

Inclusive Economy Indicators

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As part of its overall mission of promoting the well-being of humanity throughout the world, The Rockefeller Foundation developed the goal of advancing *inclusive economies*. The framing of this goal is deliberate: the word *inclusive* stresses the need to overcome disadvantage while the choice of *economies* versus *growth* suggests the need to consider all dimensions of economic life. This executive summary outlines efforts to develop a framework to better understand and measure the characteristics of an inclusive economy. It includes:

- The evolution of the concept of an inclusive economy
- Key lessons learned from an analysis of indicator initiatives related to measuring an inclusive economy
 - A recommended indicator framework composed of 5 broad characteristics, 15 sub-categories, and 57 indicators
 - Implications for future work

For more details, a full report is available at: inclusiveeconomies.org

Evolution of Inclusive Economy Concept



1. THE OLD "TRICKLE-DOWN" THEORY DIDN'T WORK.

Growth was supposed to bring improvement at the bottom but evidence was scant and inequality increased as debt and other crises hit.



2. PRO-POOR GROWTH DIDN'T ALWAYS DELIVER.

One response--devising policies to better ensure that growth would benefit poor--had its strengths, but also neglected the relative positions of the poor and wealthy, and non-income factors for disadvantage, such as race, gender and region.



3. INCLUSIVE GROWTH IS KEY BUT NEEDS A BROAD DEFINITION.

A more comprehensive understanding of inclusion also incorporated more non-income measures of well-being, as well as more robust and equitable participation in both the economy and decision-making, but still neglected ecological concerns and economic stability.

INCLUSIVE ECONOMIES

Incorporating insights from ecological economics, theories of social well-being, and these concepts of pro-poor and inclusive growth, The Rockefeller Foundation defines an inclusive economy as one in which there is expanded opportunity for more broadly shared prosperity, especially for those facing the greatest barriers to advancing their well-being. In developing this understanding, the Foundation argues that inclusive economies have five broad characteristics: they are equitable, participatory, growing, sustainable and stable.

Overview of the Related Initiatives

Of more than 30 major indicator initiatives around the globe related to advancing more inclusive economies, the following key lessons emerge:

PROCESSES AND OUTCOMES

Initiatives often differentiate between indicators of outcome and of processes that create those outcomes. However, it is not always feasible or desirable to distinguish between processes and outcomes particularly since outcomes in one arena are often inputs in other processes. As a result, processes and outcomes can become a virtuous cycle towards inclusivity (or represent a vicious cycle towards greater exclusion).

INDICATOR DEVELOPMENT

There is a wide diversity of indicator initiatives with very different constituencies involved in them. The general picture shows volumes of scattered information being put forth by different organizations, with little consensus on what is most important to measure, and highly uneven efforts to integrate approaches. If we are to promote conversation around inclusive economies, we must develop a common language as well as shared metrics for tracking progress. Although there will always be a need for context specific indicators, it would be useful to develop more consistent frameworks for understanding inclusive economies.

EMBEDDING INDICATORS

Some indicator initiatives are explicitly embedded in a theory of change in which indicators are chosen because they relate to clear understandings of how a more inclusive society can be created. The benefit of articulating indicators within an explicit theory of change is that it gives greater focus to the complex nature of the various social, economic, governmental and institutional processes that are involved in delivering social change.

Integrated Framework

5 BROAD CHARACTERISTICS, 15 SUB-CATEGORIES, 57 INDICATORS

Inclusive economies expand opportunities for more broadly shared prosperity, especially for those facing the greatest barriers to advancing their well-being.

The five broad characteristics should be understood as an integrated whole, rather than independent dimensions. Patterns of inclusiveness or exclusion in one dimension can reinforce or undermine inclusiveness in another dimension. For example, equitable economies can contribute to more participatory economies thus generating virtuous cycles; while on the contrary, vicious cycles can also emerge when inequities and injustices promote socioeconomic instability. Thus, though specific indicators are rooted within particular dimensions and sub-categories, they should be seen as being inter-related and catalysts of dynamic cycles amongst the dimensions.



EQUITABLE

A Upward mobility for all

B Reduction of inequality

C Equal access to public goods & ecosystem services

More opportunities are available to enable upward mobility for more people. All segments of society, especially the poor or socially disadvantaged groups, are able to take advantage of these opportunities. Inequality is declining, rather than increasing. People have equal access to a more solid economic foundation, including equal access to adequate public goods, services, and infrastructure, such as public transit, education, clean air and water.



PARTICIPATORY

D People are able to access and participate in markets as workers, consumers, and business owners

E Market transparency and information symmetry

F Widespread technology infrastructure for the betterment of all

People are able to participate fully in economic life and have greater say over their future. People are able to access and participate in markets as workers, consumers, and business owners. Transparency around and common knowledge of rules and norms allow people to start a business, find a job, or engage in markets. Technology is more widely distributed, and promotes greater individual and community well-being.



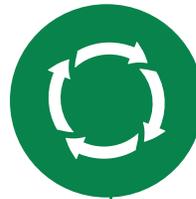
GROWING

G Increasing good job and work opportunity

H Improving material well-being

I Economic transformation for the betterment of all

An economy is increasingly producing enough goods and services to enable broad gains, well-being and greater opportunity. Good job and work opportunities are growing, and incomes are increasing, especially for the poor. Economic systems are transforming for the betterment of all, including and especially poor and excluded communities. Economic growth and transformation is not only captured by aggregate economic output measures (such as GDP), but must include and be measured by other outcomes that capture overall well-being.



SUSTAINABLE

J Social and economic well-being is increasingly sustained over time

K Greater investments in environmental health and reduced natural resource usage

L Decision-making processes incorporate long-term costs

Economic and social wealth is sustained over time, thus maintaining inter-generational well-being. In the case of natural capital, inclusive economies preserve or restore nature's ability to produce the ecosystem goods and services that contribute to human well-being, with decision-making incorporating the long-term costs and benefits and not merely the short-term gains of using our full asset base.



STABLE

M Public and private confidence in the future and ability to predict outcome of economic decisions

N Members of society are able to invest in their future

O Economic resilience to shocks and stresses

Individuals, communities, businesses and governments have a sufficient degree of confidence in the future and an increased ability to predict the outcome of their economic decisions. Individuals, households, communities and enterprises are secure enough to invest in their future. Economic systems are increasingly resilient to shocks and stresses, especially to disruptions with a disproportionate impact on poor or vulnerable communities.

Indicators

Recommended indicators are selected following these criteria: (1) Data must be available at least at the national level, but have potential for replicability across different contexts, regions and scales; (2) Data must be available for a large number of economies; (3) Indicators must aim to be measures of outcomes rather than leading processes. Most recommended indicators are currently gathered by reliable government, private sector, or non-profit organizations with substantial international coverage. In addition to 49 core indicators, 8 additional indicators are designated ideal ("ideal") or should be considered ("considered") but don't fully meet the criteria described above. Furthermore, many of our indicators can be disaggregated by different population groups, such as gender, race, and age. Where possible, it is valuable to use these disaggregated measures for greater insight.

A1 Percentage of population with higher educational attainment than their parents (OECD)

A2 Intergenerational income mobility (OECD)

A3i (ideal) Proportion of the lowest earning 25 to 30 year olds that experience wage progression 10 years later (UK)

A4c (considered) Early Childhood Education (SDG)

B1 Ratio of income/consumption of the highest quintile to lowest quintile (ADB)

B2 Percentage of households with incomes below 50% of median income (SDG)

B3 Wealth share of top 1% (OECD)

B4 Gender Inequality Index (GII) (UNDP)

C1 Proportion of population using safely managed sanitation services, including a hand-washing facility with soap and water (SDG)

C2 Proportion of population using an improved drinking water source (SDG)

C3 Share of households with electricity or other modern energy services (SDG)

C4 Primary completion rate (WB)

C5 Infant and under-5 mortality rate (WHO)

C6c (considered) Proportion of population that has convenient access to public transport (SDG)

C7c (considered) Rating on level of women's social rights (ISD)

D1 Labor force participation rate (of working age population) (WB)

D2 Share of informal employment (ILO)

D3 Household final consumption expenditure per capita (WB)

D4 New business density (new registrations per 1,000 people ages 15-64) (WB)

E1 Ease of Doing Business (EoDB) Distance to Frontier (WB)

E2 Voice and accountability indicator (WGI)

E3 Control of corruption indicator (WGI)

F1 Mobile cellular telephone subscribers per 100 population (SDG)

F2 Percentage of households with Internet (SDG)

G1 Employment-to-population ratio (of working age population) (ADB)

G2 Growth rate of average per capita income PPP \$ (ADB)

G3 Proportion of population below \$1.25 (PPR) per day (SDG)

H1 GDP per capita, PPP (current international \$) (WB)

H2 Proportion of population above minimum level of dietary energy consumption (SDG)

H3 Durable structures (Slum population as percentage of urban) (SDG)

H4 Life expectancy at birth (OECD)

I1 Labor productivity (GDP per hour worked) (OECD)

I2 Research and development expenditure (% of GDP) (WB)

I3 High-technology exports (% of manufactured exports) (WB)

J1 20 year change in proportion of population above minimum level of dietary energy consumption (WB)

J2 20 year change in durable structures (Slum population as percentage of urban) (WB)

J3 20 year change in life expectancy at birth (WB)

K1 Energy intensity (TPES/GDP PPP) (SDG)

K2 Proportion of total water resources used (%) (FAO)

K3 Proportion of wastewater safely treated (SDG)

K4 CO2 emissions (kg per PPP \$ of GDP) (WB)

K5 Annual mean levels of fine particulate matter (e.g. PM2.5 and PM10) in cities (population weighted) (SDG)

K6 The Natural Resource Protection Indicator (NRPI) (SEDAC)

K7c (considered) Share of Renewables in Total Primary Energy Supply (%) (SDG)

L1 Resource Productivity: Ratio of GDP to Domestic Material Consumption (DMC) (EUROSTAT)

M1 Standard deviation of year-to-year change in GDP, previous 20 years (WB)

M2 Regulatory quality indicator (WB)

N1 Percentage of population using banking services (WB)

N2 Percentage of population aged 15+ who have borrowed from a financial institution (WB)

N3 Microinsurance coverage ratio (MIC)

N4 Country Policy and Institutional Assessments property rights and rule-based governance rating (1=low to 6=high) (WB)

N5c (considered) Level of internal conflict, International Country Risk Guide rating (ISD)

O1 Government expenditure on social security and welfare as a percentage of total government expenditure (ADB)

O2 Social protection and labor rating (WB)

O3 Herfindahl-Hirschman (Export) Product Concentration Index (ADB)

O4c (considered) FDI versus FPI, both as a % of GDP (WB)

O5i (ideal) Response time for emergency response services from initial call (WCCD)

INDICATORS ARE IMPERFECT.

Almost by definition, indicators are simply indirect markers of complex phenomenon, and what would be ideal to measure can't always be measured. Often indicators are limited by the availability and quality of data, difficulty of measurement, and data collection processes. Keeping these caveats in mind, the goal is to produce a framework composed of *measurable* indicators as opposed to *perfect* indicators.

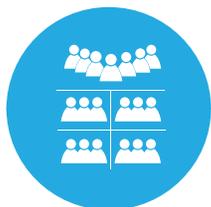
BE WARY OF "IDENTICAL" INDICATORS.

It is important to keep in mind that often indicators that seem indistinguishable at first, may be underpinned by very different methodologies depending on the country or region of interest. For this reason caution should be exercised when applying this framework for cross-country and/or regional comparisons.

VALUES WORK AT MULTIPLE SCALES BUT INDICATORS MAY DIFFER.

Although the recommendations are on national level indicators, indicators were also selected ideally to be relevant across multiple contexts, scales and regions. In practice, however, this is difficult to achieve and operationalize. While some indicators are applicable to the developing world, e.g., a poverty line of \$1.25 per day, they may not translate directly to the developed world—in which case a \$1.25 per day threshold may understate actual levels of poverty. Similarly, while in many cases indicators can be analyzed at the national level, often times these same indicators are not valid for sub-national analysis.

Broader Implications and Conclusions



POWER AND BARRIERS TO WELL-BEING

There are conceptually two quite different reasons why people might face barriers to advancing their well-being: they could be passively left out of economic opportunities or they could be actively marginalized or exploited by more powerful interests in society. Because of these dynamics, consideration of how opportunity is distributed in economies are necessarily linked to understanding and often overcoming inequalities in the distribution of decision-making power.



PROCESS AS IMPORTANT AS PRODUCT

It is possible to develop an integrated multi-country dataset that would include all of the recommended indicators, but it would require a significant amount of effort to pull together and sustain. Furthermore, research shows that what is important is not just what people know about economies, but who they know that with and how that knowledge is developed and applied, and thus producing a way of measuring inclusive economies may be only as important as the constituencies that are engaged with and have a stake in that measurement. The rather innovative definition of inclusive economies developed by the Rockefeller Foundation, further informed by efforts to develop solid measurement options, should be seen not simply as a way to measure but also as a way to popularize the concept of inclusive economies. The sub-categories developed in this integrated framework can act as a guide to help different constituencies better understand how to measure their economic inclusivity within their specific context.



PROMOTING CONVERSATIONS

Given the importance of process, we hope that this recommended framework and indicators can help inform conversations amongst stakeholders about measuring and achieving inclusive economies. The five broad characteristics, 15 sub-categories, and recommended indicators can help ground such conversations and focus attention on a multi-dimensional approach to promoting inclusive economies, and help us all better understand the ability of different countries to achieve inclusivity along these five dimensions.



MOVING TO ACTION

Indicator projects that work best are embedded in, or help develop, a theory of change: because they are intended to stir action, they often have a set of constituencies and causal connections in mind. In some cases, conversations about indicators can help key decision-makers understand both the value of, and tools for, achieving an equitable, participatory, growing, sustainable and stable economy. In others, indicator data can become a vehicle for an empowered citizenry to hold governments and institutions accountable. In either case, it is clear that indicator projects not only gauge forward motion but can also trigger it. That would be a good thing: the concept of inclusive economies the Rockefeller Foundation has developed has salience, is assessable, and is likely to create a very productive series of conversations and collaborations.