

Towards peace, decent work, and greater equality:

Research evidence on transforming economies,
states, and societies

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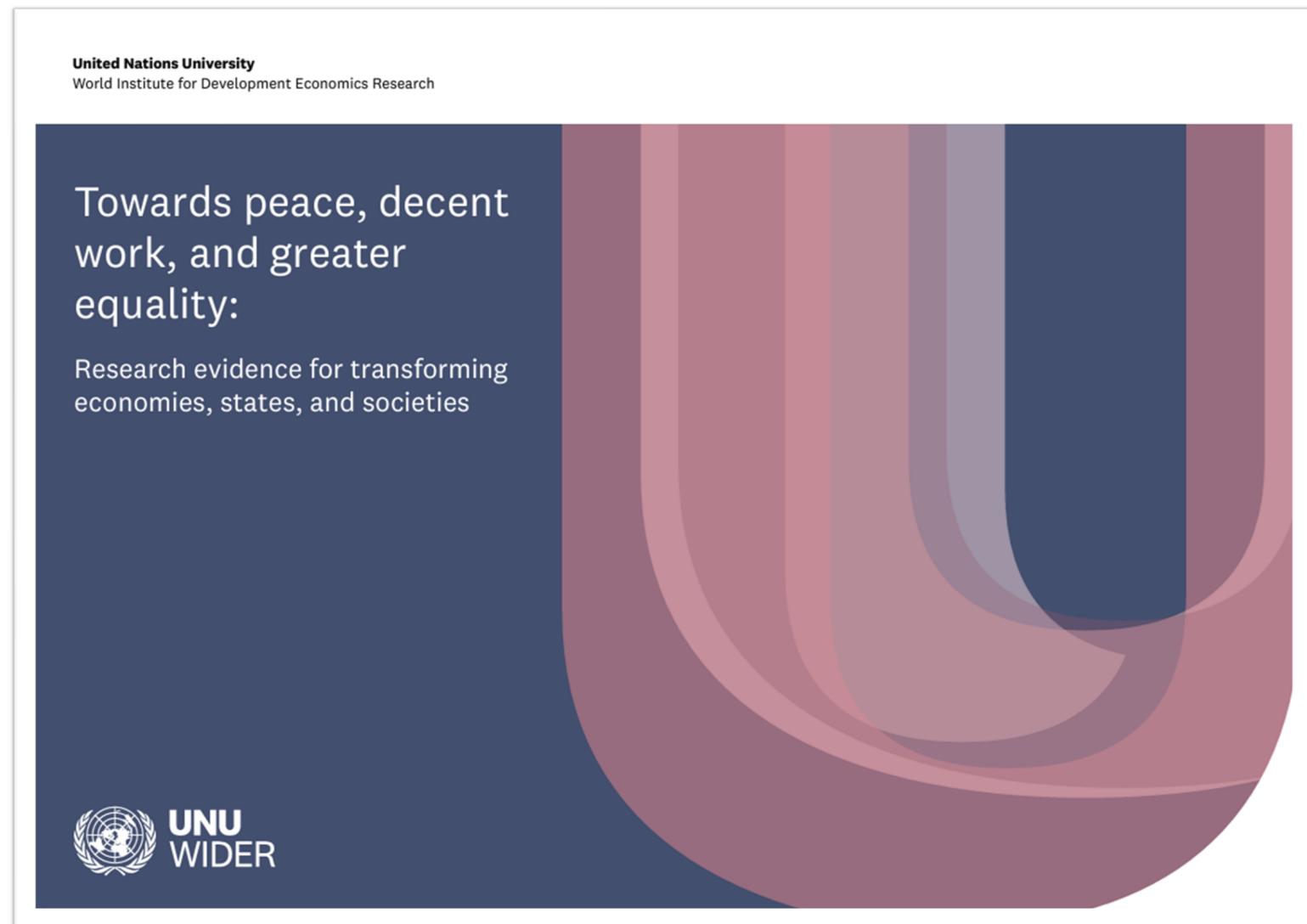
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Background and motivation

- As we cross the mid-point of the *2030 Agenda for Sustainable Development*, UNU-WIDER culminates a 5-year research programme on transforming economies, states, and societies.
- **A new report** is a synthesis of the research UNU-WIDER has produced in the last five years, and the policy options emerging from the findings.
- In partnership with UN DESA this event is one of a series of regional events that discusses the topics covered in the report.

What have we learned?

- Section 2.1: The aspiration for peace
 - Rebuilding the state
 - Strengthening the social contract
 - Encouraging non-violent political participation
- Section 2.2: The aspiration for decent work
 - Decent work for informal workers
 - Lessons of the COVID-19 pandemic
 - Addressing gender gaps
- Section 2.3: The aspiration for a fairer society
 - The trend in global income inequality
 - Inequality between countries
 - Inequality within countries



The aspiration for a fairer society

The trend in global income inequality

- UNU-WIDER compiles income inequality statistics from sources around the world in a single database: the World Income Inequality Database, or WIID
- Recent improvements to the WIID have made it a critical tool for monitoring trends in income inequality.
- Global income inequality has been on a downward trajectory since 1990, but remains incredibly high at Gini 60.6
- This trend is almost entirely driven by the convergence of GDP per capita between countries, especially as the mean income of India and China rises
- At a more granular level, inequality is increasing within countries.
- [At least 58% of the world's population witnessed inequality increase](#) in their country compared to 26% who witnessed a decline.
- High levels of [inequality are strongly correlated with lower human development index \(HDI\) scores](#). This means inequality is associated with lower society-wide levels of education, public health and life expectancy, and economic performance.
- Growth [lifts less people out of poverty](#) in highly unequal societies.
- And, [inequality undermines political participation](#) and support for democracy in democratic societies and [prevents the formation of stable democracy](#) in non-democratic societies

The aspiration for a fairer society

Inequality between countries

- We estimate that the volume of corporate profits shifted to tax havens has now increased from 2% of the global total in 1970 to 37% in 2019
- This results in a global loss of public revenues of EUR 250 billion annually
- Focused efforts to increase international tax fairness and prevent much-needed revenues from fleeing countries for tax havens can support public revenues
- The differential impacts of climate change and efforts to reduce emissions, especially greater impacts on lower-income economies, are another threat
- Global efforts to reduce the burden of climate change on low- and middle-income countries should be commended, but more needs to be done
- If China and India pass the global mean, their continued economic growth will begin to put upward pressure, rather than downward pressure, on the Global Gini
- This means it is now more important than ever to leave no country, or group of countries, behind

The aspiration for a fairer society

Inequality within countries

- Still, the battle for *SDG10: Reduced Inequality* will be **largely fought within countries**.
- A challenge for lower-income countries is their **relatively weaker tax and transfer systems** to address concerns around fairness and fund redistributive social transfers.
- We document several successful actions by several sub-Saharan African countries to increase revenue, providing clear evidence that enhanced domestic revenue mobilisation in Sub-Saharan Africa is indeed possible.
- A focus on income inequality between individuals (defined as vertical inequality) only is not enough as **horizontal inequalities**—those between ethnic or culturally-defined groups—are critical to explaining national inequalities.
- There is clear potential for affirmative action [policy to improve the representation and wellbeing of marginalized groups](#).
- Our work on a new Affirmative Action Database documents efforts by national policymakers to overcome group-based inequalities

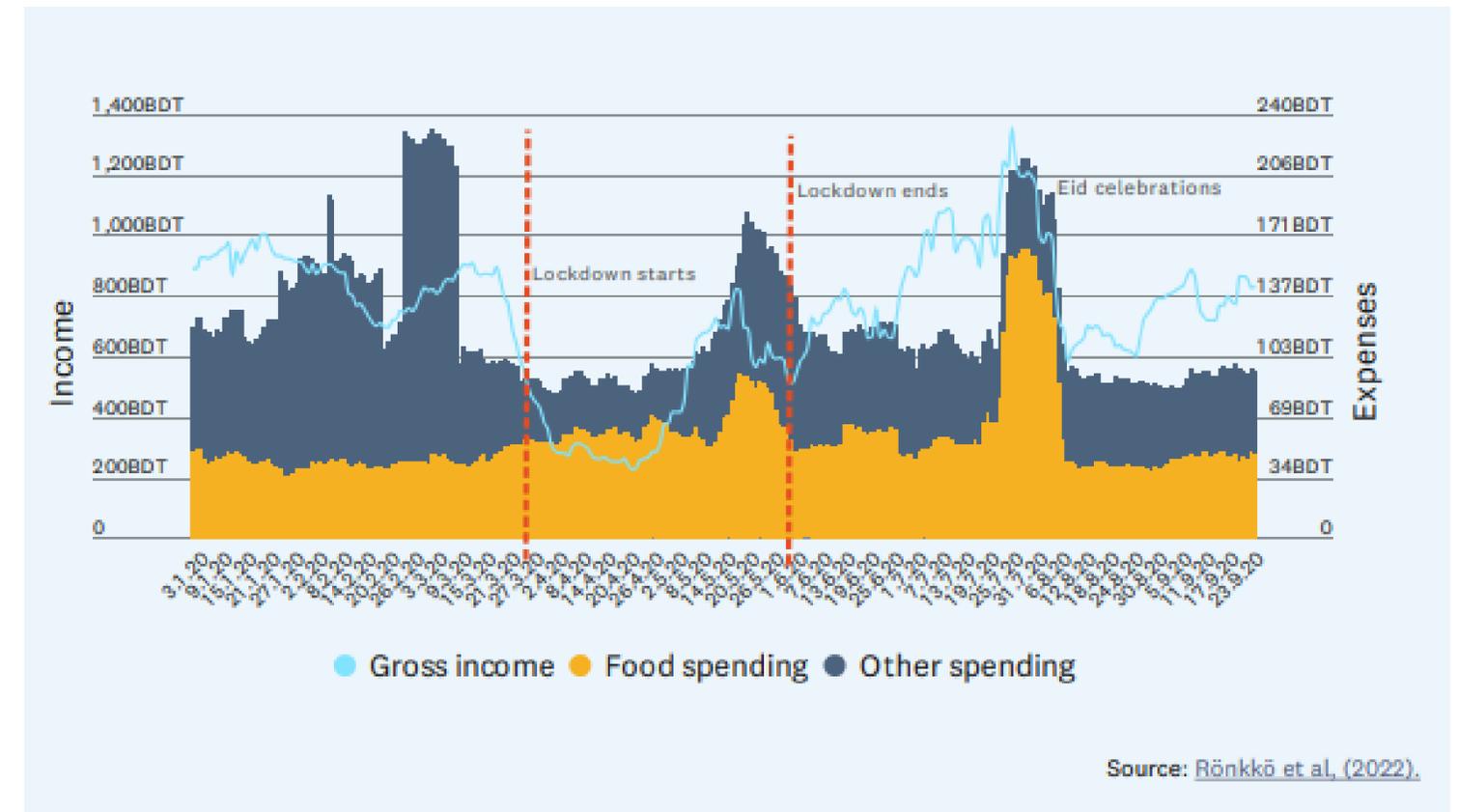
The aspiration for decent work

Informal workers

- Our studies under decent work interlock with efforts to reduce inequalities, particularly on informality and gender gaps
- Across countries, informal workers are one of the largest vulnerable groups
- Informality affects more than half of the global workforce and in several countries more than 2/3rds of jobs are in the informal sector
- Informal workers often earn less and lack the same protections as formal sector workers
- **Informal workers are more vulnerable to economic shocks**
- As the ILO reported in April 2020, 1.6 billion people employed in the informal economy—**80 per cent of the global informal workforce and nearly half of the total global workforce**—were estimated to see their livelihoods destroyed by the decline in work, working hours, and earnings brought on by COVID-19 lockdowns or other restrictions.
- Our subsequent research on how COVID-19 impacted the working poor supports these estimates

The pandemic's impact on household consumption in Bangladesh

- In rural Bangladesh, the Hrishipara Daily Diaries Project (HDDP) has been tracking the daily financial transactions of 60 low-income households for the last six years
- Our analysis of the HDDP data reveals important insights about the daily lives of the most vulnerable during the pandemic
- In Bangladesh, households' earnings collapsed for several months in 2020 as a result of the pandemic and public policy to curb the infection rate.
- Households had to rely on themselves. To put food on the table, drastic cuts were made to other expenditures.
- Government policy could have helped, but the social protection system was ineffective at reaching the most vulnerable groups.

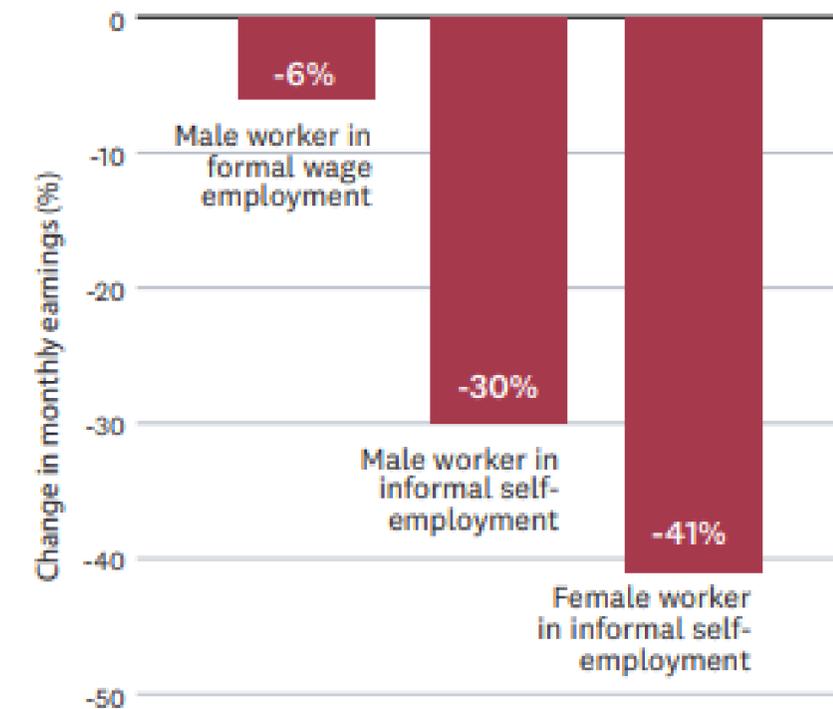


The labour market impact of lockdown in Ghana

- A stringent COVID-19 lockdown policy in Ghana induced a 34.3 percentage point decline in employment
- The geographically contained three-week lockdown in the country's Greater Accra and Greater Kumasi Metropolitan Areas and contiguous districts lasted from 30 March to 20 April 2020. The impact began to fade in August, but employment did not fully recover to pre-COVID-19 levels
- The negative impact of the lockdown on employment was most pronounced for workers in informal self-employment.
- Workers in formal wage work did not face a higher risk of unemployment at all, whether they were in a lockdown district or not.

FIGURE 2.5

Lockdown-induced drop in Ghanaian workers' earnings



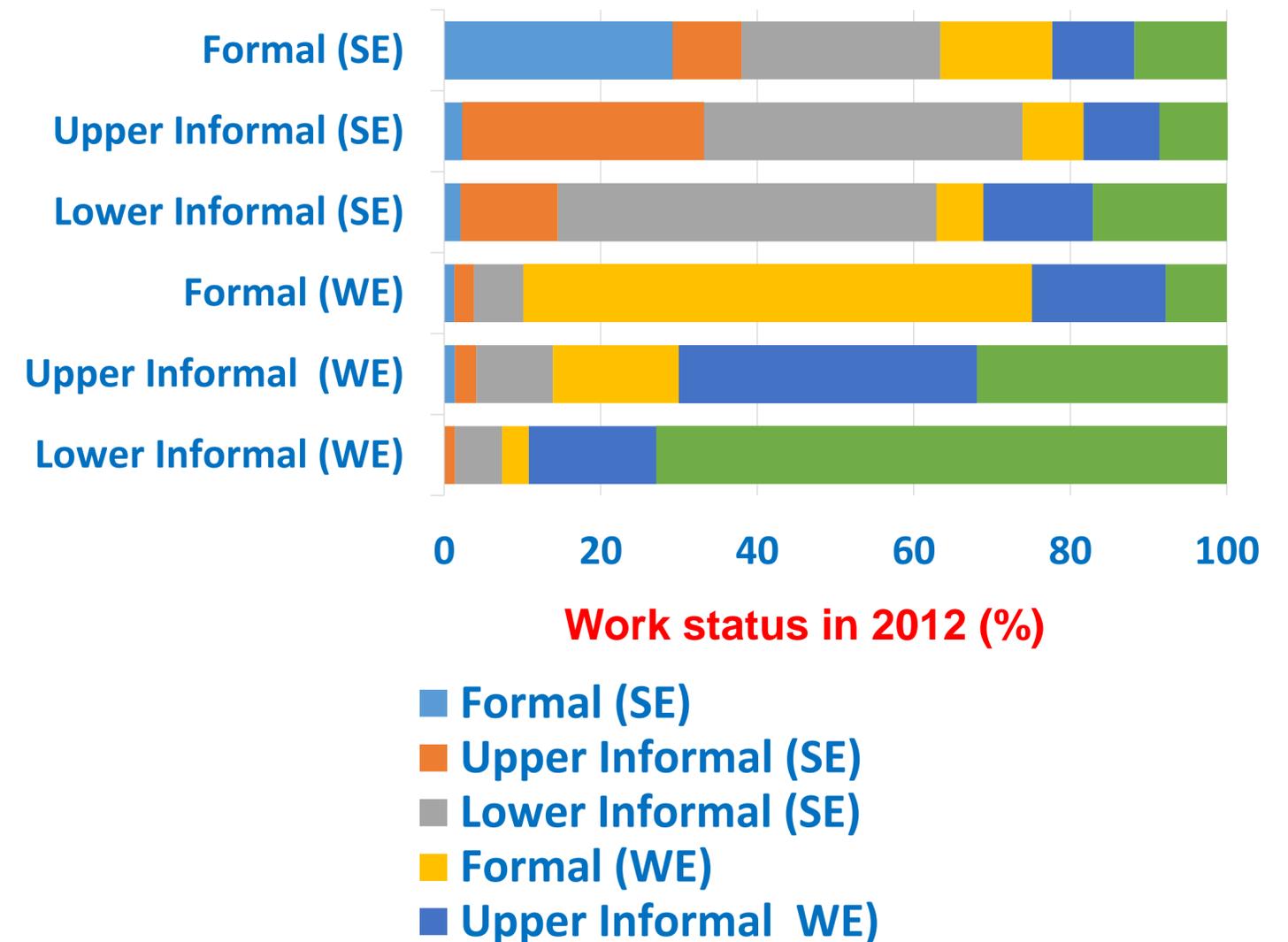
[†] Schotte, S., Danquah, M., Osei, R.D., Sen, K. (2021) The labour market impact of COVID-19 lockdowns: Evidence from Ghana. WIDER Working Paper 2021/27. Helsinki: UNU-WIDER. <https://doi.org/10.35188/UNU-WIDER/2021/965-5>

What have we learned?

Upward mobility for informal sector workers

- We examine worker transitions in several countries in the Global South, using panel data from each country and applying a common conceptual framework and empirical methodology.
- Our analysis finds that in almost all countries studied, jobs fall into the following ranked categories: high-wage formal work, formal work, upper-tier informal work, and lower-tier informal work, both in **self-employment** and **wage employment**.
- We find that lower-tier informal work (both self- or wage-employment) is a **dead-end**. Once workers enter this sector, there is little hope they will ever move up the jobs' ladder.
- On the other hand, we observe upper-tier informal employment—especially upper-tier informal wage employment—to be the **least persistent work status**.

Transition Matrix - India



The aspiration for decent work

Women and gender gaps

- Women often occupy the **worst-paid jobs** with the least protections.
- Women are underrepresented in the labour force around the world, but the problem tends to be of a different degree across Global South countries. In the Middle East and North Africa, the female labour force participation rate is shockingly low at around 20 per cent, and in South Asia it is 24 per cent.
- The **quality of employment** for women is also significantly worse than for men. Conditional on individual and household characteristics, [women are 7 percentage points more likely to be in vulnerable employment than men.](#)
- The **experiences of marriage and parenthood** are also important drivers of gender gaps in pay and in quantity and quality of employment, as these are experienced differently by women than by men
- The route to social and economic empowerment for women concerns society's ability to enable women to **navigate life transitions** between school, work, marriage, and parenthood without equal sacrifice.
- Countries with **less conservative gender norms** and **more generous family policies** are associated with smaller gender gaps. More gender-egalitarian laws, particularly laws which ensure greater gender equality in marriage, parenthood, property ownership, and access to entrepreneurship also reduce gaps.

Policy options

Decent work

- There is a need for a **new social contract** that no longer ignores informal workers in contracts with the State and Capital.
- Economic growth is not enough to reduce informality alone.
- On top of a coherent system of investment in education and training, **active labour market policies** that specifically target the lower-tier informal self-employed and wage-employed workers with social transfers and other modes of support to enable their transition out of dead-end jobs.
- At the same time, there needs to be greater policy focus on **enhancing the livelihoods and working conditions of lower-tier self-employed workers**, such as credit provision to household enterprises, and the recognition of the rights of urban informal self-employed workers such as street vendors and waste pickers in city planning processes.
- To reduce gender gaps policymakers can target equality in major **life transitions**: for example, between home, school, work, marriage, and parenthood.
- More generous family policies—such as longer maternity leave and promotion of more flexible work arrangements—can support women, in particular, during life transitions.
- More gender-egalitarian laws, particularly laws which ensure greater gender equality in marriage, parenthood, property ownership, and access to entrepreneurship also reduce gaps

Policy options

Greater equality

- Inequality within countries is a consequence of both **unequal inequality of opportunity (pre-distributions) and of outcomes**.
- Governments can directly influence **unequal 'pre-distributions'** by: a) removing legal or more subtle forms of discrimination against disadvantaged groups: b) increasing the general level of education of the population, or other productive skills, by increasing access to new technologies, and c) facilitating more inclusive labour relations and preventing certain firms or population groups from accumulating excessive market power.
- With respect to **redistribution**, governments can a) provide a social safety net that includes both cash transfers and in-kind provision of education or healthcare, b) increase the incomes of the working poor, bearing in mind the trade-offs, and c) finance social protection with a progressive tax system.

Key message and take-away

- The central message from the findings of WIDER's 2019-2023 work programme is that opportunities for action are plentiful and go far beyond economic growth to include peace, good jobs, and a fairer society.
- People involved in policy processes need to find ways to meet these legitimate demands of their citizens.
- The key take-away here is that the need of the hour is to re-establish a workable social contract between citizens and government, society and the state, both for current and future generations.



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