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Creating full and productive employment and decent work for all as a way of overcoming inequalities to accelerate the recovery from the COVID-19 pandemic and the full implementation of the 2030 Agenda for Sustainable Development

Report of the Secretary-General

Summary

The present report, submitted in accordance with Economic and Social Council decision 2022/327, provides an overview of current and future trends in inequality, especially in the labour market, and serves to examine obstacles to decent work faced by different categories of workers and disadvantaged groups. It highlights effective strategies to create full and productive employment and decent work for all, including: measures to address vulnerabilities and ensure adequate protection of all workers; integrated strategies to support formalization; efforts to establish universal, comprehensive, gender-responsive, adaptive and sustainable social protection systems; policies to expand decent employment opportunities, notably through an enabling business environment, and entrepreneurship and innovation. It also highlights strategies to create decent employment in new, sustainable and growing sectors. The report contains recommendations on how countries can make further progress on these issues.

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I. Introduction

1. Overcoming inequality is critical to the achievement of the Sustainable Development Goals contained in the 2030 Agenda for Sustainable Development. Goal 10 is aimed at reducing inequality within and among countries. The reduction of inequality is also recognized as a cross-cutting issue supporting the achievement of other Goals, including access to clean energy, water and sanitation, and to the eradication of poverty and hunger. In the 2030 Agenda, Member States made a commitment to leaving no one behind, placing inequality at the forefront of policy discussions for implementation.

2. Prior to the coronavirus disease (COVID-19) pandemic, inequality was high and increasing in some countries, despite the extraordinary, although uneven, economic growth and improvements in human well-being. Research conducted by the Department of Economic and Social Affairs shows that about 70 per cent of the world's people live in countries where income inequality has risen since 1990.¹ The COVID-19 pandemic has exposed and worsened inequalities. The impact of the pandemic on health, education, jobs and livelihoods has been devastating. Marginalized and disadvantaged social groups have been the most affected by these impacts, thus exacerbating inequalities.

3. Evidence from national experiences shows that rising inequality is not inevitable. Policies matter and inequality can be overcome. Creating full and productive employment and decent work for all is a proven pathway to reducing inequality in a sustained manner. Full and productive employment and decent work can increase income, help people escape poverty, promote equality of opportunity and treatment, and empower and improve the well-being of marginalized and disadvantaged social groups, which in turn helps to close gaps between the rich and the poor. Beyond being just a source of income, employment fosters a sense of dignity and purpose and creates social connections that promote social inclusion and political participation. Furthermore, as a pillar of decent work, social protection systems, including nationally defined social protection floors, are an effective instrument not only for eradicating poverty but also for reducing inequality and building resilience. Adaptive social protection systems can address intersectional vulnerabilities and reduce disaster risk, and thus build resilience.

4. Efforts to reduce multidimensional poverty and inequality include fostering equal opportunities and socioeconomic policies that are aimed at enhancing people's capabilities and promoting employment creation, especially, investment in education and lifelong learning, universal health coverage, infrastructure and access to clean energy, sanitation and safe water. Investment in employment creation to manage the social and economic consequences of structural changes in the world of work, including by strengthening labour market institutions to respond to new and insecure forms of work and by implementing minimum wages and active labour market policies, will go a long way towards enhancing economic security and reducing inequality.

II. Current and future trends in inequality and the labour market

5. An exceptional period of decline in global inequality has been observed since the early 1990s, reversing the upward trend that had lasted for more than 150 years. Between 1993 and 2017, global inequality declined by 34 per cent; one third of the gap between countries was closed in about 25 years due to the economic development

¹ *World Social Report 2020: Inequality in a Rapidly Changing World* (United Nations publication, 2020).

of emerging economies such as China and India.² Despite the reduction, however, inequality remained very high, with annual gross domestic product per capita in 2018 ranging from about \$600 at purchasing power parity in the poorest country to more than \$115,000 in the richest country.³ The pandemic exacerbated global inequality, somewhat reversing the decline of the previous two decades. The global Gini coefficient increased from 62.0 in 2019 to 62.6 in 2020.⁴

6. Slow economic recovery in emerging markets and developing economies is expected to further widen inequalities between countries unless effective policies and strategies are put in place. The per capita output of developing countries and economies in transition in 2022 is projected to be more than 2 per cent below the level estimated before the pandemic, while that of developed economies is projected to almost fully recover by 2023 compared with pre-pandemic projections.⁵ Africa, Latin America and the Caribbean, and Southern Asia are expected to face the largest and most persistent output losses.⁶ This uneven pace of recovery between developed and developing economies will widen income inequality across countries if not checked through active socioeconomic policies.

7. Within-country inequality, measured by the ratio between the average incomes of the top 10 per cent and the bottom 50 per cent, declined from 15.7 in 1910 to 8.6 in 1980 as a result of rising social spending and progressive taxation. However, this trend was reversed in the 1980s as economic policies emphasized liberalization and structural adjustments. By 2020, the income ratio had almost doubled to 15.1.⁷

8. The COVID-19 pandemic has deepened various forms of inequality and recovery from it has been uneven in terms of rates of economic growth and labour market recovery. Trends in the labour market are a key determinant of within-country inequality.

9. The progress made in decent work before the pandemic has been halted and gaps have worsened. A return to pre-pandemic levels of decent work is very unlikely in the coming few years. Globally, the number of total hours worked in 2022 will be nearly 2 per cent below the pre-pandemic level, corresponding to a loss of 52 million full-time equivalent jobs. Latest projections show that global unemployment will increase from around 186 million in 2019 to 207 million in 2022. The 2022 employment-to-population ratio is estimated to stand at 55.9 per cent, lower by 1.4 percentage points from its 2019 level. The global labour force participation rate fell by close to 2 percentage points between 2019 and 2020 and is projected to only partially recover to 59.3 per cent in 2022, from 60.5 per cent in 2019.⁸

10. The impact and recovery patterns vary significantly across regions, countries and sectors. Low- and middle-income countries have shown much lower employment growth trends than high-income countries, mainly due to the lower vaccination rates and constrained fiscal space. Half of the global decline in unemployment between 2020 and 2022 occurred in high-income countries, which constitute only around a fifth of the global labour force, implying a slower recovery in employment in the rest of the world. Projections for all regions indicate that a full recovery in 2023 remains

² Nishant Yonzan, Christoph Lakner and Daniel Gerszon Mahler, “Is COVID-19 increasing global inequality?”, World Bank Blogs, 7 October 2021.

³ International Labour Organization (ILO), “Trends in inequality across countries”, Briefing Note 19, November 2021.

⁴ World Bank, *Poverty and Shared Prosperity 2022: Correcting Course* (Washington, D.C., 2022).

⁵ *World Economic Situation and Prospects 2022* (United Nations publication, 2022).

⁶ *Financing for Sustainable Development Report 2022: Bridging the Finance Divide* (United Nations publication, 2022).

⁷ Lucas Chancel and others, eds., *World Inequality Report 2022* (World Inequality Lab, 2022).

⁸ See <https://ilostat.ilo.org/data/>.

elusive and that recovery will remain uneven across regions. Latin America and the Caribbean and South-East Asia are projected to be far from reaching pre-pandemic employment levels while the European and Pacific regions are projected to have better prospects.⁹

11. The conflict in Ukraine also has an impact on the labour market, with the immediate impact being on the domestic labour market of Ukraine. It is estimated that 4.8 million jobs have been lost compared with the pre-conflict situation, equal to 30 per cent of pre-conflict employment in Ukraine.¹⁰ In addition, the sanctions imposed on the Russian Federation will potentially affect migrant workers from Central Asia who are in the country and who send back significant amounts of remittances, particularly in Kyrgyzstan and Tajikistan where remittance flows from the Russian Federation accounted for 83 and 56 per cent of total remittances in 2021, respectively.¹¹

12. The most immediate impact of the conflict on labour markets in developing countries has been caused by rising inflation, which has a direct effect on the purchasing power of workers and their families. The longer the conflict in Ukraine continues, the greater its reverberating impacts, including in terms of disruptions to the labour market, such as a reduction in hours worked and a drop in real labour income. As the conflict continues, there will be further impacts on businesses, including major disruptions to economic activity and eventual closures, which will lead to further job and income losses.¹²

III. Inequalities in the labour market and structural barriers faced by different categories of workers and disadvantaged groups

13. Prior to the COVID-19 pandemic, despite some progress, decent work deficits were already stubbornly persistent. Notwithstanding sustained economic growth over the past decades, informal employment has remained relatively unchanged in emerging economies.¹³ Unemployment among young people has continued to increase and gender gaps in paid work have persisted. In many countries, being in paid employment is insufficient for a person to escape poverty. In emerging and developing countries, as many as one in four workers live below the moderate poverty threshold (\$3.10 per day in purchasing power parity terms).¹⁴

14. The COVID-19 pandemic has exposed and dramatically exacerbated inequalities in the labour market. The hardest hit were those already facing discrimination and marginalization in employment and workers in informal and insecure forms of work, including women, young people, older persons, persons with disabilities, Indigenous Peoples and ethnic, religious and other minorities in vulnerable situations. Underlying structural deficiencies and inequalities in the labour market are intensifying and prolonging the adverse impact of the pandemic.

⁹ ILO, *World Employment and Social Outlook: Trends 2022* (Geneva, 2022).

¹⁰ ILO, "The impact of the Ukraine crisis on the world of work: Initial assessments", 11 May 2022.

¹¹ Dilip Rathaeung and Ju Kim, "Russia-Ukraine conflict: implications for remittance flows to Ukraine and Central Asia", World Bank Blogs, 4 March 2022.

¹² Sher Verick, "Labour market trends: longer-term challenges and impact of crises" paper presented at the Expert Group Meeting on creating full and productive employment and decent work for all, virtual, June 2022; and ILO, "Multiple crises threaten the global labour market recovery", ILO Monitor on the World of Work, 10th ed., 21 October 2022.

¹³ World Bank, *World Development Report 2019: The Changing Nature of Work* (Washington, D.C., 2019).

¹⁴ ILO, *World Employment and Social Outlook: Trends for Women 2018 – Global snapshot* (Geneva, 2018).

Monitoring the impact of the pandemic on the employment of disadvantaged groups has been complicated by a widespread absence of data disaggregated by sex, family status, disability, ethnicity and other relevant criteria.

15. Workers in insecure forms of employment (particularly when the form is involuntary), including those in temporary and part-time employment and self-employment and workers facing irregular hours and interrupted working patterns, are at higher risk of informality and decent work deficits. Such deficits include increased risks of unemployment, lower wages and income insecurity; higher occupational and health risks (due to poor induction, training and supervision); weaker social security coverage; fewer training opportunities and a lack of access to freedom of association and collective bargaining.¹⁵

16. Over 2 billion workers around the world (or 60 per cent) work in the informal economy.¹⁶ The informal economy is complex; rates of informality vary between countries, sectors, types of employment and demographic characteristics. Young people and older persons are most affected, as over 75 per cent are estimated to be informally employed globally.¹⁷ Women are overrepresented in the least remunerative and least protected informal occupations. In developed countries, new forms of informality have emerged in recent years due to new business models, including the platform economy.

17. Informality comes at a cost for economies and societies. Informal businesses face obstacles in accessing credit, markets and services, which hampers their productivity and growth. During the recovery from the COVID-19 pandemic, informal enterprises have been less able to access formal lines of credit and government support. Informal workers do not have the legal guarantees safeguarding their fundamental rights at work, including their right to equality and non-discrimination, social protection, voice and representation, and decent working conditions. Workers in the informal economy earn, on average, about 19 per cent less than workers in formal employment, putting them at higher risk of poverty.¹⁸ These disadvantages of informality contribute to within-country socioeconomic inequalities.

18. Certain disadvantaged sociodemographic groups face stubborn barriers to entering the labour market and accessing decent work. Women's prospects in the world of work fall far below those of men. Pre-pandemic, progress in terms of the labour force participation rate for women and in closing the gender pay gap had largely stagnated. Women are less likely than men to participate in the labour market; the female global labour force participation rate stood at 48.5 per cent in 2018, 26.5 percentage points below that of men. Since 1990, this gap has closed by a mere 2 percentage points. Not only are women less likely than men to participate in the labour force but when they are employed, they are more likely to be in jobs that fall outside the scope of labour legislation, social security regulations and relevant collective agreements.¹⁹ This is because women contend with multiple challenges in the world of work, including entrenched gender roles and stereotypes, discrimination, gender-based violence and harassment, segregation and unequal pay. Gendered employment patterns in the new platform economy echo those in traditional labour

¹⁵ ILO, *Non-standard Employment around the World: Understanding Challenges, Shaping Prospects* (Geneva, 2016).

¹⁶ ILO, *Women and Men in the Informal Economy: a Statistical Picture*, 3rd ed., (Geneva, 2018).

¹⁷ Figures taken from forthcoming fourth edition of publication of ILO on women and men in the informal economy.

¹⁸ Shu Yu and Franziska Ohnsorge, "The challenges of informality", World Bank Blogs, 18 January 2019.

¹⁹ ILO, *World Employment and Social Outlook: Trends for Women 2018 – Global Snapshot* (Geneva, 2018).

markets as women are still unrepresented and tend to perform “feminised” tasks, such as translation and clerical work.

19. Family dynamics and the lack of policies that encourage a redistribution and reduction of unpaid care and domestic work (within households and between state and families) are crucial determinants of employment and pay penalties for women, as women continue to shoulder the bulk of unpaid care and domestic work.²⁰ Women perform on average three times the amount of unpaid care work compared to men worldwide. This has social and economic costs. The unequal division of labour at home limits women’s ability to participate in the labour market and access higher-quality jobs. In the face of the widespread and prolonged school and day care closures during the pandemic, women with young children have experienced greater job and income losses relative to their male peers and women without children. The pandemic also had an impact on the work-family balance more broadly. Temporary emergency measures to support women’s income security and reduce and redistribute unpaid care work have been patchy and insufficient. Out of over 3,000 social protection and labour market measures adopted by 224 countries and territories in response to the pandemic, only 12 per cent targeted women’s economic security and 8 per cent addressed rising unpaid care demands.²¹ On average, globally, women earn 20 per cent less than men. While individual characteristics, such as education and experience, explain part of the gender pay gap, the key factor is discrimination and occupational segregation based on gender.²² The cumulative effects of disadvantages within the labour market (including, lower levels of labour force participation relative to men’s, gender pay gaps, interrupted and shorter careers, and overrepresentation in insecure and informal employment) mean that women tend to have lower rates of pension coverage and pension levels than men, and thus face higher levels of old-age poverty.²³

20. Young people generally experience high unemployment and inactivity and when they do work, they face high job and income insecurity. The pandemic has exacerbated these challenges by negatively affecting their employment prospects and disrupting their education and training. The global rate of unemployment among young people stood at 15.6 per cent in 2021 (over three times the rate for adults) and roughly twice as many young women lost their jobs as young men during the pandemic. Of the nearly 282 million young people not in employment, education or training, the vast majority are women. Not addressing unemployment among young people and failing to support young people who are not in employment, education or training bear high opportunity costs and places young people at risk of long-term scarring effects, including higher chances of future unemployment spells and a reduction of subsequent wages, due to joblessness early in their working lives.²⁴

21. International migrant workers, who make up 5 per cent of the global workforce, are particularly vulnerable to exploitation and discrimination, violence and harassment, and a lack of representation, voice and redress, as well as inadequate protection from income loss during sickness, disability and old age.²⁵ Indigenous Peoples, as well as ethnic and racial minorities, largely work in the informal economy

²⁰ Laura Addati, Umberto Cattaneo and Emanuela Pozzan, *Care at Work: Investing in Care Leave and Services for a More Gender Equal World of Work* (Geneva: ILO, 2022).

²¹ United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and United Nations Development Programme, *Government Responses to COVID-19: Lessons on Gender Equality for a World in Turmoil* (n.p., 2022).

²² ILO, *Global Wage Report 2018/19: What Lies Behind Gender Pay Gaps* (Geneva, 2018).

²³ ILO, *World Social Protection Report 2020–22: Social Protection at the Crossroads – in Pursuit of a Better Future* (Geneva, 2021).

²⁴ ILO, *Global Employment Trends for Youth: Investing in Transforming Futures for Young People* (Geneva, 2022).

²⁵ ILO, *ILO Global Estimates on International Migrant Workers: Results and Methodology*, 3rd ed. (Geneva, 2021).

and face risks of exploitation, discrimination and violations of human and labour rights, including violence and harassment. Labour force participation by older persons had increased in the decades prior to the pandemic. Many older persons are engaged in informal employment and many (particularly older women) in unrecognized and unpaid care work. When older persons choose paid work beyond retirement age it is often out of necessity, in the absence of adequate pension benefits. Older persons face numerous barriers in accessing decent work, including age-based discrimination, rigid labour markets, lack of digital skills and conditions that do not meet accessibility or work environment adaptation standards.

22. The Convention on the Rights of Persons with Disabilities created momentum towards equality and inclusion of persons with disabilities in employment, but real advances have yet to materialize. The COVID-19 pandemic caused further challenges for persons with disabilities with regard to their being able to access necessary support services and negatively affected their participation in social and economic life.

IV. Effective strategies to create full and productive employment and decent work for all

23. Investment in promoting capabilities through universal access to quality education and lifelong learning and skills training, universal health coverage, equal opportunities, social protection and equitable access to clean energy, safe water and sanitation is a prerequisite for reducing multiple aspects of inequality and improving decent work prospects for all. The present section provides further details on other key policy measures that are aimed at promoting full and productive employment and decent work for all and overcoming inequality.

A. Creating more inclusive, equitable and adaptable labour markets

Policies and regulations for inclusion

24. Governments can foster an enabling business environment for the creation of decent jobs for all. Efforts in that regard can include providing support to the private sector, as a driver of sustained, inclusive and sustainable economic growth and job creation, by promoting an enabling environment for entrepreneurship and sustainable enterprises, in particular micro, small and medium-sized enterprises, as well as cooperatives and the social and solidarity economy. For example, improving access to credit, particularly for microenterprises and small and medium-sized enterprises, including for female entrepreneurs, can provide support for building and strengthening resilience against economic shocks. Promoting an enabling environment also entails implementing policies that support entrepreneurship and innovation, thereby helping to create vibrant economies for jobs and growth and opportunities for individuals to make a meaningful choice between working as independent contractors or as employees. Public policies can effectively combat corruption and unnecessary bureaucracy, which are major barriers for business and more inclusive and fairer societies.

25. Governments can intervene in the labour market to enhance its inclusiveness and adaptability, as well as to support vulnerable workers. Effective labour market institutions – including minimum wages, collective bargaining, employment protection legislation and employment law – can support employment growth, enhance the quality of jobs and reduce inequalities in the labour market.²⁶ For

²⁶ Ekkehard Ernst, Rossana Merola and Jelena Reljic, “Labour Market Policies for Inclusiveness: a Literature Review with a Gap Analysis”, ILO Working Paper 78 (Geneva, ILO, 2022).

instance, to prevent workers from bearing the brunt of the current inflationary pressures and from joining the ranks of the working poor, countries should consider using institutional instruments, including collective bargaining and minimum wages, wage boards and evidence-based reviews to support discussions on wage adjustments, at or in different levels of industry, branches of activity and/or productive units, that are adequate for both workers and employers. Minimum wage policies can also have a so-called “lighthouse effect” by affecting wage determination in the informal economy. In tackling gender wage gaps, pay transparency measures and mechanisms to address wage discrimination can help to identify compensation differences, thereby also contributing to the reduction in gender pension gaps. Countries can support more equitable and inclusive labour markets and decent work by addressing regulatory gaps in employment law, in line with international labour standards. For instance, establishing minimum guaranteed hours and limiting the variability of working schedules can provide important safeguards for those in insecure forms of employment, including part-time, on call and casual workers. This should be supported by capacity-building for compliance and enforcement, in both the formal and informal economies. Well-designed employment protection legislation can protect employees and enable enterprises to attract and retain skilled labour.

26. Countries can produce a change in labour demand and supply as well as support vulnerable workers and job seekers through specific labour market policies and social protection benefits. When these interventions are directed at specific disadvantaged or vulnerable groups in the labour market – such as low-skilled and informal workers, older workers, women, persons with disabilities and Indigenous Peoples – they can significantly reduce inequalities, enhance labour market inclusiveness, manage social risks and accommodate transitions.²⁷ Active labour market policies, including training, employment incentives such as hiring and wage subsidies, short-term work schemes, direct job creation, start-up incentives, public employment services and sheltered and supported employment and rehabilitation for persons with permanent or long-term reduced capacity to work, can facilitate access to the labour market for groups facing disproportionate barriers. Active labour market policies can help to preserve existing jobs, create new employment opportunities, encourage labour market attachment and reintegration of long-term unemployed and inactive persons, incentivize workers to improve their employability, and enhance the job search and job-matching processes. A growing body of research shows that effective career guidance, job fairs, job shadowing and workplace visits, can enhance young people’s access to quality education and training and ease their transition into the labour market.²⁸

27. Social protection benefits, including unemployment, maternity, disability and sickness benefits, can ensure workers’ income security, including in the case of shocks. Adaptive social protection systems that cover impacts resulting from natural hazards and climate change can increase resilience and reduce disaster risk. At present, these benefits remain vastly underdeveloped. Only a third of the working-age population is covered by sickness benefits, only 35.5 per cent of the global labour force has access to employment injury protection and only 18.6 per cent of unemployed workers receive unemployment benefits.²⁹ In addition, a lack of adequate health coverage also constitutes a significant risk to people’s health, well-being and participation in decent work.³⁰

²⁷ Asmaa El-Ganainy and others, “Inclusivity in the Labor Market”, WP/21/141 (n.p, International Monetary Fund, 2021).

²⁸ See <https://www.oecd.org/education/career-readiness/>.

²⁹ ILO, *World Social Protection Report 2020–22: Social Protection at the Crossroads – in Pursuit of a Better Future* (Geneva, 2021).

³⁰ Ibid.

28. Different vulnerable and disadvantaged groups within the labour market may need a different mix of specifically designed policies. Measures to support older workers include targeted wage subsidies, reskilling programmes and lifelong learning, job creation schemes, age-friendly work environments, flexible working conditions and actions against discrimination. Indigenous Peoples need targeted policies to address their needs. Indigenous young people must have access to culturally appropriate quality education to prepare them for the labour market. The right of Indigenous Peoples to continue their traditional occupations and livelihood strategies should also be supported. Traditional occupations and knowledge are assets that can provide a basis for self-employment and the creation of enterprises and cooperatives. Measures to promote decent work for Indigenous Peoples in the rural economy include equal access to training, financial resources and market facilities. Workers with disabilities need accessibility in the workplace as well as support services for empowerment and inclusion.

29. Social dialogue can support more equitable and inclusive labour markets and decent work. Investment in strengthening freedom of association and collective bargaining, tripartite cooperation and social dialogue mechanisms is integral to social inclusion and the promotion of decent work for all. Together, workers' and employers' organizations, women's organizations and associations of young people, persons with disabilities and others whose labour rights are undermined can facilitate, through social dialogue, coalitions against inequality. Likewise, social economy advocacy organizations and networks can play an important role in providing informal workers and disadvantaged groups a voice within social dialogue mechanisms. For instance, the Self-Employed Women's Association in India represents 1.5 million women in the informal economy. In addition to representing women's voices and advocating for improved working conditions, the Self-Employed Women's Association provides financial services, health care, childcare, microinsurance and other benefits to its members, through women's cooperatives. These services and benefits bolster women's economic and social participation while contributing to reducing inequality and closing gender gaps.

Nuanced, differentiated and integrated approach to the transition from the informal to the formal economy

30. Informality is a major contributor to working poverty and inequality. A transition to formality is necessary if no one is to be left behind in the implementation of the 2030 Agenda. However, because of the multiple factors of informality and the heterogeneity within informal economy workers and enterprises, the transition to formality necessarily requires integrated strategies that are also nuanced and differentiated.³¹ Different policy instruments can target different segments of the informal economy. For instance, whether an informal job is based in the informal or formal sector will impact policy design. In the case of the informal sector, enterprise formalization is typically a prerequisite for labour formalization. In many developing countries with extremely high levels of informality, formalization is one component of a broader development challenge that must be tackled in an integrated way. In the case of informal jobs in the formal sector, labour inspections may play a key role in promoting formalization as informal jobs are typically associated with non-compliance with social and labour laws.

31. Experience shows that strategies and interventions to support formalization should cover different types of policies – including integrated economic, social and labour policies – to establish a comprehensive approach to formalization. The

³¹ Iyanatul Islam and Frédéric Lapeyre, eds, *Transition to Formality and Structural Transformation: Challenges and Policy Options*. (Geneva, ILO, 2020).

International Labour Organization (ILO) highlights four main categories of policies:³² (a) actions to strengthen the capacity of employers and workers to comply with existing standards or regulations; (b) actions to support the adaptation or simplification of regulations and procedures (for instance, procedures associated with social security affiliation or worker registration), notably through social dialogue and consultation; (c) incentives to formalize, including policies designed to simplify processes for businesses and workers, such as linking labour with tax measures and extending social protection coverage; and (d) interventions to strengthen government oversight to encourage compliance with standards, for instance improving the information available on the rights and responsibilities of employers and workers, providing occupational safety and health equipment, and investing in capacity-building of labour inspection services and social security. In order to ensure the effectiveness of these policies, informal workers and their representative organizations should participate in their formulation and implementation.

32. The growth of employment in new, sustainable and growing sectors (including the care, digital and green economies) can be an important means of supporting the transition to formality. These sectors have considerable potential to absorb informal workers if they are adequately bolstered by structural transformation policies and pro-formalization sectoral guidelines.

33. Leveraging digital technologies can support formalization. Policies for e-formalization can facilitate compliance with rules and regulations that underpin formality. For instance, digital processes that simplify administrative registration and tax processes and improve access to financial services, mobile payments and e-procurement can incentivize businesses and workers to formalize their economic activity.³³ Likewise, traceability of activities generated by the utilization of new digital technologies can be used in inspection systems, especially in relation to new types of non-compliance and informality found in digitally enabled forms of work, such as platform work.

34. The social and solidarity economy can play a bridging role by supporting workers to move from informal to formal employment. Similarly, the interplay and linkages between formal and informal arrangements in supply chains and other market relationships can serve as a strategic entry point, for instance, procurement rules can encourage and support the formalization of micro and small-sized enterprises.

Universal, comprehensive, gender-responsive and sustainable social protection systems, including floors, for all categories of workers

35. Social protection has been a front-line response of Governments to protect people's health, jobs and incomes during the COVID-19 pandemic. Yet, the pandemic has also exposed the extent to which social protection systems remain underdeveloped and underfunded. Significant gaps in social protection coverage, comprehensiveness and adequacy across all countries are leaving billions of people vulnerable to poverty, hunger and ill health. In 2020, 53.1 per cent of the global population (4.1 billion people) remained completely unprotected by any form of social protection benefit.³⁴

³² ILO, Notes on Formalization: Recent experiences of formalization in Latin America and the Caribbean; ILO, Transition from the Informal to the Formal Economy Recommendation, 2015 R204.

³³ Juan Chacaltana, Vicky Leung and Miso Lee, "New technologies and the transition to formality: the trend towards e-formality" Employment Working Paper No. 247 (Geneva, ILO, 2018) and Sriani Kring and Vicky Leung, *Renewing the Social Contract through e-formalization in the World of Work* (Geneva, ILO, 2021).

³⁴ ILO, *World Social Protection Report 2020–22: Social Protection at the Crossroads – in Pursuit of a Better Future* (Geneva, 2021).

36. Countries need to invest in building universal, risk-informed and gender-responsive national social protection systems to ensure that everyone has access to comprehensive, adequate and sustainable protection over the life cycle. These social protection systems will be most inclusive when they combine social insurance and non-contributory (tax-financed) schemes, that secure, at a minimum, essential health care and basic income security through a nationally defined social protection floor, and are adapted to the realities of ageing, changing family and household structures, and changing labour market and employment structures, including new forms of work and ways of organizing work. Adaptive social protection systems can also build resilience to future disasters caused by hazards of all kinds.

37. Social protection systems need to be designed and implemented in ways that support the inclusion of disadvantaged and vulnerable groups. Efforts in this regard include ensuring that social protection systems meet the needs of caregivers through paid maternity, paternity, parental and other family leaves and related benefits; child benefits; and pension schemes that recognize and reward periods of caregiving, including through contributory credits. Where social protection systems target only the poor (often through patchy social safety nets) and workers in the formal economy (covered by social insurance programmes) in a context of high informality, a large segment of the population is left uncovered, the so-called “missing middle”. In some countries, the missing middle can make up to half of the country’s population.³⁵ Concerted efforts are necessary to extend adequate protection to the missing middle through a combination of social insurance and non-contributory (tax-financed) schemes, as appropriate.³⁶

38. Extending social protection to informal workers not only ensures access to social protection but also contributes to formalization. Greater efforts are needed to enhance the design of social protection systems to extend protection to informal workers, including social insurance, while recognizing their heterogeneity. Such efforts could include adapted mechanisms that allow self-employed workers and other categories of so far uncovered workers to contribute to and effectively access benefits. Similarly, countries can overcome barriers to social insurance for informal workers through a revision of legal frameworks, raising awareness of the rights of workers to, and the value of, social protection, establishing adequate financing mechanisms and simplifying administrative procedures. Non-contributory benefits, such as social pensions or social assistance for the poor, also play an important complementary role in ensuring a solid social protection floor.

39. Social protection systems can contribute to structural transformations and just transitions. If well-designed, they can play a key role in responding to the emerging employment, social and health challenges posed by the green transition. This requires ensuring their continued adequacy and sustainability, including by considering how adequate income security (including through innovative job-to-job transition schemes, unemployment benefits and minimum income systems) can be best ensured and adapted to needs arising from the green transition. Similarly, the growth of new and flexible forms of work and ambiguous employment relationships related to platform work requires measures to ensure the correct classification of employment relationships and adequate social protection to protect workers against risks, while also ensuring a conducive environment for sustainable enterprises.

³⁵ Melis Guven, Jain, Himanshi and Joubert, Clement, *Social Protection for the Informal Economy: Operational Lessons for Developing Countries in Africa and Beyond*. (Washington, D.C., World Bank, 2021).

³⁶ ILO, *Extending Social Security Coverage to Workers in the Informal Economy: Lessons from International Experience* (Geneva, 2021).

40. The financing gap for building social protection floors has increased by approximately 30 per cent since the onset of the COVID-19 pandemic.³⁷ Financially sustainable social protection systems should be primarily financed by domestic resources, including through tax revenue, which requires a broadening of the tax base and progressive fiscal reforms. This includes tackling tax evasion and avoidance, building fair and progressive tax systems so that corporations and the wealthy pay a just share, expanding coverage to increase revenues of contributory social security, tackling social security contribution avoidance, reprioritizing and reallocating public expenditure, tackling corruption and illicit financial flows, and better managing debt. International financial resources, combined with technical assistance, can complement domestic resource mobilization for social protection. The implementation of the Global Accelerator on Jobs and Social Protection for Just Transitions is an important tool for job creation and social protection extension based on social dialogue.³⁸

B. Creating full and productive employment and decent work in new, sustainable and growing sectors

41. The sectoral composition of growth is being transformed due to rapid digital, demographic and climate changes. These new and dynamic sectors have great potential for job creation. Countries can leverage the growth process by enacting policies for the sectoral promotion of employment and decent work.

42. The transition to a low greenhouse gas economy and a concern for sustainable production systems are spurring the development of the green economy. Although this green transition will cause the decline of certain sectors (such as in carbon- and resource-intensive industries), job losses could be more than offset by new job opportunities, including through direct job creation and through adaptation measures requiring investment in climate-resilient infrastructure, such as reafforestation and activities related to biodiversity conservation. According to ILO, changes in energy production and use could create around 18 million jobs globally by 2030 (resulting from the creation of 24 million new jobs and the loss of 6 million other jobs) due to a shift towards renewable energy sources, growth in the use of electric vehicles and construction work for creating greater energy efficiency in buildings.³⁹ Likewise, the green transition could create up to 1 million new jobs by 2030 in the European Union alone.⁴⁰ The green transition is also driving the transformation of traditional activities into eco-friendly businesses, for instance in the fields of agriculture and tourism. In parallel, a growing circular economy – linked to a shift away from an extract-manufacture-use-discard model towards the principles of reuse, recycling, remanufacture and repair – is expected to create 6 million jobs worldwide by 2030, mostly in recycling activities and repair services.⁴¹ In fact, remanufacturing and repair of goods is more labour intensive than resource extraction. The circular economy not only has the potential to create employment opportunities for those living in poverty but also the potential to support the process of formalization. For instance, an

³⁷ ILO, *World Social Protection Report 2020–22: Social Protection at the Crossroads – in Pursuit of a Better Future* (Geneva, 2021).

³⁸ ILO and others, “Implementation strategy: Global Accelerator on Jobs and Social Protection for Just Transitions”.

³⁹ ILO, *World Employment and Social Outlook 2018: Greening with Jobs* (Geneva, 2018).

⁴⁰ European Commission, Staff Working Document, Impact Assessment Accompanying the Document, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Stepping up Europe’s 2030 Climate Ambition - Investing in a Climate-Neutral Future for the Benefit of Our People (Brussels, 2022).

⁴¹ ILO, *World Employment and Social Outlook 2018: Greening with Jobs* (Geneva, 2018).

increasing number of initiatives in Africa, Asia and Latin America aim to formalize waste pickers and promote their rights and social recognition.⁴²

43. To ensure a fair and inclusive transition, Governments have the responsibility to put people first and support those regions, industries and workers (particularly those with low or obsolete skills) facing the greatest challenges in the green transition. Policies that facilitate the reallocation of displaced workers are essential include, for instance, tailored job search assistance, flexible learning courses, employment programmes for people in vulnerable situations, and hiring and transition incentives to support labour market transitions. Targeted policies can help to ensure that women benefit from new green jobs in emerging and male-dominated sectors, such as renewable energy and sustainable transport.

44. Demographic changes are driving the growth of the care economy. The number of care recipients is predicted to reach 2.3 billion by 2030.⁴³ This rapid increase in the demand for paid care work is linked to demographic and social changes, notably an increase in life expectancy, changes to family structure, high dependency ratio and changes in care needs. ILO estimates that plugging existing gaps in care services could generate 300 million jobs globally by 2025 and create a continuum of care that would help to alleviate poverty, encourage gender equality and support care for children and older people.⁴⁴ The increase in the size of the care economy creates important employment opportunities for women. The expansion of location-based labour platforms promises to enhance women's access to paid forms of care work. In order to support the labour force participation rate for women, government investment in the care economy needs a new impetus. The care economy has important multiplier effects, including an increase in tax revenues and social security contributions. A recent simulation for eight Organisation for Economic Co-operation and Development countries shows that between a third and three fifths of spending on the care sector is recovered through additional revenue from taxes and social security contributions.⁴⁵ Governments can support decent job creation by investing in social infrastructure (e.g. kindergartens, day-care centres and hospitals) and enacting policies to ensure better working conditions and better pay for care workers. This includes measures to address the undervaluation of their work, work-family reconciliation measures for women and men, and active labour market policies supporting women's re-entry into the labour market.

45. The platform economy presents enormous job growth potential. On web-based platforms work takes place across borders in a global labour market, and workers compete for complex tasks (e.g. programming), as well as microtasks (e.g. moderating content and transcribing videos). While platforms can have a net positive employment effect, they present challenges in terms of income and job security.⁴⁶ While in high-income countries, workers may rely on this type of platform work as a secondary source of revenue, in low-income countries, it may be the only source of revenue. Work on web-based platforms is sometimes outsourced by businesses in the global North and

⁴² Anna Barford and Saffy Rose Ahmad, "A call for a socially restorative circular economy: waste pickers in the recycled plastics supply chain" *Circular Economy and Sustainability*, vol. 1 (2021).

⁴³ Laura Addati and others, *Care Work and Care Jobs for the Future of Decent Work* (Geneva, ILO, 2018).

⁴⁴ Laura Addati, Umberto Cattaneo and Emanuela Pozzan, *Care at Work: Investing in Care Leave and Services for a More Gender Equal World of Work* (Geneva: ILO, 2022).

⁴⁵ Jérôme De Henau and Susan Himmelweit, "A care-led recovery from COVID-19: investing in high-quality care to stimulate and rebalance the economy", *Feminist Economics*, vol 27, No.1-2 (2021).

⁴⁶ Isabelle Deganis, Makiko Tagashira and Wenyan Yang, "Digitally enabled new forms of work and policy implications for labour regulation frameworks and social protection systems", United Nations, Department of Economic and Social Affairs, Policy Brief, No. 113 (September 2021).

performed by workers in the global South, who earn less than their counterparts in the global North, creating competition and a downward pressure on wages.

46. Tasks on location-based labour platforms are carried out in person in specified physical locations, including domestic and care work, taxi, delivery, and other services (e.g. electricians or plumbers). These platforms are a valuable source of new employment and earning opportunities, especially for migrants, the low-skilled and underemployed and unemployed. Location-based platforms are also a useful tool in supporting formalization (when supported by enabling legislation and enforcement) and have great potential for absorbing millions of informal workers and providing them with decent work. Despite such benefits, these work arrangements also pose challenges to workers. The arrangements relate to the regularity of work and income, working conditions, social protection, skills utilization, freedom of association and the right to collective bargaining. For instance, workers who do not contribute to social insurance schemes are excluded from social security. According to ILO, only about 30 per cent of platform-based taxi and delivery workers are covered by employment injury protection.⁴⁷

47. National labour and social security legislation has failed to keep up with the rapid growth of platform work. An important stumbling block is the lack of clarity and the legal uncertainty regarding the employment status of platform workers, namely, whether they are employees or self-employed, which has bearing on their labour rights and capacity to have their labour rights recognized. Countries are seeking to correct these structural weakness and legislative gaps. The European Commission has proposed a European Union directive on improving working conditions in platform work, which is the first attempt to regulate platform work in a comprehensive way at the international level. The proposed directive is aimed at ensuring the correct classification of the employment status of platform workers and promoting transparency, fairness and accountability in platform work, including for cross-border web-based work. It is also aimed at recognizing the right of platform workers to privacy and to place restrictions on platforms with regard to the use of the personal data of workers.

48. The social and solidarity economy encompasses cooperatives, mutual societies, not-for-profits and community-owned and other social enterprises that recognize the primacy of people and social purpose over capital in the distribution and use of surpluses and/or profits, as well as assets.⁴⁸ Globally, an estimated 10 per cent of the global working population are employed in cooperatives themselves or in activities that are directly supported by cooperatives. There are many examples of the social and solidarity economy providing decent work around the world.⁴⁹ Many cooperatives have proved their resilience and ability to survive and thrive during periods of social and economic strife. A 2016 study estimated that of the 2 million social enterprises in India, more than half employed disadvantaged groups and provided skills training to vulnerable groups, and nearly two thirds worked with the objective of creating employment. In the European Union and the United Kingdom of Great Britain and Northern Ireland, cooperatives, mutual societies, associations and foundations were estimated to have a total workforce of 19.1 million in both paid and non-paid employment in 2014/15, equivalent to 6.3 per cent of the total working population. By 2030, a key objective under the European Union's Social Economy Action Plan is to increase this figure to 10 per cent, which corresponds to the creation of 21 million

⁴⁷ ILO, *World Employment and Social Outlook 2021: The Role of Digital Labour Platforms in Transforming the World of Work* (Geneva, 2021).

⁴⁸ Andrew Allimadi and others, "Accelerate action to revamp production and consumption patterns: the circular economy, cooperatives and the social and solidarity economy", *Decade of Action Policy Brief No. 109* (n.p., United Nations Department of Economic and Social Affairs, 2021).

⁴⁹ ILO, *Decent Work and the Social and Solidarity Economy* (Geneva, 2022).

jobs. Studies comparing the performance of social and solidarity economy and profit-maximizing enterprises have noted that the former can outperform the latter on indicators of job satisfaction, interpersonal relationships and effective supervision.

49. The platform economy poses both challenges and opportunities for the social and solidarity economy. Labour platforms are often characterized by low wages, long hours and insecure contracts, which are being addressed by social enterprises. In Argentina, Kenya and the United Kingdom, for example, highly skilled technology professionals have adopted cooperative methods of work to attain economies of scale and enable access to skill development and financial services. Trade unions and worker cooperatives in the global North have put forward models in the ride-hailing sector for the creation of a worker-owned data commons. In New York City, the cooperative model is being used to operate a ride-hailing service. In Argentina, China, India and Malaysia, cooperative federations, cooperative banks and social enterprises are adapting by enabling member organizations to operate via platforms.

50. Skills development and lifelong learning are critical for workers' and economies' adaptability and resilience to these structural transformations. Without skills aligned with the labour market's needs and changing occupations and tasks, individuals will not be prepared to fully seize the opportunities brought about by the growth of the green, digital and care economies. Public investment in skills projection and skills development in both initial education and lifelong learning is crucial to supporting employment creation. Skills bottlenecks are slowing this process. In the Arab region, for instance, 40 per cent of enterprise owners claim that an inadequately skilled workforce is a challenge for their business.⁵⁰ Training systems and educational curricula should be continuously updated to ensure that they are aligned with the changing skills needs of the labour market. Green and digital skills are on the rise but not on par with the needs of the labour market. The Green Jobs for Youth Pact, signed by the United Nations Environment Programme, United Nations Children's Fund and ILO, is helping to develop green curricula for skills that can prepare youth for green jobs. Digital illiteracy is more prevalent among women and older persons, making them more likely to be excluded from better-paid employment opportunities. Similarly, policies for skills development and lifelong learning systems should be adapted to the needs of platform workers and allow them to access skills development opportunities and make their learning outcomes visible, recognized and portable across platforms and in other forms of work.

51. Through social dialogue, social partners also have a central role to play in limiting the negative externalities of restructuring processes and ensuring that transitions towards green and digital economies are fair and inclusive. However, many informal workers and workers in new forms of work lack the freedom of association and right to collective bargaining and hence do not have their voice heard or needs represented. Collective action for advocacy and social dialogue, involving both trade unions and independent grassroots collectives, is gaining momentum, as is alliance-building among platform workers across different sectors.⁵¹

V. Conclusion and recommendations

52. While the COVID-19 pandemic has exacerbated underlying structural deficiencies and inequalities in the labour market, it also presents a window of opportunity to take stock of these challenges and build a more inclusive,

⁵⁰ Economic and Social Commission for Western Asia and ILO – Regional Office for Arab States, *Towards a Productive and Inclusive Path: Job Creation in the Arab Region* (Beirut, 2021).

⁵¹ ILO, *Platform Labour in Search of Value: A Study of Worker Organizing Practices and Business Models in the Digital Economy* (Geneva, 2021).

equitable and adaptable labour market with full and productive employment and decent work for all.

53. In this context, in addition to increased investment in people's capabilities, Member States are encouraged:

(a) To undertake the necessary adaptations to policies and regulations to support employment growth, enhance the quality of jobs, foster equal opportunities and reduce inequalities in the labour market, by enhancing effective labour market institutions, including adequate minimum wages, investment in collective bargaining and social dialogue, employment protection legislation and employment law that ensures fundamental labour rights for all workers;

(b) To address multiple causes of inequality by investing in the promotion of equitable access to basic services and in quality and resilient infrastructure, including health-care services; education infrastructure; safe drinking water and sanitation; affordable housing; affordable, reliable and sustainable energy services; sustainable transport systems; and affordable access to the Internet. Service delivery should be aimed at progressively reaching universal access, with particular attention given to the needs of vulnerable and disadvantaged groups and communities;

(c) To establish well-designed programmes that are aimed at facilitating and supporting the inclusion in the labour market of disadvantaged and excluded groups, including women, young people, persons with disabilities, migrants, minorities and Indigenous Peoples and others vulnerable to discrimination and stigma, including by strengthening active labour market policies and social protection benefits;

(d) To ensure gender equality and non-discrimination and promote equality, diversity and inclusion by developing and implementing an integrated and comprehensive approach that addresses equality and non-discrimination through the entire life cycle, by removing barriers that prevent women from accessing, remaining and progressing in the labour market, such as stereotypes, discriminatory laws and practices and the unfair division of unpaid care work; by closing gender pay and pension gaps; and by further realizing equal remuneration for work of equal value for all;

(e) To accelerate efforts to encourage the transition to formality through integrated strategies that comprise nuanced and differentiated measures, including by leveraging e-formalization policies and supporting new and growing sectors to absorb informal workers; and to establish interventions that can strengthen the capacity of employers and workers to comply with existing standards and regulations by supporting the adaptation or simplification of regulations and procedures, by establishing incentives to formalize and by strengthening government oversight and capacity-building of labour inspection services and social security;

(f) To invest in building universal, risk-informed and gender-responsive national social protection systems that combine social insurance and non-contributory (tax-financed) schemes, to ensure that everyone has access to comprehensive, adequate and sustainable protection over the life cycle through design and implementation features that support the inclusion of disadvantaged and vulnerable groups that are often left out of social protection systems (including unpaid caregivers, the "missing middle" and informal workers); and to contribute to just structural transformations by responding to new social protection needs stemming from the growth of the green economy and digital

economy and enabling the increased effectiveness of programmes in response to disasters caused by hazards of all kinds;

(g) To undertake the necessary adaptations to foster an enabling business environment for the creation of new decent jobs, through support provided to the private sector, an enabling environment for entrepreneurship and sustainable enterprises, including improved access to credit, particularly for small and medium-sized enterprises, policies that promote entrepreneurship and innovation, and public policies to combat corruption and unnecessary bureaucracy;

(h) To enact gender-responsive policies that support the creation of decent jobs in new, sustainable and growing sectors, notably the green economy, digital economy, care economy, and social and solidarity economy, through, among other things, appropriate investments in flexible and accessible skills development policies that are designed with social partners and that are tailored to the needs of these new sectors, policies that ensure a just digital and green transition that is fair and inclusive, and legislative changes that clarify the employment status and rights of platform workers.
