

Entender cómo funciona la economía y cómo hacerla trabajar en beneficio de todos

Understanding the economy and how to make it work better for people

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ABSTRACT

Session 3: How could policies change to promote Inclusive economic growth?

Rising inequalities of income, wealth and well-being are fracturing societies, encouraging political extremism and undermining further prosperity and well-being. Income inequality in the OECD is at an all-time high. It has increased in two thirds of EU countries since 1980, with the Gini coefficient rising from 0.28 to 0.31. More generally, across the OECD, the average disposable income of the richest 10% is now around nine and a half times higher than that of the poorest 10%. 25 years ago, it was seven times as high.

The picture is even more pronounced when we consider inequality of wealth: the top 10% holds half of total wealth, the bottom 40% holds only 3%. Lines of divide exist in many other important aspects of lives. For instance, men with only primary-level education live almost 8 years less on average than their university-educated peers. People without an upper secondary qualification are 40% less likely to feel they have a say in what the government does compared to those with a tertiary education. Disadvantage compounds across generations, hindering socio-economic and intergenerational mobility. 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. In some countries, including Spain, those trends have worsened with the economic crisis. For instance, worsening of parents' employment conditions in the aftermath of the recession led to a fall in children's living standards, with the share of Spanish poor households where one parent is not in work increasing from 34% in 2006 to 60% in 2014. As these inequalities become entrenched, they slow down the social elevator. In Spain, it would take a child born into a low-income family about four generations – or up to 120 years – to reach the average level of income.

Women and girls encounter specific inclusive growth challenges, for instance they continue to be poorly represented in the science, technology, engineering and mathematics (STEM) fields; they are

still less likely to engage in paid work, more likely to work part-time, and less likely to advance to management; and they continue to earn less than men: the median full-time female worker earns almost 15% less than her male counterpart, on average, across the OECD. Women are less likely to be entrepreneurs, and female-owned businesses tend to earn less than male-owned ones. Across countries, gender gaps increase with age, reflecting the crucial role that parenthood plays in gender equality. Much more than fatherhood, motherhood typically has marked negative effects on workforce participation, pay and career advancement. Gender inequalities pervade public life, as well: women are underrepresented in political office, holding less than one-third of seats in lower houses of national legislatures, on average, in the OECD. Last but not least, public attitudes towards the roles of men and women continue to be a serious obstacle to greater gender equality.

To respond to the rise of income inequality and tackle the many inclusiveness challenges that countries face, and building on several years of research around inequality, the OECD has launched the Inclusive Growth Initiative in 2012, a vast horizontal programme across the Organisation that starting from a deep analysis of inequalities drivers in the OECD and beyond devises an integrated policy response to transform growth into a mechanism that increases well-being for all. More recently the Initiative developed a Framework for Policy Action on Inclusive Growth, stressing the importance of investing in people and places left behind; supporting business dynamism, making labour markets more inclusive, and building efficient and responsive governments. These dynamics can be catalysed by policies that address the unintended consequences of globalisation, financialisation and technological change and that specifically aim at reducing inequality at the top, and the vicious circles that concentration of wealth and power may generate. Examples of such policies include expanding the access to good quality services (such as education, health, housing, transport, etc) with a particular focus on the most vulnerable households; increasing the progressivity of overall tax and transfer systems; fostering social dialogue; supporting young and small firms' capacity to innovate and upgrade; helping small and medium firms to get access to pools of talents; fostering entrepreneurship; and levelling the playing field between large and small companies, removing policy programmes that favour incumbents. In the context of the digital transformation, these and other policies, for instance skilling, social protection and activation policies, require upgrading and redesigning to ensure that the existing inequalities will not exacerbated. Finally, the Framework highlights the importance of adopting a whole-government-approach factoring in distributional and equity considerations (e.g. equality of opportunities), in the design and implementation of policies.

Going forward the Initiative will work to develop the linkages between inclusive and green growth strategies, to understand how social and environmental sustainability are intimately related. For instance, the distributional impacts of environmental policies (e.g. concept of "Just Transition" enshrined in the Paris Agreement) need to be addressed by specific policies. Access to natural resources and protection of environmental risks (including impacts on health) need to be framed

through a distributional lens as well to understand people’s demands and the acceptability of policy changes.