Chapter II

Poverty, inequality and decent work: key dimensions of exclusion

Key messages

- *Societies cannot be considered inclusive if poverty remains widespread, inequalities are high or growing and decent work opportunities are lacking.*
- *While the world has made great progress in reducing income poverty, many people remain vulnerable to it and those living in the most extreme forms of poverty are being left behind.*
- *Although closely linked, the reduction in income inequality and progress in social inclusion do not always evolve at the same pace or respond to the same forces.*
- *Labour market participation has helped millions of people escape poverty and has economically empowered women and other disadvantaged groups. However, employment trends have not been sufficiently inclusive, a situation that could threaten social stability.*

The critical linkages among poverty, income inequality, deficits in decent work and exclusion have been well acknowledged in the international policy arena. At the World Summit for Social Development in 1995, Governments recognized that the common pursuit of social development aimed at creating social justice and building societies for all not only calls for fostering social integration, but also demands the eradication of poverty and the promotion of full employment. In adopting the 2030 Agenda for Sustainable Development, Governments and the international community at large reaffirmed with renewed urgency that striving for an inclusive world means addressing several interdependent goals, including the eradication of poverty, the reduction of inequalities, the pursuit of inclusive and sustainable economic growth and decent work for all, among other goals. At the same time, attempts to define and quantify the inclusiveness of growth and of wider development processes by analysing trends in poverty, inequality and employment have gained space in national and international policy and academic debates.[20]

[20] See, for instance, Ramos, Ranieri and Lammens (2013), Rauniyar and Kanbur (2010), OECD (2014) and McKinley (2010). In Ramos, Ranieri and Lammens (2013, p. 1), the following was pointed out: “The still limited number of studies seeking to measure inclusive growth…replicate the understanding that even though inclusive growth involves dimensions other than income, poverty and inequality are central to the meaning of inclusiveness”.

In recognizing that no society can be considered genuinely inclusive if poverty remains widespread, economic inequalities are high or growing, or decent work opportunities are lacking. This chapter describes recent trends in these key areas. Disparities across social groups in these and other dimensions of exclusion will be examined in chapter III.

A. Poverty, economic inequality and exclusion: a vicious cycle

More than two centuries ago, Adam Smith noted that being able to afford certain commodities was a necessity for engaging in public life without shame and disgrace. Despite the great progress achieved in reducing the prevalence and depth of poverty since then, deprivation continues to limit the participation of people in today's society. Social barriers to participation, in turn, still keep people in poverty and make it harder for them to sustain their escape from poverty.

Poverty is inextricably linked to social exclusion, both as a cause and as one of its consequences. Moreover, poverty is increasingly framed in ways which overlap with social exclusion, namely the capacity of an individual or a household to participate fully in society (Sen, 2000). As scholars have proposed measuring poverty using several indicators beyond income or consumption, the linkages between social exclusion and poverty have become more explicit. In his pioneering study of poverty in the United Kingdom, Townsend (1979) defined relative deprivation as covering several aspects of living standards and participation in social life. Since then, different analytical approaches have highlighted the social, political and environmental aspects of poverty, together with its economic aspects. The publication of the first Human Development Index (UNDP, 1990) along with Amartya Sen's capabilities approach to poverty (Sen, 1999), as well as the more recent emphasis on the multiple dimensions of poverty, have been notable landmarks in this conceptual shift.[21] At the regional level, the European Union's 10-year growth and jobs strategy, Europe 2020, combines the fight against poverty and social exclusion into a single priority area and provides a joint set of measures and targets.[22] These broader approaches to poverty address important relational issues which affect material deprivation and further hinder the ability of those living in poverty to participate fully in society and live the lives they wish to lead. Poverty in India or Nepal, for example, could not be fully understood

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[21] One well-known measurement that considers several dimensions of poverty is the global multidimensional poverty index (MPI) adapted for UNDP, which is aimed at capturing severe deprivations that each person faces at the same time with respect to education, health and living standards. Available from www.ophi.org.uk/multidimensional-poverty-index, the index is an adaptation based on the methodology of Alkire and Foster (2011).

[22] The strategy has set the target of "lifting at least 20 million people out of the risk of poverty and social exclusion" by 2020 (European Commission, 2014).

without focusing attention on the caste system of socioeconomic stratification.

There is also a close relationship between levels of income inequality and the exclusion of some sectors of society. Not only does high or growing income inequality hamper poverty reduction and economic growth but, without appropriate institutions to prevent it, inequality also leads to a concentration of political influence among those who are already better off and therefore tends to create or preserve unequal economic and social opportunities through uneven access to public services (United Nations, 2013a). The denial of political voice or influence among those at the lower end of the inequality spectrum can reinforce social tensions and cause political instability and conflict (see box II.1). Yet trends in income inequality between individuals or households – also termed "vertical inequalities" (Stewart, 2004) – do not always go hand in hand with inequalities across social groups, as is illustrated in this section.

This section presents a number of positive trends, including rapid declines in income poverty. However, it also sounds a note of caution as some trends, including those based on a higher poverty line or on different dimensions of poverty, continue to raise concern, as does persistently high and in some cases growing income inequality. Such trends suggest that prosperity has not been adequately shared.

1. Poverty trends: implications for inclusive development

To the extent that material deprivation is a major barrier to social inclusion, the progress made globally in reducing extreme poverty in the 21 years since the World Summit for Social Development bodes well for inclusive development. While 37 per cent of the world's population lived under the current international poverty line of $1.90 a day in 1990, only 10.7 per cent did by 2013.[23] However, the world is far from meeting the Sustainable Development Goal target of eradicating poverty: close to 800 million people were still living under the same poverty line in 2013.

The overall headline improvements have been driven in significant part by countries in East Asia and the Pacific, particularly by China, where the percentage of its population living in extreme poverty fell from 66.6 per cent

[23] In October 2015, the World Bank released revised income poverty estimates based on a new set of purchasing power parity (PPPs) conversion factors and an ensuing new income poverty line of $1.90 a day. Because the line was designed to preserve real purchasing power in poor countries, the revisions led to relatively small changes in the incidence of global poverty: from 14.5 per cent for 2011 according to the previous estimates (based on a $1.25 a day poverty line) to 14.1 percent using the new poverty line. Changes in the regional composition of poverty are also relatively small. The revised estimates are available in the PovcalNet database, available from http://iresearch.worldbank.org/PovcalNet/ (accessed in October 2016).

Box II.1

Social exclusion, inequalities and conflict

Social exclusion leads to discontent that is often a prelude to violent forms of conflict, including civil wars. Exclusion and the disparities associated with it can be particularly threatening to peace when there is a perception that they are the result of deliberately discriminatory political processes.

There are numerous examples of this phenomenon. In Uganda in the 1970s and 1980s, there were conflicts between the relatively well-off Bantu majority and the deprived non-Bantu groups. In Sri Lanka in the 1980s, there was a civil war between the minority Tamil community and the Sinhalese majority. In Mexico and various Latin American countries in the 1990s, there were the Chiapas rebellion and revolts by indigenous peoples respectively. All these conflicts were linked to development processes that had left behind certain regions and groups (Stewart, 2002; Kanbur, 2007; Kanbur and Venables, 2005). In India, civil unrest has also been linked to disparities in the distribution of employment opportunities, access to land and other productive assets and use of and access to social services and public institutions (Justino, 2015; Hardgrave, 1993; Brass, 2003; Wilkinson, 2004 and 2005). Research also suggests that exclusion affects the economic incentives to fight, thus lowering the opportunity cost of civil disobedience and violence among those who are left behind (Stewart, 2002).

Conflict is also often a driver of social exclusion and inequality, exacerbating existing cleavages between groups and creating new ones. For example, in conflict and post-conflict countries, women and girls are subject to increased gendered – including sexual – violence, higher rates of maternal mortality and child marriage, and lower primary school enrolment (United Nations, 2015a; Strachan and Haider, 2015). Social stigmatization of women and girls as a result of their rape, injury or HIV infection during wartime is common in post-conflict settings. Conflict is also a major cause of displacement. Refugees and internally displaced persons often suffer from extreme exclusion and marginalization, in many instances being kept apart from the population of the place or country to which they have moved.

Conflict results in deterioration in living standards and employment opportunities. It disrupts and destroys lives, livelihoods, homes and essential infrastructure, such as roads and hospitals, has adverse impacts on public services, such as health care and education, and the delivery channels for food and other consumption items. Insecurity may further prevent adults and children from accessing jobs and schools, reducing productivity and income and creating learning gaps among young people, a situation which may be irreparable. With increased stress on livelihoods, the competition for fewer resources becomes more intense, undermining social cohesion and inclusion (Ncube and Anyanwu, 2012; Alvaredo and Piketty, 2014). Conflict can also erode transparency, accountability and trust in government as normal instructional functions are suspended or circumvented, and illicit financial flows increase.

in 1990 to only 1.8 per cent in 2013.[24] Poverty reductions in South Asia and sub-Saharan Africa, particularly the least developed countries within these areas, have been slower. The proportion of people living in poverty in sub-Saharan Africa dropped from 54.3 per cent in 1990 to 41.0 per cent in 2013. However, the absolute number actually increased from 276 million to 389 million. It is

24 World Bank, PovcalNet database. Available from http://iresearch.worldbank.org/PovcalNet/ (accessed in October 2016).

important to note also that people living in poverty remain further below the poverty line in sub-Saharan Africa than in any other region – that is, poverty is deeper in sub-Saharan Africa than elsewhere in the world. Meanwhile, there have also been differences in rates of poverty reduction within regions – for example Botswana and Ethiopia have experienced poverty decline faster than many other sub-Saharan African countries.

Additional data, however, suggest caution in interpreting these overall positive trends as early indications of success in eradicating poverty. Ravallion (2014), for instance, argued that people living in the most extreme forms of poverty are being left behind. Specifically, there has been little success in raising the standard of living of those in the lowest bound of the consumption distribution – defined here as a "consumption floor" of less than half of the $1.25-a-day line. Most of the progress against poverty has instead come from improvements in living standards of people whose income is above this floor. In fact, Ravallion estimated that the overall consumption floor of the developing world increased by just 0.4 per cent per annum in the past 30 years, less than half the rate seen in the developed world between 1850 and 1950. Thus the modest rise in the mean consumption of people living in poverty observed over the last 30 years has been accompanied by rising inequality, leaving room for almost no gains in the level of living of the poorest people. Milanovic (2012) also found no evidence of an increase in the real incomes of the poorest 5 per cent of the population worldwide between 1998 and 2008.

Furthermore, trends based on relative measures of poverty are less positive than those based on absolute measures. Relative measures, which classify individuals as being poor if they have less than a certain proportion of the income enjoyed by other members of society, reflect the fact that relative deprivation affects welfare. That is, well-being depends not only on an individual's income but also on the income of the individual's reference group, be that his or her neighbours, co-workers or fellow citizens of the country in which the person lives. Such measures, used in many developed countries, support the notion that what matters for well-being is the cost of social inclusion – that is, the cost of goods that are deemed to have a role in assuring that a person can participate with dignity in customary social and economic activities – and that such a cost increases with the mean income of a person's country of residence. Based on a "weakly relative measure" of poverty proposed by Ravallion and Chen (2011), the percentage of people living in poverty fell from 63 per cent in 1981 to 47 per cent in 2008, a percentage more than twice as high as the estimated share of people living in absolute poverty in the same year (Chen and Ravallion, 2012, table 5, p. 30).[25] They also found that this speed of decline was not sufficient to reduce the total number

[25] The weakly relative poverty measure maintains the international poverty line at a constant level up to a certain income and raises it for countries with per capita incomes above that level (Ravallion and Chen, 2011).

of people living in weakly relative poverty, which rose from 2.3 billion in 1981 to 2.7 billion in 1999 and remained at 2.7 billion in 2008. Another study in Vanuatu comparing current poverty levels according to different measures suggested that, while 5 per cent of all children in Vanuatu currently live in absolute poverty as defined by the international $1.00-a-day measure, 23 per cent live in households with income below 50 per cent of the median and 30 per cent with income below 60 per cent of the median (Deeming and Gubhaju, 2015).

Evidence concerning the dynamics of poverty, however, indicates that poverty is less a state that applies to a fixed group of individuals than a condition which people are at risk of experiencing at some point in time, and one which they have the potential to move out of as well as face the risk of falling back into it.[26] Certain circumstances, including periods of ill health, unemployment, natural disasters, drought, violence and conflict or a combination of these shocks, may put an individual or a household particularly at risk of impoverishment (ODI, 2014). Globally, more than 2.6 billion people – 37 per cent of the global population – are living on less than $3.80 a day and could easily fall back into extreme poverty with a sudden change in their circumstances.[27] In South Asia alone, 41 per cent of that area's population – about 720 million people – live just above the international extreme poverty line, earning between $1.90 and $3.80 a day.[28] In Latin America and the Caribbean, more than half of the region's population (50.9 per cent) can be considered vulnerable to poverty, according to estimates by the Economic Commission for Latin America and the Caribbean (ECLAC, 2015).[29] Additional research drawing on the experience of those living just above the poverty line in Latin America shows that, even as people move up the income ladder, they remain at high risk of impoverishment. For instance, 23 per cent of households living above the $4-a-day line in Mexico and 19 per cent of those living above that threshold in Peru in 2002 were living on less than $4 a day by 2005 (Birdsall, Lustig and Meyer, 2013). The same researchers found that, for these households, higher household income was not accompanied by equivalent improvements in risk protection measures, such as unemployment insurance or affordable health care, and the households remained highly vulnerable to falling back into poverty. The eradication of poverty therefore requires not only lifting people out of poverty but also protecting vulnerable people against major risks.

[26] For example, see Addison, Hulme and Kanbur (2009), Birdsall, Lustig and Meyer (2013), ODI (2014) and UNDP (2014).

[27] Data are from http://iresearch.worldbank.org/PovcalNet/ (accessed in October 2016). Total population figures are from the United Nations Population Division. Available from www.un.org/en/development/desa/population/ (accessed in October 2016).

[28] Ibid.

[29] An individual is defined as vulnerable to poverty if he or she has an income 1.8 times the poverty line or less.

Non-monetary measures of poverty also show that important barriers to inclusive development remain, even where income levels have improved. According to the multidimensional poverty index (MPI) adapted for UNDP, which considers overlapping deprivations in health, education and living standards, 1.6 billion people lived in multidimensional poverty in 2015 as compared with close to 900 million living in income poverty in 2012 (Alkire and others, 2016). Indeed, in the vast majority of countries, the incidence of poverty estimated using multiple indicators is higher than the incidence of income poverty. Among countries with necessary data there appears to be no clear relationship between the reduction in income poverty and the reduction in multidimensional poverty. The incidence of MPI poverty is higher than that of income poverty in more than 60 per cent of the countries covered. Differences are significantly large in South Asian countries, where MPI is generally high due to malnutrition (Alkire, Roche and Vaz, 2014). Thus, even though income poverty, hunger, poor health and low educational outcomes are strongly linked, it is also the case that deprivations in education and health can persist even in the context of rising incomes, and that such deprivations make it difficult for individuals and groups to break the cycle of poverty and exclusion.

Overall, a growing body of evidence on poverty suggests that the impressive reductions in income poverty observed at the global level do not adequately capture the diversity of experiences of those living in poverty. In particular, these reductions have not resulted in major improvements in the situation of those that are left furthest behind, that is, those living in the most extreme forms of poverty or in the poorest countries. This situation is part of the unfinished business that the 2030 Agenda for Sustainable Development is aimed at addressing.

In-depth poverty assessments suggest that a number of key barriers to participation can persist, even if income levels rise above the extreme poverty line. A review of whether development processes have been genuinely inclusive based on reductions in poverty must take into account the dramatic variations in poverty rates between and within countries and depending on the indicators used, as well as the fact that many of those who have escaped poverty remain vulnerable to it. Promoting inclusion calls for lifting people out of poverty, but it also requires creating resilience – that is, protecting people against major risks.

2. Trends in income inequality

While poverty trends have long been a focus of the international debate on development, there have been rising concerns about the distribution of development outcomes. Concerns about inequality in income, in particular, have become prominent in discussions about growth or development trajectories during the last decade.

Income inequality across countries increased sharply from 1980 to 2000 but has declined somewhat since 2000 (United Nations, 2013a). This decline has been driven by stronger income growth in poorer than in richer countries. Despite this recent improvement, international inequality remains high. Excluding China, the Gini coefficients of international inequality were actually higher in 2010 than they had been in 1980.[30]

Over the same period, income distribution has become increasingly unequal within a significant number of developed countries and in some large developing countries, as wealthier segments of society have seen their incomes rise at a faster rate than the rest. Between 1990 and 2012, inequality in disposable income (after taxes and transfers) increased in 65 of the 130 countries for which data trends were available (United Nations, 2013a). These countries are home to two thirds of the global population. In general, income inequality has increased in countries and regions that enjoyed relatively low levels of inequality in 1990, namely some large, emerging economies and the majority of developed countries, particularly countries in Eastern Europe. However, there are also countries where inequality has decreased, noticeably in Latin America and the Caribbean where the Gini coefficient declined between 1990 and 2012 in 14 of the 20 Latin American countries with available data (United Nations, 2013a). Among these countries is Brazil, where the incomes of its historically poorest northern and north-eastern regions converge with those of the southern regions, while the share of income going to the top population quintile declined since 2000 – particularly since 2008 (ECLAC, 2014). In Africa, available data suggest that inequality fell in more countries than it rose, that is, in 19 countries compared with 13 respectively.

As described in box II.2, total income inequality comprises inequality across social groups – examined in this report as a symptom of social exclusion – and inequality between individuals within these groups. In general, income inequality across groups constitutes a significant share of total income inequality, although its relative weight varies strongly by country (World Bank, 2005). For instance, inequality between racial groups accounted for an estimated 50 to 55 per cent of total inequality in South Africa in the mid-2000s,[31] 30 to 50 per cent of the total in Guatemala, Panama and Paraguay, but less than 15 per cent of the total in many developed countries (Liebbrandt and others, 2010; Elbers and others, 2005). Inequality between rural and urban populations explained more than 50 per cent of total inequality in Senegal but less than 10 per cent in Côte d'Ivoire, Ethiopia or Niger (Elbers and others, 2005).

[30] International income inequality can be assessed through the Gini coefficient of the per capita income of each country, weighted by each country's population, or just unweighted. Declines in international income inequality are observed regardless of the measure used, even if China is excluded from the calculation (United Nations, 2013a).

[31] Liebbrandt and others (2010) estimated the weight for South Africa at 50 per cent in 2000 and 48 per cent in 2008, while Elbers and others (2005) estimated it at about 55 per cent in the mid-2000s.

Box II.2

Components of inequality

The extensive use of the concept of inequality throughout the present report calls for some conceptual clarification. Income inequality, described in this section, as well as inequalities in consumption, wealth and other indicators of economic welfare are often used to measure disparities in "outcomes". Some of the outcome inequalities observed may be explained by differences in personal effort and ability, but a significant proportion stems from inequalities in circumstances or, more broadly, in opportunities. Differences in access to education – and in the quality of education received – or to health and other basic services, for instance, influence access to employment and income and therefore affect the opportunities people have in life. Opportunities are also influenced by other circumstances that are out of an individual's control, namely the socioeconomic situation of the person's family, the place where the person was born and such attributes as race, ethnicity, gender or having a disability. In chapter 3, an examination is made of the influence of these personal attributes on both opportunities and outcomes.

In order to measure total inequality, individuals or households are ranked according to their income or any other variable of interest. Total inequality can be "decomposed" into inequality across groups – with populations most often being grouped by age, sex, ethnic background, income, nationality or place of birth, as described in chapter 1– and inequalities within these groups. Disparities across groups, also known as "horizontal" inequalities (Stewart, Brown and Mancini, 2005), are construed in this report as symptoms or consequences of the exclusion of those groups that are lagging behind, that is, inequalities across groups are intrinsic to the measurement of social exclusion. Given that they reflect mostly the impact of attributes over which individuals have little control, persistent inequalities across groups constitute an important challenge to inclusive development and stand against the principle of social justice.

Trends in these two key components of income inequality – across groups and within groups – are not always in harmony. In South Africa, for instance, the total Gini coefficient increased relatively rapidly during the post-apartheid period, from 66 in 1993 to 70 in 2008, despite continued economic growth, significant poverty reduction and the expansion of social assistance programmes (Narayan and Mahajan, 2013). While between-race inequality remains very high by international standards, it has fallen since the end of apartheid: on average, per capita incomes of black Africans increased from 8.5 per cent of the per capita incomes of whites in 1987 to 15.9 per cent in 2000, declining slightly to 13 per cent in 2008 (Liebbrandt and others, 2010, table 1.1, p.13). Yet inequality within racial groups has risen, particularly in urban areas. The estimated Gini coefficient of the African population increased from 54 in 1993 to 62 in 2008, while that of the white population grew from 43 to 50 during the same period (Liebbrandt and others, 2010, table 2.6). The rise in intraracial inequality is due mostly to increasingly unequal wage incomes and joblessness, with capital incomes and remittances playing a very small part in the observed trends. Similarly, in the United States, while total income inequality as measured by the Gini coefficient increased steadily from the early 1980s to the start of the 2008 recession, the poverty gap between whites and racial and ethnic minorities declined (Mather and Jarosz, 2014). However, the gap has increased since the 2008 recession, partly because the job prospects of racial and ethnic minorities were disproportionately affected by the downturn (Mather and Jarosz, 2014). In contrast, research from Mexico suggests that, despite declining income inequality at the national level since 2000, income growth has been slower for indigenous than for non-indigenous populations and differences in the incidence of poverty have increased (Solt, 2014; Servan-Mori and others, 2014). The percentage of indigenous peoples living on less than $50 a month was twice as high as that of the non-indigenous population in 2002, but three times as high in 2010 (Servan-Mori and others, 2014).

These examples illustrate that reducing income inequality and promoting social inclusion are related yet separate processes that can become delinked. Even in cases where Governments have made conscious efforts to bring different people, in particular historically marginalized groups, into the development and growth processes, overall income inequality can remain unaffected, as is the case in South Africa. Conversely, declining income inequality does not automatically translate into improved welfare outcomes for all marginalized individuals or groups. Measures to reduce income inequality and those aimed at promoting social inclusion are both important components of inclusive development processes that need to be pursued in conjunction with each other.

B. Deficits in decent work and exclusion

1. Does employment promote inclusion?

Jobs shape the opportunities people have in life as well as their children's future. They are most likely to be a foundation of social inclusion and well-being when they provide sufficient earnings to maintain adequate living standards, and particularly when they come with access to social protection, decent working conditions and prospects for career development. Beyond being an important source of income, employment often confers social identity and brings social acceptance to people's lives, particularly when the workplace enables them to create social and economic ties and build networks. Where they promote social dialogue, employment gives workers a voice and therefore enables them to play an active role in making decisions that affect their well-being. Jobs that offer few opportunities for social mobility or voice, in contrast, can lead to the marginalization and exclusion of workers.

With regard to overall life satisfaction, the negative impact of not having a job is well-established; the impact remains significant even after controlling for the effects of unemployment on income and on access to social protection.[32] That is, financial hardship is only one among many negative outcomes of unemployment, a situation which also results in isolation and psychological

[32] See, for instance, Kunze and Suppa (2014), Blanchflower and Oswald (2004) and Deaton (2008).

stress. Indeed, existing research indicates that a person's employment situation affects his or her social networks, levels of civic engagement and overall trust in other people as well as in institutions.[33] Workers who are able to use their skills productively, who perceive that they are treated fairly and are not disadvantaged in their search for jobs are less likely to disengage from social life and political institutions (Wietzke and McLeod, 2013). Even a single period of unemployment can have long-lasting effects on individuals, families and communities through its negative impact on health, social ties and participation in social life (Kunze and Suppa, 2014; Brand and Bugard, 2008; Narayan and Petesch, 2002). Using survey data for 69 countries, Altindag and Mocan (2010) found that joblessness translated into negative opinions about the effectiveness of democracy, particularly if unemployment lasts longer than one year, both in developed and in developing countries. The effects of vulnerable employment – own-account work and work in family businesses, often in the informal sector – and those of insecure, temporary contracts are similar to those of unemployment in that they curtail access to social protection and sever links with social and political organizations, including unions. While workers can therefore be "included" in the labour market, it really may be on terms that are unfavourable (de Haan, 2015; Nathan and Xaxa, 2012).

The way in which employment affects inclusion, however, does not depend only on a worker's labour market situation or on the type of job, but it is also influenced by the economic, institutional and political context as well as the specific needs and aspirations of each worker. Cross-country analysis of values surveys indicates that, in general, levels of self-reported well-being and life satisfaction are lower among unskilled manual workers and among farmers in high-income countries than in low-income countries (Wietzke and McLeod, 2013). In contexts of generalized poverty, widespread institutional failure or where social institutions restrict the autonomy of certain social groups, even an informal job can bestow skills, autonomy and agency – the capacity to act individually or collectively to further one's own interests or those of a group. In particular, jobs can positively transform the role of women and disadvantaged groups, both in their communities and in societies at large. Kabeer and Kabir (2009) documented, for instance, how jobs in retail garment factories of Bangladesh, generally characterized by poor working conditions, have expanded women's scope for decision-making, their social networks and their opportunities to participate in the public domain. Women's greater independence has, in turn, benefited other disadvantaged groups as well. Similar case studies in Morocco and Pakistan, among other developing countries, have documented the generally positive impact on the empowerment of women when they participate in the labour market, even in the informal sector (Dudwick, 2012).

[33] For examples from the empirical literature, see Norton and de Haan (2012), Dudwick (2012) and Wietzke and McLeod (2013).

Values surveys also indicate that, overall, perceived levels of exclusion are less among workers in the informal sector or among jobless persons when levels of vulnerable employment or unemployment are higher (Kunze and Suppa, 2014; Clark, 2003). These findings do not imply that informal work should be acceptable in some settings and not in others. The rights to just and favourable conditions of work, protection against unemployment, equal pay for equal work, access to trade unions and to social security are universal and unalienable. Informal work carries fiscal losses and has potentially negative consequences for competitiveness and growth as well as social cohesion. Recognition that informal work has given opportunities to groups that were formerly excluded from the labour market helps to highlight the positive contribution of informal employment and the need to support informal workers. However, it does not justify the absence of decent work or security safeguards.

It has also been argued that informal jobs and self-employment can serve as a stepping stone to formal, more secure employment for youth and other new entrants into the labour market (Perry and others, 2007). However, the transition from informal to formal jobs is far from assured and is not automatic. According to data for four developing countries, namely South Africa, Turkey and urban areas in China and Colombia, between 30 per cent and 80 per cent of workers in informal jobs annually transition to other informal jobs while only 8 to 35 per cent transition to formal jobs, mostly under fixed-term contracts in both urban China and Colombia (OECD, 2015b). The probability of transitioning to unemployment or inactivity is higher among workers in informal employment than among those in formal employment (OECD, 2015b). In many developing countries, the labour force is, as a matter of fact, growing significantly faster than the formal economy. Labour force projections for sub-Saharan Africa, for instance, suggest that only one in four youth will find wage employment in that region between 2005 and 2020, and only a small fraction of such employment will be formal employment in modern enterprises (Fox and others, 2013).

In fact, low mobility and persistent wage gaps between informal and formal jobs suggest the presence of a divide between workers in each sector who are, in practice, part of different labour submarkets (IADB, 2008; Duryea and others, 2006). A similar divide exists in developed countries between adequately protected workers under open-ended labour contracts and many of those under temporary, as well as other non-standard, labour contracts, among whom young workers, women, migrants and members of other disadvantaged groups are overrepresented.

Such a divide is reinforced by processes of discrimination and by an absence of social ties between different types of workers, both within and outside the workplace. Both occupational and residential segregation contribute to the breakdown of interactions across social groups and to the subsequent loss of employment opportunities for disadvantaged groups

(Wilson, 1997; Grusky and Kanbur, 2006; Bertaux and Thompson, 1997). As the example in box II.3 illustrates, residential segregation has been shown to cause persistent disadvantage in the labour market in the long term, in addition to creating social rifts between minorities and the rest of the population (Portes and Rumbaut, 2006; Iceland, 2014).

While a profession or trade has traditionally been an important source of social identity, some workers under temporary contracts or those who are outside of an employment relationship altogether may develop little identity through their jobs. In view of their vulnerable situation, such workers also face particular challenges in mobilizing and organizing collectively (King and Rueda, 2008; Rueda, 2005). Unions that are organized around the traditional

Box II.3

Impact of residential segregation on the employment of migrants

Migration is most often linked, directly or indirectly, to the quest for decent work. In 2014, the Migration Policy Institute and the International Labour Office conducted a project to examine the movement of immigrants into skilled employment in the years following their arrival in Czechia, France, Germany, Sweden and the United Kingdom. It was found that generally unemployment rates tended to be higher for immigrants from outside the European Union than for natives of those countries (Benton and others, 2014).

Income differentials determine in which neighbourhoods native and immigrant groups will live. Immigrants are more likely to settle in neighbourhoods where there are communities or groups of the same ethnicity or from the same country of origin (Scarpa, 2015). In France, for instance, 42 per cent of immigrants from North Africa, sub-Saharan Africa and Turkey lived in the 10 per cent of neighbourhoods with the highest unemployment levels in 2008, and they represented 28 per cent of the population of disadvantaged neighbourhoods (Pan Ké Shon, 2011).

These communities play various supportive roles, including the provision of information on jobs and other opportunities (Scarpa, 2015). In the long term however, clustering in ethnically homogenous, often poor, neighbourhoods has had negative labour market impacts for immigrants. Social networks often steer immigrants into a few specific areas of work that create an ethnic division of labour and contribute to the segregation of immigrants from other workers in the labour market (Parks, 2005). A low level of interaction with the majority population results in difficulties learning the language, lack of country-specific knowledge and lack of valuable social capital (Klinthäll and Urban, 2016), all important factors that hamper access to the broader labour market. Employers in turn often have negative perceptions of candidates from poor or ethnically segregated neighbourhoods (Dickerson, 2007).

It should be noted, however, that immigrants turn to neighbourhood social networks as a result of ethnic discrimination in the labour market. Lack of opportunities in the formal labour market also contribute to high self-employment among immigrants, who use this approach as an alternative route to economic mobility by starting small businesses in their ethnic neighbourhoods (Van Tubergen, 2006).

Overall, in residentially segregated communities, neighbourhoods are the incubators of ethnic social capital. Such social capital can be useful to migrants initially, but in the long term it has been found to restrict their opportunities in the labour market and their socio-economic mobility overall.

employer-employee relationship are not well-suited to give voice to those who do not work for a wage, or who do so outside the formal sector and run the risk of deepening the divide between workers under standard contracts and those under non-standard contract arrangements (World Bank, 2012; ODI, 2013). In addition, political parties which had historically represented the most disadvantaged have increasingly advanced the interests of workers in standard employment as well in industrialized countries (Kitschelt and others, 1999; Rueda, 2005 and 2006). It is in this context that attributes other than socioeconomic background or occupation, including ethnicity, race and gender, are gaining salience as a basis for worker mobilization. Organizations representing workers structured along ethnic group and geographical community lines, rather than through the workplace, have emerged in some countries as effective pressure groups on local governments concerning a range of issues, including working conditions, but also housing, health and education (Fine, 2005; King and Rueda, 2008).

Beyond its importance for the social inclusion of individuals and groups, employment has society-wide impacts, including on social cohesion and stability. While empirical evidence on the impact of employment trends on overall social cohesion is limited, an analysis of the determinants of social unrest following the 2008 financial and economic crisis put unemployment and economic growth at the heart of protests and other forms of unrest (ILO, 2013a). Individuals who do not have access to good jobs often see their interests diverge from those of the rest of society, particularly when exclusion from the labour market affects some social groups disproportionately, especially youth (Urdal, 2012; Azeng and Yogo, 2015). However, the risk of unrest is mediated by institutional factors and particularly the availability of democratic institutions to channel concerns and frustration – civil society, unions and the rule of law.

2. Trends in the world of work: prospects for inclusive development

Over the last two decades, the world has witnessed important changes in the way in which work is performed and managed. The evidence presented in this section indicates that labour market trends have generally not been conducive to social inclusion or, more broadly, to inclusive development, with important exceptions. Growing job instability and the rise of poorly paid, precarious work have fuelled inequality and income insecurity among workers in the developed world. The standard employment contract, usually entailing access to social security and other statutory employment rights and protection against termination, has ceased to be the norm. Workers are increasingly employed under non-standard contracts, often in the informal sector, as described in this section. However, greater labour market flexibility has not been accompanied by more employment opportunities for all workers.

In developing countries, labour market participation has enabled many people to escape poverty. Participation in the manufacturing sector, in particular, has economically empowered women and other disadvantaged groups and often transformed their role in society. However, while higher growth and the increases in labour productivity observed in many countries have been translated into higher incomes and better working conditions for some workers, this is not the case for all. Thus the divide has grown between a well-protected group of workers in the formal sector of the labour market − especially better educated adults − and unskilled young people, women and migrants who work more often in informal jobs (as illustrated in chapter III). The 2008 financial and economic crisis has exacerbated these trends, as employment has become more unstable or precarious for a growing number of workers since the crisis, and those unemployed are at growing risk of long-term exclusion from the labour market (ILO, 2014a and 2015b).

a. Persistent joblessness

The employment statistics available are not encouraging. Even during the period of expansion that preceded the financial and economic crisis of 2008, employment growth was not sufficient to absorb the growing labour force: the global unemployment rate hovered between 6.0 and 6.5 per cent from 1995 to 2005, while the number of jobless persons grew from 156 million in 1995 to close to 186 million in 2005.[34] The crisis led to sharp falls in employment. Globally, the number of jobless persons reached 197 million in 2015 and is projected to continue growing at least until 2017, while the unemployment rate is expected to stabilize at 5.8 per cent (ILO, 2016a). Countries in North Africa and West Asia are projected to continue suffering from the highest unemployment rates worldwide, while there will be some relief for developed countries, including countries in Southern Europe, although joblessness will remain well above pre-crisis levels.

In addition, in the majority of countries, the average duration of unemployment has increased since the crisis. In OECD countries, 15.2 million people – more than one in three of the unemployed – had been out of work for 12 months or more in the fourth quarter of 2014, almost twice the number unemployed in 2007 (OECD, 2015b). Longer periods of unemployment result in substantial financial hardship, a loss of valuable skills and deeper impacts on social participation and other aspects of exclusion described in the previous subsection. In some countries, the increase in long-term unemployment can be explained by persistently sluggish economic growth. However, in the majority of developing countries, the employment intensity of growth declined from the 1990s to the post-crisis period (2007-2014), a trend that has led to a jobless recovery and continues to raise fears over long-term, structural joblessness.

Many more people find themselves excluded from the labour force

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34 ILO Statistics and Databases, Key Indicators of the Labour Market, 9th ed. Available from www.ilo.org/ilostat/faces/home/statisticaldata/technical_page?_afrLoop=224207380903115#%40%3F_afrLoop%3D224207380903115%26_adf.ctrl-state%3D12qwcwaka6_433 (accessed on 13 July 2016).

altogether, particularly women and youth. Globally in 2014, 2 billion people of working age were not participating in the labour force, and the number is projected to continue growing (ILO, 2016b). Part of the increase is explained by a rise in the number of years spent in education and by the phenomenon of population ageing. Since 2008, however, many rich countries and some middle-income countries have witnessed an increase in the number of discouraged workers, who are not counted among the unemployed as they are no longer actively seeking employment. In particular, the crisis reinforced the long-term downward trend in youth participation rates. Crisis-led rises in youth unemployment would have been stronger had many young workers not dropped out of the labour market. While some youth may have returned to the education system, the share of those who are NEET increased in 30 of the 40 countries with data from 2007 to 2014.[35] This severe waste of human potential can have drastic repercussions in terms of marginalization and exclusion both for the young people affected and for societies at large.

b. Decent work deficits

Trends in unemployment do not fully reflect lack of decent work opportunities, given that not all existing jobs take people out of poverty or promote social inclusion. In countries with high levels of poverty and lacking formal social protection systems, most workers cannot afford to stay unemployed. In developing countries, which are home to 82 per cent of the world's working-age population, the majority of people work but they struggle to earn income through what is commonly defined as vulnerable employment (own-account work and work in family businesses), often in the informal sector where salaries are lower than in formal employment, social protection is largely absent and working conditions are poorer. For the majority of workers, informal jobs are not a choice but reflect the limited availability of formal, more desirable jobs, as well as workers' limited bargaining power in the businesses that employ them.

There are few reliable estimates of informality or of the total extent of underemployment – the shortfall in the income that can be earned from work or in the number of hours of work – which makes difficult the monitoring of the global employment situation. One series of comparable estimates puts the share of informal employment outside of agriculture at 82 per cent of total employment in South Asia, 65 per cent in East Asia (excluding China) and South-East Asia, 51 per cent in Latin America and the Caribbean and 66 per cent in sub-Saharan Africa (ILO, 2013a and 2014b).[36] Adding data on the agricultural sector would raise these averages, as much of agricultural employment in developing regions is informal as well. Alternative estimates

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[35] Ibid.

[36] Data for sub-Saharan Africa are available for a limited number of countries. Data and metadata on women and men in the informal economy are also available online through the ILO labour statistics database Laborsta (http://laborsta.ilo.org).

put the share of informal employment at even higher levels. In one study, two thirds of workers in the Middle East and North Africa were found not to have access to social security, a deficit often used to estimate informal employment (Gatti and others, 2014).

Vulnerability in the world of work has also risen in developed countries, especially through the increase in the incidence of involuntary temporary and part-time employment as well as own-account work, often in the informal sector.[37] From 1995 to 2005, a period of job growth in the European Union, most low-skilled, low-paying jobs created were part-time or fixed-term jobs, while permanent low-paying employment was destroyed or remained stagnant (European Foundation for the Improvement of Living and Working Conditions, 2007). This was also a period of labour market deregulation in many European countries. In those countries suffering from high unemployment, such as Spain and other Southern European countries, strongly regulated labour markets which imposed high hiring and firing costs had been found to discourage job creation. However, deregulation and greater flexibility were not applied equally across all sectors. Thus greater labour market flexibility has generally resulted in greater insecurity for some workers and increased inequalities in wages and working conditions, given that some jobs have remained protected while others have been made highly flexible.

Workers employed on non-standard contracts, among whom young people, women, migrants and other disadvantaged groups are overrepresented, earn less than workers on standard contracts, are not afforded the same protection as employees working full-time and long-term wage workers and bear the brunt of employment losses during recessions, while little adjustment is made through wages in the more protected segment of the labour market. A similar segmentation exists in developing countries, where workers in the formal sector benefiting from some degree of social protection coexist with a large informal economy, and mobility across the two segments is very limited (Gatti and others, 2014).

The trend towards greater job insecurity stands in contrast to the progress observed in reducing income poverty, but is not incompatible with such progress. In developing countries, the proportion of workers who live on less than $1.90 a day declined from 33.4 per cent in 2000 to 12 per cent in 2015 and so did the share of those living on between $1.90 and $3.10 a day (ILO, 2016a; Kapsos and Bourmpoula, 2013). Working poverty remains a deep-seated problem in South Asia and sub-Saharan Africa, where the proportion of working poor remains above 60 per cent, but it has declined quickly in other regions. At the same time, the number and proportion of workers living on between $5 and $13 a day has increased. These trends reflect long-term rises in average labour productivity in all developing regions and suggest some

37 Informality was estimated in 2013 at 18.8 per cent of GDP in the European Union and at 8.6 per cent on average in Australia, Canada, Japan, New Zealand and the United States (Schneider, 2015).

improvement in average returns to labour, even though wage growth has lagged behind productivity growth. An economic slowdown can, however, reverse these positive trends, particularly since, as shown in section A, workers living near the poverty line and even those living on more than $5 a day, remain at significant risk of falling back into poverty.

In the current context of economic insecurity and increasing job instability, social protection measures should play a key role in reducing vulnerability and preventing a deterioration of living conditions. However, while social protection coverage has expanded significantly during the last decade, only 27 per cent of the working-age population and their families had access to comprehensive social security systems in 2012,[38] according to ILO estimates (ILO, 2014c).

Many developing countries have made efforts to expand the coverage of contributory social insurance schemes, but their reach is still limited. Where they exist, unemployment benefits, old-age pensions and other benefits cover only certain categories of workers in the formal sector, leaving those in the informal economy with no protection at all. Only some 5 per cent of workers in vulnerable employment have access to contributory social protection schemes (ILO, 2016a). Non-contributory schemes or those involving voluntary affiliation have gained in importance and some benefit workers in non-standard forms of employment. Effective coverage gaps, however, continue to limit their reach as well. In 2013, only 53 per cent of legal coverage based on voluntary contributions was effectively implemented (ILO, 2015b).

Growing vulnerability in the world of work has taken place alongside declines in union membership. Even recently, data on bargaining coverage rates from 2008 to 2013 show an average drop of 4.6 per cent in coverage in 48 countries with data (ILO, 2015c). Where coverage has declined, the erosion of bargaining power began well before 2008. In the United States, for instance, private sector union membership declined from 23 per cent of all workers in 1973 to 15 per cent in 1995 and further to about 11 per cent in 2014 (OECD, 2011b, figure I.18; and Visser, 2015). In Germany, the erosion of collective bargaining began after reunification in 1990 and continues today (ILO, 2015c).

In addition, collective bargaining has become decentralized, with the process of negotiation increasingly taking place at the firm level. On average, union members and workers covered by collective bargaining arrangements earn higher wages than their non-unionized counterparts, with the union wage effect being generally greater among less skilled workers than among skilled workers (Blunch and Verner, 2004; Menezes-Filho and others, 2005; Freeman, 2009). However, unions organized around the traditional employer-

[38] Comprehensive social security systems cover by law eight areas (sickness, unemployment, old age, employment injury, family responsibilities, maternity, invalidity and survivorship) in line with ILO Convention No. 102 – Social Security (Minimum Standards) Convention, 1952. Health care (the ninth and final area of the Convention) is not included in the estimate for methodological reasons.

employee relationship are not well-suited to give voice to those who do not work for a wage, or who do so outside the formal sector.[39]

The growing incidence of informal and non-standard forms of employment has created momentum for innovative organizations. Associations of self-employed workers or cooperatives – two different types of representative, membership-based organizations – for instance, have improved the terms on which workers in vulnerable employment engage in the labour market and have strengthened their capacity to take collective action (ODI, 2013). Some of these associations often represent members' interests with a particular municipal authority or local government and so more closely resemble social movements than conventional trade unions (World Bank, 2012). Rather than being organized around employment demands, analysis of women's workers organizations shows that they are organized around local priorities (Kabeer, Milward and Sudarshan, 2013). In box II.4, the role that cooperatives and other organizations belonging to the broader and "social and solidarity economy" can play in promoting the rights and interests of traditionally excluded groups is illustrated.

c. Wages and productivity

Employment growth has taken place alongside a redistribution of income towards capital and away from labour. The share of wages in total gross domestic product (GDP) declined sharply in more than 65 per cent of high-income countries as well as in the majority of middle- and lower-income countries with data, although less steeply from 2000 to 2008 (ILO, 2014a). Thus there is a growing divergence between productivity growth and wage growth. Wage stagnation is likely to harm disproportionately workers in the middle and at the bottom of the income distribution, since they rely mostly on labour income. Furthermore, the wage gap between top and bottom earners has also increased in most countries, mainly owing to an increase in top salaries that is not fully explained by a growing demand for highly skilled workers (United Nations, 2013a). While technological change and, to a certain extent, globalization have contributed to wage inequality, declines in real minimum wages and other changes in labour market policies and institutions account for much of the increase in wage disparities in recent decades (OECD, 2011b).

In many of the developing countries that have experienced growth in labour productivity since the 1990s, such growth has come primarily with a shift away from agriculture to the services sector. The experience of such countries contrasts with that of developed countries and even emerging countries in East and South-East Asia, where structural transformation

39 There are exceptions. The Uganda Public Employees Union, for instance, expanded its definition of "public employees" so as to widen its membership beyond workers employed in the public sector to anybody working to serve the public (Chen, Vanek and Carr, 2004).

Box II.4

Social and solidarity economy and its promotion of social inclusion

Included under the concept of the social and solidarity economy (SSE) are cooperatives, self-help groups, service-delivery non-governmental organizations, income-generating activities, consumer groups, fair trade networks, mutual associations, community-based saving schemes, informal workers organizations, community forestry groups, microfinance or solidarity finance institutions and food networks (Utting, 2013). SSE is characterized by diverse forms of cooperative, associative and solidarity relations involving workers, producers and consumers. Solidarity-based economic units rest upon a model of democratic decision-making and a participatory and transparent management system, which is aimed at ensuring collective ownership and responsibility for the outcomes of economic activities.

The cooperative model is a major component within SSE, and it is known globally for its inclusive practices, including voluntary and open membership, democratic member control, member economic participation and concern for community. Globally, cooperatives have more than 1 billion members, employ 12.6 million people and generate $3 trillion in annual revenue.

In Europe, social and solidarity economy enterprises and organizations employ more than 14.5 million people, which is equivalent to about 6.5 per cent of total European paid employment (Ryder, 2013). In India, more than 30 million people (mainly women) participate in self-help groups. The global Fairtrade[a] market employs some 1.2 million workers and farmers producing certified products. Globally, 170 million people are provided with health and social protection services by mutual benefit societies (ILO, 2011a).

SSE has contributed to empowering women and it shows great potential as a way to promote their inclusion. While women hold only 2.6 per cent of leadership positions in the world's top 500 companies, they control 13.6 per cent of those positions in cooperatives and the mutual insurance sector. The Spanish Confederation of Worker Cooperatives noted that 49 per cent of worker cooperative members in Spain are women and 39 per cent have directorial positions compared with 6 per cent in other enterprise models. Similarly, women make up 60 per cent of the cooperative members in South Africa, and 95 per cent of members in consumer cooperatives are women and are in important leadership positions, according to the Intercontinental Network for the Promotion of the Social Solidarity Economy, which is best known by its acronym RIPESS.

In promoting food security and empowering small-scale farm holders, agricultural cooperatives contribute to social inclusion. Smallholders are mostly poor and lack access to finance and markets. Poor farmers or smallholders who are members of cooperatives stand a better chance of getting better prices for their products. Empowerment of smallholders via cooperatives enables them to increase productivity.

The financial sector within SSE is essential in the strategy to promote social inclusion. Globally, financial cooperatives and mutual societies have more than 700 million members and more than 2 million employees, according to RIPESS. These financial enterprises of SSE provide access to affordable services, especially for the poorest segments of the population.

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[a] "Fairtrade" is an alternative approach to conventional trade and is based on a partnership between producers and consumers. Fairtrade offers consumers a powerful way to reduce poverty through their everyday shopping. When a product carries the Fairtrade Mark it means the producers and traders have met Fairtrade standards. For further information, see www.fairtrade.net/about-fairtrade/what-is-fairtrade.html.

to higher productivity took place with an initial transfer of labour from agriculture to labour-intensive manufacturing. Enabled by the spread of information and communications technology and declining transportation costs, some developing countries have achieved high productivity growth in modern services, such as banking, business services and tourism, as well as in services linked to manufacturing. Several studies indicate that aggregate labour productivity in developing countries has been driven as much by industry as by services since 2000 – or the mid-2000s in the least developed countries – despite strong variations across countries (Roncolato and Kucera, 2014; ILO, 2014d, figure III.7).

It is uncertain whether services-led economic development can be a viable alternative to structural transformation and growth in decent work through manufacturing. Currently, higher shares of manufacturing remain associated with higher income levels in developing countries, although the employment intensity of growth in the manufacturing sector has been affected by the nature of technological progress and the growth of global production systems. Owing to competitive pressures in the global economy, developing countries have imported capital-intensive and skill-intensive forms of technology. However, the services sector remains highly polarized, especially in low-income countries. Low-productivity, informal service jobs continue to expand alongside highly skilled occupations, with the disappearance of medium-skilled jobs further raising the barriers preventing unskilled workers from moving up the social and economic ladder (UNRISD, 2010).

C. Conclusions

Millions of people have transitioned above the extreme income poverty line of $1.90 per day over the past few decades, alleviating an important dimension of deprivation for those at the low end of the global income distribution. However, the situation of those living in deep poverty has improved little, and many people that previously escaped poverty still remain vulnerable to it. Trends in inequality also suggest that prosperity has not been equitably shared, with inequality within countries often rising. Inequality across social groups constitutes an important component of total inequality, and it does not always evolve at the same pace or respond to the same forces as inequality within groups.

Labour market participation has helped millions of people to escape poverty and has economically empowered women and other disadvantaged groups. In some cases it has promoted the social inclusion of these groups while in others it has reinforced existing divides. Overall, however, economic growth and, more broadly, development have not been sufficiently inclusive, as they have failed to reduce deficits in decent work. Many individuals and families therefore are not able to rely on stable decent jobs as means to cope with risks or to secure their livelihoods. The risk of holding a poorly paid, precarious, insecure job is actually higher today than it was in 1995. Rapid progress in reducing poverty notwithstanding, more than half of the developing world's workers are either poor (living on less than $2 a day) or near poor (living on between $2 and $4 a day). They comprise an enormous proportion of the population in developing countries, a situation which calls into question the notion that jobs – any jobs – are the main solution to poverty. A significant and persistent share of workers remains outside the realm of regulation and has not been adequately represented in social dialogue and consensus-building processes in the world of work. While some informal jobs become stepping stones to formal work and empower those who hold them, particularly women, most trap individuals and groups within a spiral of low productivity and exclusion. Deficits in decent work, in particular among young people, are so significant and large that they raise fears of social instability and put the social contract under threat.

Promoting a more inclusive development path will require reducing such deficits and addressing the current disconnect between labour market regulations and the reality of the world of work. Given the social significance of work as a foundation of social inclusion and personal dignity and as a source of stability and development, political inaction is not a sustainable option.

In recent decades, many countries have undertaken reforms intended to reduce labour protection and lower labour costs. The unbalanced implementation of such reforms, however, has generally resulted in increased inequalities, as some jobs have remained highly protected while others have been made highly flexible. Therefore, an initial step towards creating more and better work for all is to address this segmentation and ensure a more equitable distribution of labour market risks and benefits. Facilitating transitions from informal to formal jobs should be part of this effort. However, given that the world of work is shifting away from the standard employment model of stable, full-time jobs, the main challenge is to ensure adequate protection for workers in all types of employment.

Despite their importance, labour market policies and institutions alone will not bring about the structural transformations that are necessary to promote inclusive development. The main obstacles to the creation of decent work and the reduction of poverty and inequalities lie outside the labour market. In chapter V, the essential elements of a comprehensive policy framework aimed at promoting inclusion will be discussed.