OPPORTUNITIES FOR ALL:
Inclusive Growth in OECD Member Countries

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Inequalities are at the forefront of public debate and international agendas.

INCLUSIVE GROWTH

Inclusive growth is economic growth that is distributed fairly across society and creates opportunities for all.
In the last couple of decades, the living standards of the poorest increased...

Annual growth in multi-dimensional living standards, poorest 10% households, 1995-2017

Source: OECD calculations based on OECD Annual National Accounts, OECD Income Distribution Database and OECD Health Data Base. For the methodology see Boarini et al., 2016
...but wages of top 1% of income earners diverged from the average and the median

![Graph showing the divergence of top 1% earners' wages from the average and the median.](source: OECD (2018), Framework for Policy Action on Inclusive Growth; Schwellnus et al. (2017).)
Wealth is skewed in the hands of the top 10%

Shares of financial and non-financial assets for households by quintiles

2014 or latest available year, values in 2011 USD

Source: OECD Wealth Distribution Database; Balestra and Tomkin (2018).
There are large inequalities in longevity between education groups (1)

- Longevity gaps between ‘high’ and ‘low’ education: 8(m)/5(w) years at age 25; 3.6(m)/2.5(w) years at age 65

Panel A. Males
There are large inequalities in longevity between education groups (2)

- Longevity gaps between ‘high’ and ‘low’ education: 8(m)/5(w) years at age 25; 3.6(m)/2.5(w) years at age 65

Panel B. Females
There are large inequalities in longevity between education groups (3)

Among the elderly, circulatory problems are the first cause of death (40%) for all groups; they explain almost $\frac{1}{2}$ of the mortality differential between high and low educated men/women.

Decomposition of the difference in mortality by cause of death – elderly men around 2011
Today’s inequalities frame tomorrow’s opportunities

Intergenerational earnings mobility

Source: OECD (2018), Broken Elevator.
Deep drivers of inequalities

Educational outcomes largely affected by family background (PISA, 2015)

Inequality as a result of low economic fluidity

Declining business dynamism across 20 OECD and non-OECD economies

Entry rate: Number of firms with positive employment.
Churning rate: Sum of gross job creation rate and gross job destruction rate.
Excess job reallocation rate: Churning rate less net employment growth.

Note: Estimates are based on data for 20 countries (AUT, BEL, BRA, CRI, DNK, ESP, FIN, FRA, GBR, HUN, ITA, JPN, LUX, NLD, NOR, NZL, PRT, SWE, TUR, USA).
The OECD’s response: the Inclusive Growth Initiative

The methodology and the approach:

- **First IG vintage**: Measurement Framework (Multidimensional Living Standards) and simplified Policy Framework (mainly what’s included in Going for Growth)

- **Second IG vintage**: Sectoral applications of IG definitions and analysis – a long set of recommendations in many policy areas (education, labour, innovation, entrepreneurship, productivity, governance, taxes, macroeconomic policies)

- **Third IG vintage**: Apply a consistent lens to all these recommendations → Framework for Policy Action

Third OECD vintage developed around 4 key steps:

1. Conceptual framework
2. Dashboard of indicators
3. Policy Mapping
4. Framework for Action
The IG conceptual framework

- **Growth and equitable sharing of benefits from growth**
  - Does the economy deliver for everyone? (Ch. 1)

- **Inclusive and well-functioning markets**
  - What are the sources of growth? How balanced are they? (Ch. 2)

- **Equal opportunities & foundations of future prosperity**
  - What are the investments needed to sustain growth in the future? (Ch. 3)

- **Governance**
  - How to best govern the IG agenda? (Ch. 4)
Inclusive Growth Dashboard

**GROWTH & EQUITABLE SHARING OF BENEFITS FROM GROWTH**

1.1 GDP per capita growth
1.2 Median income growth and level
1.3 S80/20 share of income ratio
1.4 Bottom 40% wealth share
1.5 Life expectancy
1.6 Mortality from outdoor air pollution

**GROWTH & EQUITABLE SHARING OF BENEFITS FROM GROWTH**

2.1 Labour productivity growth and level
2.2 Employment
2.3 Earnings dispersion
2.4 Female wage gap
2.5 Involuntary part-time employment
2.6 Digital access services
2.7 Share of SME loans in total business loans

**EQUAL OPPORTUNITIES & FOUNDATIONS OF FUTURE PROSPERITY**

3.1 Variation in science performance by students' socio-economic status
3.2 Correlation of earnings outcomes across generations
3.3 Child-care enrolment rate
3.4 Young people in NEET(18-24)
3.5 Share of low performers adults in both literacy & numeracy
3.6 Regional life expectancy gap

**INCLUSIVE & WELL-FUNCTIONING MARKETS**

4.1 Confidence in government
4.2 Voter turnout
4.3 Female political participation

**GOVERNANCE**
What can be done? Framework for Action on IG

Transform economic growth into improved living standards for all and give the bottom 40% a chance to achieve their full potential, by

1. Investing in people and places that have been left behind;

2. Supporting business dynamism and inclusive labour markets; and

3. Building efficient and responsive governments.
Investing in the skills of the future

% of employees

Note: High risk – more than 70% probability of automation; risk of significant change – between 50 and 70% probability.
Rethinking competition in the digital era?

Mark-up growth over time (2001-2014) in digitally intensive vs less digitally intensive sectors

Average % differences in mark-ups between firms in less digital intensive and in digital intensive sector (at the beginning and at the end of the sample period)

Note: The distinction between digitally intensive sectors (resp. less digitally intensive sectors) rank above the median sector by digital intensity, as calculated jointly over all indicators of digitalisation in Calvino et al. (forthcoming). It shows only mark-ups estimated assuming a Cobb-Douglas production function.

Making Labour Markets More Inclusive

Tax wedges on low incomes
(By family type, % of labour costs, 2016)

- Single, no children, 67% average wage (AW)
- Single, 2 children, 67% average wage (AW)

% of labour costs

Making health systems more cost-efficient (1)

HSC surveys

Country responses to the 2008, 2012 and 2016 rounds

Construction of indicators

- Financing and coverage (8)
- Health care delivery (5)
- Resource allocation and governance (4)

Panel dataset

- Score ranging from 0 – 6
- 33 OECD countries
- 3 observations for each indicator

16 countries reviewed responses and helped the Secretariat with interpreting results June-September 2017
Making health systems more cost-efficient (2)
The effects of changes in policies on Value-for-Money

Increased level of financial protection for health care users
Greater depth of basic coverage
Higher degree of regulation of prices for primary care
Higher degree of regulation of prices for hospitals’ services
Greater use of HTA
Stronger incentives for health care quality

Outcome improvement → Spending increase

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What’s the business case for inclusive growth?

1. Businesses benefit from better operating environments and enhanced market opportunities
   - Larger middle class of consumers with greater purchasing power
   - More highly educated workforce
   - More stable political and social environments in which to do business

2. Inclusive business practices are associated with better performance
   - Higher diversity and higher female representation in executive management and on Boards linked with higher risk-adjusted returns
   - More diverse teams are also linked with better problem-solving abilities
   - Higher pay and improved working conditions associated with higher productivity due to increase employee engagement and satisfaction
Business for Inclusive Growth platform

Multi-stakeholder coalitions of business, government, and civil society

E.g. the Paris Climate Agreement and the UN Guiding Principles on Business and Human Rights have both aligned governments and businesses around an action platform.

- Indicators and metrics on the business and investment impacts on IG and well-being
- An online portal where businesses can share best practices on inclusiveness and access other tools: quality FDI, RBC, etc.
- New research on corporate governance models, business practices and public policies that enhance IG
- A series of roundtables, workshops and policy dialogues for business and government leaders to promote the IG agenda
Thank you

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OECD Inclusive Growth Initiative:
http://www.oecd.org/inclusive-growth/