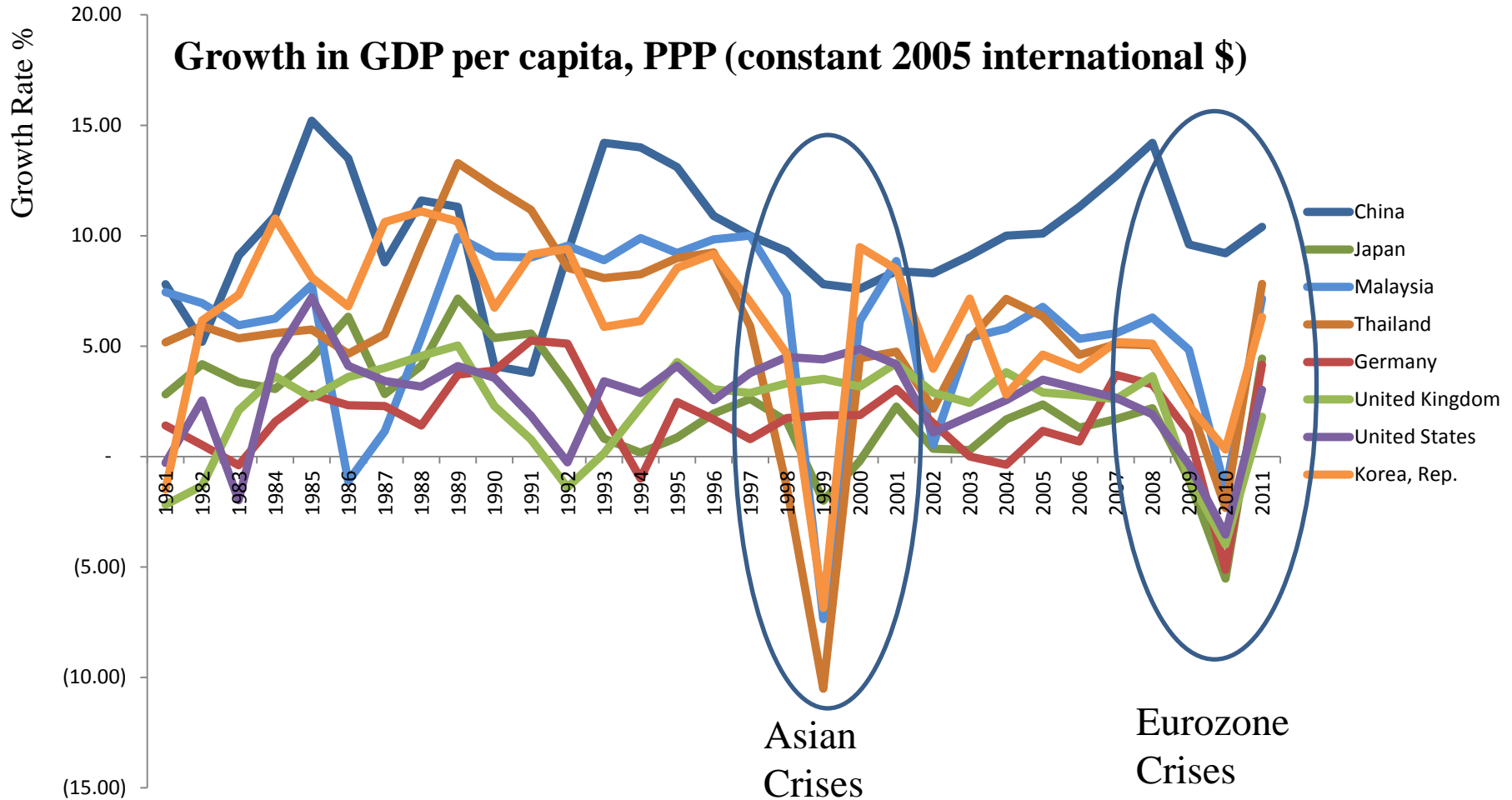


Firms and Transformation

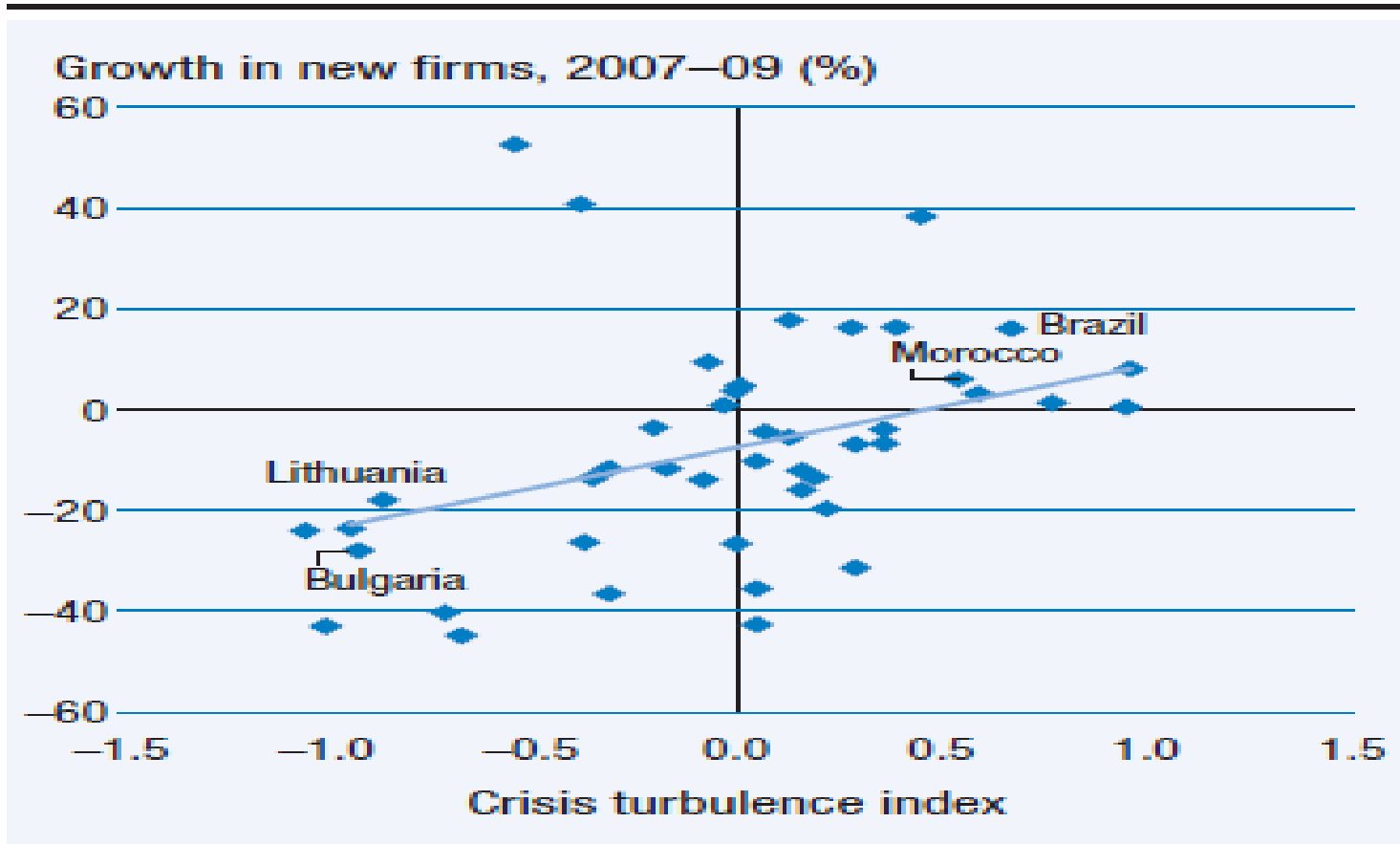
Mahmoud Mohieldin*
President's Special Envoy
The World Bank

Presentation to Khazanah Megatrends Forum:
Growth with Inclusion in an Age of Paradox:
Same Game, New Players
Kuala Lumpur, Malaysia
September 30, 2013

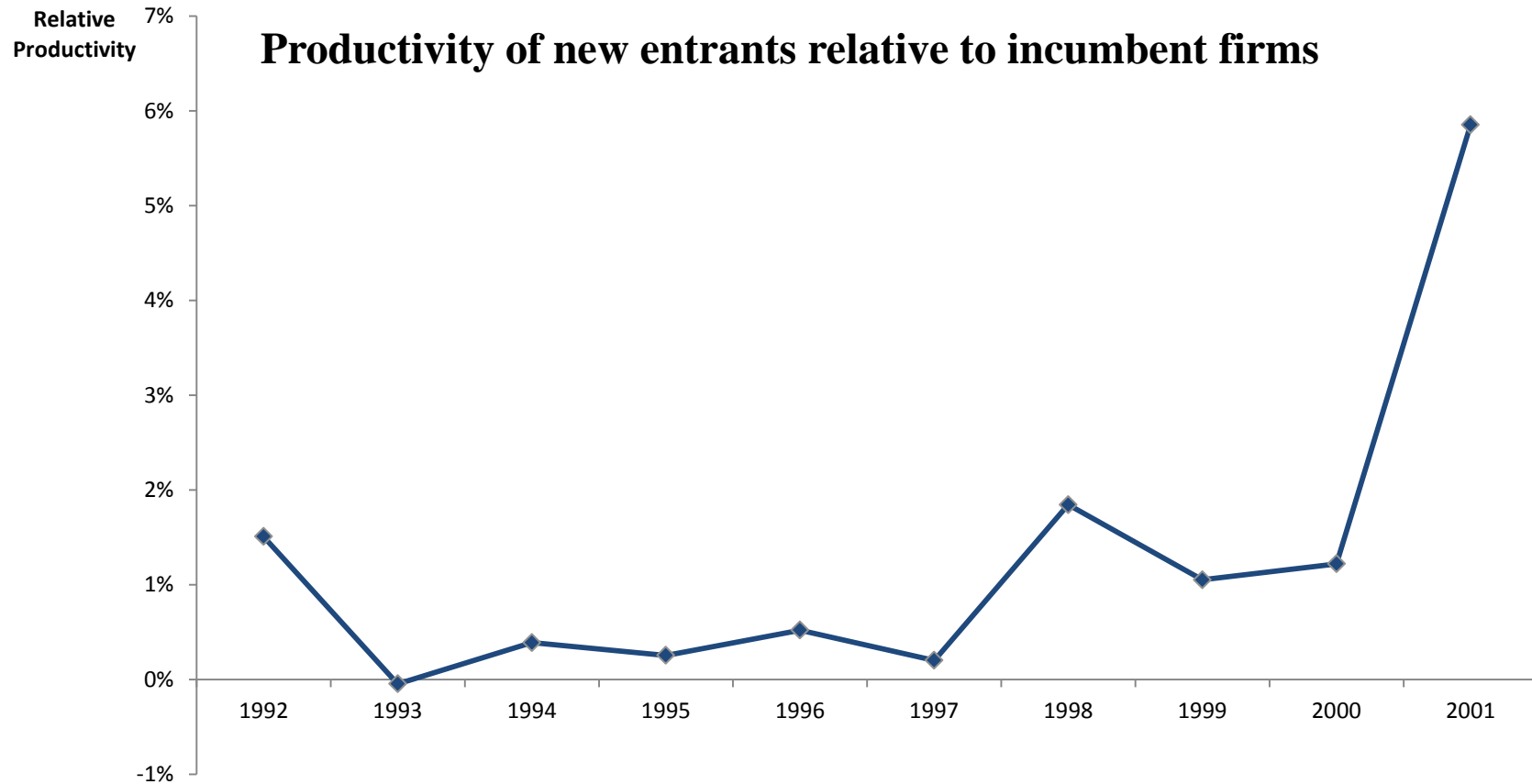
The global economy over the past 3 decades...



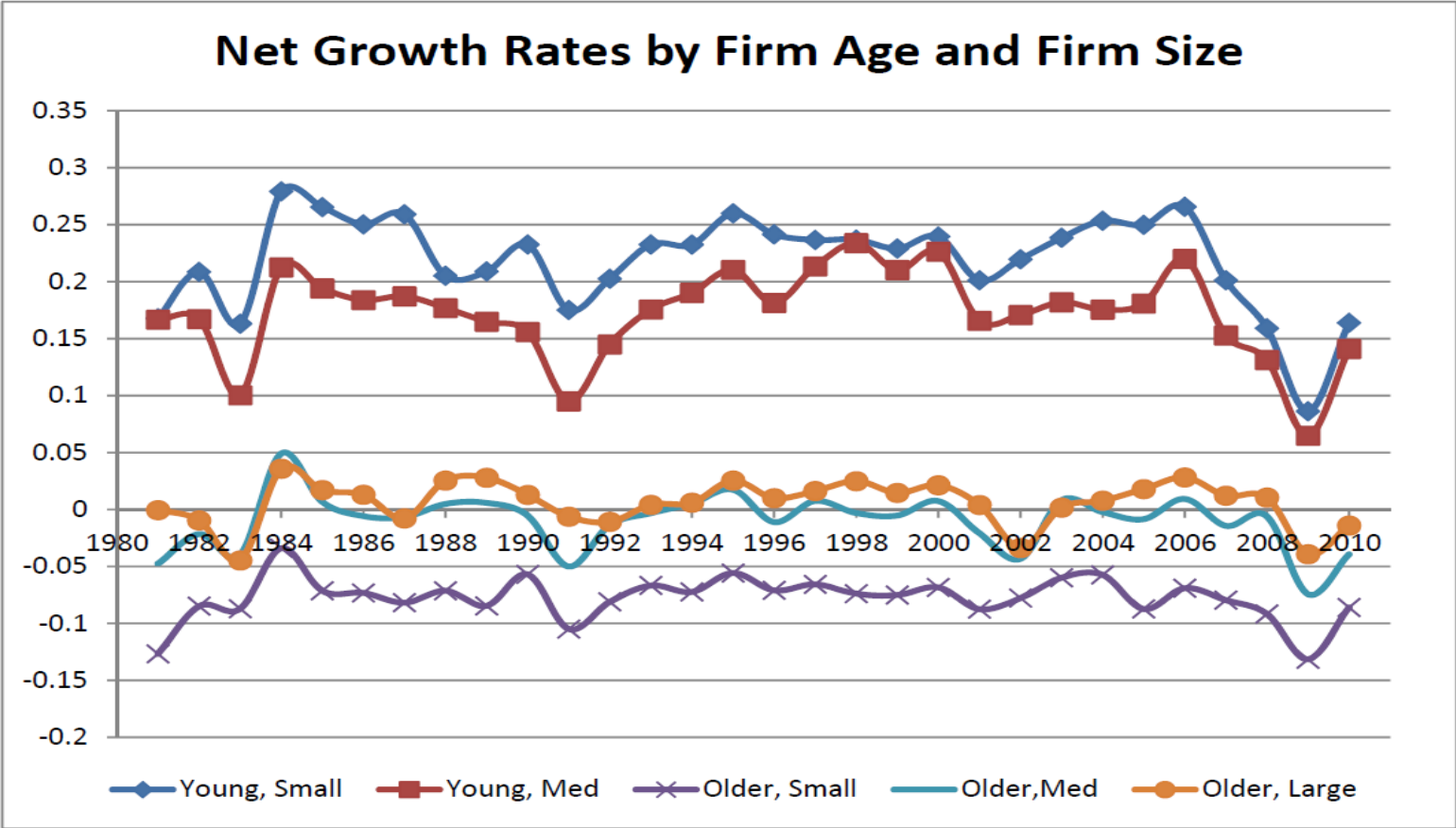
Crises lead to new opportunities and new players



The new players are more productive

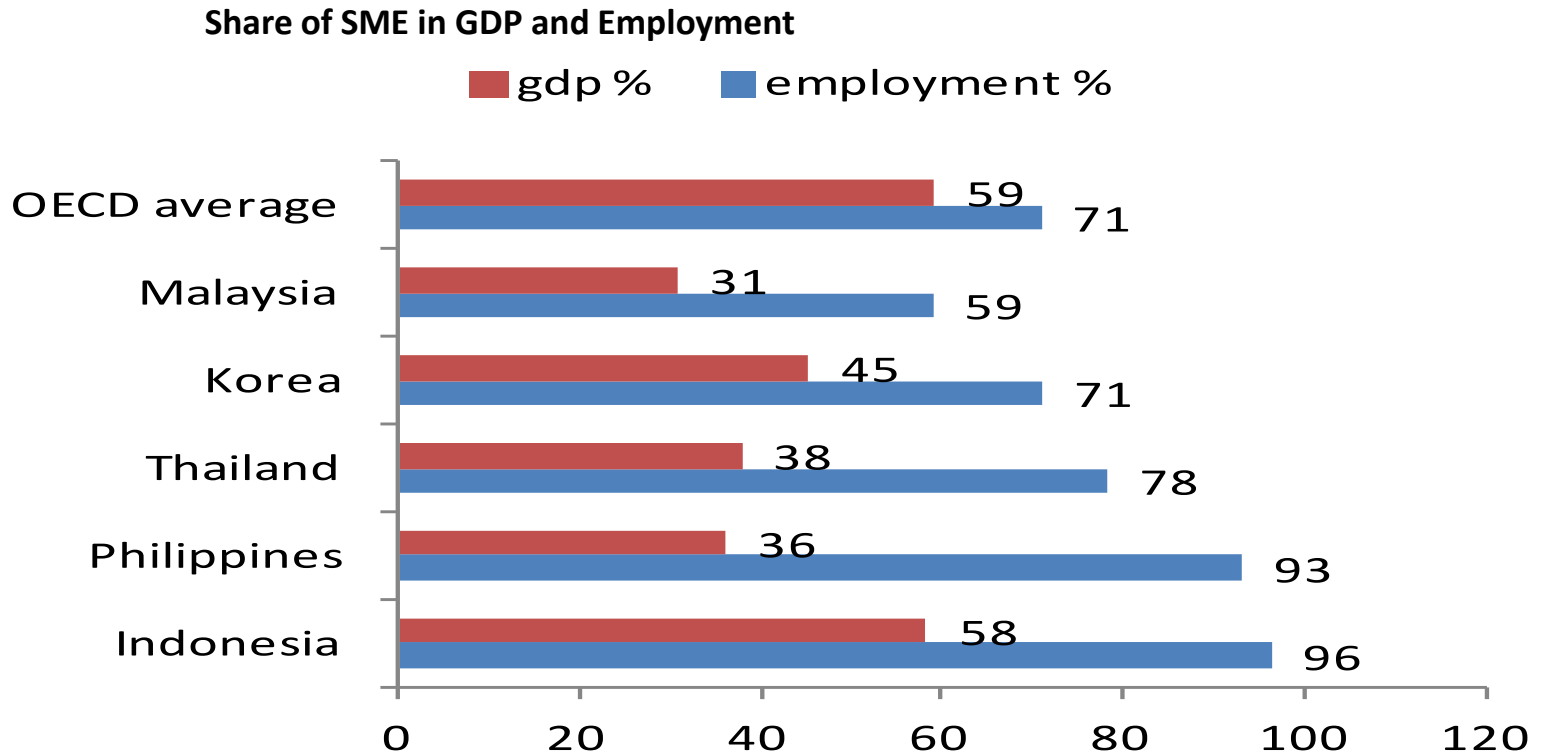


Young-small firms grow faster

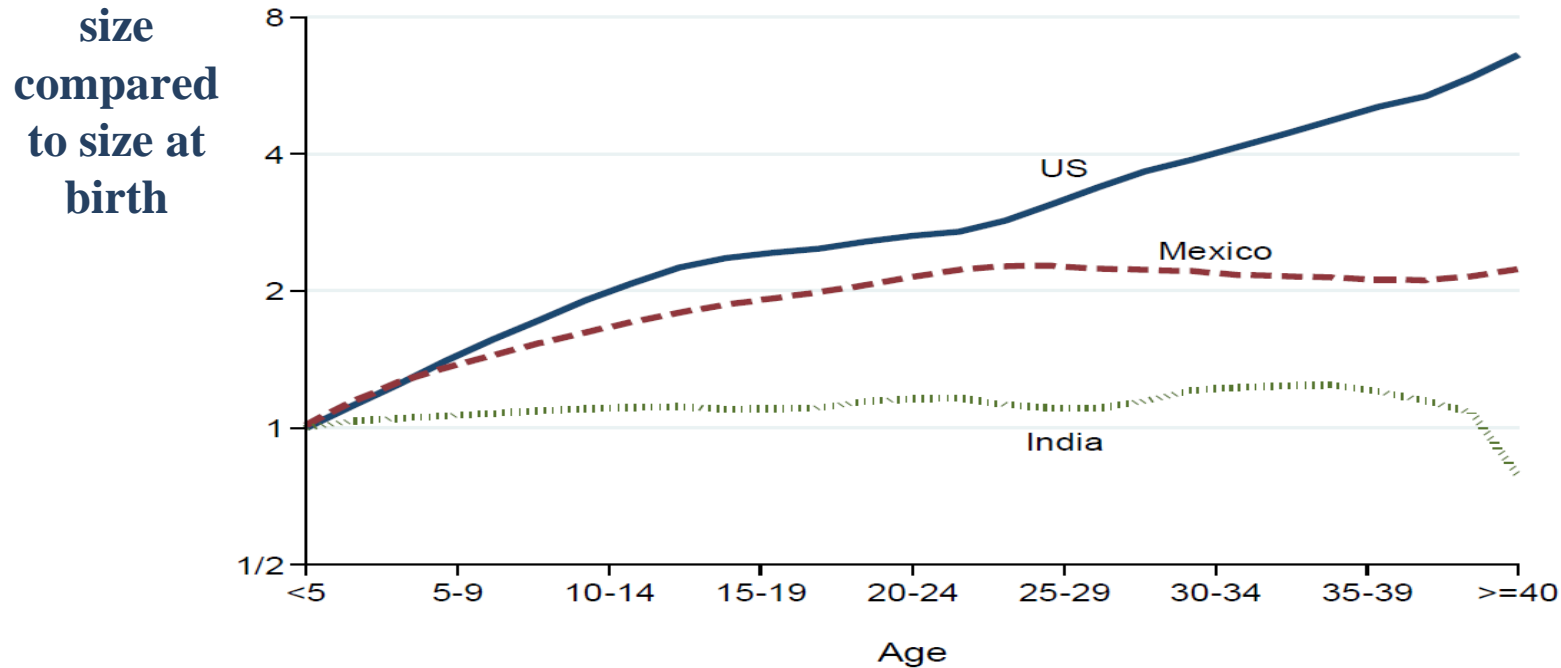


Source: Fort, T., Haltiwanger, Jarmin, S., and J. Miranda, 2012. How Firms Respond to Business Cycles: The Role of Firm Age and Firm Size, available at http://econweb.umd.edu/~haltiwan/FHJM_SAC_November_1.pdf

Small firms create more jobs



In emerging economies... young small firms don't grow



❖ Old firms' (35 years in business) size compared to size at birth:

India: $-1/4x$

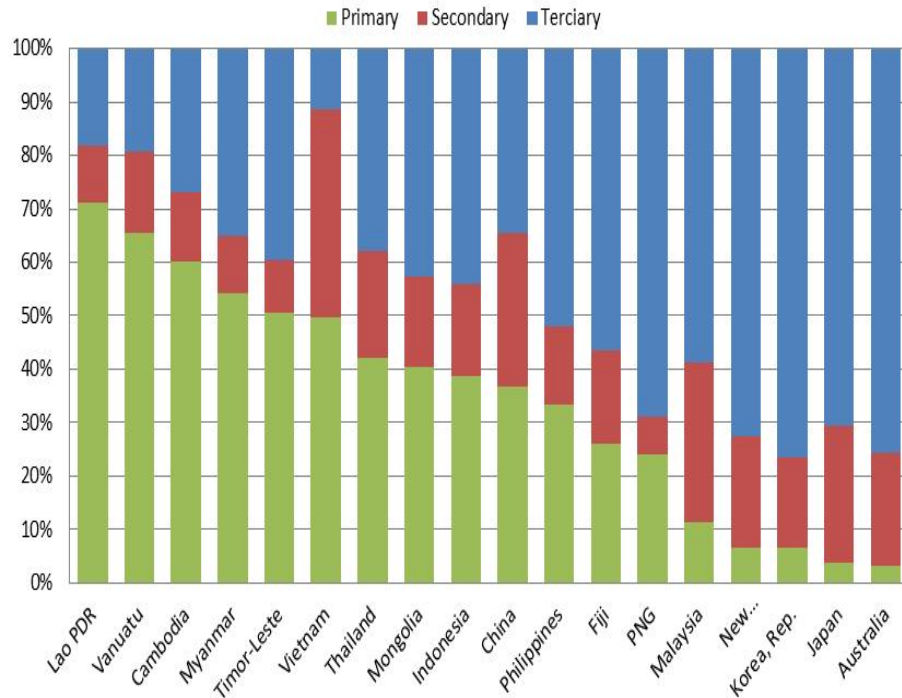
Mexico: $+2x$

US: $+8x$

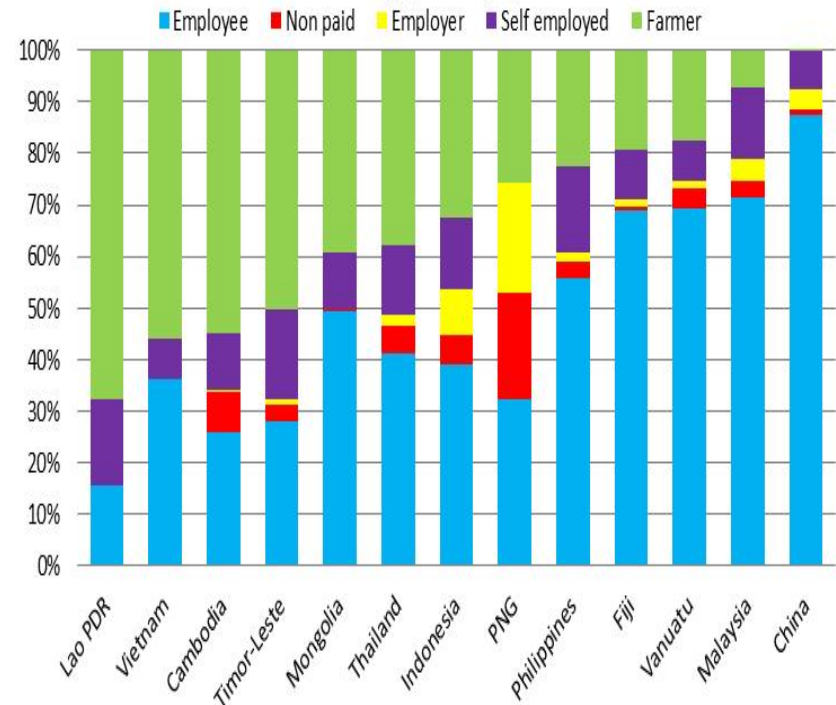
Primary sector continues to be an important employer

Where and how do people work in East Asia and Pacific Region ?

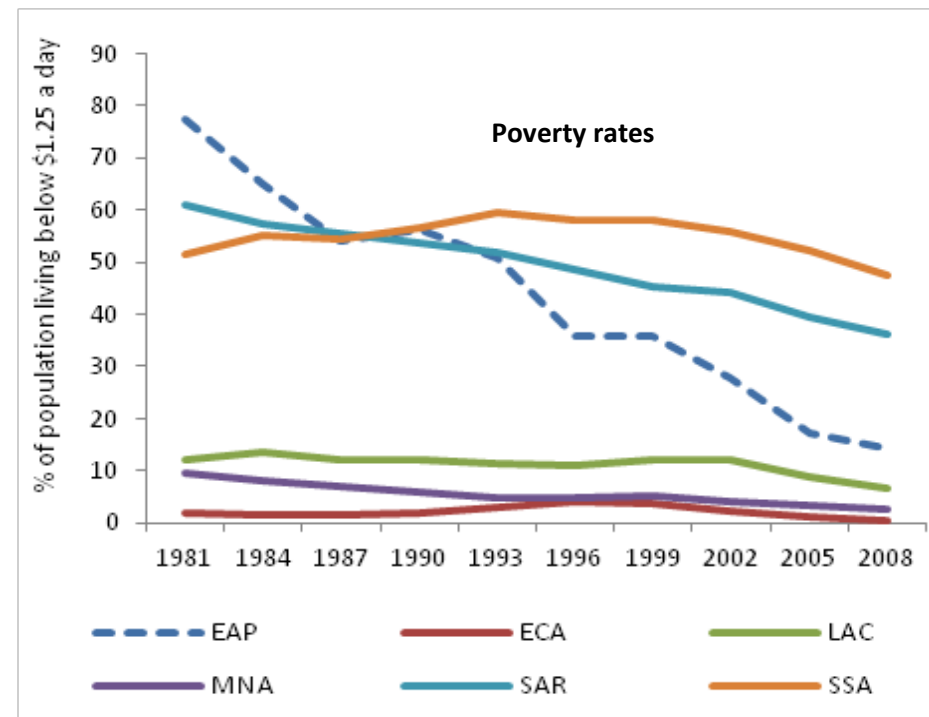
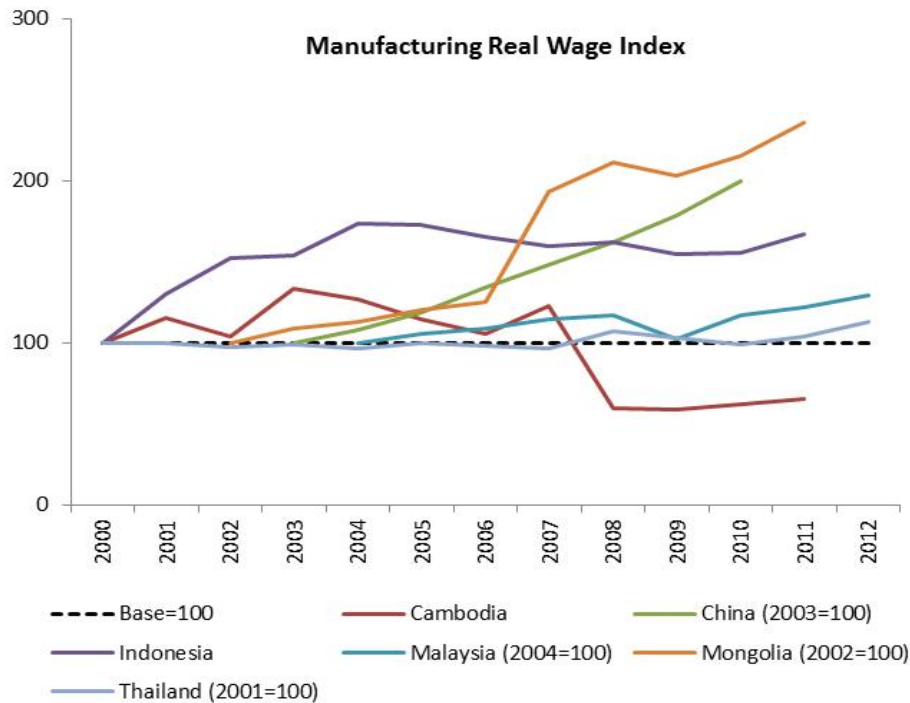
Many are still working in the primary sector



Many are not in wage employment: Working people by form of engagement (%) 2010

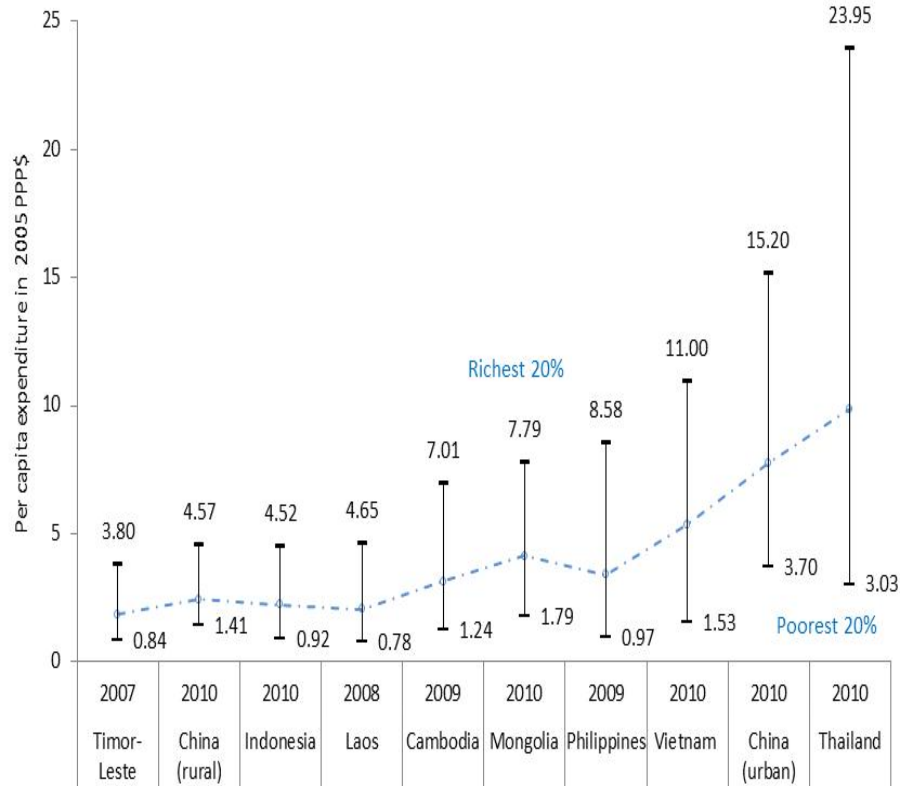


Rise in manufacturing wages, and fall in poverty rates

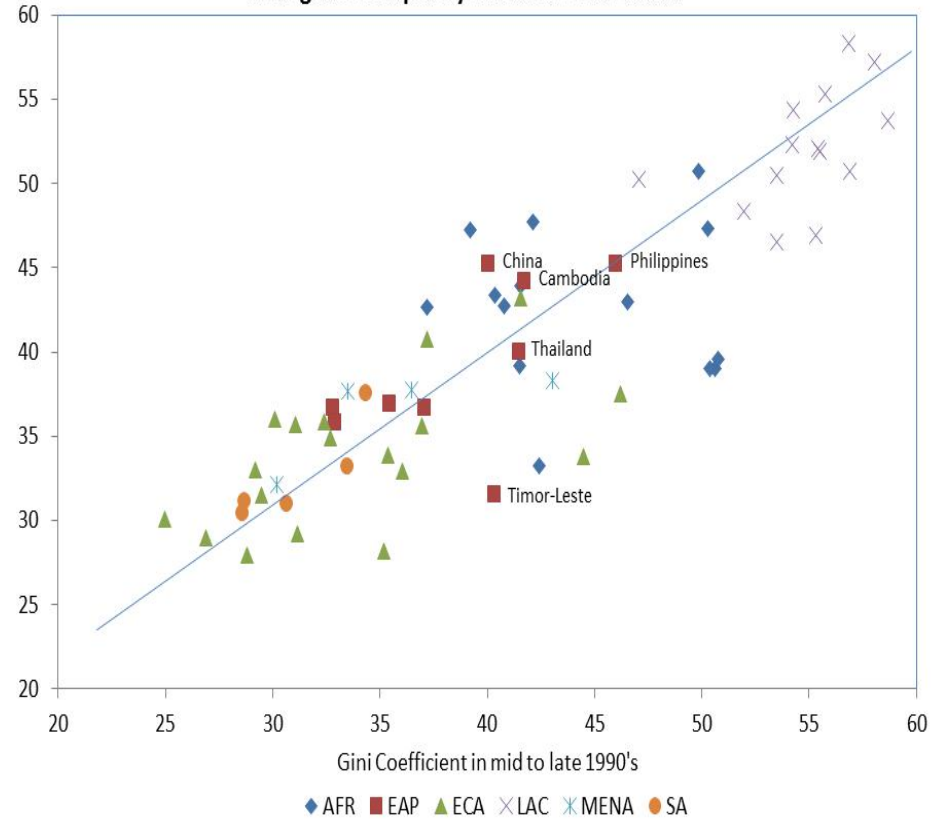


Rising inequality remains a challenge...

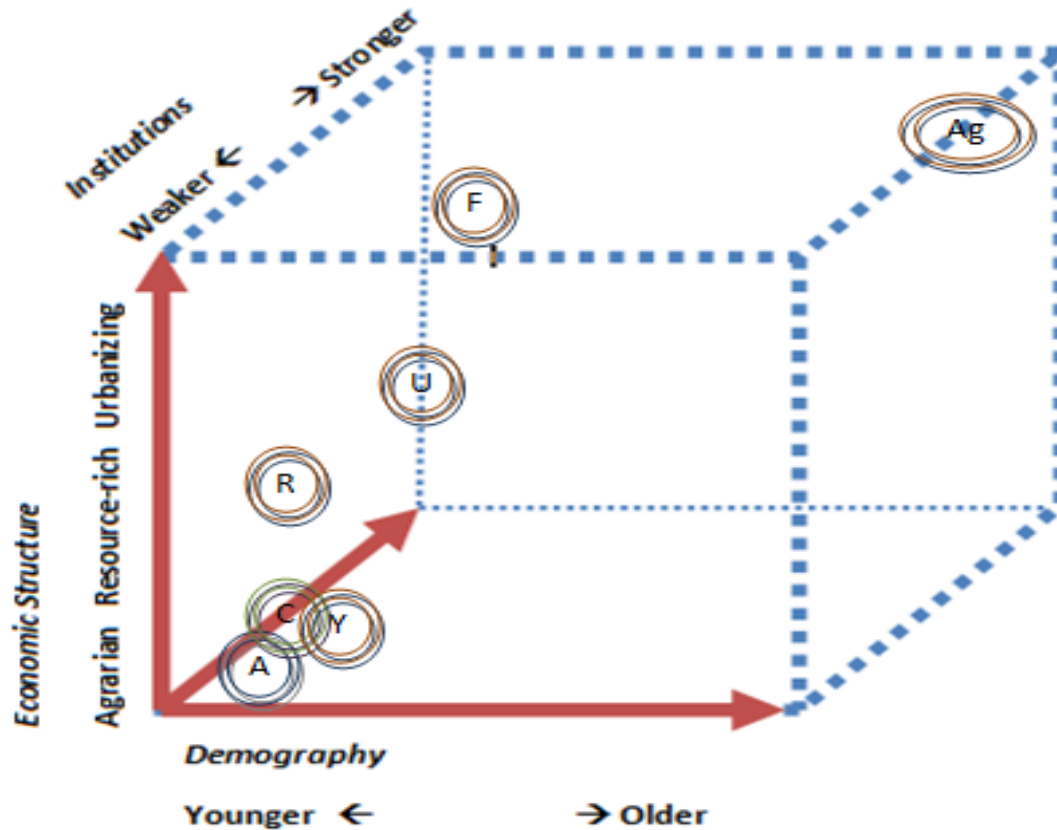
Average expenditures of the Richest 20% and the Poorest 20%



Changes in Inequality 1990s to Late 2000's



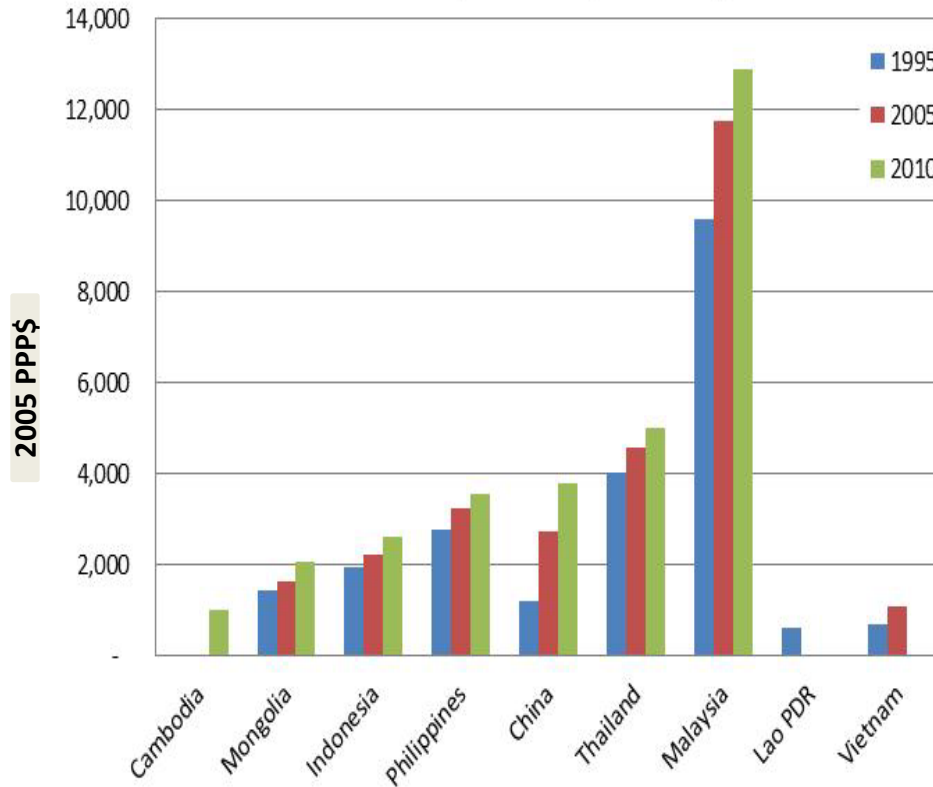
Different challenges require different solutions



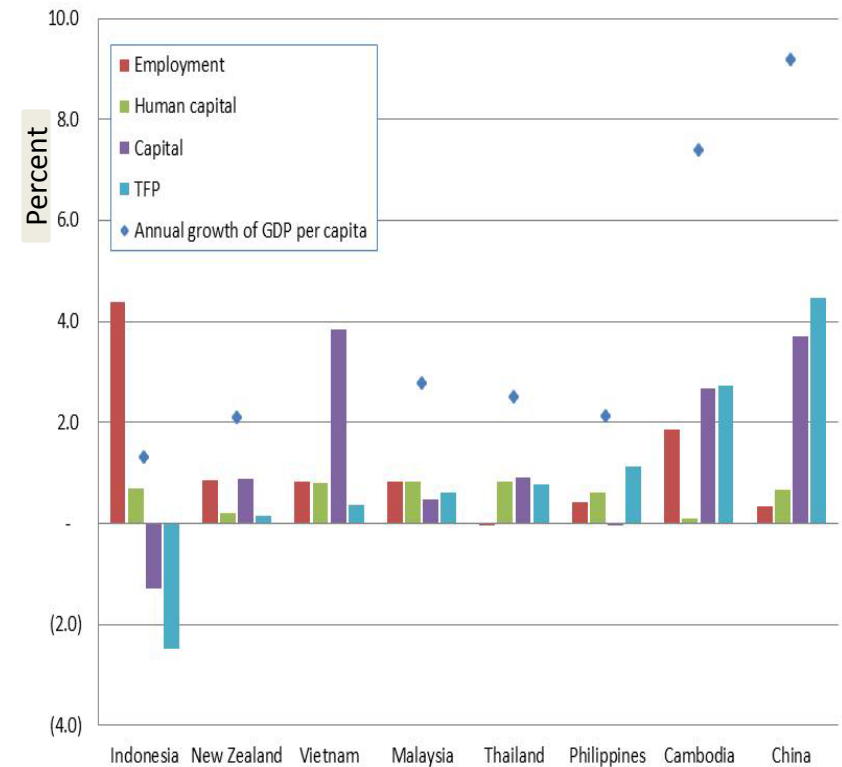
Economic structure,
Demography and
Institutions
matter in determining
solutions

Investment in human capital matters for growth

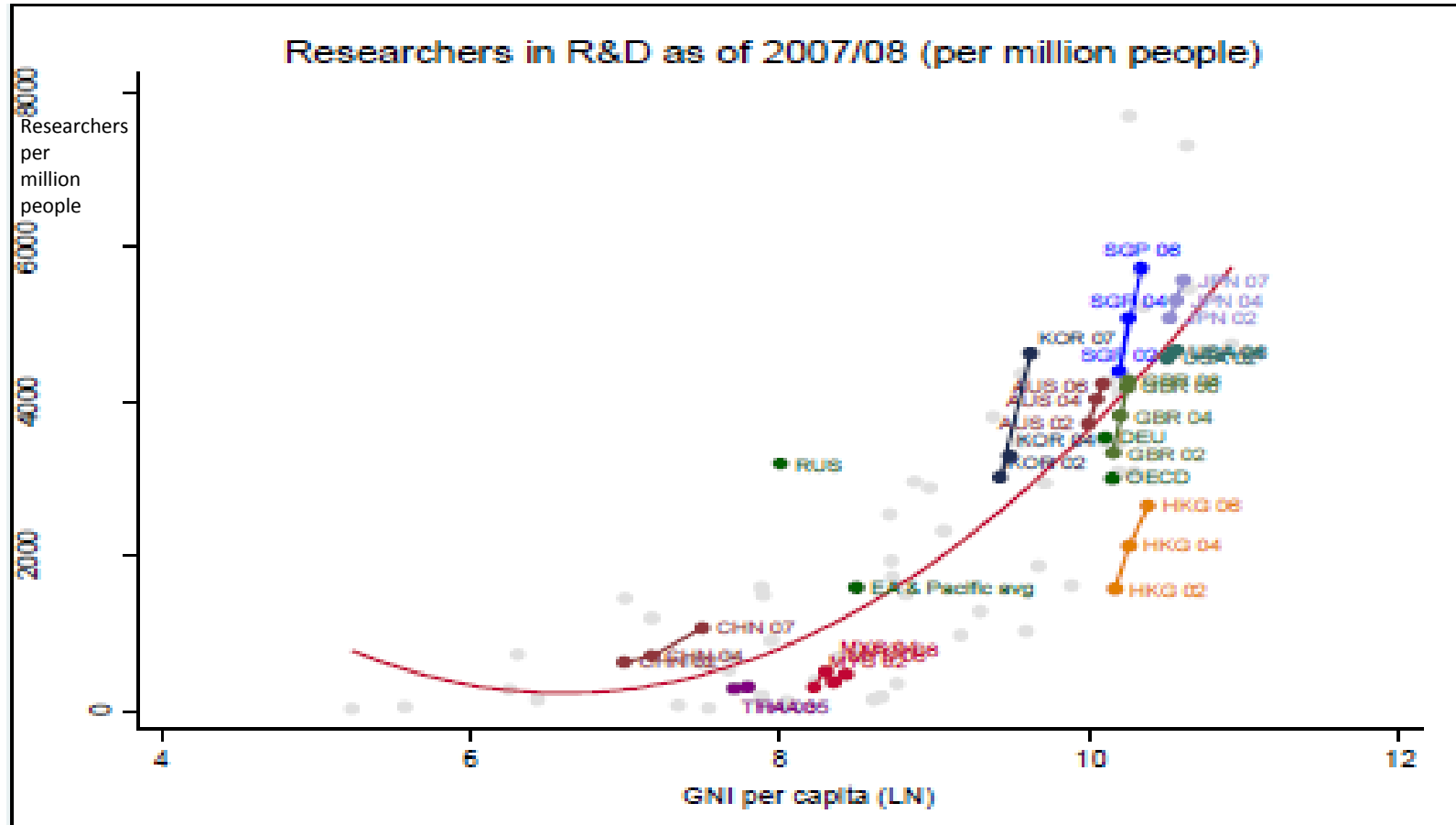
Value added per worker (2005 PPP\$)



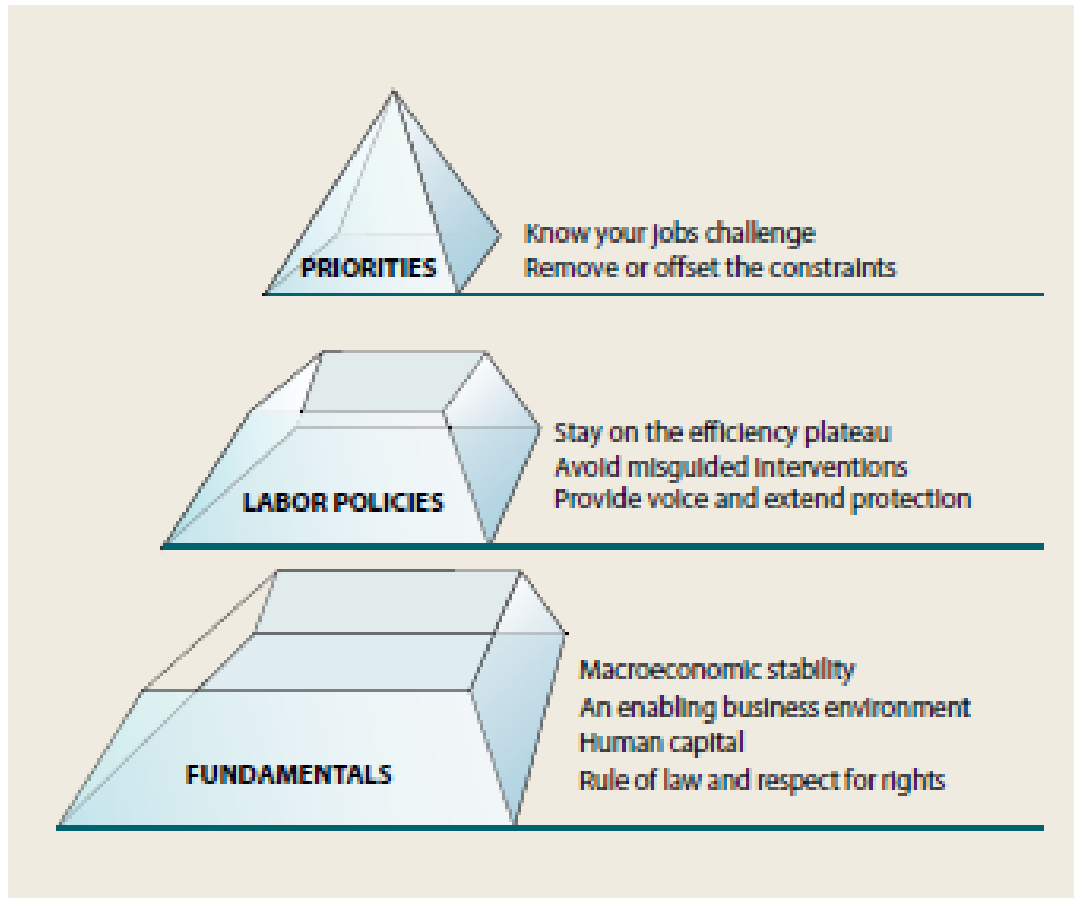
Growth decomposition



Innovation positively correlates with growth

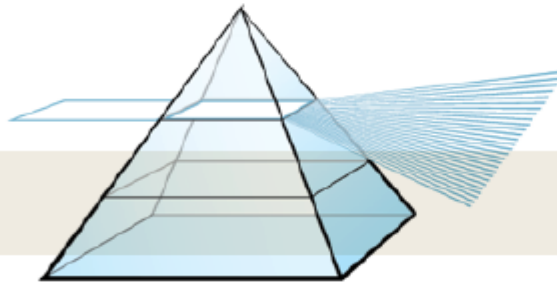


A three layered approach to policy



How countries succeeded in addressing jobs challenges?

Jobs challenge	Which countries and which policies?
Agrarian economies	Vietnam Land reform, agricultural extension, and market incentives
Conflict-affected countries	Rwanda Reintegration of former combatants and business reforms
Urbanizing countries	Korea, Rep. Land-use policies and comprehensive urban planning
Resource-rich countries	Chile Fiscal stability rules and export-oriented policies
Small island nations	Tonga Active use of return migration agreements
Countries with high youth unemployment	Slovenia Competition in product markets through trade integration
Formalizing countries	Brazil Noncontributory programs, rules simplified and enforced
Aging societies	Poland Disability and pension reform, higher retirement age



Thank You