

Opportunities for all: OECD Framework for Policy Action on Inclusive Growth

INCLUSIVE GROWTH INITIATIVE POLICY BRIEF

- ▶ Globalisation and digitalisation present opportunities as well as challenges for people, firms and public authorities.
- ▶ Inequalities have widened in terms of income, wealth and opportunities.
- ▶ Focusing only on economic growth without giving everyone a stake in that growth has left too many people from poor and middle-class backgrounds behind.
- ▶ The OECD's *Framework for Policy Action on Inclusive Growth* moves beyond GDP metrics and statistical averages to focus on equity, people and well-being, and emphasises the distribution of opportunities and outcomes in order to create sustainable growth.
- ▶ The Framework recommends investing in people and places, supporting business dynamism, and creating more inclusive labour markets, which will contribute to rebuilding trust and strengthening social cohesion. This will not only address concerns related to inclusiveness, but will also lay foundations for more sustainable growth, in line with the OECD's Productivity-Inclusiveness Nexus.
- ▶ Governments can do more to empower citizens and communities to help them shape policies for people, thriving businesses, shared prosperity and a sustainable planet.



Angel Gurría
Secretary-General of the OECD

"The OECD's Framework for Policy Action on Inclusive Growth will help countries implement policies that give all people, firms and regions the chance to thrive."

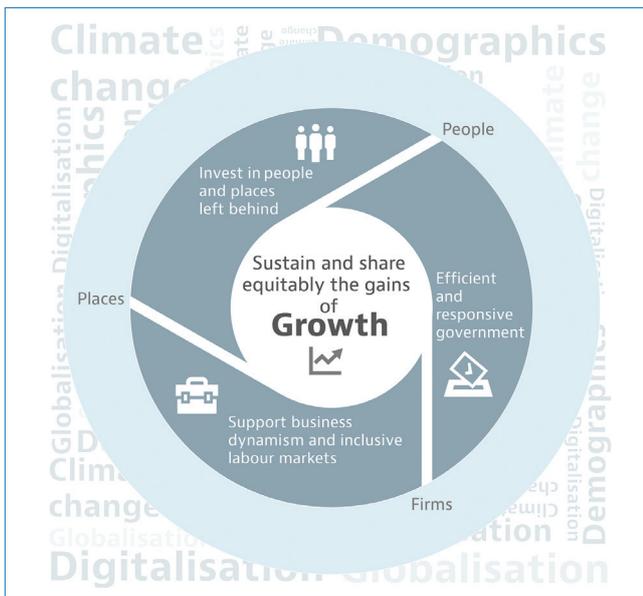
What's the issue?

The global economy is finally recovering from the crisis of 2007-08, with growth rates comparable to the pre-crisis period, but deep scars remain. Inequality is at its highest point in many OECD countries in 30 years. Today, the average disposable income of the richest 10% of the population is

around ten times that of the poorest 10% across the OECD, up from seven times since the mid-1980s. The picture is even more troubling in terms of wealth: the richest 10% in wealth terms own around 50% of all household assets, while the bottom 40% own barely 3%. Though poorer people and places bore the brunt of the crisis and its aftermath, higher labour productivity has not always led to higher incomes for middle-classes either. Disadvantages compound each other, as low household income can lead to low quality education and precarious jobs, hindering socio-economic and intergenerational mobility.

These inequalities extend beyond income and wealth, permeating just about every area of life, whether it is education, life expectancy, or employment prospects. Gender, age and the places where people live have a strong influence on people's socio-economic status and future prospects. For example, children whose parents did not complete secondary school have only a 15% chance of making it to university, compared to a 60% chance for children who have at least one parent with a university education.





The Framework for Policy Action on Inclusive Growth

Such inequalities undermine economic performance and trust in public institutions, and threaten social cohesion – more and more people are lashing out against globalisation and the established political and economic order.

To address this, policymakers and private sector leaders need to champion inclusive growth models that prioritise well-being – particularly of the poorest – and the preservation of the planet.

Why is inclusive growth important?

Inclusive growth is economic growth that creates opportunities for all groups of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society. Policies that focus on inclusiveness and well-being not only reduce inequalities, but can also put our economies back on a more sustainable growth path. This is all the more important as globalisation and digitalisation are exerting new competitive and disruptive pressures on our lives, impacting production, services and jobs, as well as government. How we manage these forces and seize the opportunities they bring depends on policies that create opportunities for all people and distribute the gains of rising prosperity more evenly across society.

Today, the ability of large segments of the population to invest in education and skills is curtailed, affecting their opportunities and productivity, and those of their children. Similarly, giving all firms the chance to thrive, not just the largest ones, is vital because SMEs are driving growth in many places and across global value chains.

Pursuing inclusive growth can also help to curb today's rising sense of political disaffection and disenchantment with globalisation, while bolstering public confidence in

governments and the social contract, particularly in remote areas that have not yet felt the benefits of globalisation.

We need growth to innovate, bolster our health and education systems, and invest in new and sustainable infrastructures for transport and energy. But that growth must involve everyone. Approaches that are not inclusive will simply fail again.

What's the OECD's advice on this?

The OECD has developed a **Framework for Policy Action on Inclusive Growth** to guide policy action that “brings everyone along” towards a more robust, confident future (see infographic). With the Framework, the OECD recommends moving away from a “grow first, distribute later” approach to fully incorporate equity in policymaking as a driver of growth and productivity. The OECD has also developed a **dashboard of 24 inclusive growth indicators** to monitor progress over time around key outcomes and drivers of inclusive growth.



Gabriela Ramos
OECD Chief of Staff and Sherpa
to the G20

“Inclusive growth means not only that the benefits of economic growth are widely shared, but that the growth process itself is built with the participation of all, particularly low income groups

and laggard firms. We need a growth model that introduces equity considerations *ex ante* and that puts people at the heart of policymaking.”

Invest in people and places that have been left behind

Our policy framework focuses on the opportunities and resources to undo the disadvantages that unequal access to early education, health services or the labour market can impose on people's lives, and to promote social mobility. OECD research shows that this can be achieved by:

- **Promoting quality childcare, early education programmes and life-long learning and acquisition of skills**, in particular through vocational and tertiary education;
- **Ensuring access to quality health services, housing and infrastructure**; and
- **Promoting regional catch-up** by enabling the fair and efficient reallocation of labour, capital and natural resources within and across regions.

Support business dynamism and inclusive labour markets

OECD research shows that reducing the gap between highly productive companies and those lagging behind can reduce income inequality and make markets stronger and more inclusive. However, this gap is currently widening. The OECD Productivity-Inclusiveness Nexus shows that a good place to start is by creating the necessary pre-conditions for workers, entrepreneurs and firms to be productive and innovative in the workplace and in markets ready for the future. Policymakers and business leaders can tackle this challenge together by:

- **Boosting productivity and business dynamism** by fostering entrepreneurship and innovation at all levels, strengthening competition, and ensuring wages increase with productivity;
- **Achieving more inclusive labour markets** by facilitating the reallocation of workers and capital, and ensuring the economic empowerment of women and other under-represented people;
- **Preparing for the future of work**, and ensuring that on-going transformations in the world of work do not widen divides;
- **Strengthening trade and investment** through international co-operation on tax policy with the implementation of the OECD/G20 BEPS package, while promoting responsible business conduct and the OECD's Guidelines for Multinational Enterprises.

Rebuilding trust with efficient and responsive governments

For citizens to play a stronger role in economic growth and to boost their faith in the future, everyone's voice needs to be taken into account when developing policies. People need to see that they can shape change. OECD work suggests that governments can achieve this by:

- **Ensuring citizens play a meaningful role in the design and evaluation of policies that concern them;**
- **Aligning policy packages across levels of government;**
- **Integrating equity aspects from the start in policy design.**

The OECD's *Framework for Policy Action on Inclusive Growth* can help governments draw from international best practices, spot issues in their own contexts, and tailor their own inclusive growth responses in line with the Sustainable Development Goals. Citizens will be able to follow progress too and compare their performance with other countries and regions, thanks to the inclusive growth indicators dashboard.

What's next?

The OECD is piloting the Inclusive Growth Country Reviews to help governments realise the potential of a people-centred, sustainable growth economy. These reviews are intended to provide an in-depth exploration and analysis of trends in multi-dimensional inequalities at the national level and help guide countries on designing and implementing the inclusive growth policy framework.

Ongoing OECD work can help this approach, both in national and international contexts. This requires fresh thinking, and smart and bold action of the kind promoted by the OECD Productivity-Inclusiveness Nexus, the Inclusive Growth Initiative and the New Approaches to Economic Challenges project. The extent to which governments advance inclusive growth objectives will depend partly on their capacity to coordinate with other stakeholders to address common challenges that national policies alone cannot resolve.

The OECD will continue to improve multilateral co-operation by establishing trustworthy guidelines, norms and standards, collecting and harmonising data, conducting comparable analysis, auditing existing inclusive growth policies, and above all, listening, learning and sharing countries' experiences with a diverse range of actors. Our mission is to inspire better policies for better lives.



Read the full report

OECD (2018), *Opportunities for All: The Framework for Policy Action on Inclusive Growth*, OECD Publishing, Paris. <https://oe.cd/2hj>

<http://www.oecd.org/inclusive-growth/>

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