

INCLUSIVE GROWTH: *Reducing inequality, financing basic social services and promoting decent employment including through SMEs.*

Introduction:

Working constructively with the G20 on the issues of employment, access to basic social services and inclusive growth, was identified as a key civil society goal for 2015, following an online consultation run by the C20 in early 2015. Consequently, the C20 Inclusive Growth Working Group was formed.

This working group will now undertake a policy consultation process involving national and international civil society organisations in order to develop policy recommendations on employment, access to basic social services and inclusive growth for the G20's consideration. The working group will take the G20's existing commitments on these issues as a framework, and will seek to propose concrete policy suggestions.

This background paper is designed to be a starting point for the C20 Inclusive Growth Working Group's discussions. It includes an overview of the G20's commitments on the topic as well as background information on civil society's prior work on this theme.

Background:

Promoting strong, sustainable and balanced economic growth is the main focus of the G20. 1 billion people live in extreme poverty worldwide.¹ Since 1990, efforts to achieve the Millennium Development Goals and decades of economic growth have led to strong poverty alleviation outcomes – halving the number of people living on less than \$1.25 per day. But extreme poverty remains pervasive, especially in low income developing countries (LIDCs). Another challenge is that progress toward reducing the number of people living below the less extreme poverty mark (under \$2 a day) has been much slower. In addition, wealth inequality is on the rise globally and threatens further gains in poverty reduction. It also threatens to put a break on economic growth in general.²

Recent forecasts from international agencies such as the IMF suggest that low growth and unemployment will continue to be serious challenges over the next few years. Unemployment will continue to disproportionately affect young people and participation rates for women will remain low. High unemployment and stagnating wages hold back poverty alleviation efforts and negatively impact levels of wealth inequality, social cohesion, political stability and levels of conflict. The lack of decent jobs holds back economic growth whereas their provision could lead to higher incomes and more sustainable growth.³

The G20 and Inclusive Growth

G20 leaders agree that creating more and better quality jobs should be central to government policies, not only to alleviate poverty and create social cohesion, but also to contribute to economic growth. In 2014, for example, the G20 leaders agreed to a historic commitment to lift the G20's GDP by an additional 2% by 2018. The G20 recognises that economic growth and social cohesion are undermined when vulnerable groups including women, youth, disabled people and migrant workers are not participating fully in the labour force. The importance of social protection systems and safe working conditions are noted by the G20 in most communiqués, but there is

¹World Bank, *Global Monitoring Report 2014: Ending Poverty and Sharing Prosperity*, 2014

²IMF, *Staff Discussion Note: Redistribution, Inequality and Growth*, 2014; World Bank, *Global Monitoring Report 2014: Ending Poverty and Sharing Prosperity*, 2014

³ ILO, *World Employment and Social Outlook 2015*, 2015

little association made between basic services and employment, despite strong evidence and experience that investment in health and education for the poorest addresses inequality in a cost effective manner and promotes economic growth. The G20 is committed to eradicating poverty and promoting development and has lent its support to the Post-2015 Development Agenda. The G20's commitment to development includes efforts to reduce the cost of remittances and promote food security. **Although the G20 promises to monitor its progress there are few checks and balances to ensure that growth strategies are implemented to promote inclusive growth.**

During the 2012 G20 Summit in Los Cabos, G20 countries stated that “quality employment was at the heart” of their macroeconomic policies; thus jobs with labour rights, social security coverage and decent income contributed to more stable growth, enhancement of social inclusion and poverty reduction. **The 2012 Leaders’ Declaration tasked G20 Labour Ministers** to take appropriate measures to foster the creation of decent work and quality jobs, especially for youth and other vulnerable groups who have been severely hit by the crisis. In addition to strengthening cooperation in education, skills development and training policies (including internships), **governments also recognized the importance of establishing nationally determined social protection floors and assisting low-income countries in capacity building for implementing nationally determined social protection floors.**

The 2013 St Petersburg G20 Leaders’ Declaration reiterated countries’ commitment to “promote more and better jobs” through improving the business environment, stimulating job creation through pro-growth structural reforms in product and labour markets, ensuring adequate labour protection and **appropriate tax regimes**, investing in skills and quality education, fostering investments to ensure labour market infrastructure, improve working conditions and social protection, and develop country specific plans on employment. Additionally, countries made a commitment to **encourage private sector (including SMEs) to foster inclusive economic growth and develop activation strategies for those out of work to improve their employability.** There were few references to basic social services or social protection.

The 2014 G20 Leaders’ Declaration from Brisbane, Australia stated that although G20 actions to increase investment, trade and competition will create quality jobs, it “**must do more to address unemployment, raise participation and create quality jobs.**” In terms of participation, the communiqué contained two specific commitments on increasing labour force participation of women (reducing the gap in participation rates between men and women in our countries by 25% by 2025), and young people (**ensuring young people are in education, training or employment.**) The only mention of basic social services or social protection, however, came in the context of the G20's commitment to address informality and structural and long-term unemployment. Appropriate social protection systems are seen as one means of doing this, alongside strengthening labour markets.

In 2015, the Turkish G20 Presidency announced its intent to make the G20 more relevant to countries outside the G20 membership, in particular, to LDCs (Least Developed Countries). Tackling poverty and ensuring sustainable development in LDCs is highlighted as a priority of the 2015 G20 Presidency.

This year we set an ambitious goal to lift the G20's GDP by at least an additional two per cent by 2018. Analysis by the IMF-OECD indicates that our commitments, if fully implemented, will deliver 2.1 per cent. This will add more than US\$2 trillion to the global economy and create millions of jobs. Our measures to lift investment, increase trade and competition, and boost employment,

along with our macroeconomic policies, will support development and inclusive growth, and help to reduce inequality and poverty.

- G20 Leaders' Communiqué, Brisbane 15-16 November 2014

G20 Engagement Groups and Inclusive Growth

The officially recognised G20 engagement groups – the C20, B20, T20 and L20 – have each addressed inclusive growth in their own work to varying degrees over the last few years. They have collaborated on this issue intermittently, and there is a stated intention to increase this collaboration amongst some of these groups.

The [C20 \(Civil 20\) Address to G20 Leaders in 2013](#) stated the need for G20 countries to “incorporate inclusiveness as the fourth pillar of the Framework for Strong, Sustainable and Balanced Growth.” In addition to calling for structural reforms that promote competition and reduce market distortions, the C20 2013 statement underlined the need to promote labour mobility through development of global standards in education and professional training.

The 2014 C20 Summit in Australia recommended that country growth strategies should include decisive action to alleviate poverty through the provision of effective and efficient social services. **The C20 Communiqué called** for universal access to effective health care, an increase in health infrastructure services, fair and sustainable employment, support to labour institutions and increased social protection. Additionally, the recommendations included setting ambitious goals to ensure the labour force participation of vulnerable groups including women and youth and taking action to ensure that children are not subject to exploitative labour practices. Furthermore, the C20 recommended that the G20 take measures to evaluate the impact of country growth strategies on inclusivity, and publicly report progress on reducing inequality.

The [B20 \(Business20\) Task Force in 2012](#) included recommendations on facilitating the growth of SMEs to improve the quality of apprenticeships and internships, as a means of boosting employment. Building on that, **the**

Further resources for the C20 Inclusive Growth Working Group

Leaders' Communiqués

The leaders communiqués can be accessed from the G20 website and a host of other sites. You can also access them all from the [Resources section of the C20's website](#).

You can also take a look at the [Brisbane Action Plan, written in November 2014](#).

Inclusive Growth and Development

G20 Finance Ministers lead the track of G20 work responsible for promoting inclusive growth and financial stability. Driving inclusive growth is a core aim of the G20 and is central to its mandate across all work streams. A key reference document for the G20's understanding of inclusive growth can be found here in the [G20 Framework for Strong, Sustainable, Balanced and Inclusive Growth, from 2010](#).

G20 Members' Comprehensive Growth Strategies published in November 2014 can be found [here](#).

Employment

Employment Ministers meet regularly to develop, and monitor the implementation of employment strategies in areas including workforce participation, wages and sectoral issues.

[G20 Members' Country Employment Plans, November 2014](#)

[G20 Labour and Employment Ministerial Declaration, Melbourne, 10-11 September 2014, including G20 Statement on Safer and Healthier Workplaces](#)

Development

The G20 Development Working Group (DWG) manages the development-focused policy work including work related to food security,

B20 Recommendations in 2013 included tasks on structural reform, accessibility of high quality education systems, and an enabling environment for entrepreneurship and job creation. **The 2014 B20 statement** focused on the need to increase the level of alignment between the learning ecosystem and workforce needs, remove barriers inhibiting entrepreneurship and undertake structural reform to increase flexibility across labour markets.

The L20 (Labour 20) Statement from 2012 called for formalizing jobs through enhancing workers right, promoting inclusive growth that enables women and young people to take up secure jobs, and scaling up of quality apprenticeships. In addition to these recommendations, **the L20 statement in 2013 called for G20** to ensure that the new post 2015 Millennium Development Goals include decent work and social protection floors and public education. **In 2014, the L20 called on the G20** to promote inclusive growth that enables women and young people to participate in the labour force, job creation in the care sector to support women’s participation, scaling up of quality apprenticeships, and formalising jobs through ensuring the minimum wage, safe workplaces and social protection floors.

Although there was no recommendation from the Think20 in 2012 with specific reference to inclusive growth issues, **the T20 Summary Report in 2013 called for the G20** to support the successful achievement of the MDGs in 2015 and shape the Sustainable Development Goals in a way that reflect the G20’s priorities of green growth and employment. **The T20 Policy Recommendations in 2014** advised G20 countries “to make more commitments that explicitly contribute to strong, sustainable, balanced and inclusive growth as a cornerstone of development.” It also called for the G20 to articulate a clearer vision for more inclusive growth, which empowers SMEs, and to reform the global infrastructure financing.

infrastructure, domestic resource mobilisation, support for the UN SDG process and financial inclusion and remittances.

The [St Petersburg Accountability Report on G20 Development Commitments, 2013](#) documents development commitments and progress to achieving them prior to 2014. The 2014 progress is in the [Annual G20 Development Working Group Progress Report](#)

The [Seoul Development Consensus for Shared Growth, 2010](#) is another key document for broadening the mandate of the forum, especially to development and shared growth

In 2013 the C20 prepared a report on inclusive growth for the G20: [Civil 20 Proposals for Strong, Sustainable, Balanced and Inclusive Growth, 2013](#). In addition to that, you can also [take a look at the L20 presentation to the G20 Employment Working Group](#) or check out [B20 task for on employment and SMEs](#), for more information on engagement groups’ work on the issue.

Box: What is inclusive growth?

Defining inclusive growth is a work in progress. One definition holds that inclusive growth is about ensuring that all sections of society should share in the benefits of growth, rather than allowing only the richest or most powerful to benefit from it. One example of the complexity of defining the term “inclusive growth”, which explores some of the different potential understandings of the concept, can be found [here](#).

The C20 Inclusive Growth Working Group Work in 2015:

The C20's aim is to contribute constructively to the G20's policy making processes by providing specific, concrete and evidence-based policy recommendations for the promotion of inclusive and sustainable growth, which can reduce social, economic and political inequalities.

As detailed above, concerns around inclusive growth have appeared on the G20 agenda and have been addressed, albeit erratically, by the officially recognised engagement groups since 2012. Even though its treatment of access to basic social services has been sporadic to date, the G20 has nevertheless made some important commitments to promote quality jobs for all, as outlined above. Similarly, the G20 engagement groups have also made a number of sound recommendations for improving inclusive growth.

In 2015, the C20 Inclusive Growth Working Group could play an important role in proposing a comprehensive way forward for the implementation of the G20's commitments, building on the recommendations of the official engagement groups to date.

To this end, it is recommended that the C20 Inclusive Growth Working Group considers the following proposed next steps:

1. Analyse the progress made by the G20 on inclusive growth since 2012;
2. Compare this progress with the recommendations made by C20, L20, T20 and B20 since 2012;
3. Build policy options and recommendations based on the findings of this comparison.

In addition, and if funding and time allow, the C20 Inclusive Growth Working Group might also consider producing an analysis of the impact that these policies might have on the inclusive growth goals set by the G20 itself. Policy recommendations could then be based on this analysis.

Other Policy Platforms for Consideration:

The 2015 G20 Leaders' Summit comes only 6 weeks after world leaders are expected to adopt a new development framework built upon Sustainable Development Goals (SDGs). This framework is set to provide a broader set of goals to guide global efforts for sustainable development after the Millennium Development Goals come to an end in 2015. Of particular relevance for the G20 discussions will be the report of the Third International Conference on Financing for Development (Addis Ababa, Ethiopia, 13-16 July 2015) that will look at the international finance and monetary system's support of development goals. Thus, it is recommended that the C20 Inclusive Growth Working Group takes into consideration the inclusive growth concerns that are proposed within the framework of the Sustainable Development Goal Framework, identifies any overlaps between G20 commitments and the propositions made for the SDGs, and ensures consistency between civil society recommendations made to both platforms

Get involved.

To find out more about the C20 Inclusive Growth Working Group, please see the "Get Involved" page on the C20's website: <http://bit.ly/1IQE8Pz>