How to Achieve Inclusive Growth

HUMAN CAPITAL PROJECT KNOWLEDGE EXCHANGE

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Valerie Cerra
Assistant Director
Fiscal Affairs Department, IMF

The views expressed are those of the presenter and do not necessarily represent those of the IMF or IMF policy.
Rising Inequality Within Countries

Sources: Cerra, Chapter 1 of *How to Achieve Inclusive Growth*; SWIID; and Chancel, in *World Inequality Report 2018*. Note: LH chart: Gray stands for no data. RH chart: Distribution of per adult pretax income measured at PPP.
Pandemic Widens Employment and Educational Gaps

Labor Markets in EMDEs
(Average percent difference from 2019:Q4 to 2021:Q1)

School Closures
(Total duration of full school closures in weeks, 3/2020-10/2021)

Sources: IMF World Economic Outlook, October 2021; International Labor Organization; and IMF staff estimates.

Sources: Ruchir Agarwal, IMF blog Feb 3, 2022; UNESCO global dataset; and IMF staff estimates.
Inequality Exacerbates Poverty Traps and Social Immobility

Source: Baduel, Isakova, and Ter-Martirosyan, Chapter 18 of How to Achieve Inclusive Growth; World Bank, WDI and GDIM databases.
Tradeoffs?

Growth ↔ Poverty and inequality

Source: Cerra, Lama, and Loayza, Chapter 2 of How to Achieve Inclusive Growth
Redistributive Impact of Fiscal Policy

Advanced economies

- Average market income Gini = 0.43
- Average disposable income Gini = 0.29
- Total redistribution = 0.14
- From transfers = 0.10

Developing countries

- Average market income Gini = 0.467
- Average disposable income Gini = 0.442
- Total redistribution = 0.025
- From transfers = 0.015

Source: Youhar, Jellema, Lustig, and Trabelsi, Chapter 13 of *How to Achieve Inclusive Growth*; and IMF Fiscal Monitor.
Post COVID-19: Lower GDP and Higher Public Debt

Sources: Fiscal Monitor and IMF World Economic Outlook database, October 2021; and staff estimates.
Lack of Labor Market Inclusiveness Has Many Dimensions

**GDP Gains from Reduced Discrimination (1960=100)**

- **Actual**
- **Model counterfactual**

Source: Hsieh et al (2019). Note: the graph shows the cumulative growth in GDP per person (market), in the data (overall), and in the model counterfactual based on Table V in Hsieh et al. (2019).

**Evolution of the Labor Share of Income (%)**

Source: IMF’s World Economic Outlook (WEO) (April 2017), Figure 3.1.

**Unemployment Benefit Coverage, 2013 (% of unemployed workers receiving benefits)**


Source: El-Ganainy, Ernst, Merola, Rogerson, and Schindler, Chapter 3 of How to Achieve Inclusive Growth.
### Gender

#### Legal Framework
- Eliminate discriminatory laws
- Civil rights (domestic violence, child marriage)
- Property rights (disjoint ownership and equal inheritance rights)
- Access to education
- Design laws to define digital worker’s rights

#### Fiscal
- Review and amend tax code
- Eliminate discriminatory taxes
- Introduce Gender budgeting
- Set up gender-response expenditures
- Invest in child and elder care
- Incentives for women in STEM
- Invest in digital infrastructure accessibility for tele-work

#### Labor Market
- Subscribe to ILO conventions
- Organize Active LP
- Retraining programs, especially after childbirth
- Financial and digital literacy
- Provide “long” paid and no transferable parental leave to fathers/male partners

#### Education campaign
- Introduce quotas (political and corporate)
- Anti-discriminatory education: information campaigns against stereotypes. TV programs with educational and entertaining content against stereotypes
- Provide access to contraception and educate to its use

#### Financial
- Provide incentives to banks to promote financial access for women
- Develop wireless payment systems

Source: Fernandez, Isakova, Luna, and Rambousek, Chapter 16 of *How to Achieve Inclusive Growth.*
Advances in Technology Have Benefits and Risks for Inclusion

Rising Wage-Skill Premia in the U.S.
(Real Wages of Full Time U.S. Male Workers, 1963=100)

Employment Trends in Routine vs. Non-Routine Jobs (Persons, Millions)

Source: Korinek, Stiglitz, and Schindler, Chapter 5 of How to Achieve Inclusive Growth.
Broad Policy Package to Enable a Green Transition

- Eliminate fossil-fuel subsidies, price carbon
- Incentivize sustainable use of natural resources
- Accelerate investment in sustainable and resilient infrastructure
- Provide information and nudges to steer norms and behavior
- Smooth the impact of climate shocks, ensure just transition
- General enabling policies

✓ Possible to grow prosperity and protect nature at the same time
✓ Large overlap between mitigation and adaptation policies
✓ Large scope to boost both inclusion and sustainability

Source: Bhattacharya, Ivanyna, Oman, and Stern, Chapter 20 of How to Achieve Inclusive Growth
References

How to Achieve Inclusive Growth

Edited by Valerie Cerra, Barry Eichengreen, Asmaa El-Ganainy, and Martin Schindler

- Analyses the paramount economic, social, and environmental policy challenges of our day
- Lays out a comprehensive and integrated framework for designing policies to combat economic disparities for current and future generations across the globe
- Draws on the expertise of top economists from around the world and on the policy experience of experts from leading international institutions


https://www.edx.org/course/inclusive-growth
Thank you!
Editors and Authors

Editors: Valerie Cerra, Barry Eichengreen, Asmaa El-Ganainy, Martin Schindler

Authors:

- **Brookings Institution**: Amar Bhattacharya
- **Commitment to Equity Institute**: Nora Lustig, Jon Jellema
- **European Bank for Reconstruction and Development**: Zsoka Koczan, Barbara Rambousek
- **International Labor Organization**: Ekkehard Ernst, Rossana Merola
Authors (continued)

- **World Bank**: Benedicte Baduel, Deon Filmer, Roberta Gatti, Norman Loayza, Halsey Rogers
- **World Trade Organization**: Marc Bacchetta, Roberta Piermartini, Maarten Smeets
- **IMF, Joint Vienna Institute, and Middle East Center for Economics and Finance**: Khaled Abdelkader, Sriram Balasubramanian, Adolfo Barajas, Mohamed Belhaj, Sami Ben Naceur, Lahcen Bounader, Jana Bricco, Valerie Cerra, Reda Cherif, Balazs Csonto, Hamid Davoodi, Ruud de Mooij, Barbara Dutzler, Asmaa El-Ganainy, Drilona Emrullahu, Holger Floerkemeier, Fuad Hasanov, Asel Isakova, Maksym Ivanyna, Ruy Lama, Francesco Luna, Priscilla Muthoora, William Oman, Magali Pinat, Nathalie Pouokam, Dmitriy Rozhkov, Andrea Salerno, Martin Schindler, Nikola Spatafora, Anna Ter-Martirosyan, Mohamed Trabelsi, Dmitry Vasilyev, Younes Zouhar
IG book chapter topics

Introduction
- An inclusive growth framework
- Links between growth, inequality, and poverty

Factor and product markets
- Labor markets
- Financial inclusion
- AI and technology
- Competitive markets

Globalization
- Trade
- Financial integration
- Migration

Government policies
- Governance
- Macro stability and debt
- Taxation
- Public spending and transfers
- Education and health
- Political reform

Disparities of outcomes
- Gender equity
- Regional disparities
- Generational equity
- Sharing natural resource wealth
- Climate change

Putting it together
- Country case studies
- Recap and next steps