Developing inclusive growth metrics: examples from comparative indicator sets

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Inclusive Growth Analysis Unit

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Introduction

The headline indicators adopted by cities provide an indication of their policy priorities and can influence investment decisions. Cities will struggle to develop more inclusive economies if they only measure – and value – the volume of growth and employment.

This paper accompanies the summary briefing paper 'Inclusive Growth Indicators for Cities', available here. The briefing paper argues that:

- Cities should aim to weigh economic, social and wider concerns on the same page, devising inclusive economy indicators which are linked to their economic strategy. Some of the comparative frameworks that have been developed in recent years offer ideas.
- Inclusive economy indicators may assess the quality of economic growth, e.g. levels of low pay and disparities in economic participation.
- Process matters as well as outcomes. Cities may also want to adopt indicators that tell them whether they have the systems and conditions that will enable more inclusive growth.
- A consultative, participatory approach to indicator development can help to build a shared understanding around what is to be achieved

The paper reviews the themes, indicators and design of a series of recent frameworks that have set out to help cities articulate and measure inclusive growth. This background paper goes into further detail on several of these:

- The Joseph Rowntree Foundation's Inclusive Growth Monitor
- Price Waterhouse Cooper's Good Growth for Cities Index
- Grant Thornton's Vibrant Economy Index
- Oxfam's Humankind Index
- Brookings Institute's Inclusive Economy Indicators
- The RSA's Inclusive Growth Commission proposals for city metrics

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Inclusive Growth Monitor, Joseph Rowntree Foundation

Indicator set	Stated aim	Area
Initially developed by Sheffield Hallam for the Joseph Rowntree Foundation (2016), now updated by the Inclusive Growth Analysis Unit	To measure the relationship between prosperity and economic inclusion (as a proxy for poverty), and to make this information available to LEPs	39 LEP areas across England

Design and development

The Inclusive Growth Monitor is based on 18 commonly available indicators which have been grouped into two themes – prosperity and economic inclusion – each containing nine indicators.

The following principles were used to guide[1] the construction of the Monitor:

- conceptually and empirically informed;
- flexible in construction to avoid the pitfalls of any single approach;
- replicable in using publicly available data, meaning it can be adopted by a range of local stakeholders;
- relatively straightforward to update in terms of the analytical skills and time required;
- simple to understand including by non-specialist audiences;
- representative of the geographies at which labour markets and institutions responsible for economic development (e.g. LEPs) operate.

The Monitor is particularly concerned with the economic dimensions of inclusion, including participation in employment and earnings levels, rather than wider social outcomes such as good health, and environmental indicators.

The economic inclusion theme considers different aspects of poverty and related forms of economic disadvantage, while the prosperity theme considers economic performance or economic potential. Each theme contains three dimensions that reflect different aspects of prosperity or inclusion and three indicators are associated with each of the dimensions.

The 18 indicators can be considered on their own or combined to create composite scores for any of the dimensions or themes. All data is presented at Local Enterprise Partnership (LEP) level to capture outcomes in functional economic areas.

Full data and recent reports are available here:
http://www.mui.manchester.ac.uk/igau/research/inclusive-growth-indicators/

[1] Outlined in Beatty, C., Crisp, R. & Gore, T. (2016) An inclusive growth monitor for measuring the relationship between poverty and growth, Joseph Rowntree Foundation.

Headline findings

Areas which score highly on prosperity also tend to score highly on economic inclusion. These are mainly found in the South and East of England. Unsurprisingly areas which have a greater share of national prosperity have high living standards, and lower poverty levels. They are also high-value residential areas where wealthier people and those with higher human and economic capital can afford to live.

However, increases in prosperity do not necessarily lead to increases in inclusion. Looking at change between 2010 and 2015,London saw the biggest improvement on the prosperity theme but also the least improvement in terms of change on the economic inclusion theme. This increasing polarisation in the city appears to be partly driven by housing affordability and rental prices.

In terms of change in scores between 2010 and 2015, Worcestershire, North Eastern, and Tees Valley LEPs experienced the biggest improvement on their IG Monitor theme scores, although the latter two areas still remained towards the bottom of all LEPs in terms of theme score levels.

Commentary[2]

The Monitor is first and foremost a resource targeted at Local Enterprise Partnerships, which have more of a focus on economic development. The aim is to make it easy for LEP areas to see how they fare on both economic inclusion and economic growth.

Unlike many of the other examples discussed here the full dataset is publicly available and indicators can be considered individually or combined. The themes of prosperity and economic inclusion are given equal weighting within the design.

LEPs will want to evaluate their own strategies over time and may be interested in comparing themselves with other LEPs with similar contexts or starting points. The monitor is not intended as a tool for ranking LEPs according to how successfully they have pursued inclusive economic growth strategies. Whilst LEP strategies should have an impact on these indicators, other factors will do too, and as the Monitor findings report makes clear, LEPs operate in very different contexts.

[2] A more detailed discussion is set out here: IGAU (2017) Inclusive Growth Monitor 2017: a how-to guide

Good Growth Index, PWC

Indicator set	Stated aim	Area
PWC-Demos Good Growth Index (2012-2016)	To shift the debate on local economic development from a narrow focus on 'Gross Value Added' (GVA) to a more holistic measure, understanding the wider impacts that are associated with economic success in a place. It also aims to put the spotlight on economic performance from the point of view of the public	2011 TTWAs with population > 250,000 - 42 in total. In addition, they also produce data for the 7 combined authorities in England; they also look at 11 cities across Wales, NI and Scotland and produce results for all 39 LEP areas in England

Design and development

The Index is based on 10 different categories or themes. These have been selected and prioritised at least partly through consultation with the public and business representatives. Employment, health, income and skills were the most important of these factors as judged by the public. Housing affordability, commuting times, environmental factors and income inequality are also included in the index, as well as new business start-ups (the latter is new to the 2016 index).

The 2016 index is based on the latest available data, covering the period 2013-2015. Around 2000 UK citizens of working-age were polled to test the validity of the weights used in the index. The main ranking - produced for TTWAs - uses 3 year rolling averages (2013-2015) and scores for each city are given relative to the base year of 2011-2013.

For each element of the index, a city receives a score equivalent to the number of standard deviations their score is away from the mean. As a result, a score of +0.5 means a city performs 0.5 standard deviations better than the sample mean for that element of the index. The scores for each element are then weighted and summed to create the overall city score. The approach is the same for the analysis of different geographies, such as those covered by LEPs. The performance of the Combined Authorities (CAs) is reported relative to the average for all LEPs for each element of the index. The comparison therefore shows how CAs perform relative to other areas across the country.

The 2016 report is available here: https://www.demos.co.uk/wp-content/uploads/2016/11/Good_Growth_For_Cities_2016.pdf

Headline findings

According to the 2016 report, the two highest performing travel to work areas were Oxford and Reading and a large gap has opened up between the performance of these two cities and other areas in the index.

Travel to work areas in less affluent regions tend to have lower scores, driven by weaker performance in some of the more highly weighted elements of the index, such as jobs, income and skills. However, some of the lower performing areas – Doncaster and Wakefeld & Castleford – have seen the biggest improvements.

Commentary

The Index aims to put the spotlight on the economic performance of different areas *from the point of view of the general public*, in this instance drawing on survey data. This is one way that cities might look to design a strategy and associated set of indicators that reflects the concerns and ambitions of residents. Public consultation may take other forms (as discussed in the briefing paper).

Vibrant Economy Index, Grant Thornton

Indicator set	Stated aim	Area
Vibrant Economy Index, Grant Thornton	To create the 'gold standard' measurement for the UK economy which benefits all parts of society	The 324 English local authorities

Design and development

The Index ranks local authorities according to their average score across six different categories (baskets) that are judged necessary to create a vibrant economy. Each 'basket' can be seen as an index in its own right. The indicators were proposed by researchers and refined following discussions with the Vibrant Economy Commission, Grant Thornton UK and feedback from the general public.

Each indicator value was normalised to adjust the values measured on different scales to a notionally common scale and indicators that would have a negative impact on an area – such as the unemployment rate, mortality rate, or air pollution – were given an inverse score.

A benchmarking principle was used. Each score was transformed to benchmark itself against a national average of 100 (for any indicator) and standard deviation of five. A mean score for each basket was created. The Vibrant Economy Index is then calculated as the arithmetic average of all six scaled basket scores

The technical report is available here: http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/documents/vibrant-economy-index-technical-methodology.pdf

The main findings are described here: http://www.grantthornton.co.uk/insights/vibrant-economy-index/

Headline findings

Overall, traditional indicators of prosperity – GVA, average earning and employment – do not correlate in any significant way with the other baskets.

Areas with higher inclusion and health scores tend to form bands outside cities pointing to the importance of individual choice for those that can afford to live outside cities, but benefit from the prosperity within.

The relationship between places is an important element in considering the overall vibrancy of particular places, particularly in terms of travel to work patterns

Commentary

The full dataset is not publicly available. A general point, which applies to many of the examples discussed here, is that the index design makes it difficult to read off how each dimension contributes to the overall score for a place. The number of measures associated with each basket varies from six (community, trust and belonging) through to thirteen (inclusion and equality).

Human Kind Index, Oxfam

Indicator set	Stated aim	Area
Oxfam Humankind Index, Scotland (2012)	To assess Scotland's prosperity through a holistic and more representative measure of progress, moving beyond the reliance on Gross Domestic Product. It also aims to show how prosperity has changed (2007-2010 in the first edition) and how the most deprived communities are faring compared to the rest of Scotland	Available at local authority level for Scotland

Design and development

The Index was designed through a participative, consultative process. In 2011 a large-scale consultation process was initiated that engaged a total of 3,000 people and set about identifying a set of agreed priorities covering the things that people need to live well in their communities.

18 sub domains of prosperity were identified and prioritised weighted to reflect the priorities of the people consulted. The index is based on a weighted set of the seven elements that people say are the most important influences on their ability to live well:

- An affordable, decent and safe home
- Good physical and mental health
- Living in a neighbourhood where people can enjoy going outside, and having a clean and healthy environment
- Having satisfying work to do (whether paid or unpaid)
- Having good relationships with family and friends
- Feeling that close friends and relatives are safe
- Access to green and wild spaces, and to community spaces and play areas.

The report on the latest (2010/11) version is available here: http://policy-practice.oxfam.org.uk/publications/oxfam-humankind-index-the-new-measure-of-scotlands-prosperity-second-results-293743

Headline findings

The Oxfam Humankind Index suggests that Scotland's most deprived communities are failing to share in improvements to the country's overall prosperity. They lag behind not just in terms of having enough money, but also in the fields of health, housing, the local environment, feeling safe and community spirit. Perhaps most importantly there appears to be no single reason, or even set of reasons, that contribute to their overall reduced prosperity.

From the first edition: Between 2007/08 and 2009/10 Scotland's prosperity increased by 1.2 per cent, according to the index, meaning Scotland appeared to become more prosperous (even if just marginally) across the areas that people in Scotland valued.

Scotland's prosperity has been boosted by improvements in health and community spirit. For example, better self-reported health contributed almost 40% of all positive changes. The other major change was reflected in 'Community Spirit', which contributed 17% of the total increase between 2007-2008 and 2009-2010. The Index also revealed negative changes in secure work; having enough money; financial security and culture. Most reductions in prosperity arose from deteriorations in issues related to the quality and status of the economy.

'Economic' factors such as having enough money, access to work and work satisfaction made up 22% of the overall weighting, and were set alongside other things such as access to green and wild spaces, having facilities you need available locally, and being part of a community. These assorted 'local' issues contributed 35% of the weighting.

Prosperity in deprived areas was 10 per cent below the figure for Scotland as a whole, with these areas coming off worse on 12 out of 15 elements. The major disparities were in terms of whether people were able to enjoy going outside and having a clean and healthy environment; access to green spaces and play areas; and safety. These 3 areas accounted for just over 40 per cent of the difference between deprived communities and Scotland as a whole.

Commentary

The 'causes' of deprivation and exclusion are complex and cannot be narrowed down to a discrete set of issues. Strategies and analysis will therefore need to reflect this complexity.

The Index draws on a range of self-reported measures. Care is needed in interpreting these kinds of measures – perceptions can be conditioned by circumstances – but they can be considered alongside other indicators to build up a picture of broader economic wellbeing in an area.

Inclusive Economy Indicators, Brookings Institute & The Rockefeller Foundation

Indicator set	Stated aim	Area
Brookings and Rockefeller Foundation Inclusive Economies indicators	The Rockefeller Foundation argue that 'while growth and equity are critical ingredients for a more inclusive economy, they direct us away from a more constructive and nuanced conversation about other elements of what makes an economy more inclusive, particularly for the poor and vulnerable. Important, too, is who participates in the economy—as workers, consumers, and business owners—whether growth is lasting and sustainable, whether people have an equal shot at economic opportunities, and if there's some minimum level of security and predictability associated with it.	Metro areas in the US (100), though they are scoping out a wider set of indicators

Design and development

The Rockefeller Foundation defines inclusive economies as those that expand opportunities for more broadly shared prosperity, especially for those facing the greatest barriers to advancing their well-being.

The Foundation has developed an emerging framework that identifies five characteristics of more inclusive economies: equity, participation, stability, sustainability, and growth. Brookings researchers have identified indicators for each of these (there were ~100 indicators across the 5 areas) so that scores could be developed for each theme. They produce an overall score based on the average rankings on individual indicators for each of the five inclusive economy characteristics. The ranking is shown alongside how each area scores on each of the areas, with an additional measure of wealth included.

The characteristics are interpreted as follows:

- Equitable. 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. 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. An economy is increasingly producing enough goods and services to enable broad gains in 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. Economic and social wealth is sustained over time, thus maintaining inter-generational well-being. Economic and social wealth is the social worth of the entire set of assets that contribute to human well-being, including human produced (manufactured, financial, human, social) and natural capital. In the case of natural capital, human use must preserve or restore nature's ability to produce the ecosystem goods and services that contribute to human well-being. Decision-making must thus incorporate the long-term costs and benefits and not merely the short-term gains of human use of our full asset base.
- Stable. 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.

The framework is described in more detail here:
https://www.rockefellerfoundation.org/report/inclusive-economies-indicators-full-report/

Headline findings

Judged across all five characteristics, the "most" and "least" inclusive metro economies are geographically and economically diverse. Growth and equity vary independently across metropolitan areas. More equitable metropolitan economies also exhibit higher levels of participation and stability. Metro areas with similar performance across the five characteristics may not possess the same capacity to improve their performance.

Brookings also did cluster analysis based on size, wealth and inclusive economy characteristics and generated 16 clusters. Even though the technique included no details on the metro areas' location, many of the clusters are geographically specific. This reflects the fact that places with similar demographic, cultural, and economic features tend to be located near one another, and those features in turn influence places' inclusive economy characteristics.

Commentary

The Indicators are not only concerned with outcomes but also set out to measure whether an area has the systems and processes in place that may be needed to achieve an inclusive economy. This might include an assessment of the amount of investment in Research and Development, voter turnout or approaches to decision making. This is a particularly valuable idea when trying to achieve long-term system change.

Proposals for city metrics, RSA Inclusive Growth Commission

Indicator set	Stated aim	Area
RSA, Inclusive Growth Commission final report	To encourage local areas to adopt and make themselves accountable for delivering against a set of inclusive growth metrics, which may differ between areas.	Proposals not worked through for a particular geography, though the report recommends that indicators are considered at the level of 'functional economic areas'

Design and development

Instead of devising a more rigid framework for cities the RSA has set out some examples of metrics that cities might adopt. These were set out in the final report from the Inclusive Growth Commission, grouped under four headings: skills and employment, living standards, enterprise and local capacity. Indicators cover issues like healthy life expectancy, the quality of private rented housing, labour market participation for different parts of the population and in-work progression.

The RSA suggest indicators based on readily available survey data, as well as ideas for indicators that would require additional work and may even need further data to be collected. In the latter category we have indicators like the percentage of the workforce that is protected by employment rights and a 'community confidence indicator'.

The final report from the Commission is available here:
https://www.thersa.org/discover/publications-and-articles/reports/final-report-of-the-inclusive-growth-commission

Commentary

The RSA recognises that different areas may have different priorities and face different challenges when it comes to delivering a more inclusive economy. They also raise the question: what is the best scale at which to consider inclusive growth metrics. The Commission favours indicators specified for 'functional economic areas', as do many of the frameworks discussed (through their focus on travel to work, and LEP areas, thought to approximate economic geographies to some extent).