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Briefing Paper

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Addressing the growing digital and AI divide

The digital and AI divide: A new driver of exclusion

The *World Social Report 2026*, published by the United Nations Department of Economic and Social Affairs (DESA) and released in October, argues that digital access has become a prerequisite for participation in modern economic, social, and political life. As digital technologies and artificial intelligence (AI) become central to education, employment, public services, healthcare, and finance, people lacking connectivity, devices, digital skills, computing capacity, or institutional support face increasing exclusion. The *Report* notes that approximately 2.2 billion people remained offline in 2025, with the majority living in developing countries.

The divide is no longer limited to whether people are online. Even among connected populations, affordability constraints, poor service quality, insufficient digital skills, and limited access to meaningful digital participation create major barriers. Rather than reducing inequalities automatically, AI risks widening existing disparities when access to the foundations of the digital economy remains uneven.

Digital exclusion increasingly translates into capability deprivation. People who lack access to digital technologies have fewer opportunities to learn, work, access services, reach markets, and benefit from technological progress. These disadvantages tend to reinforce themselves over time, creating vicious cycles of exclusion that may become intergenerational. Students without access to digital tools fall behind in education, workers miss emerging opportunities, and businesses struggle to participate in digital markets.

The *Report* emphasizes that high-income countries dominate AI innovation, computing infrastructure, and investment, making it more difficult for developing countries and smaller firms to benefit equally from AI adoption. Micro-enterprises, informal workers, migrants, women, and underserved regions face particularly high barriers to leveraging digital technologies.

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Beyond economic exclusion, digital inequality affects civic participation. As government services, public information, and participation mechanisms move online, citizens without digital capabilities risk losing voice, visibility, and influence in governance processes. Women and migrants often face additional barriers linked to language constraints, weaker access to training, and limited integration into formal employment systems.

AI, labour markets, and new forms of segregation

The *Report* highlights the uncertain but potentially transformative impact of AI on labour markets. Estimates suggest that between one-quarter and two-fifths of jobs globally are exposed to generative AI. Developed countries may experience greater exposure because of their occupational structures, but they are also better positioned to capture benefits from AI through stronger institutions, educational systems, and digital infrastructure.

The effects of AI are uneven across social groups. Women are disproportionately represented in clerical and professional occupations that are highly exposed to automation and AI augmentation. Existing labour market segregation places women at greater risk of job displacement and wage pressures. At the same time, women are less likely to benefit from AI-related wage premiums because of persistent gender gaps in STEM education and digital skills. Women represent only a minority of the global AI workforce and are even less represented in technical leadership positions.

Young people face growing vulnerabilities as AI transforms entry-level jobs. Evidence from the United States points towards declining employment among younger workers in highly AI-exposed occupations. This creates concerns not only about employment opportunities but also about lost opportunities to gain foundational experience and skills required for career development.

The *Report* identifies algorithmic bias as another major source of exclusion. AI-driven recruitment systems have demonstrated biases related to gender, race, ethnicity, language, and nationality. Automated résumé screening and video interview tools can systematically disadvantage women, minorities, migrants, and non-native English speakers, even when they are equally qualified.

Healthcare applications also face risks. AI systems developed using unrepresentative datasets may perpetuate unequal treatment outcomes, particularly for women, minorities, and populations in developing countries. Weak regulatory capacity further increases risks associated with privacy, accountability, transparency, and bias.

Building inclusive digital transformation

A central theme of the *Report* is the need for a paradigm shift in development planning from *structural transformation* to *socially inclusive transformation*. Digital transformation can be socially inclusive only if accompanied by deliberate policy intervention. Education and skills development are identified as priority areas. Rather than focusing solely on predicting job losses, governments should equip workers and youth with adaptability, digital literacy, AI competencies, and lifelong learning opportunities.

The *Report* stresses the importance of AI literacy, ethical awareness, and uniquely human skills such as creativity, judgment, collaboration, and problem-solving. Educational systems must integrate these competencies while ensuring that digital technologies do not deepen educational inequalities. Special attention is required for indigenous languages, marginalized communities, and algorithmic bias. Third-party audits and algorithmic impact assessments are recommended as safeguards.

Examples of successful interventions demonstrate what inclusive digital transformation can look like. Rwanda's smart classroom initiative has expanded digital access and demonstrates how technology can improve educational opportunities in remote communities.

The experiences of China and Finland provide broader lessons. China's strategy combined infrastructure investment, digital ecosystem development, support for small enterprises, digital payments, entrepreneurship promotion, and widespread skills development. Finland treated broadband access as a public good and legal right, ensuring universal access and strong public-private cooperation. Both examples highlight the need for coordinated investments in infrastructure, institutions, governance, and human capabilities.

At the same time, the *Report* argues that social protection systems must adapt to changing labour markets. Portable benefits, linked to individuals rather than employers, are an option to guarantee inclusive social protection systems in the digital age, where gig workers frequently move between platforms or combine multiple income sources, making employer-based benefits impractical. Such systems are particularly important for women, youth, migrants, and informal workers who often occupy precarious positions in labour markets. Digital technologies can support delivery of social protection through digital identification systems, payment mechanisms, and integrated databases. They can also improve efficiency and coverage.

Creating inclusive labour markets in the digital economy

The *Report* places considerable emphasis on ensuring that technological transformation produces decent work rather than greater insecurity. The rise of platform and gig work has created millions of jobs globally but often without access to benefits such as healthcare, pensions, paid leave, or unemployment protection.

The *Report* also advocates strengthening workers' rights in platform economies. The newly adopted international standards on decent work in the platform economy are highlighted as important advances in ensuring transparency, accountability, and fair treatment. Workers should have rights to understand how algorithms shape decisions affecting wages, schedules, and job security.

Reinforcing collective bargaining would be an important institution to ensure fairer distribution of income, especially in this new economic context, as generative AI and automation could accelerate job displacement globally. However, as non-standard employment (temporary, part-time, informal, and platform-based work) accounts for a growing share of jobs globally, extending collective bargaining to non-standard workers will be essential to ensure inclusive labor markets.

Active labour market policies are identified as critical tools for managing technological and green transitions. These include retraining programmes, wage subsidies, employment services, and targeted labour market support. However, the *Report* argues that retraining alone will not be sufficient. In some cases, social protection, reduced working hours, phased retirement, and work-sharing mechanisms will also be required.

Wage-setting mechanisms, profit-sharing, and co-determination offer institutional frameworks that allow workers to share enterprise gains and participate in decision-making. Cooperatives provide another model for profit-sharing and co-determination. These mechanisms are particularly relevant in the context of technological and energy transformations, where productivity gains and restructuring can otherwise exacerbate inequality.

Financing inclusion

The *Report* argues that the rapid expansion of the digital economy has exposed significant gaps in traditional tax systems. Digital platforms often generate substantial revenues in jurisdictions where they lack physical presence, making it difficult for governments to apply conventional corporate income tax rules and capture fiscal revenue. The share of global corporate profits reported in low-tax jurisdictions increased from 20 per cent in 2000 to nearly 40 per cent in 2020, largely driven by digital business models. The World Trade Organization (WTO) moratorium on customs duties on electronic transmissions, which was put in place in 1998 and extended every two years since then, had further allowed digital platforms to avoid customs duty on their online exports.

Inclusive digital transformation requires substantial fiscal resources and stronger international cooperation. Progressive taxation, wealth taxes, inheritance taxes, and more effective taxation of digital and cross-border services are identified as important mechanisms for mobilizing revenue and addressing inequalities generated by digitalization and technological change.

Since existing tax systems struggle to capture value generated by multinational digital platforms, particularly in developing countries where digital services generate extensive economic activity but limited fiscal returns, the *Report* notes that new international frameworks and digital taxation arrangements are therefore needed.

Need for renewing multilateralism

The *Report* broadens the discussion to global geopolitical fragmentation. Rising conflicts, military spending, declining development assistance, and weakening multilateral cooperation are undermining the resources and political commitment needed for social development and welfare. Development assistance has fallen significantly, with particularly severe impacts on least developed countries.

The *Report* states that one of the reasons multilateral processes set up in the United Nations have been unable to prevent and stop a growing number of state-based conflicts is the veto power of the five permanent members (P5) of the UN Security Council, which has weakened the decision-making processes. The UN Secretary-General has called for reform of the Security Council, by expanding its membership to ensure representation and fairness, especially for Africa, Latin America, the Caribbean, and the Asia-Pacific, whose voices are underrepresented despite bearing much of the burden of peacemaking in a multipolar world.

According to the *Report*, socially inclusive transformations cannot succeed without renewed multilateralism. International cooperation is necessary to expand fiscal space, address debt burdens, close financing gaps, promote technology transfer, strengthen digital infrastructure, and ensure equitable access to innovation. It also argues for reforms in global governance institutions to improve representation, responsiveness, and accountability.

The *Report* concludes that national efforts alone will be insufficient. Inclusive digital and AI transitions require both domestic policy reforms and collective global action to ensure that technological progress contributes to social inclusion rather than deepening inequality. A renewed multilateral agenda should focus on three priorities. First, expanding fiscal space for social investment through stronger international tax cooperation and comprehensive and systematic support for developing countries to reduce the cost of capital and debt service burden. Second, promoting wider access to technology, innovation and digital infrastructure so that developing countries can participate more effectively in the global economy. Third, reforming global governance arrangements to make them more representative, inclusive and responsive to contemporary challenges, thereby restoring confidence in collective action and strengthening accountability to development outcomes.