rate remained stable at a rate of 5.4 per cent in 2020, as it does not measure the full extent of the impact that the crisis has had on the ability of people to earn income from employment. In some countries, such as France, the unemployment rate has even fallen due to the increase in inactivity.⁹⁴ Nevertheless, it is interesting to note that those who have managed to secure their jobs and income are mostly in the formal economy and have greatly benefited from social dialogue, including collective bargaining agreements.
- 49. There is evidence in many countries showing that low-paid workers have been more severely affected by the COVID-19 crisis, which has likely deepened pre-existing inequalities.** Sectors that have been categorized as “non-essential” and have therefore been ordered by governments to close as part of their crisis response have been low-paying activities in the economy, such as bars and restaurants, hotels, leisure activities and personal services, including hairdressing and beauty salons. Simulation analysis of the socio-economic composition of workers in closed sectors uniformly identifies them as low paying relative to the economy-wide average. In Europe, the wages in closed sectors are ranked, on average, far lower than average wages.⁹⁵ The ILO has estimated that the lowest-paid 50 per cent of workers in European countries could stand to lose the equivalent of 17.3 per cent of their wages, which is more than twice the estimated loss for all workers (6.5 per cent).⁹⁶ Similarly, a detailed simulation of risk of income losses for households in Latin America finds that the risk is greatest for low- and middle-income households due to their greater reliance on earnings from sectors of the economy which have been either closed or at risk of closure under COVID-19-induced lockdown policies.⁹⁷ Evidence for the

⁹⁰ UN, *Disability and Development Report: Realizing the Sustainable Development Goals by, for and with Persons with Disabilities*, 2018.

⁹¹ ILO, *Implementing the ILO Indigenous and Tribal Peoples Convention No. 169*, 2020.

⁹² ILO, “ILO Monitor: COVID-19 and the World of Work. Seventh edition”, January 2021.

⁹³ ILO, “ILO Monitor. Seventh edition”.

⁹⁴ INSEE, “In Q2 2020, the labour market under the influence of containment”.

⁹⁵ Marta Fana et al., *The COVID Confinement Measures and EU Labour Markets*, JRC Technical Reports, JRC120578, Publications Office of the EU, 2020.

⁹⁶ ILO, *Global Wage Report 2020–21: Wages and Minimum Wages in the Time of COVID-19*, 2020.

⁹⁷ Nora Lustig et al., “The Impact of COVID-19 Lockdowns and Expanded Social Assistance on Inequality, Poverty and Mobility in Argentina, Brazil, Colombia and Mexico”, Center for Global Development, Working Paper 556, 2020.

United States shows that workers in jobs that involve high physical proximity, in addition to having a poor income status, are also, on average, more likely to be less educated, born outside the country, without health insurance and in part-time work than other workers.⁹⁸ Overall, there appears to be a strong association between high economic risks and high health risks among the most disadvantaged workers in society, caused by the COVID-19 pandemic and the accompanying economic collapse.

- 50. In many countries, adverse impacts have been more pronounced for members of groups already over-represented among the working poor, such as the young, members of ethnic and racial minorities, indigenous peoples and workers with disabilities.** Young workers, especially young women, have been particularly hard hit, reflecting in part their less established foothold in the labour market and the customary application by employers of the “last-in, first-out” principle.⁹⁹ The adverse shock of unemployment is long lasting and this “COVID-19 cohort” of young people faces a high risk of being severely penalized (or “scarred”) with regard to future earnings and work opportunities because of the unprecedented and disproportionate challenges it is facing, including disruption to education and training, massive lay-offs, loss of income and jeopardized school-to-work transition for those leaving full-time education.¹⁰⁰ Ethnic minority workers have also been penalized by job losses among poor workers in many countries. In the United States, black, Asian and Hispanic workers have been far more likely to experience job or wage losses than white workers.¹⁰¹ In the Latin American and Caribbean region, the most affected groups, as well as young people, include indigenous people, people of African descent and migrants; these groups are also more likely to suffer fatalities from COVID-19 and discrimination in access to health services.¹⁰²
- 51. Migrant workers concentrated in low-paid work have also been more exposed to risks of job and earnings losses.** In the United States, the rate of job loss during the initial pandemic wave was higher for migrants – especially for undocumented migrants, where one in three lost their job between March and May 2020 – compared to native-born workers.¹⁰³ Similarly, in most European countries, migrants have witnessed steeper falls in employment rates than native-born workers.¹⁰⁴ The crisis will therefore cause a sharp fall in household incomes in low- and middle-income countries as income flows from wealthier countries contract, further aggravating interregional income inequalities. The hardest-hit regions by volume lost are expected to be East Asia and the Pacific and South Asia, with losses of more than US\$20 billion in each region. Many small low-income countries, such as Haiti, Lebanon, Tonga and South Sudan, are facing especially devastating consequences

⁹⁸ Simon Mongey, Laura Pilossoph and Alex Weinberg, “Which Workers Bear the Burden of Social Distancing Policies?” National Bureau of Economic Research Working Paper No. w27085, 2020, (figure 3b).

⁹⁹ ILO, *Youth & COVID-19: Impacts on Jobs, Education, Rights and Mental Well-being*, 2020.

¹⁰⁰ Achim Schmitten and Matthias Umkehrer, “The Scars of Youth: Effects of Early-Career Unemployment on Future Unemployment Experience”, *International Labour Review* 156 No. 3–4 (2017), 465–494; ILO, *Youth & COVID-19: Impacts on Jobs, Education, Rights and Mental Well-being*.

¹⁰¹ Kim Parker, Juliana Menasce Horowitz and Anna Brown, “About Half of Lower-Income Americans Report Household Job or Wage Loss Due to COVID-19”, Pew Research Center, 2020; Susan Houseman, “IZA COVID-19 Crisis Response Monitoring United States”, IZA Institute of Labor Economics, 2020.

¹⁰² UN Economic Commission for Latin America and the Caribbean, *The Social Challenge in Times of COVID-19*, ECLAC Special Report: COVID-19, No. 3, 2020.

¹⁰³ Undocumented migrants in the United States are estimated to account for around one in four migrants. See: George J. Borjas and Hugh Cassidy, “The Adverse Effect of the COVID-19 Labor Market Shock on Immigrant Employment”, National Bureau of Economic Research Working Paper No. w27243, 2020.

¹⁰⁴ OECD, “What Is the Impact of the COVID-19 Pandemic on Immigrants and their Children?” 2020.

because remittance income accounted for more than a third of their gross domestic product (GDP) before the pandemic.¹⁰⁵

- 52. For many workers, the ability to work from home during the COVID-19 crisis has been a welcome option; however, this option is not available to everyone.** Evidence from around the world demonstrates that the possibility to work from home is unequally distributed and tends to amplify existing inequalities by gender, race, education and income, as well as by country due to the global digital divide. Indeed, for all regions of the world, research shows that a disproportionate share of the workers who were least likely to benefit from the opportunity to work from home during the global pandemic were in informal work, were younger and were less educated. In Latin America and the Caribbean, the highest share of feasible remote working¹⁰⁶ is found among high paying, formal jobs, especially in finance and insurance, and the lowest share is in low-paid and informal work, especially in construction and agriculture.¹⁰⁷ Estimates for ten low- and middle-income countries from different regions similarly demonstrate a uniform pattern of working from home by level of income and education, as well as by formal and self-employment status.¹⁰⁸ On average for this ten-country sample, only 3 per cent of those in the poorest households can work from home, a figure that rises to 26 per cent of those in the richest households. Box 2 presents further evidence for individual countries.

► **Box 2. Evidence of relative advantage among workers in jobs able to switch to remote working**

- In Brazil, workers more likely to be able to work from home are estimated to be in the highest quintile of the income distribution, to be in formal employment and to have more than nine years of education.¹
- In Italy, pre-COVID-19, workers at the upper end of the income distribution were far more likely to be able to work at home than those at the middle and lower ends, due in large part to the high share of “working from home feasibility” in finance and insurance, information and communications technology, professional services and public administration. The modelled effects also benefit more workers who are male (further widening the gender pay gap), older (51–64 years old), graduates and higher paid.²
- In the United States, workers that are most likely to switch to remote working are more likely to hold a college degree, to be white or to have been born in the United States and less likely to be poor, without health insurance and to be working in a small firm, which are on average less financially robust than larger firms.³

¹ Isaure Delaporte and Werner Pena, *Working From Home Under COVID-19: Who Is Affected? Evidence from Latin American and Caribbean Countries*. ² Luca Bonacini, Giovanni Gallo and Sergio Scicchitano, “Working From Home and Income Inequality: Risks of a ‘New Normal’ with COVID-19”, *Journal of Population Economics* 34.1 (2021), 303–360. ³ Simon Mongey, Laura Pilossoph and Alex Weinberg, “Which Workers Bear the Burden of Social Distancing Policies?”.

¹⁰⁵ Remittance income flows to East Asia and the Pacific are projected to fall from US\$147 billion in 2019 to US\$126 billion in 2021 and in South Asia from US\$140 billion to US\$120 billion. The share of remittances in a country’s GDP is the highest in Tonga (40 per cent), Haiti (38 per cent), Lebanon (36 per cent) and South Sudan (35 per cent). See: World Bank/KNOMAD, “Phase II: COVID-19 Crisis Through a Migration Lens”, *Migration and Development Brief 33*, 2020.

¹⁰⁶ Feasibility to work from home is defined in different ways, with adjustments for developed and developing country contexts. Key measures include: the importance of working with computers; tasks requiring vehicles or equipment; face-to-face interactions; and performance of physical activities. See: Teresa Barbieri, Gaetano Basso and Sergio Scicchitano, *Italian Workers at Risk during the COVID-19 Epidemic*, Global Labor Organization Discussion Paper 513, 2020; Fernando Saltiel, “Who Can Work from Home in Developing Countries?” *COVID Economics* 7, 104–118, 2020.

¹⁰⁷ Isaure Delaporte and Werner Pena, “Working From Home Under COVID-19: Who is Affected? Evidence from Latin American and Caribbean Countries (April 1, 2020)”, *CEPR COVID Economics* 14, 2020.

¹⁰⁸ Saltiel, “Who Can Work From Home in Developing Countries?”.

53. High quality digital infrastructure is a prerequisite for productive remote working, but unequal investments across countries mean that many workers in low- and middle-income countries are denied the potential protections offered by remote working. Estimated shares of workers able to work from home are far lower in low- and middle-income countries than in high-income countries. For example, it is estimated that less than one in ten workers in Ghana and the Lao People's Democratic Republic are in jobs that can be performed from home, compared to around one in three workers in Luxembourg, Sweden and the United Kingdom.¹⁰⁹ This association between a country's living standards, including the level of informality, and possibilities for remote working also holds within regions.

The extent of informality as a major source of inequality

54. Informality is one of the main reasons for often very high levels of inequality in developing countries. Across the world, 2 billion workers, representing 61.2 per cent of the world's employed population, are in informal employment.¹¹⁰ Independent workers (with or without employees) make up 47.7 per cent of workers in informal employment, employees represent 36.2 per cent and contributing family workers, 16.1 per cent. Reducing informality is thus often a prerequisite for lowering inequality. This is illustrated, for example, by the experience of the many Latin American countries where income inequality has declined since the late 1990s. Argentina, Brazil, Mexico, Peru and Uruguay experienced large reductions in informality, which became an important factor behind changes in income inequality.¹¹¹

55. Drivers of informality are multiple. They relate to the economic and institutional environment, such as the inability of the economy to create quality jobs, an inadequate regulatory framework or a lack of transparency and accountability of public institutions. They also relate to the characteristics – that often interact – of the persons or enterprises concerned, such as the level of education, poverty or productivity and, of course, their underlying factors. Such underlying factors are numerous and include the lack of formal recognition as an individual (the lack of a birth certificate or identity card), the lack of property rights or of clear ownership of assets, or the lack of access to formal banking, all of which are both a form of inequality and increase other forms of inequality. Possible causes of informality also include hazardous events such as climate catastrophes or pandemics.

56. The informal economy exists in all countries but is far more prevalent in developing and emerging countries, where many individuals work as own-account workers or casual wage earners in the informal economy. Informality covers a wide range of

¹⁰⁹ Saltiel, "Who Can Work From Home in Developing Countries?"; Marta Fana, Sergio Torrejón Pérez and Enrique Fernández-Macías, "Employment Impact of COVID-19 Crisis: From Short Term Effects to Long Term Prospects", *Journal of Industrial and Business Economics* 47.3 (2020), 391–410.

¹¹⁰ ILO, *Women and Men in the Informal Economy: A Statistical Picture*, Third edition, 2018, 13.

¹¹¹ Messina and Silva, *Wage Inequality in Latin America*, 58. See also: Francisco H.G. Ferreira, Sergio P. Firpo and Julián Messina, "Ageing Poorly? Accounting for the Decline in Earnings Inequality in Brazil, 1995–2012", World Bank Policy Research Working Paper No. 8018, 2017, who find that the reduction of the wage gap between formal and informal work from 1995 to 2012 in Brazil contributed to a reduction of 1.7 points out of the 9-point reduction in the Gini measure of income inequality. A significant impact in Uruguay is also reported by: Verónica Amarante, Rodrigo Arim and Mijail Yapor, "Decomposing Inequality Changes in Uruguay: The Role of Formalization in the Labor Market", *IZA Journal of Labor & Development* 5, No. 1 (2016), 13.

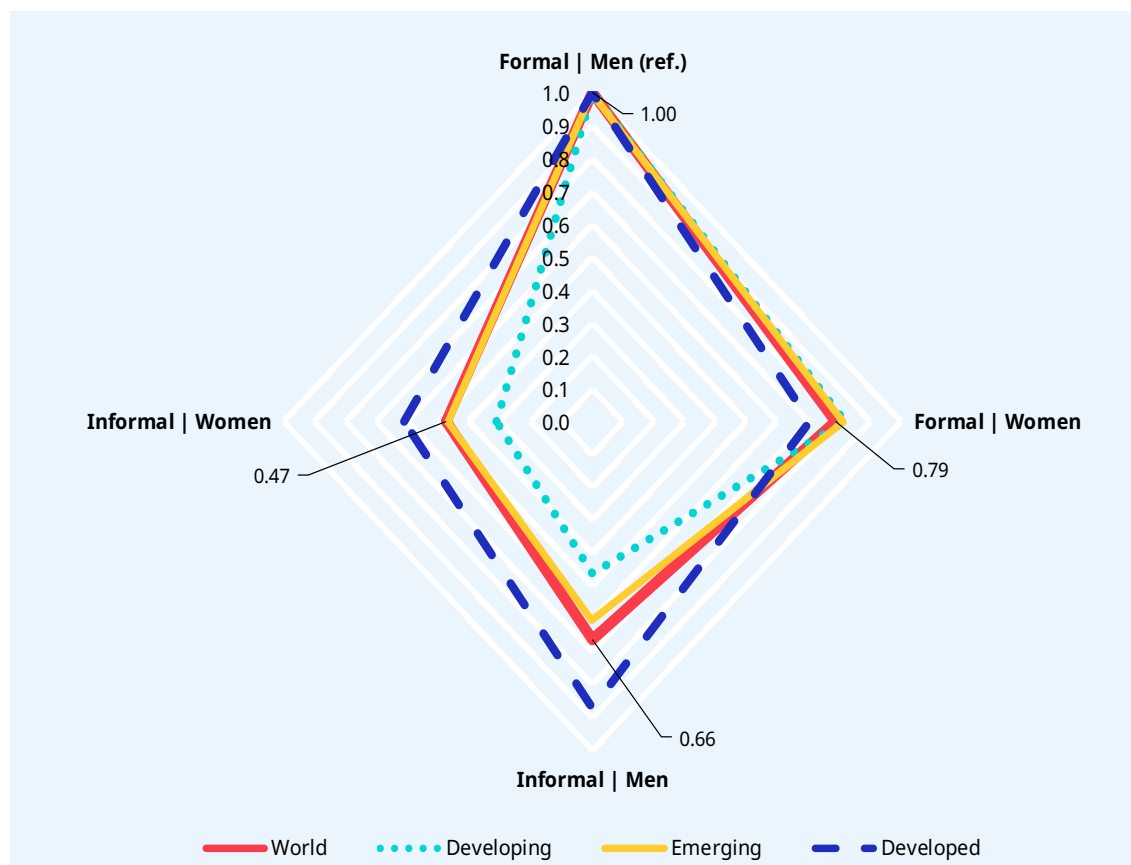
situations, but all share at least one important characteristic: workers¹¹² are not legally recognized or are insufficiently protected under the relevant legal and regulatory frameworks or in practice, and as a result tend to face a higher degree of vulnerability, including to external shocks and economic cycles. For most workers, operating in the informal economy is usually associated with low productivity, higher exposure to health and safety risks without appropriate protection, lack of representation, poor access to training and retraining, and income insecurity from both work and social protection. In addition, informal economy workers face a lack of legal ownership of key assets (such as land, houses and workplaces), which has strong negative consequences on their ability to develop their activities and to increase their labour income and standard of living. Informal enterprises fall outside the scope of regulation, which means that they do not benefit from the advantages and are not confronted with the obligations that this entails.¹¹³ Deliberate avoidance of, or exit from, the formal economy for the purpose of evading taxation and the application of social and labour laws and regulations, can be the choice not only of some informal enterprises but also of formal ones and leads to unfair competition between enterprises and has a negative impact on the protection of workers. Informal economy workers, whether in the formal sector, informal sector or in households, tend to be located at the lower end of the income distribution, and many live in poverty.

- 57. Workers engaged in informal employment, particularly women, earn on average substantially less than formally employed workers.** Globally, 724 million wage workers are in informal wage employment. This includes, for example, domestic workers, casual wage workers and workers in microenterprises. On a worldwide basis, earnings of workers in informal wage employment are 62 per cent of the earnings of a wage worker in the formal economy. However, variations by gender are significant. As illustrated by figure 8, a woman employee in informal employment earns on average 47 per cent of the monthly wage of a man in formal employment; a man in informal wage employment earns the equivalent of 66 per cent; and a woman in formal wage employment makes on average 79 per cent compared to her male counterpart. The relative average monthly wages of women employees who are informally employed compared to men in formal wage employment are lowest in developing countries. Labour incomes in the informal economy tend to be even lower for the 954 million independent workers and for the 322 million contributing family workers than for wage employees. This reinforces the labour income gap between informal and formal economy workers.

¹¹² The term “workers” is used here to refer to all people in employment: employees, independent workers with or without employees and contributing family workers.

¹¹³ ILO, *Decent Work and the Informal Economy*, ILC.90/VI, 2002.

► **Figure 8. Ratio of average monthly wages of women in formal and informal wage employment, and of men in informal wage employment, to the monthly wage of men in formal employment**



Note: Global estimates weighted by the number of employees. Based on data from 92 countries representing 81 per cent of global employment (66 per cent of total employment in developing countries, 87 per cent in emerging countries and 65 per cent in developed countries). The ILO's common operational definition of informal employment was applied (see ILO, *Women and Men in the Informal Economy*, box 2).

Source: ILO calculations based on national household survey micro data sets.

58. For the vast majority of households working in the informal economy, low labour earnings translate into low household incomes; thus, in-work poverty is particularly high among informal economy workers. An ILO/OECD study based on an analysis of household income composition in 19 developing and emerging countries in 2015 found that, in 17 of the countries for which data are available, labour income is the main source of household income for households dependent on the informal economy. In addition, informal workers (either wage workers, independent workers or contributing family workers) are twice as likely as formal workers to be poor.¹¹⁴ In developing and emerging countries, the share of the working poor stands at about 20 per cent for formal workers and nearly 42 per cent for informal workers, on average, using the international poverty line of 3.10 international dollars at purchasing power parity.¹¹⁵ With the exclusion of agriculture, poverty levels stand at 15.1 per cent in formal employment and 31.3 per cent in informal employment.

¹¹⁴ ILO, *Women and Men in the Informal Economy*.

¹¹⁵ ILO unweighted estimates based on 29 countries for which comparable data are available.

- 59. Low earnings and a high incidence of poverty in the informal economy largely reflect the low productivity of informal employment.** The vast majority of enterprises in the informal economy are small units. Over 75 per cent of total informal employment takes place in businesses of fewer than ten workers, including 45 per cent of independent workers without employees.¹¹⁶ On average, labour productivity is more than two times lower in enterprises in the informal economy compared to enterprises in the formal economy.¹¹⁷ This reflects in part the lack of access to financial services, which results in capital constraints and operations below the efficient scale of production for informal enterprises, and a lack of access to business development services, markets and key public goods. Other drivers that explain productivity gaps are the lack of legal ownership for property and assets, lack of access to justice, lack of ability to enter into and enforce contracts, an increased exposure to corruption and abuse, as well as low levels of education among both business owners and employees in enterprises in the informal economy. In developing and emerging countries, nearly 55 per cent of all workers in enterprises in the informal economy have either no education or only primary education, compared to 15.5 per cent among workers in enterprises in the formal economy. Two thirds of own-account workers operating informally have, at best, a primary level of education. The proportion of low-educated employers operating informally is more than double that of those operating a formal business (37.6 per cent compared to 14.0 per cent).
- 60. Because workers in the informal economy are usually not covered by income replacement benefits, they are highly vulnerable to income poverty in the event of a loss in labour earnings, for example due to their higher exposure to health and safety risks.**¹¹⁸ Before the COVID-19 crisis, 100 million people were falling into poverty every year as a result of catastrophic health expenses in the absence of quality public healthcare services and efficient financial protection mechanisms in respect of health. Analysis has shown that even non-catastrophic health expenditure was having a significant impoverishing effect, with the population in the lowest income quintile being overly exposed to impoverishment when seeking care.¹¹⁹ The situation was further exacerbated when the rural-urban divide in access to healthcare services was taken into account.
- 61. The situation has since worsened with the outbreak of the COVID-19 crisis, with those working in the informal economy being more likely than those in the formal economy either to fall into poverty or to become more deeply impoverished.** The greater vulnerability of informal economy workers to job and income losses results in large part from their work in the hardest-hit sectors, especially in low-income countries and in lower-middle-income countries where the share of informal employment significantly affected (as a percentage of total employment) is respectively estimated at 68 per cent and 80 per cent of total employment.¹²⁰ In addition, most informal enterprises have low productivity, low rates of savings and investment, and negligible capital accumulation, making them particularly vulnerable to economic shocks, and they are often excluded from COVID-19 crisis-related short-term financial assistance programmes for businesses. Because of the lack of social protection coverage for most informal economy workers, the loss of labour

¹¹⁶ ILO, *Women and Men in the Informal Economy*; Florence Bonnet, ed., *Facts on Business Formality*, forthcoming.

¹¹⁷ ILO/OECD, *Tackling Vulnerability in the Informal Economy*, 2019.

¹¹⁸ ILO/OECD, *Tackling Vulnerability in the Informal Economy*.

¹¹⁹ ILO, *Building the Future of Social Protection for a Human-Centred World of Work*, ILC.109/V (2021).

¹²⁰ ILO, "ILO Monitor: COVID-19 and the World of Work. Third edition", April 2020 (figure 4).

earnings is not compensated.¹²¹ Consequently, worldwide, the share of informal workers in relative poverty was projected to double during the first month of the crisis (from 26 per cent to 59 per cent), while in low- and lower-middle income countries it was projected to escalate from 18 per cent to 74 per cent, assuming no recourse to alternative income sources.¹²² Simulations of job losses, for Bangladesh, India and Pakistan show that COVID-19 job losses have been disproportionately concentrated not only among informal workers, but also among the poorest workers living in urban locations; in general, higher earners have been far more insulated from the shock than poorer workers.

62. Workers in informal employment lack basic protections and this generates a vicious cycle of vulnerability, ill health, virus transmission at work and incapacity of the State and other actors to combat the pandemic and its socio-economic consequences.

During the pandemic, many informal workers without access to healthcare, sickness benefits and unemployment benefits have been facing the dilemma of whether to continue to work despite the high health risks or whether to stay at home and fall behind with living costs.¹²³ Continuing to work while sick – a reality that is not unique to the current crisis for most of these workers – poses not only a danger for the workers themselves, but it also undermines the overall effort to contain the propagation of the virus. While the informal economy operates in all countries around the world, it accounts for the majority of work in most developing and emerging countries and it is in these countries where a calamitous rise in impoverishment, hunger and illness is occurring. Moreover, more than any other labour market indicator, it is the large size of the informal economy that undermines the resilience of a country to deal with an external shock. In addition to the fact that workers in the informal economy are highly vulnerable to economic shocks, a large informal economy makes it impossible for the governments of developing and emerging countries to grow a tax base to support effective fiscal policy interventions, as witnessed by the limited resources available to protect workers and their families during the pandemic through job and income retention schemes.¹²⁴ Poverty is therefore expected to rise disproportionately more in low- and lower-middle income countries as a result of the COVID-19 crisis. Moreover, these countries will face a longer road to recovery because they are less able to finance the necessary health, education and infrastructure transformations coming out of the crisis.

63. Despite having become more visible during the pandemic, some informal economy workers providing essential services have been disproportionately exposed to health risks in the absence of decent protection.

Street vendors, for example, often work in crowded public spaces where the risk of contagion is very high and access to clean water and hand sanitizers is difficult. An assessment conducted at the outset of the crisis found that some street vendors in Peru were sleeping on the ground outside the market rather than returning home to avoid transmitting the virus to their family.¹²⁵ Waste pickers also face very high exposure to the virus because they handle materials, including medical waste, that may be contaminated.¹²⁶ The largely informal domestic workforce, which is

¹²¹ Aleksandra Webb, Ronald McQuaid and Sigrid Rand, "Employment in the Informal Economy: Implications of the COVID-19 Pandemic", *International Journal of Sociology and Social Policy*, 2020.

¹²² ILO, "ILO Monitor. Third edition".

¹²³ Marty Chen, "To Die From Hunger or the Virus: An All Too Real Dilemma for the Poor in India (and Elsewhere)", WIEGO blog.

¹²⁴ Jayati Ghosh, "Messages From 'Fiscal Space'", Project Syndicate.

¹²⁵ WIEGO, "Impact of Public Health Measures on Informal Workers' Livelihoods and Health", 2020.

¹²⁶ WIEGO, "Waste Pickers: Essential Service Providers at High Risk".

composed predominantly of women, is exposed to the virus in clients' homes and many domestic workers are working longer shifts with the extra demands for cleaning, cooking and disinfecting when entire families are at home all day. This affects a huge share of the female workforce in some regions – around one in three women workers in the Arab States and one in four women workers in Latin America are employed in domestic work, for example.¹²⁷

- 64. Lack of social protection during the COVID-19 pandemic has been catastrophic for informal workers and informal enterprises.** While some businesses and governments have extended protections during the pandemic, many groups of informal workers have been excluded.¹²⁸ Similarly, informal enterprises have been largely bypassed by government measures to support businesses, since they often fall outside the scope of government programmes and policies. Unable to count on the protection that social insurance provides, many informal workers have found themselves forced to continue working, when possible, despite the risk that this poses to their health and that of their families. Indeed, most of them could not afford to stop working, as this would mean that they would not be able to meet their most essential needs, especially that of paying for their food.¹²⁹ Where complete lockdowns or curfews have closed informal markets and vending sites, the incomes of many informal workers have been eliminated at a stroke, especially those of street vendors, putting them in very precarious food insecurity situations. Informal home-based workers, producing goods or services for local, domestic or global supply chains, have lost commercial engagements for work from client businesses and in many cases have been unable to collect payments from previous, completed orders as markets have collapsed.¹³⁰ Across South Asia, where more than three in four workers are informal, small businesses and informal workers have suffered the most devastating losses of incomes and jobs.¹³¹ Evidence for the Latin American and Caribbean region similarly shows that the higher the share of informality in the country, the greater the reported loss of livelihoods, whether caused by a lost job or a closed business.¹³²

Productivity levels and differentials between enterprises

- 65. Sustained productivity growth and inclusive and sustainable economic growth are the main drivers of the development process, and a necessary condition for the creation of formal employment, the reduction of poverty and the reduction of inequality through upward convergence in which average incomes are increased and income distribution is narrowed.** Indeed, “historically nothing has worked better than economic growth in enabling societies to improve the life chances of their members, including those

¹²⁷ According to ILO 2013 data; see ILO, *Social Protection for Domestic Workers: Key Policy Trends and Statistics*, Social Protection Policy Papers, Paper 16, 2016.

¹²⁸ ILO, “[Extending Social Protection to Informal Workers in the COVID-19 Crisis: Country Responses and Policy Considerations](#)”, ILO brief: Social Protection Spotlight, 2020.

¹²⁹ ILO, *Extending Social Protection to Informal Workers in the COVID-19 Crisis*.

¹³⁰ For the results of a COVID-19 survey on garment industry employers and workers in Bangladesh, see: Mark Anner, “Squeezing Workers’ Rights in Global Supply Chains: Purchasing Practices in the Bangladesh Garment Export Sector in Comparative Perspective”, *Review of International Political Economy* 27, No. 2 (2020), 320–347.

¹³¹ World Bank, *Beaten or Broken? Informality and COVID-19 in South Asia*, 2020.

¹³² Nicolas Botton, Bridget Hoffmann and Diego Vera-Cossio, *The Unequal Impact of the Coronavirus Pandemic: Evidence from Seventeen Developing Countries*, PLoS one 15, No. 10 (2020): e0239797 (figure 2). The study reports the results of online household surveys in 17 countries in Latin America and the Caribbean conducted during March and April 2020.

at the very bottom".¹³³ History shows that in all cases where an economy has successfully caught up, the State has played an enabling role, including by building markets, nurturing enterprises, encouraging technical upgrading, supporting learning processes and the accumulation of capabilities, removing infrastructural bottlenecks to growth, reforming agriculture and providing finance.¹³⁴ Increased productivity is also a prerequisite in most parts of the world for a significant reduction in informality and the creation of more and better jobs in the formal economy¹³⁵ – a process that can contribute to lower inequality.

- 66. Productivity growth is determined by a wide range of factors, some of which are within an enterprise's control while others are external and related to a conducive business environment.** Internal, or within-enterprise, factors relate to the decisions made to manage and allocate available resources for production in an efficient way. They depend on, among other factors, innovation dynamics, the quality of management, product diversification and the levels of skills of the workforce. External productivity drivers concern the interrelation between macroeconomic policies, the labour market and investment climate, institutions and regulatory frameworks, sectoral policies, physical and digital infrastructure, education policy and workforce-development programmes. In addition, they include elements such as the allocation of public funding through development banking for productive entrepreneurship, credit to the private sector through the financial system and alternative funding options, local innovation systems and investment in research and development, protection of property rights, domestic market development, trade policy, and anti-trust and fair-competition policies.¹³⁶
- 67. However, the relationship between productivity growth and inequality within countries is complex.** Many studies have examined how the process of economic development affects inequality. One widespread hypothesis considers that, as a small highly productive sector emerges, economic development initially goes hand-in-hand with a widening of inequalities, which can only decline once the level of development is more advanced and the sector reaches a critical size.¹³⁷ Others have pointed out that this theory is not an "immutable law" of development, and that much in reality depends on the pattern of economic growth and on how the fruits of productivity growth are shared.¹³⁸ In several African countries, for example, despite significant economic growth, there has not been commensurate growth in formal employment. Most new jobs have been created in the informal economy – notably in rural areas.¹³⁹

¹³³ Dani Rodrik, *One Economics, Many Recipes: Globalization, Institutions, and Economic Growth* (Princeton University Press, 2007), 2.

¹³⁴ José M. Salazar-Xirinachs, Irmgard Nübler and Richard Kozul-Wright (eds), *Transforming Economies: Making industrial policy work for growth, jobs and development* (ILO/UNCTAD, 2014).

¹³⁵ Xavier Cirera and William F. Maloney, *The Innovation Paradox: Developing-Country Capabilities and the Unrealized Promise of Technological Catch-Up* (World Bank Group, 2017).

¹³⁶ Gianluca Oricchio et al., *SME Funding: The Role of Shadow Banking and Alternative Funding Options* (Palgrave Macmillan, 2017).

¹³⁷ W. Arthur Lewis, "Economic Development with Unlimited Supplies of Labour", *The Manchester School* 22, No. 2 (1954), 139–191; Simon Kuznets, "Economic Growth and Income Inequality", *The American Economic Review* 45, No. 1 (1955), 1–28.

¹³⁸ See, for example: Sangheon Lee and Megan Gerecke, "Economic Development and Inequality: Revisiting the Kuznets Curve", *Labour Markets, Institutions and Inequality: Building Just Societies in the 21st Century*, ed. Janine Berg (Edward Elgar/ILO, 2015).

¹³⁹ ILO, *Transitioning to Formality in the Rural Informal Economy*, Decent Work in the Rural Informal Economy, Policy Guidance Notes, 2019.

- 68. Productivity dispersion and productivity gaps within and between economic sectors can increase inequalities between enterprises and the people who work in these enterprises.** Cross-sectoral variations in productivity are a key determinant of within-country labour income differentials. Empirical evidence shows that the dispersion of enterprise productivity is highly and positively correlated with the dispersion of labour income across enterprises and that productivity divergence across enterprises is associated with an increase in labour income inequality.¹⁴⁰ In various countries, the productivity gap between the most and least productive firms, and between the top-paying and bottom-paying firms, has increased in recent decades. As a result, wage inequality has grown faster in economic sectors in which the productivity gap has widened the most.¹⁴¹ In other words, the wider the productivity dispersion within and between economic sectors, the larger the difference between workers' wages at the bottom of the wage distribution and that of workers at the higher end of the distribution.¹⁴² Moreover, there are sometimes enormous productivity differentials between formal and informal enterprises, or between smaller and larger formal enterprises.¹⁴³ In addition, there is growing concern that, in some countries, the most productive enterprises have grown rapidly and gained significant market share due to technological innovation, pulling away from a large majority of other enterprises where productivity and wages have lagged behind.¹⁴⁴ This high market concentration is weakening competition, widening productivity and wage gaps and increasing inequality.^{145, 146}
- 69. Inequality within enterprises also accounts for a major share of total inequality.** Although growing inequality between enterprises has played an important role in recent inequality trends, it is not always the largest contributor to total wage inequality. It has been estimated that in the United States, for example, a larger share of total wage inequality can be attributed to inequality within enterprises than to inequality between enterprises. In Europe, wage inequality within enterprises was estimated to account for slightly less than half of total wage inequality.¹⁴⁷
- 70. The extent to which productivity gains are reflected in wage gains also has an impact on inequality.** It is believed that various factors, including the inequality between enterprises, the growing role of and pressures from financial markets (known as financialization), globalization and new technologies, have contributed in many countries to a growing decoupling of real wage growth and labour productivity growth (figure 9), as

¹⁴⁰ OECD, "Promoting Productivity and Equality: A Twin Challenge", *OECD Economic Outlook*, Volume 2016 Issue 1, Chapter 2, 2016.

¹⁴¹ Giuseppe Berlingieri, Patrick Blanchenay and Chiara Criscuolo, *The Great Divergence(s)*, OECD Science, Technology and Industry Policy Papers No. 39, 2017.

¹⁴² Berlingieri, Blanchenay and Criscuolo (2017) find a positive correlation between wage dispersion and productivity dispersion within country-sectors. An increase of one standard deviation in the dispersion of log productivity is associated with an increase of log wage dispersion by 35.8 per cent. For a detailed discussion see: Berlingieri, Blanchenay and Criscuolo, *The Great Divergence(s)*.

¹⁴³ Dino Merotto, Michael Weber and Reyes Aterido, *Pathways to Better Jobs in IDA Countries*, World Bank Job Series No. 14, 2018; ILO, *Global Wage Report 2016/17: Wage Inequality in the Workplace*, 2017.

¹⁴⁴ Chiara Criscuolo, "Productivity Is Soaring at Top Firms and Sluggish Everywhere Else", *Harvard Business Review*, August 2015.

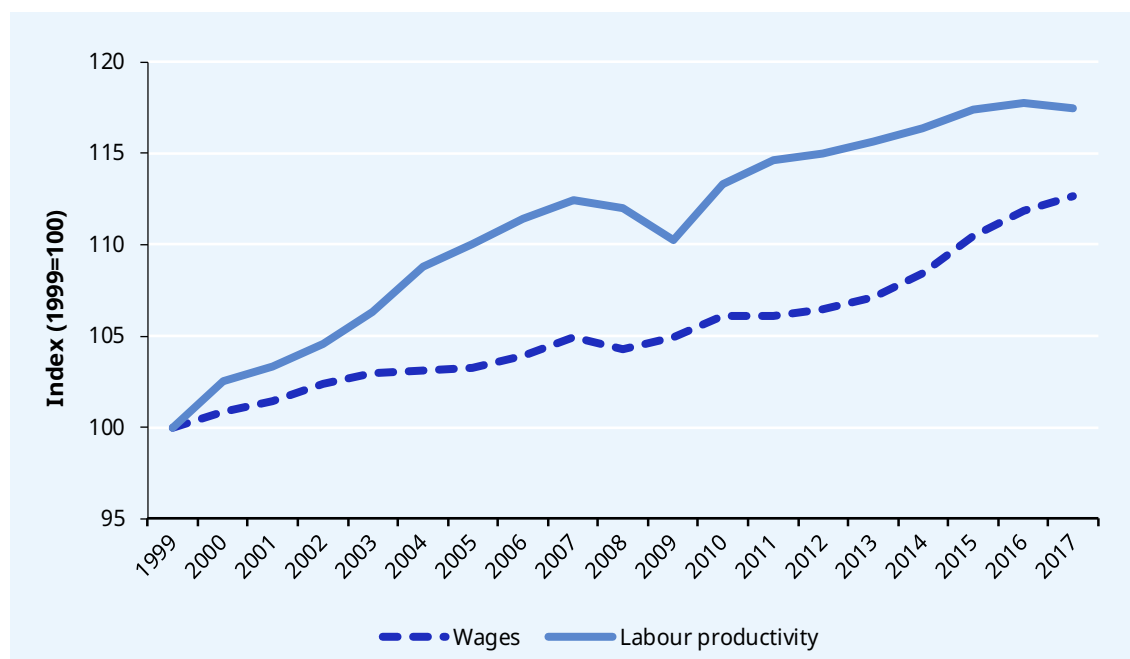
¹⁴⁵ OECD, *Market Concentration*, Issues paper by the Secretariat, Competition Committee, DAF/COMP/WD(2018)46, 2018.

¹⁴⁶ For a state-of-the-art review, see Emili Grifell-Tatjé, C.A. Knox Lovell and Robin C. Sickles, "Overview of Productivity Analysis: History, Issues and Perspectives", *The Oxford Handbook of Productivity Analysis*, ed. Grifell-Tatjé, Knox Lovell and Sickles (Oxford University Press, 2018).

¹⁴⁷ ILO, *ILO Global Wage Report 2016/17*.

well as to the declining labour income share (the share of labour incomes in GDP). However, there is still a positive relationship between wage and productivity growth, as sustained real wage growth is generally dependent on rising productivity.¹⁴⁸

► **Figure 9. Trends in average real wages and labour productivity in high-income countries, 1999–2017**



Source: ILO, *Global Wage Report 2018/19: What Lies Behind Gender Pay Gaps*, 2018.

71. The environmental sustainability of growth is also key, as risks and hazards associated with environmental degradation tend to affect low-income households the most. The world of work is tightly linked to the natural environment. Jobs in many sectors¹⁴⁹ rely directly or indirectly on natural resources, ecosystem services, the absence of environmental hazards, and environmental stability. These jobs are threatened by the increasing scarcity of natural resources and environmental degradation, which negatively affect workers' health, income, food and fuel security, as well as their productivity. For example, some workers in agriculture are increasingly suffering from changing rain patterns, natural hazards and higher temperatures resulting from climate change. Between 2000 and 2015, natural disasters caused or exacerbated by human activity resulted in a global loss of working-life years equivalent to 0.8 per cent of a year's work, and lower-income countries experienced the greatest per capita effects.¹⁵⁰ The risks and hazards associated with environmental degradation tend to have the greatest impact on women and workers in groups in situations of vulnerability in low- and middle-income countries, including informal economy workers, migrant workers, people in poverty, indigenous and tribal peoples and other disadvantaged groups, thereby generating, exacerbating and

¹⁴⁸ There are debates about how the gap between wage and productivity growth should be measured; see Michael R. Strain, "The Link Between Wages and Productivity is Strong", *Expanding Economic Opportunity for More Americans*, eds Melissa Kearney and Amy Ganz (The Aspen Institute, 2019).

¹⁴⁹ For example, agriculture, fisheries, forestry, tourism, mining and fossil fuel-based energy, pharmaceuticals, textiles, and food and beverages.

¹⁵⁰ ILO, *World Employment and Social Outlook 2018*, 2.

perpetuating inequality.¹⁵¹ This is because people in poverty, especially in rural areas, rely more directly on the provision of ecosystem services for their livelihoods and well-being.¹⁵² Moreover, these workers have a lower capacity to adapt to environmental shocks. Gender differences in social and economic roles and responsibilities exacerbate the vulnerability of women, who often have less access than men to resources that can enable them to adapt to climate change, including land, credit, agricultural inputs, decision-making bodies, technology, social insurance and training.¹⁵³

- 72. The COVID-19 crisis has created a disconnect between the performance of the stock market and the real economy.** The experience of the United States, home to the world's largest stock market, is significant. After a sharp fall in February–March 2020, unprecedented monetary policy actions drove asset prices up, as they improved the outlook for enterprises, and consequently the United States stock market recovered rapidly while economic growth and employment rates exhibited a more sluggish recovery.¹⁵⁴ Europe, which also announced monetary policies of unprecedented scale in mid-March 2020, had a similar experience. Such a disconnect could widen the gulf between the private fortunes of the wealthiest individuals and corporations, and the public debts of nations and their citizens.
- 73. The COVID-19 crisis has affected the performance of different sectors and enterprises unequally, sparing or boosting some of them while others have had to face the consequences of extreme lockdown measures.**¹⁵⁵ While enterprises in the arts, hospitality and tourism sectors and in some parts of manufacturing have seen their activities stopped, other enterprises, such as those involved in the production of essential goods and supplies (food or pharmaceutical products), have been less affected.¹⁵⁶ Digitalized enterprises have fared much better than many others during the crisis, as people around the world with a digital connection for work or leisure have likely boosted the sales of enterprises that provide video conferencing tools, video-on-demand platforms or online shopping.
- 74. Another divide concerns micro and small enterprises and the self-employed, in both formal and informal economies, as these have been more adversely affected by the COVID-19 crisis than large enterprises.** The consequences have been most severe in low- and middle-income countries, where employment dependent on own-account work or on microenterprises accounts for between 80 and 90 per cent of all employment and most of this is informal work.¹⁵⁷ Moreover, micro and small enterprises and the self-employed are disproportionately at risk from the COVID-19 crisis in many of the sectors that have been closed under lockdown measures. In Africa and Southern Asia, for example, around eight in ten workers at risk are either own-account workers or work in microenterprises. In the wholesale and retail sectors, the share rises to more than nine out of every ten workers in

¹⁵¹ ILO, *World Employment and Social Outlook 2018*, 17.

¹⁵² Helen Suich, Caroline Howe and Georgina Mace, “Ecosystem Services and Poverty Alleviation: A Review of the Empirical Links”, *Ecosystem Services* 12 (2015), 137–147.

¹⁵³ ILO, *Gender, Labour and a Just Transition Towards Environmentally Sustainable Economies and Societies for All*, 2017; ILO, *World Employment and Social Outlook 2018*.

¹⁵⁴ See, also, Deniz Igan, Divya Kirti and Soledad Martinez Peria, *The Disconnect between Financial Markets and the Real Economy*, IMF Special Notes Series on COVID-19, 2020.

¹⁵⁵ Chris Bradley et al., “The Great Acceleration”, McKinsey & Company, 14 July 2020.

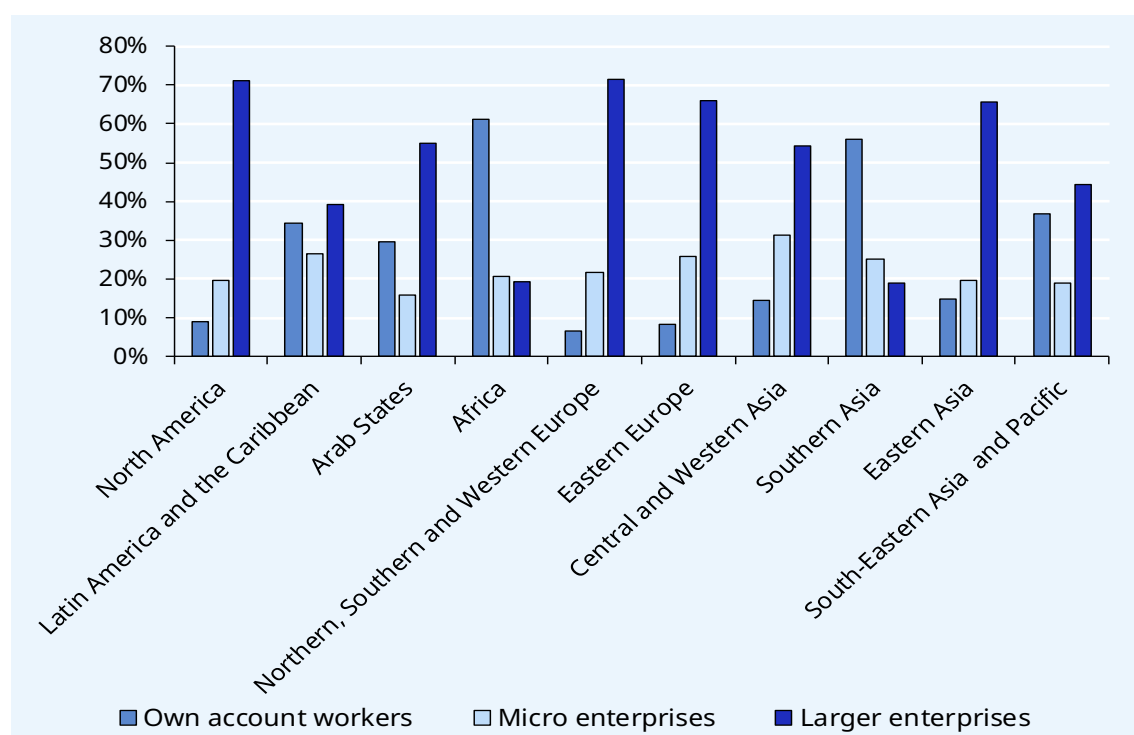
¹⁵⁶ UNCTAD, *Impact of the COVID-19 Pandemic on Trade and Development: Transitioning to a New Normal*, 2020.

¹⁵⁷ ILO, *Small Matters: Global Evidence on the Contribution to Employment by the Self-Employed, Micro-Enterprises and SMEs*, 2019.

both regions (figure 10). In developed regions, although the self-employed and microenterprises account for a smaller share of total employment, they are nevertheless over-represented among sectors affected by the crisis.¹⁵⁸ This matters because they are less likely to be reached by public policies aiming to reduce the impact of the pandemic and are more financially fragile – with fewer assets (savings or access to bank loans) to prevent bankruptcy.¹⁵⁹

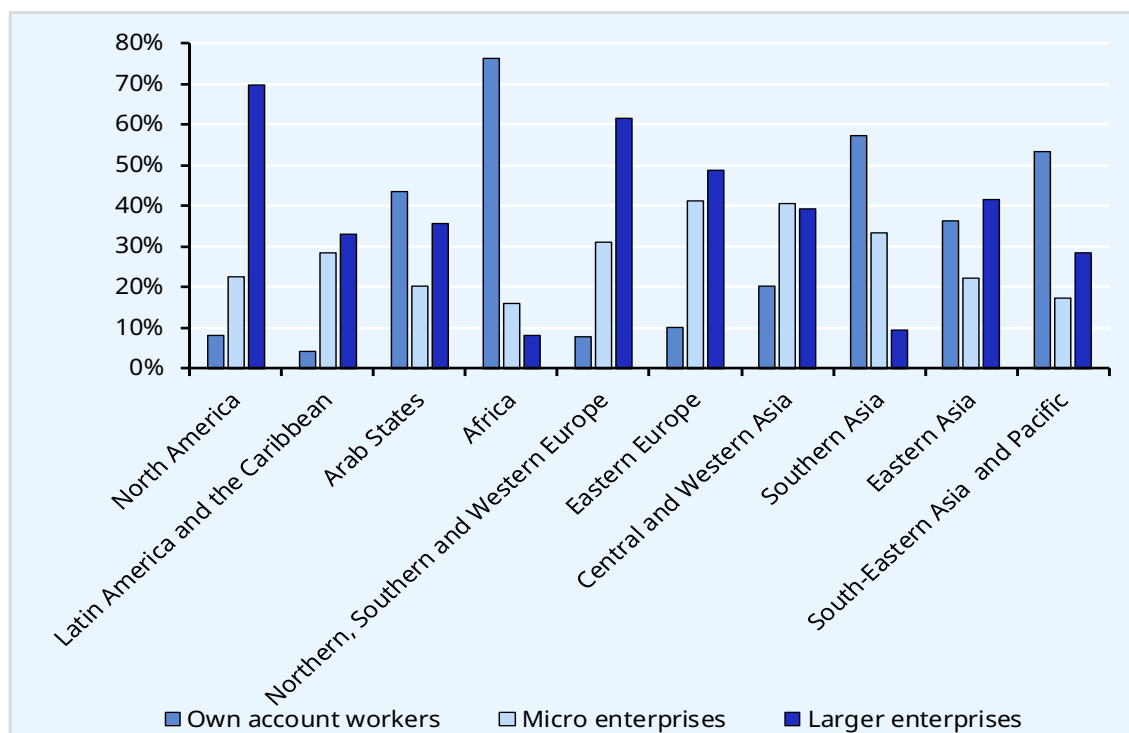
► **Figure 10. Share of jobs in sectors at risk from the COVID-19 crisis, by region and enterprise type**

(a) All sectors at risk



¹⁵⁸ OECD, *OECD Policy Responses to Coronavirus (COVID-19) – Coronavirus (COVID-19): SME Policy Responses*, 2020.

¹⁵⁹ Evidence for the United States can be found in: Alexander W. Bartik, et al., “How Are Small Businesses Adjusting to COVID-19? Early Evidence from a Survey”, National Bureau of Economic Research Working Paper No. w26989, 2020; Joseph Parilla, Sifan Liu and Brad Whitehead, “How Local Leaders Can Stave Off a Small Business Collapse from COVID-19?”, *Brookings*, 2020.

(b) Wholesale and retail sector

Notes: Own-account workers are independent workers without employees; microenterprises are enterprises with two to nine workers; Other enterprises are enterprises with ten or more workers. All sectors at risk refers to accommodation and food service activities, arts, entertainment and recreation, construction, manufacturing, real estate, transportation and wholesale and retail trade.

Source: ILO, *Small Matters: Who is Providing Jobs in Sectors at Risk from COVID-19?*

Gender inequality and discrimination in the labour market

- 75. The fact that women and girls face multiple disadvantages and discrimination in the labour market remains a universal phenomenon.** The Discrimination (Employment and Occupation) Convention, 1958 (No. 111), defines discrimination as “any distinction, exclusion or preference” made on the basis of race, colour, sex, religion and other grounds “which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation”. In its empirical assessment, the ILO has identified multiple interrelated factors that contribute to gender bias in the world of work,¹⁶⁰ including the associated gender gaps in employment and wages. These gaps not only represent a source of injustice per se, but, when combined, fundamentally impair the capacity of a country to combat overall inequality. Indeed, increased employment opportunities for women contribute to a more equal distribution of household incomes.¹⁶¹
- 76. Despite many gains in education, women still face an employment gap.** Over the last decades, significant progress in all the regions has permitted gender gaps in enrolment rates in secondary and tertiary education to close in 2014. Women are even over-represented in higher education in developed countries.¹⁶² However, in many countries,

¹⁶⁰ ILO, *A Quantum Leap for Gender Equality*.

¹⁶¹ OECD, *All on Board: Making Inclusive Growth Happen*, 2015; Christian Gonzales et al., “Catalyst for Change: Empowering Women and Tackling Income Inequality”, IMF Staff Discussion Note SDN/15/20, October 2015.

¹⁶² OECD, *The Pursuit of Gender Equality*.

women still face many constraints in respect of engaging in formal employment and are substantially less likely than men to participate in the labour market. In 2018, 1.3 billion women were in employment compared to 2.0 billion men. In other words, women were still 26.0 percentage points less likely to be employed than men. Yet, out of a global sample in 2018, most women (70 per cent) expressed a desire to be in paid employment.¹⁶³ Globally, over the last three decades, the gender employment gap has shrunk by less than 2 percentage points.¹⁶⁴ Participation gaps remain particularly wide in the Arab States, Northern Africa and Southern Asia, where in each case they are in excess of 50 percentage points.¹⁶⁵

77. Women’s ability to engage, remain and progress in paid work is constricted by the unequal division of housework and family responsibilities within the household.

Across the world, women still perform most of the household chores and most unpaid care work, both for the household in general and for elderly family members and children in particular. This has negative consequences for their labour market participation. In middle- or low-income countries, many women seeking paid work are pushed into the informal economy, where they seek work that is flexible in terms of schedule and duration, or undertake home-based work. Indeed, there is a negative relationship between the gender gap in terms of who performs unpaid care work and the rate of women’s employment.¹⁶⁶ Moreover, despite the fact that the “second shift” taken on by women at home in addition to their paid work has demonstrable negative consequences for their health and well-being,¹⁶⁷ this phenomenon persists as “one of the most resilient features of gender inequality”.¹⁶⁸ It is hoped that the evidence of this double burden placed on working mothers, who are especially time-poor, during the global pandemic will make serve as a wake-up call to the world that there is a need for change.

78. The gender pay gap remains high in many countries. Rising education among women and rising and more continuous employment participation have not been matched by a similarly paced closing of the gender pay gap. The gap remains at 19 per cent globally, ranging from 13 per cent in low-income countries to 21 per cent in upper middle-income countries.¹⁶⁹ A decomposition of such a wage gap shows that for the most part it is not attributable to differences in education and other labour market characteristics, but rather to the fact that lower wages are paid to women for work of equal value. Far more significant is the degree of occupational and enterprise gender segregation (since work predominantly performed by women is often undervalued compared to that predominantly performed by men), the application of (and compliance with) equal pay legislation, and adequately resourced and accessible family support policies.¹⁷⁰ Furthermore, although women are

¹⁶³ ILO, *A Quantum Leap for Gender Equality*.

¹⁶⁴ ILO, *A Quantum Leap for Gender Equality*.

¹⁶⁵ ILO, *World Employment and Social Outlook: Trends for Women 2017*, 2017, 1.

¹⁶⁶ ILO, *A Quantum Leap for Gender Equality*, figure 1.16.

¹⁶⁷ Arlie Hochschild and Anne Machung, *The Second Shift: Working Families and the Revolution at Home* (Penguin, 2012). See also: Tarani Chandola et al., “Are flexible work arrangements associated with lower levels of chronic stress-related biomarkers? A study of 6025 employees in the UK household longitudinal study”, *Sociology* 53, No. 4 (2019), 779–799.

¹⁶⁸ ILO, *A Quantum Leap for Gender Equality*, 36.

¹⁶⁹ ILO, *Global Wage Report 2018/19: What Lies Behind Gender Pay Gaps*, 2018.

¹⁷⁰ Barbara F. Reskin and Patricia A. Roos, *Job Queues, Gender Queues: Explaining Women’s Inroads into Male Occupations* (Temple University Press, 1990); Damian Grimshaw and Jill Rubery, *The Motherhood Pay Gap: A Review of the Issues, Theory and International Evidence*, ILO Conditions of Work and Employment Series No. 57, 2015; Hugo Ñopo, *New Century, Old Disparities: Gender and Ethnic Earnings Gaps in Latin America and the Caribbean* (World Bank Publications, 2012).

generally over-represented at the low end of the wage distribution, it is in developing countries that the gender pay gap is highest among the lowest-paid workers.¹⁷¹ In high-income countries, the gender pay gap tends to be largest at the top end of the wage scale because women are generally under-represented in management and executive positions.

- 79. “Intersectionality” can lead to double discrimination or wage penalties.** Indigenous women face a double wage penalty because, besides the gender wage gap suffered by all female workers, indigenous women workers earn on average 8.2 per cent less than their non-indigenous women counterparts.¹⁷² In high-income countries, women migrant workers also face a double wage penalty, both as migrants and as women: they earn 20.9 per cent less than nationals who are men, a gap that is much wider than the aggregate gender pay gap in high-income countries (16.2 per cent).¹⁷³ In the United States, while median earnings for black men are 27 per cent lower than those of white men (2015 figures), the estimated wage gap for black women is much greater, at around 35 per cent, because black women belong to two discriminated groups.¹⁷⁴
- 80. Given the unequal division of household labour, working mothers face both an employment penalty and a wage penalty compared to working women without dependent children and, especially, compared to working fathers.** The gap in employment rates between working mothers and fathers is 43 per cent (up from 41 per cent between 2005 and 2015). Men with children younger than 6 years old are more likely to work than men without children, while the reverse holds true for women in all regions of the world.¹⁷⁵ Also, working mothers earn less than working women without dependent children, and considerably less than working fathers. The motherhood wage gap ranges from 1 per cent in Canada and South Africa to as much as 30 per cent in Turkey. By contrast, fathers tend to earn more than men without dependent children. Lower wages for mothers may result from gender-biased hiring and promotions (conscious and unconscious), the unequal sharing of family duties, limited access to childcare and rigid working-time arrangements.¹⁷⁶
- 81. Violence and harassment have a detrimental impact on women’s participation in employment, on the quality of their jobs and their ability to succeed as entrepreneurs.** Women in care work and domestic work are especially affected, as evidenced also during the current pandemic.¹⁷⁷ Moreover, where workplaces are dominated by women of a particular ethnicity or indigenous background, the evidence points to intersecting forms of discrimination and harassment. Digital technologies provide new opportunities for violence and harassment via cyberbullying and cyberintimidation. This concerns women and men alike, but the way in which they are affected is gender-specific.¹⁷⁸
- 82. The COVID-19 pandemic is exacerbating many of those existing inequalities in women’s and men’s paid and unpaid work, including care work.**¹⁷⁹ All crises have

¹⁷¹ ILO, *Global Wage Report 2018/19*, 49.

¹⁷² ILO, *Implementing the ILO Indigenous and Tribal Peoples Convention No. 169*.

¹⁷³ ILO, “[The Migrant Pay Gap: Understanding Wage Differences Between Migrants and Nationals](#)”, 2020.

¹⁷⁴ Patten, “Racial, Gender Wage Gaps Persist in U.S. Despite Some Progress”.

¹⁷⁵ ILO, *A Quantum Leap for Gender Equality*, figure 1.18.

¹⁷⁶ ILO, *Global Wage Report 2018/19*, xix.

¹⁷⁷ ILO, *The COVID-19 response: Getting gender equality right for a better future for women at work*, 2020.

¹⁷⁸ ILO, *A Quantum Leap for Gender Equality*, 48–49.

¹⁷⁹ ILO, “ILO Monitor: COVID-19 and the world of work. Fifth edition”; ILO, *The Women at Work Initiative*.

gendered effects, but while the economic burden of the global financial crisis of 2008–09 mostly fell on men (due to their over-representation in affected sectors such as banking and construction),¹⁸⁰ the COVID-19 crisis is more disadvantageous for women. Because of pre-crisis sex segregation in employment, women have faced greater exposure to COVID-19 at work in many sectors considered essential during the pandemic, especially in healthcare settings and in homes via domestic work. Early evidence of job losses and cuts to working hours further suggests that women are bearing the brunt of income losses due, in part, to their over-representation in sectors most affected by lockdown measures. Also, because of inequality in relation to who does the unpaid work at home, the closure of schools and childcare services during lockdown, the confinement of families to their household and widespread remote working have meant women work more unpaid hours and face obstacles to continuing in full-time paid work – far more so than men.

- 83. The core of essential work,¹⁸¹ around which everything else depends in this pandemic, has been health and care work where women account for more than seven in ten workers globally.** Women account for a majority of health and social care work in 147 out of 189 countries; if unpaid care work were included, it is likely that women would account for a majority in all countries. Furthermore, it should be noted that many healthcare workers are migrants. In OECD countries, 24.2 per cent of doctors are foreign born and 18.2 per cent are foreign trained. The figures are smaller for nurses: 15.8 per cent are foreign born and 7.4 per cent are foreign trained.¹⁸² While data are imprecise, there are worrying indications that illness and fatalities among healthcare workers (including cleaners working in healthcare settings) are above average (box 3). The International Council of Nurses estimated in October 2020 that around one in ten global COVID-19 cases was among healthcare workers.¹⁸³

► **Box 3. Health risks faced by healthcare workers around the world during the COVID-19 pandemic**

Women account for the majority of healthcare workers around the world and face an amplification of health risks in their daily work, from exposure to COVID-19 to increased anxiety, depression and insomnia as a result of work-related stress and intensified workloads as patient volumes increase and more staff are absent due to illness and fatalities. Several global and country surveys paint a grim picture.

In a global survey of unions in 62 countries, 57 per cent reported that healthcare workers had not been provided with adequate personal protective equipment (70 per cent in the Americas) and 37 per cent reported that there was no special paid leave for healthcare workers required to self-quarantine (59 per cent in Africa and the Arab States).¹

Several studies have highlighted the mental health risks faced by healthcare workers. In **China**, a survey of healthcare workers found evidence of depression (50 per cent), anxiety (45 per cent) and insomnia (34 per cent) among respondents. In **Italy**, problems of mental health were found to be especially acute among young female healthcare workers. In **Portugal**, surveys found that 15 per

¹⁸⁰ Daniel Vaughan-Whitehead, ed., *Work Inequalities in the Crisis: Evidence from Europe* (Edward Elgar Publishing, 2011).

¹⁸¹ Many countries have continued operation of a small number of sectors, described as “essential”, during the pandemic. These have tended to include healthcare and social care, education, utilities, public administration, agriculture, food manufacturing and transport.

¹⁸² OECD, *Contribution of migrant doctors and nurses to tackling COVID-19 crisis in OECD countries*, 2020. See also: WHO, *State of the World’s Nursing Report – 2020*, 2020.

¹⁸³ International Council of Nurses (ICN), “*ICN confirms 1,500 nurses have died from COVID-19 in 44 countries and estimates that healthcare worker COVID-19 fatalities worldwide could be more than 20,000*”, 28 October 2020.

cent of health professionals considered themselves to have moderate or significant levels of depression and 57 per cent described their sleep as “bad” or “very bad”, outcomes which in both cases were linked in particular to lack of personal protective equipment and the increased hours of work.²

¹ See: Public Services International, “COVID-19 Union Response Survey”, 11 May 2020 at: www.publicservices.international. ² A wealth of evidence is reviewed in Amnesty International, “Exposed, Silenced, Attacked: Failures to Protect Health and Essential Workers during the COVID-19 Pandemic”. Country references are: China: Jessica A. Gold, “COVID-19: Adverse Mental Health Outcomes for Healthcare Workers”, *British Medical Journal* 369, (2020), 369:m1815; Italy: Rodolfo Rossi et al., “Mental Health Outcomes Among Frontline and Second-line Health Care Workers during the Coronavirus Disease 2019 (COVID-19) Pandemic in Italy”, *JAMA Network Open* 3.5 (2020), e2010185; and Portugal: CINTESIS, “CINTESIS Study Reveals: COVID-19 is Affecting Nurses’ Mental Health”.

- 84. Women account for a disproportionately large share of jobs in sectors that have been closed under lockdown measures, which has exposed them to greater risk of job, hours and income losses, thereby further widening gender inequality.** Affected sectors where women are over-represented include hospitality, retail, entertainment and personal services. Globally, women account for 61 per cent of employment in arts and entertainment and other service workers and for 54 per cent of employment in accommodation and food services, sectors that have been especially hard hit.¹⁸⁴ The disproportionate impact on women is not random. It reflects pre-crisis patterns of sex segregation that concentrate women more than men into low-wage service sectors, characterized by physical proximity to customers and other workers, which have been most at risk of being closed under lockdown measures. Simulations in Europe have shown that the total wage bill loss caused by lay-offs and reductions in working hours is estimated to be much greater for women (-8.1 per cent) than for men (-5.4 per cent), before taking account of wage subsidies.¹⁸⁵ Among workers who have retained their work, there is evidence that, in many countries, women have been disproportionately affected by cuts to working time. ILO data show that, during the period from January to April 2020, women in the Republic of Korea, for example, lost 14 per cent of their weekly hours of work (which went down to 32 hours per week on average) while men lost 12 per cent (down to 38 hours per week).¹⁸⁶
- 85. Despite the clear protective benefits of remote working during the pandemic, in some cases it has had a detrimental effect on working mothers by exacerbating gender inequalities in unpaid domestic work.** Several country surveys have found that working mothers are the group most likely to report that they have been carrying out more housework and childcare than before the pandemic – because of school and nursery closures and a lack of support from partners.¹⁸⁷ Some surveys do report that fathers working from home are now more likely to share the house work, but the overall picture is that a far larger proportion of working mothers undertaking remote working are having to take on more cooking, cleaning, laundry and children’s schooling in addition to their paid work, increasing work-family conflict and putting their mental health at risk.¹⁸⁸

¹⁸⁴ ILO, “ILO Monitor. Fifth edition”.

¹⁸⁵ ILO, *Global Wage Report 2020–21*.

¹⁸⁶ ILO, “Mean weekly hours actually worked per employed person by sex and economic activity”, ILOSTAT database, accessed 20 November 2020.

¹⁸⁷ Heejung Chung et al. “Working from Home during the COVID-19 Lockdown: Changing Preferences and the Future of Work”, University of Kent, 2020.

¹⁸⁸ For the United Kingdom: Alison Andrew et al., *How Are Mothers and Fathers Balancing Work and Family under Lockdown?*, IFS Briefing Note BN290, 2020; for Germany: Christian S. Czymara, Alexander Langenkamp and Tomás Cano, “Cause for Concerns: Gender Inequality in Experiencing the COVID-19 Lockdown in Germany”, *European Societies* (2020), 1–14.

Gaps in social protection

- 86. The current COVID-19 crisis has exposed existing gaps in social protection – gaps that are further exacerbating inequalities by placing the most vulnerable groups in even more precarious situations.**¹⁸⁹ The crisis is posing a particular threat to the health, lives and livelihoods of all those without an effective and adequate system of social protection. When the crisis hit, 55 per cent of the world's population – about 4 billion people – were not covered by any form of social protection. In addition, 80 per cent of unemployed persons were not receiving any unemployment benefits.¹⁹⁰ About 40 per cent of the world's population had no access to health insurance.¹⁹¹ The poorest and most vulnerable workers – especially those in informal employment, the self-employed and those in temporary employment – have therefore found themselves in even more precarious situations. Most of these people have not been able to access affordable and quality healthcare without jeopardizing their finances. They are also those who, having already been the most affected by the loss of jobs and income, cannot count on any form of compensation in the event of the loss of their means of subsistence. For them, the choice has often been between exposing themselves to the virus and endangering their lives and those of their family, or endangering their livelihoods by stopping work.
- 87. In the current crisis, a lack of or limited social health protection has been among the most catastrophic gaps.** Health shocks such as the current crisis are a source of impoverishment among households that are not covered by social health protection. In order to access healthcare services, many of these households have to sell their means of livelihood, borrow cash with long-term consequences, and market their physical and often productive assets. Many workers cannot get quality health care without falling into poverty. Furthermore, in the current crisis, it is impossible for many workers to self-isolate in case of contamination or possible exposure and to receive sickness benefits.
- 88. Lack of social protection also means that many workers receive no compensation in the event of an occupational accident or disease; their families receive no compensation either.** According to ILO estimates, every year 2.78 million workers die from occupational accidents and work-related diseases, and an additional 374 million workers suffer from non-fatal occupational accidents.¹⁹² While under-reporting often undermines their reliability, recent occupational safety and health data suggest that differences in mortality and morbidity burdens vary widely according to where workers live and work, reflecting gross inequalities in their exposure to occupational risks and in general access to occupational safety and health. Indeed, workers lower down in the occupational hierarchy report poorer health outcomes and face a higher risk of disability and mortality earlier in life than workers higher up on the occupational ladder.¹⁹³
- 89. Migrant workers have very limited protection in many countries with respect to social security when compared to their national counterparts, mainly because they are**

¹⁸⁹ ILO, "COVID-19: Social Protection Systems Failing Vulnerable Groups".

¹⁹⁰ ILO, *World Social Protection Report 2017–19*.

¹⁹¹ WHO and World Bank, *Tracking Universal Health Coverage: 2017 Global Monitoring Report*, 2017.

¹⁹² ILO, *Safety and Health at the Heart of the Future of Work: Building on 100 Years of Experience*, 2019, 1; Jukka Takala et al., "Comparative Analysis of the Burden of Injury and Illness at Work in Selected Countries and Regions", *Central European Journal of Occupational and Environmental Medicine* 23, No. 1-2 (2017), 6–31.

¹⁹³ Bastian Ravesteijn, Hans van Kippersluis and Eddy van Doorslaer, "The Contribution of Occupation to Health Inequality", *Health and Inequality* (Research on Economic Inequality 21), 2013.

generally under-protected by labour regulations. ¹⁹⁴ In addition to citizenship barriers, migrant workers often face legal or administrative restrictions that prevent them from having access in practice to social protection. These restrictions often apply because of the length of their employment, the nature of their contract or the amount of time that they have been living in the hosting country, or because their employment is not declared. In some cases, migrant workers may be unaware that they are entitled to some social protection, or fail to claim it, possibly because of a lack of adequate information or the complexity of administrative procedures. Consequently, migrant workers were lacking adequate social protection when the crisis hit. Yet, they were over-represented in some of the hardest-hit sectors, including hospitality and domestic work. They have also been on the frontline working in healthcare and agriculture, and food sectors. ¹⁹⁵

- 90. Gaps in social protection in low- and middle-income countries are mainly caused by financing gaps.** Low- and middle-income countries, where the greatest concentration of poor and vulnerable populations live, are precisely those in which social protection coverage is the lowest. ¹⁹⁶ Because of the size of the informal economy, a significant amount of tax revenue are lost. ¹⁹⁷ The estimated financing gaps for implementing an adequate social protection floor amount to 1.6 per cent of national GDP for all low- and middle-income countries, and 5.6 per cent of GDP for low-income countries. However, limited fiscal space for these countries undermines their ability to undertake redistribution through taxes and transfers in order cover workers that are excluded. ¹⁹⁸ Gaps in social protection are discussed in more detail in the report for the recurrent discussion on social protection (social security) at the 109th Session (2021) of the International Labour Conference.

Contractual arrangements and inequality

- 91. While diverse work arrangements may help to increase access to the labour market, this growing diversity can heighten inequality.** Over the past few decades, in both industrialized and developing countries, there has been a marked shift away from standard employment to more diverse types of contractual arrangements. These diverse contractual arrangements include temporary employment, part-time work, temporary agency work and other multiparty employment relationships, and dependent self-employment. Work arrangements include both long-standing practices, such as casual work, which is common in agriculture, and new arrangements, such as work on digital labour platforms (see box 4). New forms of contractual arrangements can contribute to increasing inequalities in the labour market, as they generally provide limited labour protection, the nature and extent of which varies depending on the type of contract, leaving many workers with little protection on the labour market and against life's hazards.

¹⁹⁴ Clara van Panhuys, Samia Kazi-Aoul and Geneviève Binette, “[Migrant Access to Social Protection under Bilateral Labour Agreements](#)”, ILO ESS Working Paper No. 57, 2017; Kenichi Hirose, Miloš Nikač and Edward Tamagno, “Protecting the Social Security Rights of Migrant Workers”, *Social Security for Migrant Workers: A Rights-Based Approach* (Geneva: ILO, 2011), 3.

¹⁹⁵ ILO, “[Social Protection for Migrant Workers: A Necessary Response to the COVID-19 Crisis](#)”, 2020.

¹⁹⁶ ILO, *World Social Protection Report 2017–19*.

¹⁹⁷ IMF, “[The Informal Economy and Inclusive Growth](#)”.

¹⁹⁸ Fabio Durán-Valverde et al., “[Financing Gaps in Social Protection: Global Estimates and Strategies for Developing Countries in light of the COVID-19 Crisis and Beyond](#)”, ILO Working Paper 14, 2020.

► Box 4. What are digital labour platforms?

Digital labour platforms are part of the growing diversity of work arrangements. Digital labour platforms include online web-based platforms (also sometimes referred to as “crowdwork” or online outsourcing) and location-based platforms. Online web-based platforms outsource the work through an open call to a geographically dispersed crowd or to individuals through freelancing platforms. For location-based platforms, typical activities, carried out by workers physically present in a specific geographical area, include transportation, delivery and home services.

While some of these jobs on digital labour platforms entail the movement of work from the offline to the online economy, in other instances, the tasks themselves are new. The amount of work on these platforms is still limited (ranging from about 1 to 3 per cent of the labour force, depending on the estimate), but growth, particularly on online, cross-border labour platforms is predicted to continue in the future.

Digital labour platforms provide workers, including women, people with disabilities, young people and migrant workers, with the opportunity to work from any place, at any time and they are particularly attractive for countries with slack labour demand. Many low-income countries are investing in digital infrastructure and skills given the promising source of work opportunities such platforms represent. Digital labour platforms also provide businesses with access to a global and local workforce and a wider market reach.

However, many challenges are associated with these digital platforms, both for traditional businesses and for workers. Traditional businesses have to face tough competition, sometimes unfair, from digital platforms, which are often not subject to the same obligations vis-à-vis the States (in terms of taxation or transparency for instance) or in relation to their workforce.

There are also challenges for workers with regard to the status of their employment, their employment and income security, their working conditions, which are largely regulated by contracts of adhesion unilaterally determined by the platforms (terms of service agreements), and their social protection and other benefits, as most of this work is performed outside the scope of labour law. On some location-based platforms such as taxi platforms, workers need to pay a commission fee to platforms for putting them in touch with clients. Moreover, platform workers face difficulty in exercising their right to freedom of association and collective bargaining, as the platform, and its clients, may be located in a different jurisdiction from the workers. In addition, when workers are classified as self-employed, their right to collective bargaining can be curtailed by anti-trust legislation.

Source: ILO, *World Employment and Social Outlook 2021: The Role of Digital Labour Platforms in Transforming the World of Work*, 2021; Greetje F. Corporaal and Vili Lehdonvirta, *Platform Sourcing: How Fortune 500 Firms Are Adopting Online Freelancing Platforms*, Oxford Internet Institute Report, 2017.

92. The increased use of diverse contractual arrangements reflects the widespread changes in economies and societies. These transformations have been driven in particular by the increased importance of the service sector, technological innovations, globalization as well as changes in the organizational strategies of enterprises and regulatory reforms. The advent of online outsourcing to digital labour platforms is a manifestation of technological advances.¹⁹⁹ Many of the new contractual forms respond to a desire of business for greater flexibility, and sometimes to workers’ preferences.²⁰⁰ In

¹⁹⁹ Lily Hay Newman, “It’s Not Always AI That Sifts Through Your Sensitive Info”, *Wired*, 29 November 2017; Sidney Fussell, “Behind Every Robot Is a Human”, *The Atlantic*, 15 April 2019; Mary L. Gray and Siddharth Suri, *Ghost Work: How to Stop Silicon Valley from Building a New Global Underclass* (Houghton Mifflin Harcourt, 2019).

²⁰⁰ Courtney von Hippel et al., “Temporary Employment: Can Organizations and Employees Both Win?”, *Academy of Management Executive* 11, No. 1 (1997), 93–104; ILO, *Non-standard Employment Around the World: Understanding Challenges, Shaping Prospects*, 2016, Chapter 5.

some instances, regulations may encourage the use of certain arrangements as a cost-saving measure, such as when part-time workers fall under the threshold of social security benefits or when permanent, core functions of the enterprise can be performed by workers on temporary contracts.

- 93. Workers in some forms of contractual arrangements experience wage differentials when compared with those in standard employment.** In a comprehensive review of econometric studies of wages among similar workers performing similar work,²⁰¹ and even after accounting for differences in the age, education, occupation and sector of activity of the workers, the ILO found that there remains an unexplained pay gap of up to 30 per cent between workers on temporary contracts and workers on open-ended contracts (figure 11). In general, studies find that involuntary part-time work tends to be associated with wage penalties, while voluntary part-time work is more likely to result in wage premiums.²⁰² Wage differentials can also vary across income levels. For example, in Italy, wage gaps associated with temporary jobs are substantially more pronounced among workers with lower salaries, but are almost non-existent in high-wage jobs.²⁰³ In some instances, wage gaps may widen with age, or narrow with time spent in the sector, as is the case with temporary agency workers in Germany. In low-income countries, while workers with written fixed-term contracts usually suffer a wage penalty when compared to those with open-ended contracts, this penalty tends to be lower than that faced by workers who do not have a written contract.²⁰⁴ Homeworkers performing industrial home work, telework and home-based digital platform work tend to suffer from wage gaps compared with non-home-based workers when education, age and occupation are controlled, which vary across countries: home workers tend to earn 13 per cent less than non-home-based workers in the United Kingdom, 22 per cent less in the United States, 25 per cent less in South Africa and about 50 per cent less in Argentina, India and Mexico.²⁰⁵

²⁰¹ ILO, *Non-standard Employment Around the World*.

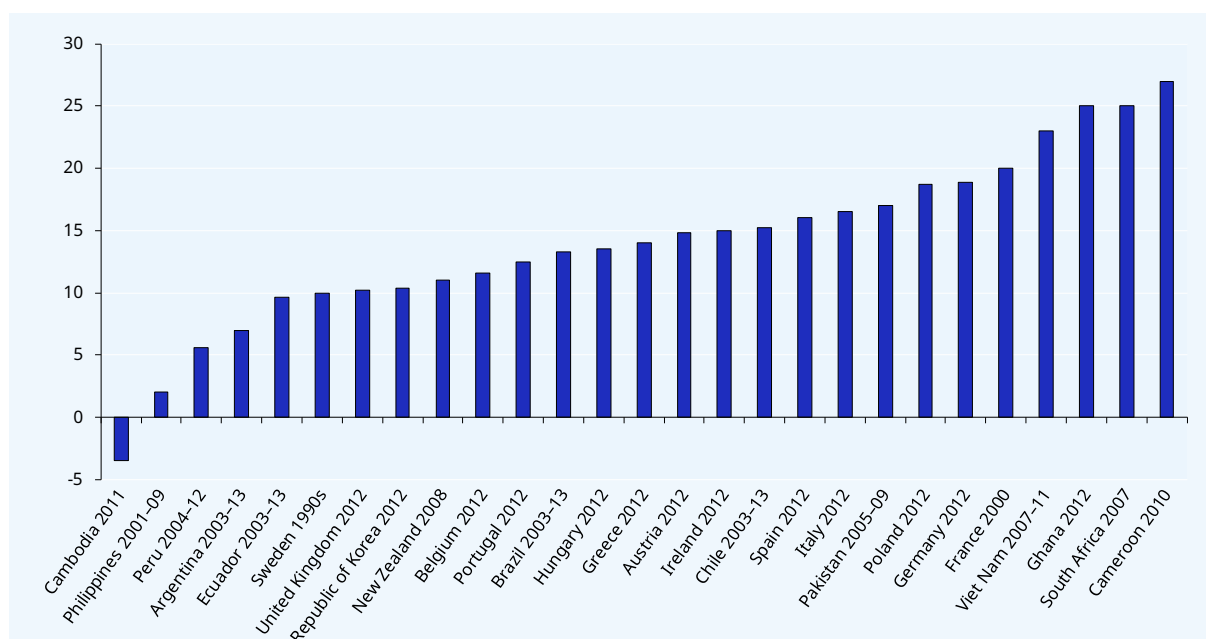
²⁰² Colette Fagan et al., *The Influence of Working Time Arrangements on Work–Life Integration or ‘Balance’: A Review of the International Evidence*, ILO Conditions of Work and Employment Series No. 32, 2012; Colette Fagan et al., *In Search of Good Quality Part-Time Employment*, ILO Conditions of Work and Employment Series No. 43, 2014.

²⁰³ Giulio Bosio, “The Implications of Temporary Jobs on the Distribution of Wages in Italy: An Unconditional IVQTE Approach”, *Labour* 28, No. 1 (2014), 64–86.

²⁰⁴ ILO, *Non-standard Employment Around the World*.

²⁰⁵ ILO, *Working from Home: From Invisibility to Decent Work*, 2021.

► **Figure 11. Adjusted wage differentials between workers on temporary contracts and open-ended contracts in selected countries (men only)**



Note: Partial coefficients from regression analysis, controlling at least for age, education, occupation and sector of activity (other controls vary across studies). Years refer to the years of data on which the analysis was based.

Source: ILO, *Non-standard Employment Around the World: Understanding Challenges, Shaping Prospects*, 2016.

- 94. Workers with diverse contractual arrangements are also less likely to be covered by adequate labour and social protection.** The inequality in earnings reflects in part how the labour and social protection systems of most countries are built around the concept of the standard employment relationship, which means that workers in other employment arrangements are less likely to be covered, or are not covered fully, by labour and social protection. They often have inadequate social security coverage, either because statutory provisions exclude them from entitlements to social security payments, or because short tenure or low earnings or hours provide limited or no access to such entitlements.²⁰⁶ In addition, studies have found that workers in part-time employment arrangements may receive fewer opportunities for employer-sponsored training than their full-time counterparts.²⁰⁷ Working arrangements that lead to job and income insecurity have also long been associated with profound negative effects on both physical and mental health.²⁰⁸
- 95. Workers on temporary contracts, in multiparty arrangements and dependent self-employed workers face greater difficulty in exercising their fundamental rights to freedom of association and the effective recognition of the right to collective bargaining.** Despite the universality of the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), some of these workers are frequently excluded from

²⁰⁶ Janine Leschke, "Are Unemployment Insurance Systems in Europe Adapting to New Risks Arising from Non-standard Employment?", DULBEA Working Paper No. 07-05.RS, 2007.

²⁰⁷ Fagan et al., *In Search of Good Quality Part-Time Employment*; OECD, *OECD Employment Outlook 2010: Moving beyond the Jobs Crisis*, 2010.

²⁰⁸ J.E. Ferrie et al., "Effects of Chronic Job Insecurity and Change in Job Security on Self-Reported Health, Minor Psychiatric Morbidity, Physiological Measures, and Health Related Behaviours in British Civil Servants: The Whitehall II Study", *Journal of Epidemiology and Community Health* 56, No. 6 (2002), 450-454.

the right to organize and more often from the right to bargain collectively.²⁰⁹ Workers in multiparty employment relationships do not always have the right to engage in collective bargaining with the enterprise where the work takes place as this right may be restricted to the business that actually employs them. Workers may also be hesitant to join a union because of their more tenuous attachment to the workplace, or because they fear possible retaliation from their employer, especially if they are on temporary contracts. Statistical data from labour force surveys confirm that workers on temporary contracts have a lower rate of unionization.²¹⁰

- 96. Some people are also more likely to be in self-employment or in temporary or multiparty employment arrangements than those in other population groups.** The over-representation of women, young people and migrant workers in such work arrangements is a reflection of the greater difficulties that these workers face in entering and remaining in the labour market. For women in particular, their greater participation in part-time work reflects the unequal distribution of unpaid work in the home and the consequences of this inequality on the possibilities for them to work in full-time jobs. Private employment agencies can offer opportunities for people from ethnic minorities to work in enterprises to which they may not have had access through traditional channels. Many young people's first experience in the labour market is in temporary work contracts; however, when the overall incidence of such contracts in total employment is high, young people's eventual transition to less volatile jobs is less likely.
- 97. The COVID-19 crisis has further exposed these workers, increasing their financial vulnerability and endangering their lives.** Many workers with diverse contractual arrangements, when confronted with the absence of adequate social protection, including coverage for sickness and unemployment benefits, have continued working during the crisis while risking their health and their lives. Workers in temporary employment have been particularly hard hit by lay-offs or the non-renewal of their contracts. In addition, a majority of them work in the sectors hardest hit by the crisis. For example, in European OECD countries, workers with non-standard contracts represent on average 40 per cent of total employment in the sectors most affected by lockdown measures, a proportion that exceeds 50 per cent in Italy, the Netherlands, Spain and Greece.²¹¹ Yet, compared to other forms of employment contract, measures taken to protect the livelihoods of workers with non-standard contracts have been limited, or have taken time to be decided on and implemented.²¹² Workers in the "gig economy" have also been among the most affected according to a recent survey that suggests that, while a majority of these workers have lost all of their income because of the crisis, only 30 per cent of them were satisfied with the support provided by the company for which they work.²¹³

²⁰⁹ ILO, *Report of the Committee of Experts on the Application of Conventions and Recommendations*, ILC.105/III(1A), 2016.

²¹⁰ ILO, *Non-standard Employment Around the World*, Chapter 5.

²¹¹ OECD, *Distributional Risks Associated with Non-standard Work: Stylised Facts and Policy Considerations*, 2020.

²¹² ILO, "ILO Monitor. Seventh edition".

²¹³ World Economic Forum, "Gig Workers Among the Hardest Hit by Coronavirus Pandemic".

► Chapter 3

Reducing inequality post-COVID-19: Key policy areas for a human-centred and more inclusive future of work

- 98. Since the outbreak of the COVID-19 pandemic, many countries around the world have implemented unprecedented measures to counteract the economic and labour market effects of the pandemic, without which the impact on inequalities would be even worse.** Fiscal and monetary policies have been instrumental in mitigating the socio-economic impacts of the crisis. According to one estimate, as at the end of June 2020, fiscal measures by G20 countries amounted to more than 11 per cent of their GDP for 2019.²¹⁴ These measures have served to provide financial assistance to keep enterprises alive, in particular through direct government spending and forgone revenue, loans and credits, and tax relief for enterprises, including on their social security contributions. Fiscal measures have also helped to finance job retention programmes, such as wage subsidy schemes, and extend social protection to many people who are usually not covered, particularly workers in the informal economy. Likewise, expansionary monetary policies by central banks across the world have stimulated economies, which has helped enterprises to survive and permitted millions of wage earners and entrepreneurs to retain all or part of their incomes.
- 99. Social dialogue – both tripartite and directly between trade unions and employers and their organizations through collective bargaining – has played an important role in designing and implementing measures to face the crisis and protect groups in vulnerable situations.**²¹⁵ During the first months of the crisis, 134 out of the 188 countries and territories reviewed made extensive use of peak-level social dialogue to decide on emergency measures to stimulate the economy through fiscal and monetary policies in order to rescue enterprises and jobs and mitigate the socio-economic impacts of the crisis. Around half of those 134 countries and territories have used tripartite social dialogue. Such social dialogue has involved negotiations, consultations and exchanges of information between governments and organizations of employers and workers. This has contributed to better informed policies, and has also improved ownership and buy-in from the social partners, which has facilitated implementation. Social dialogue has also helped to prevent the erosion of labour rights and working conditions during the crisis. In Sri Lanka, for example, a tripartite agreement signed in early May 2020 fixed a minimum wage for employees who cannot work owing to pandemic-linked restrictions; in Argentina, a tripartite agreement was reached on the payment of three quarters of the regular net salary of workers in shut-down sectors.
- 100. Dialogue between employers or their organizations and workers' organizations has led to negotiated responses to the COVID-19 crisis on a variety of subject matters.**²¹⁶

²¹⁴ Stephanie Segal and Dylan Gerstel, "Breaking Down the G20 COVID-19 Fiscal Response: June 2020 Update", Center for Strategic and International Studies, 2 July 2020.

²¹⁵ ILO, "Peak-level Social Dialogue as a Governance Tool during the COVID-19 Pandemic: Global and Regional Trends and Policy Issues", Policy Brief, October 2020; ILO, *A Global Trend Analysis on the Role of Trade Unions in Times of COVID-19*, Policy Brief, 2021.

²¹⁶ ILO, "Peak-level Social Dialogue as a Governance Tool during the COVID-19 Pandemic".

The social partners have addressed a variety of topics, ranging from, but not limited to, promoting safety and health, facilitating work from home, supporting business solvency, retaining jobs and securing incomes and resuming economic activities. For example, in South Africa, the National Bargaining Council for the Clothing Manufacturing Industry concluded an agreement combining a collective unemployment claim with an employer contribution and ensured that some 80,000 workers received 100 per cent pay for the full duration of a six-week period of lockdown. Protests in Colombia led to a collective agreement on a “biosecurity protocol” against COVID-19 covering 22,000 workers in Urabá’s banana plantations, with provisions on occupational safety and health measures, and specific measures for workers aged over 65 or with pre-existing conditions who are considered to be most at risk. In Spain, a collective agreement was signed between public service federations and the Government, regulating telework for 2.5 million public employees.²¹⁷ Italy provides a particularly interesting case, highlighting the importance of the interactions between tripartite and bipartite dialogue. Two national tripartite protocols were transposed into the Presidential Decrees of 22 March and 26 April 2020, opening the door for collective bargaining on tailored COVID-19 solutions at both the sectoral and the enterprise levels.

- 101. International labour standards provide a path towards decent work for all in a way that can contribute to the reduction of various inequalities in the world of work.** International labour standards set out fundamental principles and rights at work, which make it possible to deal with both normal and exceptional circumstances at work. This has been particularly relevant during the COVID-19 crisis, which has disrupted the world of work in unprecedented ways. International labour standards have greatly contributed to the increased resilience of many countries during the crisis. The current crisis has therefore further demonstrated the need to accelerate the ratification and implementation of international labour standards.²¹⁸
- 102. However, low-income countries, characterized by a large informal economy, have had much more limited fiscal space to implement wide-ranging measures and to acquire vaccines, leaving millions of workers and enterprises unprotected against the effects of the pandemic.** Large-scale protective measures represent a huge cost that is beyond the fiscal capacity of countries with lower incomes and a tax base that excludes a large part of the economy because of informality. Several international institutions and governments of high-income countries have provided significant assistance to these countries. Many low- and middle-income countries have benefited from the suspension of their debt service, as part of an initiative by the G20 countries in particular, which has increased their space to put in place fiscal measures that support enterprises and workers.²¹⁹ Similarly, the IMF has strengthened its financing instruments to support member countries facing the crisis, particularly the weakest.²²⁰ Many high-income countries have also offered medical supplies, respiratory assistance devices and test kits to low-income countries. In spite of these efforts, millions of workers and enterprises have been left unprotected in low- and middle-income countries, particularly those in the informal economy. Furthermore, the current race to secure doses of COVID-19 vaccines could increase inequalities between countries, as many high-income countries have already been able to receive doses and have

²¹⁷ European Public Service Union, “Rethinking the Way We (Tele)work”.

²¹⁸ ILO, “ILO Standards and COVID-19 (Coronavirus): FAQ”.

²¹⁹ World Bank, “Debt Service Suspension and COVID-19”.

²²⁰ IMF, “COVID-19 Financial Assistance and Debt Service Relief”.

launched massive vaccination campaigns. In contrast, many low- and middle-income countries do not have the means to place orders for such vaccines, and will likely receive doses much later than high-income countries.

- 103. The COVID-19 crisis has aggravated inequalities in a multiplicity of forms, making the collective task of reducing inequality extremely challenging, but some lessons can be drawn about ways to reduce inequalities in the future.** During the crisis, the proactivity of governments worldwide has proved essential in lessening the adverse impact of the crisis on workers and enterprises, thereby also softening somewhat the impact of the pandemic on inequalities. Governments have gained new experience, further developed their expertise and, importantly, demonstrated their essential role in protecting citizens and securing livelihoods. To some extent, these experiences may have acted as a “wake-up call” for building more inclusive, more resilient and more equal societies in the future. One key question however relates to the sustainability of some of the temporary measures adopted during the crisis (for example those extending protections to individuals who previously had no coverage), which – if perpetuated – could contribute to a future world of work with lower levels of inequality.
- 104. Lessons can also be learned from those countries that succeeded in reducing inequalities prior to the COVID-19 crisis.** Drawing on these policy lessons would support governments and the social partners in building together a better, more inclusive future of work, with lower levels of inequality. There is no single recipe or model for promoting equality. Each government will need to examine the various policy options available and work with the social partners to design and implement appropriate pathways that are sensitive to their economic, political and social conditions. This chapter highlights some key areas of broad relevance to reducing inequality.

Generating inclusive growth: The role of sustainable enterprises, productivity growth, skills, and formalization

- 105. During the pandemic, governments have taken unprecedented measures to support enterprises and the jobs they provide, including small and medium-sized enterprises (SMEs), which employ many of the lower-paid workers.** Governments have granted tax concessions; offered guaranteed loans and credit on preferential terms; and allowed deferrals of tax and utility payments, greater flexibility in the repayment of tax debts and the mitigation of tax and social security contributions. Policies that specifically target SMEs, which happen to be the most financially vulnerable to this crisis, have played a large role in limiting increases in levels of inequality. Many countries have introduced direct financial support to SMEs, such as new credits granted by public investment banks (France) and zero-interest loans with no collateral (Japan), have reduced the time required for banks to provide credit approval (Israel), or have mobilized credit mediation for SMEs wishing to renegotiate credit terms (France).²²¹ However, globally, these government measures have often bypassed informal enterprises, which represent 80 per cent of enterprises in the world.
- 106. Governments have also supported enterprises and their workers through temporary wage subsidies.**²²² Indeed, in many countries, one of the most used measures has been the introduction or adaptation of existing wage subsidy schemes, also referred to as short-time work benefits, partial unemployment benefits or furlough schemes. Such measures

²²¹ OECD, “COVID-19: SME Policy Responses”, 2020.

²²² ILO, *Factsheet: Temporary Wage Subsidies*, 2020.

help enterprises to retain the workers they have trained and provide workers with at least part of their usual wages. Temporary wage subsidies have been implemented in a wide range of countries, including Argentina, Bangladesh, Botswana, Canada, France, Germany, Malaysia, Morocco and the United Kingdom.²²³ As pointed out in the *Global Wage Report 2020–21*, without such schemes, levels of income inequality would have further increased; furthermore, without wage subsidies, women in Europe would have lost a higher fraction of their total wage bill than men.²²⁴

- 107. In the future, improving the environment for a broad base of sustainable enterprises through a reduced burden of business procedures and other mechanisms would help to boost productivity, create employment and generate more equality.** Improving the business environment is a complex undertaking, which is affected by various factors, so change can be slow. Over the years, the ILO has developed its own assessment tool as a basis for providing evidence-based recommendations on how to improve the enabling environment for businesses.²²⁵ The Enabling Environment for Sustainable Enterprises (ESEE) tool has been implemented in more than 50 countries in all regions and has led to some improvements in the business environment, such as: a reduction in the costs of establishing new enterprises and the simplification of business procedures in Honduras; municipal programmes to facilitate licensing processes and enterprises' labour programmes in Jalisco, Mexico; and the creation of the Business Regulatory Review Agency in Zambia. Empirical evidence is still needed to establish the relationship between these improvements and inequality, but there is a clear rationale for lifting barriers to entrepreneurs and small businesses and creating improved conditions under which higher earnings can occur, particularly in low-paying sectors.
- 108. Policies to enhance productivity growth, with particular emphasis on economic sectors with widening productivity gaps between enterprises, can simultaneously contribute to promoting equality.** Enterprises are heterogeneous and at different stages of the business development process. Therefore, supporting them, and particularly micro and small enterprises, in achieving sustained increases in productivity for decent job creation calls for a comprehensive strategy integrating, in a coherent and coordinated manner, productive development policies and institutions at the enterprise, sectoral and macro levels. It is important that such a systemic policy framework be devised to support enterprises throughout the five stages of the business growth process: existence, survival, success, take-off and resource maturity.²²⁶ In promoting employment and the productivity growth of micro, small and medium-sized enterprises, workers' skills development, capital accumulation and investment in labour-augmenting technology and innovation that improves the quality of products and services are essential. A key challenge, exacerbated by the pandemic, is how to support those enterprises operating in low-tech, non-digital sectors of the economy. There is also a need for an environment that is conducive to the creation and growth or transformation of enterprises on a sustainable basis. The key role of sustainable enterprises is underlined by the Conclusions concerning the promotion of sustainable enterprises, adopted by the International Labour Conference in 2007, and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social

²²³ ILO, "InfoStory of the Global Wage Report 2020–21: Wages and Minimum Wages in the Time of COVID-19".

²²⁴ ILO, *Global Wage Report 2020–21*.

²²⁵ ILO, "Enabling Environment for Sustainable Enterprises".

²²⁶ Virginia L. Lewis and Neil C. Churchill, "The Five Stages of Small Business Growth", *Harvard Business Review* 61.3 (1983), 30–50.

Policy (MNE Declaration). A large array of factors comes into play in this regard, including peace and political stability, good governance, social dialogue, respect for human rights and international labour standards, stable macroeconomic policy, the development of an entrepreneurial culture, an enabling legal and regulatory environment, access to financial services and information and communication technologies, and physical infrastructure. The experience of 2020 has underlined the incredibly urgent need to ramp up progress in formalizing enterprises and the workers employed.

- 109. Over the years, several countries, especially in Latin America, have made significant progress in reducing informality among small enterprises and their workers through a multifaceted policy mix, providing incentives while reducing bureaucracy.** The reforms in Brazil provide a valuable positive example. In the late 1990s, Brazil launched the Simples Federal regime, which combined multiple taxes and social security contributions into one single payment, and then in 2006 it launched another new scheme that further simplified the administrative and tax systems for micro and small enterprises. Then, in 2008, Brazil launched the Individual Micro-Entrepreneur regime – for own-account workers and employers with no more than one employee – providing for monthly lump sum payments and simplified tax returns, access to social protection and access to bank accounts with a reduced rate, among other measures. Government support to micro and small enterprises and micro-entrepreneurs now also includes improved access to finance, business services, public procurement and technology in order to improve productivity. By mid-2018, close to 7 million people in Brazil were registered under the Individual Micro-Entrepreneur regime, and around 5 million micro and small enterprises were registered with the monotax regime, encompassing almost 11 million employees (around a quarter of all formal employees in Brazil).²²⁷
- 110. As member-owned enterprises, cooperatives are also well placed to facilitate the transition to formality and promote inclusive economic development.** Before the pandemic, cooperatives were estimated to provide at least 279 million jobs, and have a record of promoting equality and inclusion.²²⁸ The very design of cooperatives, which are member-owned, people centred and value-based, makes it possible to reduce inequalities and promote inclusion. There exist many examples of how cooperatives have contributed to reducing the inequalities faced by socially disadvantaged persons, including indigenous and tribal people, persons with disabilities, migrants and refugees, by improving their socio-economic opportunities. For instance, in Mexico, the Union of Indigenous Communities of the Isthmus Region, a coffee producers' cooperative, has made it possible to reunite over 5,000 families across 53 different communities and five different municipalities. The cooperative has also made it possible to build infrastructure, including warehouses, and food supply systems, and to secure transport and health services. As the cooperative is governed in accordance with the traditions of indigenous and tribal peoples, it has contributed to protecting their cultural heritage. In Ethiopia, the Yenegew Sew Sanitary Service Cooperative, created with the support of the Federation of Ethiopian Associations of Persons with Disabilities, has made it possible to create hundreds of employment opportunities for persons with disabilities, as well as training opportunities.²²⁹

²²⁷ ILO, *Simples National: Monotax Regime for Own-Account Workers, Micro and Small Entrepreneurs – Experiences from Brazil*, 2019.

²²⁸ Committee for the Promotion and Advancement of Cooperatives (COPAC), *Transforming Our World: A Cooperative 2030 – Cooperative Contributions to SDG 8*, n.d.

²²⁹ COPAC, *Transforming Our World: A Cooperative 2030 – Cooperative Contributions to SDG 10*, n.d.

- 111. The issues of productivity and inclusion are linked to the need to prioritize investment in education and skills for girls and women, as well as for low-income and other disadvantaged groups.** For many girls and children from low-income or vulnerable groups, the experience of inequality starts with a lack of equal opportunity in access to education. Yet, inclusive and quality education for all – starting with preschool education and universal compulsory education – remains the foundation for a just society, with social mobility and social inclusiveness.²³⁰ Some countries and regions have made remarkable progress in reducing education gaps. In Latin America, the average years of schooling of individuals above 18 years of age increased from 5.8 in 1990 to 8.26 in 2010, and the proportion of workers having at least a high school education increased from 21 to 36 per cent.²³¹ While some countries entered the pandemic having already succeeded in reducing education and skills gaps between individuals, men and women, and groups in vulnerable situations, in other countries the pandemic has clearly exposed the need to increase investments in education and skills development.
- 112. Technical and vocational education and training, which provides knowledge and skills for employment, can also contribute to greater inclusiveness.** In Bangladesh, the government established a programme to increase the access of persons with disabilities and women with low levels of education to skills development programmes, to acquire the technical competences to become multiskilled workers for the ready-made garment sector. Other examples include gender mainstreaming in training institutions in Costa Rica, the recognition of prior learning for Syrian refugees in Jordan, and the upgrading of the informal apprenticeship system in Benin.²³² As witnessed during 2020, providing more training for workers with a lower level of education in order to enhance remote working opportunities can lessen inequalities by strengthening occupational complementarities through the use of technology.²³³
- 113. Lifelong learning and access to training for upskilling and reskilling can help workers to remain attached to the labour market.** A substantial source of income inequality is the high incidence of unemployment in many economies. As has been highlighted during the COVID-19 crisis, it is important to ensure that unemployed workers remain attached to the labour market and retain or upgrade their skills to reduce the risk of eroding their earnings potential, which could further exacerbate inequality. Moreover, active labour market programmes should target young people, migrants, indigenous workers and other disadvantaged groups who have been most adversely affected by the global pandemic. In this regard, labour market analyses of skills needs and the effective resourcing of labour market programmes are essential to improve labour market transitions and mitigate potential sources of future inequality. The COVID-19 crisis has demonstrated that a rapid response is vital in a context of polarized business fortunes, in which labour demand is rising and falling in disparate sectors with varied skill needs.²³⁴ Policy and programme reforms in skills systems can widen access, increase flexible learning options, improve learning pathways and incentivize workers to invest in lifelong learning. The introduction of

²³⁰ ILO, *Shaping Skills and Lifelong Learning for the Future of Work*, ILC.109/VI (2021); ILO, “*Skills Policies and Systems for a Future Workforce*”, Global Commission on the Future of Work, Issue Brief No. 8, 2018.

²³¹ World Bank, *Wage Inequality in Latin America*, 35.

²³² Ralf Lange, Christine Hofmann and Manuela di Cara, *Guide on Making TVET and Skills Development Inclusive for All*, ILO Skills and Employability Branch, 2020.

²³³ OECD, “*Productivity Gains from Teleworking in the Post-COVID-19 Era: How Can Public Policies Make it Happen?*”, OECD Policy Responses to Coronavirus (COVID-19), 2020.

²³⁴ ILO, “*COVID-19: Public Employment Services and Labour Market Policy Responses*”, Policy Brief, August 2020.

individual training accounts and entitlements to learning in countries such as France, the Republic of Korea and Singapore demonstrates the importance of providing mechanisms through which individuals can update their skills and acquire new ones.

Ensuring a fair share of the fruits of progress to all: Making institutions of work more effective and inclusive

- 114. To protect workers against unduly low pay and to reduce wage inequality at the lower end of the distribution, many countries have, in recent years, adopted new minimum wages or strengthened existing ones.** Germany and South Africa adopted new national minimum wages in 2015 and 2019, respectively. In 2020, Qatar became the first Gulf country to adopt a non-discriminatory minimum wage for nationals and foreign workers alike. In a step towards making minimum wages more inclusive, India extended the coverage of minimum wages from a list of so-called “scheduled” jobs to all wage workers in the country. Such measures have the potential to reduce wage and income inequalities, including gender pay gaps.²³⁵ The extent to which they do so, however, depends on a number of factors, including whether the minimum wage has broad legal coverage, enjoys strong compliance by employers, or is fixed at an adequate level that takes into account the needs of workers and their families and economic factors.²³⁶ Because non-compliance is a major problem facing the informal workforce, minimum wages are more effective at reducing inequalities when they are accompanied by measures to formalize the informal economy.
- 115. With a view to supporting low-paid workers during the COVID-19 crisis, many countries with regular minimum wage adjustments went ahead with planned increases in the first half of 2020.** Analysis²³⁷ reveals that, in the 69 countries that adjust minimum wages on a regular basis, all the adjustments scheduled for the first half of 2020 took place as expected, except in three countries. Among the 87 countries that adjust minimum wages irregularly, 12 increased their minimum wages in the first half of 2020 – a lower number than in the previous year. This suggests that the COVID-19 crisis may have induced some governments to postpone potential adjustments in 2020. It is clear that, in difficult economic times, minimum wage adjustments should be carefully balanced and calibrated, and based more than ever on social dialogue.
- 116. Well-functioning collective bargaining mechanisms can help to ensure a fair share of the fruits of progress to wage earners and reduce inequalities.** Minimum wages can also be set through collective bargaining. In addition, collective bargaining can have a broader equality-inducing effect by promoting fair wage structures, as well as other attributes of inclusive labour markets, including equal treatment, employee engagement and skills development. Empirical evidence from developed countries shows that inequality tends to be lower in countries where a large number of workers are covered by collective agreements.²³⁸ When multi-employer arrangements cover a whole sector or region, they tend to favour wage increases for workers at the low end of the income distribution. Some

²³⁵ Dale Belman and Paul J. Wolfson, *What Does the Minimum Wage Do?* (W.E. Upjohn Institute for Employment Research, 2014); Arindrajit Dube, *Impacts of Minimum Wages: Review of the International Evidence*, Independent Report, United Kingdom Government Publication, 2019; Jill Rubery and Damian Grimshaw, “Gender and the Minimum Wage”, *Regulating for Decent Work: New Directions in Labour Market Regulation*, ed. Sangheon Lee and Deirdre McCann, 226–254 (London: Palgrave Macmillan, 2011).

²³⁶ The Centenary Declaration calls for the implementation of “an adequate minimum wage, statutory or negotiated”.

²³⁷ ILO, *Global Wage Report 2020–21*.

²³⁸ OECD, *Negotiating Our Way Up: Collective Bargaining in a Changing World of Work*, 2019.

countries apply extension provisions, sometimes subject to “opt-out” clauses, to apply the terms of collective agreements beyond their signatories, thereby extending the impact on equality to a larger share of the workforce. In many low-income countries, collective bargaining covers too few workers to reduce inequality significantly, especially at the low end of the wage scale where informality is high.

- 117. During the COVID-19 crisis, collective agreements have helped to provide equitable solutions for workers and enterprises.** ²³⁹ In some countries, collective agreements have supplemented the minimum basic protections established by legislation, making it possible to protect the most vulnerable. In Israel, a collective agreement has provided support to self-employed and freelance workers through the payment of unemployment benefits following the same rules as for waged employees. In European countries with a tradition of close relations between employers and trade unions, such as the Scandinavian countries, the principal features of short-time work compensation schemes were negotiated and have been implemented at the national and local levels; in Germany, collective agreements in many sectors have improved the statutory rate of earnings compensation for lost hours (up to 90–100 per cent in some sectors). ²⁴⁰
- 118. For collective bargaining to be inclusive, the legislative framework must protect and promote freedom of association and collective bargaining.** Establishing a legislative framework that allows workers’ organizations to operate freely and choose the level at which they are structured, as well as remove impediments to the affiliation of all workers, is a prerequisite to ensuring effective protection. One measure that has been adopted to support this objective is extending the right to collective bargaining beyond the scope of the employment relationship. Examples of countries that explicitly grant this right to dependent self-employed workers include Canada, Germany and Spain. It is also essential to eliminate barriers to unionization, such as the fear of retaliation that some workers on temporary contracts, including migrant workers, may have about joining a union. This can be attained by extending protection against discriminatory dismissal to cover the non-renewal of temporary contracts, as is done in France.
- 119. Ensuring minimum guaranteed hours and giving workers a say in their work schedules, including by limiting the variability of working hours, are increasingly important in providing for income security.** Some countries have established a minimum number of working hours for part-time employees so that they are guaranteed to receive a minimum income. In the early 2010s, French legislation was amended to establish that, with certain exceptions, part-time workers would have a minimum of 24 hours’ work per week; collective agreements in some sectors further refine and improve on this statutory right. ²⁴¹ In Germany, Ghana, the Netherlands, Papua New Guinea and the United States (limited to the District of Columbia and eight states), regulations require employers to pay their workers for a minimum number of hours when they report to work for a scheduled shift or are called in to work, even if the work is cancelled or reduced in length.
- 120. Some countries have partially extended labour protection to cover categories of workers who do not have the status of “employees”.** This has meant that many of the protective measures designed to shore up earnings during the pandemic have reached

²³⁹ ILO, “Peak-Level Social Dialogue as a Governance Tool during the COVID-19 Pandemic”.

²⁴⁰ Thorsten Muller and Thorsten Schulten, “Ensuring Fair Short-time Work – a European Overview”, European Trade Union Institute (ETUI) Policy Brief No. 7, 2020.

²⁴¹ Damian Grimshaw et al., “Reducing Precarious Work: Protective Gaps and the Role of Social Dialogue in Europe”, Report for the European Commission, November 2016.

many workers in relatively insecure forms of work. One such category classifies workers as being in “dependent self-employment”, the definition of which varies from country to country. In the United Kingdom, for example, the notion of “worker” was introduced as a category in the mid-1990s in order to extend the scope of some forms of labour protection to individuals performing personally any work or service irrespective of the existence of an employment relationship between the parties, excluding work carried out in a professional or independent business capacity. Accordingly, “workers” are entitled to the national minimum wage even though they do not qualify as “employees” under United Kingdom law, although they are not eligible for other entitlements, such as pensions, and there remain significant problems of ensuring employer compliance in a context of limited worker awareness and low trade union representation.²⁴²

- 121. The transition to formality is a fundamental measure for protecting workers and ensuring more secure tax revenues to governments.** The Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204), provides guidance to facilitate the transition from the informal to the formal economy. Uruguay has taken many initiatives to formalize the employment of domestic workers who used to be at the low end of the income distribution. In 2006, a law extended labour rights and social security to encompass domestic workers. Successive tripartite agreements were then concluded, progressively regulating labour relations in the sector, and leading to joint campaigns to promote formal employment. The Social Security Bank improved the social security coverage of domestic workers, including through measures to simplify registration, reduce costs, and raise awareness among workers and employers. The labour inspectorate formed a specialized section to monitor compliance with domestic work legislation. As a result, poverty among domestic workers in Uruguay dropped from 30 per cent in 2006 to 14 per cent in 2017, and social security registration increased by roughly 75 per cent between 2006 and 2018.

Advancing gender equality

- 122. Achieving gender equality and tackling discrimination at work through a transformative agenda is key to reducing inequality overall and ensuring social justice for women and men.** Achieving gender equality will require a transformative agenda that: ensures equal opportunities, equal participation and equal treatment, including equal remuneration for women and men for work of equal value; enables a more balanced sharing of family responsibilities; provides scope for achieving better work–life balance by enabling workers and employers to agree on solutions, including on working time, that consider their respective needs and benefits; and promotes investment in the care economy. Some countries have already established dedicated agencies or bodies to advise the government on how to maximize women’s contribution to the economy (Argentina and the United Kingdom, for example) or to assess and implement the principles of equal opportunities and non-discrimination (such as Italy). Other countries (such as Argentina) have launched national coordination groups to ensure dialogue among relevant stakeholders, including the social partners, when developing policies aimed at achieving gender equality at work. In Australia, private sector employers with 100 or more employees are required to report annually to the Workplace Gender Equality Agency. The reporting is designed so that individual organizations can monitor, reflect upon and improve their own

²⁴² David Mangan, “COVID-19 and Labour Law in the United Kingdom”, *European Labour Law Journal*, 11(3), 2020, 332–346.

gender equality performance, from employment and working arrangements to remuneration.²⁴³

- 123. During the pandemic, better childcare facilities and more financial support to working parents with young children in some EU countries have facilitated the diffusion of remote working and reduced gender bias against remote working.**²⁴⁴ In response to closures of schools, nurseries and childcare services (typically with exemptions for workers in sectors considered essential), many countries have implemented special parental leave arrangements for families where both parents are employed. In the EU, 20 countries provided such a scheme, mostly for parents whose children were aged 12 or younger, with some schemes also including care for older children with a disability. Half of these schemes provided for paid parental leave at a level that was the same as or even higher than that provided under the standard job retention scheme (for example, in Austria, Greece, Portugal and Romania). This could be interpreted as an indication that the governments in question attach comparable value to care work and recognize the importance of parental income, including working mothers, for family well-being. In some countries, however, leave was only available for mothers or single fathers, reinforcing the gender division of care work. Also, the schemes varied in their inclusivity of self-employed and informal economy workers.
- 124. Prior to the crisis, some countries adopted comprehensive national gender policies to address the broader inequalities between girls and boys, and between women and men.** Achieving gender equality in the world of work will be more difficult – if not impossible – if gender-based discrimination prior to entry into the labour market is not also addressed. In Ethiopia, the government repealed the spousal objection to working outside the home in 2000 and raised the minimum legal age of marriage for girls from 15 to 18 years. Subsequently, women’s participation in paid work increased by between 15 and 24 per cent in five years in those regions where the new law was implemented. Likewise, in the 1990s, Peru reformed its customary laws – primarily practised by indigenous and rural communities – that limited women’s right to work, their access to banking and financial services, and their right to own and inherit assets. Again, women’s formal labour force participation increased – by 15 per cent within a decade.²⁴⁵
- 125. For many girls, the experience of inequality starts before the legal working age and manifests itself in the form of unequal opportunities and persistent gender stereotypes in their access to education and health services and in other aspects of life.** Visible efforts have been made in India to remove sex discrimination in education and increase girls’ participation.²⁴⁶ Australia and the United States have also initiated programmes ensuring the greater participation of women in science, technology, engineering and mathematics (STEM) fields and careers in the form of internships, career advice, competitive grant programmes and awareness-raising campaigns. Exposure to STEM learning should begin at a very early stage for children from under-represented groups, including pre-school girls, and for girls in primary and secondary education. Some countries have initiatives aimed at increasing women’s participation in STEM fields that

²⁴³ ILO and OECD, *Women at Work in G20 Countries: Progress and Policy Action*, 2019, 14.

²⁴⁴ Jill Rubery and Isabel Tavora, “The COVID-19 Crisis and Gender Equality: Risks and Opportunities”, *Social Policy in the European Union: State of Play 2020. Facing the Pandemic*, ed. Bart Vanhercke, Slavina Spasova and Boris Fronteddu (Brussels: ETUI, 2021).

²⁴⁵ ILO, *A Quantum Leap for Gender Equality*, 63.

²⁴⁶ ILO, *A Quantum Leap for Gender Equality*.

specifically target indigenous women (Canada) and teenage girls who have failed to gain higher education, as well as rural women and women with disabilities (China).²⁴⁷ The importance of digital know-how for productive remote working, which has been so essential as a job protection measure during the COVID-19 crisis (see Chapter 2), underlines the importance of gender equality in this area.

- 126. To tackle wage discrimination, various countries have promoted or strengthened equal pay legislation, pay transparency measures and job evaluation tools.**²⁴⁸ The principle of equal remuneration for men and women workers for work of equal value is stated in the Equal Remuneration Convention, 1951 (No. 100). Since 2013, about two-thirds of OECD countries have introduced pay equity initiatives.²⁴⁹ In Iceland, a legislative amendment that took effect in 2018 requires enterprises and government agencies with more than 25 employees to obtain certification from an independent entity that their pay policies are gender-equal; those failing to demonstrate pay equality face fines. In the United Kingdom, all enterprises with more than 250 employees are required under regulations introduced in 2017 to publish annual information relating to the gender pay gap. In Germany, a new law entitles women who work in companies with more than 200 employees to know how their salaries compare to those of men in similar jobs. Online self-assessment tools are also increasingly being used. In Switzerland, the Federal Office for Gender Equality has developed tools for companies of different sizes, including a self-test tool freely available on the internet.²⁵⁰ Reducing the gender pay gap also enhances women's pension entitlements, as pensions systems tend to be designed around the "male breadwinner" model, providing the highest level of protection for those with full-time, uninterrupted careers. Unlike private pensions, many social insurance pension schemes have introduced more redistributive elements to promote gender equality in entitlements, such as the recognition and valuing of care periods (for example, in Canada, France and Germany) or guaranteed minimum pensions for insured persons with low earnings.²⁵¹

Supporting disadvantaged groups or groups in vulnerable situations: Some examples

- 127. To promote equal treatment and opportunity between migrants and nationals, some countries have adopted labour legislation that explicitly prohibits any discrimination on grounds of nationality.** Equality of remuneration may even be a condition for granting a work permit. In Switzerland, under the Federal Act on Foreign Nationals and Integration, a foreign national may be admitted into the country for paid employment only if the salary and employment conditions customary for the location, profession and sector are satisfied. In Cabo Verde, the Labour Code of 2007 gives foreign workers and their families or dependants who are victims of occupational accidents the right to the same treatment in respect of compensation as national workers. The country has also adopted legislation under which migrant workers have equality of treatment with regard to access to healthcare. In 2010, Seychelles repealed an ordinance excluding non-national workers in the tourism and construction sectors from the national minimum wage. Furthermore, the COVID-19 pandemic has highlighted the significant contribution of many migrant workers

²⁴⁷ ILO and OECD, *Women at Work in G20 Countries*, 16.

²⁴⁸ Martin Oelz, Shauna Olney and Manuela Tomei, *Equal Pay: An Introductory Guide* (ILO, 2013).

²⁴⁹ OECD, *The Pursuit of Gender Equality*, 33.

²⁵⁰ Switzerland Federal Office for Gender Equality, "Analyse Equal Pay – Simply and Securely with Logib".

²⁵¹ OECD, *The Pursuit of Gender Equality*.

in their host societies and economies, as is the case with seasonal agriculture migrant workers who have proven to be “essential” in these times of critical need to secure food supply.²⁵² It is also the case with migrant healthcare workers, who have been recognized as key to combating the pandemic, and whose arrival has been facilitated in many OECD countries, as has the recognition of their qualifications.²⁵³ Consequently, many countries have taken measures to improve labour protections and living conditions for migrant workers during the pandemic.²⁵⁴ For instance, Portugal has adopted provisions that grant migrants with the same rights as permanent residents in terms of access to public services, including health services. In Bahrain, a circular from the Ministry of Labour and Social Development highlights the responsibility of private sector employers to provide safe housing and facilities for migrant workers during the pandemic. In Kenya, a tripartite memorandum of understanding, signed on 20 April 2020, includes a measure that maintains the residency status and work permits of migrant workers who have lost their jobs.

- 128. Several countries have taken measures to combat discrimination against indigenous and tribal peoples.** Challenging stereotypes and promoting respect, investing in social and care-related infrastructure, creating an enabling environment for the participation of indigenous women in decision-making, combating violence and harassment, and leveraging existing skills and knowledge through targeted public policies together form an important starting point from which to improve the situation of indigenous women. At the same time, broader public policies and initiatives are required to enhance the response to indigenous women’s needs and tackle their persistent exclusion. Discrimination remains a root cause of exclusion and requires urgent action across multiple levels – from the household and community, to the local and national levels, at the workplace and at home. In Latin America, several countries have established dedicated institutions to combat discrimination and violence against indigenous women. In the Plurinational State of Bolivia, indigenous women working in the construction sector have been organizing to push for reforms to ensure their right to equal pay for work of equal value.²⁵⁵
- 129. Policies that improve access to decent work for persons with disabilities should be reinforced and promoted.** Beyond the goal of social justice, decent work for persons with disabilities has considerable economic benefits. Developing countries, which are home to 80 per cent of the world’s 1 billion persons with disabilities, lose approximately 7 per cent of their GDP because of their exclusion from the labour market. In recent years, in order to ensure the effective inclusion of persons with disabilities in the world of work, many countries have put in place policies aimed specifically at enhancing the employability of persons with disabilities and measures that promote greater inclusion in the labour market through a more favourable legislative environment.²⁵⁶ One of the objectives of these policies is to help to provide persons with disabilities not only with general skills, including entrepreneurial skills, but also the specific skills that are relevant in these times of transformation of the world of work, so that they may have a smooth transition into the labour market. Another objective is to create a favourable and inclusive environment for

²⁵² ILO, “Seasonal Migrant Workers’ Schemes: Rethinking Fundamental Principles and Mechanisms in light of COVID-19”, ILO Brief, 2020.

²⁵³ OECD, *Contribution of migrant doctors and nurses to tackling COVID-19 crisis in OECD countries*.

²⁵⁴ ILO, “Protecting Migrant Workers during the COVID-19 Pandemic”, Policy Brief, 2020.

²⁵⁵ ILO, *Implementing the ILO Indigenous and Tribal Peoples Convention No. 169*.

²⁵⁶ ILO, *ILO and Disability Inclusion*, 2015.

persons with disabilities by adopting measures to improve institutional responsiveness to the needs of persons with disabilities and to create a supportive environment in the workplace for them. These policies are generally accompanied by disability awareness-raising measures and measures that prohibit discrimination against persons with disabilities. For instance, Liberia included persons with disabilities in its 2009 national employment policy, setting out, among other things, strategies to prohibit discrimination on the basis of disability, promote employment opportunities for persons with disabilities and enhance their access to opportunities and services. The National Human Resources and Employment Policy for Sri Lanka 2012 strengthens employment and vocational training opportunities for persons with disabilities. Similar provisions exist in Ethiopia's 2009 National Employment Policy and Strategy.²⁵⁷

- 130. Measures specifically targeted at young people will be necessary to lessen or even erase the many scars of the crisis and to build a fairer human-centred future of work for young people and future generations.** Because the crisis has disproportionately affected young people, hampering their human capital and their future prospects, they could end up living in societies that continue to bear the consequences of the crisis in terms of employment and labour income – societies in which they are generally disadvantaged on the labour market. This is why it is essential to take measures to promote skills acquisition and facilitate the integration of young people into labour markets, thereby reducing the inequalities they face in the world of work. Before the pandemic, the EU had already implemented the Youth Guarantee scheme, under which EU countries made a commitment to ensure a good quality offer of employment, continued education, apprenticeship and traineeship for young people under the age of 25, during the first four months of unemployment or school-to-work transition. This commitment has contributed to improving employment opportunities for young people, in particular through a special focus on young people by public employment services, which made it possible to reduce the number of young people not in employment, education or training (NEETs) by 1.7 million across the EU in a seven-year period. Given the consequences of the COVID-19 crisis on young people, this commitment has been further reinforced and extended to cover also those between 15 and 29 years old.²⁵⁸ Some EU countries have also implemented national measures to support youth employment.²⁵⁹

Strengthening redistribution through social protection and public services

- 131. The extension of social protection measures in many countries has played an important role in cushioning the most vulnerable against the impacts of the COVID-19 crisis.**²⁶⁰ The crisis has highlighted the importance of access to essential healthcare and basic income security over the life cycle, as recognized in the Social Protection Floors Recommendation, 2012 (No. 202). To cope with the crisis, many countries have scaled up or adapted social protection measures during the pandemic to include previously uncovered or inadequately covered population groups. More than three quarters of these measures are being financed on a non-contributory basis, through the state budget. This has demonstrated the importance of non-contributory provisions in guaranteeing basic

²⁵⁷ ILO, *Inclusion of People with Disabilities in National Employment Policies*, 2015.

²⁵⁸ European Commission, "The Reinforced Youth Guarantee".

²⁵⁹ Government of France, "COVID-19: les aides de l'État pour soutenir les jeunes".

²⁶⁰ This section draws mainly on: ILO, *Building the Future of Social Protection for a Human-centred World of Work*.

protection for all in terms of health and incomes.²⁶¹ Between 1 February 2020 and 15 January 2021, the governments of 209 countries and territories announced at least 1,622 social protection measures in response to the COVID-19 crisis.²⁶² Most of those measures served to extend social security to those who were not covered previously or to increase benefits. They include the introduction or adaptation of child and family benefits in more than 73 countries and the extension of income support to replace lost earnings to uncovered workers. For instance, in Viet Nam, cash transfers were provided to individuals, including in family businesses, who lost their jobs or earnings but were not covered by any social protection programme. In Egypt, unemployment benefits were granted to informal and seasonal workers.²⁶³ In Cabo Verde, the minimum employment period for eligibility to receive unemployment benefits was reduced. According to the World Bank, around 622 million people have benefited from social assistance programmes, such as cash transfers.²⁶⁴ In some countries, such as India, Indonesia and Jamaica, governments have provided meals or cash to buy food.

- 132. Prior to the COVID-19 crisis, there had been some limited progress in extending social protection coverage.** Rising inequality had led to calls for distributive fiscal policies, including greater and more equitable revenue mobilization and increased expenditure on social protection schemes.²⁶⁵ As highlighted in the report for the recurrent discussion on social protection (social security) for the 109th Session (2021) of the International Labour Conference, improvements in the area of social protection have been made in various regions. In Africa, countries such as Botswana, Cabo Verde, Lesotho and Namibia have reached or approached universal pension coverage. In Latin America, some countries have achieved universal coverage of children, such as Argentina, Brazil and Chile, or of persons with disabilities, as in Brazil, Chile and Uruguay. In Asia, Mongolia has achieved universal coverage of children, and maternity protection coverage has been extended in Bangladesh, India and Mongolia. In the Arab States, maternity protection coverage has been enhanced in Iraq and Jordan. Some countries have adapted social protection to the changing nature of work. In Algeria, Slovakia and Uruguay, for example, measures have been adopted to extend social protection to cover certain categories of non-salaried and vulnerable workers, including those with multiple employers, non-regular workers and self-employed workers.
- 133. Some countries had extended social health protection before the global pandemic, an effort that needs to be perpetuated in order to reduce gaps in access to healthcare.** During the 1980s and 1990s, in the Republic of Korea, health insurance was gradually extended to cover the entire population, starting with the mandatory coverage of employees of large corporations and government, and gradually including smaller enterprises. Insurance coverage was then extended to self-employed workers in all rural and urban areas. For self-employed workers in low-income brackets, contributions are subsidized by the government. Solidarity mechanisms were created through larger risk pools, which enabled government contributions to be reduced over time. Coverage of self-

²⁶¹ Mira Bierbaum, Ian Orton and Christina Behrendt, "Towards Solid Social Protection Floors? The Role of Non-contributory Provision during the COVID-19 Crisis and Beyond", ILO Social Protection Spotlight Brief, 2021.

²⁶² ILO, "Social Protection Monitor: Social Protection Responses to the COVID-19 Crisis around the World – Second edition", April 2020.

²⁶³ ILO, "Social Protection Monitor: Social Protection Responses to the COVID-19 Crisis around the World".

²⁶⁴ World Bank, "COVID-19 (Coronavirus) Policy Response to Protecting the Poorest and Most Vulnerable in Russia".

²⁶⁵ Asian Development Bank, *Asian Development Outlook 2012: Confronting Rising Inequality in Asia*, 2012; UN Economic and Social Commission for Asia and the Pacific, *Inequality in Asia and the Pacific in the Era of the 2030 Agenda for Sustainable Development*; Luebker, "Redistribution Policies", 224.

employed workers increased from 84 to 93 per cent between 1989 and 1999. In 2007, 96 per cent of the population had health insurance coverage.²⁶⁶

- 134. The adequacy of social protection benefits has also improved in various countries.** In the area of social protection, consideration should go beyond the coverage of people and also take account of the *adequacy* of protection, as the levels of benefits may be insufficient to bring people who are covered out of poverty and insecurity. In the area of maternity protection, a number of countries, such as Finland and Ireland, have increased the minimum rate of benefit levels. Several national pension schemes have recently announced upward adjustments to pension benefits, including in China, Mauritius, Panama and Portugal. During the pandemic, attention has been focused on the level of statutory sickness benefits paid to those too ill to work; in the United Kingdom, for example, where the level of sick pay is the lowest in Europe (at just 20 per cent of average earnings), trade unions and civil society organizations are campaigning for a higher level that would at least meet subsistence living costs for a family.²⁶⁷
- 135. During the COVID-19 crisis, many countries have also strengthened their public social services for low-income and vulnerable groups.** Affordable and accessible healthcare has been decisive in preventing workers and their families from falling into poverty and even more precarious conditions.²⁶⁸ Many countries have made treatments for COVID-19 free of charge, thereby saving many families from having to pay significant costs related to hospitalization that can sometimes last for several weeks under respiratory assistance. Likewise, COVID-19 tests have been either partially or fully subsidized in most countries. In the light of the considerable health challenges being faced, many countries have taken actions to improve the availability, accessibility, acceptability and quality of health services for all by channeling additional fiscal resources into their health systems, thereby moving towards universal health coverage. In Pakistan and Papua New Guinea, for example, governments have taken actions to improve primary healthcare and bring communities closer to basic healthcare services.²⁶⁹ These actions are contributing to the closure of many gaps in access to healthcare, including those suffered by rural populations.
- 136. Measures have also been taken during the COVID-19 crisis in the areas of public employment services and public education.** The strengthening and improvement of public employment services in terms of capacity and access has had a significant impact on vulnerable populations and on inequality.²⁷⁰ Many countries have also put in place measures to facilitate access to education, which have considerably helped to prevent education gaps from widening. These measures include financial aid to help low-income parents to cover school fees in private institutions, such as in Ecuador. In Peru, the government bought and distributed tablet computers to students so that they could study from home. Other countries have decided to finance student tuition fees, as for instance in Armenia and Azerbaijan. In Nepal and Vanuatu, school fees have been waived for a certain period.²⁷¹

²⁶⁶ ILO, *Extending Social Security to Workers in the Informal Economy: Lessons from International Experience*, 2019, box 4.16.

²⁶⁷ See, for example, TUC, "Sick Pay for All: How the Coronavirus has Shown We Need Urgent Reform of the Sick Pay System"; and Mind for Better Mental Health, "Flexible and Fair Sick Pay".

²⁶⁸ ILO, "Towards Solid Social Protection Floors?"

²⁶⁹ WHO, "Responding to COVID-19 and building stronger health systems for universal health coverage".

²⁷⁰ ILO, "COVID-19: Public employment services and labour market policy responses".

²⁷¹ ILO, "Social Protection Monitor: Social Protection Responses to the COVID-19 Crisis around the World".

► Chapter 4

Towards shared growth with fairness and dignity: A proposed ILO response to inequality

- 137. As highlighted by the COVID-19 crisis, high levels of inequality have tangible implications for individuals and for societies.** For millions of people in the most vulnerable situations around the world, inequality means that they are exposed to health risks at work, that they cannot enter the labour market to earn an income, that the incomes they earn are insufficient to adequately meet their needs or those of their families, or that little or no money will be saved for retirement or to cover the costs of unforeseen life events. This was already a daily reality before the COVID-19 crisis for many workers around the world, particularly for those in the informal economy, women workers, young people, migrants, indigenous peoples and workers with disabilities. The COVID-19 crisis has further highlighted, sometimes in a dramatic way, the human consequences of many of these inequalities.
- 138. High levels of inequality have diminished the resilience of many societies to respond to – and recover from – the awful shock of the COVID-19 crisis.** Prior to the COVID-19 crisis, although trends varied across regions and countries, inequality had increased or remained at high levels in many countries across the world. Hence, many countries entered the pandemic with large shares of the population already disadvantaged, at risk and insecure. This has given rise to an alarming two-way dynamic, or feedback loop, between inequalities and the pandemic. The different inequalities described in this report have meant that workers and their families in many countries have been extremely vulnerable to the effects of the crisis, including as a result of the lockdown measures taken to limit contagion. High levels of inequality have therefore diminished the resilience of many countries to respond and adapt to the external shock.
- 139. In the wake of COVID-19, there is a real risk that levels of inequality will increase dramatically, causing long-term social and economic damage unless effective policy measures are enacted as a matter of urgency.** If they are not, the COVID-19 crisis may result in a further deepening of inequalities. The crisis has heightened pre-existing concerns about inequalities, not only within many countries but also across the organizations of the multilateral system. Growing inequalities lead to segmented societies and bring the social mobility “escalator” to a halt. This, in turn, will continue to breed frustration and anger, and if people see themselves as being excluded from the COVID-19 responses and the post-COVID-19 recovery, they will lose trust in existing institutions and political systems, including the multilateral system. The literature documents that lower levels of inequality are often related to more stable and sustained economic growth, more rapid poverty reduction, greater social cohesion, greater equality of opportunity and greater social mobility and stability.
- 140. Reducing inequalities in the context of an inclusive and human-centred recovery will require combined and coordinated interventions at various levels in the world of work, not only redistribution through taxes and transfers.** A country’s system of taxes and transfers, and public social services, can play an essential role in reducing inequalities, and may in many instances need to be strengthened, including by reducing the size of the informal economy. But there are also limits to what these mechanisms can achieve,

particularly in low-income countries with large informal economies. Furthermore, there are many different forms of inequality, such as gender inequalities and horizontal inequalities between groups, which cannot all be reduced or eliminated by means of redistribution through taxes and transfers. As highlighted in this report, a comprehensive approach to reducing inequalities in the world of work is therefore needed, including strong measures that make labour markets less unequal and more equitable.

141. Within the context of a human-centred recovery from the COVID-19 pandemic, it will be imperative to strengthen the ILO's response to the challenge of inequality, building on existing commitments and recognizing country-specific circumstances. The Centenary Declaration emphasizes that persistent poverty, inequalities and injustices constitute a threat to the historic advances in economic and social progress that have resulted in more humane conditions of work. It acknowledges that these advances were possible thanks to the continuous and concerted action of the governments and employers and workers of the world. It has therefore become urgent and timely for the ILO to develop a more comprehensive approach towards inequality, based on its mandate, tripartite constituency, and means and action in policy areas that have a bearing on inequalities in the world of work. At the same time, there is no one-size-fits-all set of solutions, and policy responses should be country-specific, taking into account national choices and national circumstances, which vary widely across countries of different regions or levels of development.

142. In order to reduce inequality, the Office could take action to:

- **Build on the conclusions of this general discussion, which are intended to furnish the Office with a strategic mandate, and develop a consolidated "narrative" on how the ILO could contribute to a recovery from the COVID-19 crisis with reduced inequalities.** As noted in the introduction to this report, many multilateral institutions have developed their own proposals and approaches to combating inequality. The ILO could develop its own succinct "inequality narrative" summarizing its approach to combating inequality, based on its specific mandate and comparative advantage and on international labour standards, showing how different measures and policies can combine according to different country circumstances to reduce inequality. Such a narrative could include elements highlighted in this report, such as the importance of productivity growth, formalization and skills to generate quality employment; ensuring a fair share of the fruits of progress to all through effective and inclusive institutions of work; mainstreaming gender equality and non-discrimination and providing support for vulnerable or disadvantaged groups; and strengthening redistribution through social protection and public services. Such a narrative, developed by the Office in tandem with the ILO constituents, could emphasize the importance of an inclusive recovery and equitable future of work as a key mechanism for reducing inequalities and could serve as the basis for intensified ILO engagement within the multilateral system on the issue of inequality, as well as for the mainstreaming of inequality issues in the overall activities of the ILO.
- **Engage in stronger coordination and cooperation at the multilateral level on the issue of inequality in the recovery from the pandemic.** The Centenary Declaration underlines the importance of multilateralism to shape a brighter future of work and calls for, among other matters, intensified engagement and cooperation within the multilateral system with a view to strengthening policy coherence, in line with the recognition that decent work is key to ensuring sustainable development, addressing income inequality and ending poverty. The conclusions of this general discussion and a

possible new ILO “inequality narrative” could be used as the basis for a stronger future ILO engagement in multilateral dialogue and initiatives related to inequality and the recovery from the COVID-19 crisis, including those taking place at the level of the United Nations, the G20 and the G7, for example. Inequality is a critical subject on which the multilateral system needs to demonstrate its relevance and effectiveness, and progress on this agenda in the remaining years towards the 2030 Agenda is likely to be critical to the future of the multilateral system.

- **Pursue research and gather knowledge on relevant aspects of “what works” to reduce inequality in the world of work.** Building on the ILO Research Strategy for the period 2020–21, approved by the Governing Body in November 2019, the Office could strengthen its collaborative research agenda on inequalities, with a view to developing a unique ILO evidence base that tests the degree to which different policies or measures, in different country and developmental contexts, might serve to counteract inequalities. This could contribute to further developing the ILO “inequality narrative” over time through a better understanding of the complex causes of and remedies for inequalities in the world of work. In addition, there might also be a need to develop better and more relevant methodologies to measure and decompose inequalities with a view to identifying appropriate policy measures. These methodologies could then be used in diagnostic studies carried out at the national level to measure inequality, understand its characteristics, and identify the drivers of inequality in the primary and secondary distribution.
- **Review the extent to which international labour standards adequately address the challenges of the changing patterns of the world of work.** The Centenary Declaration recalls that the setting, promotion and ratification of international labour standards is of fundamental importance to the ILO, and that this requires a clear, robust, up-to-date body of international labour standards. The Declaration also emphasizes that international labour standards need to respond to the changing patterns of the world of work, protect workers and take into account the needs of sustainable enterprises. While the existing up-to-date standards have demonstrated their relevance and impact, the ILO could ensure that its body of standards is well equipped to respond to new challenges, such as those induced by the digitalization of the economy, that could have an impact on inequalities. This would also allow the ILO to contribute to efforts to foster a level playing field in a changing environment.
- **Incorporate in its contribution to the UN reform effort, in line with the SDG on reducing inequality (Goal 10), systematic inclusion of inequality issues in country-level activities, placing social dialogue at the heart of the policy debate.** The ILO could progressively integrate inequality issues in its country-level assistance, including through Decent Work Country Programmes and the UN Sustainable Development Cooperation Frameworks, which articulate the UN’s collective response to helping countries to achieve the SDGs, including Goals 8 and 10. At the country level, diagnostic studies could be carried out with a view to identifying possible policy responses, taking into account country circumstances and current UN reforms. The ILO must emphasize that social dialogue is a key mechanism to identify ways to reduce inequality in the world of work. Social dialogue institutions, where they exist, should be placed at the core of national strategies for inequality reductions. Together, international labour standards, tripartism and social dialogue constitute the comparative advantage of the ILO and promoting them would be a key element of the specific ILO contribution to the inequality debate. Particular emphasis could be placed on the implementation of this integrated

approach, including country diagnostics and the identification of policy measures through social dialogue, in some selected pilot countries.

- **Mainstream inequality issues into the follow-up to the Centenary Declaration, in line with the potential International Labour Conference (109th Session) outcome document on a global response for a human-centred recovery from the COVID-19 crisis.**²⁷² The ILO's programmes of work for 2020–21 and 2022–23 are anchored in the Centenary Declaration, and they respond to the Centenary Declaration's call to act with urgency to seize the opportunities and address the challenges to shape a fair, inclusive and secure future of work with full, productive and freely chosen employment and decent work for all.²⁷³ Most, if not all, of their eight outcomes relate to inequality. Going forward, taking into account the conclusions of the general discussion and the possible narrative, inequality could be further mainstreamed into the ILO's programme and budget, highlighting explicitly the possible contribution of each of the outcomes to the reduction of inequality. Such an explicit linkage to inequality could sharpen the relationship between the Decent Work Agenda and inequality, and between the interrelated Goals 8, 10, 5, 3 and 1 of the 2030 Agenda.
- **Accelerate the implementation of a transformative agenda for gender equality.** Women have been most severely hit by the COVID-19 crisis. Indeed, the COVID-19 pandemic and associated recession has exacerbated existing inequalities in women's and men's paid and unpaid work, including care work, and risks reversing international progress towards gender equality.²⁷⁴ The Centenary Declaration emphasizes the need for a transformative agenda to achieve gender equality. Such an agenda could ensure equal opportunities, equal participation and equal treatment, including equal remuneration for women and men for work of equal value; enable a more balanced sharing of family responsibilities; provide scope for achieving better work–life balance by enabling workers and employers to agree on solutions, including on working time, that consider their respective needs and benefits; and promote investment in the care economy. The Centenary Declaration also underlines the commitment of the International Labour Conference to remove any form of violence and harassment from the world of work.

143. Reducing inequality is a matter of choice – but the cost of inaction is increasing by the day. In recent decades, policy choices have been made that have exacerbated different forms of inequality, even if unintentionally. The COVID-19 crisis has highlighted – and in many cases further deepened – some of these pre-existing inequalities, which is also making countries less resilient to respond and adapt to the crisis. In many countries, inequalities and their terrible human consequences are now endangering social and economic sustainability. The economic and social cost of inaction is, in many places, increasing by the day. Acting against inequalities has become a matter of extreme urgency.

²⁷² ILO, *COVID-19 and the world of work: Elements of a potential International Labour Conference (109th Session) outcome document on a global response for a human-centred recovery from the COVID-19 crisis*, GB.341/INS/4, 2021.

²⁷³ ILO, *Programme and Budget for the biennium 2020–21*, 2020; ILO, *The Director-General's Programme and Budget proposals for 2022–23*, GB.341/PFA/1, 2021.

²⁷⁴ ILO, "ILO Monitor. Fifth edition"; ILO, *The Women at Work Initiative*.