



WORLD
ECONOMIC
FORUM

COMMITTED TO
IMPROVING THE STATE
OF THE WORLD

Fostering Inclusive Growth and Development



Federal Reserve Bank of Philadelphia
September , 2016

Overview

03
Recent trends and
implications of
rising inequality



05
What is inclusive
growth and how
do we measure
it?



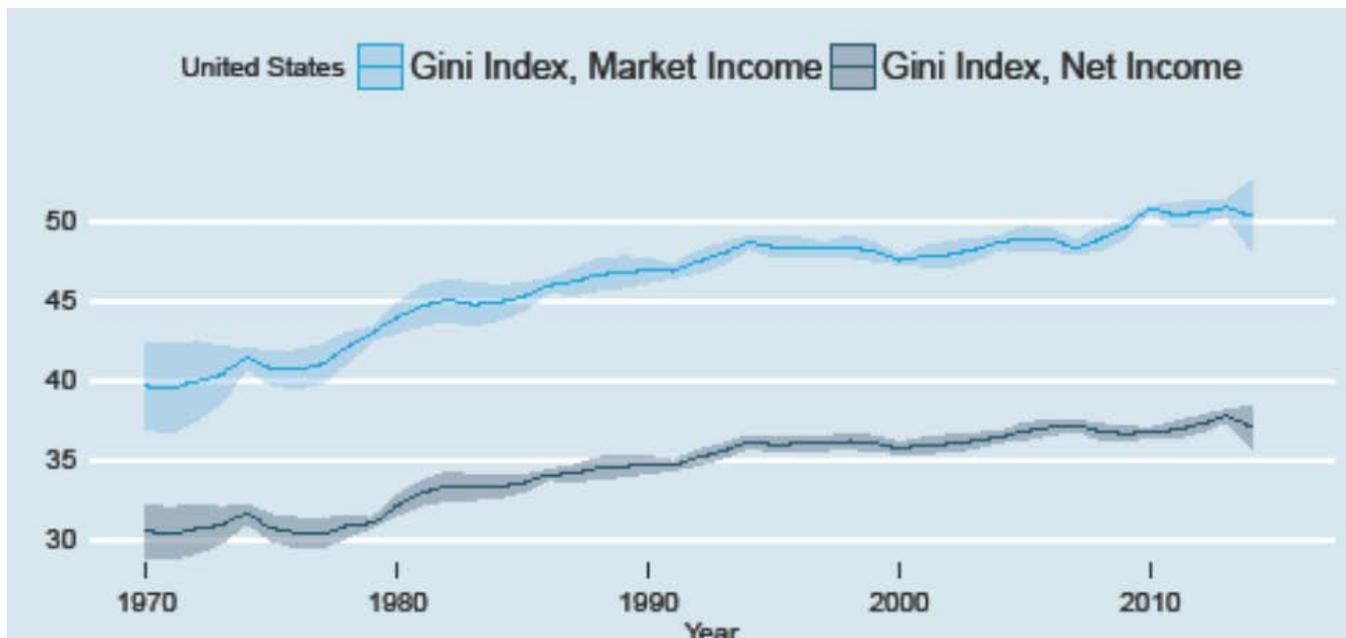
06
Select findings
for the United
States



12
Conclusion

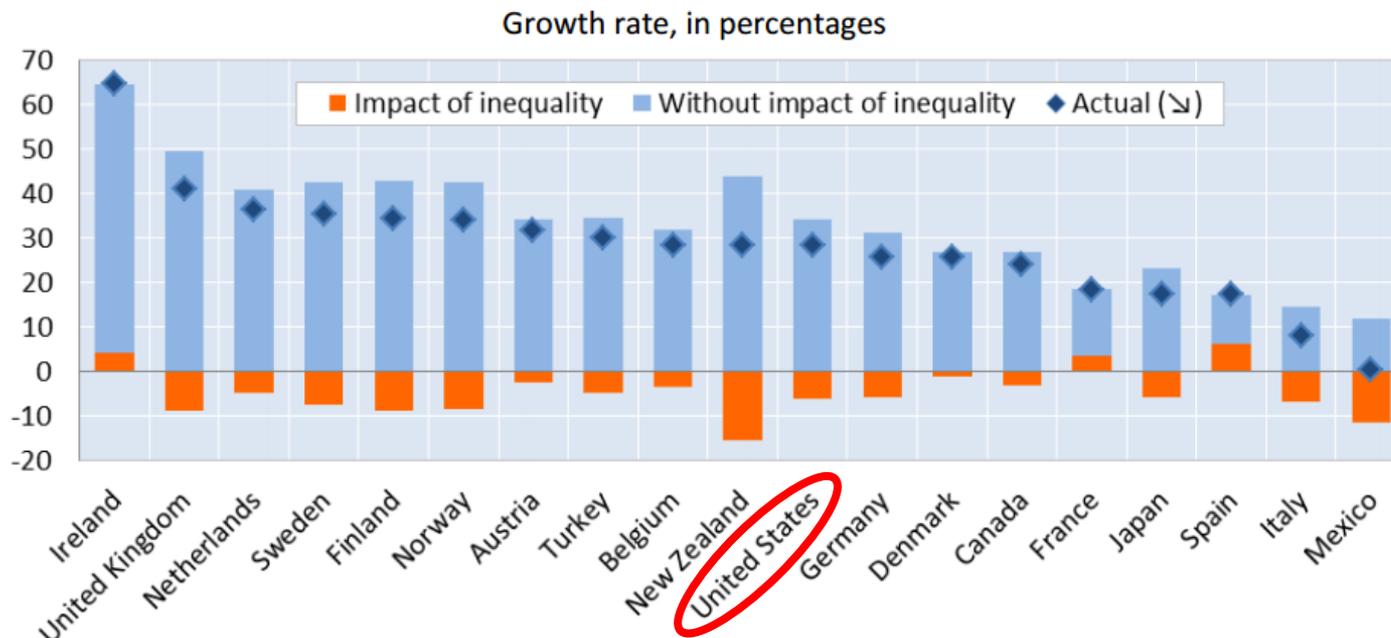


Inequality in the United States has been on the rise since 1970

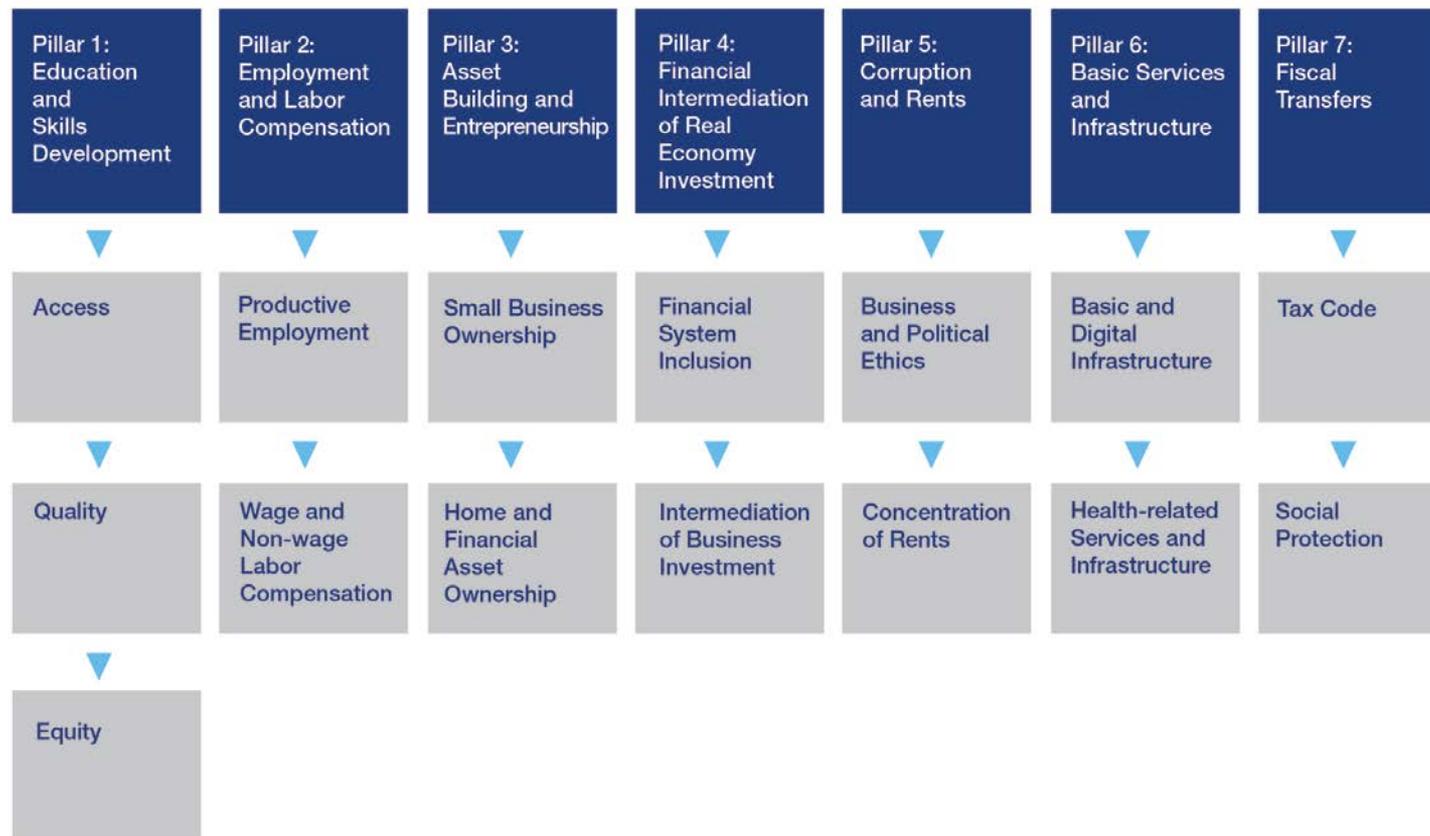


Evidence shows that inequality is detrimental to growth

2. Estimated consequences of changes in inequality (1985-2005) on subsequent cumulative growth (1990-2010)

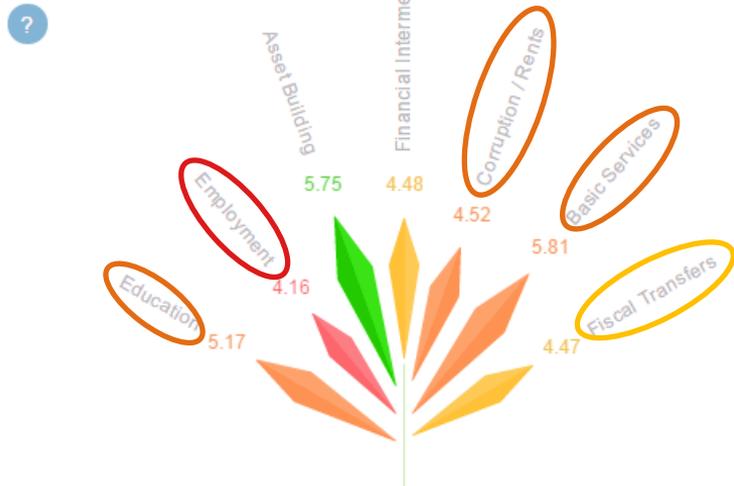


The Inclusive Growth and Development Framework



Example: United States

United States
Advanced Economies



Pillar	Score	Rank	within economy group
+ Education and Skills	5.17	21 / 30	
+ Employment and Labor Compensation	4.16	28 / 30	
+ Asset Building and Entrepreneurship	5.75	2 / 30	
+ Financial Intermediation of Real Economy Investment	4.48	16 / 28	
+ Corruption and Rents	4.52	20 / 30	
+ Basic Services and Infrastructure	5.81	19 / 30	
+ Fiscal Transfers	4.47	15 / 30	

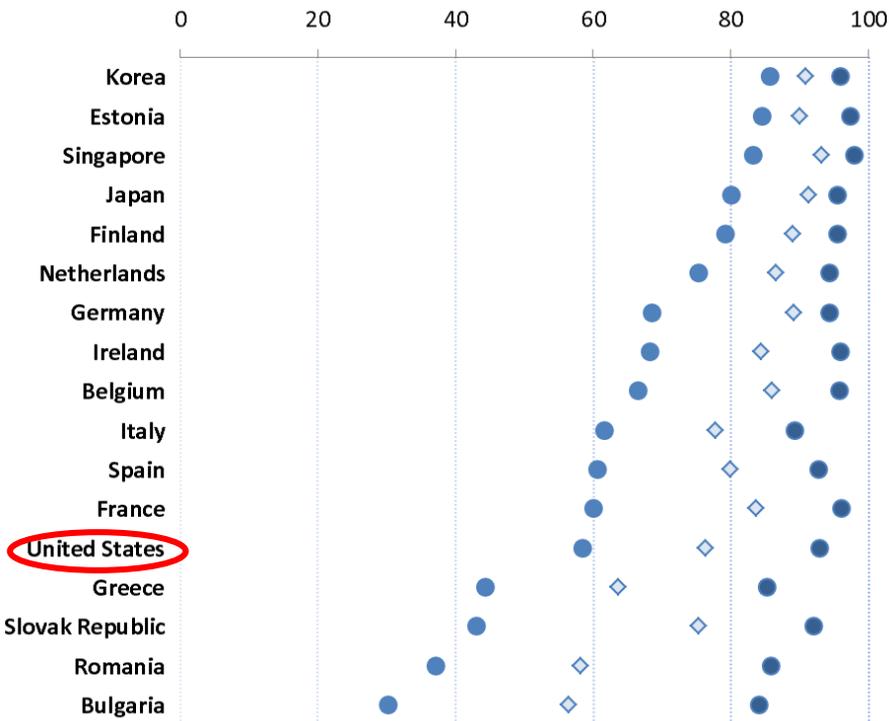


United States performance vis-à-vis other advanced economies

	Education	Employment, wages and benefits	Entrepreneurship and asset building	Financial Intermediation	Corruption and rents	Basic Services and infrastructure	Fiscal transfers
Canada	7 / 30	17 / 30	11 / 30	1 / 28	13 / 30	10 / 30	7 / 30
Finland	1 / 30	4 / 30	1 / 30	12 / 28	4 / 30	3 / 30	13 / 30
Ireland	17 / 30	26 / 30	15 / 30	21 / 28	10 / 30	22 / 30	1 / 30
Japan	11 / 30	22 / 30	17 / 30	19 / 28	1 / 30	15 / 30	19 / 30
Norway	4 / 30	1 / 30	14 / 30	11 / 28	5 / 30	4 / 30	8 / 30
Switzerland	3 / 30	9 / 30	12 / 30	7 / 28	8 / 30	1 / 30	3 / 30
United States	21 / 30	28 / 30	2 / 30	16 / 28	20 / 30	19 / 30	15 / 30

Inequality in Educational Performance

PISA Math Score according to socio-economic status



% of secondary school students with basic competency in math

High equity



Korea, **Estonia**,
Japan, Singapore,
Finland, Canada



Australia, Belgium,
Denmark, Germany,
Poland



Austria, France,
United States,
Greece
Slovak Republic

Low equity

Employment, Labor Compensation and Benefits

United States (select indicators) Rank

EMPLOYMENT AND LABOR COMPENSATION

<i>Productive Employment</i>	21 / 30
<i>Occupational injury rate</i>	22 / 27
<i>Strictness of employment protection</i>	29/ 29
<i>Social mobility</i>	14/30
<i>Unusual hours of work</i>	11/14
<i>Wage and Non-wage Compensation</i>	30/30
<i>Low pay rate</i>	24/ 24
<i>Wage dispersion</i>	19/20
<i>Trade union density</i>	26/ 29
<i>Cost of child care</i>	19/ 28
<i>Parental leave</i>	18/18

Entrepreneurship and Concentration of Rents

ENTREPRENEURSHIP AND ASSET BUILDING

<i>Small Business Ownership</i>	1 / 30
<i>Attitudes towards entrepreneurial failure</i>	1 / 30
<i>Number of PCT patent applications</i>	12 / 30
<i>Cost to start a business</i>	12 / 30
<i>Home and Financial Asset ownership</i>	4/30
<i>Home ownership rate</i>	19 / 29
<i>Affordability gap, urban housing</i>	18 / 24
<i>Private pension assets</i>	8 / 30

<u>CONCENTRATION OF RENTS</u>	18 / 30
<i>Regulatory protection of incumbents</i>	29 / 29
<i>Land gini</i>	15 / 18
<i>Wealth gini</i>	29 / 30

Basic Services, Infrastructure and Social Safety Net

BASIC SERVICES AND INFRASTRUCTURE

Basic and Digital Infrastructure **16 / 30**

Transportation infrastructure expenditure 20 / 28

Quality of domestic transport network 15 / 30

Fixed Broadband subscriptions 17 / 30

Health Services and Infrastructure **23 / 30**

Accessibility of healthcare 27 / 30

Inequality adjusted life expectancy 30 / 30

Particulate matter concentration 17 / 27

Social Protection **28 / 30**

Total spending on social protection 22 / 30

Generosity of pension (GRR) 26 / 29

Net unemployment benefit rate 20 / 29

Coverage of unemployment insurance 25 / 29

Key Learnings

1

The current debate on inequality and social inclusion has been too narrow

The inequality debate focuses almost exclusively on up-skilling of labor and redistribution while many other areas are critical

2

It is possible to be pro-equity and pro-growth at the same time

There is no trade-off between the promotion of social inclusion and that of economic growth; Many countries that score well in the Global Competitiveness Index also do so in the inclusive growth framework

3

Promoting social inclusion is not just a luxury of high-income countries

In many areas, including business and political ethics, financial system inclusion and educational quality and equity, some developing countries do better than others with much higher incomes

4

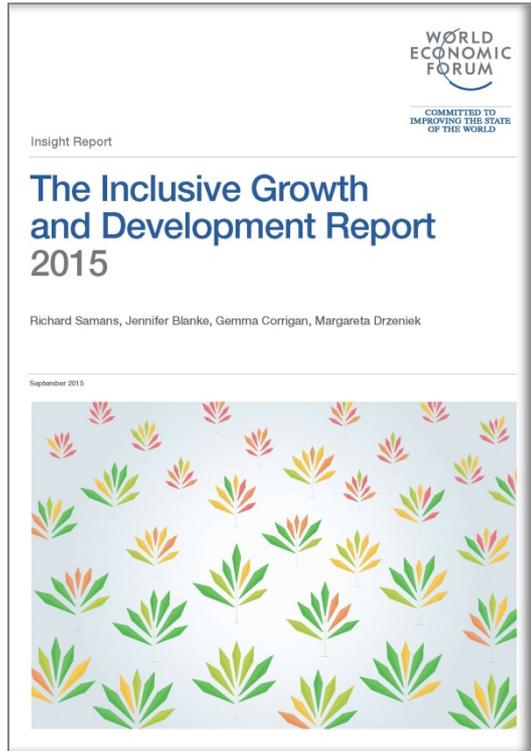
All countries have room for improvement

No country is a top performer in every area measured by our framework; All countries can do more to foster a more inclusive growth process

How to get involved?



Exploring the Inclusive Growth and Development Report 2015



The platform offers a number of analytical and visualization tools, including:

- sortable rankings per pillar and sub-pillar
- scatter plots
- bar charts
- maps

The full report can be found online: wef.ch/igd15

- Do you have any best practices you would like to share? Please fill out our online survey: <https://www.surveymonkey.com/r/inclusivegrowth16>

WORLD ECONOMIC FORUM