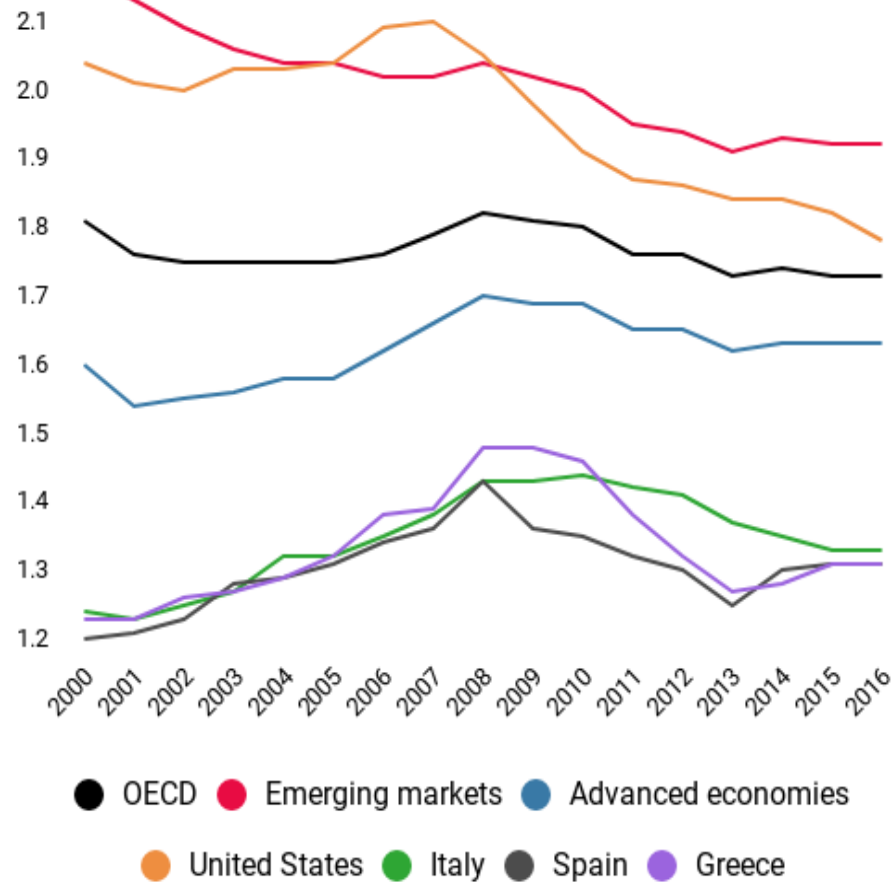


Financial crisis: Fewer babies... (WEO, 2018)



USA: 2.12 (2007) to 1.8 (2016).

Greece/Spain: 1.5 (2007) to 1.3 (2016)

Sources: Organization for Economic Co-operation and Development (OECD); World

What is driving this trend?

- **Employment and Income -**
- Social changes (preferred family size, higher female labor force participation) -
- Tax wedge on couples +
- Labor market conditions (family allowances, job protection during maternity) +

Job in the **FORMAL** economy

Demand side:

- Structural reforms to improve the business climate and attract FDIs and improve export competitiveness
- Labor market reforms (adequate flexible, adequate minimum wage, well-balanced parental leave policy)
- Product and service market reforms
- Financial sector reform (access to credit, sound financial intermediation)

Supply side:

- Education reforms (update curricula, focus on labor market needs, teacher evaluation, etc.)

Fiscal policy:

- Revenue side: taxation of second family income
- Expenditure side:
 - Investment in **high-quality** infrastructure, education, and healthcare
 - Affordable childcare
 - Social Safety Net

New Strategy for IMF Engagement on Social Spending (June 2019)

- Raising INEQUALITY in the aftermath of the crisis
- Not just sustainable growth, but also INCLUSIVE growth
- Intensified interest in social spending (education, health and social assistance) is a key policy lever to achieve this
- Focus is on (i) fiscally sustainable; (ii) effectiveness; (iii) efficiency