

PRESS RELEASE

Rethinking Inequality, Human Capital, and Well-Being Post-COVID-19 Pandemic

Bali, 6 September 2022– The COVID-19 pandemic has exacerbated and shone a light on many issues related to poverty, inequality, human capital, and well-being. As cross-cutting topics, the importance of those issues is increasing greatly especially due to unprecedented challenges caused by the crisis. As we enter the end of the second year of the pandemic, it is imperative that we need to further rethink these inequality, human capital and well-being challenges that the world is facing. We may need to reflect on our knowledge regarding these issues in order to fully capture how the pandemic has affected our lives and how we will address the challenges in the post-pandemic world.

Hosted by Task Force 5 (TF5)-T20, the parallel session on 6 September 2022 is aimed at informing core leaders within the G20 of the importance of redefining our knowledge regarding inequality, human capital, and well-being issues in order to fully capture how the pandemic has affected our lives. This dialogue highlights research and policy work on inequality, human capital, and well-being presented by researchers and scientists based in the G20 nations.

Making the economy more inclusive and people-centered is the key to reducing inequality, improving human capital, and increasing the community's well-being.

During and after the COVID-19 pandemic, we have witnessed increasing inequality, worsening human capital, and decreasing people's welfare. Therefore, TF5-T20 proposes policy direction strategies aimed at reducing inequality, improving human capital, and increasing well-being in the post-COVID-19 pandemic world. "The strategy can be summarized into one main message, namely making the economy more inclusive and people-centered that consists of three derivative strategies: 1) establishing a comprehensive, inclusive, and innovative social protection system to prepare for future shocks; 2) enabling accelerated and inclusive learning & skilling to achieve resilient education systems and reap demographic dividends; 3) moving beyond GDP as a prosperity measurement," said Dr. Asep Suryahadi (Lead Co-chair of TF5 and Senior Research Fellow, The SMERU Research Institute).

For the first strategy, Dr. Suryahadi proposed a policy direction to develop a shock-responsive, inclusive, and resilient social protection system and to leverage digital system for delivering social assistance and financial inclusion. For the second strategy, the policy direction consists of designing resilient education systems for learning recovery and a stronger collective future as well as investing in skills to reap dividends from the demographic transition. Finally, for the third strategy, he emphasized the need to integrate the well-being framework and multidimensional poverty into policy design and objectives.

Policies that strengthen solidarity and agency could prepare nations for future shocks.

Dr. Dennis Görlich (Program Director, Global Solutions Initiative) described that in terms of income and wealth, the inequality between countries for the past 200 years has significantly decreased. However, there have been strong increases in some countries for within-country inequality in many dimensions. This situation calls for redefinition of inequality that is highly focused on income or wealth only. Based on the SAGE dashboard developed by Katharina Lima de Miranda and Dennis Snower, Dr. Görlich proposed that elements other than income—such as solidarity, agency, and environmental sustainability—also play equally important role in well-being.

Solidarity is defined as how well someone is embedded within the community or how reliable their network of friends or partners is that they can rely on when coping with risks. Specifically on solidarity, Dr. Görlich highlighted data which shows that the richest 20 countries in the G20 group have high inward solidarity measures, whereas the poorest 20 countries have lower inward solidarity measures. Combined with previous studies which find that cohesive and empowered societies are better prepared to manage crises and economic transformation, Dr. Görlich argued for policies that strengthen solidarity and agency to prepare countries for future shock.

Education and educational institutions, schools, universities, and other educational institutions need to change in all dimensions to win the race between skills and technology.

Digital technologies allow factors of production work better, but challenges should be tackled to avoid creating winner-takes-all phenomena. Dr. Vivi Alatas (CEO of Asakreativita and Co-chair of Task Force 5 T20) emphasizes that education reform is highly imperative to win the race between skills and technology. She highlights that the main goal of education and educational institutions, schools, universities, and other educational institutions need to change in all dimensions. “The goal is not just about preparing young people for the world of work but more about acquiring skill to become active, responsible, and engaged citizens,” said Dr. Alatas.

To win the race between skills and technology, skills such as digital literacy, metacognitive skills, and collaboration skills are required to embrace digital transformation. Dr. Alatas also envisioned that education in the future will incorporate more supply of online resources which will eventually create more opportunities for low-income students due to cheaper costs. Consequently, universities will no longer have a monopoly on accreditation credentials. Additionally, digital technologies also play significant role in making educational content more interesting for learners, e.g., through the use of gamification, simulation, or metaverse.

Dr. Alatas highlighted that the change in education and educational institutions should put students in the driver’s seat and focus more on a career-driven education system, which promotes continuous learning throughout lifetime using short and tailored training courses, as well as project-based learning. As some jobs will become obsolete and new ones will be created, people will have to develop new skills rapidly to keep up with the demands of the workforce.

Today’s learning loss will intensify risks to economic development, food security, peace, stability, and climate change for generations to come.

School closures during the pandemic had a major impact on education outcomes and student's development. It is expected that today's generation of school-aged children face US\$17 trillion of loss in lifetime earnings. Inequality may increase because while some students are catching up, others are falling further behind. "We will not see this impact [of the pandemic] now. We will see this impact as the kids grow, when they enter the labor market. So, the full impact will happen, maybe, in 20 or 30 years, unless we take actions now," said Dr. Javier Luque (Country Lead, The Global Partnership for Education).

Schools are opening, but we cannot go back to business as usual because the conditions have changed. "Take into account the learning loss, we verified that in 2020–2022, the national assessment of educational progress (NAEP) test score in the US has decreased and it is the largest decrease representing in one year," added Dr. Luque.

The key recommendations for the new normal in the short term are to assess the magnitude of the learning loss, to prioritize key areas of the curriculum, and to develop strategies to address the areas of the curriculum including strong support to teachers. The medium- to long-term recommendations are to take stock of the learnings from the crisis to build resilient education systems by improving the use of information and communications technology (ICT) in the education and to create a growth attitude, for example, to include the education system within high priority sectors in emergencies. "In addition, we must ensure adequate funding to the sector and a proper share [20% of the budget] of the government finances or the financial aid," added Dr. Luque.

The COVID-19 pandemic is a stark reminder that design of a social protection system should be comprehensive, inclusive, and sustainable.

Based on the case of Indonesia, which is highly relevant for social protection systems in developing countries, Dr. Elan Satriawan (Chief of Policy Working Group, National Team for the Acceleration of Poverty Reduction/TNP2K and Co-chair of TF5-T20) proposed several agendas to establish a more comprehensive, inclusive, and sustainable social protection for all. Firstly, countries should develop a comprehensive beneficiary database by involving various data sources, such as survey, spatial, or administrative data, and to ensure interconnectivity between different sources of the database. It is also imperative that dynamic updating of the database is well planned, while allowing for an on-demand application as well as welcoming input from the community at the bottom.

Secondly, Dr. Satriawan emphasized that inclusivity of social protection can only be achieved through increasing coverage for the marginalized groups, particularly elderly, people with disabilities, and at-risk informal workers. Thirdly, establishing adaptive social protection would also require strengthening institutional capacity and partnership or coordination across ministries. Dr. Satriawan highlighted the importance to anticipate the shocks in the future and its impact on the poor and vulnerable households so that social protection system can be more responsive and adaptive.

Improvement of delivery mechanism could also promote the inclusivity of social protection. Dr. Satriawan argued that utilization of the right technology, such as biometrics, should be explored to improve the inclusivity of social protection programs. Lastly, Dr. Satriawan underlined the importance of sustainability in social protection, which can be achieved by expanding the country's tax ratio or transitioning from commodity-based subsidies toward people-targeted subsidies.

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Speakers' presentation slides can be downloaded from <https://smeru.or.id/en/event/rethinking-inequality-human-capital-and-well-being-post-covid-19-pandemic>

About The SMERU Research Institute

The SMERU Research Institute is an independent institution for research and public policy studies. Since its establishment in 2001, SMERU has been a leader in poverty and inequality research in Indonesia. For further information about SMERU, please go to <https://smeru.or.id/>.

About Task Force 5–T20

The SMERU Research Institute is the host of Task Force 5 T20 with the focus on topics of inequality, human resources, and well-being. With Asep Suryahadi as the lead co-chair, together with other co-chairs, SMERU leads the development of 17 policy briefs written by global authors; formulates an integrated policy brief on inequality, human resources, and well-being for T20 and G20; and organizes side events in the near future. Please refer to <https://www.t20indonesia.org/tf5/> for more information about TF5 T20.