

# OECD Economic Outlook urges policy action to promote productivity and equality

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The Special Chapter of the *OECD Economic Outlook* published today shows why the global economy remains in the doldrums. Since the mid-2000s, productivity growth has been markedly lower than at any other time since the 1950s. This matters as rising productivity lies at the heart of economic progress.

The chapter also shows another unsettling trend. Income inequality has been on a steady upward rise over the past 30 years. Technological change and globalisation are likely to have put low- and medium-skilled workers at a disadvantage. On the other hand, income growth has been especially high for the top 1%.

The productivity slowdown and the rise in inequality have acted as a “double-whammy” for many workers and their families. On average across OECD countries, income of the bottom 40% in the income distribution has improved by a dismal  $\frac{1}{2}$  per cent per year over the past decades (adjusted for inflation). Income of the bottom 10% is effectively no higher than in 1990, a quarter-century ago.

Given these unsatisfying developments, it is no wonder that economic, social and political discontent has risen on both sides of the Atlantic. Worryingly, no fast turnaround is in sight. The global projections in our *Economic Outlook*, also released today, forecast only a small uptick in productivity growth for 2016-17.

How can policymakers reverse the two trends of slowing productivity and rising inequality? Many policy choices – on

monetary, fiscal and structural policies – affect both productivity and inequality. They could thus tackle these twin challenges together. Ambitious, multifaceted and coherent policy actions are necessary.

Aggressive demand management will help economies return to trend productivity and employment. The downturn since 2007 has not only depressed productivity but also employment. Low-income, low-skilled workers have often been the first to lose their job. Accommodative monetary and fiscal policies work against this rise in poverty and income inequality.

Equally important, many countries have ample scope for structural policies to improve the education system, upgrade their infrastructure, facilitate the entry and exit of firms and support workers in transitioning to emerging, high-productivity jobs. Is there a one-size fits all? The chapter draws out the key general lessons, but country specificities matter as well. You can find the reform priorities tailored to each country's circumstances in the country notes.

## **Background**

Promoting Productivity and Equality: A Twin Challenge

OECD Economic Outlook

The Productivity-Inclusiveness Nexus

Global Forum on Productivity