

C20 TURKEY
POLICY PAPERS

INCLUSIVE GROWTH



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The **bottom half** of the world's population owns the same amount of wealth as the **richest 85 people** in the world.

Seven out of ten people live in countries where **economic inequality** has increased in the **last 30 years***



*(Paris School of Economics).

INCLUSIVE GROWTH – BEYOND THE RHETORIC

C20 Turkey Inclusive Growth Policy Paper

BACKGROUND

The drive for growth that is inclusive is gaining momentum in a global context of rising inequality. To be considered inclusive, growth must target poverty and inequality, while contributing to overall economic growth from which all of society, including the marginalised, will benefit. Further, to be considered inclusive, the disadvantaged must actively participate not only in the growth process but also in determining the focus of programmes that will best foster “their” growth. Finally, growth cannot be truly inclusive over the long-term unless sufficient measures for protection of the environment are taken. Achievement of equal ‘access’ to the benefits of economic growth between and within countries would require a focus on inclusivity that is determined to translate economic growth into sustainable human development and wellbeing.

THE G20 SHOULD EMBED INCLUSIVE GROWTH AT THE HEART OF ITS AGENDA.

Contrary to earlier predictions, economic growth does not guarantee an automatic reduction in discriminatory outcomes for economically excluded sections of society, especially for women. There is an urgent need to go beyond the rhetoric and devise growth strategies that are more inclusive in their impacts, and to put in place redistributive measures whereby women, men and different sections of society reap the benefits of growth more equally.

This paper intends to generate discussion on such policies through the inclusive growth policy options it is providing to the G20 leaders.

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SUMMARY OF POLICY RECOMMENDATIONS

- The G20 should embed inclusive growth at the heart of its agenda.
- G20 inclusive growth strategies should include direct measures that tackle poverty and inequality.
- G20 countries should take measures to ensure they have quality education systems capable of maintaining inclusive and sustainable growth
- G20 countries must institute proactive measures within inclusive growth strategies to provide more, better paid and safer jobs.
- The G20 must foster participatory and democratic decision making around the development of inclusive growth strategies, including the voices of marginalized citizens, and low-income developing countries.

POLICY RECOMMENDATIONS

1. Embedding Inclusive Growth in the G20 Agenda:

An ‘inclusive growth’ emphasis can bring a much-needed cohesiveness and political impetus to the G20 agenda. Inclusive growth necessitates addressing trans-border governance issues that are intrinsically linked to achievement of less discriminatory patterns of growth.

Consequently, the G20’s work on financial regulatory reform, transparent cross-border tax policies, infrastructure connectivity, and global governance reform should not be treated as policy streams that are somehow ‘prior’ to or distinct from the question of ‘inclusive growth’.

Rather, all these policy fields have a major impact upon the lives of disadvantaged and excluded citizens within and beyond G20 countries. The level of access enjoyed by women, men and young people to the benefits of growth is largely determined by these policies in an interlinked manner.

G20 COUNTRIES SHOULD SYSTEMATICALLY TRACK THE INCOME GROWTH RATES OF THE POOREST 40% AGAINST HIGHER INCOME BRACKETS.

The G20's 2009 'Framework for Strong Sustainable and Balanced Growth' usefully outlines the 'how', 'what', and 'where' of growth.

It is now time for the G20 to approach the question of 'who' growth is for. This can best be done through a cohesive 'inclusiveness' agenda.

A discussion led by the G20 leaders on what it actually means to be a forum that is truly championing inclusive growth could be an important step in going beyond the rhetoric. Such a discussion would provide the venue for reaching a consensus on the definition of a 'fair and equitable' policy reform agenda which in turn could help in the smoother and more successful domestic implementation of these reforms. Hence, the G20 should work to ensure it has the right procedures in place to actively debate and ascertain how inclusive growth principles may be translated into concrete action.

- **For the G20 to successfully lay claim to an 'inclusive growth' focus, inclusiveness should become embedded within a cohesive vision and mentality that permeates throughout the G20 agenda. To facilitate this shift in emphasis, an attending leader could be invited to present a discussion paper on 'inclusive growth and the G20' at the G20 Summit in Antalya, building on the recommendations of this document.**
- 2. **The G20's inclusive growth strategies must include direct measures that tackle poverty and inequality.**

Inclusive growth requires a multidimensional approach. This entails a greater understanding of the relationship between each G20 member's healthcare, education, taxation, infrastructure and social protection systems, and its citizens' experiences of poverty and inequality. Following the global financial crisis, G20 economies have been focusing their attention on regaining high rates of growth. Unfortunately, the benefits of this growth have been flowing up instead of trickling down, threatening the quality and inclusiveness of growth, the ability of societies to sustain themselves, democratic participation and economic and social integration.¹ For all of these reasons it is essential that the overall growth strategy of the G20, and of each G20 country, incorporate measurements that track growth policies against the phenomena of inequality and poverty.

Given the 2015 G20 Summit's proximity to the finalisation of the post-2015 development agenda, the C20 urges G20 members to devise measurable and implementable equity targets that are aligned with the Sustainable Development Goals.

- **In order to focus on the inclusivity of growth, the G20 should build on its 2014 commitment to "lift the G20's GDP by at least an additional two per cent by 2018", and incorporate measurements of inequality in their national growth strategies, such as an index that tracks the income growth rates of the poorest 40% against higher income brackets.**

1. As highlighted by the IMF (2014) "lower net inequality is robustly correlated with faster and more durable growth"

- **The G20 members should commit to tackling the multi-dimensional nature of inequality, including measures to ensure equal access to quality education and health systems through strengthening the redistributive nature of tax systems, and investing in public infrastructure.**
 - **Where applicable, G20 countries should set equity targets in their national growth strategies that align with the sustainable development goals, with a particular focus on the most excluded groups, including young people, women, people with disabilities, minorities, indigenous peoples, and migrants.**
- 3. G20 countries require quality education systems capable of maintaining inclusive and sustainable growth**

Achieving inclusive growth requires strategies that allow for universal participation in the growth process. On-going investment in education is recognised as a key pillar of achieving inclusive growth.²

A good level of education enables women and men living in poverty both to participate in and benefit from economic growth, and it is one of the most important prerequisites for increasing the chances of employment, self-actualization and integration into society.

G20 countries must also ensure that their education systems respond to the demands of the labour market. This means supporting the development of appropriate training and apprenticeship skills, and schemes where state bodies, NGOs, universities and the private sector cooperate with the aim of attaining synergies between education, training and employment.

ACHIEVING INCLUSIVE GROWTH REQUIRES STRATEGIES THAT ALLOW FOR UNIVERSAL PARTICIPATION IN THE GROWTH PROCESS

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However education is not only a tool for finding jobs. Educational establishments are also facilitators and producers of societal values. For an inclusive, equitable, just and democratic society, it is essential that education systems be tailored to incorporate these fundamental values into curricula and the learning process. G20 members should therefore integrate citizenship and democracy education into their education systems as a means to increase democratic participation and citizen awareness regarding the attributes of an inclusive society. This can also be an opportunity to increase entrepreneurship education to foster the productive potential of young people.

- **Inclusive, lifelong and high-quality education provides the basis and skills to better secure employment. G20 members should strengthen the inclusivity and quality of their education systems, and ensure free public education for all in line with the demands of labour markets and technological advancements (including digital literacy).**
- **G20 members should focus on strengthening children's access to early education, especially the girl child and children from the most socially and economically vulnerable groups, as this is an important means of increasing their life chances and socio-economic well-being.**
- **G20 members should integrate citizenship and democracy education into their education systems as a means to increase democratic participation in and citizen awareness of the values of an inclusive society.**

2. M. Ravallion, "Pro-Poor Growth: A Primer", World Bank Policy Research Working Paper, 3242, March 2004, p.16, http://siteresources.worldbank.org/INTPGI/Resources/15174_Ravallion_PPG_Primer.pdf

- **Members of the G20 should devise comprehensive youth strategies that target decreasing youth unemployment and school drop-out rates, and that can overcome youth marginalization through investing in quality public education, training and apprenticeship schemes prioritizing skills development and innovation, and fostering the productive and entrepreneurial potential of young people.**
- 4. G20 countries must institute proactive measures within inclusive growth strategies to provide more, better paid and safer jobs.**

Work provides an important means of participating in society, realizing one's potential and contributing to more equally distributed wealth and prosperity. Yet in recent decades, increases in growth have not resulted in the expected comparable increases in numbers of jobs, and we face the growing challenges of unemployment, underemployment, informal labour, and the working poor.³

THE G20 MUST FOSTER PARTICIPATORY AND DEMOCRATIC DECISION MAKING AROUND THE DEVELOPMENT OF INCLUSIVE GROWTH STRATEGIES.

As the link between economic growth and job creation is not automatic, governments should implement explicit jobs growth strategies. Growth strategies without a special concern for jobs might otherwise neglect certain challenges such as gender discrimination, further marginalisation of the socially vulnerable and geographical disparities, and may fail to take into account the need to prioritize jobs with better human development outcomes.⁴

Evidence shows that poverty reduction is higher when growth is biased towards labour intensive sectors⁵; that it is easier for poor people to benefit from growth if growth occurs where they are located⁶; that while overall economic growth is generally important for poverty reduction, the sector mix of growth matters substantially, with growth in small-scale agriculture being especially important⁷; and finally that growth in unskilled labour intensive sectors contributes to poverty reduction⁸.

- **G20 members should devise country-specific employment strategies that specifically pursue the creation of more, better-paid and safer jobs, that tackle the negative impacts of informal employment in formal businesses and supply chains, and supports and protects informal micro-enterprises so that they can overcome the decent work deficits they face. This requires realistic plans that seek to achieve greater levels of formality while protecting the livelihoods of**

3. J. Felipe and R. Hasan (2006) estimated that in the 1980s it took 3% GDP growth to generate a 1% increase in employment in China, but in the 1990s this changed significantly and it then took an 8% increase in GDP to get the same result. See J. Felipe and Hasan, "The Challenge of Job Creation in Asia", ADB ERD Policy Brief Series, No.44, April 2006, p.2, <http://www.adb.org/sites/default/files/publication/28099/pb044.pdf> (26.08.2015)

4. 21 billion people globally are involved in what is euphemistically termed "involuntary work" which covers bonded labour, slavery and prostitution. In 2008, 115 million children aged between 5 and 17 were in hazardous work. (World Bank, 2013)

5. A. Narayan, J. Saveedra-Chanduvi & S. Tiwari, "Shared Prosperity: Links to Growth, Inequality and Inequality of Opportunity", Policy Research Working Paper, 6649, World Bank, Washington DC., 2013, http://www-wds.worldbank.org/external/default/WDSContentServer/WDS/IB/2013/10/10/000158349_20131010095409/Rendered/PDF/WPS6649.pdf (26.08.2015).

6. L. Christiansen & L. Demery, "Down to Earth: Agriculture and Poverty Reduction in Africa" World Bank, Washington D.C., 2007, http://siteresources.worldbank.org/INTPOVERTY/Resources/335642-1130251872237/DownToEarth_final.pdf (26.08.2015).

7. D. Cervantes-Godoy & J. Dewbre, "Economic Importance of Agriculture for Poverty Reduction", OECD Food, Agriculture and Fisheries Working Papers 23, 2010, OECD, Paris, <http://www.oecd.org/countries/gambia/44804637.pdf> (26.08.2015). World Bank (2008) "World Development Report 2008: Agriculture for Development". World Bank, Washington DC

8. N. Loayza and C. Raddatz, "The Composition of Growth Matters for Poverty Alleviation", World Bank Policy Research Working Paper 4077, World Bank, Washington DC, 2006, <http://core.ac.uk/download/pdf/6644765.pdf> (26.08.2015).

the poorest, and the establishment of a minimum living wage sufficient to provide for the basic necessities of life.

- G20 members should work closely with global civil society, international organizations and tripartite partnerships such as the International Labour Organization in monitoring G20 goals on employment, particularly the G20's 2014 commitment to reduce the gap in participation rates between men and women by 25 per cent by 2025, as well as the gender pay gap.
 - G20 members should focus on active labour market strategies by taking into account employment facilitating measures for micro, small and medium enterprises and entrepreneurs.
 - The G20 should devise coordinated national-level action plans prioritizing investments in targeted, transparent, and socially accountable public and trans-boundary infrastructure projects with a sustainable and high employment impact.
5. **The G20 must foster participatory and democratic decision making around the development of inclusive growth strategies, including the voices of marginalized citizens, and low-income developing countries.**

At the global and domestic level, inclusive growth requires institutions, structures and processes that empower local communities and marginalised groups to be pro-active in holding their governments to account. Too often, those at the top of the income distribution have better access to global and domestic decision-makers due to the resources they possess, thereby eroding the basic principles of democracy and justice, and exacerbating already existing inequalities in society.

If growth is to benefit all, then governments need to be committed to upholding the rights and opportunities of all their citizens. This requires partnerships between governments and peoples' organizations. The disadvantaged are not clients of government or low-cost workers; they are citizens with rights to whom government must be accountable.

The C20 is working to propagate the vision that inclusive growth requires a shift from a government-client philosophy, to a growth model with citizens and citizens' rights at its centre.

G20 members should also be more sensitive to the relationship between their own policies and the specific problems and needs of low-income developing countries (LIDCs). Furthermore, G20 members involved in programs, funds and projects geared towards assisting LIDCs and meeting other development objectives should be closely monitored for their effectiveness in terms of contributing to inclusive growth.

- **Because global civil society plays a key role in channelling the viewpoints of the most socially, economically and politically, excluded groups, the G20 should recognise the C20 as an essential stakeholder in debates on inclusive growth, and grant permanent C20 representation at the G20 development working group.**
- **G20 members should better coordinate their strategies for tackling the development challenges faced by LIDCs, especially in the provision of universal basic services (healthcare, water, sanitation and food), sustainable energy, quality education, as well as in facilitating access to global trade and finance networks by channelling investment through international organizations and development funds while respecting human rights, labour regulations and environmental protection obligations.**

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- Save the Children Australia
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