The G20 and the promotion of equal opportunities

Tackling the root causes of inequality, exclusion and discrimination

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Background and context

In July 2024, the G20 Ministers responsible for development convened in Rio de Janeiro, hosted by Brazil's Minister of Foreign Affairs, along with invited countries and partner international organisations, to address the urgent need to reduce inequalities within and among countries, and realise opportunities for all people, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. In the meeting's outcome document *Leaving no one behind: G20 Development Ministerial Declaration for reducing inequalities*, participants recognised that inequality within and among countries is at the root of most challenges addressed by the 2030 Agenda, or makes them harder to solve. They reaffirmed their strong commitment to accelerating the full and effective implementation of the 2030 Agenda, including by specifically addressing the drivers of inequality and prioritising its reduction (SDG 10) in all its forms and dimensions, in order to leave no one behind and reach the furthest behind first.

Ministers from G20 and invited countries emphasised that policies to reduce inequalities are essential to end hunger and structural poverty. They recognised the importance of policies that promote equal opportunities, empower persons in vulnerable situations, support productivity and reduce income inequalities, noting that persistently high inequality is often associated with lower, less durable economic growth and greater financial instability. In this context, they reaffirmed the shared objective of reducing income inequality in ways that benefit the bottom 40% of the income distribution, in line with the SDG 10.1 target. This entails a comprehensive set of actions, including the promotion of strong, sustainable, balanced and inclusive growth; productive employment and innovation supported by adequate skills and transfer of technology on voluntary and mutually agreed terms; skill development and capacity building; fair, progressive and efficient tax systems; redistributive policies and risk management; and the provision of quality public services, with a focus on those left behind, taking into account inter-generation impact.

In their Declaration, Ministers emphasised the importance of addressing gender inequalities and the vulnerability of informal economy households. They recognised the importance of promoting gender equality and the empowerment of all women and girls. They reaffirmed the G20 commitment to eliminate gender stereotypes and biases; change norms, attitudes and behaviours that perpetuate gender inequality and undermine the empowerment of women; and eliminate gender-based violence including sexual violence. They also recognised that universal social protection, including adaptive social protection, is key to reducing inequalities, mitigating and managing risks, and increasing resilience, calling for the coverage of national social protection systems and programmes to be strengthened and expanded across the formal and informal sectors of economies.

Against this background, G20 Ministers acknowledged the Brazilian Presidency's request to the OECD and other international organisations and knowledge partners to present studies on reducing inequalities and empowering people living in vulnerable situations at the G20 Social Summit. This report responds to such request. In line with the G20 Declaration, it focuses on multi-dimensional, intersectional inequalities and addresses two of the root causes identified by the G20 Ministers: gender discriminating social norms and institutions, and informality. It provides the latest data on the drivers of inequalities in emerging and developing economies, recent evidence on the role of international co-operation, and recommendations for domestic and international responses.

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1 Promoting equal opportunities by tackling the root causes of inequality, exclusion and discrimination

Alarming trends show stark and persistent income and wealth inequalities

Tackling economic inequality has gained greater attention in the international development agenda. This is mirrored, in particular, by the inclusion of a standalone goal on income inequality (SDG10) as part of the Sustainable Development Goals (SDGs) adopted in 2015; and also addressed as one of the G20 priorities under the Brazilian Presidency in 2024. Greater attention to inequality is also being fuelled by alarming trends showing stark and persistent income and wealth inequality. While global inequality has been declining since the 1990s, thanks to rapid growth in emerging economies that has contributed to narrowing gaps in per capita-income between countries, within-country inequality has risen in most countries. For decades, a gap has been growing between the top and bottom of the income distribution in many countries. According to the IMF Fiscal Monitor, between 1985-2015, "more than half of the countries and close to 90 percent of advanced economies have seen an increase in income inequality, with some countries recording an increase in their Gini coefficients exceeding two points" (International Monetary Fund. Fiscal Affairs Dept., 2017[1]). In several countries, this gap was further compounded with the COVID-19 crisis and its scarring effects. The pandemic is likely to have long-lasting impacts on equality of opportunities, for example through the impact of disruptions in schools on learning outcomes and human capital formation.[1]

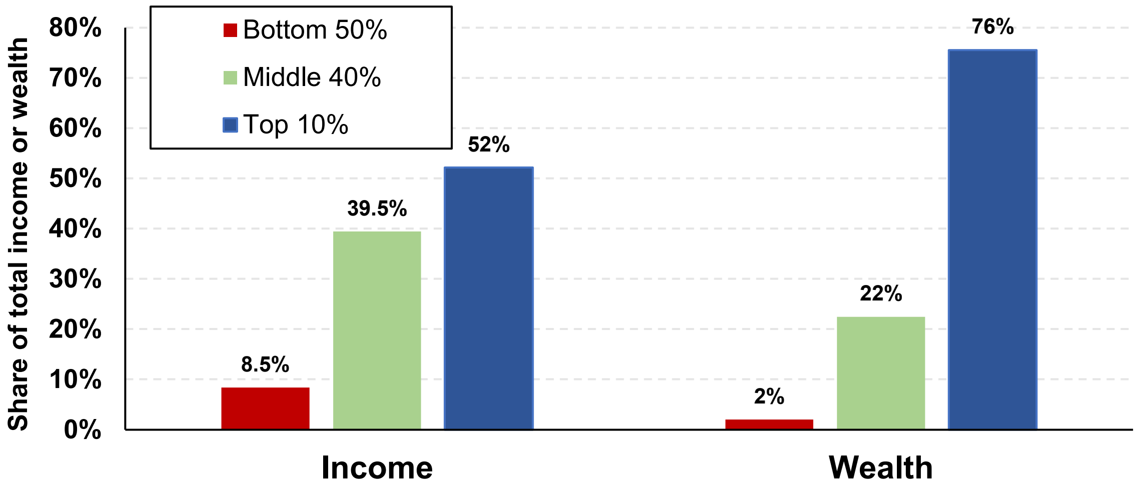
In many countries, inequalities in economic outcomes, such as in income and wealth, and in opportunities, such as access to quality education and training, are pervasive. According to the World Inequality Report 2022, income and wealth inequality between individuals are significant and, more importantly, do not appear to be getting better (Chancel et al., 2022[2]). The richest 10% of the global population earns 52% of global income, whereas the poorest half of the population earns 8.5% of it (Figure 1.1).[2] Global wealth inequalities are even more pronounced than income inequalities. The poorest half of the global population possesses 2% of the total. In contrast, the richest 10% of the global population owns 76% of all wealth. According to the most recent data, on average across OECD countries, the income share of the richest 10% was around 9 times higher than that of the poorest 10% (OECD Income Distribution Database). Across G20 economies with available data,[3] this ratio is about four times larger for emerging economies than advanced ones; yet some emerging economies, e.g. Brazil and Mexico, have experienced a significant decline in inequalities (Soldani et al., 2024[3]).

High inequality can be detrimental for development. Excessively high levels of inequalities can threaten long-term social and economic development (Berg and Ostry, 2017[4]).[4] High inequality can harm not just those who are excluded, but also has the potential to undermine the social contract, lead to political polarisation and put social cohesion and support for democratic institutions at risk. Beyond economic inequalities, disadvantage related to a person's sex, gender identity, sexual orientation, class, race, ethnicity, and disability status can intersect and lead to compounded barriers. By hampering social mobility and the efficient allocation of talents, inequality in opportunities may trigger slower growth and even higher inequalities in outcomes (OECD, 2018[5]) (Soldani et al., 2024[3]). The combination of slow growth, persistent inequalities, especially in economic opportunities, may in part explain the surge in political polarisation and the spread of populism (OECD, 2021[6]). Therefore, promoting equal opportunities and inclusion and fighting all forms of discrimination, in line with SDG10, remains an urgent priority.

Yet, economic inequality is not rising everywhere. The large differences observed across countries and over time suggest that high and rising inequality is not inevitable and can be addressed and that the sustainability of relevant policy measures is crucial for maintaining the momentum of inequality reduction. In Europe, income inequality has traditionally been lower than in other world regions, as a result of public investments in job creation, education and health financed through redistribution mechanisms in the tax system (Chancel et al., 2022[2]). In Latin America, the reduction of inequality observed during the 2000s was attributed to the rise in labour income and the expansion of public transfers (Gasparini and Cruces, 2021[7]).

Figure 1.1. World income and wealth inequality are key challenges

The figures refer to the wealth shares held at different points of the global distribution of wealth



Note: The global bottom 50% captures 8.5% of total income measured at purchasing power parity (PPP). The global bottom 50% owns 2% of wealth. The global top 10% owns 76% of total household wealth and captures 52% of total income in 2021. Top wealth holders are not necessarily top income holders. Incomes are measured after the operation of pension and unemployment systems and before taxes and transfers.
Source: Authors calculations based on the data from (Chancel et al., 2022[2]) available at wir2022.wid.world/methodology.

Inequalities are multi-dimensional and intersecting and can have long-lasting effects over the life cycle. Income and wealth inequalities are often compounded by overlapping and intersecting inequalities in health, nutrition, education, gender and many other dimensions (Roser, 2021[8]). Moreover, individuals are affected differently over their life cycle. OECD analysis shows how the well-being of children from disadvantaged backgrounds differs from their more advantaged peers (OECD, 2022[9]; OECD, 2018[5]). Growing up at the bottom end of the socio-economic ladder leads to poorer outcomes in almost all well-being areas. These well-being inequalities are rooted in the poorer environments that disadvantaged children face at home, in school, and in the community. Availability of safety nets and financial buffers plays a key role in reducing vulnerability.

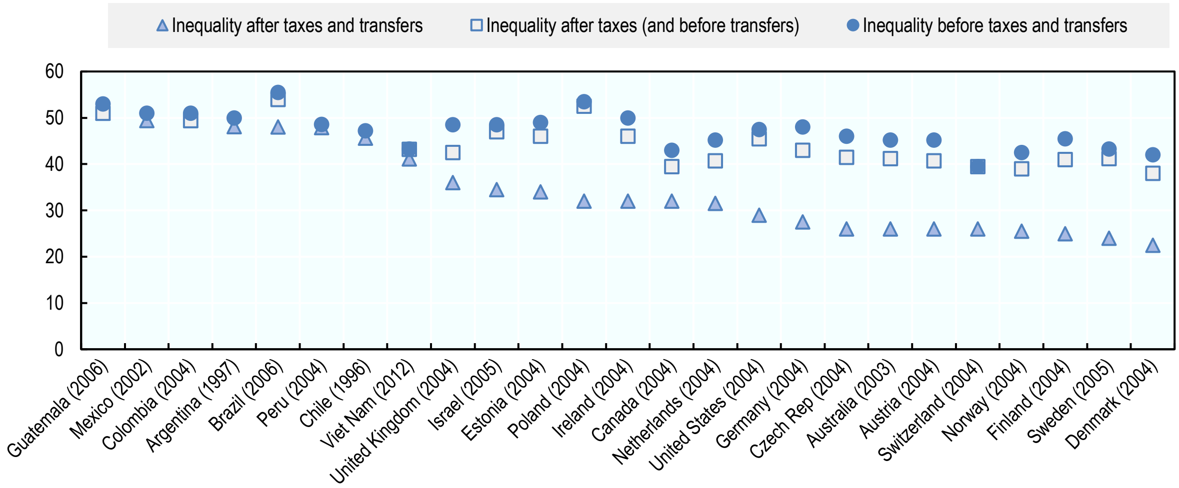
Income inequality and vulnerability are closely related to social mobility. Changes in income are a routine part of life and often signify milestones like entering the labour market, career advancement, caring for children or retiring. While some income shifts can be beneficial, not all of them contribute to people's overall well-being and lead to sustained income growth (OECD, 2023[10]). Income losses can have far-reaching negative consequences on people’s lives and on society, especially when precipitated by unexpected events such as job loss or illness. For instance, in the run-up to the COVID 19 crisis, across all European OECD countries, only 20% of individuals in working-age households experienced sustained, upward income growth of at least 25% in the 48-month reference period (OECD, 2023[10]). In contrast, the majority of income instability comprised either volatile changes in income or a downward trend.

Income instability is concentrated among people who are already susceptible to falling into poverty, such as those who are unemployed, workers on temporary or no employment contracts, or those in single-income or young households. As a consequence, people with unstable, low incomes have limited upward social mobility and tend to stay in the bottom of the income distribution (rather than moving into higher income brackets). Moreover, as shown in a number of studies, income instability often leads to poor childhood development outcomes, which can impede upward inter-generational social mobility.

Productivity plays a critical role in shaping growth and economic outcomes and, in turn, inequalities (OECD, 2018[11]). The trend of growing disparities within countries has happened against the background of a slow-down in productivity growth over recent decades, along with declines in business dynamism and in technology diffusion. Beyond its effects on the aggregate economy, slower productivity growth also undermines broader progress in living standards. Such progress is further jeopardised by a widespread decoupling between the growth of labour productivity and wages, resulting in limited growth in average and median labour compensation over the past decades. Well-designed policy packages can address these challenges and boost productivity and equality of opportunities through actions in a variety of complementary areas: education, training and life-long learning, labour market institutions and business regulations, place-based policies, and tax and transfer systems (Soldani et al., 2024[3]).

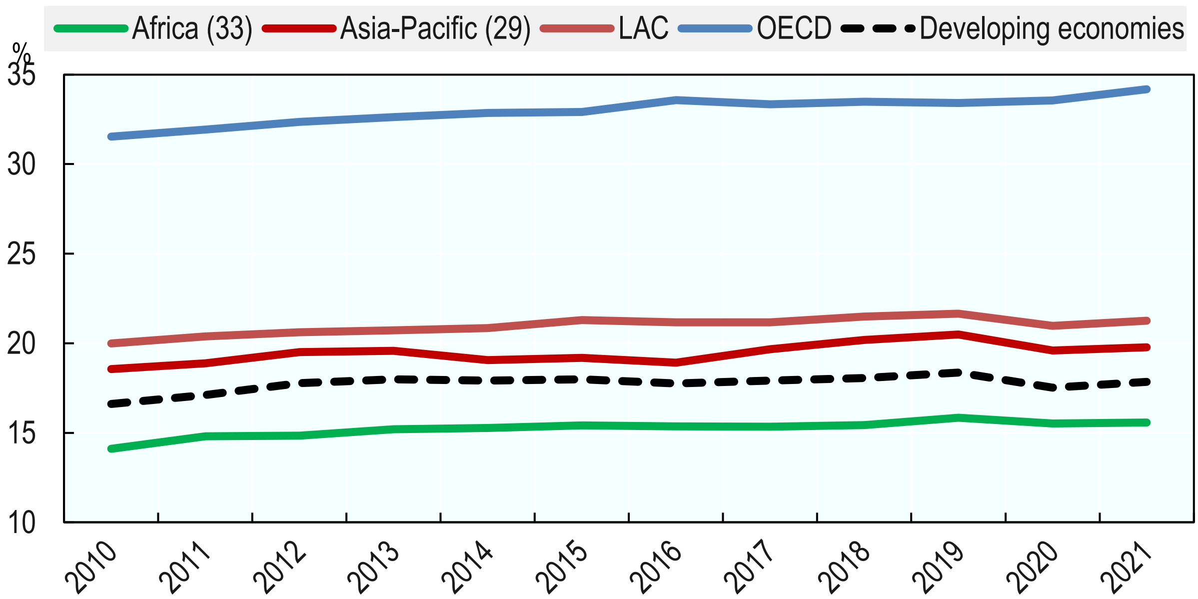
Fiscal policy plays an important role in tackling inequalities. However, the impact of taxes and transfers in reducing inequality (Gini coefficient) is different across countries, as shown in Figure 1.2. It depends on national contexts, such as ability to raise revenues (see also Figure 1.3 and Figure 1.4) and on their levels of informality In general, the lower the average tax-to-GDP and/or the higher the level of informal employment, the lower the effect of tax revenue and transfers in reducing inequality, thus creating a negative cycle for developing countries to address various inequalities.

Figure 1.2. Redistribution levels of public transfers and direct taxes are the highest in countries with low level of informal employment (Gini coefficient before and after taxes and transfers)



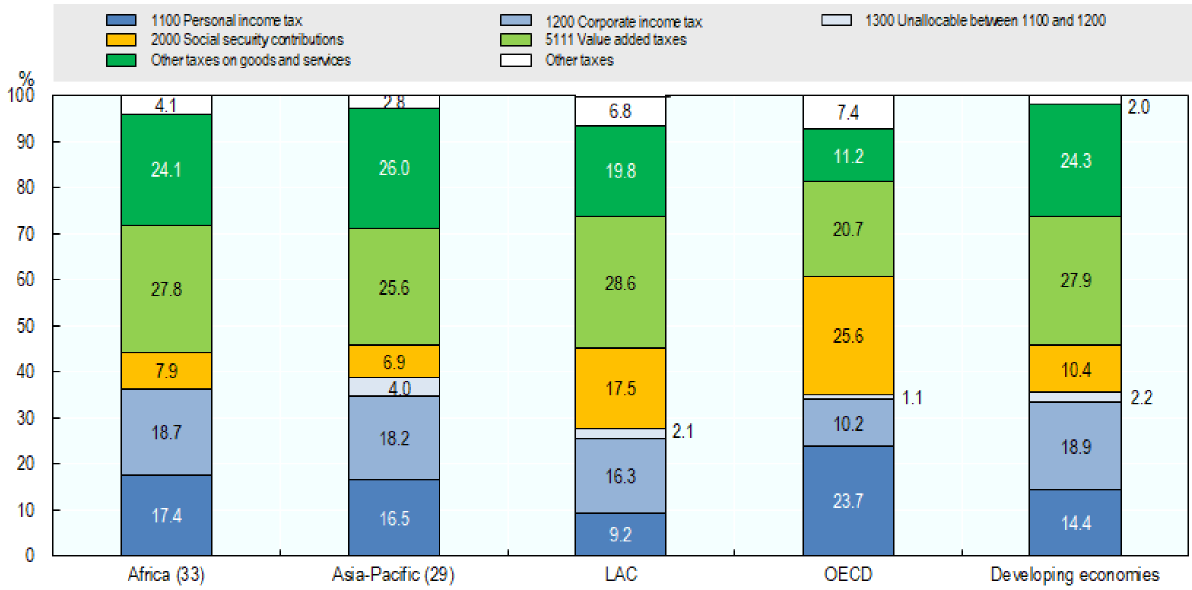
Source: Author's elaboration.

Figure 1.3. Average tax-to-GDP ratios, Africa (33), Asia-Pacific (29), LAC, OECD and developing economies, 2010-21



Source: Author's elaboration based on *OECD Global Revenue Statistics Database* (OECD, 2023[12]).

Figure 1.4. Average tax structure in Africa (33), Asia-Pacific (29), LAC, OECD and developing economies, 2021 As percentage of total tax revenue



Source: Author's elaboration based on *OECD Global Revenue Statistics Database* (OECD, 2023[12]).

Tackling inequalities within countries calls upon a holistic approach to address the multi-dimensionality of the drivers of inequality. Such drivers include global factors, such as technological progress, globalisation, and commodity price cycles, but also country-specific factors, including financial integration, redistributive fiscal policies, and liberalisation and deregulation of labour and product markets. International co-operation (see Section 4), including on tax matters, is critical to address global drivers of inequality and support national efforts at building the necessary resources to implement domestic policies and programmes.[5] Domestic policies play a prominent role when it comes to country-specific factors. Past and present country experiences demonstrate that the number of possible domestic policy instruments to confront inequalities is, in principle, vast and encompasses both redistribution and pre-distribution instruments, that is policies that shape the initial resources individuals bring to the market, such as education, skills, financial assets, social networks, and social capital. Other domestic policies, such as trade and international economic policy, macroeconomic and monetary policy, also have an important impact on inequality, as well as specific actions to stem the prejudices which underpin discrimination and perpetuate social exclusion.

2 High levels of inequality often associate with sizeable informal employment

The vulnerability challenge of informal economy workers and households

Risks and vulnerabilities faced by workers and their families appear in proportion to the level of informal employment and the availability and breadth of risk management systems. The gender dimension is particularly important. Worldwide, informal economy workers face a greater range of general and occupational risks than formal economy workers, reflecting their largely unprotected status and, in many instances, inferior working conditions. In developing and emerging economies, in-work poverty risk is twice as high among informal economy workers. Informal economy workers and their families face high exposure to risks but lack access to appropriate risk-management instruments. Two sets of inter-related factors usually explain the difficulty for informal workers to benefit from prevention and protection measures against general and work-related risks: their largely unorganised status and their de facto exclusion from regulations and benefit from public policy, particularly in relation to social protection, occupational safety and health (OSH), skills policies and social dialogue (OECD/ILO, 2019[13]).

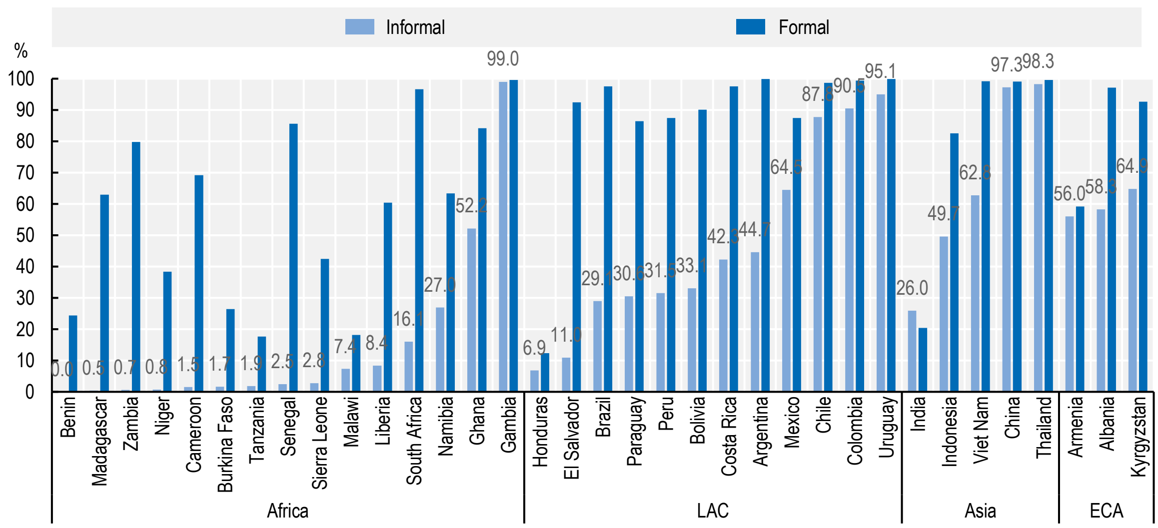
As more and more governments throughout the world are seeking ways to address the vulnerability challenge in the informal economy and support the formalisation agenda, more granular data are essential. A thorough understanding of the human experience of informality and the various channels through which social protection can reach out informal economy workers requires indeed going beyond a narrow individual or firm perspective of informal employment to include a household dimension. The development of comprehensive portraits of informality that capture the heterogeneity of informal workers and take into account the broader context of their households helps addressing the need for better and more granular data.

The Key Indicators of Informality based on Individuals and their Household (KIIbIH) is a database compiled by the OECD Development Centre since 2019 which is of primary interest for policy makers engaged in the formalisation agenda and the extension of social protection. Whereas other publicly available harmonised statistics on informality largely draw upon labour force surveys to estimate the size of informal employment, the KIIbIH uses household socio-economic surveys to provide more information on the socio-demographic and economic status of workers and their households. The dataset currently covers 50 countries across the world in North and sub-Saharan Africa, Eastern Europe and Central Asia, Asia and the Pacific, and Latin America and the Caribbean and features a time series dimension for several countries. By covering both individuals and their households, the database allows for a comprehensive monitoring of informality that captures the heterogeneity of informal economy workers, taking into account the broader context of their households. The household dimension allows the monitoring of how workers' vulnerability in the informal economy is passed on to other segments of the population. It also enriches our understanding of the different channels through which social protection can reach out to informal workers as part of the formalisation agenda. As such, the KIIbIH complements other international databases on informal employment. The KIIbIH also provides a unique tool for social policy design, implementation and monitoring, which often requires information about individuals and their households. The database is published on the OECD data portal and has a wide dissemination in English and French.

KIIbIH estimates illustrate the large social protection gap between formal and informal workers (Kolev, La and Manfredi, 2023[14]) (OECD, 2024[15]). More than 70% of formal workers in the countries surveyed, expressed as simple average across countries, benefit from or contribute to at least one of the following programmes: contributory pension, employment-based health insurance, universal health programmes, unemployment insurance, or cash transfers (hereafter, collectively constituting social protection coverage) (Figure 2.1). In comparison, about 37% of informal workers benefit or are covered from one of the same programmes. There are also large disparities across regions and countries. Coverage is particularly low among African countries, and much higher in Latin American, Asian and Eastern European countries.

Figure 2.1. Informal workers are half as likely as formal workers to contribute to and/or benefiting from social protection

Percentage of informal workers and formal workers contributing to and/or benefiting from social protection



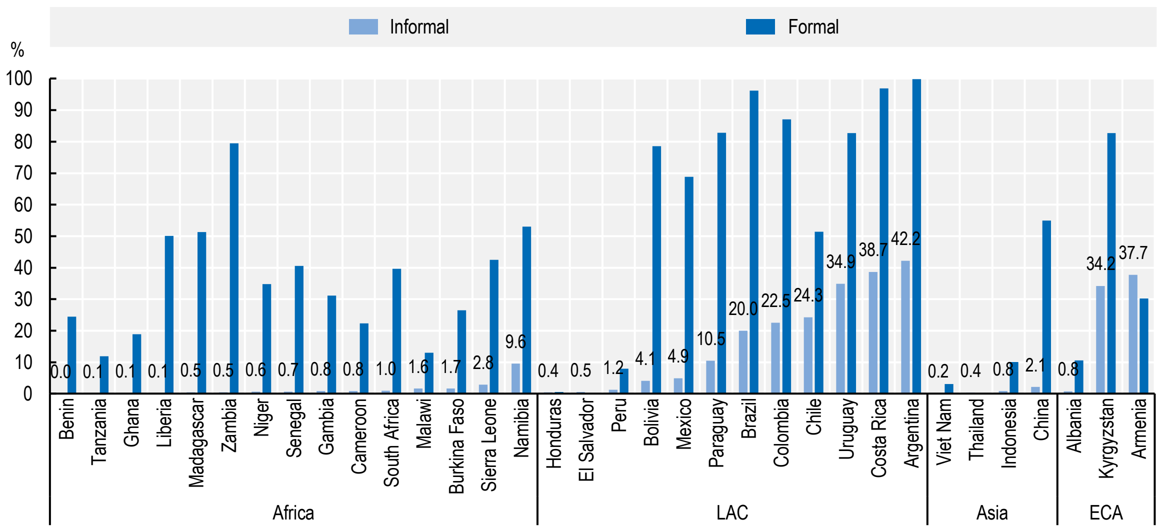
Note: Social protection programmes include contributory pensions, employment-based health insurance, unemployment insurance, universal health programmes, and unconditional and conditional cash transfers (including non-contributory pensions). Coverage rates are calculated for direct and indirect beneficiaries of social protection programmes and contributors to social insurance programmes. Surveys for some countries do not include specific questions on all the programmes, and this can affect cross-country comparisons.
Source: Authors' calculations based on (OECD, 2024[16]).

To a large extent, the social protection gap between formal and informal workers reflects a disadvantage of informal workers as regards contributory schemes. As shown in Figure 2.2, formal workers are much more likely to be covered by contributory programmes (43.7%) than informal workers (8.9%). This can be seen as self-evident given the way informal workers are defined, in particular the fact that the main criteria for classifying formal wage workers is contributing to employment-based social protection, with some contribution made by the employer. At the same time, it is due to different contributory capacities and access. Informal workers are in fact usually unable to access contributory schemes either because they are excluded from the scope of social security or because they are excluded from it in practice, due to the non-payment of contributions and lack of capacity to contribute to them, among other things. Yet, informal workers can (and as evidenced, do) benefit from some contributory schemes, thanks to certain programmes, for example, "monotax" schemes, that have effectively lifted access barriers for such workers while facilitating their transition to formality (Guven et al. and ILO, 2020[17]). Recent OECD analysis (OECD, 2024[18]) discusses some options on how to expand coverage of social protection to informal workers.

In contrast, non-contributory programmes tend to be spread more equally across workers irrespective of their formal/informal status. This may well reflect the fact that informal workers are more likely to receive lower pay and more likely to live under the poverty line. In case of well-targeted social assistance programmes, they should therefore rely more on government assistance (non-contributory programmes) to meet basic needs compared to formal workers. This is confirmed by the data, but the extent varies by countries and regions. In the sample of African countries, 29.4% of formal workers and 17.2% of informal workers benefitted from non-contributory programmes; in the sample of Asian countries, 62.3% of formal workers benefitted and 66% of informal workers benefitted from non-contributory programmes (Figure 2.3). The sample of Latin American countries presents a notable exception, wherein the country average non-contributory programme coverage of informal workers (33.1%) by far outstrips coverage of formal workers (24.7%), probably reflecting the extension of cash transfers to poor households who are more likely to be in the informal economy.

Figure 2.2. Formal workers are more likely to contribute and/or benefiting from contributory schemes than informal workers

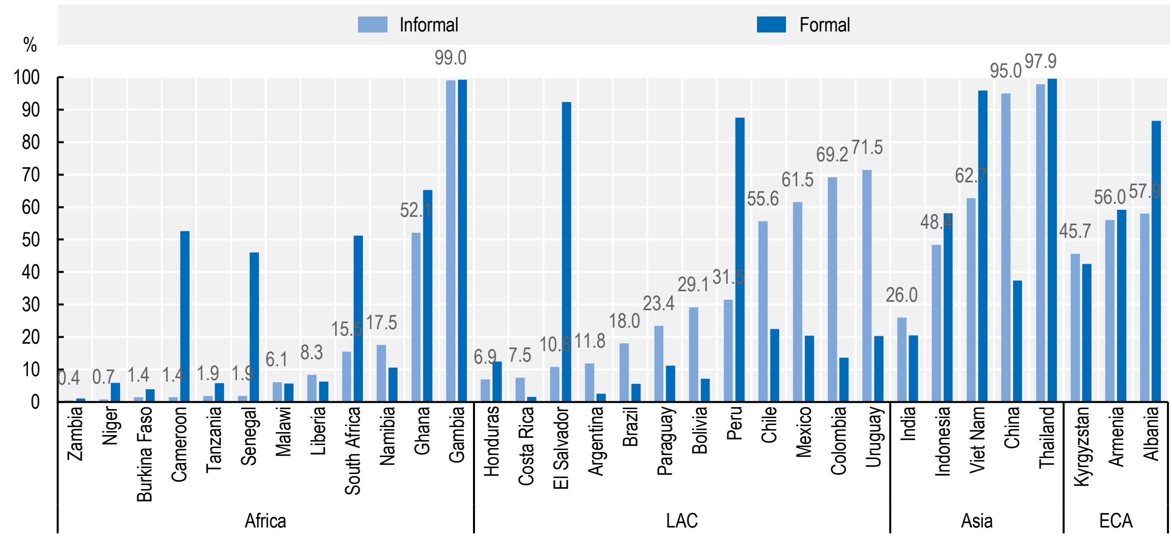
Percentage of informal workers and formal workers contributing to and/or benefiting from contributory social protection



Note: Contributory social protection programmes include contributory pensions, employment-based health insurance, unemployment insurance, Coverage rates are calculated for direct and indirect beneficiaries of social protection programmes and contributors to social insurance programmes. Surveys for some countries do not include specific questions on all the programmes, and this can affect cross-country comparisons.
Source: Authors' calculations based on (OECD, 2024[16]).

Figure 2.3. Non-contributory programmes may cover more informal workers than formal workers

Percentage of informal workers and formal workers benefiting from non-contributory social protection



Note: Non-contributory social protection programmes include universal health programmes, unconditional and conditional cash transfers (including non-contributory pensions). Coverage rates are calculated for direct and indirect beneficiaries of social protection programmes and contributors to social insurance programmes. Surveys for some countries do not include specific questions on all the programmes, and this can affect cross-country comparisons.
Source: Authors' calculations based on (OECD, 2024[16]).

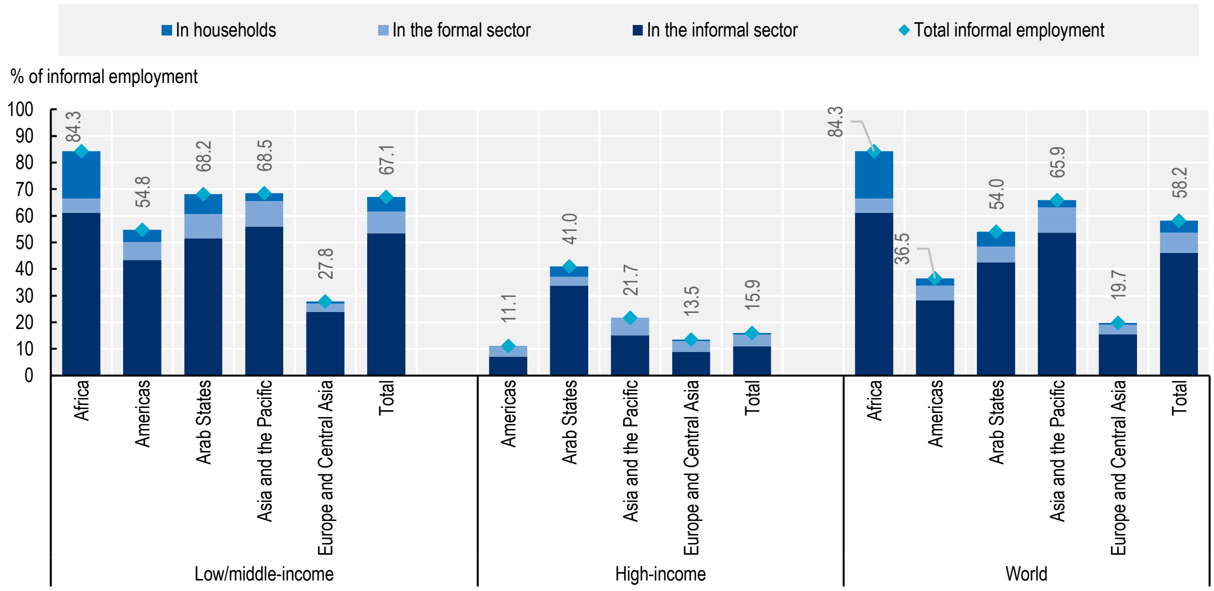
Investing in the extension of social protection can be an engine for inclusive growth. In many emerging and developing economies, competing claims for scarce government funds make the case for more investments in social protection during budget discussions particularly challenging. Recent evidence shows nonetheless that social protection investment can make good economic sense, besides rights-based arguments that present the moral and legal basis for directing more resources to social protection, and more recent arguments based on the evidence that social protection can deliver real results in terms of poverty reduction and progress towards decent work (OECD, 2019[19]). Overall, research findings indicate that social assistance seems to have a strong pro-poor growth effect that tends to operate mostly through better outcomes for children and youths in low-income households. Moreover, while the overall effect of social insurance on inclusive growth is less apparent than for social assistance due to a negative, albeit moderate, impact on labour supply and savings, social insurance tends to spur economic growth through a positive effect on consumption and a small negative effect on fertility and skilled emigration.

A large informality footprint associates with inequality

In many developing countries, high levels of inequality and sizeable informal employment often come together. In developing countries and emerging economies, informal employment is indeed extremely persistent and, for a large majority of workers in the informal economy, is often associated with the lack of social protection and low-pay work. As a result, informal workers experience a strong disadvantage and face multiple deprivations, which exacerbate inequality and poverty (Figure 2.4).

Figure 2.4. Informal employment as percentage of total employment

Global estimates



Note: A common set of operational criteria is systematically used to identify workers in informal employment and those employed in the informal sector. Own-account workers and employers are in informal employment if they run informal sector economic units (non-incorporated private enterprises without formal bookkeeping systems or not registered with relevant national authorities). Employees are in informal employment if their employers do not contribute to social security on their behalf or, in the case of missing answers, if they do not benefit from paid annual leave and paid sick leave. Contributing family workers are in informal employment by definition.
Source: (ILO, 2018[20]).

One common challenge in countries with a large informal economy is to find appropriate modalities to expand social protection coverage that recognises the diversity of informal economy workers and provides them with mechanisms that are fair, efficient and sustainable. To increase the social protection of informal workers and devise informed policies on formalisation, governments, enterprises and workers need in-depth information that captures the heterogeneity of informal workers and takes into account the broader context of their households.

Another challenge in most developing countries is to release the double burden of informality and low-pay work (OECD, 2024[15]). The combination of low-pay work and informality makes the mere formalisation of jobs unlikely to eliminate on its own the vulnerability challenge of a large majority of informal workers. Alleviating the double burden of informal employment and low-pay work is critical and calls for policy solutions that go beyond the formalisation agenda and address the root causes of low-pay work such as poor education outcomes but also the absence of skills recognition and certification mechanisms for informal workers and unfair remuneration practices.

Social protection for informal workers will need to be based on a combination of contributory and non-contributory schemes. Country experiences show that very few countries have achieved both universal social protection coverage and adequate benefit levels by offering only one of these types of social protection. Universal social protection will most likely be achieved over time through progressive expansion, even if some countries have been successful in expanding their non-contributory schemes quickly, such as universal pensions or universal health coverage (OECD, 2024[15]). Non-contributory schemes[6] play a key role in ensuring a basic level of protection within the social protection system for poor and vulnerable groups who do not have access to contributory social protection. Non-contributory schemes are an essential component of any nationally defined social protection floor.

Way forward

Domestic policies can play an important role in addressing the vulnerability challenge related to informality, and contribute to tackling inequality

Tackling vulnerability in the informal economy and facilitating transitions to formality is part and parcel of addressing the root causes of inequality. Policy actions on multiple fronts are needed.

- A strategy to address the vulnerability challenge of informal workers shall include: 1) extending social protection to informal economy workers; 2) improving occupational safety and health (OSH); 3) raising productivity and labour income in the informal economy; 4) creating a policy mix to incentivise formalisation of enterprises and workers, remove barriers to formalisation and encourage legal compliance; and 5) empowering informal economy workers and employers through their organisation, representation and engagement in social dialogue, including collective bargaining.
- Extending coverage of contributory social protection schemes, namely social insurance, to informal economy workers is critical and requires: 1) combining measures to support the formalisation of enterprises, which will indirectly extend access to social protection and statutory coverage for workers; 2) adapting benefits, contributions and administrative procedures to the needs and constraints of informal economy workers; and 3) subsidising contributions for workers with low income. Such extension strategies shall ensure continued social protection coverage during labour market transitions, including by ensuring coverage for workers in all types of employment and by facilitating portability of entitlements between schemes. Special attention is also needed to ensure that the extension of social protection takes into account gender-related issues and is conducted in a gender-responsive way.
- Equally important is to reduce costs and complexities to register enterprises and declare workers, and put in place a systemic strategy for a virtuous alignment of policies, regulations and institutions aimed at: 1) enhancing productivity growth; 2) strengthening compliance and enforcement of legal requirements; and 3) generating incentives for formalisation, making formalisation easier, less costly, more feasible and more attractive.
- Another important policy direction is to increase awareness of the benefits of formalisation and the costs of informality, while ensuring that informal economy workers' positive contributions to society and their non-negligible contributions to tax collection are better understood in order to make the case for investing in tax-financed protection instruments as an enabling condition for a gradual transition to formality.
- Promoting an integrated approach to the formalisation of workers and economic units that combines extending social protection, improving OSH, raising productivity and labour income and empowering informal economy workers with other measures to formalise the informal enterprises is also critical. In particular, measures to enhance productivity are critical as this is a major driver of informality and productivity levels have stagnated in many developing countries. Policy actions have the potential to raise productivity growth and make it more inclusive. While there is no one-size-fits-all strategy, the main pressing policy challenges can be grouped in five pillars (Soldani et al., 2024[3]):

- Quality education and upskilling: ensuring that the workforce has the right skill sets, recognising the fact that ongoing transitions can induce fast changes in skill requirements;
- Inclusive and efficient labour markets: improving the matching between firms and workers of all ages by enhancing the inclusivity, adaptivity, and resilience of labour markets;
- Competition to boost the diffusion of technology, effective management practices and to level the playing field: restoring a competitive environment conducive to firms' investment and productivity-enhancing and environmentally sustainable innovation, facilitating market entry and easing regulatory burdens;
- Effective and progressive tax and transfer systems: enhancing the effectiveness of taxes and transfers in reducing inequalities while considering behavioural effects, and
- International co-operation: fostering international cooperation in an era of rapid change and increased fragmentation.

- The formalisation agenda also requires that tax avoidance and tax evasion are addressed through 1) implementing effective preventative and corrective measures; 2) reinforcing the progressivity of taxation, while expanding the tax base; 3) facilitating social insurance coverage; 4) addressing employment status misclassification and contribution evasion in the case of disguised employment relationships; 5) increasing tax revenues through non-regressive taxes; and 6) fighting tax evasion and tax avoidance by transnational firms.
- Finally, to support well-informed formalisation policies and improve the evidence base on vulnerability in the informal economy an important step is to encourage the regular collection of household surveys with a good labour module and improved survey questionnaires, notably on social protection coverage, and by monitoring vulnerability in the informal economy through an improved set of informality indicators measured at the individual and household levels, such as the KIIbIH. The production of data must go hand in hand with efforts to improve their accessibility and use, including in the social dialogue. To that effect, investment in capacity building of relevant actors is needed, alongside partnerships with research institutions and civil society organisations, and awareness raising efforts.

3 High levels of inequality often associate with sizeable discriminatory social norms and institutions

Discriminatory social institutions are a major driver of gender inequality

Despite progress, gender-based discrimination persists in legal frameworks, social norms, and everyday practices. The 5th edition of the OECD's Social Institutions and Gender Inequality Index (SIGI) in 2023 (Box 3.1) reveals that women continue to bear the brunt of unpaid care and domestic work, face higher rates of domestic violence and workplace harassment, and encounter legal barriers in accessing certain jobs and assets. At the same time, gender stereotypes remain deeply entrenched: globally, over one in three respondents declared that men make better business executives than women in 2017-2022 (Haerpfer et al., 2021[21]). However, research indicates that companies with women in leadership positions often outperform their counterparts, demonstrating higher profitability and better decision-making outcomes (McKinsey & Company, 2020[22]) (Harvard Business Review, 2021[23]).

These forms of discrimination perpetuate gender inequalities in areas such as education, economic opportunities, and leadership, creating a cycle of disadvantage for women (OECD, 2023[24]). Since its inception in 2009, SIGI has highlighted how discriminatory social institutions – formal and informal laws, norms, and practices – are often the hidden part of the iceberg (Figure 3.1), setting the parameters of what is deemed acceptable for women and men and shaping gender roles and relations throughout women's lives. For instance:

- Studies using SIGI data show that early marriage[7] and pregnancy restrict girls' school enrolment and completion due to increased domestic and caregiving responsibilities (OECD, 2014[25]). Social norms often force girls to prioritise roles as wives and mothers, and some schools have discriminatory policies that prevent pregnant girls or young mothers from continuing their education. Furthermore, early marriage and pregnancy can shift financial priorities towards household needs, causing families to withdraw support for the girl's education.
- Gendered social norms define unpaid care work as a female prerogative worldwide. The 2023 SIGI shows that women across different regions, socio-economic classes, and cultures spend a significant portion of their day on meeting the expectations of their domestic duties (OECD, 2023[26]). This unpaid care burden limits women's participation in the paid economy, increasing their likelihood of working part-time or in informal sectors (Ferrant and Thim, 2019[27]). Each minute spent on unpaid care is a minute lost for market-related activities, education, or skill development (Ferrant, Pesando and Nowacka, 2014[28]). In Latin America and the Caribbean, over 50% of

“inactive” women aged 20-24 cite domestic responsibilities as the primary reason for not working (Alfers, 2023[29]).

- Violence against women (VAW) has profound and wide-ranging consequences, extending beyond health to hinder education and employment. It can prevent women from working, lead to lost wages, reduce their participation in daily activities, and impair their ability to care for themselves and their families (OECD, 2017[30]).

Higher levels of discrimination in social institutions are strongly linked to greater gender gaps in outcomes, as measured by indices such as the United Nations Development Program’s (UNDP) Gender Development Index (GDI), Gender Inequality Index (GII), the World Economic Forum’s Global Gender Gap Index (GGGI)[8] and the Equal Measures 2030’s SDG Gender Index (Figure 3.2). Addressing the roots causes of gender inequality – discriminatory social institutions – is therefore essential to achieving SDG 5: “Achieve gender equality and empower women and girls”.

Box 3.1. What is the Social Institutions and Gender Index?

The SIGI provides a comprehensive measure of gender equality gaps in social institutions in 179 countries. The SIGI is one of the official data sources for SDG Indicator 5.1.1. on legal frameworks, but also provides data for almost all targets included in SDG 5, providing a comprehensive vision of national progress on gender equality.

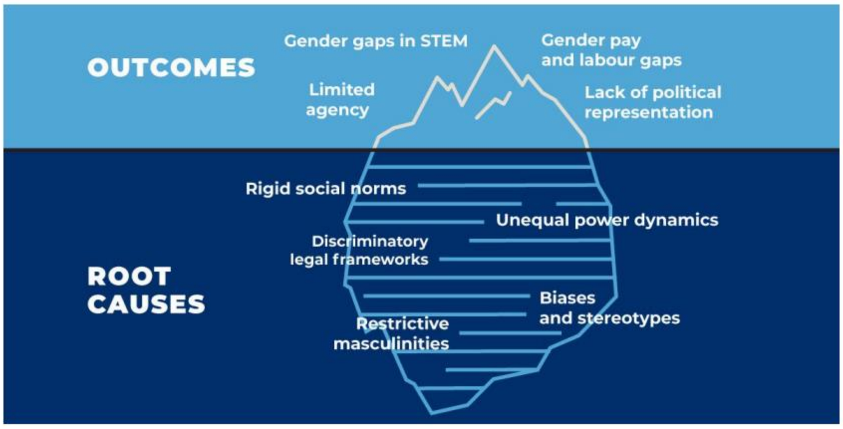
The SIGI looks at the gaps that legislation, attitudes and practices create between women and men in terms of rights, justice and empowerment opportunities. The composite index encompasses major socio-economic areas that impact women and girls across their lifespan, including issues related to the family sphere, their physical integrity, and the public sphere (economic and political).

The SIGI is composed by 4 dimensions, 16 indicators and 25 underlying variables:

- The “Discrimination in the family” dimension captures these power dynamics within the household and evaluates the extent to which girls and women are undervalued.
- The “Restricted physical integrity” dimension captures social institutions that make women and girls vulnerable in these areas and limit their control over their bodies and reproductive autonomy.
- The “Restricted access to productive and financial resources” dimension captures women’s restricted access to and control over such critical productive and economic resources and assets.
- The “Restricted civil liberties” dimension captures social institutions that restrict women’s access to and participation and voice in the public and social spheres.

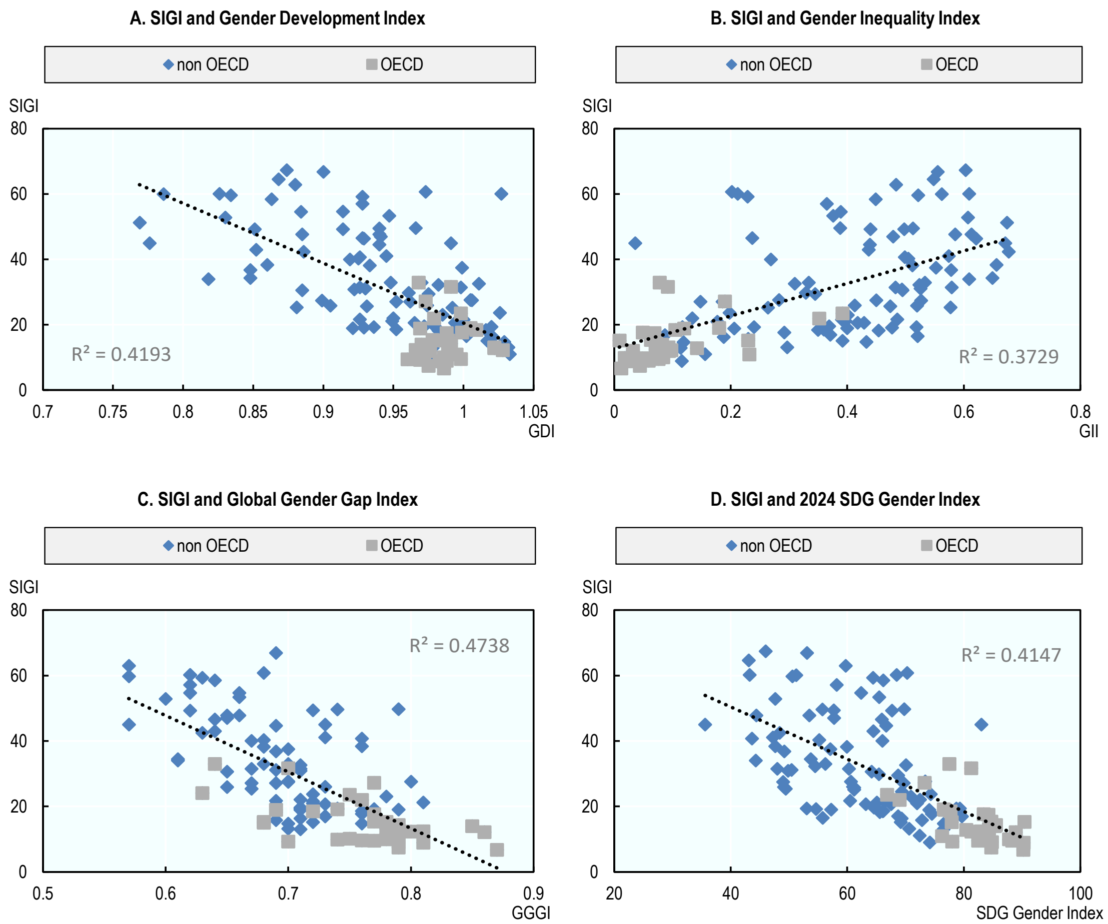
Source: (OECD, 2023[24]).

Figure 3.1. Discriminatory social institutions hinder countries achieving gender equality



Source: (OECD, 2023[26]) Social institutions and Gender Index (Edition 2023).

Figure 3.2. Correlations between SIGI and selected gender indices

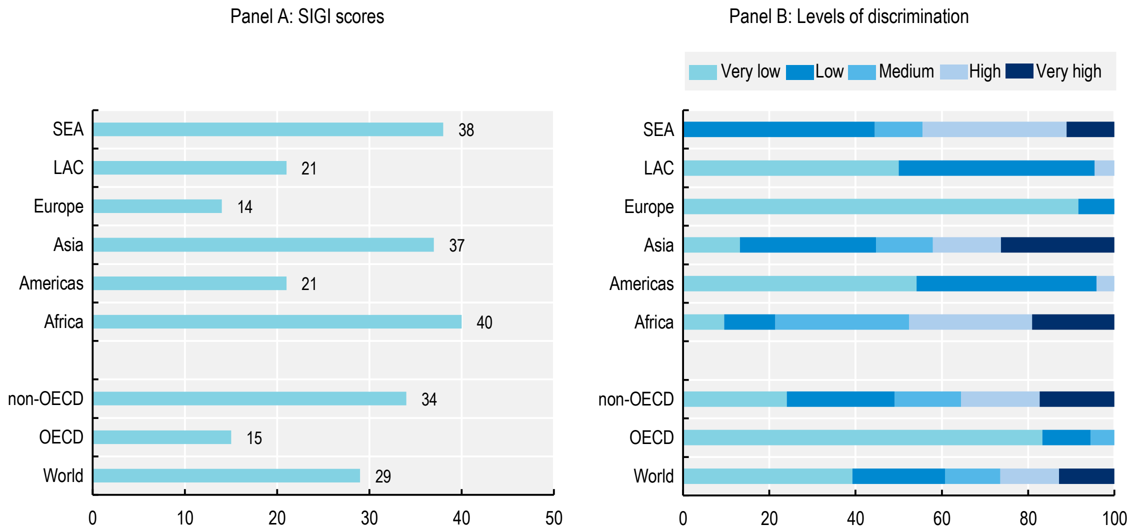


Source: (OECD, 2023[26]), Social institutions and Gender Index (Edition 2023), (UNDP, 2022[31]), Gender Inequality Index (GII); (UNDP, 2022[32]), Gender Development Index (GDI); (World Economic Forum, 2024[33]), Global Gender Gap Report 2023, (Equal Measures 2030, 2024[34]), 2024 Gender Index.

Social transformation is advancing but must accelerate

In recent decades, increased attention and resources aimed at reducing gender gaps have led to measurable improvements. This progress is driven by significant strides in legal reforms, advocacy, awareness campaigns, and gender-responsive policies, although changes in social norms remain slow. These advancements are reflected across all regions and income groups. The 5th edition of the SIGI in 2023 shows that 84 out of 140 countries now have low or very low[9] levels of discrimination (Figure 3.3), an increase of 10 countries since 2019. Notably, nearly half (45%) of the countries with very low levels of discrimination were non-OECD economies, up from 22% in 2019, including 11 were in Latin America and the Caribbean, 5 in Asia, and 4 in Africa (OECD, 2023[24]).

Figure 3.3. Levels of discrimination in social institutions by regions and selected sub-regions



Note: LAC refers to Latin America and the Caribbean, and SEA refers to Southeast Asia. Panel A presents the statistical distribution of SIGI scores across regions and selected sub-regions. Countries are classified into five groups according to their SIGI score: (1) very low level of discrimination (SIGI < 20); (2) low level of discrimination (20 < SIGI < 30); (3) medium level of discrimination (30 < SIGI < 40); (4) high level of discrimination (40 < SIGI < 50); and (5) very high level of discrimination (SIGI > 50). At the global level, data cover 140 countries for which SIGI scores were calculated in 2023. Data cover 36 OECD countries, 42 countries of Africa, 24 countries of the Americas (including 22 countries of Latin America and the Caribbean), 38 countries of Asia (including 9 countries of Southeast Asia) and 36 countries of Europe.
Source: (OECD, 2023[24]), "Social Institutions and Gender Index (Edition 2023)", *OECD International Development Statistics* (database), https://doi.org/10.1787/33beb96e-en

The Global Gender Gap Index, which annually benchmarks gender equality in economic participation, education, health, and political empowerment, also shows steady improvement over the last decades. While no country has achieved full gender equality, 97% of the economies included in the 2024 edition have closed more than 60% of their gap, compared to 85% in 2006 (World Economic Forum, 2024[33]).

Similarly, the SIGI highlights promising progress in tackling discriminatory social institutions. For example:

- **Discrimination in the family**. In recent years, policy makers have increasingly focused their attention on preventing child marriage. From 2019 to 2023, 21 countries and economies enacted reforms to combat child marriage by setting the minimum legal age for marriage at 18 for both genders and/or removing provisions that allowed for exceptions to this age limit (OECD, 2023[24]). These legislative changes have played a crucial role in lowering child marriage rates and protecting girls from early marriage (McGavock, 2021[35]). Data from UNICEF further indicate progress, with the proportion of women married before 18 dropping from one in four in 2010 to less than one in five by 2022 (UNICEF, 2023[36]).

- **Restricted physical integrity**. An increasing number of countries have developed comprehensive legal frameworks and policies to address physical and sexual violence, contributing to a decrease in both the social acceptance and prevalence of domestic violence. The World Value Surveys reveal that the share of respondent thinking that it is somehow acceptable for a man to beat his wife decreased by 12 percentage points between 2014 and 2021 (Haerpfer et al., 2021[21]). Concurrently, the share of women who have experienced intimate-partner violence during the last 12 months has dropped from 19% in 2014 to 10% in 2023 (OECD, 2023[24]).
- **Restricted civil liberties**. Over half of the countries (93 out of 178) have instituted constitutional or legislated gender quotas at the national level, with 76 countries supporting these quotas through national action plans (OECD, 2023[24]). This has been accompanied by shifts in public attitudes towards women in leadership, with a 4-percentage point decline in discriminatory views about women's political leadership between 2014 and 2022 (Haerpfer et al., 2021[21]). By January 2024, the global proportion of women in national parliaments reached 26.9%, compared to 24.1% in 2019 (Inter-Parliamentary Union (IPU), 2024[37]).

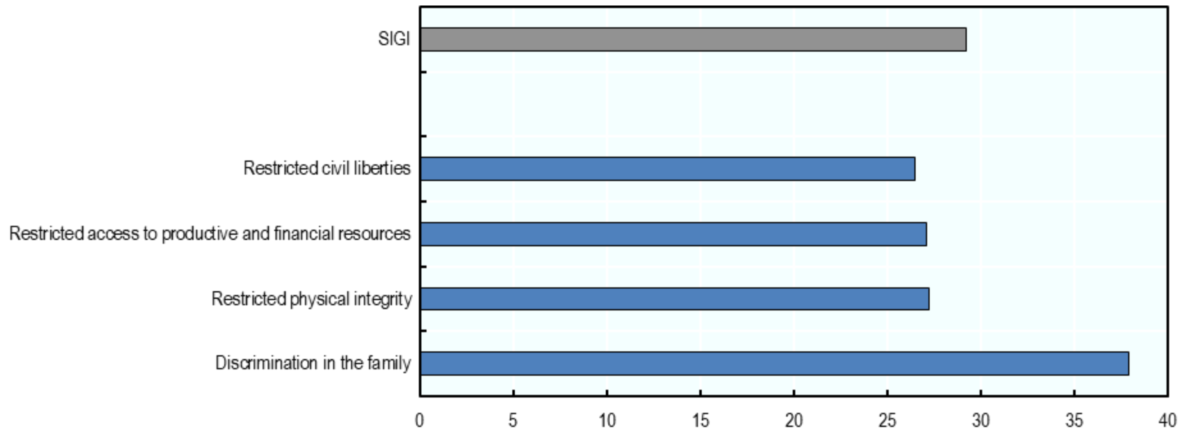
However, progress is jeopardised by successive crises and external shocks, such as the COVID-19 pandemic (OECD, 2020[38]), as well as a growing backlash against gender equality and women's empowerment (Human Rights Watch, 2023[39]). Progress towards SDG 5 remains slow; only 15.4% of SDG 5 indicators are "on track" to meet 2030 targets, while 61.5% are moderately off track, and 23.1% are far or very far behind (United Nations, 2024[40]). Gender gaps persist, especially in economic and political leadership, with only 60.5% of the gap in Economic Participation and Opportunity closed, and just 22.5% in Political Empowerment (World Economic Forum, 2024[33]).

Findings from the 2023 SIGI reveal that while legal reforms are increasing, progress in social norms remains slow, perpetuating gender inequalities in outcomes. This slow progress may be due to a lack of social consensus to address the root causes of discrimination, weak governance, conflict, and/or the challenges in implementing laws, policies, and programmes. As a result, approximately 40% of women and girls worldwide still live in countries where discrimination in social institutions is considered high or very high. For example:

- Around 2.4 billion women lack equal economic rights compared to men, with legal restrictions impeding women's full participation in the economy in 178 countries (OECD, 2023[24]).
- Attitudes towards women's equal rights and participation in the workforce have become increasingly negative. Between 2014 and 2022, the percentage of people who believe men should have more rights to jobs than women when employment is limited rose in 19 countries, with an increase of over 5 percentage points in 14 of them. Overall, this belief grew by 4 percentage points globally. Similarly, the perception that a woman earning more than her husband would likely lead to problems increased by 6 percentage points, with this view gaining ground in 24 countries and declining in only 13 (Haerpfer et al., 2021[21]).

Discriminatory laws, norms, and practices in the family sphere are among the most challenging to address (Figure 3.4). Despite some progress, legal frameworks often continue to restrict women's rights and fail to protect them from harmful practices. For instance, in 163 countries and economies, legal loopholes and family codes permit child marriage, exposing millions of girls to early and forced marriages. Legal barriers also persist in inheritance rights, with 36 countries not providing equal inheritance rights to daughters and sons, and 37 countries discriminating against widows. Additionally, social norms perpetuate stereotypical roles for women and men. Globally, 56% of people believe that children suffer when their mothers work outside the home. Caregiving responsibilities remain predominantly a female burden: women spend an average of 4.7 hours per day on unpaid care and domestic tasks, compared to 1.8 hours for men (OECD, 2023[24]).

Figure 3.4. Levels of discrimination in SIGI sub-indices



Source: (OECD, 2023[24]), "Social Institutions and Gender Index (Edition 2023)", *OECD International Development Statistics* (database), https://doi.org/10.1787/33beb96e-en

Despite progress, violence against women and girls remains a global pandemic that many countries struggle to address comprehensively. In 2023, nearly one in three girls and women (28%) aged 15 to 49 experienced intimate-partner violence at least once in her lifetime, and one in ten has experienced it over the last year. Few countries have developed a comprehensive approach that criminalise all forms of violence against women and include legally codified provisions for the investigation, prosecution and punishment, and protection of and support services for victims/survivors. Findings from the SIGI 2023 reveal that 46 countries still do not criminalise domestic violence; 70 countries lack a definition of rape based on the lack of consent; and 22 countries do not legally define and prohibit sexual harassment, and 48 countries do not criminalise it (OECD, 2023[26]).

Addressing gender-based discrimination to sustain development

Gender equality represents both a fundamental human right and a significant economic opportunity. Enhancing women's participation in the labour market can lead to increased labour input and improved productivity by better aligning skills with job requirements and making optimal use of the available female workforce (OECD, 2023[41]). Additionally, supporting women's entrepreneurship is essential for their economic empowerment and serves as a valuable asset for private sector development, contributing to competitiveness in both OECD and non-OECD countries in search of innovation, resilience and creation of employment. Moreover, women business leaders often hire more women, creating a positive ripple effect on gender equality (OECD, 2024[42]). Furthermore, women's economic integration represents a unique opportunity to address the challenges posed by a shrinking workforce in many developed and emerging economies countries, which is linked to an aging population and declining fertility rates. Thus, a simultaneous closing of gender gaps in labour force participation and working hours may increase potential GDP per capita growth by an additional 0.23 percentage points per year across the OECD, resulting in a 9.2% overall boost to GDP per capita relative to baseline projections for 2060 (OECD, 2023[41]).

Addressing discriminatory social institutions would amplify these economic gains. By perpetuating unequal power dynamics between men and women in the family, economic sphere, and public life, discriminatory social institutions constrain women's economic opportunities. Women's restricted access to education and labour market has substantial negative consequences on economic growth, by reducing human capital and their productivity. The income loss associated with gender discrimination in social institutions in 2011 was estimated at up to USD 12 trillion, or 16% of world GDP (Ferrant and Kolev, 2016[43]).[10] As discriminatory social institutions seem to represent an additional growth bottleneck for low-income countries, unlocking this growth potential could be particularly beneficial for the world's least developed countries.

Ways forward

Social institutions can be a source of positive social transformation and empowerment. Results from the 2023 and previous editions of the SIGI highlight key policy options to transform social institutions (Figure 3.5):

- Achieving gender equality begins with eliminating legal barriers and enacting supportive laws. In countries with plural legal systems, this requires a thorough understanding of the inconsistencies and conflicts arising from overlapping systems, such as customary, statutory, and religious laws. Countries also need to ensure that the legislation is known and enforced across their territories.
- Constitutional and other legal protections do not suffice to protect women's rights and empowerment opportunities. It requires gender-transformative laws, policies and programmes – that seek to transform discriminatory social norms into gender-equitable ones – which take into account the structural barriers to gender equality, as well as intersectionality. Such approaches should be in line with the principles and recommendations set out in the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW) and the Beijing Platform for Action, among others.
- Eliminating discrimination in social institutions requires long-term political commitments and investments combined with community-wide action and dialogue, involving men and boys as partners in the campaign for equality. It requires a co-ordinated effort from all stakeholders, from policy makers to bilateral and multilateral development partners, private and philanthropic actors, academic and research institutes, as well as feminist and civil society organisations.
- Furthermore, national actions plans on gender equality and regular monitoring are key for public accountability and for ensuring that commitments are respected. In this regard, greater investments in gender data are needed to bridge the gaps. For example, the lack of data prevented the calculation of SIGI scores for 39 countries out of the 179 covered by the 2023 edition (OECD, 2023[41]).
- Achieving gender equality and empowering all women and girls necessitates significant investment. A 2023 report from UN Women and UN DESA estimates an additional USD 360 billion per year is required to achieve SDG 5. Given the constraints of limited resources, it is crucial to harness contributions from all stakeholders, enhance co-ordination to reduce costs, and explore innovative strategies to identify new funding sources (UN Women and UN DESA, Statistics Division, 2023[44]).
- Continuous investment in the production, accessibility and use of granular data and statistics is part and parcel of addressing gender discrimination. Countries vary greatly in terms of their national capacities and significant room for knowledge sharing and peer learning exists. Recent efforts by PARIS21 and UN Women try to better capture country statistical capacities with a view to connecting capacity to better action for gender equality (Box 3.2).

Box 3.2. Approaching gender data differently by connecting capacity to better action for gender equality

The Gender Data Outlook 2024

Gender data is vital for achieving the Sustainable Development Goals, both for gender equality as a standalone goal and as a cross-cutting dimension. Since countries committed to the SDGs, considerable efforts have been made to advance gender data: today, 56% of the indicators needed to monitor the gender equality provisions are available, compared to only 26% in 2015. Yet significant gaps in gender data remain pervasive across income groups and geographies and efforts to close these gaps are not always translated into better gender data use, which remains limited to certain sectors.

To help countries target efforts and investments where they can be most effective in providing robust gender data for policy making for the SDGs, the Partnership in Statistics for Development in the 21st Century (PARIS21) and UN Women have together developed a novel approach to measuring gender data capacity across countries. The Gender Data Outlook (GDO) aims to quantify where countries stand in terms of gender data capacity and identify where investments are most needed to strategically improve gender data systems.

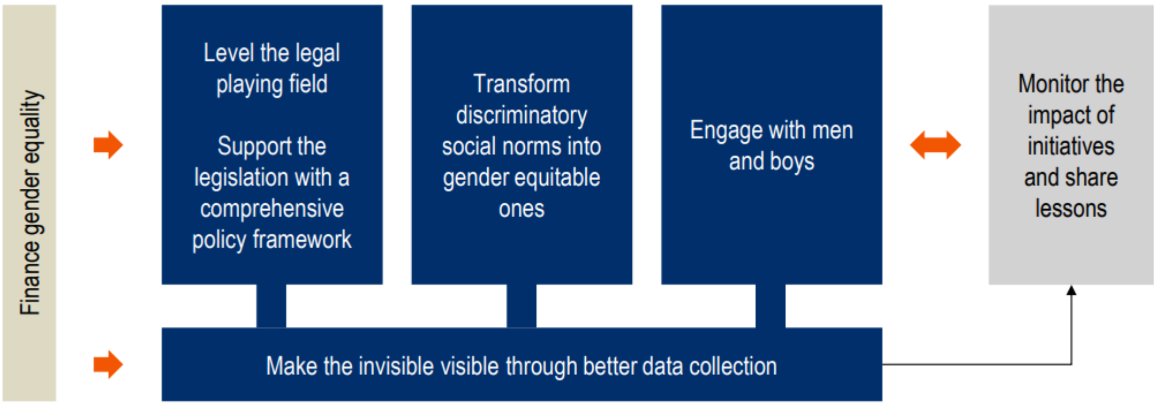
The GDO assesses four dimensions: 1) an enabling environment; 2) production; 3) accessibility; and 4) use, underlining the need to extend the focus of capacity efforts from the production of data to their use and impact.

- The enabling environment dimension captures legislative, institutional and budgetary support mechanisms within national statistics offices (NSOs) and wider national statistical systems (NSSs) that facilitate the production, dissemination and use of gender statistics.
- The production dimension reflects countries' ability to collect and process gender data to monitor progress, inform national policies, and meet SDG reporting requirements.
- The accessibility dimension encompasses open gender data, user-friendly dissemination and partnerships with stakeholders outside of the NSO to ensure uptake.
- Finally, the use dimension relates to the various ways that gender data are ultimately applied by different users to inform or influence decisions, actions or strategies and measure progress.

The inaugural Gender Data Outlook proposes an Index that covers 83 countries. The Index measures gender data capacity across the first three dimensions, analysing how countries vary in their capacity to plan for and produce gender data and share it with the public, while identifying factors that underpin and drive these capacities. A qualitative approach is employed to explore the gender use dimension. The Gender Data Outlook introduces a novel typology of gender data use, developed through an analysis of 58 cases of documented gender data use across 30 countries. This complementary analysis offers key insights into how gender data are, and could be further, utilised and lays the groundwork for a stronger Index incorporating quantitative measures of use.

Note: The full report and list of country scores can be found at https://www.paris21.org/knowledge-base/gender-data-outlook-2024 . Further details on how the Index was constructed and the analysis conducted can be found in the Methodological Note https://www.paris21.org/sites/default/files/media/document/2024-09/gender-data-outlook-methodological-note_0.pdf.
Source: PARIS21 and UN Women (2024), *Gender Data Outlook 2024: Unlocking Capacity, Driving Change* https://www.paris21.org/knowledge-base/gender-data-outlook-2024

Figure 3.5. Policy options to foster social transformation



Source: (OECD, 2023[41]).

4 The role of international co-operation in addressing inequalities within countries

While domestic policies and resources are the primary tools for tackling inequalities in low-and middle-income countries, international development co-operation plays a supporting role in helping progress happen. Official development assistance (ODA) is the third-largest source of external finance for ODA-eligible low- and middle-income countries, standing at USD 245 billion in 2022, following foreign direct investment at USD 580 billion and remittance at USD 616 billion (OECD, 2024[45]). It remains a significant resource for the poorest countries: 61% of external financial flows to least developed countries consist of ODA, compared with 30% of remittances and 1% of foreign direct investments (OECD, 2022[46]). Furthermore, it has a clear mandate to promote the economic development and welfare of low- and middle-income countries and to support the 2030 Agenda for Sustainable Development, including the reduction of inequalities within countries. In addition, its potential to catalyse not only other development resources – public through support to domestic resource mobilisation and private through private finance leveraging – but also the policy changes required for addressing inequalities far outweigh its volume.

This section focuses on how members of the OECD Development Assistance Committee (DAC) – which gathers 32 of the world's major aid providers – tackle inequalities though their development co-operation. It presents key findings from a survey and qualitative research on DAC members' approaches to reducing poverty and inequalities carried out in early 2024,[11] which are featured in the *2024 Development Co-operation Report: Tackling Poverty and Hunger through the Green Transition* (OECD, 2024[45]). The section shows that while reducing inequalities is an explicit and growing priority for development co-operation, significant gaps remain in policy implementation and in the targeting of ODA allocations to inequality reduction.

The section also lays out possible avenues for G20 contributions to develop stronger well-being metrics in low- and middle-income countries. Such metrics could in turn inform and guide international development support for more effective targeting of inequalities, in all their forms.

Reducing inequalities is a priority for DAC members, but further articulation with other development priorities is needed

Alongside their traditional focus on poverty eradication, DAC members increasingly recognise inequality reduction as an overarching goal of their development co-operation. This is reflected in the DAC mandate, which commits to "the advancement of equalities within and among countries" (OECD, 2024[47]), and emphasised at the DAC 2023 High Level Meeting, when members committed to "taking comprehensive measures to eradicate poverty and reduce inequality" (OECD, 2023[48]). It can also be observed in individual DAC members' overarching development commitments.[12] A majority of DAC members surveyed (19/24) reported having explicit commitments to tackle both poverty and inequalities in their national development co-operation law and/or policies, while the remaining 5 reported an explicit commitment only to reducing poverty.

Overarching development co-operation goals on inequality reduction however generally appear alongside other goals. In a context of compounding crises and strained development budgets, competing development objectives risk diluting the emphasis on inequalities. Maintaining the prominence of addressing inequalities in overall priority setting requires further articulating why inequality reduction matters for poverty alleviation, economic development, and other growing development priorities. This is particularly important regarding climate and environmental-related priorities, as the impacts of the climate crisis and ecological breakdown disproportionately affect people living in poverty and facing other forms of vulnerability (Hallegatte et al., 2015[49]). While DAC members increasingly recognise the interconnections between the climate and inequality agendas,[13] these still often remain siloed, and inequality considerations are not systematically applied to climate and environment strategies and programmes. There is scope for more explicitly connecting these agendas, identifying synergies and possible tensions to ensure that advancements in one area do not come at the expense of another (OECD, 2024[45]).

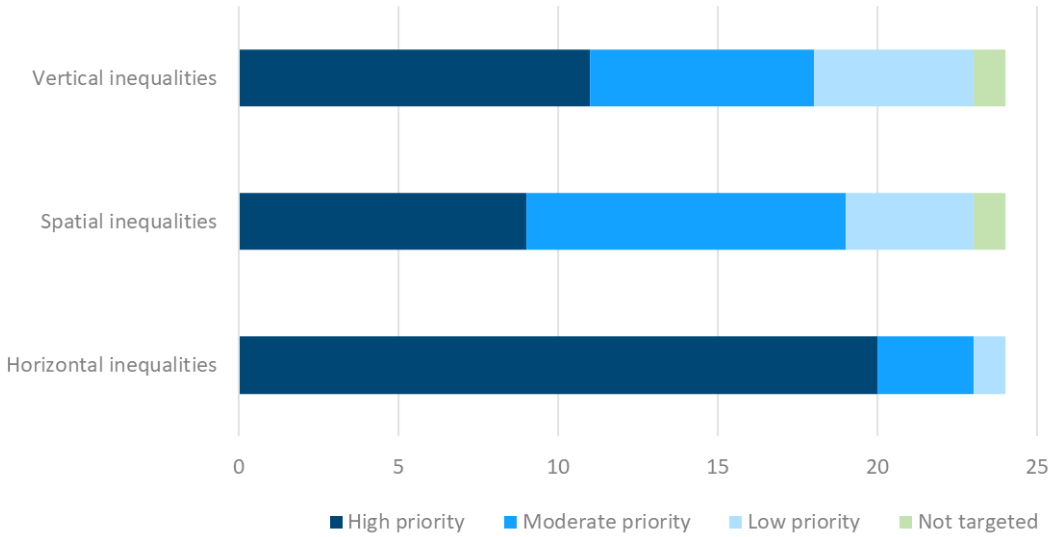
The G20 has made tackling inequalities a priority across its development, climate and tax agendas. This commitment has translated into concrete actions, including the establishment of the Task Force for the Global Mobilization against Climate Change, which integrates Finance and Sherpa tracks to address the pressing need for climate financing mechanisms; the launch of the Global Alliance Against Hunger and Poverty; and the Rio de Janeiro G20 Ministerial Declaration on International Tax Cooperation, which commends the OECD/G20 Inclusive Framework and underscores the swift implementation of the Two-Pillar Solution.

A selective approach to inequalities, with some forms of inequality receiving more attention than others

Overall, members report prioritising reducing horizontal inequalities more than vertical and spatial inequalities. Vertical inequality describes inequality between persons or households within a particular social group, e.g. within a country. In contrast, horizontal inequality is concerned with differences among individuals of different groups that may be based on race, gender, ethnicity or other groupings (OECD, 2017[50]). Spatial inequalities refer to the unequal distribution of resources, opportunities, and services across different geographical areas (Achten and Lessmann, 2020[51]).

While all DAC members surveyed mention targeting horizontal inequalities and 20/24 rank it has a high priority, only 9/24 members rank addressing spatial inequalities as a high priority, and 11/24 consider vertical inequalities a high priority (Figure 4.1). The publication of strategies, policies or guidance to address vertical inequalities has been a relatively recent development,[14] suggesting nascent yet growing interest in expanding the focus on income inequality in development co-operation.

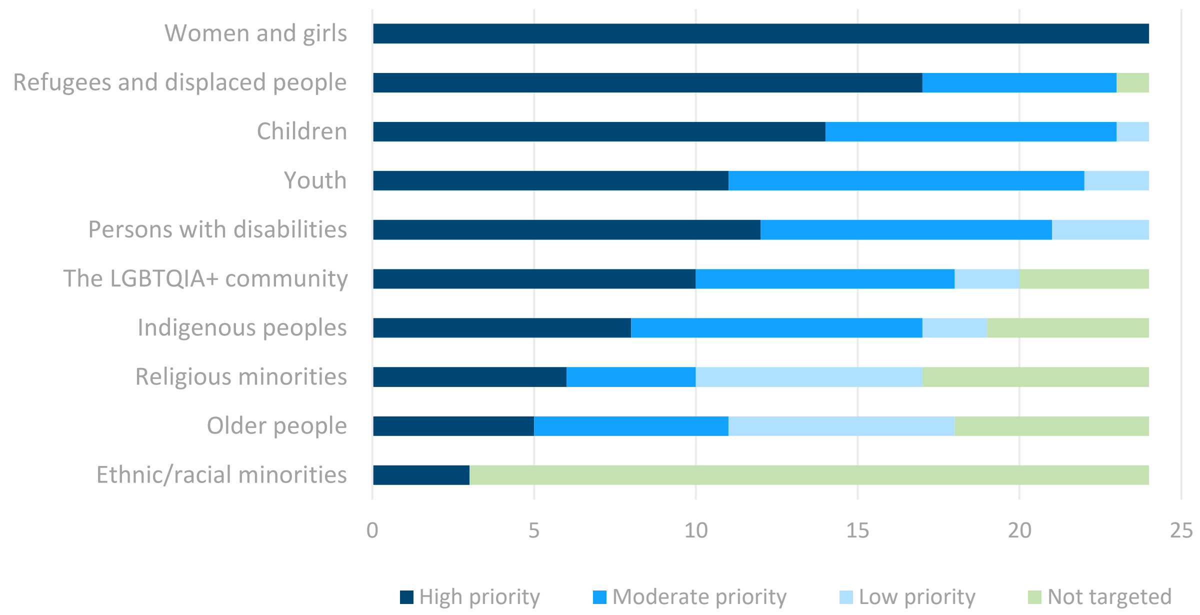
Figure 4.1. Horizontal inequalities are a higher priority compared to vertical or spatial inequalities



Note: This figure reflects a sample of 24 DAC members.
Source: *Development Co-operation Report 2024* (OECD, 2024[45]).

Among horizontal inequalities, the priority assigned to different groups or individuals varies greatly (Figure 4.2). While all members surveyed reported women and girls as a high priority, only a few considered ethnic and racial minorities (3/24) or older people (5/24) a high priority. The survey results are consistent with the fact that gender equality is a longstanding and well-established development co-operation priority, while attention to other forms of group-based inequalities is not as strong or more recent.[15] DAC members generally have strategies and guidance for tackling gender inequality. Still, dedicated strategies for addressing other forms of horizontal inequalities – including disability, children and youth, refugees and displaced people, the LGBTQIA+ community, and Indigenous peoples[16] – are less common. Furthermore, a review by the DAC Network on Gender Equality found that only half of DAC members explicitly refer to adopting an intersectional approach, linking it to gender, either in their development strategies, policy frameworks or in some type of practical tool or guidance (OECD, 2024[18]).

Figure 4.2. Addressing horizontal inequalities: Top population priority to women and girls and lowest priority to ethnic and racial minorities



Note: This figure reflects a sample of 24 DAC members.
Source: *Development Co-operation Report 2024* (OECD, 2024[45]).

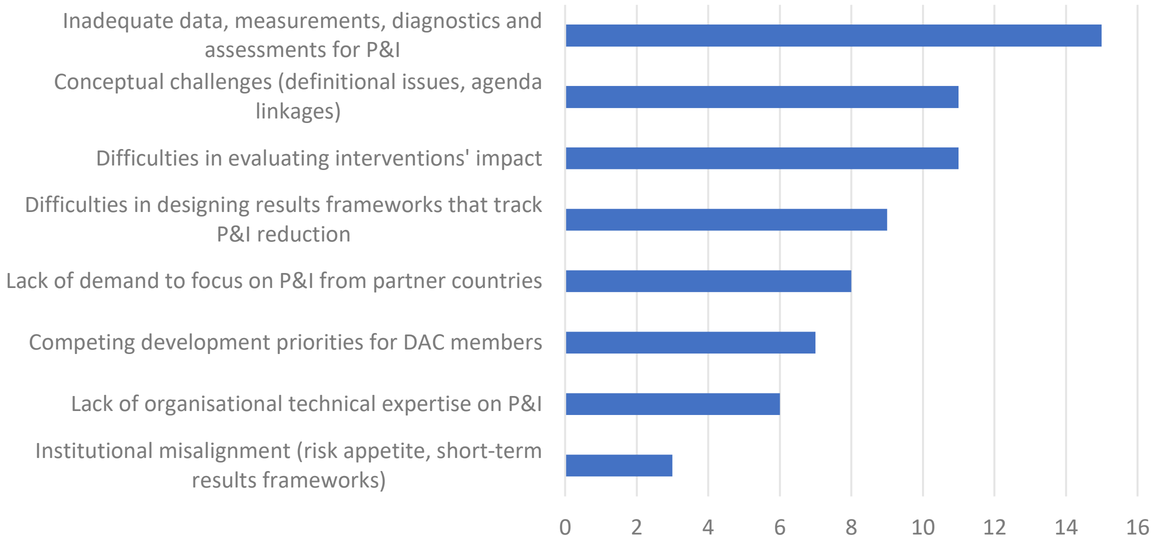
Acknowledging that one size does not fit all and that the priorities, capacity and institutional set-up of DAC members' development co-operation systems vary, members should nevertheless consider evening up their coverage and grounding their selective approaches in a common, holistic, and intersectional understanding of inequalities critical to avoid unintentionally leaving some people further behind. Strengthening intersectional frameworks and increasing the focus on vertical and spatial inequalities could enable DAC members to better address the structural drivers of diverse forms of inequalities and ensure that groups suffering from various and overlapping types of inequalities receive adequate attention.

Promising yet piecemeal practices to embedding an inequality focus into development co-operation programming

Members have developed a range of dedicated strategies, guidance and toolkits to incorporate an inequality focus into their development co-operation programming, spanning across the appraisal, monitoring, learning and evaluation stages.[17] While these are generally more common and advanced regarding gender inequality,[18] attention to income or other group-based inequalities is growing. This is reflected, for instance, in the use of policy markers, which can help track whether interventions include inequality-related objectives. While members' use of the OECD DAC policy marker on gender equality is widespread, their use of the OECD DAC marker on disability inclusion is still limited, but it is growing (Sightsavers, 2024[52]), and some members have developed their own internal markers to track their interventions' focus on inequality – ranging from comprehensive to more specific approaches to inequality.[19] For example, the recent Inequality Marker developed by the European Commission provides a promising tool to track whether, and to what extent, inequality reduction is an objective of EU development co-operation interventions, and therefore how likely these are to have an impact on reducing within-country inequalities.

However, the incorporation of inequality considerations throughout the programming cycle is not systematic, and efforts remain piecemeal. Survey responses regarding the main challenges limiting members' prioritisation of inequalities reveal particular implementation bottlenecks affecting the programming cycle (Figure 4.3). The lack of inequality data, measurement tools, diagnostics and assessments is reported as a primary obstacle, cited by 15 of 24 DAC members. This is followed by difficulties in evaluating the inequality impact of interventions, conceptual challenges, such as issues with definitions (each mentioned by 11 members), and difficulties in designing results frameworks that track inequality reduction (mentioned by 9 members). Applying a more systematic focus on inequalities throughout the programming cycle, especially concerning identified implementation bottlenecks, is critical to avoiding the risk of *policy evaporation*, whereby initial commitments to tackle inequalities wane away as they move from being planned to being implemented.

Figure 4.3. Main reported challenges that may limit development co-operation's prioritisation on reducing inequalities in partner countries



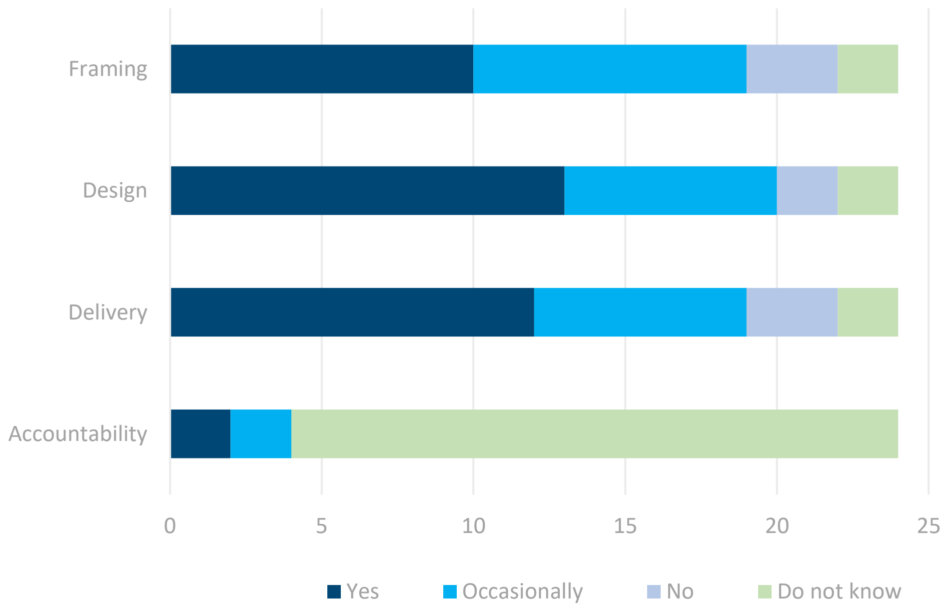
Note: This figure reflects a sample of 24 DAC members. The list of challenges was provided to members for selection.
Source: *Development Co-operation Report 2024* (OECD, 2024[45]).

Stepping up locally led development to further address structural inequalities

Locally led development is critical to challenging historical power inequalities both between and within countries, by shifting agency from donor countries and empowering low- and middle-income countries, and within countries, by shifting power and resources to people and groups experiencing inequalities. Furthermore, prioritising locally led development and involving local stakeholders in decision-making often results in programmes that are more relevant, culturally appropriate, and sustainable (OECD, 2023[53]). This approach ensures that interventions are better tailored to local contexts, ultimately enhancing their long-term impact.

DAC members have taken steps to align their approaches to inequality reduction with locally led development. These include aligning with and supporting country-led inequality reduction strategies, strengthening national and local capacity for inequality data collection and diagnostics,[20] engaging civil society organisations (CSOs) and people suffering from inequalities and discrimination directly throughout the policy, programme and project cycle and providing them with direct funding. However, engagement with local actors remains more common in the form of consultation than in the form of sharing responsibility. Furthermore, members surveyed reported that engagement with people experiencing poverty and inequalities is stronger in the framing, design, and delivery phases of the project cycle than in the accountability phase (Figure 4.4).

Figure 4.4. Representation and/or participation of people experiencing poverty and/or inequalities is stronger in the framing, design, and delivery phases of the project cycle than in the accountability phase



Note: This figure reflects a sample of 24 DAC members.
Source: Based on a survey to OECD DAC members on approaches to targeting poverty and inequality in development co-operation.

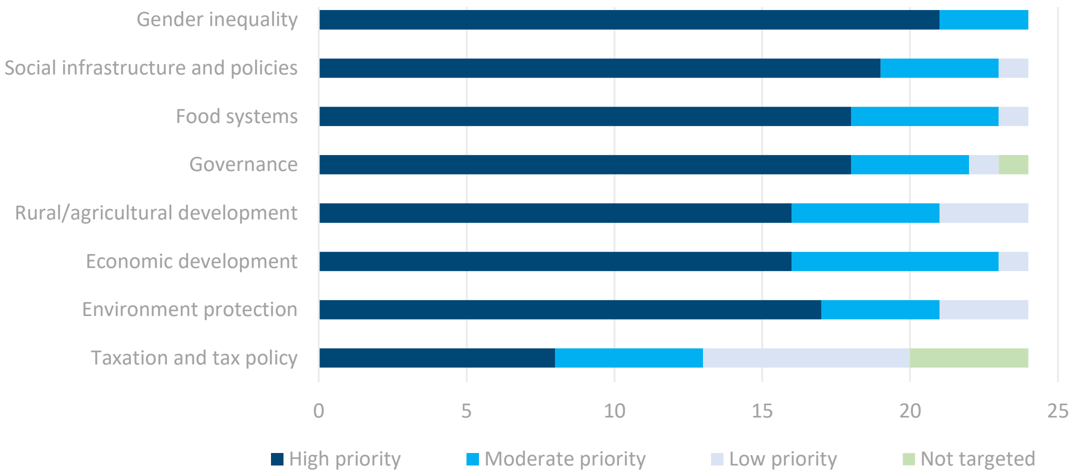
As members consider taking more ambitious steps towards locally led development, these should be backed by finely tuned political economy analysis to ensure such efforts work against the grain of any existing local power imbalances and by more systematic and meaningful engagement with a diverse range of stakeholders experiencing inequalities throughout the intervention cycle.

Better targeting ODA allocations to reduce inequality

Key sectors that have proven critical in addressing inequalities receive only a small share of ODA (OECD, 2024[45]). Despite social protection's demonstrated role in reducing income inequality, only 2.5% of DAC bilateral ODA went to social protection on average in 2021-22, declining since 2020. This contrasts with DAC members' survey responses, which ranked social infrastructure and policies as the second top policy priority area to reduce inequality (Figure 4.5). Furthermore, less than 1% of DAC bilateral ODA was allocated to tax system support, including domestic resource mobilisation, on average in 2021-22, despite the critical role of progressive tax systems in reducing inequalities and generating revenue for redistribution and social protection transfers. This policy area ranked among the lowest priorities for DAC members surveyed, with only 7 out of 24 DAC members identifying taxation and tax policy as a high priority area for addressing inequalities (Figure 4.5). Additionally, only 0.11% was directed towards labour rights, and a mere 0.01% to social dialogue. Despite their critical role in improving working conditions and fostering fairer labour markets, these areas remain highly underfunded.

Fighting gender inequality is a key focus of development co-operation among DAC members and receives the highest priority among different inequality policy areas (Figure 4.5). OECD DAC members support gender equality and the empowerment of all women and girls through development co-operation and humanitarian assistance, by enhancing work on transformative approaches to shift power imbalances and address root causes of gender inequalities and inequalities that intersect with gender. Development co-operation providers confirmed their commitments in the 2024 DAC Recommendation on Gender Equality and the Empowerment of All Women and Girls in Development Co-operation and Humanitarian Assistance (OECD, 2024[54]) and the 2019 DAC Recommendation on Ending Sexual Exploitation, Abuse, and Harassment in Development Co-operation and Humanitarian Assistance (OECD, 2019[55]). In 2021-22, 42% of bilateral allocable ODA by OECD DAC members included gender equality as a policy objective (USD 60.4 billion out of USD 143 billion screened against the DAC gender equality marker). Although the volume increased from USD 57 billion in 2019-2020, the share decreased from 45% (OECD, upcoming[56]). This is a serious concern, as the share shows the policy intention of countries providing their aid and has now dropped after growing for a decade. Development activities that do not integrate gender equality considerations and objectives are a missed opportunity to advance basic rights and inclusive development, and may harm women and girls, even if unintentionally.

Figure 4.5. Top policy areas for inequality reduction focus on gender inequality and social infrastructure and policies



Note: This figure reflects a sample of 24 DAC members.
Source: Based on a survey to OECD DAC members on approaches to targeting poverty and inequality in development co-operation.

Analysing ODA targeting at the subnational level has significant potential to inform whether development co-operation is contributing to the reduction of spatial inequalities within countries, but it faces barriers in terms of the availability of data. Though results are varied across studies, there is little evidence that aid systematically targets poorer areas within countries. It may even target wealthier areas that are less remote than poorer ones (OECD, 2024[45]). Most DAC members surveyed indicated they have not developed systems to track ODA at the subnational level but are interested in doing so. A systematic initiative to collect and publish these data comprehensively could build further momentum for this work.

Possible G20 contributions towards stronger well-being metrics to better guide international development efforts to tackling inequalities

The topic of measurement has also been central to the discussion on inequalities, as income-based figures such as GDP or GNI have been the predominant indicator to assess countries' development and guide multilateral and bilateral actions such as ODA despite various criticisms. Over the years, however, the world has moved far from simple measures of per capita income to new indicators of development like the Human Development Index (HDI) or the Multidimensional Vulnerability Index (MVI), both propounded by the UNDP. Likewise, the *World Happiness Report*, developed by the Sustainable Development Solutions Network and based on global survey data, analyses how people evaluate their own lives in more than 150 countries worldwide. These are examples of measures that go beyond pure economic indicators and touch upon social, educational, health, mental health, life satisfaction, outcomes, demonstrating that measuring development is not only a matter of income level but also of individual and societal well-being.

Measuring well-being requires looking not only at the functioning of the economic system, but also at the diverse experiences and living conditions of people, including environmental and ecological considerations. The OECD "Framework for Measuring Well-Being and Progress" responds to the recommendations made in 2009 by the Commission on the Measurement of Economic Performance and Social Progress. To capture current well-being, the OECD Framework includes dimensions such as income & wealth, work & job quality, housing, health, knowledge and skills, environment quality, subjective well-being, safety, work-life balance, social connections, and civic engagement. The Framework also places a special emphasis on inclusion – by examining the distribution of well-being outcomes in society – and sustainability – through measuring natural, economic, human and social capital, as key resources for sustaining well-being over time.

G20 countries have also advanced in developing well-being metrics. For example, the United Kingdom Office for National Statistics has developed a "Measures of National Well-being Dashboard". It monitors and reports "how we are doing" as individuals, as communities and as a nation, and how sustainable this is for the future. The full set of headline measures of national well-being are organised into 10 areas, such as health, where we live, what we do and our relationships – and indicators include life satisfaction, feelings that life is worthwhile, happiness, anxiety, mental well-being, unhappy relationships, loneliness, life expectancy, disability, health satisfaction, unemployment rate, job satisfaction, crime rate, access to natural environments, low income, household wealth, etc.

Several G20 countries (e.g. Australia, Canada, France, Germany, Italy, Japan, Korea, Mexico,) and two-thirds of OECD countries[21] have also developed initiatives of this sort, i.e. a national multidimensional well-being policy or monitoring framework. Outside the G20, Sweden has developed a national initiative of well-being that uses a set of 15 indicators at the national level. Similar national multidimensional "beyond GDP" or well-being frameworks have also been developed in countries such as Austria, Bhutan, Belgium, Chile, Ecuador, Finland, Iceland, Israel, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Slovenia, Spain, and Switzerland. Moreover, the emphasis given to sustainable lifestyles by India i.e. Lifestyles for Sustainable Development (LiFE), could also serve as an indication of how the G20 could be engaging on discussions related to well-being and sustainability.

The G20 could be in the driving seat for relaunching efforts to better measure development by promoting mutual understanding and convergence among various initiatives promoting "beyond GDP" as well as by encouraging mutual learning on how to incorporate them into governments' policy-making at the national and international levels. In particular, the Development Working Group (DWG) could be leveraged to initiate efforts to share best practices and develop peer-learning exercises among and beyond G20 members.

In addition to the existing annual accountability report to track the progress and status of active G20 development commitments, which is formulated as part of the commitment to uphold its accountability and transparency, a reinvigorated DWG voluntary peer learning mechanism could offer an effective tool to promote exchanges across G20 countries on how they go about measuring development outcomes. In addition, the DWG could also prompt discussion on how these metrics could be used for capturing returns on investments and allocation of resources. Finally, it could serve as a catalyst for measurement efforts among the G20 countries that have not yet moved in this direction.

A "G20 well-being metrics" report would be a useful tool for advancing the well-being agenda. Such a report or note would make the more detailed case for expanding and adapting existing measurement tools and initiating dialogue on common metrics that address well-being and sustainability concerns in both developed and developing countries. Its design needs to be in line with the G20 framework and priorities that have emerged during the deliberations in the past G20 Presidencies. In this sense, the "G20 well-being metrics" would need to be the result of a deliberation on the aspects of well-being that matter most to people and, alongside objective measures, it may include certain subjective aspects of well-being like levels of life satisfaction, and trust – both in public institutions and trust in other people. It would also serve to prompt discussions on how to quantify these indicators and how to avoid specific statistical biases from a survey's size and composition. The G20 could leverage tools from institutions such as the OECD[22] to address these concerns and improve the quality, accuracy and international harmonisation of such subjective statistics.[23]

The "G20 well-being metrics" need to be complementary and a driving force for achieving the SDGs. The 2030 Agenda for Sustainable Development has also been at the core of the G20's priorities. Following the adoption of the 2016 Hangzhou Action Plan, the G20 has at length deliberated on ways and means of achieving the SDGs by 2030 at global, national and local level and of ways to better align the whole G20 agenda to the SDGs. It has also established a Voluntary Peer Learning Mechanism where G20 members, with support from UNDP and the OECD, engage in sharing lessons on SDG implementation.

Similarly, as part of the OECD Action Plan on SDGs, "*Measuring Distance to the SDG Targets*" was developed in order to assist member countries with their national implementation of the 2030 Agenda for Sustainable Development. Therefore, a "G20 well-being metrics" would accelerate progress by shedding light on critical measures of sustainable development and well-being. These metrics could also contribute to conversations regarding the post-2030 Agenda.

Finally, a single measure of well-being may not be the most desirable way to go. Indexes and single measures have long been criticised – the most well-known being the critique of GDP. Agreeing on a single indicator may also be difficult as countries by nature are heterogeneous in terms of economic and social priorities, culture, values, levels of development, etc. The G20 would need to develop a dashboard or framework of well-being indicators that could satisfy countries' varying needs.

Way forward

Commitments made by DAC members and the frameworks they employ confirm that inequality reduction is a priority for their development co-operation. While progress has been made to translate these commitments into practice, especially in areas such as gender equality, challenges remain in fully aligning ODA priorities with the complex and multifaceted forms of inequalities. To step up international development co-operation's role in supporting low- and middle-income countries in addressing the structural causes of inequalities, progress in the following areas should be prioritised:

- Recalibrating development co-operation strategies, approaches and tools to make its focus on inequalities sharper and more systematic, from overarching priority-setting, planning, implementation, monitoring and evaluation, partnerships and budgeting. More comprehensive and intersectional approaches are needed, addressing overlooked dimensions of inequality such as racial, ethnic, and spatial disparities. Upcoming OECD guidance on reducing poverty and inequalities through development co-operation will provide practical support to DAC members to take this agenda forward, and the DAC Community of Practice on Poverty and Inequalities will continue to provide a space for knowledge-sharing among DAC members and with external partners to benefit from each other's practices and analyses, maximise collaboration to address challenges and avoid duplication.

- Improving measures to track ODA's focus on inequality reduction, to support more targeted allocations and enhance monitoring and accountability. Current measures of ODA's contribution to reducing inequalities remain fragmented, overly reliant on proxies, and insufficient, given the scale of the issue. A more comprehensive measurement framework would help better understand if development co-operation flows are targeting proven inequality-reducing policy areas and particular forms of inequalities, and whether they are prioritising the poorest countries – thereby contributing to reduced global inequalities – and, within countries, the poorest regions – thereby contributing to reduced spatial inequalities.
- Advancing progress in developing more comprehensive well-being measurement frameworks in low- and middle-income countries. Such metrics could in turn inform and guide international development support for more effective targeting of inequalities, in all their forms.

Notes

[1] The long-term consequences of school closures for children's learning could be devastating. According to model simulations (Kaffenberger, 2021[59]), today's grade 3 students might be losing as much as 1.5 years' worth of learning (or more) by the time they reach grade 10 as a consequence of their time out of school.

[2] The figure refers to inequality across individuals. Income inequality between countries was on a downward trend pre-COVID19 but is likely to have increased following the pandemic and the economic contraction. See (Deaton, 2021[57]).

[3] The ratio is defined on household equivalised disposable income and refer to the total population. Data are available for Australia, Brazil, Canada, Germany, France, India, Italy, Japan, Mexico, Türkiye, United States and United Kingdom (Soldani et al., 2024[3]).

[4] The relationship between income inequality and economic growth is complex. (Berg and Ostry, 2017[4]) find that "longer periods of strong, healthy, per capita growth are robustly associated with more equality in the income distribution". For a review of the literature and empirical results, see (Mdingi and Ho, 2023[60]), (Achten and Lessmann, 2020[51]) and (Baselgia and Foellmi, 2022[58]).

[5] As stated in the "Rio de Janeiro Declaration on International Tax Cooperation", international tax co-operation is fundamental to encourage best practices, improve domestic tax administration capabilities, support national tax reforms, strengthen tax transparency, and strengthen national endeavours to effectively implement progressive taxation, including domestic income and wealth distribution, while considering domestic circumstances, needs, and priorities and respecting the sovereign right of countries to adopt and implement measures that they consider feasible.

[6] Non-contributory schemes do not require contributions from individuals who benefit from social protection and are mostly financed directly from a government's general budget – that is, from general taxation, non-tax revenue, or external grants or loans. There are many types of non-contributory programmes, such as universal schemes that benefit all individuals (e.g. a national health service), categorical schemes covering certain broad groups of the population (e.g. social pension or universal child benefit schemes) or social assistance schemes that provide benefits for groups of the population living in poverty (usually based on a means test, a proxy means test or other targeting mechanism).

[7] Early marriage is defined as a formal marriage or informal union before the recommended minimum age as established by a number of international conventions and declarations. It is measured as a percentage of girls aged 15-19 who are married, divorced, widowed or in informal unions (OECD, 2014[25]).

[8] The Global Gender Gap Index annually benchmarks the current state and evolution of gender parity across four key dimensions (Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment).

[9] Countries are classified into five groups according to their SIGI score: (1) very low level of discrimination (SIGI < 20); (2) low level of discrimination (20 < SIGI < 30); (3) medium level of discrimination (30 < SIGI < 40); (4) high level of discrimination (40 < SIGI < 50); and (5) very high level of discrimination (SIGI > 50).

[10] Methodological caveats should be acknowledged. For more information, see (Ferrant and Kolev, 2016[43]).

[11] The OECD Secretariat designed and conducted the survey in February 2024. The survey was disseminated to all members of the DAC and had a 75% response rate. The 24 (out of 32) DAC members that responded to the survey were Australia, Belgium, Canada, Denmark, the European Union, Finland, France, Germany, Hungary, Iceland, Ireland, Italy, Korea, Luxembourg, the Netherlands, Norway, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the United Kingdom and the United States. The OECD-DAC Community of Practice of Poverty and Inequalities (CoP-PI) commissioned qualitative research, which was conducted from late 2023 to early 2024 and drew on previous scoping work in 2022. This desk review looked at 23 DAC members: Australia, Austria, Belgium, Canada, Denmark, the European Union, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States.

[12] See for example France's 2021 Law on Inclusive Development and Combating Global Inequalities (Programming Act No. 2021-1031), and Spain's Law on Co-operation for Sustainable Development and Global Solidarity in 2023.

[13] See for example the United States Agency for International Development's Climate Strategy 2022-23 which aims to target entrenched power structures that create and maintain inequalities', the French Development Agency's "100% Social Link Strategy 2021-25" which contains a dedicated sub-section on just transition.

[14] See for example the EU's Guidelines for mainstreaming the reduction of inequality in interventions, Germany's Position paper Less inequality More opportunities for sustainable development, and Belgium's Strategy Position 2023.

[15] See for example Sightsavers on disability, and HelpAge, on older women.

[16] For children and youth, see for example USA's dedicated strategies on LGBTQI+ inclusion, youth, indigenous peoples and children in adversity, UK's Disability Inclusion and Rights Strategy, New Zealand's strategy on Integrating indigenous worldviews and knowledge into their foreign policy,

[17] See for example UK's equality impact assessments, France's Distributional Impact Assessments, and Norway's instruction and strategy for evaluation, and Belgium's Ex-ante Equity Assessment Tool.

[18] The DAC Guidance for Development Partners on Gender Equality and the Empowerment of Women and Girls, which is designed around the programme cycle and beyond, provides practical steps for

practitioners and examples of good practices from DAC members, as well as checklists and recommendations on how to drive change.

[19] See for example the EU's Inequality Marker and New Zealand's Child and Youth Well-being Marker. Sustainable Development Analysis Grid for more comprehensive approaches, and New Zealand's Child and Youth Well-being Marker for more specific approaches to inequality.

[20] See for example Germany's Global Project on Reducing Inequality, and France's Fiscal Incidence Analysis.

[21] Not all relevant examples are listed. For more information, see https://oe.cd/KEP

[22] For instance, the OECD Guidelines on Measuring Subjective Well-being; OECD Guidelines on Measuring Trust and the OECD Guidelines on Measuring the Quality of the Working Environment.

[23] The work undertaken with the report How's Life in Latin America? could be used as an example.

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The G20 and the promotion of equal opportunities

TACKLING THE ROOT CAUSES OF INEQUALITY, EXCLUSION AND DISCRIMINATION

Effective policies to reduce inequalities must be based on detailed evidence regarding the drivers of vulnerability and income insecurity. Focusing on two vulnerable categories – informal economy workers and women and girls – this report presents the latest OECD data on inequality, exclusion and discrimination within a wide range of countries around the world, and analyses their root causes. It also provides fresh evidence on the contribution of international development co-operation providers to the fight against poverty and inequality. On that basis, it proposes policy actions to G20 governments and their partners at domestic and international levels to better address inequalities.