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Advancing Free Trade
for Asia-Pacific **Prosperity**

Implementing Inclusion
APEC Case Studies on Inclusive Policies

Synthesis Report

APEC Policy Support Unit

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Prepared by:
Emmanuel A. San Andres, Jason Carlo O. Carranceja, and Celine Tseng Yang-Lun*
Asia-Pacific Economic Cooperation Policy Support Unit
Asia-Pacific Economic Cooperation Secretariat
35 Heng Mui Keng Terrace, Singapore 119616
Tel: (65) 6891-9600 Fax: (65) 6891-9690
Email: psugroup@apec.org Website: www.apec.org

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* Analyst, Researcher, and Intern, respectively, at APEC Policy Support Unit. The views expressed in this paper are those of the authors and do not necessarily represent those of APEC Member Economies. The terms such as "national," "nation," "country," and "state" used in the text are for purposes of this report and do not imply the political status of any APEC Member Economy.

KEY MESSAGES

- Inclusion has always been in APEC's agenda. From the first APEC Ministerial Meeting in 1989 until now, it has been understood that the forum's work on promoting economic growth, trade and investment were meant to generate opportunities that will enable all people to contribute to and benefit from economic growth. In 2017, APEC Leaders reiterated their call for "effective economic, financial and social inclusion" and enunciated their vision of a "more inclusive APEC community by 2030."

- The region had achieved rapid economic growth and poverty reduction over the past 30 years, thanks in part to efforts and policy commitments achieved through APEC. However, inequality in the region in terms of income gaps have been growing and persistent. While the region has been highly successful in growing the economic pie, it has not achieved the same success in distributing the pie equitably.

- This study was initiated by Korea in 2019 when COVID-19 was not in the yet in anyone's vocabulary. However, the pandemic and the resulting economic downturn in 2020 have shown how urgently the region needs to act on inclusion. They illustrate how inequality and economic insecurity can exacerbate public health and economic vulnerabilities. They also demonstrate that universal and equitable access to healthcare, skills development, and social protection are essential not only for coping with the pandemic but also for making economies more resilient to other crises.

- Eight Key Contributing Economies (KCEs)—Canada; Chile; China; Korea; Malaysia; New Zealand; Russia; and Chinese Taipei—have provided case studies of their inclusive policies to share experiences and impacts. These cover polices that improve access to human development such as healthcare, education, and social protection. Some KCEs have also implemented policies that ensure access to economic opportunities for underprivileged populations such as women, the elderly, youth, and indigenous peoples. Ensuring equitable distribution of economic benefits—such as through empowering workers or affirmative action—have also been a policy action for KCEs.

- The case studies provided by KCEs describe the challenges and context that led to an inclusive policy response. The case studies also provide information on the measured impacts of these inclusive policies, some lessons learnt, and potential follow-through.

- Based on the case studies submitted by KCEs, some good practices and factors for success include:
    - Mainstreaming inclusion in planning and policymaking
    - Investing towards inclusive growth
    - Whole-of-government policymaking with local implementation
    - Overcoming discriminatory socio-cultural norms
    - Developing and incorporating an inclusion framework
    - Monitoring and measuring progress

- While most inclusive policies are implemented domestically, APEC can contribute towards greater inclusion by leveraging its strengths as a forum for discussion, sharing, and consensus that eventually leads to commitments and policy action. To achieve Leaders' vision of a more inclusive APEC community by 2030, APEC needs to:
    - Operationalise Leaders' mandate on inclusion into APEC fora work
    - Facilitate cross-fora collaboration
    - Mainstream inclusion in APEC projects and discussions
    - Monitor and measure progress
    - Work with, and expect more from, the private sector
    - Share experiences and best practices to identify gaps and opportunities, structural reforms and developing more inclusive policies and programmes.

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1. INTRODUCTION

"… We envision a community of Asia Pacific economies in which… Our people share the benefits of economic growth through higher incomes, high skilled and high paying jobs and increased mobility…."

– APEC Leaders' Declaration, 1993[1]

"We, the Leaders of APEC, reiterate the call for effective economic, financial and social inclusion, which has become all the more necessary in the Asia-Pacific."

– APEC Leaders' Declaration (Annex A), 2017[2]

Inclusion has always been in APEC's agenda. Even as the grouping of 21 economies spread across the Pacific Rim worked on facilitating trade and cross-border investment, there was always the understanding — as evident in Leaders' statements — that all these efforts were not ends in themselves but were being done for the benefit of all. Trade and investment were to be used to generate opportunities, either through jobs or entrepreneurship, which enable all people to contribute to and benefit from economic growth.

That was the idea, but it has become apparent that inclusion does not come automatically: economic growth is a necessary but not a sufficient condition for inclusion. APEC Leaders have increasingly recognised that widening inequality and lack of inclusion in the region are fundamental threats to the region's continued economic growth and could set back efforts in regional cooperation. Inclusive growth became a headline priority in the 2010 APEC Leaders' Growth Strategy. In 2015, Leaders started discussing social cohesion and upward mobility under the APEC Strategy for Strengthening Quality Growth. This was followed-up in 2017 with the APEC Action Agenda on Advancing Economic, Financial and Social Inclusion, where Leaders enunciated their vision of an inclusive APEC community by 2030.

This study, which was initiated by Korea in 2019, contributes to the operationalisation of inclusion within APEC by gathering economies' experiences in implementing inclusive policies. While COVID-19 was not yet in anyone's vocabulary when this study began, the pandemic has made action on inclusion more urgent. COVID-19 and the resulting economic downturn have shown how inequality and economic insecurity can exacerbate public health and economic vulnerabilities. They have also shown that universal and equitable access to healthcare, skills development, and social protection are essential not only for coping with the pandemic but also for making economies more resilient to other crises.

This report begins with a discussion of APEC Leaders' priorities on inclusion along with a review of the distribution of the benefits of economic growth and its linkages with inclusion. This is followed by a synthesis of the case studies on inclusive policies provided by Key

[1] "1993 Leaders' Declaration" (1993 Economic Leaders' Week, Blake Island, United States: APEC, 1993), https://www.apec.org/Meeting-Papers/Leaders-Declarations/1993/1993_aelm.
[2] "2017 Leaders' Declaration," (2017 Economic Leaders' Week, Da Nang, Viet Nam: APEC, 2017), https://www.apec.org/Meeting-Papers/Leaders-Declarations/2017/2017_aelm.

Contributing Economies (KCEs) — Canada; Chile; China; Korea; Malaysia; New Zealand; Russia; and Chinese Taipei — with a view of distilling how they contribute to and operationalise inclusion. It then outlines a role for APEC as a forum for implementing and operationalising Leaders' repeated calls for greater inclusion and inclusive growth in the region.

2. INCLUSION PRIORITIES, OUTCOMES, AND LINKAGES

OVERVIEW OF APEC'S PRIORITIES ON INCLUSION

Inclusive growth has been on APEC's agenda since the forum's founding. Prime Minister Robert (Bob) Hawke's opening address to APEC's 1st Ministerial Meeting in 1989 held in Canberra, Australia noted that the establishment of APEC testifies to the commitment of ministers "to see what more we can do to enhance our prosperity, to the benefit of those hundreds of millions of people whom we represent and whose interests we seek to advance."[3] While the focus of APEC's work has been on trade facilitation and regional economic cooperation, these were not meant to be ends in themselves but the means to ensure economic benefits to all the people of the region.

In 1993, APEC Leaders met together for the first time on Blake Island in the United States and issued the 1st APEC Leaders' Declaration. The declaration highlighted inclusion by affirming the following aspirations, among others:

> "Our people share the benefits of economic growth through higher incomes, high skilled and high paying jobs and increased mobility;
>
> "Improved education and training produce rising literacy rates, provide the skills for maintaining economic growth and encourage the sharing of ideas that contribute to arts and sciences;"[4]

These targets were reinforced in 1994 when APEC economic leaders met in Bogor, Indonesia. In addition to introducing the Bogor Goals of achieving free and open trade in the Asia-Pacific, APEC Economic Leaders declared their commitment to strengthen regional cooperation to enhance "the prospects of an accelerated, balanced and equitable growth not only in the Asia-Pacific region, but throughout the world as well."[5] It went on to reiterate that APEC's mission is "to ensure that people share the benefits of economic growth, improve education and training, link our economies through advances in telecommunications and transportation, and use our resources sustainably."

The Bogor Declaration sets out the three key pillars of sustainable growth, equitable development, and stability as the guiding principles to achieve economic growth and development. Furthermore, it reaffirms the intent of economies to intensify development

[3] "Welcoming Address by Prime Minister, Australia" (1st APEC Ministerial Meeting, Canberra, Australia, 1989), http://mddb.apec.org/Documents/1989/MM/AMM/89_amm_004.pdf.
[4] "1993 Leaders' Declaration."
[5] "1994 Leaders' Declaration" (1994 Economic Leaders' Week, Bogor, Indonesia: APEC, 1994), https://www.apec.org/Meeting-Papers/Leaders-Declarations/1994/1994_aelm.

cooperation between them "to develop more effectively the human and natural resources of the Asia-Pacific region so far as to attain sustainable growth and equitable development of APEC economies, while reducing economic disparities among them, and improving the economic and social well-being of our people."[6]

As a follow-up to the Bogor Goals, the 1995 Osaka Action Agenda laid out key principles to "pursue economic and technical cooperation in order to attain sustainable growth and equitable development in the Asia-Pacific region, while reducing economic disparities among APEC economies and improving economic and social well-being."[7] Moreover, the agenda outlined key policy goals within thirteen priority areas, such as human resources development; industrial science and technology; small and medium enterprises (SMEs); economic infrastructure; energy; among others, to promote economic development and cooperation. Work in these sectors have a directive to incorporate inclusion and equitable development in their programme. For example, human resource development should stimulate educational opportunities for APEC's population to prepare the workforce for rapid economic and technological changes and provide more opportunities to improve their lives. Regarding transportation, APEC economies emphasise that while the development of the transportation sector is crucial to maximise economic productivity and contribute to the mobility of people, work on the transportation sector should also promote equitable development. As noted from these topical commitments, APEC anchors its goal of economic growth to the principles of social inclusion and environmental protection.[8]

In 2006, APEC's Economic Committee of APEC published a report on "Socio-Economic Disparity in the APEC Region," finding that while regional cooperation and trade liberalisation have undoubtedly improved the economic growth and prosperity of the region, there was a widening wealth disparity both within economies and across economies. In fact, the report notes that APEC's mean Gini index has risen between the early 1990s and the early 2000s.[9]

The fallout of the 2008 Global Financial Crisis exacerbated the perception that the fruits of economic growth and integration have not been spread evenly. In response, when APEC Leaders met in Singapore in 2009, they recognised "the necessity to develop a new growth paradigm for the changed post-crisis landscape."[10] The following year, APEC Leaders endorsed the 2010 APEC Leaders' Growth Strategy in Yokohama, Japan, introducing a new paradigm for economic growth. This new growth strategy crystallises APEC's commitment to improve economic well-being in the region by prioritising issues such as climate change, technological transformation, and resilience to natural, financial, and health emergencies. It establishes that APEC's growth must be rooted on economic growth that is "balanced, inclusive, sustainable, innovative, and secure." To achieve growth, APEC has committed to intensify efforts in initiatives such as encouraging balanced growth across and within economies; promoting human resource development, entrepreneurship development, and

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[6] "1994 Leaders' Declaration."
[7] APEC SOM Steering Committee on ECOTECH (SCE), "Osaka Action Agenda 1995" (APEC, December 1995), https://www.apec.org/Publications/1995/12/Osaka-Action-Agenda-1995.
[8] APEC SOM Steering Committee on ECOTECH (SCE).
[9] APEC Economic Committee, "2006 Socio-Economic Disparity in the APEC Region" (APEC, November 2006), https://www.apec.org/Publications/2006/11/2006-Socio-Economic-Disparity-in-the-APEC-Region.
[10] "2009 Leaders' Declaration" (2009 Economic Leaders' Week, Singapore, Singapore: APEC, 2009), https://www.apec.org/Meeting-Papers/Leaders-Declarations/2009/2009_aelm.

inclusive access to finance and financial services; and creating new economic opportunities for women, elderly, and vulnerable groups.[11]

Following on from the APEC Growth Strategy, in 2015 APEC Leaders adopted the APEC Strategy for Strengthening Quality Growth in Manila, the Philippines.[12] Accounting for pertinent issues such as increasing inequality, the gap in physical infrastructure, and the need to foster innovation and increase access to skills, APEC Leaders agreed to strengthen cooperation and outlined three key accountability areas designed to align APEC's quality growth strategy with the United Nations' Sustainable Development Goals (SDGs). These three key accountability areas (KAAs) are institution building, social cohesion, and environmental impact. By introducing the KAA of social cohesion, APEC Leaders shone a light on the impacts of inequality and lack of social mobility on economic growth. Indeed, APEC Leaders acknowledged that "public policies are often more effective in socially cohesive societies."[13] As such, in addition to providing measures to improve overall economic prosperity, APEC has been mandated to fight "social exclusion and marginalization, by creating a sense of belonging, by promoting trust, and by offering to its members the opportunity of upward mobility."[14]

While trade expansion and digital transformation have generated economic growth and employment, APEC understood that the benefits of such developments are still unevenly distributed. In 2017, APEC Leaders in Da Nang, Viet Nam envisioned to build an inclusive, accessible, sustainable, healthy, and resilient APEC community by 2030, and endorsed the APEC Action Agenda on Advancing Economic, Financial, and Social Inclusion as their blueprint.[15] Economic inclusion focuses on informing and empowering all members to access economic opportunities to contribute meaningfully to their economy. Financial inclusion centres on providing responsible and sustainable financial products and services that meets the needs of individuals and businesses. Finally, social inclusion aims to increase the ability of people who are traditionally marginalized (due to poverty, gender, or ethnicity, among others) to participate in society.[16] The 2017 action agenda not only aligned APEC's inclusion priorities with the 2030 SDGs, but also called for the strengthening of social protection in the region "in line with ILO Recommendation 202 on Social Protection Floors" (see Box 1 for a discussion).

Box 1. ILO Recommendation 202 on Social Protection Floors

Under the 2017 APEC Action Agenda on Economic, Financial and Social Inclusion, Leaders identified 13 priority work areas in pursuit of their vision of a more inclusive APEC community by 2030. One of these priorities under social inclusion is, "Strengthening social safety nets; improving access to social protection, including by promoting floors in line with ILO Recommendation 202 on Social Protection Floors…."

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[11] "The APEC Leaders' Growth Strategy," (2010 Economic Leaders' Week, Yokohama, Japan: APEC, 2010), https://www.apec.org/Meeting-Papers/Leaders-Declarations/2010/2010_aelm/growth-strategy.
[12] "2015 Leaders' Declaration" (2015 Economic Leaders' Week, Manila, Philippines: APEC, 2015), https://www.apec.org/Meeting-Papers/Leaders-Declarations/2015/2015_aelm.
[13] "APEC Strategy for Strengthening Quality Growth" (2015 Economic Leaders' Week, Manila, Philippines: APEC, 2015), https://www.apec.org/Meeting-Papers/Leaders-Declarations/2015/2015_aelm/2015_Annex-A.
[14] "APEC Strategy for Strengthening Quality Growth."
[15] "2017 Leaders' Declaration," (2017 Economic Leaders' Week, Da Nang, Viet Nam: APEC, 2017), https://www.apec.org/Meeting-Papers/Leaders-Declarations/2017/2017_aelm.
[16] "APEC Action Agenda on Advancing Economic, Financial, and Social Inclusion" (2017 Economic Leaders' Week, Da Nang, Viet Nam: APEC, 2017), https://www.apec.org/Meeting-Papers/Leaders-Declarations/2017/2017_aelm/Annex-A.

In 2012, the 101st General Conference of the International Labour Organization (ILO) met in Geneva, Switzerland and acknowledged the importance of social security as a tool for poverty alleviation, for adjusting to changes in the labour market, and for reducing inequality. One of the key outputs of the meeting is the Social Protection Floors Recommendation, 2012 (No. 202), endorsed by the conference as a recommendation on how to design and operate a baseline social security programme.

The document gives recommendations on how to establish and maintain social security floors, taken to be a set of basic social security guarantees, as defined by each economy, "which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion."[17] It provides guidance on how economies can implement social nets such that they complement other social security programs to cover as many people as possible. The document also recommends that social security floors should adhere to certain principles, including universality of protection, entitlement to benefits, adequacy and predictability of benefits, non-discrimination, progressive realisation, transparency, fiscal sustainability, and quality, among others.

To achieve a basic social protection floor, the recommendation encourages economies to establish a programme that encompasses basic social security guarantees. At a minimum, these guarantees should provide access to a defined set of goods and services such as essential health care, and ensure that such access meets the criteria of availability, accessibility, acceptability, and quality. The social protection floors should cover basic income security for people from vulnerable groups, including children, the unemployed (whether in cases of sickness, maternity, or disability), and the elderly. Economies are also urged to establish laws to define the range, qualifying conditions, and levels of benefits given to beneficiaries, which should include all residents and children. These laws should include provisions that define complaint and appeal procedures that are impartial, transparent, effective, simple, rapid, accessible, and inexpensive.

In defining social security guarantees, economies are encouraged to keep in mind some fundamental considerations. For example, basic income security should allow people to live a life of dignity; and reviews of social security guarantees should be transparent. Tripartite representation among employers, workers, and other relevant organisations should be sought to make sure that such social security guarantees considers the needs and resources of all stakeholders. Economies are also encouraged to consider schemes like maternity benefits, unemployment benefits, negative income tax schemes, and employment support as complementary mechanisms to meet their needs and goals.

In implementing economy-wide social protection floors, economies are called to adopt a combination of preventive, promotional, and active measures, benefits, and social services that promote productive economic activity and formal employment. These policies should run in coordination with other policies targeted to improve formal employment, education, vocational training, entrepreneurship, and sustainability. Moreover, economies should safeguard the fiscal and economic sustainability of such social protection programs via

[17] International Labour Organization, "Social Protection Floors Recommendation, 2012 (No. 202)" (101st Session of the International Labour Organization, Geneva, Switzerland, 2012), https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:3065524
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financial tools like improved measures on tax collection, adjustments on budgets, and prevention of non-payment of contributions and fraud.

ILO Recommendation 202 calls for economies to establish economy-wide social security extension strategies. Economy-wide strategies need to set the establishment of social protection floors as the fundamental element of the social security systems. Furthermore, economies should work towards progressively expanding the range of beneficiaries as their financial and fiscal capability improves. Economies formulating their social security extension strategies are advised to identify gaps in, and barriers to, protection; seek to close these gaps; complement social security with other policies; define financial resources and implementation timeframe; and raise awareness of their social protection floors and programs. Economies are also encouraged to make efforts to provide benefits for people both in the formal and informal economy, with the aim of transitioning people from the informal sector to the formal sector. Moreover, economies' social security extension strategies should be tailored to meet the needs of people in disadvantaged groups and those with special needs.

Inclusion, equality, and equity

Discussions about inclusion (or lack of it) often get mixed up with income or wealth inequality, with the latter used as proof of lack of the former. It is important to note that inclusion, as defined by Leaders and in economic literature, is distinct from, but also linked to, income and wealth inequality. Income or wealth inequality *per se* does not imply lack of inclusion, but lack of inclusion inevitably leads to persistent income and wealth inequality.[18]

Income or wealth inequality is an outcome variable: it is a result of many factors that have contributed to income generation or wealth accumulation. Factors within an economic actor's control such as effort or choice can affect the distribution of income. For example, one can expect the labour market to reward a skilled, hard-working worker with a higher income than one who chooses to spend more time enjoying leisure. One could also expect random events such as weather or the vagaries of the market — i.e., plain, blind luck — to affect the distribution of income. Income or wealth inequality arising from such factors is an expected outcome of market forces and distribution of random events and, on the whole, equitable. Inequality arising from such factors will still afford intergenerational social mobility as one generation's bad luck will not necessarily lead to the next generation's poverty.

However, we know from empirical evidence that wealth and poverty have persistent and intergenerational impacts, leading to social immobility.[19] This is because income or wealth

[18] Joseph E. Stiglitz, "New Theoretical Perspectives on the Distribution of Income and Wealth Among Individuals," in *Inequality and Growth: Patterns and Policy: Volume I: Concepts and Analysis*, ed. Kaushik Basu and Joseph E. Stiglitz, International Economic Association Series (London: Palgrave Macmillan UK, 2016), 1–71, https://doi.org/10.1057/9781137554543_1.

[19] Åsa Johansson and Orsetta Causa, "Intergenerational Social Mobility in OECD Countries," *OECD Journal: Economic Studies* 2010, no. 1 (January 17, 2011): 1–44, https://doi.org/10.1787/eco_studies-2010-5km33scz5rjj; Viviane M. R Azevedo and Cesar P Bouillon, "Intergenerational Social Mobility in Latin America: A Review of Existing Evidence," *Revista de Análisis Económico* 25, no. 2 (December 2010): 7–42, https://doi.org/10.4067/S0718-88702010000200002; Emily Beller and Michael Hout, "Intergenerational Social Mobility: The United States in Comparative Perspective," *The Future of Children* 16, no. 2 (2006): 19–36;

inequality can also be the result of exogenous or intrinsic factors; i.e., factors that are not determined by the economic actor but by structural barriers that exclude some people from developing their capabilities or accessing economic opportunities. A familiar example for APEC is gender: women experience structural barriers to skills development and economic participation not experienced by men, resulting in women having lower average income and slower wealth accumulation than men.[20] As such, APEC through the PPWE has been fighting the economic disenfranchisement of women and calling for clear actions such as greater representation for women in leadership, better access to skills development including in STEM, reductions in gender gaps in employment and remuneration, and data collection and analysis, as outlined in the La Serena Roadmap for Women and Inclusive Growth (2019 - 2030).[21]

Apart from gender, other exogenous factors include family income status,[22] race,[23] religion,[24] ethno-linguistic group,[25] disability,[26] and location.[27] These factors are not the choice of the economic actor and are not affected by choice or effort, but, like in the case of gender, structural barriers that make it difficult for certain actors to access economic opportunities are in place, resulting in systematic differences in income generation and wealth accumulation. These structural barriers include institutional and legal barriers (e.g., discriminatory laws or practices), unequal access to human capital development and infrastructure, imbalances of power (e.g., lack of information, lack of voice, or underrepresentation in decision-making), and discriminatory practices. Income or wealth inequality arising from such intrinsic factors and structural barriers, which lead to privilege for some and deprivation for others, are generally considered inequitable.

Inclusion is the process of eliminating and correcting structural barriers that lead to unequal access to economic opportunities; i.e., making sure that market outcomes are fair, or at least

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Miles Corak, "Income Inequality, Equality of Opportunity, and Intergenerational Mobility," *Journal of Economic Perspectives* 27, no. 3 (August 1, 2013): 79–102, https://doi.org/10.1257/jep.27.3.79.

[20] Caroline Rubins et al., "APEC Women at Work" (USAID and APEC, December 2019), https://www.apec.org/Publications/2019/12/APEC-Women-at-Work; Mayra Buvinic and Rebecca Furst-Nichols, "Promoting Women's Economic Empowerment: What Works?" (The World Bank, 2014), https://doi.org/10.1596/1813-9450-7087; Martha C. Nussbaum, "Introduction: Feminism and International Development," in *Women and Human Development: The Capabilities Approach* (Cambridge: Cambridge University Press, 2000), 1–33; Jonathan Davi Ostry et al., *Economic Gains From Gender Inclusion: New Mechanisms, New Evidence* (Washington, D.C.: International Monetary Fund, 2018), https://elibrary.imf.org/view/IMF006/24868-9781484337127/24868-9781484337127/24868-9781484337127.xml.

[21] APEC, "The La Serena Roadmap for Women and Inclusive Growth (2019-2030)," October 2019, https://www.apec.org/Meeting-Papers/Annual-Ministerial-Meetings/2019/2019_AMM/Annex-A.

[22] Anders Björklund and Markus Jäntti, "How Important Is Family Background for Labor-Economic Outcomes?," *Labour Economics*, European Association of Labour Economists 23rd annual conference, Paphos, Cyprus, 22-24th September 2011, 19, no. 4 (August 1, 2012): 465–74, https://doi.org/10.1016/j.labeco.2012.05.016.

[23] Kevin Lang and Jee-Yeon K. Lehmann, "Racial Discrimination in the Labor Market: Theory and Empirics," *Journal of Economic Literature* 50, no. 4 (December 2012): 959–1006, https://doi.org/10.1257/jel.50.4.959.

[24] Rachel M. McCleary and Robert J. Barro, "Religion and Economy," *Journal of Economic Perspectives* 20, no. 2 (June 2006): 49–72, https://doi.org/10.1257/jep.20.2.49.

[25] Klaus Desmet, Shlomo Weber, and Ignacio Ortuño-Ortín, "Linguistic Diversity and Redistribution," *Journal of the European Economic Association* 7, no. 6 (December 1, 2009): 1291–1318, https://doi.org/10.1162/JEEA.2009.7.6.1291.

[26] OECD, *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings across OECD Countries* (OECD, 2010), https://doi.org/10.1787/9789264088856-en.

[27] OECD, *OECD Regional Outlook 2016: Productive Regions for Inclusive Societies* (OECD, 2016), https://doi.org/10.1787/9789264260245-en.

fairer than they are now. It is ensuring that all people, regardless of gender, socio-economic status, race, religion, or location have the same access to human capital development and economic opportunities. Indeed, APEC Leaders point to this in paragraph 4 of their 2017 Action Agenda (emphasis added):

> The three key pillars of the Action Agenda include:
>
> a) Economic inclusion refers to *equality in being informed of and having access to economic opportunity for all members of society* to meaningfully participate in their economy.
> b) Financial inclusion implies that individuals and businesses have appropriate access to useful and affordable financial products and services that meet their needs—transactions, payments, savings, credit and insurance—delivered in a responsible and sustainable way.
> c) Social inclusion is defined as the process of *improving the terms of participation in society* for people who are at risk of poverty and social exclusion and *enhancing equity*.[28]

The last word of the excerpt — equity — is synonymous with concepts of fairness and equality of opportunity. Enhancing equity means a deliberate action to eliminate entrenched privilege or deprivation.

DISTRIBUTION OF THE GAINS FROM ECONOMIC GROWTH

The story of economic growth of the APEC region is well-known: since the forum's founding in 1989, the region's economic output has almost tripled while average GDP per capita more than doubled.[29] This increase in economic output and activity has resulted in profound gains in affluence around the region and has contributed to the immense poverty reduction: as of 2018, there were about 1.2 billion fewer poor people in the region compared to 1990. The "extreme poverty" rate in APEC fell from 41.3% to 1.2% between 1990 and 2018, while the "poverty" rate fell from 62.6% to 8.6% (Figure 1).[30]

The APEC region's success in reducing extreme poverty is especially remarkable. Between 1990 and 2018, the number of extremely poor people in the region dropped by more than 906 million, of which China contributed 82.6% (748 million). China reduced extreme poverty by 99.5% during this period, while the rest of APEC reduced it by 84.0%. A large part of China's success in extreme poverty reduction was its ability to ensure access to basic services and equalise pathways to opportunity, broadly enabling its population to take advantage of the benefits of economic liberalisation and rapid growth.[31]

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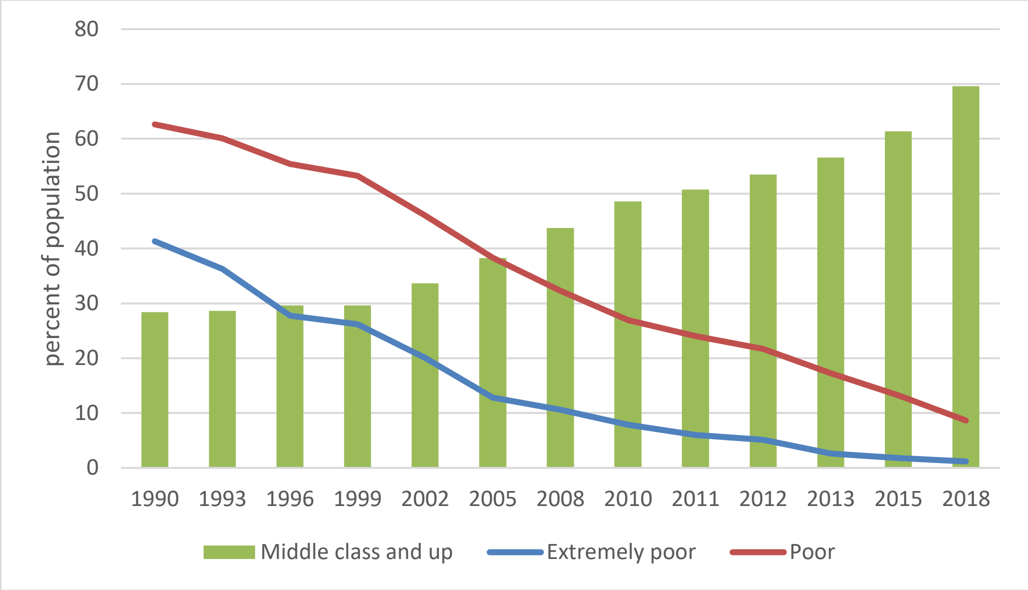
[28] "APEC Action Agenda on Advancing Economic, Financial, and Social Inclusion."
[29] Emmanuel A. San Andres, Satvinderjit Kaur Singh, and Rhea C. Hernando, "APEC Regional Trends Analysis - APEC at 30: A Region in Constant Change" (APEC-PSU, 2018), https://www.apec.org/Publications/2019/05/APEC-Regional-Trends-Analysis---APEC-at-30.
[30] Intuitively, extreme poverty is a level of consumption that is just enough to cover the minimum food intake for human survival (around 1,800 kilocalories per day for an adult). Poverty is a level of consumption that is just enough to cover basic necessities such as food and shelter.
[31] Martin Ravallion, "A Comparative Perspective on Poverty Reduction in Brazil, China and India" (The World Bank, October 2009), http://documents1.worldbank.org/curated/en/952341468218101551/pdf/WPS5080.pdf.

Figure 1. Poverty and affluence in APEC, 1990–2018



Note: The extreme poor are defined as people living on USD 1.90 or less per person per day in 2011 PPP terms. The poor are defined as people living on USD 3.80 or less per person per day in 2011 PPP terms. The middle class and up are defined as people living on USD 7.60 or more per person per day in 2011 PPP terms. Data cover Australia; Canada; Chile; China; Indonesia; Japan; Korea; Malaysia; Mexico; Papua New Guinea; Peru; the Philippines; Russia; Chinese Taipei; Thailand; the United States; and Viet Nam.
Source: World Bank's PovcalNet database; APEC PSU staff calculations.

Meanwhile, the middle income and higher segment expanded from 28.2% of the population in 1990 to 69.6% in 2018 (Figure 1). It is unambiguous that over the past 30 years, the size of APEC's economic pie has increased, and the region's poverty incidence has dropped significantly.

Inclusion, however, is not simply about enlarging the economic pie or increasing average incomes. Even poverty reduction — which itself is an essential and noble achievement — is not the totality of inclusion. Inclusion, as mentioned by Leaders, is about "enhancing equity,"[32] or making sure that everyone gains their fair share of economic growth. This invariably leads to a discussion about the distribution of the growing economic pie, which is not straightforward. The most popular measure of income distribution — the Gini coefficient[33] — points to overall improvement in distribution, with more APEC economies seeing a reduction in this measure of inequality than an increase (Table 1). This shows that income is trending towards more dispersion rather than concentration, which implies lower inequality.

[32] "APEC Action Agenda on Advancing Economic, Financial, and Social Inclusion."

[33] The Gini coefficient is given by the formula $G(x) = \frac{\sum_{i=1}^{n}\sum_{j=1}^{n}|x_i - x_j|}{2n^2\bar{x}}$ where x_i denotes the ith person's income in ascending order of i such that $x_i \leq x_{i+1}$; $i \neq j$; n is the number of individuals; and $\bar{x}$ is the average income. It can be seen that multiplying x_i for all i by a nonzero constant k gives us $G(kx) = G(x)$. In other words, $G(x)$ is homogenous of degree zero.

Table 1. Gini Coefficient from 1990 to 2018

Economy	Initial	Latest	Change	Economy	Initial	Latest	Change
Australia	0.33 (1989)	0.33 (2017)	~	New Zealand	0.33 (1990)	0.34 (2019)	↗
Brunei Darussalam	…	…	...	Papua New Guinea	0.46 (1996)	0.42 (2009)	↘
Canada	0.31 (1991)	0.30 (2018)	↘	Peru	0.44 (1994)	0.43 (2018)	↘
Chile	0.57 (1990)	0.47 (2017)	↘	The Philippines	0.43 (1991)	0.44 (2015)	↗
China	0.32 (1990)	0.38 (2016)	↗	Russia	0.48 (1993)	0.38 (2018)	↘
Hong Kong, China	0.48 (1991)	0.47 (2016)	↘	Singapore	0.41 (1990)	0.40 (2018)	↘
Indonesia	0.31 (1990)	0.39 (2018)	↗	Chinese Taipei	0.30 (1991)	0.34 (2018)	↗
Japan	0.30 (1999)	0.36 (2014)	↗	Thailand	0.45 (1990)	0.37 (2018)	↘
Korea	0.31 (1993)	0.35 (2018)	↗	United States	0.38 (1991)	0.41 (2016)	↗
Malaysia	0.46 (1989)	0.41 (2015)	↘	Viet Nam	0.36 (1992)	0.36 (2018)	~
Mexico	0.54 (1989)	0.45 (2018)	↘				

Note: Data for Brunei Darussalam was not available.
Source: World Bank's PovcalNet database: economy sources; Hong Kong, China Census and Statistics Department; Statistics Bureau of Japan; Statistics Korea; Statistics New Zealand; and Singapore Department of Statistics.

It is important to note, however, that the Gini coefficient is a measure of dispersion across a population, which means it is sensitive to proportional changes in income but not to income gaps or shares. This means the Gini coefficient goes down when incomes on the lower end of the distribution grow faster than incomes on the higher end. A problem with this measure is that it tends to hide base effects: a 10% increase from a $1,000 income is just a hundredth of a 1% increase from a $1 million income.

Indeed, this is what happened in the APEC region between 1990 and 2018: in Table 2, we use distribution data from the World Bank's PovcalNet database to calculate average monthly real incomes per ventile group.[34] It can be seen that average incomes have increased across all ventile groups, with even the poorest 5% of the population on average gaining more than USD 60/month per capita over the period. This translates to about USD 2/day increase in income among the poorest 5%, which reflects the reduction in extreme poverty mentioned earlier. Table 2 also shows that the poorest ventile groups saw average annual income growth at 2.5% over the period, while the richest ventile group saw 2.6% annual growth. In fact, the "average" Gini coefficient for the APEC region increased slightly from 0.451 in 1990 to 0.454 in 2018.

[34] Ventiles refer to 5-percent groups of the population according to income, forming 20 groups with ventile 1 being the poorest and ventile 20 being the richest.

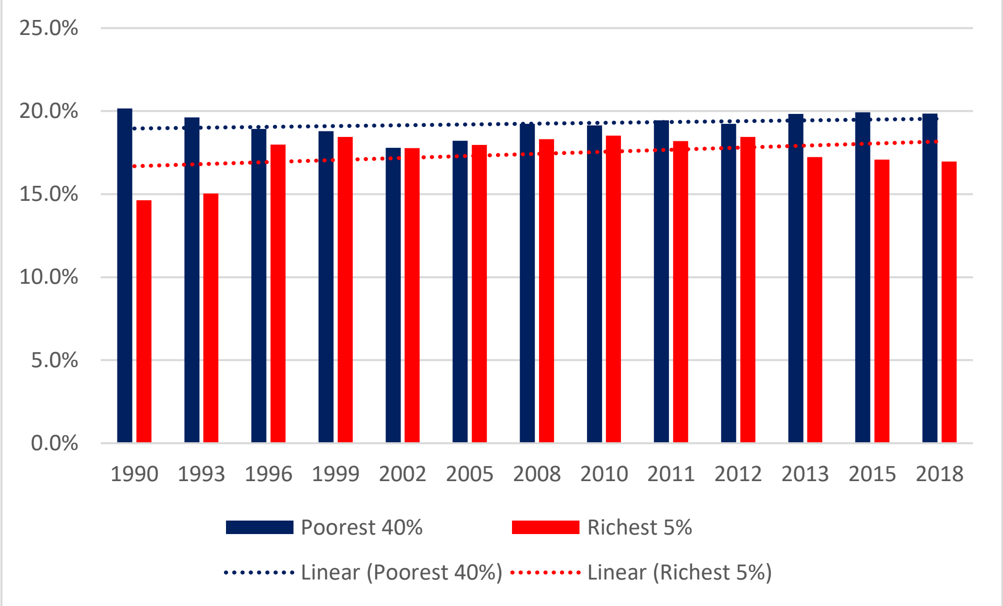
Table 2. Real monthly per capita income in APEC, 1990-2018
(in 2011 PPP dollars)

Ventile	1990	2005	2018	Annual growth
1 (poorest)	64.6	82.0	129.2	2.5%
2	105.7	139.8	214.6	2.5%
3	198.2	258.7	401.8	2.5%
4	263.7	344.2	532.1	2.5%
5	377.6	492.5	762.1	2.5%
6	464.4	604.1	926.9	2.5%
7	598.8	779.7	1,191.0	2.5%
8	709.2	916.2	1,401.4	2.4%
9	868.3	1,122.7	1,717.0	2.4%
10	1,000.2	1,286.1	1,979.1	2.4%
11	1,181.8	1,528.2	2,341.0	2.4%
12	1,339.5	1,722.7	2,652.1	2.4%
13	1,554.8	1,999.9	3,103.7	2.5%
14	1,740.9	2,242.6	3,477.5	2.5%
15	1,989.7	2,565.3	3,982.5	2.5%
16	2,237.2	2,873.1	4,473.0	2.5%
17	2,564.7	3,273.6	5,121.4	2.5%
18	2,891.4	3,691.5	5,779.0	2.5%
19	3,359.9	4,314.1	6,786.8	2.5%
20 (richest)	4,210.7	5,544.9	8,714.1	2.6%
Mean income	1,386.1	1,789.1	2,784.3	2.5%
Gini coefficient	0.45128	0.45123	0.45482	
Income gap (richest – poorest)	4,146.1	5,462.9	8,584.9	

Note: Ventile figures show population-weighted average across economies. E.g., data for ventile 1 is the average of ventile 1 incomes in all APEC economies. Data cover Australia; Canada; Chile; China; Indonesia; Japan; Korea; Malaysia; Mexico; Papua New Guinea; Peru; the Philippines; Russia; Chinese Taipei; Thailand; the United States; and Viet Nam.
Source: World Bank's PovcalNet database: economy sources; APEC PSU staff calculations.

It can also be seen that the real monthly income gap per capita between rich and poor increased during the period from USD 4,146 in 1990 to USD 8,585 in 2018, and this gap seems to be growing. Figure 2 shows that the income shares of the poorest 40% and the richest 5% of the population is narrowing, from a difference of more than 5 percentage points in 1990 to just 3 points in 2018. Long-term trends point to worsening inequality, with the richest 5 percent expected to increase their share faster than the poorest 40 percent. This can also be gleaned from Table 2: between 1990 and 2018, monthly income per person among the poorest 5% of the population grew from USD 65 to USD 129 per person per month in 2011 PPP dollars. In comparison, real per capita monthly income among the richest 5 percent of the population went from USD 4,211 to USD 8,714 per person per month, or an increase of more than USD 4,500.

Figure 2. Share of total income, by income group, in APEC, 1990–2018

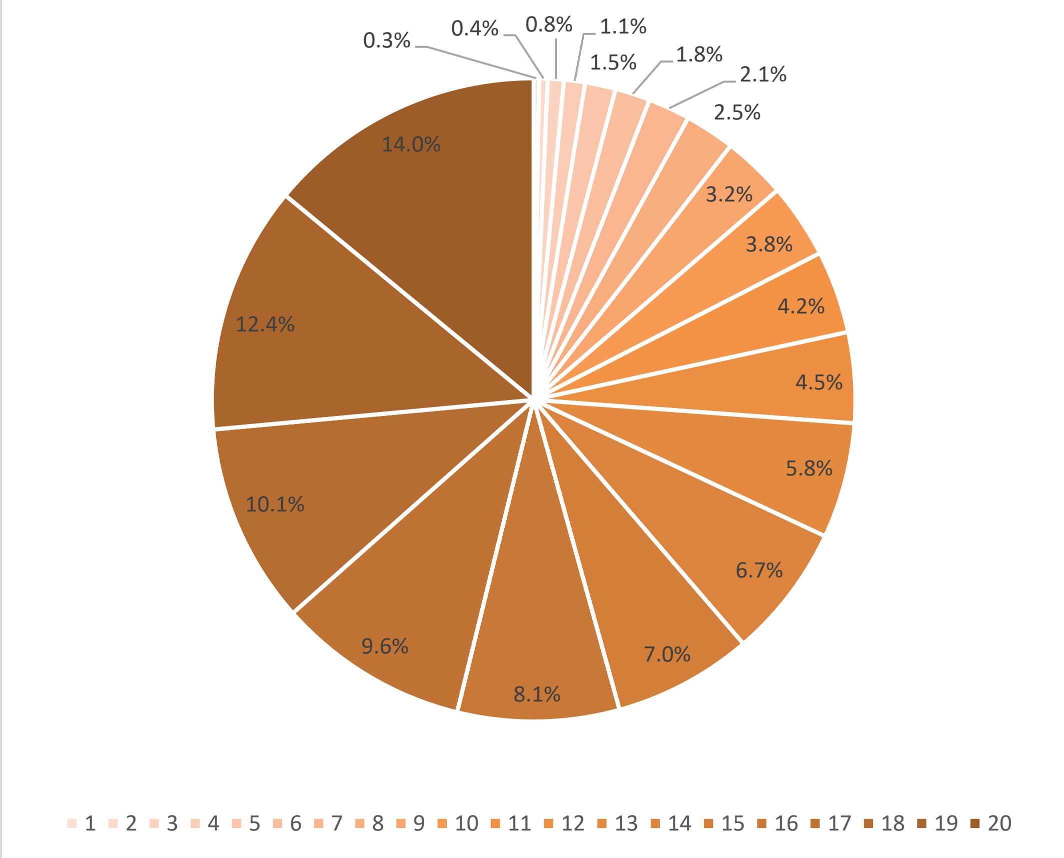


Note: Bars show average within-economy income shares weighted by population. Data cover Australia; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Philippines; Russia; Singapore; Chinese Taipei; Thailand; the United States; and Viet Nam.
Source: World Bank's PovcalNet database: economy sources; APEC PSU staff calculations.

While the economic pie has unambiguously grown over the past 30 years, it has not been sliced equally. As can be seen in Figure 3, while the richest 5% in APEC were able to gain 14% of the gains from economic growth, the poorest 5% only accrued 0.3% of the benefits. In fact, the richest 25% of the population in APEC received 54% of the gains of household income growth over the past 30 years, while the remaining 75% of the population split the remaining 46% among themselves.

It is important to note that due to data constraints, all the analysis thus far has been on income flows and not wealth. Income is based on wages, salaries or returns on investments earned at a specific point in time. Wealth is an accumulation of assets, which includes endowments (e.g., inherited wealth), savings, and physical or intangible assets (e.g., real estate or intellectual property). Hence, even a small income gap leads to large wealth gaps because of the accumulation of savings and assets over time.

Figure 3. Distribution of real income gains by ventile in APEC, 1990-2018



Note: Ventile groups are arranged from poorest 5% (ventile 1) to richest 5% (ventile 20). Aggregates are weighted by population. Each slice accrues to 5% of the population. Data cover Australia; Canada; Chile; China; Indonesia; Japan; Korea; Malaysia; Mexico; Papua New Guinea; Peru; the Philippines; Russia; Chinese Taipei; Thailand; the United States; and Viet Nam.
Source: World Bank's PovcalNet database; APEC PSU staff calculations.

LINKAGES BETWEEN ECONOMIC GROWTH AND INCLUSION

How economic growth affects inclusion

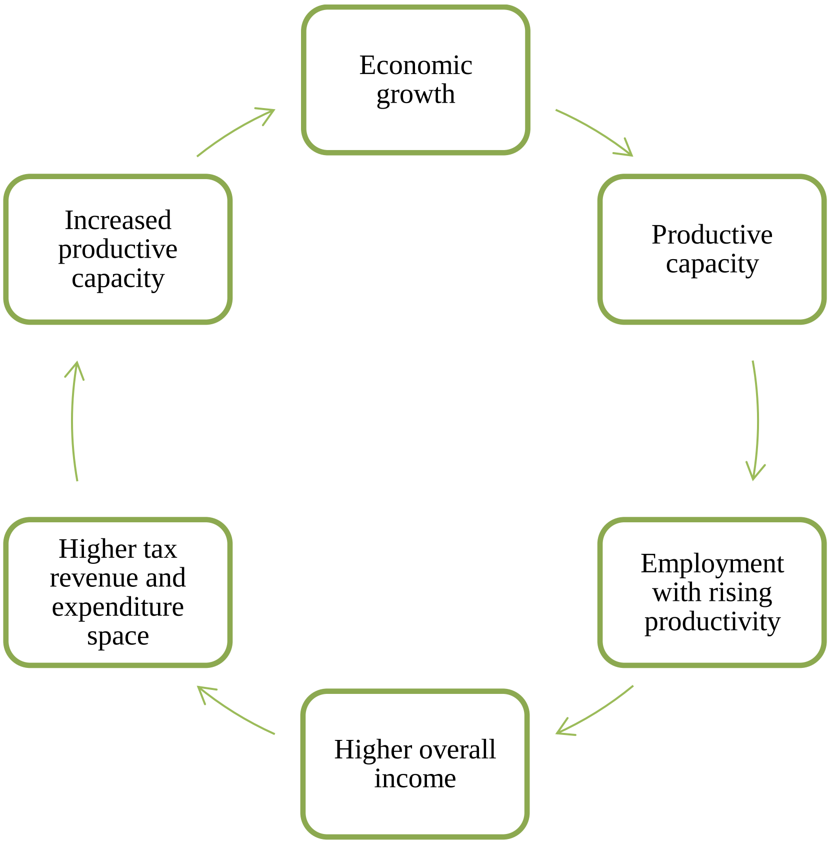
Before the 2008 Global Financial Crisis, sustained economic growth was widely seen as the main driving force needed to raise global living standards and to reduce poverty levels in the developing world.[35] There is a sizable literature that links economic growth to improved inclusion — not only economic inclusion, but also financial and social inclusion. Nonetheless, there are several criticisms that note that economic growth can also lead to exclusion. This section looks at both the positive and negative impacts of economic growth on inclusion.

[35] OECD, "Inclusive Growth - Economic Growth That Is Distributed Fairly across Society," accessed January 29, 2020, https://www.oecd.org/inclusive-growth/about.htm.

Economic Inclusion

UNESCO defines economic inclusion as the right of everyone — regardless of citizenship — to work.[36] As such, one constant issue for economies is to ensure a healthy level of job creation. Economic growth and inclusion interact in a positive feedback loop where economic growth generates more economic opportunities, which in turn stimulates further growth (Figure 4).[37] Economic growth brings opportunities as it generates jobs and creates business interactions. It increases the resources available for economies, firms, and individuals to invest in new technologies and skills training. Access to new technologies and better alignment of skill supply and skill demand raise labour productivity. Higher productivity can lead to higher income, which allows the public to invest more on healthcare, education, and skills development. These higher incomes will also raise tax revenues, which can be used by governments to improve the delivery of public services such as transportation, education, healthcare, and social protection. In turn, the higher quality of public services betters the quality of life and further raises labour productivity. These elevated levels of output can then be reinvested in initiatives that further grow the economy.

Figure 4. Positive feedback loop of economic growth and economic inclusion



Source: R. Islam (2004), "The Nexus of Economic Growth, Employment and Poverty Reduction: An Empirical Analysis."

[36] UNESCO, "Economic Inclusion," 2017, http://www.unesco.org/new/en/social-and-human-sciences/themes/urban-development/migrants-inclusion-in-cities/good-practices/economic-inclusion/.
[37] Rizwanul Islam, "The Nexus of Economic Growth, Employment and Poverty Reduction: An Empirical Analysis" (ILO, January 2004), http://www.ilo.int/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_120690.pdf.

Multiple studies have pointed out that economic growth is a necessary condition for poverty alleviation.[38] According to Rodrik (2009), "historically nothing has worked better than economic growth in enabling societies to improve the life chances of their members, including those at the very bottom."[39] Taking into account the increased employment opportunities that economic growth brings, economies can leverage on higher incomes and consumption to stimulate investments into new businesses models and small and medium enterprises (SMEs). For example, higher investments into ICT have led to the rise of telecommuting, which allows people to work from home, allowing people with household responsibilities and those with restricted mobility to access more economic opportunities.[40] Higher levels of income also improve people's ability to spend on services such as tourism, culture, and creative industries.[41] This increased demand can help spread economic development and employment options closer to those who typically do not have access to such opportunities, such as underrepresented and vulnerable group, including youth, women, the elderly, persons with disability, and rural communities.

However, economic growth has not been sufficient in ensuring inclusion. As mentioned earlier, the richest decile in APEC gained 15.8% of the region's gains between 1990 and 2015, while the poorest decile only gained received 0.3% of these benefits. In some of the world's largest economies, the income share of the top 1% has steadily risen over the years, while the bottom 50% experienced a downward trend in their income share.[42] Lakner and Milanović (2016) analysed income growth of the world's population separated by various income deciles and found out that between 1988 and 2008, the real income growth of the top 1% is almost double that of the bottom 10%. They captured this portrait of global inequality in their famous "elephant chart" (Figure 5).[43]

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[38] David Dollar and Aart Kraay, "Growth Is Good for the Poor," *Journal of Economic Growth* 7, no. 3 (September 1, 2002): 195–225, https://doi.org/10.1023/A:1020139631000; Israel Osorio Rodarte and Jos Verbeek, "How Effective Is Growth for Poverty Reduction? Do All Countries Benefit Equally from Growth?," June 16, 2015, https://blogs.worldbank.org/developmenttalk/how-effective-growth-poverty-reduction-do-all-countries-benefit-equally-growth; Michael Boskin, "Economic Growth Is the Best Way to Raise Living Standards," *The Guardian*, December 13, 2019, sec. Business, https://www.theguardian.com/business/2019/dec/13/how-to-expand-american-economic-pie.

[39] Dani Rodrik, *One Economics, Many Recipes: Globalization, Institutions, and Economic Growth*, 1st ed. (Princeton, N.J.: Princeton Univ. Press, 2009), 2.

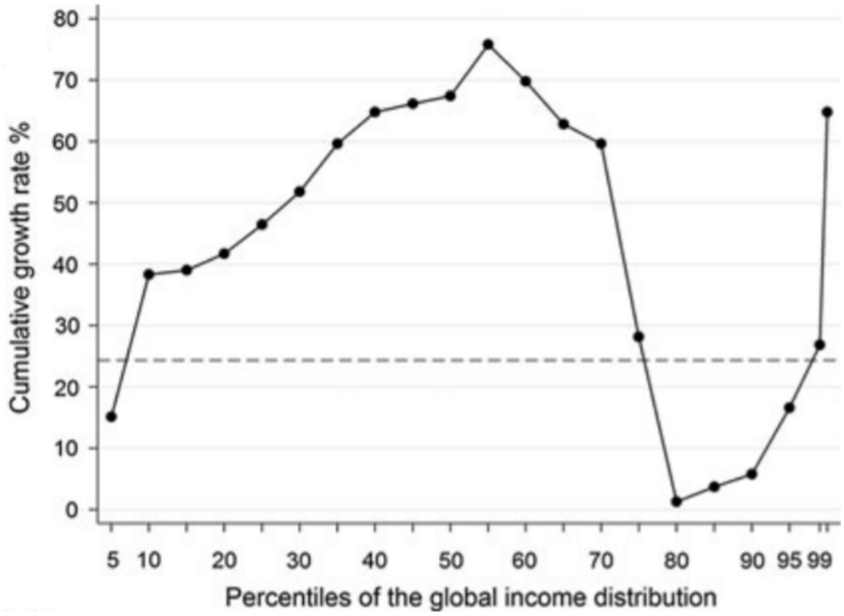
[40] Andrea Loubier, "Benefits Of Telecommuting For The Future Of Work," *Forbes*, July 20, 2017, https://www.forbes.com/sites/andrealoubier/2017/07/20/benefits-of-telecommuting-for-the-future-of-work/.

[41] Salvo Creaco and Giulio Querini, "The Role of Tourism in Sustainable Economic Development," ERSA Conference Papers (European Regional Science Association, August 2003), https://ideas.repec.org/p/wiw/wiwrsa/ersa03p84.html.

[42] Thomas Piketty, Emmanuel Saez, and Gabriel Zucman, "Distributional National Accounts: Methods and Estimates for the United States," Working Paper (National Bureau of Economic Research, December 2016), https://doi.org/10.3386/w22945; Thomas Piketty, Li Yang, and Gabriel Zucman, "Capital Accumulation, Private Property and Rising Inequality in China, 1978-2015," Working Paper (National Bureau of Economic Research, April 2017), https://doi.org/10.3386/w23368.

[43] Christoph Lakner and Branko Milanovic, "Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession," *The World Bank Economic Review* 30, no. 2 (January 1, 2016): 203–32, https://doi.org/10.1093/wber/lhv039.

Figure 5. Global income growth incidence curve, 1988-2008: The Elephant Curve



Source: Lakner and Milanovic (2016)

Financial inclusion

According to the World Bank, financial inclusion entails that "individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way."[44] While economic development has certainly raised the ability of large-sized financial institutions to offer financial solutions to their clients, their services may be inaccessible to SMEs and people with limited resources. Furthermore, exorbitant fees and significant administrative checks may deter people from availing such resources. Hence, it is important for economies to look into the development of new financial institutions that operate on a comparable scale and that offers services targeted towards the needs and limitations of their clients.[45]

Economic growth generates more income for the public, and increases investments into new technologies. Economic growth hence can improve financial inclusion in two ways. Firstly, increased income can encourage more people to partake in entrepreneurship, given that they expect to be able to sell more due to higher incomes. Secondly, the development of new technologies and financial services helps in creating new financial services models that better meet the needs of traditionally marginalized groups. These two factors contributed to the emergence of micro-finance institutions and digital financial solutions. Several micro, small, and medium financial institutions adopted developments in financial technology (fintech) to scale down their financial services such that they meet the needs and capabilities of their target

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[44] World Bank, "Financial Inclusion," Text/HTML, World Bank, accessed January 29, 2020, https://www.worldbank.org/en/topic/financialinclusion.

[45] Justin Yifu Lin and Yongjun Li, "Promoting the Growth of Medium and Small-Sized Enterprises through the Development of Medium and Small-Sized Financial Institutions," *Economic Research Journal - Institute of Economics at Chinese Academy of Social Science*, January 2001, http://en.cnki.com.cn/Article_en/CJFDTotal-JJYJ200101001.htm.

demographic. In 2018, micro-finance institutions such as Musoni in Kenya[46] and Koperasi Mitra Dhuafa (Komida) in Indonesia[47] have piloted digital technologies to facilitate the delivery of their services to improve the accessibility of financial resources to those who need them. In particular, they used mobile phones as a proxy to deliver their services in a faster and more cost-efficient way, allowing their clients to use their mobiles to apply for micro-loans and receive loan approval. While the impact of economic growth on micro-finance performance and usage is mixed across several economies,[48] economic growth has offered more options to reach financial options to those who are traditionally excluded from such services.

Geographic inequality can be a particular challenge for rural and remote areas, especially as these areas tend to be populated by low-income households, vulnerable minorities, or indigenous populations.[49] The withdrawal of economic activity from such areas, coupled with constrained public resources and capacity, can exacerbate the economic and financial exclusion of vulnerable groups.[50]

Social inclusion

Economic growth also affects social inclusion, defined by the World Bank as "the process of improving the terms on which individuals and groups take part in society – improving the ability, opportunity, and dignity of those disadvantaged on the basis of their identity."[51] Economic growth stimulate social inclusion in three primary ways. Firstly, as discussed earlier, growth increases the number of economic opportunities. This increases the number of employment opportunities for people in traditionally disadvantaged groups. Secondly, growth can lead to a strengthening of savings and social safety nets, providing a more secure fallback position for vulnerable people. Finally, growth can forge stronger ties between community members through increased opportunities for interaction.

Economic growth can generate higher tax revenue for the government, which can provide the fiscal space to invest more in basic services such as education and healthcare as well as social protection programmes. Studies have found that conditional cash transfers have increased

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[46] Musoni, "Musoni Microfinance," accessed January 29, 2020, https://musoni.co.ke/.
[47] Adrian Yeow, Wee Kiat Lim, and Andreas Pazi Raharso, "KOMIDA: Implementing Digital Microfinance in Indonesia," December 1, 2018, https://store.hbr.org/product/komida-implementing-digital-microfinance-in-indonesia/NTU224.
[48] John D. Woolley, "Microfinance Performance and Domestic GDP Growth: Testing the Resiliency of Microfinance Institutions to Economic Change," 2008; Nargiza Alimukhamedova, "Measuring the Impact of Microfinance" (Prague, Charles University Prague, 2014), https://www.cerge-ei.cz/pdf/dissertations/2014-alimukhamedova.pdf.
[49] Emmanuel A. San Andres, Satvinderjit Kaur Singh, and Jenny Ayumi Kai, "Development and Integration of Remote Areas in the APEC Region" (APEC-PSU, November 2018), https://www.apec.org/Publications/2018/11/Development-and-Integration-of-Remote-Areas-in-the-APEC-Region.
[50] J S Pollard, "Banking at the Margins: A Geography of Financial Exclusion in Los Angeles," *Environment and Planning A: Economy and Space* 28, no. 7 (July 1996): 1209–32, https://doi.org/10.1068/a281209; Gary Dymski and Wei Li, "The Macrostructure of Financial Exclusion: Mainstream, Ethnic, and Fringe Banks in Money Space," *Espace Populations Sociétés*, 2003, 183–201.
[51] World Bank, "Social Inclusion," Text/HTML, World Bank, accessed January 30, 2020, https://www.worldbank.org/en/topic/social-inclusion.

school enrolment[52] and uptake of preventive health measures.[53] This shows that investment in social protection and safety nets that reduce income uncertainty can contribute to human capital development and later improve economic productivity. Investments to increase access to public services can also contribute to better social cohesion by facilitating interactions with new and disadvantaged members of society and by providing people with the skills and experiences that could facilitate their social participation.[54] This helps in levelling the playing field for people to access opportunities and contribute to society.

However, some of the spillovers from economic growth lead to challenges in social inclusion. For example, higher costs of social services can lead well-off groups to resist additional taxation, speculating that increased social spending results in free-riders and public debt.[55] While empirical studies show that increased social expenditure does not slow down economic growth,[56] it can lead to increased unhappiness towards the beneficiaries of such services as others may see such programs as benefiting only poor or minority groups.[57] Likewise, another spillover from economic growth — increased rates of migration — can be accompanied by growing resentment towards vulnerable populations like foreign workers, migrants, and refugees, leading to increased social tensions[58] and perceived withdrawal of access to opportunities; i.e., a zero-sum situation.[59]

How inclusion affects economic growth

Economic Inclusion

There are two main ways in which economic inclusion contributes to economic growth. Firstly, improving the ability of people to participate in the economy leads to a larger and more productive workforce, which can generate greater output. The relationship between unemployment and economic growth is captured in Okun's Law,[60] which is the well-established empirical relationship between unemployment and output losses: the higher the level of unemployment, the farther actual economic output falls below its full potential. Hence, ensuring sufficient job opportunities and ensuring all people have access to these opportunities are crucial for economic growth.

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[52] Andrés Ham, "The Impact of Conditional Cash Transfers on Educational Inequality of Opportunity," *Latin American Research Review* 49, no. 3 (2014): 153–75.
[53] Mylene Lagarde, Andy Haines, and Natasha Palmer, "Conditional Cash Transfers for Improving Uptake of Health Interventions in Low- and Middle-Income Countries: A Systematic Review," *JAMA* 298, no. 16 (October 24, 2007): 1900–1910, https://doi.org/10.1001/jama.298.16.1900.
[54] Vasiliki Kantzara, "The Relation of Education to Social Cohesion," *Social Cohesion and Development* 6 (April 13, 2016), https://doi.org/10.12681/scad.8973.
[55] Peter H. Lindert, *Growing Public: Social Spending and Economic Growth since the Eighteenth Century* (Cambridge, UK ; New York: Cambridge, 2004).
[56] Lindert.
[57] Rachel Wetts and Robb Willer, "Privilege on the Precipice: Perceived Racial Status Threats Lead White Americans to Oppose Welfare Programs," *Social Forces* 97, no. 2 (December 1, 2018): 793–822, https://doi.org/10.1093/sf/soy046.
[58] Jonathan Crush and Sujata Ramachandran, "Xenophobia, International Migration and Development," *Journal of Human Development and Capabilities* 11, no. 2 (May 1, 2010): 209–28, https://doi.org/10.1080/19452821003677327.
[59] Shamit Saggar et al., *The Impacts of Migration on Social Cohesion and Integration* (London: UK Border Agency, 2012), https://www.research.manchester.ac.uk/portal/files/56718536/FULL_TEXT.PDF.
[60] A discussion of Okun's Law can be found here: Laurence Ball, Daniel Leigh, and Prakash Loungani, "Okun's Law: Fit at 50?" (IMF, 2013), https://www.imf.org/external/pubs/ft/wp/2013/wp1310.pdf.

The second way economic inclusion impacts growth is through average worker productivity. Average worker productivity is determined by several factors. One important factor is skills mismatch: an OECD study has found that higher skill and qualification mismatch is associated with lower labour productivity, which in turn constrains economic growth.[61] Worker productivity can also be linked to environmental factors. For example, traffic jams and inefficient public transportation is associated with reduced productivity. *The Economist* has estimated that the total economic loss due to the cost of traffic congestion in Los Angeles amounts to USD 23 billion annually.[62] Natural calamities also affect labour productivity: earthquakes, typhoons, and floods damage current assets and infrastructure, which in turn leads to lost future output.[63] Finally, public health crises such as epidemics also cause substantial opportunity loss for the economy. For instance, quarantine measures impede the ability of people to work and purchase consumer goods. The World Bank estimated that moderately severe to severe pandemics can cost the global economy approximately USD 570 billion, roughly 0.7% of global income.[64]

These factors that constrain worker productivity can be properly mitigated with investments in education, infrastructure, and healthcare. Providing workers with access to education and skills development could alleviate skills mismatches and allow workers to take advantage of jobs that will be generated by the 4th Industrial Revolution. Robust physical and digital infrastructure networks support greater economic growth due to increased mobility and opportunities for commerce as well as higher resilience to natural disasters.[65] Finally, better public health is also linked to higher economic growth: a study by Bloom and Canning showed that annual real income per capita in an economy with a 5-year advantage in life expectancy grows around 0.3% to 0.5% faster than other economies.[66] As such, improvements in public services can raise productivity and stimulate faster economic development.

Financial Inclusion

Better financial inclusion in the form of increased access to financial services is also linked to greater economic growth. Access to micro-finance has been shown to increase long-run income due to increased investments in asset generating products and services like in health and education, and a diversification of income sources.[67] Moreover, micro-finance provides an

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[61] Müge Adalet McGowan and Dan Andrews, "Labour Market Mismatch and Labour Productivity: Evidence from PIAAC Data," OECD Economics Department Working Papers (Paris: OECD, April 28, 2015), https://doi.org/10.1787/5js1pzx1r2kb-en.
[62] "The Cost of Traffic Jams," *The Economist*, November 3, 2014, https://www.economist.com/the-economist-explains/2014/11/03/the-cost-of-traffic-jams.
[63] Johanna Grames et al., "Modeling the Interaction between Flooding Events and Economic Growth," *Ecological Economics* 129 (September 2016): 193–209, https://doi.org/10.1016/j.ecolecon.2016.06.014.
[64] The World Bank, "From Panic and Neglect to Investing in Health Security : Financing Pandemic Preparedness at a National Level" (The World Bank, May 1, 2017), http://documents.worldbank.org/curated/en/979591495652724770/From-panic-and-neglect-to-investing-in-health-security-financing-pandemic-preparedness-at-a-national-level.
[65] Junjie Hong, Zhaofang Chu, and Qiang Wang, "Transport Infrastructure and Regional Economic Growth: Evidence from China," *Transportation* 38, no. 5 (September 1, 2011): 737–52, https://doi.org/10.1007/s11116-011-9349-6.
[66] David E. Bloom and David Canning, "The Health and Wealth of Nations," *Science* 287, no. 5456 (February 18, 2000): 1207–9, https://doi.org/10.1126/science.287.5456.1207.
[67] Christopher Dunford, "Evidence of Microfinance's Contribution to Achieving the Millennium Development Goals" (Global Microcredit Summit, Halifax, Canada: Freedom from Hunger, 2006); Elizabeth Littlefield, Syed

additional buffer for families to weather adverse shocks such as illness, natural calamities, and economic shocks.[68] Micro-finance can also empower women financially and in decision-making by providing them with better access to financial services.

Remittances, particularly money transferred to another family member, are also powerful tools for economic development.[69] Remittances are positively correlated with higher capital accumulation, increased health and education expenditures, better access to information and communication technologies, more entrepreneurship, and better preparedness for adverse economic shocks.[70] A study from the International Organization for Migration in 2006 found that total gross remittances provide the second largest external financial flows to developing economies after foreign direct investment (FDI) and are worth three times the total developmental aid from industrialised economies.[71]

Micro-finance and remittances provide crucial capital that can be used to stimulate the economy. However, micro-finance and remittances also has its fair share of challenges. In a randomised control trial in Hyderabad, India, Nobel laureate Banerjee et al. find that while micro-finance provided an increase in small business investment and profits of small enterprises, these changes do not display any sizeable effects in the long-run.[72] As stated by Banerjee and Duflo,[73]

> "Microcredit and other ways to help tiny businesses still have an important role to play in the lives of the poor, because these tiny businesses will remain, perhaps for the foreseeable future, the only way many of the poor can manage to survive. But we are kidding ourselves if we think that they can pave the way for a mass exit from poverty."

As such, while improving financial inclusion through micro-finances can provide a present-day livelihood for the poor, more efforts must be undertaken to also diversify the usage of micro-finance, such as in the provision of educational opportunities and upskilling initiatives that can allow people to access higher-wage jobs.

Social Inclusion

Social inclusion is also an important ingredient in economic development. Social inclusion raises the ability of people from all walks of life to partake in opportunities that can empower

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Hashemi, and Jonathan Morduch, "Is Microfinance an Effective Strategy to Reach the Millennium Development Goals?," *Consultative Group to Assist the Poor*, 2003, 12.

[68] Niels Hermes and Robert Lensink, "Microfinance: Its Impact, Outreach, and Sustainability," *World Development*, Microfinance: Its Impact, Outreach, and Sustainability, 39, no. 6 (June 1, 2011): 875–81, https://doi.org/10.1016/j.worlddev.2009.10.021.

[69] Pablo Acosta, J. Humberto López, and Pablo Fajnzylber, "Remittances and Household Behavior: Evidence for Latin America," in *Remittances and Development: Lessons from Latin America*, ed. Pablo Fajnzylber and J. Humberto López, (Washington, D.C: World Bank, 2008), https://catalyst.library.jhu.edu/catalog/bib_2820817.

[70] Acosta, López, and Fajnzylber; Sanjeev Gupta, Catherine A. Pattillo, and Smita Wagh, "Effect of Remittances on Poverty and Financial Development in Sub-Saharan Africa," *World Development* 37, no. 1 (January 1, 2009): 104–15, https://doi.org/10.1016/j.worlddev.2008.05.007.

[71] Bimal Ghosh, *Migrants' Remittances and Development: Myths, Rhetoric and Realities* (Geneva, Switzerland: International Organization for Migration, 2006).

[72] Abhijit Banerjee et al., "The Miracle of Microfinance? Evidence from a Randomized Evaluation," *Massachussets Institute of Technology*, n.d., 53.

[73] Abhijit V. Banerjee and Esther Duflo, *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*, Paperback first published (New York: Public Affairs, 2012), 238.

them to develop their skills and contribute to the economy. For example, improvements in women's economic participation allow more people to contribute to economic growth. According to the Asian Development Bank, the Asia-Pacific region loses as much as USD 42 billion to USD 47 billion annually due to women's limited access to employment. Furthermore, gender gaps in education are estimated to cost another USD 16 billion to USD 30 billion annually due to lost labour and skills opportunity.[74] Hence, it is important for economies to focus on improving the ability of women to participate in the economy. The World Bank argued that higher female employment improves child survival and overall family health due to increased income sources. Moreover, it reduces the fertility rate,[75] which slows down population growth, allowing economies and individuals to allocate their resources to the improvement of skills and living standards.[76]

Economies can also work towards expanding opportunities for people living with disabilities. In ASEAN, approximately 2.7% of the region's population are reported to suffer from a form of disability, amounting to over 17 million people.[77] The United Nations Economic and Commission for Asia and the Pacific estimates that were people with disabilities in ASEAN paid the same as their able bodied peers, the region's GDP could increase by 1% to 7%, resulting in a GDP increase of approximately of USD 80 billion for the region.[78] As such, APEC economies can also look to improving social inclusion and accessibility as a method of fostering greater economic development.

Greater social cohesion — even across race, ethnicity, and socio-economic class — can have positive impacts to the economy. Improved social cohesion can reduce the prevalence of crimes and violence in an area,[79] fostering economic activity and opportunities. Studies also show that greater inclusion for minority ethnic and immigrant groups can stimulate economic growth through higher levels of worker productivity and innovation, as well as boosting demand for goods, services, and imports.[80] Ethnic diversity also contributes to the performance of businesses: companies with a diverse workforce are more likely to introduce new product innovations than can firms with less diverse teams. Secondly, diversity allows firms to reach new markets via mechanisms such as higher language competencies and regional insights from their workforce. Finally, greater diversity can stimulate entrepreneurship, such as the provision of new cultural goods like food and apparel.[81]

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[74] Asian Development Bank and International Labour Organization, *Women and Labour Markets in Asia: Rebalancing for Gender Equality* (Bangkok: ILO Regional Off. for Asia and the Pacific, 2011).

[75] Fertility rate is the average number of children per adult woman during her reproductive life, defined as 15-49 years of age.

[76] World Bank, *Enhancing Women's Participation in Economic Development* (The World Bank, 1994), https://doi.org/10.1596/0-8213-2963-4.

[77] Cassandra Chew, "To Enhance Economic Growth, Help People with Disabilities Get Back to Work," World Economic Forum, May 10, 2017, https://www.weforum.org/agenda/2017/05/to-enhance-economic-growth-help-people-with-disabilities-get-back-to-work/.

[78] Chew.

[79] A. Hirschfield and K.J. Bowers, "The Effect of Social Cohesion on Levels of Recorded Crime in Disadvantaged Areas," *Urban Studies* 34, no. 8 (July 1, 1997): 1275–95, https://doi.org/10.1080/0042098975637.

[80] Paul Spoonley, "Superdiversity, Social Cohesion, and Economic Benefits," *IZA World of Labor*, May 1, 2014, https://doi.org/10.15185/izawol.46.

[81] Max Nathan and Neil Lee, "Cultural Diversity, Innovation, and Entrepreneurship: Firm-Level Evidence from London," *Economic Geography* 89, no. 4 (2013): 367–94, https://doi.org/10.1111/ecge.12016.

3. SYNTHESIS OF INCLUSIVE POLICIES

Case studies on inclusive policies were received from Canada; Chile; China; Korea; Malaysia; New Zealand; Russia; and Chinese Taipei. They provide a view of how APEC economies have leveraged institutions and policymaking to foster inclusion in the region. This chapter synthesises experiences, insights, and lessons from the case studies contributed by KCEs. Unless otherwise indicated in a citation or footnote, all information in this chapter are based on the case studies provided by KCEs.

Some key themes that emerged from the case studies are the need to improve access to human development and to economic opportunities and benefits. Economies are taking action to provide equal access to healthcare, education, and infrastructure in order to develop their skills and capabilities to contribute to the economy. This is complemented by policies that ensure access to jobs and entrepreneurship, giving people the opportunity to contribute to economic production and partake in the benefits of growth.

INCLUSION IN HUMAN DEVELOPMENT

Access to Healthcare

Marginalised communities such as those living in poor, rural, or remote areas oftentimes lack access to basic healthcare. As good health and nutrition are gateways to opportunities in education, skills development, and employment, lack of access to healthcare can be a major stumbling block to income security and upward mobility.

In Hanzhong City of Shanxi Province, China, the municipal government, in coordination with townships and villages, sought to improve access to healthcare among the nearby rural population by identifying those in need of healthcare, and by expanding and scaling healthcare access for all. First, the government established a poverty-targeting management system to facilitate screenings and assessments on rural residents and a series of management schemes for those with serious, chronic, or terminal illnesses. The government then provided relief for out-of-pocket healthcare costs through medical cost reduction, increased insurance coverage, and special grants through fixed subsidies and special relief funds. In addition, healthcare capacity in rural areas was expanded with improved conditions at primary-level hospitals, additional publicly-owned village clinics, and regular healthcare personnel exchanges between rural and urban hospitals. The government also established the Internet Plus Poverty Alleviation via Health Security, a pilot programme that digitalises and integrates medical reports into a big-data service platform that provides telemedicine, online medical education, and mobile-intelligent healthcare.

As a result of this healthcare reform, medical standards and procedures in village clinics were streamlined in alignment with large city hospitals. In 2018, all impoverished residents in the rural areas around Hanzhong enrolled in the New Rural Cooperative Care Medical System, a voluntary medical scheme. Through a medical security guarantee system that integrates basic healthcare, serious illness insurance, and government-supplied supplementary medical insurance and assistance, up to 90% of the medical costs are covered.

In Chinese Taipei, healthcare reform focused on the indigenous peoples who reside mostly in the Eastern side of the island and offshore areas. Their geographic and cultural distance from the rest of the population left them with little access to and awareness of healthcare. As a result, the government introduced an Aboriginal Health Inequality Improvement Plan. The plan incorporated broad-based improvements in the quality and standards of medical personnel, resources, and infrastructure. But more importantly, it integrated healthcare within the tribal community. This included training and retention programs for local healthcare workers, increased allocation of specialty physicians, and the incorporation of health assessment, medication management, and health education in the community-based tribal meetings. In conjunction with the community initiatives, targeted health programs were also established or integrated with the health improvement plan. One example is the Chronic Disease Management Plan that focuses on the indigenous population's increased incidence of hypertension, hyperglycaemia, and hyperlipidaemia; the other is the Perinatal Follow-Up Care Plan for pregnant women from poor households or with medical history such as miscarriages, smoking, alcoholism, and other conditions. The plan provides these women and their new-born babies with follow-up care, home visits, and health education for up to six months after giving birth.

Since the Perinatal Follow-Up Care Plan's inception in 2017, there had been a steady increase in the plan's enrolment numbers, with a large proportion coming from the indigenous peoples. The Chronic Disease Management Plan, on the other hand, increased the number of indigenous chronic disease patients receiving regular medications by 80%.

Access to Education

Education is often a pathway to upward mobility as it provides individuals with the skills and capabilities to participate in the economy. However, children from low-income households who stand to benefit the most from quality education often have the least access to it. Moreover, with increased education expenditures in private education and college tuition, lack of financial access to education could perpetuate economic disenfranchisement especially for the poor.

The Korean government introduced the Korea Scholarship Foundation aimed to reduce student loan interests and abolish college enrolment fees in 2009, and the National Scholarship Operation Basic Plan, aimed to support half-price tuition in 2018. Through joint efforts from the ministry and the foundation, a KRW 3.7 trillion (USD 3.0 billion) budget was secured to reduce tuition for students from low and middle-income families, interest rates on student loans were reduced from 5.8% in 2009 to 2.5% in 2016 and to 2.2% in 2018, and college enrolment fees that ranged from KRW 700,000 to 1,000,000 (USD 590 to 840) were provided for free. The government also vowed to spend another KRW 1 trillion (USD 0.8 billion) on expanding the scholarship programme. Together, these measures reduced the tuition burden of scholarship recipients by 82.6% in 2018.

Access to Housing

Underprivileged and vulnerable populations often lack the income and security space to develop their capabilities. For example, in Korea, increasing housing costs have decreased housing security among young adults, which compromised their living conditions and negatively affected their decision to marry or have children. To address this problem, the government introduced a Housing Support Plan for Youth in 2018, a plan that provided affordable public housing and the funding to newly married couples, single-parent families, and single-person households. The project was made possible through a public-private partnership with the central government and various stakeholders, including local authorities, landlords, housing providers, and civil society. In 2018, the Housing Support Plan for Youth supported 1.4 million households, which comprised of 194,000 public rentals, housing benefits for 940,000 households, and financial assistance for 258,000 households. Homeownership among newly married couples also increased to 48% during the year.

INCLUSION IN ECONOMIC OPPORTUNITIES AND BENEFITS

Support for Unemployed Workers

In Chile, government support for the unemployed centred on the poorest 40% of the population. Through the Solidarity and Social Investment Fund established by the government, the Yo Emprendo Semilla programme focused on building human capital through skills development in business, finance, communication, and innovation. The programme also supports the development of business ideas and capital delivery at a local community level. The programme took a further step into eliminating potential barriers that would hinder participation, such as providing childcare services during all training lessons to accommodate the participants with childcare responsibilities. Since the programme's inception in 2008, more than 200,000 people benefitted, with 89.6% of beneficiaries being women. A nine-month participation in the programme also demonstrated a 12% increase in employment likelihood and a 41% increase in income from independent employment.

Support for Women

Women continue to face significant barriers to participation in economic activities and representation in senior-level positions. Structural factors such as discriminatory laws as well as cultural and societal norms play a role in women's economic disenfranchisement. Even as workplace opportunities have opened up, women are still expected to bear a greater share of household duties and childcare responsibilities. As a result, women are more likely to leave the workforce and give up their career to raise children or take care of elderly or sick family members.

A similar approach towards work-life balance was taken in Chinese Taipei where the government provided subsidies for companies that offer family-friendly policies — such as childcare, eldercare, and family care — above the minimum legal requirements. Since its implementation in 2014, the subsidies had benefitted more than 1,442 companies and over 420,000 people.

To support participation in the economy, Russia launched upskilling and entrepreneurship programs for women. Since 2011, Russia organised vocational training for women on maternity leave, providing women with opportunities to upskill in areas like nursing, accounting, trade, and management. As of 2017, these vocational training and supplementary vocational education have been offered in all regions of Russia and enrolled 93,000 women. In addition, Russia implemented structural reforms which reduced the number of occupations restricted to women from 456 positions to just 100. Among new occupations opened to women include driving heavy vehicles and agricultural machinery and seafaring. Russia also provided entrepreneurial trainings and workshops for women, such as the "Mama Entrepreneur Program" that caters to women on maternity leave to help them start their businesses. The program culminates with an opportunity to win RUR 100,000 should their proposed project be deemed feasible by a jury. From 2016 to 2019, Russia has hosted 119 “Mama Entrepreneur” trainings and has helped 3,277 women entrepreneurs.

Support for the Elderly and Youth Workers

Elderly workers face a set of challenges that are different from workers in other age groups. Elderly workers often need access to retraining and lifelong learning to supplement their skill set for current technologies. They are also more susceptible to diseases and workplace injuries, and hence may need more flexible working arrangements and age-friendly workplace environments. They are also likely to experience ageism — i.e., age-based discrimination and stereotypes of being inefficient and unable to learn new tasks — from younger supervisors and colleagues. In 2017, Malaysia’s Ministry of Women, Family and Community Development launched the Beautiful Life for Seniors programme in 2017 to provide senior citizens aged 60 and above easier access to job opportunities and social activities.

On the other hand, youth workers are often at a disadvantage in the labour market due to their lack of experience and the perceived need for further on-the-job training. Larger firms may sometimes be unwilling to bear this cost, so youth workers tend to be employed by SMEs instead. To ensure that the Korean youth can have a participate in upskilling and educational programmes to make them more competitive in the job market, Korea’s ministry of Education has introduced the *National Scholarship Operation Basic Plan* to make educational costs lower for students.

Support for Indigenous Peoples

Indigenous peoples are often an underprivileged segment of the economy. They have poor living standards, high rates of poverty, and limited financial means. They tend to have lower levels of education, skills, and training, which translate to lower employment rate and reduced economic opportunities. In some cases, long-standing social perceptions towards the indigenous peoples lead to discrimination along racial and ethnic lines.

In Canada, the government sought to advance the indigenous peoples’ access to economic opportunities by incorporating their interests in international trade. They noted that indigenous peoples and businesses had limited access to international markets due to their lack of capital, market information, and mentoring networks. The government’s inclusion approach to trade policy provides indigenous-owned businesses with preferential treatments through reservations, exceptions, and exclusions in areas of services, investment, government procurement, and the environment. The federal trade policy department, Global Affairs Canada, further established an Indigenous Working Group in 2017 to foster dialogues, learn, and develop evidence-based policy that responds to the needs of the indigenous peoples in trade negotiations. Informed by the efforts of the working group, the Canadian government incorporated many indigenous-specific provisions in the Canada-United States-Mexico Agreement (CUSMA),[82] including a Trade and Indigenous Peoples’ Chapter and a General Exception for Indigenous Peoples’ Rights, which provides the government greater flexibility

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[82] Government of Canada, “Canada-United States-Mexico Agreement (CUSMA),” June 16, 2020, https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cusma-aceum/index.aspx?lang=eng.

to fulfil the indigenous peoples' constitutionally protected rights and other rights set forth in self-government agreements.

Box 2. When is affirmative action pro-inclusion?

Affirmative action policies are a set of policies that provide preferential treatment or access to some segments of the population who are seen as suffering from economic disadvantage or disenfranchisement. Examples of these policies are hiring quotas, school admission quotas, minimum ownership requirements, or preferential pricing for financial products based on gender, ethnicity, race, or location. Affirmative action is different from anti-discrimination in that the latter penalises denial of access to human development or economic opportunity and benefit while the former actively provides or enhances access to them. These policies are often developed for the benefit of populations whose exogenous characteristics have been a cause of economic deprivation.

On one hand, affirmative action can be an effective tool to improve economic equity as it corrects the accumulated impact of history, institutions, and culture that have led to the deprivation of economic access and opportunity; i.e., it breaks the influence of path dependence in determining economic outcome for vulnerable groups.[83] Affirmative action can promote economic and social mobility by expanding opportunities for deprived groups. It can also help (or force) employers, lenders, and admissions officers to overcome their existing prejudices and improve diversity, potentially improving productivity in the process.[84] On the other hand, affirmative action tend to depart from meritocracy and efficiency in hiring and allocation of scarce resources, leading to lower productivity and rent-seeking behaviour.[85] Affirmative action programmes can create economic dependency that may entrench rather than quell social tensions. It can also lead to perceptions of reverse discrimination among the privileged groups, reinforcing the negative attitudes and stereotypes towards the policy's beneficiaries.[86]

Affirmative action policies do have a role in promoting inclusion, but they should be seen as complementary to other inclusionary policies. These policies alone will not address the historical and cultural deprivation that have resulted in poverty and economic disparity. For example, university admission quotas based on ethnicity or location may not be addressing these groups' deprivation in terms of access to primary and secondary education and can result in greater within-group inequality.[87] Likewise, gender-based quotas for senior management may not be addressing lifelong impacts of lack of access to childcare services or social protection for women.[88]

[83] Marianne Bertrand et al., "Breaking the Glass Ceiling? The Effect of Board Quotas on Female Labor Market Outcomes in Norway" (Cambridge, MA: National Bureau of Economic Research, June 2014), https://doi.org/10.3386/w20256.
[84] Lori Beaman et al., "Powerful Women: Does Exposure Reduce Bias?," *The Quarterly Journal of Economics* 124, no. 4 (2009): 1497–1540.
[85] Stephen Coate and Glenn Loury, "Antidiscrimination Enforcement and the Problem of Patronization," *The American Economic Review* 83, no. 2 (1993): 92–98.
[86] Stephen Coate and Glenn C. Loury, "Will Affirmative-Action Policies Eliminate Negative Stereotypes?," *The American Economic Review* 83, no. 5 (1993): 1220–40.
[87] Thomas J. Kane, "Racial and Ethnic Preferences in College Admissions," in *The Black–White Test Score Gap* (Washington D.C.: Brookings Institution Press, 1998).
[88] Bertrand et al., "Breaking the Glass Ceiling?"

Affirmative action policies need to be seen as equitable to have support among the majority of the population. This means that they must have protections against rent-seeking and capture among political or economic elites. Criteria for determining eligibility or allocating positions should be transparent with clear metrics and accountability while considering privilege in other aspects. This also means that affirmative action policies should correlate clearly with the underlying causes of economic inequity. For example, race or gender-based quotas will not be effective if the underlying causes of economic deprivation are geographic location or intergenerational poverty (or vice-versa).

Affirmative action, like inclusion, is a complex and challenging policy course because it addresses important concepts of fairness, often with the aim of correcting historical economic deprivation and discrimination. But affirmative action cannot achieve inclusion on its own. This needs to be complemented with equitable access to healthcare, education and skills development, infrastructure and digital technology, and social protection for all people regardless of gender, race, ethnicity, socio-economic class, or location.

Ultimately, the goal of inclusive policies is to achieve enough economic equity so that affirmative action policies are no longer needed in the first place.

Ensuring Economic Equity

Access to opportunities to contribute to economic production is a necessary condition for inclusion, but it is not sufficient to ensure that those who do contribute to the economy receive their fair share of the benefits. Microeconomic theory states that in a competitive equilibrium, marginal productivity should equal real wages, so productivity growth should also track closely with real wage growth. However, many studies have observed an increasing decoupling between productivity and wage growth as well as a declining share of labour in GDP.[89] While there are many explanations for this observation — from loss of bargaining power due to lower membership in labour unions to the impacts of digital technology and automation — it shows that there are structural barriers and rigidities in the labour market that detract from competitive equilibrium.

In 1970s Malaysia, the poverty rate among the Bumiputera — the Malays and Orang Asli comprising two-thirds of the population — was 64.8%, more than two times the poverty rate of Malaysians with Chinese or Indian heritage. In an effort to narrow the economic gap between the Bumiputera and the Indian and Chinese, the government introduced the New Economic Policy (NEP) in 1971 to eradicate poverty across all races and to restructure the economy and society to eliminate ethnic identification with economic function. The plan provided the Bumiputera a series of benefits, including cheaper housing, access to scholarship quotas, and preferential access to business licenses, government contracts, and ownership of public companies. Over its twenty years of implementation, the NEP led progressive weakening of linkages between race and economic function. The share of households living below poverty

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[89] For example, see IMF, "Understanding the Downward Trend in Labor Income Shares," in *Gaining Momentum?*, World Economic Outlook 2017, April (Washington, DC: International Monetary Fund, 2017), 121–72; OECD, "Labour Losing to Capital: What Explains the Declining Labour Share?," in *OECD Employment Outlook 2012*, by OECD, OECD Employment Outlook (OECD, 2012), 109–61, https://doi.org/10.1787/empl_outlook-2012-4-en; and Emmanuel A. San Andres et al., "APEC Regional Trends Analysis: Declining Labour Share and the Challenge of Inclusion" (APEC - Policy Support Unit, November 2017), https://www.apec.org/Publications/2017/11/APEC-Regional-Trends-Analysis-2017.

line reduced across all ethnic groups, from 49.3% in 1970 to 17.1% in 1990, narrowing the gap between inter-ethnic groups and rural-urban areas.

GOOD PRACTICES AND FACTORS OF SUCCESS

Mainstreaming inclusion in planning and policymaking. Recognising the importance of inclusion, some economies took a further step in developing an inclusion framework to assist policymaking. In Canada, the government devised a Gender-Based Analysis Plus (GBA+) framework, an assessment process that considers the policy impacts for diverse groups of men and women. The framework encompasses a labour market dimension that takes into account gender, age, and distribution of workers across industries, and an identity dimension that takes into account of indigeneity, disability, sexual orientation, religion, and geographic residence. Applying the GBA+ framework in trade negotiations allows negotiators to assess the potential impact each provision may have on segments of the population, to identify the group that is most at risk, and to address their needs during negotiations and implementation. The GBA+ is currently applied in the Canada-Mercosur Free Trade Agreement negotiation. Of the 25 chapters under negotiation, GBA+ presented opportunities to incorporate inclusive or gender-responsive trade provisions in 15 of them. The framework provided lead negotiators in the Mercosur negotiation real-time information and impact assessment on potential policies before each round of negotiation, which allowed more room for policymakers and negotiators to develop and advocate for the inclusive and gender-responsive policies that can ensure the benefits from trade are shared broadly across the population.

In New Zealand, the government developed a Living Standards Framework (LSF) in 2011 to reflect distributional and sustainability impacts in its policymaking. The LSF factors 12 domains of current wellbeing and four domains of capital stocks—including natural, human, social, physical and financial—that together underpin the population's current and future wellbeing. There is also ongoing work to develop a specific Te Ao Maori dimension to reflect the indigenous peoples and culture in the framework. The Living Standards Framework is currently embedded in the government's Wellbeing Approach towards policy planning and performance reporting. The goal is to ensure government decision-making is informed by meaningful agency and wellbeing performance, to provide the public a wellbeing dimension to all policies, and to orient agents in their strategy, planning, and reporting process. Examples of LSF application include the government's budgeting process in 2019, where agencies were required to outline and quantify their initiative's impact on the relevant wellbeing domains; amendments to the Public Finance Act of 1989 requiring future governments to set out their wellbeing objectives and report on wellbeing data; and the Child Poverty Reduction Act 2018, requiring independent reporting on child poverty levels, impacts of budget initiatives on child poverty, and the development of a Child and Youth Wellbeing Strategy.

In Malaysia, the government also incorporated inclusive development principles in its New Economic Model stipulated under the 11th Malaysian Plan for 2016-2020. The inclusive development principles include "enhancing inclusiveness towards an equitable society," "improving wellbeing for all," and "accelerating human capital development." These principles are incorporated to ensure that all Malaysians, regardless of their gender, ethnicity, socio-economic level, or geographic location, can benefit from economic growth, and that standards of living and quality of life can be improved for all. To strengthen the inclusive dimension of the development policy plan, the government introduced a Malaysian Wellbeing Index (MyWI) that incorporates broader social components such as transportation, communications, income and distribution, housing, public safety, health, environment, and family in order to have a more comprehensive measurement of living standards beyond GDP. In the 2016-2017 mid-term review of the 11th Malaysian Plan, overall income inequality reduced as the median household income of the bottom 40% income groups increased from MYR 2,629 to MYR 3,000 (USD 615 to USD 700).[90] Provisions of basic infrastructure and services in rural areas were also enhanced, bringing increased economic opportunities to the rural population and elevating their overall quality of life.

Investing towards inclusive growth. Investing in inclusive growth could come in the form of providing access to skills and capital to entrepreneurs who may face barriers to starting their business. Chile's Yo Emprendo Semilla and Russia's Mama Entrepreneur both targeted their programmes towards women who face barriers in returning to the labour market after childbirth. In addition to providing training and skills development, they also invested start-up capital for entrepreneurs with good ideas who would otherwise not qualify for loans from financial institutions.

Whole-of-government policymaking with local implementation. The whole-of-government approach to policymaking focuses on linkages between levels of government — economy-wide, state and provincial, and local levels — and between groups of stakeholders — businesses, unions, and civil societies. The approach fosters a multi-stakeholder engagement that reaps synergies between players and creates a multi-level governance that ensures coherence in policymaking and implementation. In China, the Hanzhong Municipal Government's coordination with the lower-level townships and villages to identify and provide for those in need of healthcare through the establishment of village clinics and the incorporation of health insurance scheme is one example of how levels of government can coordinate in adapting strategies to specific local conditions. Top-level policy is best complemented with localised implementation that focuses on empowering local actors to incorporate the policy at stake into the local community. One example is how Chinese Taipei, in an effort to increase the indigenous peoples' access to healthcare, integrated healthcare education, awareness, and assessment in community-based tribal meetings, effectively overcoming the cultural and administrative distances between the government and tribal villages.

Overcoming discriminatory socio-cultural norms. Some socio-cultural norms such as those related to gender, class, racial, ethnic, or age stereotypes present structural barriers to economic participation and remain a challenge for inclusion. Policies need to correct for these structural barriers, and many economies have developed policies to respond to these issues. For example, Russia has enacted reforms to allow women's participation in occupations that have previously been open only to men. Providing inclusive policies for marginalised populations is only the first step in fostering inclusion; policymakers should continue to focus on education in areas such as equity and equality in order to provide the respect, compassion, and understanding for a truly inclusive society.

Developing and incorporating an inclusion framework. Inclusion is a broad concept that intertwines with various policy areas, making the incorporation of inclusion and the monitoring of such in all needed areas an involved task. In this regard, Canada's Gender-Based Analysis Plus framework that assesses policy impact with a gender lens and New Zealand's Living Standards Framework that incorporates wellbeing domains in its policymaking and monitoring

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[90] Malaysia Ministry of Economic Affars, "Mid-Term Review of the Eleventh Malaysia Plan 2016-2020," October 18, 2018, https://www.epu.gov.my/ms/sites/default/files/Mid-Term%20Review%20of%2011th%20Malaysia%20Plan.pdf.

are examples of how inclusion frameworks can guide policymakers towards realising an inclusive society. Policymakers in member economies can look to the inclusion frameworks developed by Canada and New Zealand as guidance of formulating a decision-making framework that incorporates specified inclusion targets, such as gender balance and urban-rural convergence, to ensure inclusivity is fostered and met in all levels of policymaking and decision-making.

Measuring and monitoring progress. Effective policymaking and implementation require a clear set of objectives as well as regular measurement and monitoring of progress. A good example is Canada's mainstreaming of inclusion in its trade policy, where each inclusive article's impact on the targeted population is measured and monitored to keep track of lessons to be considered into next rounds of trade policy. Likewise, New Zealand's Living Standards Framework also sets out a clear wellbeing objective in all budgeting process and fiscal proposals and identifies indicators of success. Chile's Yo Emprendo Semilla programme has undergone rigorous evaluation to measure its direct and indirect economic impacts. Measurement and monitoring of progress not only ensures that inclusion achievements are recorded and tracked: they also provide crucial information for evidence-based policymaking.

Engaging with and listening to all stakeholders. Governments and policymakers stand to gain from building systems of participation and cooperation to engage with all stakeholders — including local governments, the private sector, workers' representatives, and civil organisations. Such alliances provide a channel for governments to hear the voices of different groups, devise partnership mechanisms, and generate untapped synergies for all parties. The Canadian government's engagement with the indigenous peoples during trade negotiations, which created information exchanges that enabled negotiators to provide indigenous-specific provisions in the Canada-United States-Mexico Agreement (CUSMA), is one example. The Korean government's public-private partnership with landlords, housing providers, and local authorities to develop affordable housing units for youth facing housing insecurity is another. The implementation of Chile's Yo Emprendo Semilla programme was informed by engagement at the grassroots to identify barriers to entrepreneurship.

Box 3. Facilitating inclusive access to government services

Many economies have implemented e-government platforms that provide people with greater access to government services and transactions. Often provided through an integrated digital network, these platforms are essential for disadvantaged groups, such as the elderly, disabled, or those living in rural and remote areas, who may have limited access to physical government offices.[91] These platforms can provide up-to-date access to public resources and information, facilitate the implementation of inclusive policies, and promote transparency and trust in government institutions.

However, the disadvantaged groups who stand to benefit the most from the e-government services also tend to be those with the least access to internet. Policies aiming to bring e-government services to people also need to focus on bridging the digital divide in terms of access to infrastructure, device or skills. China's deployment of digital technology to alleviate poverty in the rural and remote areas of Hanzhong illustrates the benefits that could be reaped from providing internet for the disadvantaged groups who have limited access to government or medical services. In this case, the municipal government established an Internet Plus Poverty

[91] San Andres, Singh, and Kai, "Development and Integration of Remote Areas in the APEC Region."

Alleviation Health Security programme that digitalises and integrates medical reports into a big-data platform to provide services such as telemedicine, online medical education, and mobile-intelligent healthcare. With the broad-based provision of internet access, the digital programme was able to expand coverage of medical services to rural households, upgrade and improve the local primary medical services, and provide healthcare access to the poor.

4. THE ROLE OF APEC

Finding the role of APEC in the context of inclusion begins with an understanding of how the forum works. On APEC's website, it lists achievements attributed to the forum's work, such as rapid economic growth, lowering average tariffs and trade restrictions, and making it easier to invest and start businesses.[92] However, anyone starting to get involved with APEC quickly learns what it is not: it is not a treaty organisation; it does not make binding agreements; and it is not a forum for negotiation. All of APEC's work has parallels with the work of other international organisations, even in specific areas such as trade liberalisation and facilitation (World Trade Organization and World Customs Organization), behind-the-borders structural reform (United Nations Commission on International Trade Law and World Bank), and financial integration (Bank of International Settlements and International Monetary Fund). Indeed, experts from these international organisations are regularly invited to APEC fora meetings to share insights and expertise.

APEC's strength is in providing a forum for discussion, sharing, and consensus that eventually leads to commitments and policy action. APEC is where ideas can be incubated and where priorities can be crystallised. Regional achievements in tariff reductions and ease of doing business were not due to direct APEC action, but APEC was where economies agreed that these are important matters to discuss and prioritise as domestic policy. APEC has been successful in using its strengths for promoting trade, investment, and structural reform. Hence, APEC can also be successful in using the forum to promote inclusion.

Operationalise Leaders' mandate on inclusion into APEC fora work. APEC Leaders have repeatedly enunciated their vision of making economic growth work for all, and they have made it clear that APEC should contribute to this endeavour. The mandate and agenda are clear, but how APEC can implement it is less so. The first step would be for each fora to develop concrete plans on how they can contribute to inclusion within their area of expertise. These action plans could then be incorporated into more specific fora work plans and strategies.

Facilitate cross-fora collaboration. Several APEC fora already have a clear mandate to work on issues related to inclusion. For example, the EC through RAASR Pillars 2 and 3 has a mandate to reduce structural barriers to economic opportunity and ensure inclusive growth. PPWE, HRDWG, and HWG are respectively working on issues related to gender inclusion, skills development and social protection, and healthcare access. These separate efforts need to be more coordinated and deliberate, and cross-fora collaboration can contribute in this regard. An example is the EC's work on AEPR, for which it has collaborated with the HRDWG (skills

[92] APEC, "About APEC: Achievements and Benefits," June 26, 2020, https://www.apec.org/About-Us/About-APEC/Achievements-and-Benefits.

development and employment), FMP (infrastructure and digital inclusion), and PPWE (women's economic empowerment) on matters related to structural reform and inclusion.

Mainstream inclusion in APEC projects and discussions. Inclusion in APEC will not happen automatically, but will be the result of deliberate and conscious action. If APEC will be serious in implementing Leaders' mandates on inclusion, this will have to be mainstreamed in all of APEC's operations. One aspect of inclusion — i.e., women's participation and gender — is already mainstreamed in APEC project deliberations and funding criteria, and it would be beneficial and in line with the Leaders' mandate to extend this mainstreaming to all aspects of inclusion. While not all projects and discussions will necessarily have a gender or inclusion angle, a conscious effort to consider it and try to find and appropriate application is a step in the right direction.

Monitor and measure progress. An important aspect of all implementation plans is having clear milestones and deliverables that will enable the monitoring and measurement of progress. The success of the 1994 Bogor Goals in trade liberalisation and facilitation benefited from the clear steps and indicators outlined in the Osaka Action Agenda that followed shortly after. Similar clarity with regard to inclusion will help realise Leaders' vision of an inclusive APEC community by 2030.

Work with, and expect more from, the private sector. In several communications with Ministers and Leaders, ABAC has raised the alarm regarding widening inequality in the region and its impact on the consensus for globalisation and continued economic growth. These concerns are real and immediate, and they have rightly called on governments in the region to ensure inclusion and put flesh in Leaders' directives for a more equitable region. A concrete role for businesses and the private sector in this initiative will complement these calls. What is the role of the private sector in ensuring equitable access to skills development and upskilling, healthcare and medicines, and decent and secure jobs? How can the private sector help reverse the trend of job insecurity and precariousness under the Fourth Industrial Revolution? APEC needs to work closely with ABAC and the private sector at large in identifying opportunities for collaboration and synergy of efforts.

Share experiences and best practices. APEC can serve as a platform to share best practices and experiences to inform policies and programs. Across the region, many economies face common challenges related to inclusion, and sharing experiences can help economies identify gaps and areas for improvement. As can be seen in the case studies, many economies have taken the initiative to implement relevant policies and measures to ensure the inclusiveness of economic activities. Economies with relevant experience can share their best practices and insights with other member economies through APEC fora.

Leaders have enunciated an ambitious agenda for inclusion, just as they did with trade liberalisation and facilitation in the 1990s. As with the experience with the Bogor Goals, the push towards greater inclusion will not be easy, challenging conversations may occur, and difficult tradeoffs may need to be considered. There may even be pressures urging APEC to tone down its work, revert to business-as-usual, and relegate Leaders' mandates to footnotes and platitudes. As what it did in pushing economic openness in the 1990s, APEC will need to keep the momentum going and keep on committing to greater inclusion in the post-COVID-19 world. It will need to use its strengths as a forum for regional cooperation and an incubator of ideas if it is to achieve the vision of an inclusive APEC community by 2030.

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