

TISFD Discussion Paper

EXECUTIVE SUMMARY

Inequality and system health and stability

Risks and opportunities for businesses and financial institutions

TISFD | TASKFORCE ON INEQUALITY and SOCIAL-RELATED FINANCIAL DISCLOSURES

November 2026



Executive summary

High and rising inequalities pose an urgent threat to the health and stability of economies and societies. Inequality can erode social cohesion and trust, hold back productivity and the competitive dynamics that economies need to innovate and grow, and heighten risks to financial stability. This has major implications for businesses and investors.

This TISFD discussion paper examines how these effects can arise, tracing how impacts on people and inequalities accumulate and ripple through societal, economic and financial systems – ultimately affecting business performance and investment returns.

Through this paper, and by inviting feedback on it, TISFD seeks to better understand how a system-level lens could complement entity-level analysis, bringing into view risks and opportunities that would otherwise be missed.

Why Inequalities Matter

Strains on people are intensifying as inequalities reach new extremes. Across the world, inequalities in wealth, well-being and opportunity are persistent, and some disparities continue to widen. Over a billion working people, around a third of the global workforce, do not earn enough to afford a decent living.[1] The richest 10 percent of adults globally receive 53 percent of income and own around three-quarters of wealth.[2]

The consequences of built-up inequalities ultimately undermine business prospects. Inequality constrains the health and skills of the workforce, undermines consumer demand, and erodes community support. The aggregated effects in the economy suggest inequality can put real downward pressure on long-term portfolio returns. Rising inequality knocked 4.7 percentage points off cumulative growth across 19 OECD countries between 1990 and 2010.[3] Equally, improvements in people's well-being and reductions in inequality can support healthier, more stable systems.

Major transformations are raising the stakes and are making these effects harder to ignore. Artificial Intelligence (AI) could have far-reaching consequences for system health and stability. AI could raise living standards, but also risks displacing workers, further concentrating wealth and compounding inequalities. An estimated 60 percent of jobs in advanced economies and 40 percent in emerging economies are considered to be exposed to AI.[4]

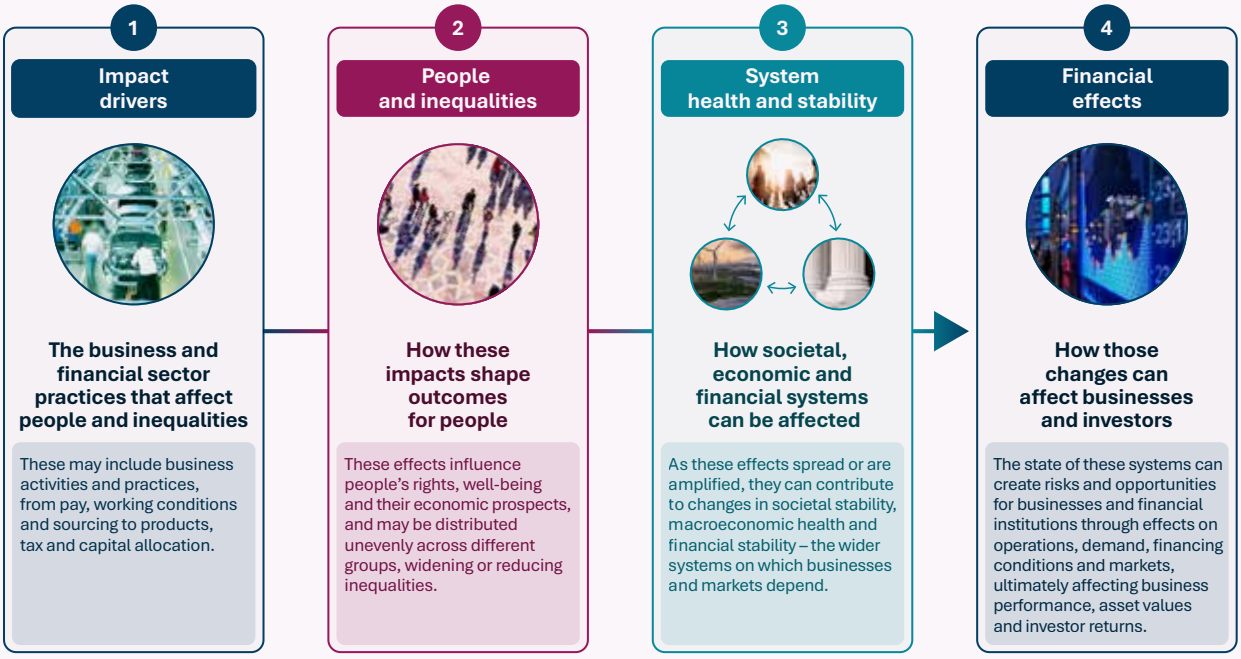
Inequality, climate change and nature loss are closely intertwined. When the costs of climate and environmental policies fall hardest on lower-income households, public support for the green transition weakens. At the same time, climate change and nature loss threaten livelihoods and leave communities more exposed to shocks, with the poorest often hit hardest. The ILO projects that rising heat stress alone will cost the equivalent of 80 million full-time jobs in 2030.[5] Conversely, a just transition to a low-carbon and nature-positive economy can protect jobs and incomes, build public support, and strengthen social cohesion.

The causes of inequality are complex and shaped by a number of wider structural, economic, social and political determinants (Section 2). Global trade, the growing influence of financial markets, declining worker bargaining power, and unequal participation in decision-making all contribute to rising inequalities. No single actor controls these forces, but decisions taken today by businesses, financial institutions and governments can amplify or soften their effects, with consequences for the health and stability of systems for decades to come.

Business and financial activities play a major role in shaping outcomes for people and can widen or narrow inequalities. Decisions on pay, working conditions, sourcing, tax and capital allocation affect people's lives and the distribution of income, wealth and well-being in society. Respecting people's rights is the foundation for addressing inequalities.

TISFD's Four-Stage Pathway

Drawing on research from international organisations and peer-reviewed literature, the paper sets out a four-stage pathway that illustrates how cumulative business and financial sector practices can ultimately have economic and financial effects for market actors by shaping the health and stability of systems.



TISFD's four-stage pathway traces:

1. **Impact drivers** – the business and financial-sector practices that affect people and inequalities. Key drivers include wages, benefits, contracts and working conditions as well as business decisions on procurement, tax and lobbying.
2. **People and inequalities** – how these impacts shape people's rights, well-being and their economic prospects, such as through work, income, access to services, health and skills. Differences in these outcomes between people and groups can widen or reduce inequalities.

3. **System health and stability** – how societal, economic and financial systems can be affected, for example through workforce skills, consumer demand, household financial resilience, and public perceptions of fairness. As impacts accumulate, spread and amplify, they can strengthen or weaken these wider systems.
4. **Financial effects –** how changes in these systems can create risks and opportunities for businesses and investors, for example through operational performance, the regulatory outlook, risk premia and long-run returns.

Non-standard working arrangements illustrate how these effects build and spread through the pathway. Such arrangements can leave workers with less secure jobs and incomes, limited benefits and fewer opportunities to develop skills, with consequences for their physical and mental health. Women, migrants and young workers may be disproportionately affected, which can widen existing inequalities. When these arrangements become widespread, the effects compound. They can weaken workers' bargaining power, putting pressure on wages and protections in other roles and places. Unstable incomes can make it harder for families to afford secure housing or maintain their health. Across an economy, households may spend less and struggle to withstand financial shocks, and communities may lose confidence that they are being treated fairly. These pressures can create system-level risks that flow back to businesses and investors through lower productivity, weaker consumer demand and more borrowers struggling to repay loans.

The pathway gives businesses and investors a structured way to see how risks and opportunities may arise and what they might mean for decision-making, performance and returns.

Key Findings and Implications

The evidence reviewed points to three key findings. **First, business and financial-sector activities exert a powerful influence on inequalities**, from hiring and training to procurement and capital allocation. No single business or financial institution determines the outcomes and inequalities alone; the pathways operate through the cumulative effect of practices across firms, sectors and economies. The paper identifies an indicative set of 27 key private sector drivers of inequality (Section 5).

Second, intensifying inequalities can weaken societal stability, macroeconomic health and financial stability. A number of transmission channels are identified including: social unrest; trust in business; human capital; consumer demand; household debt; wealth concentration and asset bubbles (Section 4.1). System dynamics mean risks can compound over time and shocks may manifest suddenly. Inequality can build up to increase system fragility; stronger social cohesion can help societies and economies withstand disruption (Section 3).

Finally, changes in these systems linked to inequalities can create risks and opportunities for businesses and investors. The paper outlines how the erosion of system health and stability can affect business performance and resilience and long-term portfolio returns for investors (Section 4.2).

The findings have implications for businesses, investors and policymakers. Businesses are exposed to risks because they depend on the health and stability of systems to operate, grow and create long-term value. Changes in societal stability, macroeconomic health and financial stability can affect market demand, labour markets, operating conditions and other factors that shape business performance and resilience.

For investors, the consequences of inequality can affect entire portfolios. Understanding how investee companies contribute to inequality, and how they are exposed to the risks it creates, is increasingly important for investment and stewardship decisions. It also opens the way for investors to look beyond individual companies towards sector-level engagement and system-level stewardship.

For policymakers, including financial market regulators, supervisors and central banks, greater visibility of these risks, and how business and financial-sector activities contribute to them, can support better-informed policy design and responses.

This discussion paper provides a basis for TISFD to refine its emerging thinking and inform the further development of the TISFD Framework [6], including future disclosure recommendations, guidance and metrics. The paper also identifies key evidence gaps, set out in Section 6: how changes in system health and stability translate into business performance and investment returns; the relative contribution of different drivers; the opportunities associated with stable, cohesive economies and societies; and how inequalities and related system-level risks may evolve, including under different scenarios. TISFD invites experts and stakeholders to test the evidence, challenge the findings and help shape the next stage of this research.

References
1 - 6

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