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No Going Back

Investing in policies for people will help shape a better economy for the postcrisis world

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AS THE PANDEMIC RESURGES across many nations, it is only natural to wish for a swift return to a pre-pandemic world. If only we could quickly lift the clouds of uncertainty, frustration, and despair. The virus has taken more than a million lives, and hundreds of millions more have been altered forever by rising poverty, massive job losses, and interruptions to education. We now face the risk of a lost generation, especially in the developing world.

But we cannot—and should not—go back to the economy of yesterday, with its slow growth, low productivity, high inequality, and worsening climate crisis. We must look ahead to a future where we do things differently. There are two massive, urgent tasks: to fight the worst economic crisis since the Great Depression *and* to start building forward toward a greener, more inclusive, and more dynamic world.

We can draw inspiration from those who have made a difference during the pandemic. This includes health care workers, delivery drivers, and

janitorial workers—many of whom have difficulty making ends meet despite their hard work and the risks they are taking for others.

To help these workers and all their people, governments have provided about \$12 trillion in fiscal lifelines to households and firms. Extraordinary monetary policy actions have maintained the flow of credit, helping millions of firms stay in business. This is a foundation for progress, but even greater challenges may lie ahead.

A major aim is to create a better economy for everyone. Let me highlight some key priorities to help get us there: *invest in women* and *young people* and *in education and skills programs* that will open opportunities and boost productivity. I call these “policies for people.”

Empower women

The crisis has been exceptionally difficult for women: their jobs are more concentrated in hard-hit or risky sectors, and experience shows that girls in developing economies are less likely to return to school after a pandemic. Women are also more likely to work in the informal economy, so government support may not reach them. And during this crisis, women are doing 15 more hours a week of unpaid housework than men in several advanced economies.

In other words, decades of progress toward gender equality are now at risk. This requires a powerful response, based on well-designed policies and robust data. For example, putting increased childcare support into budgets gives more women the chance to work. A push for financial inclusion would help women better manage shocks and take advantage of opportunities for entrepreneurship.

The IMF supports our member countries in implementing gender-responsive fiscal policies that work, including gender budgeting. Think of legal mandates for equal pay, collaboration with civil society, and putting finance ministries in the lead on this vital issue, as Canada has done. Our research shows that accelerating gender equality can be a global game changer. For the most unequal countries, closing the gender gap could increase GDP by an average of 35 percent.

Invest in young people

Several of the challenges facing women, such as building skills and gaining formal employment, affect young people more broadly. Younger workers and those without a university education are significantly

less likely to be in jobs where remote work is an option, so they are at greater risk of unemployment. Meanwhile, the crisis has disrupted the education of over 1 billion students, which could severely affect their lifetime income and living standards.

The IMF and World Bank recently took an in-depth look at how the crisis is harming access to opportunity and highlighted policies that can help. In many countries, for example, the design of labor market regulations can be improved by protecting *workers* through stronger social safety nets rather than trying to protect *specific jobs* that may go away.

Countries can pursue policies to improve educational attainment, such as Brazil's Bolsa Familia program, which provides cash benefits to families whose children attend school.

Making it easier and cheaper to start a business, as Jordan is doing, is especially helpful to young people, as are well-designed programs to provide job training and assist young people in searching for jobs. In many countries, there is also room for private sector wage subsidies that incentivize employers to hire and train unemployed youth.

Provide access to opportunity

People-focused policies can boost productivity, especially if investments enhance the abilities of workers in informal and low-skill jobs. These workers already face lower wages, less job security, and little capacity to save for a rainy day. When the pandemic hit, most could not work remotely and were coping with weak safety nets, crowded housing conditions, and limited access to good health care.

As with other vulnerable groups, if each country invests in realizing the full potential of these workers, the entire society will benefit. There is huge scope for retraining and re-skilling, especially for the work we must do to save our planet. Think of reforestation and conservation and making buildings more energy efficient.

Or think of increasing access to the internet and financial services. About 1.7 billion adults are still unbanked, and roughly twice as many are not online. Fixing this requires the physical infrastructure of towers and fiber-optic networks, as well as privacy and consumer protection laws.

Financial inclusion also requires government action to improve financial literacy, remove legal barriers to property ownership, and provide proof of identity—so that people can open bank accounts and access digital financial services.

How to afford it

We know what is required, but how do we pay for it? Improving the efficiency of spending can yield better outcomes for people even without expanding existing budget envelopes.

Despite significant challenges, Liberia, Malawi, Nepal, and the Solomon Islands achieved sizable increases in tax revenues over a recent decade—between 7 and 20 percentage points of GDP. Closing loopholes and boosting the efficiency of tax systems offer opportunities for progress in many countries.

We must look ahead to a future where we do things differently.

For low-income developing countries, grants and concessional lending will remain essential to supporting investments to enhance people's skills and boost productivity. For countries with moderate debt levels, borrowing may be an option, especially if they can take advantage of relatively cheap funding conditions. Egypt has recently completed two bond issuances totaling \$5.8 billion, \$750 million of which was for a green bond—the first in the Middle East—focusing on antipollution and renewable energy projects.

The IMF is focused on working with our members to help them develop and afford policies for people. Our economic advice and capacity building support increased and improved social spending, domestic revenue mobilization, and more efficient and progressive taxation.

We have also provided financing at unprecedented speed and scale: more than \$100 billion to 81 countries, including 48 low-income nations. And we are considering options to further adapt our lending toolkit so that we can continue to serve our membership in the period ahead.

As the global economy embarks on its long ascent from the depths of the crisis, one thing is clear: we will not go back to where we were. If we are to overcome the crisis and shape the recovery, we must move forward with a renewed sense of purpose and solidarity—with *all* people. Together, we can achieve a more prosperous and more resilient world. **FD**

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