



Innovation for Inclusive Growth

The OECD Project “**Innovation for Inclusive Growth**” analyses the impacts of innovation and related policies on inclusive growth. It also focuses on novel approaches for innovation to support development. Addressing the needs of policymakers, the aims of the project are to:

- Provide evidence on the impacts of innovation and related policies on inclusive growth, focusing on social, industrial and territorial inclusiveness; and
- Develop concrete policy solutions to support countries in reconciling their innovation and inclusive development agendas.

A “policy diagnostics toolkit” in support of more inclusive innovation policies is being developed on the OECD-World Bank Innovation Policy Platform to facilitate access to concrete policy cases.

Overview

Income inequalities have grown in most countries over the past three decades. The increase in inequality has affected all segments of the income distribution. The median household’s income has declined relative to the average, pointing to an increasingly “**vanishing middle**” income group. By contrast, the income share of the top 1% has increased precipitously. Moreover, in many of the world’s economies poverty, exclusion and lack of development continue to be a major challenge.



Globalisation and skill-biased technical change (SBTC) have been identified as factors that have led to rising inequalities. These factors may reflect changes in the way modern economies operate and in particular the growing role of innovation - i.e. R&D, intellectual property, software, databases and organisational capital – and, in particular, those enabled by information technology (IT). These drivers of growth may result in structural changes in the way economies operate and, consequently, how the rewards of growth benefit different groups in society.

A tension between innovation and inequality is a natural consequence if innovation is to be supported; this is not novel. Schumpeter’s creative destruction process predicts distributional consequences: entrepreneurs introducing new products are rewarded for their efforts by gaining market power at the expense of those relying on now obsolete technologies that see their market shares dwindle.

However, the **current context may be more disruptive with wider implications on inequalities** due to the intensity of change, placing a much larger emphasis on knowledge, with more widespread implications on markets and reward structures. Opportunities for development for emerging and developing economies will also more than ever call for better ways to enable innovation.

The major policy questions the project responds to are:

1. *What is the impact of innovation on income inequalities?*
2. *What are the implications of such an impact on innovation policies?*

Project Activities (2015-16)

The project, conducted under the auspices of the OECD Committee for Scientific and Technological Policy (CSTP), focuses on the following streams of work, mobilising areas of OECD competences in innovation, education, and regional development:

The benefits of innovation for inclusive growth

The project aims to analyse the effects of **innovation on inequalities so as to identify policy**

implications. In particular, the project explores the contributions of innovations in information and communication technologies (ICT) on inclusive development, focusing on the opportunities they offer for lower-income and excluded social groups.

Innovation policies and inclusive growth

An interactive **policy toolkit containing examples from different countries of policies that address territorial, industrial and social inclusiveness** challenges will be made available in December 2016 on the OECD-World Bank Innovation Policy Platform.

Building on those examples, the project explores the role specific innovation policy instruments can play in fostering inclusive growth. Emphasis is placed on analyzing the specific challenges faced during their implementation and providing recommendations to address them.

Novel approaches for innovation to support development

This module focuses on innovation for development and global inclusiveness, including the role of innovation in the development agenda. Activities include continued work **support countries in strengthening the contributions of their national intellectual property (IP) systems to their innovation performance.** The OECD has conducted evaluations of the national IP systems of Colombia, Indonesia and Malaysia. A review of Kazakhstan's national IP system will be released in September 2016.

Events

Aside from its regular Advisory Group meetings, the project has engaged in a series of conferences and workshops, including:

- April 2016: **Symposium on Technology, Innovation and Inclusive Growth: Future Perspectives**, Paris, organised with the World Bank and the Growth Dialogue. Discussions focused on the impacts that the emerging digital economy holds for different groups in society, and the implications for policy.



Philippe Aghion (Harvard University and Collège de France) and Manuel Trajtenberg (Tel Aviv University), in the Symposium on Technology, Innovation and Inclusive Growth, April 2016.

Key messages from the 2016 Symposium:

- **New technologies** may significantly improve income, health and welfare. **Productivity growth**, however, is weak to date, which can only partly be explained by inappropriate measurement.
- Digital innovation fosters social mobility through processes of creative destruction, but it may also generate rents that increase income inequality.
- New technologies may result in significant **job displacement** over the next decades. Policies need to manage the transition period, including offering opportunities to reskill workers to new demands.
- Despite “**new**” challenges arising from technological progress, the same “**old**” policy responses are offered. Are they still adequate?



- October 2015: **Ministerial Meeting of the OECD Committee for Scientific and Technological Policy**, Daejeon, Korea: The project findings directly contributed to the break out session on global inclusiveness.

- February 2015: **International Conference on Innovation for Inclusive Growth**, New Delhi, India.

- July 2014: The project organised one of the sessions of the 2014 **OECD Global Forum on Development**, Paris.

- March 2014: **Symposium on Innovation and Inclusive Growth** in Paris, organised with the World Bank and the Growth Dialogue.



- November 2012: **Conference on Innovation and Inclusive Development**, Cape Town, organized with the South African Department of Science and Technology.

Publication

The “***Innovation Policies for Inclusive Growth***” publication focuses on how innovation can serve inclusive development. It discusses a variety of inclusive innovations aimed at improving the welfare of excluded groups, notably in terms of essential public services and policy approaches to support inclusive innovation. It also looks at industrial and territorial inclusiveness.



More information can be found at:
<http://oe.cd/inclusive-inno-report>

[For more information](#)

Project website: <http://oe.cd/inclusive>

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