

## 24. The OECD Inclusive Growth Framework

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### While the global economy is recovering, multidimensional inequality is on the rise

The global economy is finally recovering from the crisis of 2007-08 and the subsequent Great Recession, with growth rates comparable to the pre-crisis period. But focusing narrowly on GDP growth hides the fact that income and wealth inequality is at its highest point for 30 years in many OECD countries. Some government policies and business actions have fuelled a “winner-takes-most” system. Today, the average disposable income of the richest 10% of the population is now around 10 times that of the poorest 10% across the OECD, up from seven 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%.

These inequalities extend beyond income and wealth and permeate 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. Looking across OECD countries, for example, it takes four to five generations for children of families in the bottom earnings decile to attain the mean earnings level. The rise of multidimensional inequalities hampers social mobility, undermines economic performance and worsens social divisions. Trust in governments is being eroded and people are lashing out against globalisation and the established political and economic order as populism and protectionism return in many countries.

The OECD Inclusive Growth (IG) Initiative<sup>1</sup> champions “*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.

### A framework for action on inclusive growth to bring everyone along

The OECD Inclusive Growth Initiative has developed a **Framework for Action on Inclusive Growth** to guide policy action that “brings everyone along” (and thus leave no one behind) and aims to reduce multi-dimensional inequalities and empower people to live happy, healthy and productive lives. The Framework provides countries with broad guidance on how to design and implement integrated policy packages to promote inclusive growth. The OECD has also developed a dashboard of 24 inclusive growth indicators to monitor progress over time. The Framework helps governments sustain and more equitably share the benefits of growth by promoting dynamics in three key areas:

- **Establishing equal opportunities for all** by investing in early childhood education, care and lifelong learning; promoting regional catching up; and investing in communities' well-being and social capital.
- **Enabling strong, inclusive markets** that prepare people and firms for the future of work by promoting inclusive labour markets, updating social protection systems and boosting productivity growth and business dynamism.
- **Re-building trust in government** by embedding inclusiveness in policy making and using data and digital technologies to design citizen-centred policies.

The Framework is a blueprint for action, drawing from cutting-edge analyses and international best practices on Inclusive Growth. It enables governments to identify issues within their own national and local contexts and tailor their inclusive growth strategies to meet the Sustainable Development Goals. Citizens are able to follow progress too, comparing their country's performance with other countries and regions.

### A comprehensive approach to inclusive growth policy making and monitoring

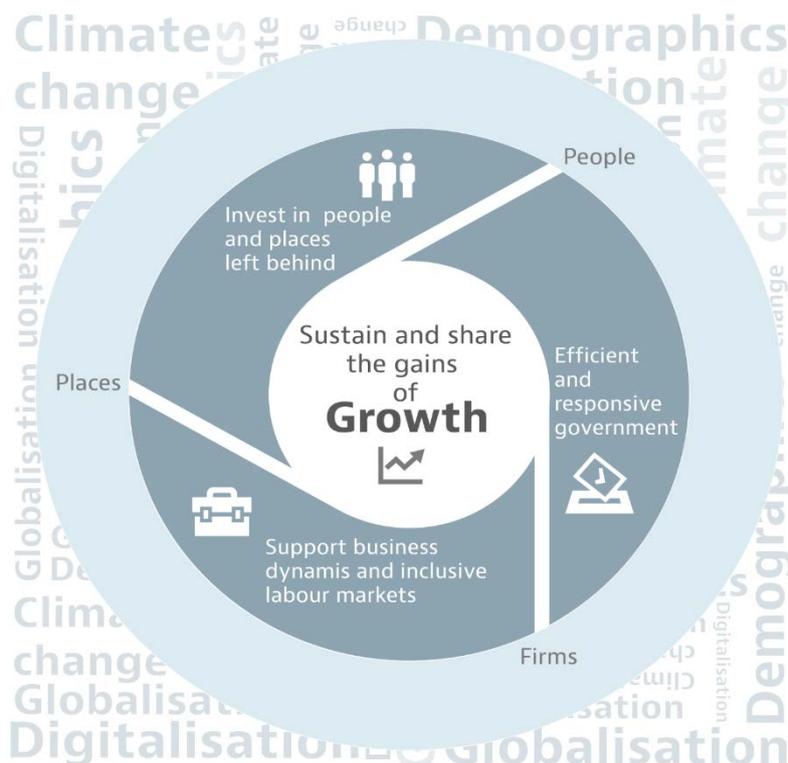
The Framework was launched in May 2018 and represents the third phase of the OECD Inclusive Growth Initiative. The first phase involved the development of a measurement framework (multi-dimensional living standards) and simplified policy framework. The second phase involved applying inclusive growth analysis to different policy areas (education, labour markets, governance, entrepreneurship, taxation, etc.). The Framework is the culmination of these different phases of work, integrating policy recommendations across sectors with the measurement framework to provide a coherent approach to inclusive growth policy making and monitoring. It also recognises the importance of partnerships in achieving the IG vision and integrates the private sector perspective in the Framework.

### What next?

The OECD is rolling out the Framework through Inclusive Growth Country Reviews. 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 through designing and implementing a comprehensive inclusive growth agenda. Additionally, the Framework will identify knowledge gaps and advance OECD analysis in several areas, including expanding the scope of the work to developing and emerging economies.

The Framework is also being used to deepen the OECD's engagement with the private sector to accelerate action on the inclusive growth and sustainable development agendas. As part of the OECD Business for Inclusive Growth platform, the OECD will map complimentary business actions with public policies under the pillars of the Framework, with the aim of shaping policies to incentivise business actions conducive to inclusive growth.

The Framework will be mainstreamed across a range of OECD work streams and used to guide the Inclusive Growth thinking of other international fora such as the G20 and G7, and APEC.

**Figure 24.1. The OECD Inclusive Growth Framework**

Source: The OECD Inclusive Growth Initiative.

## Notes

<sup>1</sup> More information is available here: <http://www.oecd.org/inclusive-growth/>.



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