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Follow-up to the resolution concerning inequalities and the world of work (2021)

Comprehensive and integrated ILO strategy to reduce and prevent inequalities in the world of work

Purpose of the document

This document proposes a comprehensive and integrated ILO strategy to reduce and prevent inequalities in the world of work for the period 2022–27. The proposed strategy is part of the follow-up action plan on inequalities in the world of work covering the same period, which was discussed and endorsed by the Governing Body at its 344th Session (March 2022). The document outlines the context in which the proposed strategy will be implemented, its goals and guiding principles, as well as its priority areas and their interconnectedness. It also suggests how the proposed strategy could be operationalized and the corresponding financial implications (see the draft decision in paragraph 31).

Relevant strategic objective: All.

Main relevant outcome: Outcome 7: Adequate and effective protection at work for all.

Policy implications: None.

Legal implications: None.

Financial implications: See paragraphs 28–30.

Follow-up action required: Implementation of the proposed strategy, if adopted.

Author unit: Conditions of Work and Equality Department (WORKQUALITY).

Related documents: ILO Centenary Declaration for the Future of Work; Global Call to Action for a human-centred recovery from the COVID-19 crisis that is inclusive, sustainable and resilient; Programme and Budget for the biennium 2022–23; Resolution concerning decent work and the social and solidarity economy; Resolution concerning the second recurrent discussion on social protection (social security); GB.343/INS/3/2; GB.343/INS/3/1; Resolution concerning inequalities and the world of work; Resolution concerning skills and lifelong learning; GB.344/INS/8; GB.344/INS/10.

▶ Introduction

1. At the 109th Session (2021), the International Labour Conference adopted a resolution and conclusions concerning inequalities in the world of work and requested the Director-General to prepare a plan of action to give effect to the conclusions and submit it to the Governing Body for consideration at its 344th Session (March 2022).
2. In March 2022, the Governing Body reviewed the proposed plan of action on inequalities in the world of work for 2022–27, which included the preparation of a comprehensive and integrated ILO strategy to reduce and prevent inequalities in the world of work to be examined by the Governing Body at its 346th Session (October–November 2022). The Governing Body reiterated that inequalities, between and within countries, was a pressing topic, that the world of work was a key entry point to reducing them and that the ILO’s tripartite composition placed it in a privileged position to address them effectively. The Governing Body acknowledged the range of the ILO’s current and planned activities relevant to the reduction of inequalities, as reflected in the appendix to document [GB.344/INS/8](#). It voiced overall support for the proposed plan of action, while underlining that the Governing Body’s decisions concerning the follow-up to the outcomes of the meeting of the tripartite working group on options to ensure decent work in supply chains (27 June–1 July 2022) and the tripartite meeting of experts on decent work in the platform economy (10–14 October 2022) should be reflected in the plan of action. The Governing Body also offered guidance on the thrust and content of the proposed strategy.
3. This document sets out the proposed comprehensive and integrated ILO strategy to reduce and prevent inequalities in the world of work (hereinafter “the proposed strategy”) drafted by the Office, covering the period 2022–27. It outlines the context in which the proposed strategy will be implemented, its goals and guiding principles as well as its priority areas and their interconnectedness. It also suggests how the proposed strategy could be operationalized and the corresponding financial implications.

▶ Context

4. Inequality is complex, multifaceted and takes many forms. Inequality exists between and within countries. Inequality comprises “vertical inequality”, or income inequality between all households in a country, and “horizontal inequality”, or disparities in income between groups. Horizontal inequality also refers to disparities in employment outcomes, labour rights and opportunities between groups depending on their gender, age, nationality, ethnicity, health status, disability or other characteristics. Income inequality, inequality of employment outcomes more generally and inequality of opportunities are intimately related.
5. High levels of inequality entail risks. They slow economic growth and poverty reduction, undermine social mobility and increase the risk of social unrest and political instability. They also contribute to the intergenerational transmission of poverty and social exclusion.
6. The socio-economic fallout of the COVID-19 pandemic and ongoing crises, such as the disruption of supply chains, high inflation, geopolitical tensions, armed conflicts and natural disasters due to climate change, are making inequalities worse. They not only risk overturning decades of progress in reducing poverty and gender disparities but also aggravating socio-

economic vulnerabilities and exacerbating inequalities within and between countries. The unequal capacity of countries to put in place public health and other mitigation measures in response to the COVID-19 pandemic clearly illustrates the persistent inequalities between them. Inequality has been a root cause and an amplifier of multiple crises.

7. High levels of inequality, aggravated by ongoing crises, are putting the credibility of the international community's pledge to deliver inclusive and sustainable growth, full and productive employment and decent work for all and to leave no one behind to the test. Today, the commitment made in the 2030 Agenda for Sustainable Development to deliver on the twin overarching and interlinked goals of eliminating extreme poverty and reducing inequalities is in jeopardy.
8. Over the past years, several international organizations have been paying greater attention to lowering income inequality in order to enhance the effectiveness of their operations. The World Bank has endorsed the goal of promoting "shared prosperity" with the bottom 40 per cent of the income distribution in order to contribute to the decline in the incidence of poverty, whereas the International Monetary Fund has focused on how fiscal policies can contribute to reducing income inequalities and strengthening economic growth. The Organisation for Economic Co-operation and Development (OECD), through its Centre for Opportunity and Equality, stimulates debates around policy-oriented research on inequality and monitors inequality trends, drivers and dynamics, while the European Union has decided to mainstream reduction of income disparities and other forms of inequality into all of its development cooperation.
9. More recently, the United Nations Secretary-General's report, *Our Common Agenda*, identifies today's growing world divide along political, economic, social and environmental lines as the chief cause of the erosion of the values of solidarity and mutual trust. These values are essential to developing and sustaining interconnected responses capable of addressing the growing interdependence of countries and people. For this reason, the report aims to accelerate the attainment of the Sustainable Development Goals and calls for the renewal of the social contract between governments and their people and within societies.
10. The ILO, the world of work and its institutions have a distinct role to play in preventing and reducing inequality. Labour income is the main, if not the sole, source of income for most households in all regions. Therefore, what happens in labour markets matters a great deal for overall inequality. In-market distribution occurs through labour participation rates, earnings or labour incomes and profits. These outcomes are shaped by labour market institutions, regulations and policies but also depend on policies outside the labour market. These include the provision of public services and social transfers that affect people's capabilities before they enter the labour market, as well as macroeconomic policies, inter alia. In order to maximize its impact, the ILO must therefore act in tandem with other key players in the multilateral system, since inequalities in the world of work stem from factors and policies that originate both within and outside labour markets.

► Goals and guiding principles of the proposed strategy

11. As recognized by the Conference in its conclusions, the ILO has been working on addressing the causes and consequences of inequalities since its foundation. However, the extent, pervasiveness and consequences of inequalities today require the ILO to deepen the inequality-reducing effect of its action, strengthen its influence within the multilateral system

and show the importance of acting upon both distribution and redistribution levers and policies.

Goals

12. In line with the guidance provided by the Governing Body at its session in March 2022, the proposed strategy seeks to:
 - (a) position the ILO as a key actor in ongoing debates and initiatives of the multilateral system, notably in the United Nations (UN) system and international financial institutions, to counter inequalities at global and country levels; and
 - (b) help ILO constituents to develop comprehensive and integrated policy frameworks and measures to reduce and prevent both vertical and horizontal inequalities in the world of work.

Guiding principles

13. A number of interrelated and mutually reinforcing principles will guide the operationalization of the proposed strategy, as follows.
 - **Attention to root causes.** The effectiveness and sustainability of interventions seeking to reduce vertical and horizontal inequalities lie in their addressing the structural causes of such inequalities. Drivers of inequalities include: the generation of insufficient jobs for those who need or wish to work, as well as the quality of jobs; structural and systemic discrimination based on gender and other grounds in employment and other spheres; the decoupling of wages and productivity and the declining labour income share; climate change, with its disproportionate impact on the most vulnerable; cross-sectoral variations in productivity and wide productivity gaps between enterprises; informality; weak labour market institutions, regulation and policies; and lack of, or inadequate, social protection. External factors and political decisions also have an impact on the extent and forms of inequality within and across countries. For instance, lack of technology transfer and uptake, through foreign direct investments and within global supply chains, coupled with productivity divergence across countries, hampers the development of emerging economies. At the same time, developing countries facing chronic and high levels of international debt have limited fiscal space to reverse their structural problems and invest in universal social protection.
 - **Addressing both distribution and redistribution.** To reduce and prevent vertical and horizontal inequalities, redistribution, through taxes and transfers, is key; however, action to reduce inequalities in the labour market is also of paramount importance.
 - **Fundamental principles and rights and international labour standards.** Action at both international and country levels should be informed by relevant international labour standards that provide authoritative guidance for building a level playing field in the global and national economies.
 - **Social dialogue and tripartism.** The engagement of the social partners in the design and implementation of the proposed strategy at national and international levels, and their participation in interactions with ministries other than labour, relevant UN agencies and international financial institutions, is crucial in order to ensure better-tailored interventions and their legitimacy and sustainability over time.

- **Interconnectedness, integration and monitoring.** As the drivers of inequalities in the world of work are many and compounding, effective policy action needs to identify and address them in a combined and coordinated manner. Policy interventions must be designed, sequenced and implemented in ways that permit the relevant actors to anticipate and address potential trade-offs and complementarities, for example between social benefits/social insurance and minimum wages, which can be combined to achieve minimum adequate incomes for all. This requires the availability of relevant data and information on the levels and types of inequalities and a monitoring system to track the progress and effectiveness of policy interventions.
- **Country-specific approaches.** While all seven priority policy areas identified by the Conference constitute an integrated compass guiding ILO action to reduce and prevent vertical and horizontal inequalities, levels and forms of inequality are country- and time-specific. Therefore, country strategies to reduce and prevent inequalities will be adapted to the specific needs and circumstances of countries, and actions sequenced accordingly, without losing sight of the interlinkages across all seven priority policy areas.

► Priority policy areas and their interconnectedness

14. As indicated in the Conference conclusions, ILO constituents should give priority to seven broad and interlinked thematic areas for the purpose of reducing and preventing inequalities in the world of work, advancing social justice and creating a more inclusive and resilient growth. A core set of policy measures are required for each area, as follows.
 - **Employment creation** requires a pro-employment and gender-transformative macroeconomic framework, including fiscal, monetary, industrial, sectoral and labour policies, effective active labour market policies for job-rich and gender-transformative growth, and an enabling business environment that promotes sustainable enterprises, productivity increases and reductions in productivity gaps between enterprises; investments in the digital infrastructure to tackle the digital divide and harness the potential of technology for decent work; a just transition to minimize the impacts of environmental changes on employment and to harness the potential for creating decent work in a greener economy; and effective active labour market policies to enable access to employment by the most vulnerable and disadvantaged.
 - **Equal access to quality education and training, including lifelong training, and quality public services from early childhood** requires improvements to the quality and relevance of education, training and skills development in order to ensure responsiveness to labour market needs, the demands stemming from the fast-changing world of work, the green and digital transitions and demographic changes. Gender-transformative career guidance on non-traditional jobs, such as science, technology, engineering or mathematics (STEM), together with improvements in the quality of public services and social protection to enable juggling paid work and family care are essential, as is targeted support for disadvantaged groups.
 - **Adequate protection of all workers and a fair share of the fruits of growth** requires the promotion of fundamental principles and rights at work for all workers, regardless of their employment status or contractual arrangement, both in the formal and informal economy; adequate minimum wages, whether statutory or negotiated, in line with the Minimum Wage Fixing Convention, 1970 (No. 131); implementation of collective bargaining systems, equal

pay for work of equal value and wage transparency measures; and more effective and inclusive labour market institutions, including the relevant inspectorates.

- **Transition to the formal economy** entails comprehensive, country-tailored, gender-responsive and non-discriminatory integrated strategies that tackle multiple drivers of informality. Such strategies combine interventions to increase the ability of the formal economy to provide for decent work opportunities, to absorb workers and economic units currently in the informal economy, and to strengthen the ability of people and enterprises to enter the formal economy, including through the right mix of incentives and the elimination of obstacles to formality.
 - **Gender equality and non-discrimination, equality for all, diversity and inclusion** require the removal of stereotypes, discriminatory laws and practices, including at the workplace, and the promotion of positive and transformative measures that ensure equality of treatment and opportunities in practice for women and groups subject to discrimination. Increasing the availability of data including data disaggregated by gender, age, disability, race, ethnicity and migrant status is central to monitoring and assessing policy effectiveness, while the achievement of transformative gender equality requires combined policy responses, within and outside the labour market, that address occupational gender segregation, unequal pay for work of equal value, gender-based violence and harassment and the gender unequal division of unpaid care work.
 - **Trade and development for a fair globalization and shared prosperity**, including in supply chains requires, inter alia, full cooperation with relevant international bodies to avoid severe economic fluctuations, ensure greater price stability of primary commodities and promote a high and steady volume of international trade. The promotion and application of the fundamental principles and rights at work through trade agreements and in supply chains, alongside responsible business practices, are also important.
 - **Universal and adequate social protection** requires the extension of the reach of national social protection systems to those who are not adequately protected and ensuring that everyone has access to comprehensive, adequate and sustainable social protection over the life cycle.
15. These seven areas are interconnected. In fact, full and productive employment is essential to reducing inequality; without it, no distribution or redistribution is possible. Quality education, training and public services are a precondition for successful labour market transitions, equal opportunities in employment, gender equality and social inclusion. Formalization is a necessary condition to increase productivity and sustainability of enterprises, advance decent work and workers' well-being and expand governments' financial means to address structural development problems, thereby reducing poverty and inequality. Discrimination is a determinant of inequalities in employment opportunities and outcomes between groups and individuals. Protecting the purchasing power of workers, especially those in the lower half of the labour income distribution, particularly in contexts of high inflation, is essential to prevent poverty, reduce inequalities and prevent perceptions of unfairness. If adequately governed, trade can be a powerful generator of decent jobs and growth and can reduce inequalities between richer and poorer countries, including in the context of supply chains. Last but not least, the promotion of collective bargaining and universal social protection permits countries to counter inequalities, ensure income security and access to healthcare for workers and their families and promote an inclusive recovery and resilience in the face of crises. The question is how to establish, in practice, mutually reinforcing synergies across the seven policy areas, and

between those policy areas and the policies originating outside the labour market, in order to maximize their impact on reducing inequality.

► Operationalization of the proposed strategy

16. In line with the Governing Body's guidance of March 2022, the operationalization of the proposed strategy will pursue a two-pronged approach combining the mainstreaming of the reduction of inequality in the activities under each of the seven priority areas mentioned above (see GB.344/INS/8); and specific interventions to counter inequality through a combination of policy interventions spanning a number, if not all, of the seven priority areas. The proposed strategy will be implemented along two mutually reinforcing axes, namely, stronger ILO engagement and coordination with the multilateral system at the international and country levels, and country strategies to reduce and prevent inequalities in the world of work.

Stronger ILO engagement and coordination with the multilateral system at the international and country levels

17. The topic of inequalities can be politically contentious; the adoption of a position on this topic, therefore, must be substantiated both by strong evidence and robust arguments. It is notably important to demonstrate how reducing inequalities can assist countries create more inclusive, sustainable and gender-transformative strategies for development that are economically effective. To this end, it is imperative that the ILO strengthen its knowledge and evidence base on a range of policy-relevant questions, such as the relationship between inequality within countries and between countries; the nexus between trade, productivity and growth and how it is distributed in relation to capital and labour income; the distributional impact of different systems of collective bargaining; or which policies and policy mixes may be more effective in advancing structural transformations and appropriately address a just transition to a carbon neutral digital economy while reducing inequalities in labour markets. Employment impact assessments to evaluate the impact of socio-economic development strategies and investments on labour market outcomes are also important for the ILO to be considered as a credible player and interlocutor.
18. As inequality is not ineluctable but a result of political choices, the documentation of the experience of and lessons learned from ILO countries that may wish to advance a country strategy to reduce and prevent inequalities (see paragraphs 23–27 and 31, below), combined with other relevant national experiences from across regions, would contribute to the design of more equal and inclusive development paths. For the production of knowledge and evidence in this area, partnerships will be sought with other organizations, including the European Commission, the OECD, the regional social and economic commissions, the World Trade Organization and the UN Conference on Trade and Development, as well as relevant think tanks, in order to realize economies of scale and build on each other's comparative advantages for richer perspectives, while harmonizing approaches. The ILO could envisage publishing a report on the state of social justice in the world, as a contribution to the Global Coalition for Social Justice,¹ and in view of the 2025 World Social Summit. The state of social justice in the world would be assessed on progress or lack thereof including in respect of a number of key

¹ GB.346/INS/17/1.

inequality indicators; such an assessment would draw, inter alia, upon existing databases, such as the ILO Global Wage Database, the ILO World Social Protection Database and ILOSTAT, and on the findings of ILO flagship reports. Ongoing strategic partnerships with regional bodies, such as the African Union, could be fostered to embrace a commitment at the continental level to reduce and prevent inequalities in the world of work.

- 19.** In order to draw attention to the magnitude of inequalities between and within countries, and horizontal disparities, and the associated consequences, dedicated multi-media global outreach and communication efforts will be developed. This communication strategy will target ILO development partners and UN agencies, including UN resident coordinators, the media and the public at large. It will help improve understanding of why addressing the causes of inequality in the world of work is instrumental in advancing social justice, promoting decent work and contributing to world peace. Furthermore, it will focus on messages and images that show how tackling overall inequality and eradicating poverty can help to build more cohesive, sustainable and resilient societies and economies. It will explain which pathways would be conducive to this result, in addition to the role played by tripartism, social dialogue, including collective bargaining, labour market institutions and international labour standards in bringing it about. The communication strategy will be based on the Conference conclusions and related guidance provided by the Governing Body and informed by the findings of the ILO's own analytical work, as well as work carried out with other agencies in the multilateral system and with all field offices.
- 20.** Active participation in inequality-related initiatives – such as the preparation of the UN Secretary-General's report on the priority theme "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" and the corresponding policy recommendations for submission to the 61st Session of the Commission for Social Development in February 2023 – will be used to increase the ILO's influence. In preparation for the 2025 World Social Summit, the ILO could consider devoting the World of Work Summit of the International Labour Conference in 2023 or 2024 to the issue of reducing inequalities for social justice and leaving no one behind.
- 21.** Another important programmatic avenue for advancing the proposed ILO strategy to reduce and prevent inequality in the world of work is the Global Accelerator on Jobs and Social Protection for Just Transitions, which engages a range of UN agencies under the ILO's leadership to generate 400 million jobs and extend social protection to 4.1 billion people currently excluded, while enabling just transitions. The reduction of informality and investments in the care economy for decent working conditions and quality care services are two distinct components of the Global Accelerator. The Global Accelerator covers most of the priority areas identified by the Conference conclusions on inequalities in the world of work; as such, it is well positioned to show the impact of combined policies and inter-agency cooperation on reducing inequality. The ILO will integrate an inequality narrative into the Global Accelerator's rationale and strategy in a more visible manner, and develop specific indicators to measure the impact of its operations on tackling inequality.
- 22.** In order for the Office and ILO constituents to engage effectively with relevant actors in international and national forums and processes on the issue of inequality, it is important to know what to do, and how. Therefore, a range of practical tools will be developed and existing ones adapted, including in cooperation with other organizations such as the European Commission. These tools could include country and local diagnostics on inequality; inequality measures and corresponding advantages and disadvantages, such as the Gini index, or other decomposable measures, income distribution by quintile/decile of personal or household

incomes depending on data availability, labour income shares, and the Sustainable Development Goal targets; and guidelines on how to measure the employment impact of economic, financial and trade policies, or the distributional impact of social protection or specific development interventions. Proactive and strategic engagement with resident coordinators at the country level will be crucial in order to obtain the necessary buy-in both from concerned UN agencies and government agencies other than ministries of labour. An inequality-reducing agenda, because of its breadth and ramifications in all economic and social spheres, may provide the ILO and its constituents with new entry points to mainstream ILO approaches, actors, mechanisms and standards within UN Sustainable Development Cooperation Frameworks (UNSDCFs). At the same time, social dialogue and the participation of the social partners in discussions with resident coordinators, and the UN system more broadly, will contribute to enhanced policy coherence, while showing the importance of democracy and representativeness in social and economic development.

Country strategies to reduce and prevent inequalities in the world of work

23. The credibility and continued relevance of the proposed strategy will depend crucially on its traction at country level. To this end, it would be important to develop a “One ILO” approach towards the reduction of vertical and horizontal inequalities. Doing so would facilitate the engagement of the ILO and its constituents with other UN agencies and other relevant actors at the country level, within national development programmes and UNSDCF. In this regard, strengthening the capacity of ILO constituents to advocate for and undertake actions with an inequality-reducing effect in the areas pertaining to the world of work, including through the International Training Centre of the ILO, Turin, would be essential.
24. Country strategies to reduce and prevent inequalities in the world of work can pursue different modalities. For instance, tackling vertical and horizontal inequalities could be made an explicit objective of Decent Work Country Programmes (DWCPs), with identified actions, relevant indicators to be monitored and an indication of the government and UN agencies to engage with. Guidelines could be produced in support of such efforts. Other possible scenarios could comprise the creation of forums for regular information-sharing and some “light” coordination among the Ministry of Labour, other concerned ministries, the social partners and other actors, or the establishment of coordination mechanisms enabling synergies and coherence among different policy areas, based on informed decisions and a monitoring system.
25. There are no fixed criteria for country selection. Possible criteria could include the following: countries where ILO constituents are committed to actively engage in and support the rollout of the proposed strategy; countries with ongoing or planned activities in several of the seven priority areas; and countries where there is potential for the ILO to leverage partnerships with other UN agencies, international financial institutions and donors in support of the proposed strategy, including in the context of an existing or planned UNSDCF or DWCP.
26. The process of development, implementation and monitoring of the proposed strategy is as important as its content. Country strategies will therefore envisage an initial phase aimed at shaping a common understanding among ILO constituents and other concerned parties of the issues at stake and their causes and, on this basis, identifying the priorities, expected results and the corresponding mix of policy measures and timelines, mindful of the seven priority areas identified by the Conference. They will envisage the establishment of monitoring systems to measure progress, based on jointly defined indicators, and adopt corrective measures if and as required. Monitoring of the implementation of the proposed strategy will be accompanied by exchange and documentation of experiences.

27. The promotion of the ratification and implementation of the fundamental and other relevant standards will underpin activities under these two axes, together with social dialogue, including collective bargaining.

▶ Financial implications

28. The operationalization of the proposed strategy will require, in addition to the funding already planned under each of the seven priority policy areas in the current biennium, some additional dedicated funding to support the following components.

International engagement

29. The production of a report on the state of social justice would require additional dedicated funding, as would the development of tools for the measurement of inequalities that can be adapted to national circumstances; analytical work on the various issues mentioned above; data collection to increase the availability of relevant statistics; and a dedicated communication strategy. Additional funding for these components would amount to approximately US\$2.5 million.

Country strategies

30. The extent and type of involvement of the Office and the funding required for the development, implementation, monitoring and evaluation of the proposed strategy would vary depending on the countries concerned and the modality chosen. In some instances, Office support would consist of facilitating exchanges with other relevant countries or international experts, providing specific technical inputs upon request, and assisting in the development of the country inequality diagnostic or its monitoring. In other countries, the Office may be expected to supply funding and technical expertise to build constituents' capacity to conduct impact assessments of policies adopted outside the purview of their Ministry of Labour on employment and decent work, as well as for the implementation of interventions identified by the constituents as essential to tackling the most significant forms of inequality and its drivers. An estimated US\$500,000 per country, for an initial five "pilot" countries, would provide a basis for developing the proposed strategy, in addition to in-kind support from relevant specialists in the field and headquarters.

▶ Draft decision

31. **The Governing Body requested the Director-General to take into account its guidance concerning the proposed comprehensive and integrated ILO strategy to reduce and prevent inequalities in the world of work, including the corresponding financial implications, while seeking to meet additional financing requirements to the extent possible by reprioritizing within existing budgets and/or through renewed resource mobilization efforts.**