

GROWTH, JOBS, EQUITY: GOING FOR (INCLUSIVE) GROWTH

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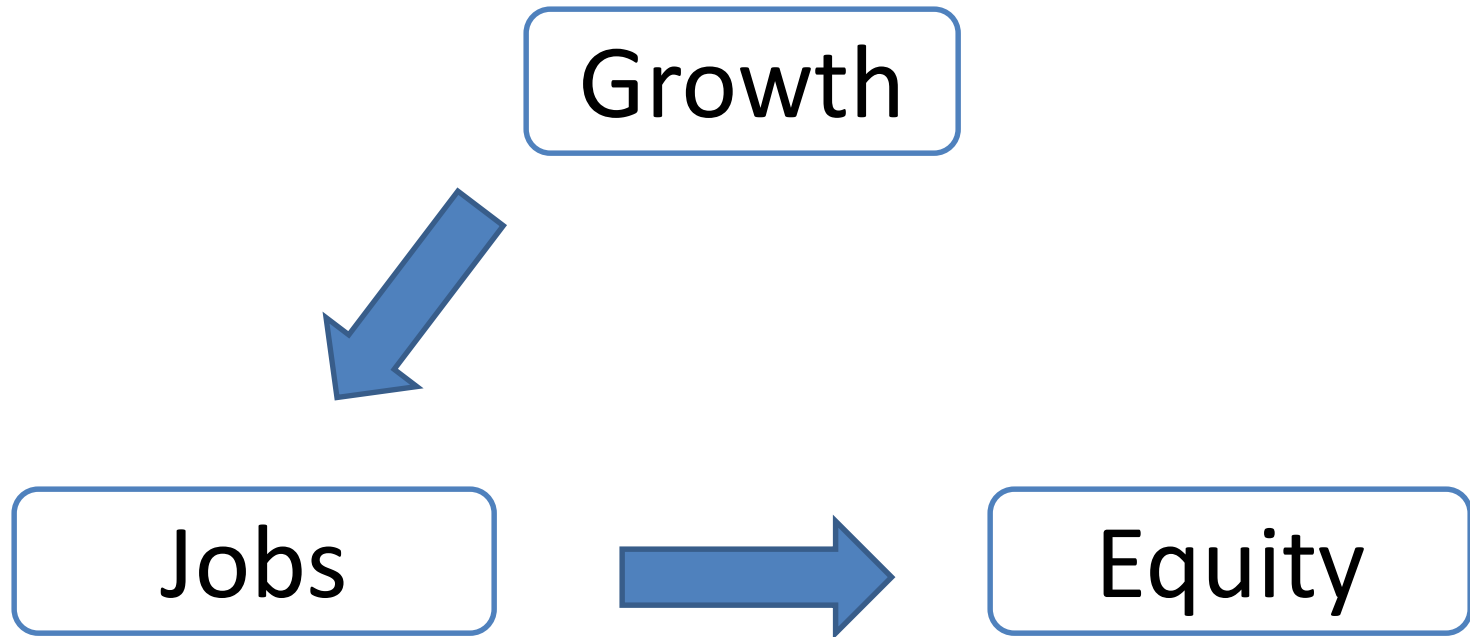
**I AM GRATEFUL TO ZIDONG AN FOR ASSISTANCE WITH PUTTING TOGETHER THIS PRESENTATION.
VIEWS EXPRESSED ARE THOSE OF THE PRESENTER AND SHOULD NOT BE ASCRIBED TO THE IMF .**

Main message

- Thoughts matter: inclusive growth as a new framework for thought
- Actions matter: domestic policies can help make growth more inclusive

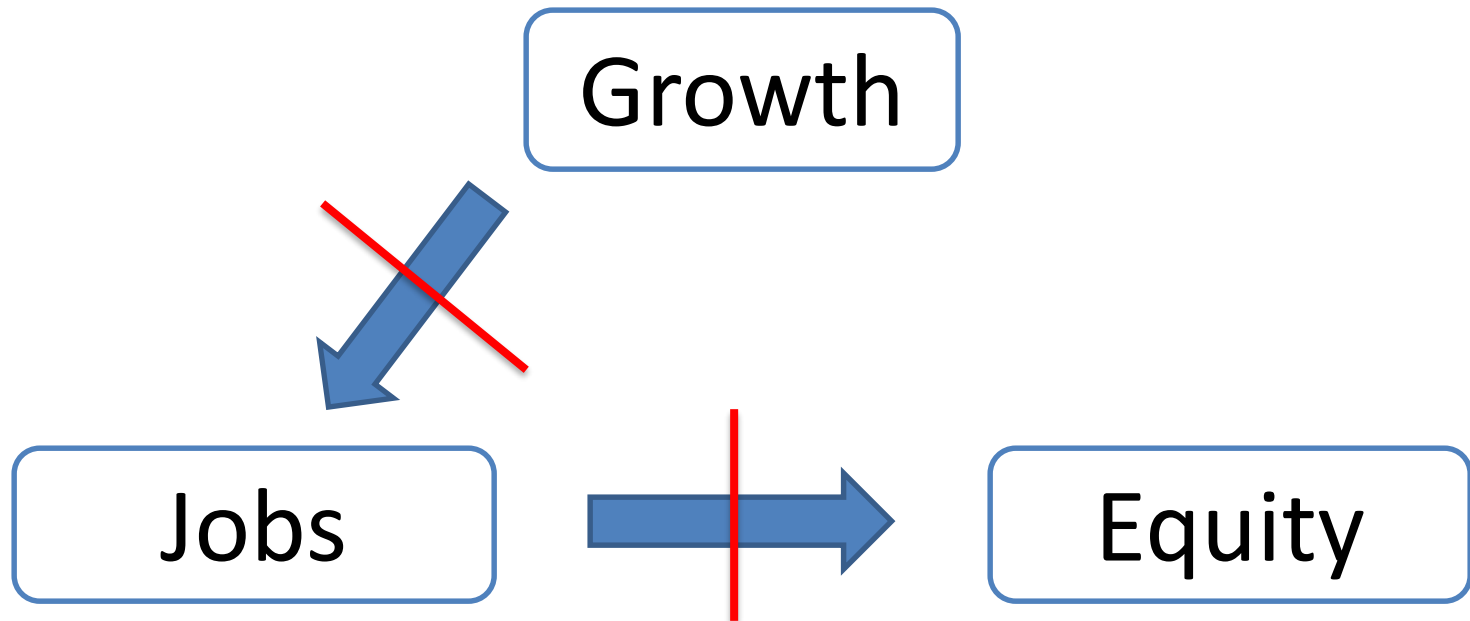
“Thought without action is empty. Action without thought is blind”
(Kwame Nkrumah)

Growth, Jobs, Equity: Traditional View



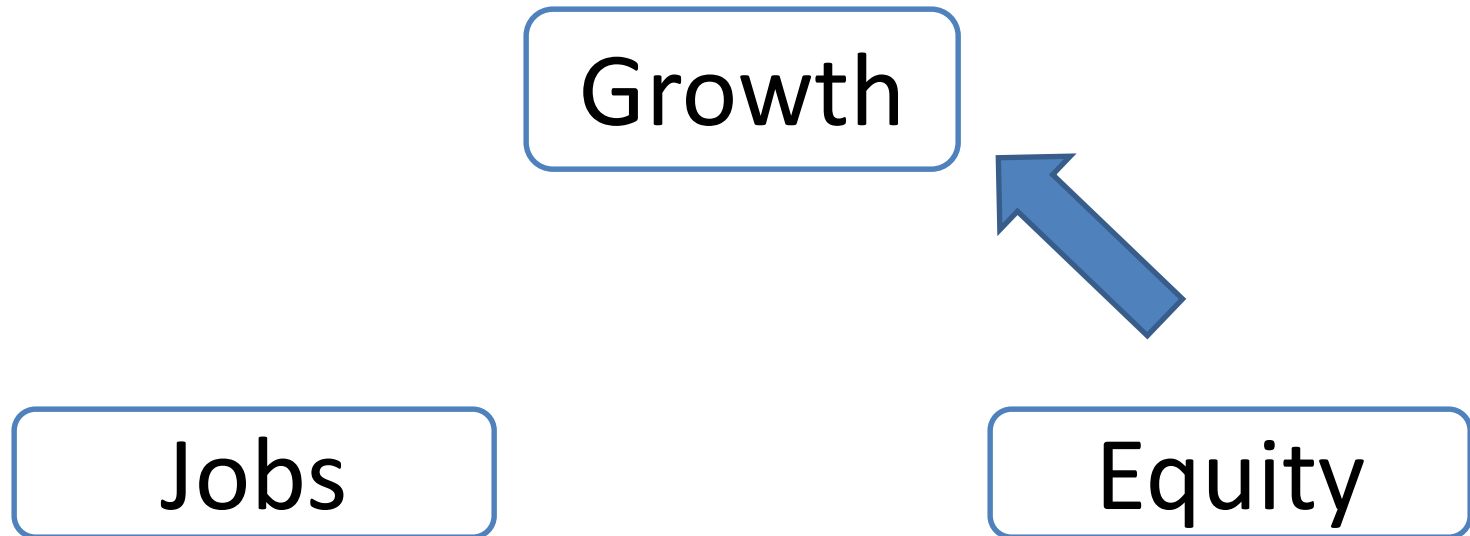
- Growth will create jobs
- Jobs will create the right degree of equity (the market gives people their just rewards)

Growth, Jobs, Equity: New Views



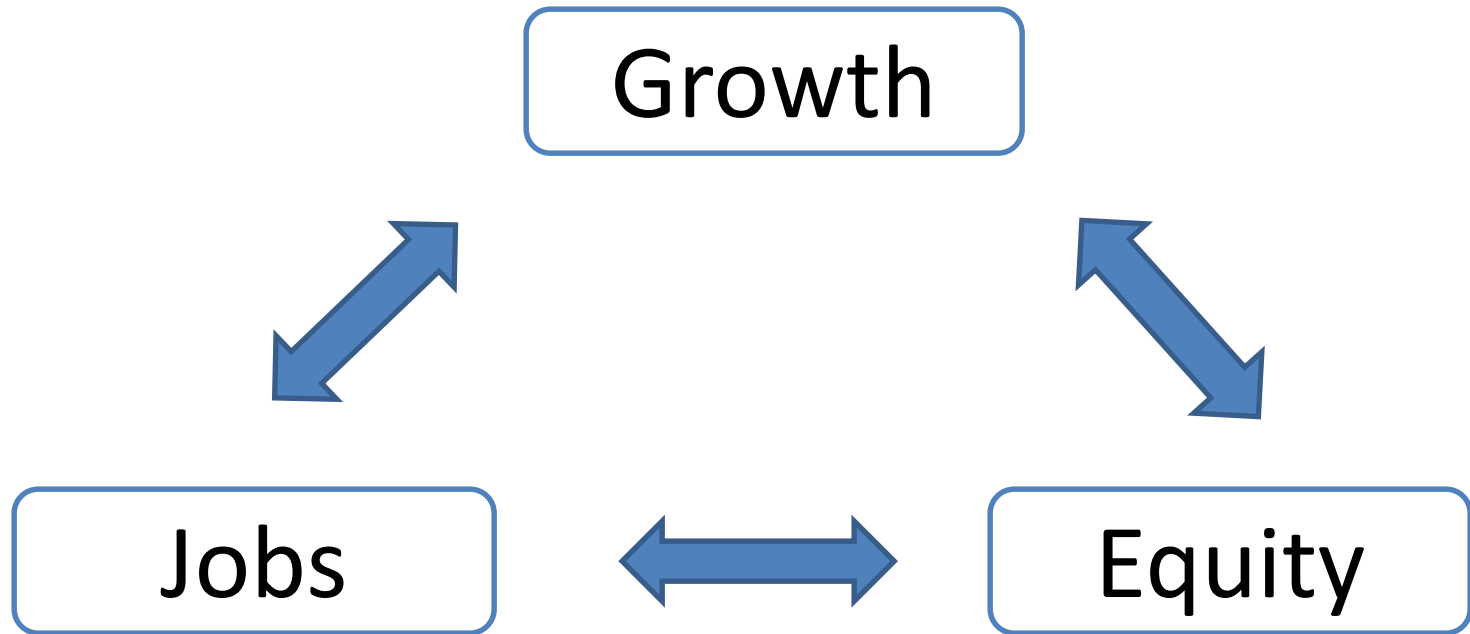
- Sometimes growth does not create jobs: countries may need a 'jobs strategy' (World Development Report, 2013)
- Sometimes job creation does not lead to equity: if wages are determined by 'rent-seeking', for instance, or if there is a 'hollowing-out' of middle-class jobs

Growth, Jobs, Equity: New Views



- Equity leads to more durable growth ([Berg and Ostry 2011](#))
- Inequality breeds crises through excessive leverage ([Rajan 2005](#); [Kumhof, Ranciere & Winant 2015](#))
- Polarization of incomes hurts aggregate consumption & aggregate demand ([Alichi and others 2016](#))

A New Framework: Inclusive Growth



Inclusive growth

Elena Ianchovichina & Susanna Lundstrom (“What is Inclusive Growth?”, World Bank, 2009)

- Inclusive growth = ‘growth that is broadly shared’
 - *“it should be broad-based across sectors and inclusive of the large part of the country’s labor force”*
- “inclusiveness – a concept that encompasses equity, equality of opportunity, and protection in market and employment transitions – is an essential ingredient of any successful growth strategy” (Growth Commission)
- In long-run, “productive employment rather than direct income redistribution as a means of increasing incomes for excluded groups”
 - “In the short run, governments could use income distribution schemes to attenuate negative impacts on the poor of policies intended to jump start growth, but transfer schemes cannot be an answer in the long run”
 - “for growth to be inclusive, productivity must be improved and new employment opportunities created”

Inclusive growth and the IMF

We want growth, but we also want to make sure:

- that people have [jobs](#)—this is the basis for people to feel included in society and to have a sense of dignity;
- that women and men have equal opportunities to participate in the economy—hence our focus on [gender](#);
- that the poor and the middle class share in the prosperity of a country—hence the work on [inequality](#) and shared prosperity;
- that, as happens, for instance when countries discover natural resources, wealth is not captured by a few—this is why we worry about corruption and [governance](#);
- that there is [financial inclusion](#)—which makes a difference in investment, food security and health outcomes; and
- that growth is shared just not among this generation but with future generations—hence our work on building resilience to [climate change](#) and [natural disasters](#).

Domestic Policies & Inclusive Growth

- Central banks and finance ministries play a key role in maintaining aggregate demand
- Equity depends on policies: Gini coefficients, labor shares, top income shares depend on:
 - Fiscal policies ([Ball, Furceri, Leigh & Loungani 2013](#))
 - Capital account liberalization ([Furceri & Loungani 2015](#))
 - Labor market policies ([Jaumotte & Osorio-Buitron 2015](#))
 - Monetary policies ([Furceri, Loungani, Zdzienicka 2016](#))

Getting macro policies (monetary and fiscal) right
will also help labor markets

- *“There is sometimes **the naïve belief that unemployment must be due to a defect in the labor market**, as if the hole in a flat tire must always be at the bottom, because that is where the tire is flat” (Solow, 2000).*
- *“It takes a heap of Harberger triangles to fill an Okun's gap.” (Tobin, 1977)*

Getting macro policies right will help labor markets

The Conscience of a Liberal



PAUL KRUGMAN

September 14, 2010, 11:08 AM

The International Monetary Fund Is Not Insane

That shouldn't be startling; but these days it is. Given the way [conventional madness](#) has overtaken so many international institutions, the IMF's reasonable, if much too cautious, [new paper on employment](#) (pdf) is actually a welcome surprise. "A recovery in aggregate demand is the single best cure for unemployment" — what a relief to see the Fund actually saying that.

The times they are a changin' ...

Released by FDMD Lipton at
the Peterson Institute

Panel discussion to be chaired
by FDMD Lipton

Fiscal Policy and Income Inequality

March 13, 2014

**“Central Bankers and Inclusive
Growth”**

International Monetary Fund/World Bank 2017 Spring Meetings

Saturday, April 22 from 2:00 to 3:15 p.m.
IMF HQ1, Meeting Halls A&B.
700 19th Street NW, Washington DC 20431

**BACKGROUND SLIDES:
OUTLOOK FOR JOBS**

International Jobs Report



INTERNATIONAL JOBS REPORT

IJR

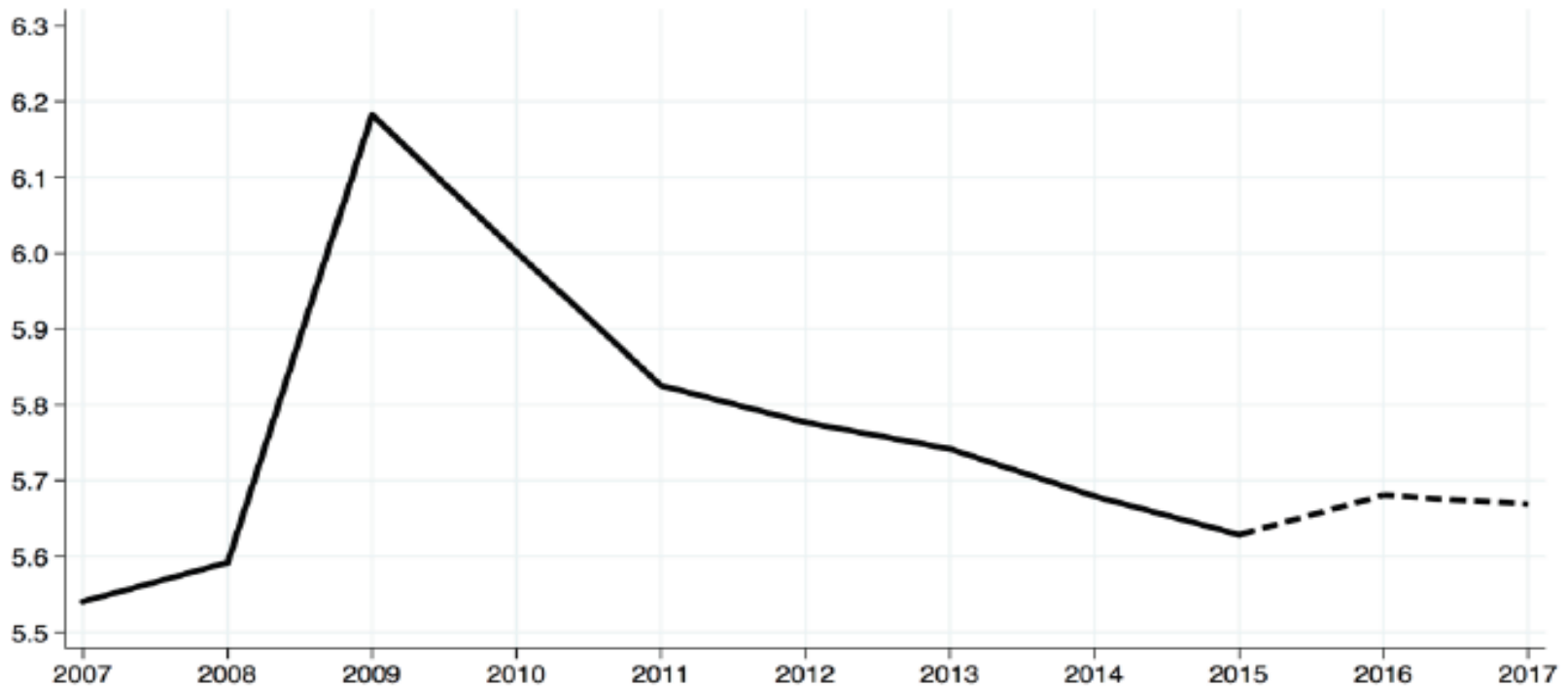


November 2016

IJR- 16/03

The Global Unemployment Rate

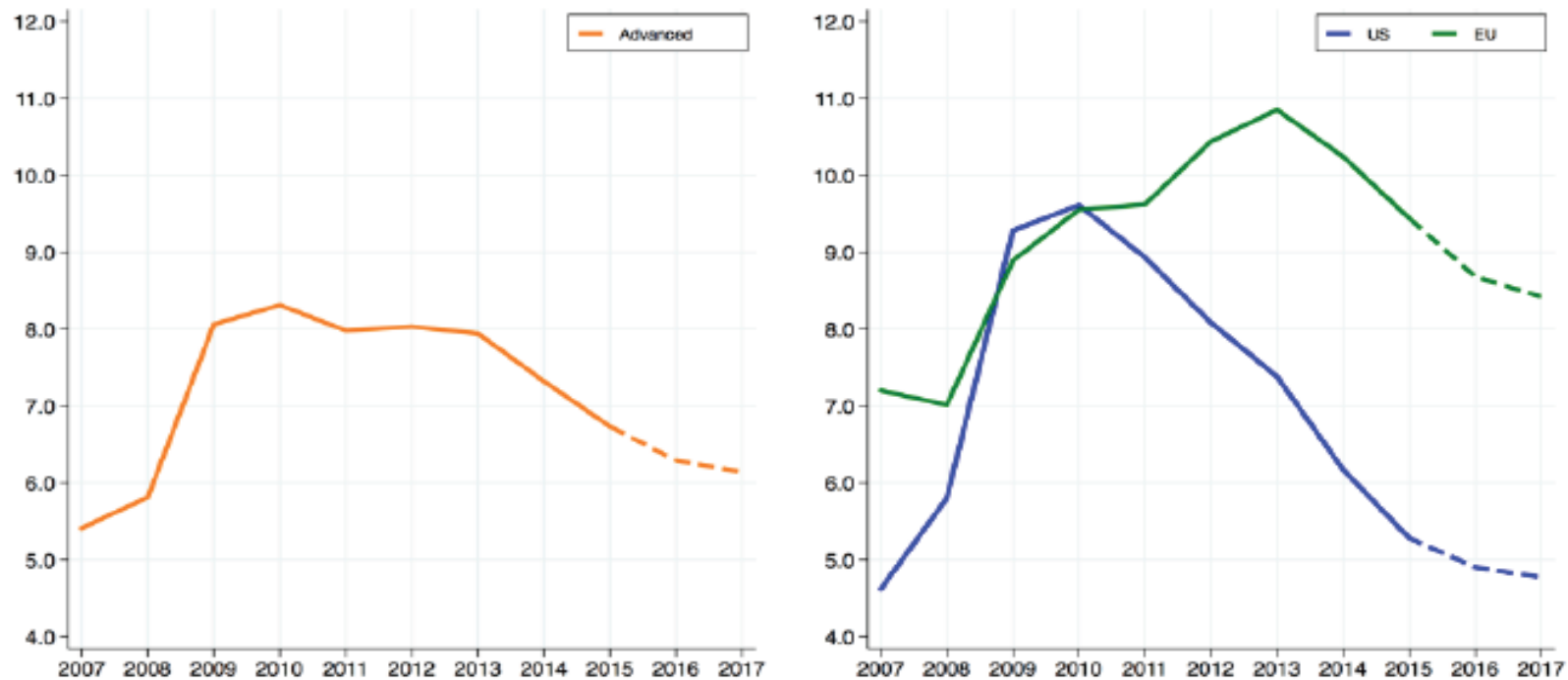
Figure 1. Global Unemployment Rate (%)



Sources: International Monetary Fund; International Labor Organization; national governments.

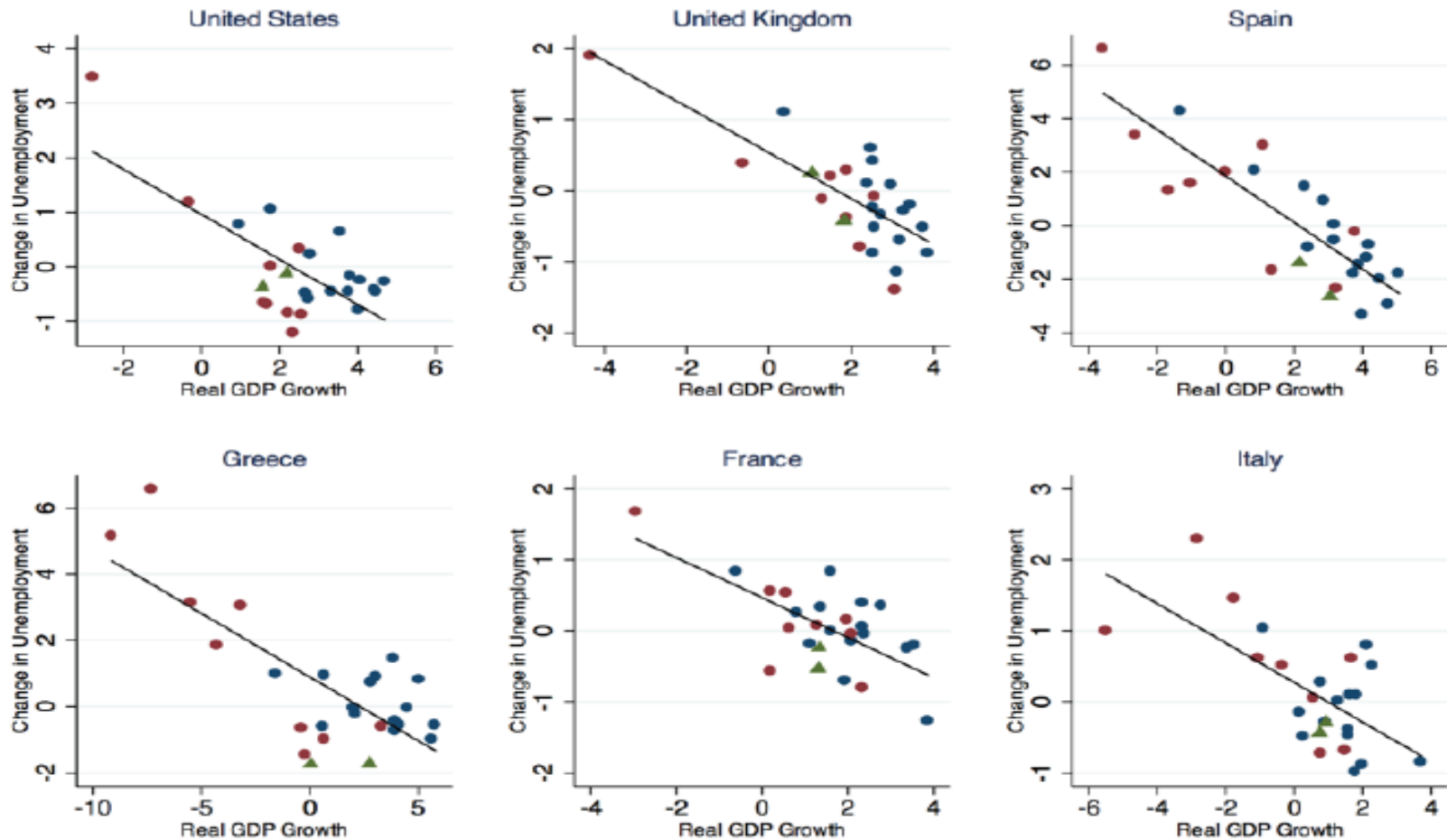
Unemployment Rate in Advanced (High-Income) Economies

Figure 2. Unemployment Rate (%): Advanced, US, and EU



Sources: International Monetary Fund; International Labor Organization; national governments.

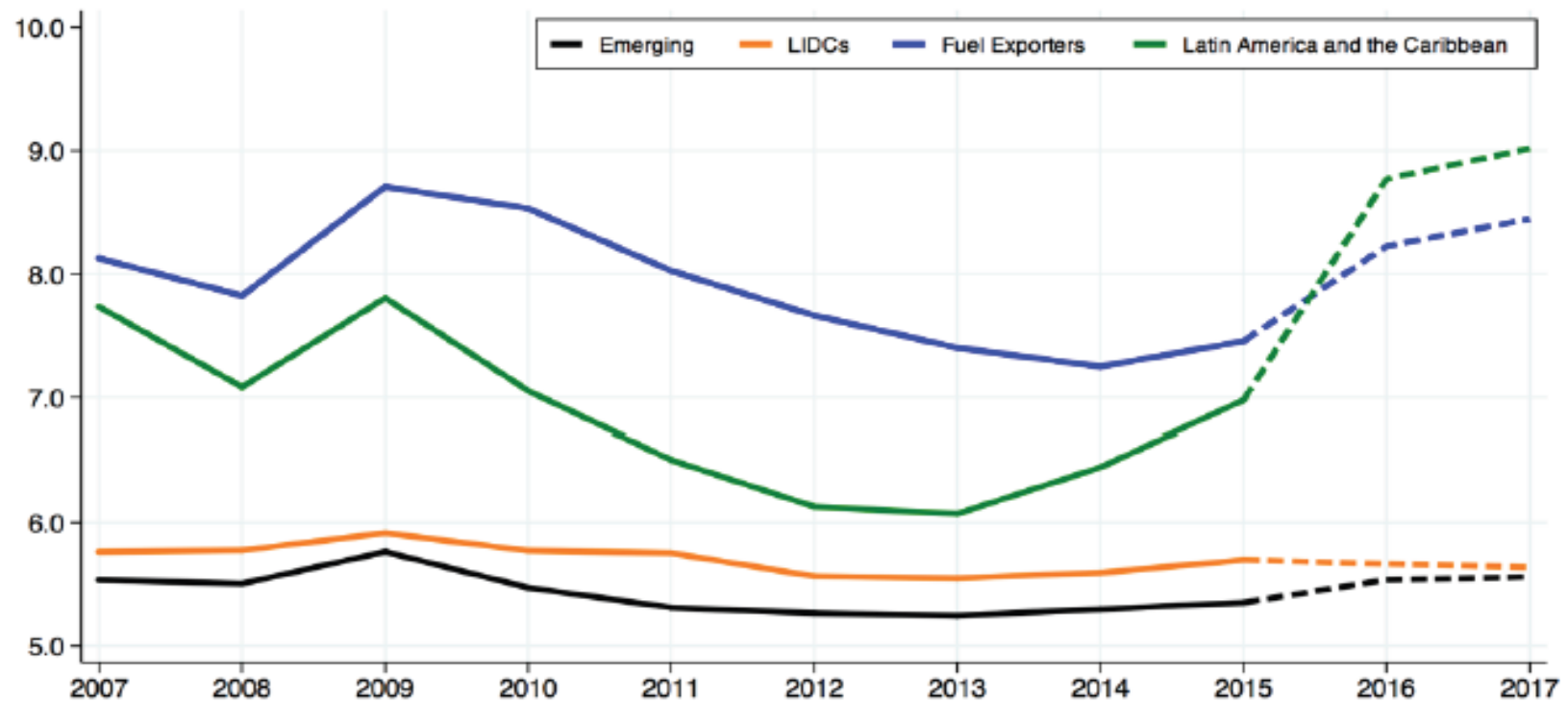
Link between Jobs and Growth: Selected Advanced Economies



Sources: Ball, Furceri, Leigh and Loungani (2016)

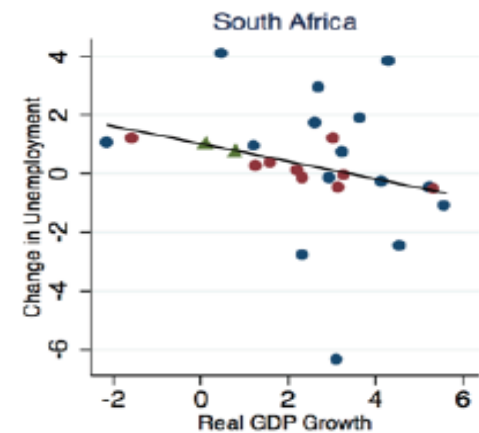
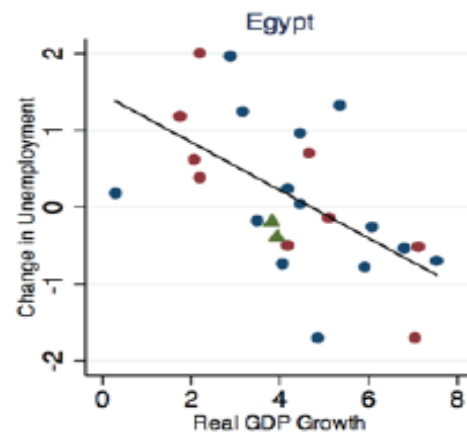
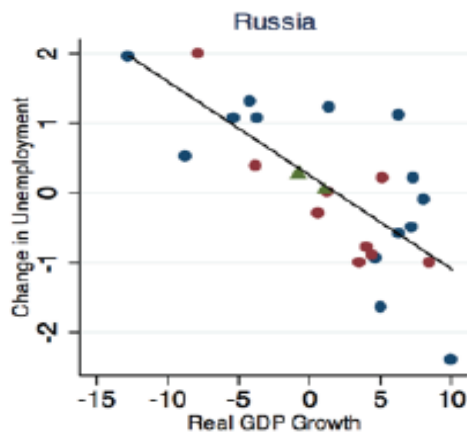
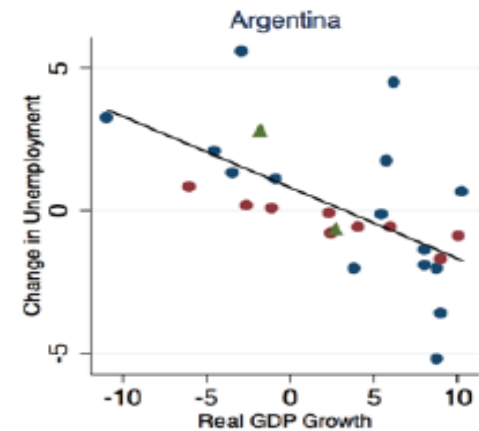
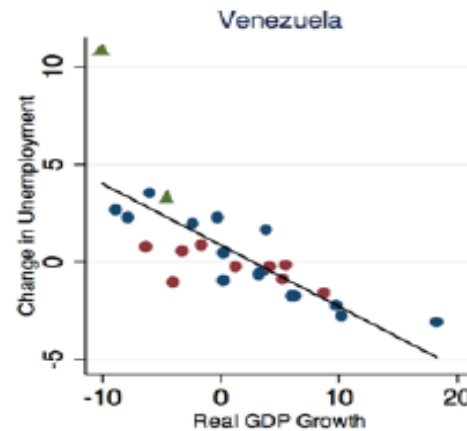
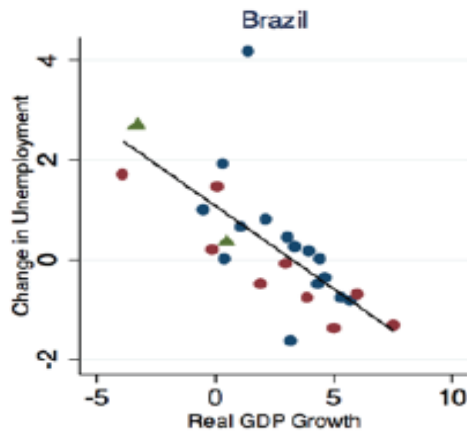
Unemployment Outlook in Fuel-Exporting Countries & in Latin America

Figure 3. Unemployment Rate (%): Emerging, LIDCs, Fuel Exporters, and Latin America and the Caribbean



Sources: International Monetary Fund; International Labor Organization; national governments.

Link between Jobs and Growth: Selected Developing Economies



Sources: Ball, Furceri, Leigh and Loungani (2016); An, Ghazi and Gonzalez-Prieto (2016)