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What is Inclusive Growth? A Survey

Kshitiz Shrestha
Hyojung Kang
Jorge Martinez-Vazquez

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ANDREW YOUNG SCHOOL
OF POLICY STUDIES

Tel: 404-413-0233

Website: pfrc.gsu.edu

Address:
55 Park Place NE
7th Floor
Atlanta, GA 30303

Mail:
Public Finance Research Cluster
P.O. Box 3992
Atlanta, GA 30302-3992

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Abstract

Inclusive growth has emerged as a central concept in both academic research and development policy, yet the literature remains fragmented across definitions, dimensions, and measurement approaches. This paper provides a comprehensive and critical review of the inclusive growth literature, tracing its conceptual evolution from pro-poor growth origins to its current multidimensional interpretation. It synthesizes the key dimensions that emerge consistently across definitions and identifies four core components of inclusive growth – sustained economic growth as a necessary foundation, equitable access to opportunities, broad sharing of growth's benefits, and multidimensional well-being and environmental sustainability. The paper also reviews and evaluates principal approaches used to measure inclusive growth against a common set of principles drawn from the literature. In addition, it situates inclusive growth within the broader post-growth debate, engaging with frameworks that questions the role of economic growth for long-run human welfare. While post-growth perspectives offer valuable normative insights, inclusive growth remains a practical and policy-relevant framework given its ability to incorporate growth while explicitly addressing distributional and welfare concerns.

Keywords: inclusive growth, pro-poor growth, inclusive development, economic growth, composite index, post-growth, multidimensional well-being, sustainable development

JEL Codes: O15, I31, D63, C43, Q01

* All authors are associated with the International Center for Public Policy, Georgia State University

I. Introduction

Since the birth of macroeconomics, for many decades, the single most important indicator used to measure the overall performance of the economy has been its rate of economic growth (Kuznets, 1959; Biswas, 2016). The Washington Consensus of the 1980s and 1990s institutionalized this growth-first orientation at the international level (Williamson, 1990). This indicator became the holy grail pursued by policy makers, the achievement of which upheld or otherwise displaced elected governments across the world.

Rising GDP was widely assumed to generate higher living standards, reduce poverty, and improve social welfare. Over time, however, a critical view of this approach developed, emphasizing the incompleteness of economic growth as an indicator capable of reflecting the welfare level of citizens (Chenery et al., 1974). Economic growth could be high and sustained but mostly or only benefiting the richest portion of society. This critical view has given rise to a robust movement in the academic and policy arenas for finding a substitute, which even though has received different names, such as pro-poor growth, can be summarized as a general indicator based on “inclusive economic growth” (Stiglitz et al., 2010). The concept addresses not only how much income has grown but also how the reported benefits are distributed across society, emphasizing how it affects the wellbeing of those in lower tiers of income distribution (Kanbur, 2009).

In more recent years there has been a virtual explosion of academic and policy contributions regarding the definition and quantification of inclusive growth. Some of the debate involved for example the meaning of “pro-poor,” and whether it meant improvements in the absolute or relative living standards of the poor (Ravallion and Chen, 2003), and it has been extended to the concept of Inclusive Development (ID), which goes beyond whether growth reduces poverty and inequality by also incorporating non-economic dimensions such as human capital development, social inclusion, and environmental sustainability.

While inclusive growth has attracted growing interest in both academic research and development policy, the existing literature reviews remains fragmented in its coverage and emphasis. Some reviews focus primarily on the concept’s historical evolution and distinction from pro-poor growth (Naqvi, 2012; Biswas, 2016), while others concentrate on its political economy and policy determinants (Heshmati et al., 2019; Dutzler et al., 2021). Johnson and Eccleston (2023) critically examine the conceptual ambiguity of inclusive growth and its implications for measurement and policy practice, but do not provide a systematic evaluation of the competing approaches used to measure inclusive growth. Similarly, Saher et al. (2024) offer a bibliometric overview of the literature without critically synthesizing competing definitions or measurement frameworks. Moreover, existing reviews have devoted comparatively little attention to situating inclusive growth within the broader debates on welfare, inclusive development, and post-growth perspectives. This paper seeks to fill these gaps by providing a unified analytical framework that traces the evolution of the concept, synthesizes its core dimensions, evaluates the principal approaches used to measure inclusive growth, and frames the literature on inclusive growth into the wider debate in economics regarding economic growth.

The rest of the paper is organized as follows. In section two we review the origins and evolution of inclusive growth. Section three examines the different definitions of inclusive growth that have

been offered in the literature by scholars and international organizations. Based on those contributions, section four identifies the key dimensions of inclusive growth. Section five reviews the different approaches to measuring inclusive growth, starting first by setting the principles and benchmarks for an Inclusive Growth Index measure. Section six briefly summarizes the empirical findings in the literature on inclusive growth. Section seven analyzes the concept of inclusive growth in the broader debate in the economics literature on growth and welfare. Section eight concludes.

2. Origins and Evolution of Inclusive Growth

2.1 Economic Growth Post-WWII: From GDP Growth to Equity Concerns

Inclusive growth emerged as a response to traditional economic growth models that prioritized GDP expansion without adequately addressing poverty, inequality, and social inclusion. The post-World War II economic discourse largely focused on economic growth as the primary driver of development. Kuznets (1959) hypothesized that economic growth initially leads to rising inequality, which later declines as economies develop. This perspective shaped much of early development economics. Nevertheless, many countries experienced rapid economic growth alongside rising inequality. In several cases, not only did inequality fail to decline, but poverty also remained stubbornly high, casting doubt on the validity of the Kuznets hypothesis (Kanbur, 2000; World Bank Independent Evaluation Group, 2018).

In the 1970s, Chenery et al. (1974) challenged the assumption that economic growth alone would automatically reduce poverty and inequality. Instead, they argued for a fundamental reorientation of development strategy toward directly improving the welfare of the poor. Their approach emphasized promoting labor-intensive rather than capital-intensive industries, expanding access to education, healthcare, basic services, and rural infrastructure, and redistributing productive assets such as land to disadvantaged groups (Biswas, 2016). In addition, Ahluwalia and Chenery (1974a; b) extended this argument by emphasizing that poverty is not merely a consequence of insufficient economic growth but also a structural barrier to sustained development. By improving access to education, healthcare, and other basic services, the productivity of the labor force increases, leading to higher wages and broader economic participation. Thus, this approach advocated for policies that simultaneously promoted economic expansion and equitable distribution. Chenery's emphasis on structural barriers and the need for equitable policy interventions foreshadowed later debates on inclusive growth.

2.2 Pro-poor Growth: A Response to the Trickle-Down Model

The dominant policy framework in the 1980s and 1990s was shaped by the "Washington Consensus" (Biswas, 2016). The underlying premise of Washington Consensus was that economic growth, driven by free markets and minimal state intervention, would naturally lead to widespread development (Saad-Filho, 2010). Consequently, policies focused on reducing fiscal deficits, eliminating subsidies, and liberalizing trade and capital flows were widely implemented. These

policies were particularly relevant in developing countries facing debt crises through structural adjustment programs (SAPs).¹

A major critique of Washington Consensus was that the emphasis on market liberalization and privatization disproportionately benefited wealthier segments of society, while marginalized populations faced increasing economic vulnerability (Ocampo, 2004; Rodrik, 2006). Empirical studies reveal that in many countries, structural adjustment programs led to declines in public investment in health, education, and social safety nets, exacerbating poverty and social exclusion (Cornia, 2001; Mkandawire, 2005). The assumption that growth alone would automatically trickle down to the poor proved to be flawed, prompting a reassessment of development strategies in the late 1990s and early 2000s and the emergence of a new development discourse that sought to more explicitly link growth to improvements in the well-being of the poor (Kanbur, 2009).

Pro-poor growth (PPG) emerged as a central theme in development economics in the early 2000s (Grant, 2005; Department for International Development (DFID), 1997). Kakwani and Pernia (2000) define PPG as economic growth that enables the poor to actively participate in and significantly benefit from economic activity. PPG represents a major departure from trickle-down development. It emphasizes that economic growth should lead to improvements in human well-being of all individuals, ensuring that they are not deprived of basic capabilities, particularly those at the bottom of the income distribution.

An important debate, however, soon emerged regarding what it means for growth to be “pro-poor.” Specifically, the disagreement is whether growth should be evaluated by the improvements in the absolute living standards of the poor or also by changes in their relative position within the income distribution. Ravallion and Chen (2003) introduced an important distinction between absolute and relative pro-poor growth. Under the absolute definition, growth is considered pro-poor as long as the incomes of the poor rise in real terms, regardless of whether inequality increases. In this framework, the key measure is whether economic growth leads to an overall reduction in poverty, as indicated by declines in poverty headcount ratios and improvements in absolute income levels for the poor. In contrast, relative PPG requires that the incomes of the poor grow faster than the overall average income, leading to a reduction in inequality. According to this perspective, growth is only considered pro-poor if it leads to a more equitable income distribution by narrowing the gap between the poor and the rest of society. While absolute PPG ensures that economic growth benefits the poor in real terms, relative PPG is essential for addressing income disparities.

Klasen (2008) further highlights that policymakers advocating for relative PPG focus on policies that directly reduce inequality, whereas those favoring absolute PPG may accept rising inequality as long as poverty is declining. He also notes that the pro-poor growth index proposed by Kakwani and Pernia (2000), which compares the poverty-reducing impact of actual growth to that of distribution-neutral growth, produces different verdicts depending on which poverty measure is used, which poverty line is applied, and over which time period growth is evaluated. These

¹ These programs were mandatory reform packages required by the IMF as conditionalities for receiving financial assistance, typically involving fiscal austerity, subsidy reductions, privatization of state-owned enterprises, trade and financial liberalization, currency devaluation, and deregulation.

sensitivity issues mean that whether a given growth episode is classified as pro-poor or not can change substantially with seemingly modest methodological choices.

2.3 Inclusive Growth: Broadening the Equity Lens

Klasen (2010) critiqued PPG for its narrow focus on poverty reduction, arguing that it neglects broader aspects of inclusivity, such as employment opportunities, social protection, and institutional factors. He further contended that PPG does not necessarily ensure equitable access to opportunities and can overlook key dimensions such as gender equality and regional disparities. This limitation paved the way for the concept of inclusive growth, which seeks to ensure that economic opportunities extend to all segments of society, including the middle class and vulnerable groups. The concept gained institutional prominence following the Stiglitz, Sen, and Fitoussi (2009) Report, which challenged GDP-centric growth models and advocated for broader well-being indicators, including income distribution, health, education, and environmental sustainability.

The limitations of PPG and continued concerns about inequality led to the rise of 'inclusive growth (IG)' as a broader framework in development thinking. Unlike PPG, which centers primarily on poverty reduction, IG encompasses the distribution of economic opportunities and outcomes across all income groups. The World Bank and the OECD adopted the concept in the 2000s, emphasizing that inclusive growth involves both the pace and pattern of growth. It must be sustained over time and must broaden access to opportunities such as employment, education, and infrastructure (Ianchovichina & Lundstrom, 2009).

Furthermore, Rauniyar and Kanbur (2009) refined the conceptual differences between PPG, Inclusive Growth (IG), and Inclusive Development (ID). They define PPG as growth that reduces poverty, IG as growth that reduces inequality while benefiting all income groups, and ID as a broader concept that incorporates both economic and non-economic dimensions such as health, education, and social inclusion. While PPG focuses on poverty reduction and IG ensures a more equitable income distribution, ID goes beyond income considerations to assess well-being across multiple dimensions. They argue that both PPG and IG can be measured through the elasticity of poverty reduction, assessing how poverty declines relative to economic growth. However, IG extends the analysis to changes in overall income distribution, whereas PPG strictly focuses on poverty dynamics. Their distinction between IG and ID is particularly important – IG remains centered on economic dimensions, while ID expands to include social indicators, governance, and human development outcomes. (Rauniyar & Kanbur, Inclusive development: Two papers on conceptualization, application, and the ADB perspective, 2009)

However, subsequent literature increasingly broadened the scope of inclusive growth. The OECD (2014) incorporated employment and health alongside income as integral dimensions of its inclusive growth framework; the UNDP (2017) defines inclusive growth in terms of expanding human capabilities sustainably across economic, social, and environmental dimensions; and composite indices developed by AfDB (2014) explicitly include education and health within the IG measurement framework. As the definitions reviewed in Section 3 make clear, what began as a primarily income-focused concept has evolved into a considerably broader framework.

2.4 Inclusive Growth from a “Cities Perspective”

A significant structural shift in governance over recent decades has placed cities at the forefront of both economic development and distributional policy. The “global trend to devolution” (Rodriguez-Pose and Gill, 2003) has seen sub-national governments acquire new powers and responsibilities, with cities emerging as particularly important actors in this reconfiguration. This shift reflects a broader recognition of cities as engines of economic dynamism in an era of structural change and globalization (Storper, 2013). As cities partially recovered from post-industrial decline, they were increasingly expected to manage not just growth but its distribution (Lupton et al., 2016). Moreover, cities are where inequality is most spatially visible and socially consequential, making them natural sites for inclusive growth policy experimentation.

Yet the relationship between urban growth and equity remains deeply ambiguous. A consistent finding in the urban economics literature is that the most economically successful cities tend also to be the most unequal (Glaeser et al., 2009; Lee et al., 2016), with growth frequently failing to reach the poorest residents (Lee and Sissons, 2016; Lupton et al., 2016). This co-existence of dynamism and inequality has made inclusive growth one of the most important topics in urban and regional policy. As Lee (2018) notes, inclusive growth can be understood, at its most basic, as a concern with both the pace and the pattern of growth, a formulation that captures the dual mandate cities are increasingly expected to fulfill but which leaves open fundamental questions about how the two objectives are to be balanced and by whom.

Efforts to operationalize inclusive growth at the city level have produced some of the more concrete measurement frameworks in the broader literature. The Brookings Institution's Metro Monitor (Shearer et al., 2017) represents one of the most systematic attempts, defining inclusive growth statistically across three dimensions – i) the overall size of the economy, measured through jobs, new firms, and output, ii) a measure of prosperity, captured through productivity, average wages, and standard of living, and iii) a measure of narrowing economic disparity, measured through median wages, relative income poverty, and employment rates. Metropolitan areas are assigned composite ranks across these three categories, allowing for benchmarking and comparison across the 100 largest U.S. metropolitan areas. Their findings show how rarely cities achieve all three dimensions simultaneously – only four metropolitan areas (Albany, Austin, Charleston, and Denver) achieved growth, prosperity, and inclusion that benefited a majority of workers across racial and ethnic groups during 2010–2015.² More importantly, this framework is notable for its attempt to hold growth and inclusion in tension simultaneously rather than treating one as a residual of the other, and it anticipates many of the methodological debates in the broader measurement literature that are discussed in Section 4 below.

3. Different Definitions of Inclusive Growth

Inclusive growth emerged from the broader literature on pro-poor growth, emphasizing economic expansion that actively involves and benefits the poor (Kakwani & Pernia, 2000). Early discussions of pro-poor growth were predominantly centered on income distribution, with considerations of non-income dimensions emerging only in later contributions. Unlike pro-poor growth, which

² See also Lee (2018) for a discussion of the structural constraints facing city-level inclusive growth, and Waite and Roy (2022) for the difficulties of embedding inclusive growth practices in city governance.

primarily measures outcomes in terms of poverty reduction and income distribution, practically all definitions that have been offered of inclusive growth extend beyond poverty reduction to include productive employment, equality of opportunity, and the distribution of the gains from economic expansion. Nevertheless, despite its increasing prominence in policy discussions, inclusive growth remains a concept with multiple definitions, much like in the cases of the concept of pro-poor growth. While the overarching goal of inclusive growth is to ensure that economic progress benefits a broad segment of society, different institutions and scholars have defined and operationalized the concept in multiple different ways.

Importantly, these definitions reflect a discernible trajectory of conceptual evolution. Early academic contributions focused on income distribution and productive employment. Later definitions, particularly from multilateral institutions, progressively expanded the concept to encompass non-income dimensions of well-being including health, education, environmental sustainability, and governance. In doing so, these institutions have made significant contributions towards operationalizing the concept for policy applications by developing frameworks and indicators for measuring inclusive growth across its multiple dimensions. The following discussion traces this evolution by examining first the academic literature and then the frameworks advanced by major international institutions.

3.1 Academic Perspectives

The earliest definitions emphasize equality of opportunity as the defining characteristics of inclusive growth. Ali and Son (2007) and Ali and Zhuang (2007) argue that growth is inclusive when not only it generates new opportunities but also ensures equal access to those opportunities for all segments of society. Since markets alone do not necessarily lead to inclusive outcomes, achieving them will require explicit policy actions such as increasing employment and productivity, strengthening human and social capital, and implementing social safety nets and targeted interventions. Thus, an effective inclusive growth strategy requires not only high and sustainable economic growth to generate productive employment, but also social inclusion mechanisms to ensure fair access to opportunities. Interestingly, these authors argue that inclusive growth should be seen as distinct from redistributive policies, as it focuses on structural interventions that enhance economic participation rather than ex-post wealth transfers.

Subsequent work broadened the concept by emphasizing the quality of the growth process. Ianchovichina and Lundstrom (2009) define inclusive growth as both the pace and pattern of economic expansion, emphasizing that growth must be sustained over the long term and should create productive employment opportunities including the poor and the middle-class. This is possible, in their view, through productivity improvements and investment in human capital. Around the same time, Rauniyar and Kanbur (2010) also defined inclusive growth similarly as economic growth that reduces income inequality. But they further make a distinction between inclusive growth and inclusive development; while the first focuses on equitable income distribution within economic expansion, inclusive development encompasses a broader set of social and institutional improvements including health, education, governance, and environmental sustainability. By framing inclusive growth as a necessary but insufficient condition for inclusive development, they drew a conceptual boundary between these two concepts as nested rather

than synonymous. This distinction has been progressively breached by subsequent scholarship as the inclusive growth framework has expanded to incorporate non-income dimensions.

More recent academic contributions have continued to hammer on the same main themes surrounding inclusive growth, but they are more likely to set explicit criteria for characterizing episodes of inclusive growth, thus connecting more directly with the issue of measurement we address further below. In this regard, Klasen (2010) proposes three key criteria for evaluating inclusive growth episodes: (i) positive per capita income growth rates, (ii) income growth for disadvantaged groups (such as ethnic minorities, rural populations, and women) at least equal to overall per capita income growth, and (iii) improvements in non-income dimensions (education, health, and access to basic services) that surpass the national average for disadvantaged groups. Similarly, McKinley (2010) develops an Inclusive Growth Index structured around four broad pillars: (i) growth, employment, and economic infrastructure; (ii) poverty, inequality, and gender equity; (iii) human capabilities such as health and education; and (iv) social protection. Anand et al. (2013) frame inclusive growth along two normative dimensions: i) rising average living standards and ii) a more equitable distribution of those gains, while arguing that inclusive growth need not entail a hard equity–efficiency trade off (contra Okun, 1975). Finally, Ramos et al. (2013) articulates inclusive growth around two pillars: i) participation in the growth process (especially via labor market engagement) and ii) fair benefit sharing (poverty and inequality reduction). This lens keeps both process (e.g., employment) and outcome (income inequality) at the core of the definition.

3.2. The Perspective from International Organizations

While the academic literature laid the conceptual foundations of inclusive growth, international organizations have played a central role in operationalizing the concept for policy and empirical applications. In doing so, they have adopted a broader and more multidimensional interpretation of inclusive growth, progressively incorporating health, education, governance, environmental sustainability, and other non-income dimensions alongside traditional measures of economic performance.

In the forefront, the Asian Development Bank (2008; 2018) formally adopted inclusive growth as one of its three complementary agendas under Strategy 2020 in 2008, alongside environmentally sustainable growth and regional integration (ADB, 2008). The ADB framework rests on three pillars – i) high and sustainable economic growth, ii) broader access to those opportunities, and iii) social safety nets to prevent extreme deprivation (ADB, 2008; 2013). This framework was further broadened in the ADB's Strategy 2030 to include poverty and inequality reduction, gender equality, climate resilience, and governance as operational priorities (ADB, 2018). The World Bank's "shared prosperity" agenda reframed inclusion as ensuring income growth among those at the lower end of the distribution³ (often stylized as the "bottom 40 percent"), alongside sustainability (World Bank, 2013; 2015; 2016). Conceptually, the approach is best read as a specific outcome-oriented lens nested within the World Bank's broader inclusive growth paradigm (which stresses productive employment and equality of opportunity as process levers).

³ This built on the logic offered in Ianchovichina and Lundstrom (2009).

The OECD “multidimensional living standards” approach further broadens the definition of inclusive growth as a rise in multidimensional living standards for a representative (often median) household, with attention to the distribution of outcomes across the population (OECD, 2014). Thus, the OECD’s approach also expands the concept beyond income to include jobs and health (and their distribution), reflecting its broader well-being orientation (OECD, 2014; de Haan, 2015; Hay et al., 2022). Building on Stiglitz-Sen-Fitoussi Commission (2009), the OECD’s inclusive-growth lens rests on three core domains – income (household real disposable income), jobs (employment/unemployment), and health (life expectancy/morbidity), as the minimum set of living-standard dimensions that must rise and be widely shared for growth to count as inclusive (OECD, 2013; 2015).

Emphasizing the idea of capabilities, the UNDP’s has defined inclusive growth as “the process of enlarging people’s choices by expanding capabilities and opportunities in ways that are sustainable – economic, social and environmental” (UNDP, 2017). This definition is distinctive in giving equal weight to participation (process) and benefit-sharing (outcome), and in incorporating non-income dimensions from the start (UNDP, 2017; Ranieri & Ramos, 2013; de Haan, 2015). The UNDP definition represents perhaps the furthest extension of inclusive growth toward the multidimensional territory that Rauniar and Kanbur (2010) had originally reserved for inclusive development.

Across these definitions, inclusive growth is consistently associated with the coexistence of economic expansion and broad-based improvements in welfare. However, they differ in two important respects. First, some definitions treat inclusive growth as inherently about how growth occurs, emphasizing participation and access to opportunities (Ali and Zhuang, 2007; Ramos et al., 2013). Others focus on distributional outcomes, such as the World Bank’s shared prosperity lens (World Bank, 2013). Additionally, many frameworks treat process and outcomes as complementary rather than alternatives (Ianchovichina and Lundstrom, 2009; Klasen, 2010). Second, earlier definitions remained primarily focused on income and employment; later definitions, including those from OECD, UNDP, and ADB, have progressively expanded the concept of inclusive growth to incorporate outcomes in health, education, environmental sustainability, and governance. Table I summarizes the principal features of the major definitions reviewed in this section.

Table I. Summary of Principal Definitions of Inclusive Growth

Author / Institution	Definition centers on
Ali and Son (2007)	Equality of opportunity and equal access for all segments of society
Ali and Zhuang (2007)	Opportunity creation and productive employment
Ianchovichina and Lundstrom (2009)	Pace and pattern of growth, productive employment
Rauniar and Kanbur (2010)	Growth that reduces income inequality; distinguishes IG from inclusive development
Klasen (2010)	Explicit criteria: per capita growth, relative income gains for disadvantaged groups, non-income improvements

McKinley (2010)	Four pillars: growth and employment, poverty and equity, human capabilities, and social protection
Anand et al. (2013)	Rising average living standards and equitable distribution of gains through social opportunity framework
Ramos et al. (2013)	Participation in growth via labour markets and fair benefit sharing through poverty and inequality reduction
ADB (2008; 2018)	High sustainable growth, broad access to opportunities, and social safety nets; expanded under Strategy 2030
World Bank (2013)	Income growth among the bottom 40 percent alongside long-run sustainability
OECD (2014)	Rise in multidimensional living standards across income, jobs, and health widely shared across the population
UNDP (2017)	Expansion of capabilities and opportunities across economic, social, and environmental dimensions

Source: Definitions are paraphrased and condensed for brevity. See the main text and original sources for detailed discussion

While different institutions and scholars emphasize different aspects of the concept, several recurring dimensions emerge consistently across the entire literature. The following section synthesizes these common dimensions and discusses their implications for the broader inclusive growth framework.

4. Key Dimensions of Inclusive Growth

As we have seen in the previous section, the definitions of inclusive growth have evolved from narrow income-based metrics to broader frameworks incorporating social inclusion, institutional quality, equitable access to opportunities, and environmental sustainability. Despite variations in how scholars and institutions define inclusive growth, several core elements consistently emerge across these conceptual frameworks. In this section, we discuss what we see are the four core elements:

1. Sustained Economic Growth as a Foundation: Basically, all definitions emphasize that sustained economic growth is essential for reducing poverty and improving well-being. The World Bank (2013), Ianchovichina and Lundstrom (2009), and McKinley (2010) advocate for long-term strategies ensuring that inclusivity is embedded within sustainable growth models rather than being treated as an afterthought. They also stress that growth alone is not sufficient unless it translates into broader societal benefits. This creates a dual imperative at the core of inclusive growth – maintaining the pace of economic expansion while simultaneously ensuring that its structure and pattern generate broad-based gains across the population.

2. Equitable Access to Opportunities and Labor Market Participation: A second-dimension concerns equitable access to economic opportunities and the ability of individuals to participate productively in the growth process. This opportunity-based framing draws on Amartya Sen's capability approach and reflects a process-oriented conception of inclusion (Sen, 1985; 1999). At its core, this dimension focuses on access to foundational opportunities that determine whether individuals can enter and compete in economic life, including education, health, skills formation, financial inclusion,

and basic infrastructure. These elements shape the capability set of individuals and condition their ability to participate productively in markets.

Within this dimension, productive employment occupies a central role. Ianchovichina and Lundstrom (2009) and Klasen (2010) argue that inclusive growth must prioritize job creation and wage improvements to ensure that economic benefits extend beyond the wealthy elite and reach broader segments of society. Ramos et al. (2013) operationalize labor participation via employment-to-population ratio. Similarly, OECD's Multidimensional Living Standards framework includes employment, specifically the unemployment rate, as one of the main components to address economic inclusion.

3. Benefit Sharing: A third-dimension concerns how the gains from economic growth are distributed across society. While equitable access to opportunities shapes who can participate in the growth process, inclusive growth also requires that the resulting economic gains be broadly shared rather than concentrated among a small segment of the population. In this sense, benefit sharing represents the primary-outcome dimension of the inclusive growth. It serves as the test of whether the structural conditions for participation established in dimension (ii) have translated into broadly distributed improvements in welfare.

Many definitions explicitly incorporate distributional outcomes alongside economic expansion. Anand et al (2013), building on Ali and Son (2007), propose two dimensions for measuring inclusive growth – income growth and income redistribution. Similarly, Ramos et al. (2013) frame this explicitly as benefit sharing via poverty reduction and lower income inequality. Instead of measuring economic growth solely by aggregate gains, they argue, it should be measured by how effectively its benefits are distributed across society. This perspective shifts attention from GDP growth alone toward improvements in the welfare of disadvantaged groups and the broader population. The World Bank's "shared prosperity index" operationalizes this most directly by benchmarking distributional performance against income growth among the bottom 40 percent of the population (World Bank, 2013).

Thus, most definitions recognize that equitable outcomes remain a defining characteristic of inclusive growth. Faster growth and greater equity are therefore viewed as complementary rather than competing objectives (Biswas, 2016; Anand et al., 2013). Importantly, they emphasize that inclusive growth does not necessarily face a trade-off between equity and efficiency (Okun, 1975).

4. Multidimensional well-being and environmental sustainability: The fourth dimension reflects the overall evolution of inclusive growth thinking that goes beyond the income-centric framework. It recognizes that human welfare cannot be adequately captured through income and employment alone. Many aspects of well-being are qualitatively distinct from income distribution and therefore require separate measurement and policy attention. It further acknowledges that general well-being is multidimensional in nature and that growth must be sustainable over time and within planetary limits. Rauniyar and Kanbur (2010), for example, argued that inclusive growth must encompass health, education, governance, and social protection if it is to move beyond the conventional pro-poor growth frameworks. The OECD's *How's Life?* project identifies eleven key dimensions of well-being, covering both monetary and non-monetary aspects (OECD, 2013). These dimensions include income and wealth, jobs, skills and education, health, social connections, environmental quality, and security, among others. However, within the context of inclusive growth, the OECD

highlights three dimensions as the most salient, forming the basis for its Multidimensional Living Standards (MDLS) index: income, jobs, and health. Biswas (2016) similarly identifies welfare and social safety as a distinct dimension, recognizing the systems of socio-economic protection for the most vulnerable groups. The UNDP's definition similarly insists on non-income dimensions from the outset and treats inclusive growth as the process of improving individuals' capabilities in ways that are sustainable across economic, social, and environmental dimensions (UNDP, 2017).

More recent literature increasingly emphasizes that inclusive growth must also be environmentally sustainable. Earlier inclusive growth frameworks focused primarily on growth, employment, poverty reduction, and inequality. However, there is an increasing recognition of climate change, ecological degradation, and resource constraints, which has pushed sustainability closer to the center of inclusive growth debates. International institutions such as the OECD, World Bank, UNDP, and the Asian Development Bank increasingly frame inclusive growth as requiring the simultaneous pursuit of economic opportunity, social inclusion, and environmental sustainability (OECD, 2014; UNDP, 2017; ADB, 2018). At the same time, the integration of environmental sustainability into inclusive growth frameworks remains incomplete in practice. Barnat et al. (2023), for example, note that while inclusive growth indices increasingly aspire to incorporate sustainability dimensions, the inclusion of a full environmental pillar remains constrained by limited cross-country environmental data coverage. Nevertheless, ongoing developments in environmental accounting systems and the SDG indicator framework are gradually improving the feasibility of incorporating ecological dimensions into future generations of inclusive growth measures. This reflects a growing recognition that long-run inclusiveness depends not only on how growth is distributed, but also on whether growth itself remains compatible with environmental sustainability and planetary limits.

5. Measuring Inclusive Growth

5.1 What Should an Inclusive Growth Index Measure? Principles and Benchmarks

The measurement of inclusive growth reflects the broad conceptual ambiguity surrounding the term itself. In the absence of a universally accepted definition, there is no single agreed benchmark yet against which an index can be evaluated. Nevertheless, we can identify some principles, previously highlighted in the literature, that an inclusive growth measure should satisfy.

The first set of principles concerns distributional sensitivity (Kraay et al., 2023). Among this set, the first is the Pigou-Dalton sensitivity, which requires that a transfer of income from a richer to a poorer individual, holding mean income constant, improves the index value. This ensures the index penalizes inequality. Second, transfer sensitivity requires that the same-sized transfer has a larger welfare effect when it occurs lower in the income distribution, making the index more responsive to improvements among poorer groups. Third, growth sensitivity requires that proportional income growth at any point in the distribution improves welfare, ensuring that broad-based income gains are reflected in the index. From this perspective, Kraay et al. (2023) propose a distribution-sensitive welfare measure, they call the Prosperity Gap, which satisfies all three properties while remaining subgroup decomposable with population weights. This makes it one of the most technically rigorous attempts to operationalize these criteria in a tractable form.

This first set of properties above define the welfare-theoretic conditions required for a measure to be genuinely sensitive to inequality and broad-based growth. However, these properties are fundamentally confined to the distribution of income (or consumption) and require careful extension when applied in a multidimensional setting. For instance, in a multidimensional index, individuals who are worse-off in income may be better-off in health or education, making the notion of a Pigou-Dalton transfer across dimensions conceptually ambiguous (Atkinson, 2003; Bourguignon and Chakravarty, 2003). In practice, composite indices that aggregate across dimensions collapse the multidimensional space into a single scalar before applying these properties, meaning the properties technically apply to the final composite score rather than to individual dimensions separately. Their meaning therefore depends on how aggregation is performed, and this dependence should be acknowledged explicitly in any index that claims to satisfy them in a multidimensional context.

Beyond the welfare-theoretic properties discussed above, two additional principles reflect the conceptual demands of inclusive growth as identified in section 4. The first is multidimensionality which requires that an inclusive growth index should extend beyond income to capture non-income dimensions of well-being, such as health, education, employment quality, infrastructure access, and social protection, that are integral to most conceptualizations of inclusive growth (Klasen, 2010; McKinley, 2010). The second is process sensitivity. A credible inclusive growth index should capture not only distributional outcomes but also participatory processes, i.e. who contributes to growth and through what mechanisms. Rauniyar and Kanbur (2010) and Anand et al. (2013) argue that measuring inclusive growth requires attention to participation in the growth process itself, not merely ex-post distributional outcomes, making indicators such as employment-to-population ratios relevant to the measurement exercise rather than supplementary to it.

Lastly, the index should also address some practical concerns for it to function as a policy monitoring tool. The index should be tractable, in terms of data frequency and availability, and the method should be transparent covering indicator selection, normalization, weighting, and aggregation. As Barnat et al. (2023) emphasize, there is always a subjective element in constructing a composite index, and transparency is essential for users to understand the values embedded in the measure and to assess its limitations.

With these principles as benchmarks, the following subsections review the principal measurement approaches in the literature, assessing the degree to which each satisfies these criteria and identifying where trade-offs and gaps remain.

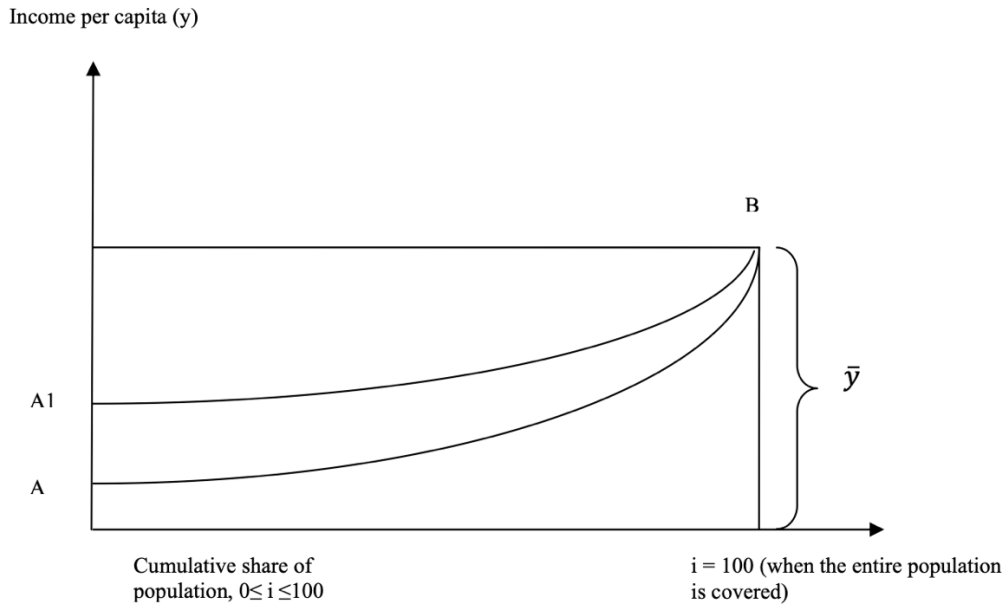
5.2 Social Mobility Curve

One of the most widely cited approaches to measuring inclusive growth at the macroeconomic level was developed by Anand et al. (2013) at the IMF, building on the social opportunity function framework of Ali and Son (2007). The social opportunity function – (i) is increasing in its argument, reflecting the growth dimension, and (ii) satisfies the transfer property, where a transfer of income from a poorer person to a richer person diminishes the value of the function, capturing the redistribution dimension. This contribution by Anand et al. (2013) introducing the Social Mobility Curve (SMC) provides a distributional perspective on economic progress by depicting variations across different population percentiles, which is analogous to the Growth Incidence Curve (GIC) of

Ravallion and Chen (2003). Both curves analyze income dynamics, but while the GIC shows how income growth is distributed within a given period, the SMC captures intergenerational mobility by examining how the income share of different population percentiles changes over time (Anand et al., 2013).

The first step in Anand et al.'s (2013) methodology for calculating the Inclusive Growth Index is to arrange the population and associated income in ascending order. Suppose p percent of the population has a mean income of $\bar{y}_p$. By plotting $\bar{y}_p$ against different values of p , we can create a 'social mobility curve' as shown in Figure 1.

Figure 1. Social Mobility Curves



Source: Anand et al., 2013

The change in income distribution can be captured using the social mobility index, which is calculated from the area under the social mobility curve as:

$$\bar{y}^* = \int_0^{100} \bar{y}_p dp,$$

where the greater the value of $\bar{y}^*$, the higher the level of inclusive growth. The relationship between $\bar{y}^*$ and mean income $\bar{y}$ provides a measure of distributional equity: if $\bar{y}^* = \bar{y}$, then income distribution is completely equitable; and if $\bar{y}^* < \bar{y}$, then income distribution is inequitable.

Using this feature, Ali and Son (2007) propose an equality index (ω) as follows:

$$\omega = \frac{\bar{y}^*}{\bar{y}},$$

which equals 1 in a fully equitable society, exceeds 1 when distribution is equitable, and below 1 is considered inequitable.

The full decomposition of inclusive growth follows from differentiating the product

$$\bar{y}^* = \omega \times \bar{y}$$

$$d\bar{y}^* = \omega \times d\bar{y} + d\omega \times \bar{y}$$

where, $d\bar{y}$ represents the change in the degree of inclusive growth. Growth is considered more inclusive if $d\bar{y}^* > 0$.

The right-hand side of the equation decomposes the analysis of inclusive growth into two components: income growth ($\omega \times d\bar{y}$) measures the change in income when the distribution of income remains constant and income distribution ($d\omega \times \bar{y}$) measures the change in equity when income growth is held constant.

Rearranging the equation further: $\frac{d\bar{y}^*}{\bar{y}^*} = \frac{d\bar{y}}{\bar{y}} + \frac{d\omega}{\omega}$. This final equation decomposes inclusive growth into two main components: income growth $\left(\frac{d\bar{y}}{\bar{y}}\right)$ and equity growth $\left(\frac{d\omega}{\omega}\right)$.

In practice, Anand et al. (2013) calibrate country distributions by combining PPP GDP per capita from the World Bank WDI with income distribution data from household surveys. This allows the index to be applied across a large panel of emerging market economies over three decades. Their empirical findings suggest that macroeconomic stability, human capital investment, and structural change are the primary foundations for achieving inclusive growth across these economies. Alekhina and Ganelli (2023) provide one of the most prominent empirical applications of the Anand et al. (2013) framework, applying it to a panel of ASEAN economies to identify the macro-structural determinants of inclusive growth. Their study illustrates that the Social Mobility Curve approach is sufficiently tractable for panel-data econometric analysis while retaining explicit sensitivity to the distribution of income. Using this framework, they find that fiscal redistribution, female labor force participation, productivity growth, foreign direct investment (FDI) inflows, digitalization, and domestic savings all contribute significantly to inclusive growth.

The Social Mobility Curve performs well on distributional sensitivity, but less well on process sensitivity and multidimensionality as it is entirely income-based. Mitra (2017) further notes that the index is sensitive to the quality and comparability of Gini estimates across countries and survey rounds, which can introduce significant measurement error in cross-country comparisons.

5.3 The Shadow Price Model

Another methodologically distinct and technically elaborate approach to measuring inclusive growth was developed by the OECD through its Inclusive Growth Initiative, launched in 2012. The OECD measurement framework builds on the equivalent income approach to develop an indicator of Multidimensional Living Standards (MDLS) that combines monetary and non-monetary benefits from economic growth and aggregates them across individuals with different characteristics. A novel feature of the OECD approach is the use of shadow prices to monetize non-income aspects of well-being (Murtin et al., 2015). Shadow prices estimate the trade-offs between income and non-material components, such as life expectancy and job security, allowing

for these factors to be expressed in monetary terms. This approach enables a more holistic assessment of well-being by integrating both economic and non-economic indicators into a single composite measure.

To implement this, the OECD again applies the equivalent income method, which calculates the hypothetical income that would make an individual indifferent between their current situation in terms of non-income well-being and a benchmark situation. Equivalent income is determined by comparing an individual's real income to the monetary value of improvements in health and job security, ensuring that well-being disparities across countries are accounted for in a consistent manner (Boarini et al., 2015).

The OECD's methodology for computing Multidimensional Living Standards (MDLS) follows a structured process (Boarini et al., 2016; Murin et al., 2015):

- i. Estimate subjective shadow prices:

A regression model is estimated using self-reported life satisfaction data as the dependent variable.

$$LS_{jt} = a_j + b_t + \alpha \log Y_{jt} + \beta^T T_{jt} + \beta^U U_{jt} + \varepsilon_{jt}$$

Where LS_{jt} is the average life satisfaction in country j at time t , Y is the household real disposable income, T is life expectancy at birth, U is unemployment rate, and a and b are country and time fixed effects, respectively.

From the above equation, “subjective” equivalent income of corresponding one additional year of life or one additional percentage point of unemployment is given by:

$$\delta_{jt}^k = Y_{jt} \left[1 - \exp \left(-\frac{\beta^k}{\alpha} \right) \right], \text{ with } k \in \{T, U\}$$

- ii. Compute equivalent income:

Equivalent income adjusts observed household income to reflect differences in non-income well-being dimensions (Decancq and Schokkaert, 2014):

$$Y_{jt}^* = Y_{jt} - (U_b - U_{jt}) * \delta_{jt}^U - (T_b - T_{jt}) * \delta_{jt}^T$$

Where, U_b and T_b are benchmark unemployment rate and life expectancy at birth rate.

- iii. Aggregate the equivalent income to generate Multidimensional Living Standard (MDLS):

The final MDLS is obtained using Atkinson's (1970) generalized mean formula, which incorporates a coefficient of inequality aversion (τ):

$$MDLS = \left(\sum_i (Y_{jt}^*)^{1-\tau} \right)^{\frac{1}{1-\tau}}$$

A higher τ implies greater sensitivity to inequality, giving more weight to the well-being of lower-income individuals, while a lower τ reflects a more neutral stance toward inequality. Atkinson (1970) originally suggested a range of 0.5 to 2, while Cowell & Gardiner (1999) argue that values between 1 and 2 are most commonly applied in inequality analysis. The OECD typically sets $\tau = 1.5$ as a reasonable compromise based on empirical studies.

The OECD approach is notable for satisfying several of the principles identified above; it incorporates non-income dimensions, is distributionally sensitive through the inequality aversion parameter, and is anchored in individual preference data through the life satisfaction regression. Its principal limitation is its data intensity. It requires reliable life satisfaction survey data and household income microdata, which constrains its applicability in lower-income and other data-scarce contexts.

5.4 GDP per person employed: A Labor Productivity Proxy

GDP per person employed is another proxy for inclusive growth that has been increasingly used in the empirical literature (Oyinola and Adedeeji, 2019; Amponsah et al., 2023; Yang et al., 2023). It is defined as real GDP divided by the number of employed people and is widely available through the World Bank's World Development Indicators (WDI) and the ILOSTAT database. Unlike GDP per capita, GDP per person employed links economic performance directly to those engaged in productive activity.

Ali and Son's (2007) opportunity-based framework of inclusive growth emphasizes both the opportunities and the distribution of those opportunities across the population. GDP per person employed is thus interpreted as proxy for the productivity of employed workers and the extent to which economic growth translates into higher output per employed person. Raheem et al. (2018), for example, argue that productive employment is a key driver of inclusive growth and therefore they employ the log of GDP per person employed as a proxy for inclusive growth in Sub-Saharan Africa. Several other empirical studies emphasize that many developing countries have experienced episodes of GDP growth accompanied by persistent unemployment, poverty, and inequality, often characterized as "jobless growth." In this context, labor productivity is viewed as a more relevant indicator since it focuses on individuals participating in the production process (Adeniyi et al., 2020; Kouton and Amonle, 2021).

Nevertheless, there are some shortcomings to the use of this measure. Although it improves on GDP per capita by anchoring economic performance to the employed workforce, it does not capture the distributional aspect of the productivity gains. Higher labor productivity may coexist with rising inequality if productivity gains accrue disproportionately to capital owners, high-skilled workers, or specific sectors rather than being broadly shared across the labor force (Piketty, 2014; Lee, 2018). A further limitation is that the measure only partially addresses the very problem it was meant to resolve. By linking output to those actually employed, the measure improves upon GDP per capita. However, because it is calculated only over employed workers, it does not capture whether employment itself is expanding or contracting. A situation in which output per worker rises while unemployment or labor force exclusion increases would still register as an improvement in the indicator. In this sense, the measure addresses one weakness of GDP per capita while remaining insensitive to another important aspect of labor market inclusion. Moreover, productivity-based measures may not be suitable in developing economies with large informal sectors, where substantial shares of employment occur outside formal measurement systems (Ghosh, 2022). Consequently, although the measure captures one aspect of growth process through productive employment, it performs poorly with respect to labor market inclusion, distributional sensitivity, and multidimensionality, making it an incomplete proxy for welfare or broad-based development outcomes and more generally for Inclusive Growth.

5.5 Ad-hoc and Equal-Weight Approaches

Another strand of the literature on inclusive growth measurement constructs composite indices using normatively assigned or ad-hoc weights. Their appeal lies in simplicity, transparency, and policy tractability, particularly in contexts where theoretical consensus on weighting is absent or data limitations constrain more sophisticated methodologies (Klasen, 2010; Barnat et al., 2023). Almost all composite indicators are weighted averages of several dimensions, where weights most often are set ad hoc with a brief normative justification, and weights are typically set to be equal (Nardo et al., 2005).

Ramos et al. (2013) propose one of the more parsimonious approaches to measuring inclusive growth focusing on two core dimensions - benefit-sharing and broad participation in economic activities. The benefit-sharing dimension is primarily concerned with poverty reduction and income inequality. Poverty reduction is measured using the Poverty Headcount Ratio (\$2 PPP/day) and income inequality is measured using the Gini coefficient. The participation dimension focuses on whether different societal groups have the ability to engage in and contribute to economic expansion. The employment-to-population ratio (EPR) is used as a proxy measure for the participation dimension. The inclusiveness index calculation involves a min-max normalization of the three indicators – poverty headcount ratio, Gini coefficient, and inverse EPR. Thus, each indicator ranges from 0 (best performance) to 1 (worst performance). Lower values indicate higher inclusiveness and vice versa. Countries with a poverty rate above 65 percent are automatically assigned 1, indicating extreme non-inclusiveness. The final index is a simple average of the three min-max normalized indicators.

Similar multidimensional composite approaches appear throughout the broader inclusive growth literature. For example, McKinley (2010) proposes an “Inclusive Growth Composite Index” that assigns weights across four broad components: (i) growth, employment generation, and economic infrastructure (50%); (ii) poverty and inequality reduction (25%); (iii) enhancement of human capabilities such as health, education, water, and sanitation (15%); and (iv) social protection measures aimed particularly at eliminating extreme poverty (10%). The African Development Bank (2013) similarly constructs a multidimensional Inclusive Growth Index for North Africa covering employment, health, education, gender inclusion, governance, spatial inclusion, and social cohesion.

In a similar vein, Mlachila et al. (2017) propose the Quality of Growth Index (QGI), a normative composite index that conceptualizes inclusive growth through the broader “quality” of growth. The index combines two equally weighted sub-indices – a growth fundamentals component, capturing growth strength, stability, diversification, and external orientation, and a social dimensions component based on health and education outcomes. All indicators are min-max normalized and aggregated using equal weights and arithmetic means. Applied to a large cross-country panel, this study finds substantial variation in growth quality across countries and identifies institutional quality, macroeconomic stability, and pro-poor public spending as important correlates of higher QGI scores. Like other ad-hoc weighted indices, QGI also relies on normative weighting choices and assumes compensability across heterogeneous dimensions.

These indices are relatively easy to construct and flexible enough to incorporate dimensions aligned with particular policy priorities or country contexts. However, they also share some limitations. First, both the selection of dimensions and the assignment of weights remain inherently

subjective. This leads to substantial variation across studies and limits comparability (Barnat et al., 2023). Second, equal weighting implicitly assumes that all dimensions contribute identically to inclusive growth, an assumption that still lacks clear theoretical justification (Decancq and Lugo, 2013). Furthermore, compensability, the assumption that a gain in one dimension can offset a loss in another, is built into all additive composite indices by construction, which also needs to be further examined (Nardo et al., 2005).

5.6 Principal Component Analysis

There is a growing body of literature that uses Principal Component Analysis (PCA) to construct multidimensional composite indices. PCA provides a data-driven method for assigning weights to indicators from the covariance structure of the indicators themselves. This reduces the arbitrariness associated with equal-weights or expert-assigned aggregation.

Based on this approach, Mitra and Das (2018) developed an Inclusive Growth Index for 16 Asian economies using 24 indicators grouped into four dimensions: expansion, sustainability, equity in access, and efficiency of economic activities and institutions. In another study, Mkrtchyan et al., (2025) construct a PCA-based inclusive growth index for 73 developing countries across four pillars: economy, living conditions, equality, and governance. They find significant heterogeneity, particularly among developing countries, largely driven by variations in economic development and governance effectiveness. A third study by Osabohein et al. (2022) construct a PCA-based index for 15 West African countries using indicators that cover economic growth, employment, infrastructure, inequality, poverty, gender equity, education, health, and social protection. Likewise, Katuka et al. (2023) employ PCA across poverty incidence, poverty severity, inequality, economic participation, and GDP per capita. Last, Barnat et al. (2023) apply the PCA approach across three pillars – economy, living conditions, and inequality – in developing the UNCTAD prototype inclusive growth index. Table 2 summarizes principal PCA-based inclusive growth indices in the literature.

Table 2. Selected PCA-based Inclusive Growth Indices

Study	Coverage	Dimensions / Pillars
Mitra and Das (2018)	16 Asian economies	Expansion; Sustainability; Equity in access; Efficiency of institutions
Ofori and Asongu (2021)	Sub-Saharan Africa	Real sector; Energy; Social transfers; Income growth and distribution
Osabohien et al. (2022)	15 ECOWAS countries	Economy; Employment; Infrastructure; Social inclusion
Katuka et al. (2024)	28 African countries	Poverty; Inequality; Economic participation; Income level (GDP per capita)
Mkrtchyan et al. (2025)	73 developing countries	Economy; Living conditions; Equality; Governance
Barnat et al. (2023)	Cross-country (global)	Economy; Living conditions; Equality; Environment
Rusu and Oprean-Stan (2023)	European countries	Economic; Social; Environmental

The principal methodological strengths of PCA-based approaches are well established. PCA synthesizes large numbers of correlated indicators into a tractable composite measure while minimizing subjective weighting decisions. It reduces the risk of double-counting through correlated sub-components, a limitation that Klasen (2010) identifies as a significant problem in HDI-type composite indices. These properties make PCA quite suitable to operationalize inclusive growth as a broad welfare-oriented measure.

However, there is substantial inconsistency across studies regarding the dimensions and indicators used to measure inclusive growth. As a result, PCA-based indices capture different underlying concepts (Barnat et al., 2023). Second, PCA weights are inherently sample-dependent because they are derived from the covariance structure of the observed data. As a result, the weights can vary considerably across country samples and time periods. Additionally, as Mishra (2007) suggested, PCA tends to assign larger weights to variables exhibiting greater variance or stronger correlation, even when those variables are not conceptually central to inclusive growth. This may lead to an underrepresentation of dimensions that are substantively important but weakly correlated with the dominant structure of the data.

5.7 The Dashboard Approach

Alternatively, the OECD launched the “Better Life Initiative” in 2011 to evaluate inclusive growth through a dashboard of indicators. Following the recommendations from the Stiglitz-Sen-Fitoussi (2009) report, rather than collapsing welfare into a single scalar index, this approach tracks a broad set of indicators including income, employment, education, health, housing, work-life balance, environmental quality, civic engagement, safety, social connections, and subjective well-being (Stiglitz, et al., 2009; Durand, 2015). The Better Life framework also allows the users to assign their own weights to different dimensions, which effectively treats the weighting decision as a normative question rather than a technical one (Durand, 2015). The dashboard approach is especially relevant for inclusive growth measurement because the concept itself spans multiple economic, social, institutional, and increasingly environmental dimensions that are difficult to aggregate into a single metric without substantial normative assumptions. As a monitoring framework rather than a summary measure, this approach offers a credible alternative to tracking inclusive growth across its multiple dimensions.

Following the logic of the OECD's well-being initiative, several international organizations have adopted dashboard-style frameworks to monitor multidimensional well-being. While these initiatives differ in scope and methodology, they share the common objective of shifting attention away from a single aggregate growth metric toward a broader profile of social, economic, institutional, and environmental outcomes. Table 3 summarizes the various dashboard approaches that are available for public use.

Table 3. Inclusive Growth, Well-being, and Sustainable Development Dashboard Initiatives

Organization	Framework	Main Focus
OECD	Better Life Initiative	Multidimensional well-being and quality of life
United Nations	SDG Dashboard	Tracks 17 sustainable development goals using a traffic-light system
European Commission	Social Scoreboard	Monitors the "European Pillar of Social Rights"; focuses on labor and social protection.
UNDP	Human Development Reports	Complements the HDI with disaggregated dashboards on gender and inequality.
Legatum Institute	Prosperity Index	Comprehensive 12-pillar framework
Bertelsmann Stiftung	Sustainable Governance Indicators	Focuses on governance quality and policy performance
World Economic Forum	Future of Growth	Launched in 2024; Built on the legacy of the <i>"Inclusive Development Index"</i>
Atlantic Council	Freedom and Prosperity Index	Links rule of law and political freedom to prosperity.
EU (Joint Research Centre)	Sustainable and Inclusive Wellbeing Dashboard	A 2025 initiative focusing on "decoupling" well-being from environmental impact.

Sources: OECD (2013); United Nations (2024); European Commission (2021); UNDP (2023); Legatum Institute (2023); Bertelsmann Stiftung (2024); World Economic Forum (2024); Campomanes et al. (2024); Benczur et al. (2025). See references for full details.

By presenting indicators separately, dashboards avoid the compensability problem inherent in composite indices, where strong performance in one dimension can offset weak performance in another (Rauniyar and Kanbur, 2010). They also allow policymakers to identify specific areas of underperformance more directly and can be useful for targeted policymaking. However, while dashboard approaches provide a richer and more transparent picture of multidimensional inclusiveness, they are often less convenient for econometric analysis and cross-country or temporal comparisons. Because different indicators may evolve in different directions simultaneously, interpreting overall changes in inclusiveness can be less straightforward than with a single composite measure. This practical consideration helps explain the prevalence of composite indices in empirical inclusive growth research (Barnat et al., 2023).

6. Empirical Findings

The measurement approaches reviewed in Section 5 form the basis for a large empirical literature on the drivers of inclusive growth. This section synthesizes the empirical evidence on the drivers of inclusive growth, organizing the studies according to the measurement approach each one adopts. Most of the literature consists of panel studies of developing economies, and a large share focuses on Sub-Saharan Africa, where concerns about growth without adequate employment creation are especially prominent, and comparable cross-country data are available. We organize the review around the three broad measurement families identified in Section 5 above – labor-productivity proxies based on GDP per person employed, distribution-adjusted income measures in the tradition of Ali and Son (2007) and Anand et al. (2013), and multidimensional composite indices, whether constructed through principal component analysis or through ad-hoc and equal-weight

schemes. Table 4 summarizes the studies reviewed, including the measure used, the research question, sample and method, and the key results. The final subsection draws the evidence together and identifies the drivers of inclusive growth that emerge most consistently across the literature.

6.1 Evidence from Labor-Productivity Measures

Majority of the studies proxies inclusive growth with the log of GDP per person employed, the labor-productivity measure discussed above in Section 5.4. These studies are motivated by the view that productive employment is the central channel through which growth becomes inclusive, and they overwhelmingly focus on African economies. Broadly, these studies find that human capital, investment, and macroeconomic stability promote inclusive growth, whereas the effects of trade openness and financial development depend on country conditions.

Within this group of studies, human capital is the most consistently significant determinant of inclusive growth. The evidence suggests that human capital improves inclusiveness especially when it reflects productivity and education quality rather than enrollment alone, and governance conditions matters for public spending to translate into broad-based opportunity (Oyinlola & Adededeji, (2019); Adeniyi et al. (2020); Oyinlola et al. (2020).

A second set of studies in this family examines public investment, energy, and international integration. Public investment and renewable energy are generally associated with more inclusive growth, while global value chain participation and globalization appear supportive mainly when reinforced by institutional quality (Adeosun et al., 2020; Kouton, 2020; Kouton & Amonle, 2020; Kumeka et al., 2024). However, evidence from India shows that trade openness and FDI did not foster inclusive growth, while inflation and population actively dampened it (Rasool et al., 2022).

Two further studies broaden the picture. Ayinde and Yinusa (2016) document threshold effects in the finance–inclusive growth relationship in Nigeria, finding that financial widening (expanding access to a broader population) is more supportive than financial deepening (the enhancement of financial markets); notably, their causality tests indicate that inclusive growth leads to subsequent financial deepening, rather than financial deepening driving inclusive growth. Amponsah et al. (2023) turn the question around and examine what inclusive growth itself does; across thirty-five Sub-Saharan African countries, higher income inequality is associated with more poverty and less inclusive growth, while inclusive growth reduces poverty and weakens the damaging effect of inequality on poverty, even though it does not always reduce inequality directly.⁴

6.2 Evidence from Distribution-Adjusted Income Measures

A second family of studies measures inclusive growth by explicitly combining income growth with changes in the distribution of income, following the social opportunity function of Ali and Son

⁴ A telling pattern recurs in the control variables of these studies. Capital formation is almost uniformly positive and inflation negative, but the labor-force variable is frequently negative or insignificant (Oyinlola et al., 2020; Kouton, 2020), which the authors interpret as evidence of underemployment and low labor-force efficiency. This finding echoes the caveat raised in Section 5.4: because GDP per person employed is computed only over the employed, it can register productivity gains even where labor-market inclusion is deteriorating, and the empirical results themselves hint at that tension.

(2007) and the Social Mobility Curve of Anand et al. (2013) reviewed in Section 5.2. Anand et al. (2013) remains the foundational contribution. Across a large panel of countries over 1970–2010, they find that macroeconomic stability, human capital, and structural change are the most important determinants of inclusive growth, with FDI and trade openness also supportive, while financial deepening and technological change are not robustly associated with inclusiveness.

Broadly, later studies using this framework emphasize redistribution, labor-market participation, productivity, and institutions. Fiscal redistribution consistently improves inclusive growth across Asian and broader cross-country samples, while lower unemployment, female labor force participation, productivity, digitalization, and savings also appear supportive. Financial deepening remains less robust and may even reduce inclusiveness where rapid credit expansion raises crisis risk (Aoyagi & Ganelli, 2015; Jalles & de Mello, 2019; Alekhina & Ganelli, 2023).

Infrastructure and institutions also emerge as important enabling factors. Energy, transport, and ICT infrastructure are associated with higher inclusive growth in Sub-Saharan Africa, with larger gains for poorer groups, while economic and political institutions appear more consistently supportive than legal institutions alone (Mutiiria et al., 2020; Munir et al., 2022). The evidence on innovation is more uneven: R&D supports inclusive growth in OECD countries but not in non-OECD economies, where it fails to generate sustained income gains and slightly worsens equity (Bresson et al., 2015).

The effects of openness, FDI, and growth are conditional on domestic conditions. Trade openness supports inclusive growth across Jordanian provinces, but poverty and inequality weaken the relationship, suggesting that complementary social and structural policies are necessary (Arabiyat et al., 2020). Likewise, FDI raises the income of the poorest twenty percent only where manufacturing, infrastructure, or service-sector capacity is sufficiently developed (Kang & Martinez-Vazquez, 2022). Governance also matters for translating growth into gains at the bottom of the distribution, although only government effectiveness and the rule of law consistently improve the income share of the poorest quintile (Doumbia, 2019).

6.3 Evidence from Multidimensional Composite Indices

The third family of studies measures inclusive growth with multidimensional composite indices of the kind reviewed above in Sections 5.5 and 5.6. Because these indices fold poverty, inequality, participation, and access dimensions into the dependent variable, the studies speak most directly to inclusive growth as a broad welfare concept, though at the cost of comparability across studies that select different dimensions.

Among PCA-based studies, fiscal conditions, productive capacity, and access-related factors feature prominently. Government size and fiscal space are generally associated with higher inclusive growth, particularly where governance is strong, while public debt is negatively associated with it (Whajah et al., 2019; Katuka et al., 2024), suggesting that welfare and productive spending benefits marginalized groups through expanded access to services and employment, while high public debt can absorb such fiscal resources through debt-service payments. Other studies identify GDP per capita, industrial upgrading, electricity use, internet access, and government consumption as

supportive, while inflation and environmental degradation reduce inclusiveness (Rusu & Oprean-Stan, 2023).⁵

The evidence on international integration is more conditional. In West Africa, agricultural exports are positively associated with inclusive growth, while broader trade openness is often negative and FDI is generally insignificant (Osabohien et al., 2022). The authors link this contrast to the region's import dependence, suggesting that openness is more likely to be inclusive when it expands domestic production and export activity rather than mainly increasing imports.

Studies using ad hoc and equal-weight composite indices further emphasize financial inclusion and institutional quality. The actual use of financial services appears more important than their mere availability or financial knowledge, while stronger institutions enhance the positive relationship between trade openness and inclusive growth by reducing transaction costs and policy risks (Sarpong & Nketiah-Amponsah, 2022; Agyei & Idan, 2022).

6.4 What Drives Inclusive Growth? A Synthesis

Across the three measurement families, a consistent set of drivers emerges. The results that hold regardless of how inclusive growth is measured are the ones we can treat with the most confidence.

The first and most consistent driver is human capital. Education and health investments raise inclusive growth whether inclusive growth is measured by labor productivity (Oyinlola & Adedeji, 2019; Oyinlola et al., 2020; Adeniyi et al., 2020; Rasool et al., 2022), by distribution-adjusted income (Anand et al., 2013; Jalles & de Mello, 2019; Doumbia, 2019), or by multidimensional composite indices (Sarpong & Nketiah-Amponsah, 2022). The evidence also suggests that the quality of human capital matters more than its quantity, whether measured by education quality rather than enrollment (Adeniyi et al., 2020) or by total factor productivity rather than schooling (Oyinlola & Adedeji, 2019).

The second is macroeconomic stability. Inflation is negatively associated with inclusive growth in studies ranging from India (Rasool et al., 2022) and Africa (Kouton, 2020; Rusu & Oprean-Stan, 2023) to cross-country panels (Anand et al., 2013; Jalles & de Mello, 2019; Dörffel et al., 2021; Morosoli et al., 2024), and output volatility and unemployment reduce the likelihood of inclusive-growth episodes (Jalles & de Mello, 2019). The threshold analysis of Katuka et al. (2024) adds nuance; moderate inflation may be tolerable, but its effect turns clearly negative above a threshold of roughly ten percent. Because inflation operates as a regressive tax that falls hardest on those least able to hedge against it, it is unsurprising that its negative effect appears consistently across measurement approaches.

The third is governance and institutional quality, which operates through two channels. Institutions matter directly (Oyinlola et al., 2020; Munir et al., 2022; Jalles & de Mello, 2019; Katuka et al., 2024), though not all dimensions matter equally. Doumbia (2019) finds that only government effectiveness and the rule of law enhance inclusiveness among the governance dimensions, and

⁵ Rusu and Oprean-Stan (2023) construct the inclusiveness index from fifteen indicators covering labor participation, education, health, access to energy and clean technologies, and environmental conditions. Thus, the index does not confound with GDP per capita included as an explanatory variable.

Munir et al. (2022) find economic and political but not legal institutions to be significant. The moderating channel is at least as important, institutions condition whether other forces become inclusive. Strong institutions amplify the inclusive effects of trade openness (Agyei & Idan, 2022), globalization (Kumeka et al., 2024), and fiscal space (Katuka et al., 2024), and the failure of taxation to promote inclusive growth in Sub-Saharan Africa appears to reflect precisely the absence of accountable institutions that would convert revenue into opportunity (Oyinlola et al., 2020).

Fourth, fiscal policy and public investment matter, and the evidence indicates that what governments spend on, and how that spending is financed, shapes how inclusive the outcome is. On the spending side, government spending and government size are generally positive (Whajah et al., 2019; Rasool et al., 2022; Sarpong & Nketiah-Amponsah, 2022), fiscal redistribution is among the strongest levers identified in studies using distribution-adjusted measures (Aoyagi & Ganelli, 2015; Alekhina & Ganelli, 2023; Jalles & de Mello, 2019), and public investment in infrastructure, particularly energy, transport, and ICT, raises inclusiveness with disproportionate gains for the poor (Mutiri et al., 2020; Adeosun et al., 2020; Doumbia, 2019). On the financing side, countries carrying high public debt experience less inclusive growth (Whajah et al., 2019), whereas countries with greater fiscal space, that is, more budgetary room to spend without threatening debt sustainability, experience more inclusive growth (Katuka et al., 2024).

Fifth, international trade openness generally promotes inclusive growth, but its effects are strongly conditional. Trade openness, globalization, and global value chain participation support inclusive growth in many settings (Anand et al., 2013; Aoyagi & Ganelli, 2015; Kouton & Amonle, 2020; Kumeka et al., 2024), but their inclusiveness depends on institutional quality (Agyei & Idan, 2022), on complementary social policy (Arabiyat et al., 2020), and on the structure of the domestic economy. FDI generates inclusive growth only where manufacturing and infrastructure bases are sufficiently developed to absorb it (Kang & Martinez-Vazquez, 2022), and openness can even be counterproductive in import-dependent economies (Osabohien et al., 2022) or fail altogether, as in India (Rasool et al., 2022).

The most contested driver is financial development, where conclusions depend heavily on the measure used. Financial deepening is not a robust driver in studies using distribution-adjusted measures (Anand et al., 2013; Jalles & de Mello, 2019), and in Nigeria its effect depends on threshold levels, with the direction of causation appearing to run from inclusive growth to subsequent financial deepening rather than from finance to inclusive growth (Ayinde & Yinusa, 2016).⁶ The mixed evidence becomes clearer once the finance concept is disaggregated: what appears reliably inclusive is the breadth and use of financial services, that is, financial inclusion, rather than the volume of credit (Sarpong & Nketiah-Amponsah, 2022; Iddrisu et al., 2023; Fowowe & Folarin, 2019), with finance also acting as a complement that strengthens the returns to human capital (Oyinlola & Adediji, 2019). Rapid credit deepening, by contrast, may raise crisis risk and harm inclusiveness (Jalles & de Mello, 2019).

⁶ Additionally, Dörffel et al. (2021) and Morosoli et al. (2024) use the Multidimensional Inclusiveness Index as a proxy for inclusive development and find that low inflation, financial-sector development, and trade openness are among its most consistent correlates. However, since these authors distinguish inclusive development from inclusive growth, their findings are treated as adjacent evidence rather than direct evidence on inclusive growth.

A final group of emerging drivers that have begun to attract attention are digitalization and ICT (Alekhina & Ganelli, 2023; Katuka et al., 2024; Rusu & Oprean-Stan, 2023), renewable energy (Kouton, 2020), and innovation (Bresson et al., 2015). The evidence suggests that digital connectivity can support inclusive growth by lowering information and transaction costs, connecting households and firms to markets and public services, facilitating digital payments and financial access, and reducing geographic barriers to education and health services. The evidence on innovation is more conditional. Bresson et al. (2015) find that formal R&D promotes inclusive growth in OECD countries but not in non-OECD countries, suggesting that the effect depends on complementary human capital and absorptive capacity.

Two broader lessons follow from this body of evidence. First, almost none of the classic engines of growth, including openness, FDI, finance, and even public spending, is automatically inclusive; each becomes inclusive only in the presence of conditioning factors such as capable institutions, adequate human capital, and complementary redistribution. This is the empirical counterpart of the conceptual claim, developed in Sections 3 and 4, that inclusive growth concerns the pattern of growth and not merely its pace. Second, empirical conclusions depend on how inclusive growth is measured. When inclusive growth is measured by labor productivity, the drivers that stand out are those that raise output per worker, such as investment and human capital, while exclusion from employment can go undetected. When it is measured by distribution-adjusted income, redistribution and equity-enhancing policies take the leading role. When it is measured by multidimensional composite indices, macroeconomic stability and access to basic services receive greater weight. This sensitivity reinforces the argument of Section 5 that the choice of an inclusive growth measure is a substantive analytical decision rather than a technical detail.

Table 4. Summary of Empirical Studies on the Drivers of Inclusive Growth, by Measurement Approach

Study	Inclusive Growth Measure	Research Question	Sample and Period	Method	Main Results and Key Drivers of Inclusive Growth
<i>A. Labor-productivity measures (GDP per person employed, logged)</i>					
Ayinde & Yinusa (2016)	GDP per person employed (log)	At what threshold does financial development affect IG, and does the finance measure matter?	Nigeria, 1980–2013	Quantile threshold regression; Granger causality	Finance–IG relationship is threshold-dependent; financial widening more supportive than deepening; causality tests indicate that IG leads to later financial deepening rather than the reverse.
Oyinola & Adedeji (2019)	GDP per person employed (log)	Does human capital promote IG, and does financial development strengthen the relationship?	19 SSA countries, 1999–2014	System GMM with interactions	Human capital raises IG, especially measured by TFP; financial development strengthens the human-capital effect only under some measurement combinations.
Adeniyi et al. (2020)	GDP per person employed (log)	Does education promote growth inclusiveness, and does quantity or quality matter more?	8 West African countries, 1990–2017	Country-specific ARDL	Education generally raises growth inclusiveness; education quality matters more than enrollment; effects vary across countries.
Adeosun et al. (2020)	GDP per person employed (log)	How do positive and negative public-investment shocks affect IG?	African “Big Five” economies, 1981–2018	NARDL; impulse responses	Positive public-investment shocks foster IG via job creation and productive employment; negative shocks reduce capital, employability, and inclusiveness.
Kouton & Amonle (2020)	GDP per person employed (log)	Does GVC participation raise IG, and in the short or long run?	35 African countries, 1991–2018	Panel ARDL; CS-ARDL	GVC participation raises IG, especially in the long run; upstream and downstream participation matter long run, upstream in the short run.
Kouton (2020)	GDP per person employed (log)	Does renewable-energy consumption promote IG?	44 African countries, 1991–2015	System GMM	Renewable energy consumption raises IG, most where initial inclusiveness is low; capital formation positive; inflation negative.
Oyinola et al. (2020)	GDP per person employed (log)	Do taxation and governance promote IG, directly or jointly?	27 SSA countries, 1995–2015	Difference GMM	Governance directly promotes IG; tax-based resource mobilization insignificant, reflecting weak tax systems and accountability; education spending positive.
Rasool et al. (2022)	GDP per person employed (log)	What are the long- and short-run determinants of IG in India?	India, 1981–2015	ARDL bounds test; ECM	Government expenditure, human capital, investment, and financial development foster IG; inflation and population growth dampen it; trade openness and FDI not beneficial.
Amponsah et al. (2023)	GDP per person employed (log)	How are poverty, inequality, and IG related, and can IG moderate the inequality–poverty nexus?	35 SSA countries, 1990–2018	Two-step IV-GMM	Inequality raises poverty and lowers IG; IG reduces poverty and weakens the inequality–poverty nexus, though it does not always reduce inequality directly.

Study	Inclusive Growth Measure	Research Question	Sample and Period	Method	Main Results and Key Drivers of Inclusive Growth
Kumeka et al. (2024)	GDP per person employed (log)	Does globalization promote IG, and does institutional quality moderate the relationship?	45 African countries, 1996–2018	Panel cointegration; FMOLS/DOLS	Economic, social, and political globalization all raise IG, directly and indirectly through institutional quality.
B. Distribution-adjusted income measures (Ali–Son / Anand et al. approach; bottom-quintile incomes; inclusive-growth episodes)					
Anand et al. (2013)	Social Mobility Curve: income growth adjusted for equity	How can IG be measured, and what are its macroeconomic and structural determinants?	143 countries, 1970–2010	Cross-country panel regressions	Macroeconomic stability, human capital, and structural change are the most important determinants of IG; FDI and trade openness supportive; financial deepening and technological change not robust.
Aoyagi & Ganelli (2015)	Anand-style equity-adjusted income growth	What explains growth inclusiveness in Asia, and which reforms could improve it?	31 countries, 1992–2011	Panel regression; policy simulations	Fiscal redistribution, macro stability, trade openness, lower unemployment, and productivity raise IG; simulations suggest large gains from redistribution in emerging Asia.
Bresson et al. (2015)	Social Mobility Index (GDP per capita × income equity)	Does R&D promote inclusive income growth, and do effects differ between OECD and non-OECD countries?	63 countries, 1990–2013	Difference GMM, simultaneous equations	R&D promotes inclusive income growth in OECD countries; in non-OECD countries R&D is not inclusive, lowering inclusive income and slightly worsening equity.
Jalles & de Mello (2019)	Binary IG episodes from joint GDP per capita and Gini changes	What determines the probability of an inclusive-growth episode?	78 countries, 1980–2013	Pooled logit; multinomial probit	IG episodes more likely with stronger human capital, redistribution, labor force participation, productivity, openness, and institutions; less likely with inflation, volatility, unemployment; financial deepening not robust.
Doumbia (2019)	Income share and income of the poorest 20%	Does good governance foster pro-poor and inclusive growth?	112 countries, 1975–2012	FE; system GMM; PSTR	All six governance dimensions support growth and poverty reduction, but only government effectiveness and rule of law raise IG; education, infrastructure, and finance are key supports.
Arabiyat et al. (2020)	Anand-style distribution-adjusted income growth	Did trade openness enhance IG, reduce poverty, and improve equality across provinces?	13 Jordanian provinces, 1990–2015	Panel GMM; FMOLS/DOLS	Trade openness raises IG, but poverty and inequality weaken the effect; 1990s reforms coincided with worsening distribution, so openness alone was insufficient without complementary policy.
Mutiiria et al. (2020)	IG index following Ali & Son (2007) and Anand et al. (2013)	Does infrastructure promote IG, and which income groups benefit most?	31 SSA countries, 2003–2017	Arellano–Bond GMM with interactions	Energy, transport, and ICT infrastructure raise IG; poorer groups benefit more than richer ones, so infrastructure reduces disparities.

Study	Inclusive Growth Measure	Research Question	Sample and Period	Method	Main Results and Key Drivers of Inclusive Growth
Kang & Martinez-Vazquez (2022)	Average income of the bottom 20% (constant PPP \$)	Under what host-country conditions does FDI lead to IG?	67 countries, 1990–2015	Two-way FE with interactions	FDI is not inclusive by itself; it raises IG only where manufacturing and infrastructure bases are sufficiently large, with similar evidence for large service sectors.
Munir et al. (2022)	Ali–Son social-opportunity index (GDP per capita × income-equity index)	How is institutional quality related to IG, and which institutional dimensions matter?	86 countries, 1996–2015	Fixed-effects panel	Institutional quality raises IG; economic and political institutions significant, legal institutions not; poorer countries gain via average opportunities, richer via equity.
Alekhina & Ganelli (2023)	Anand-style equity-adjusted income growth	What macro-structural factors contribute to more equally distributed growth in ASEAN?	11 Asian countries (6 ASEAN), 1992–2017	Panel regression; scenario analysis	Fiscal redistribution, female labor force participation, productivity, FDI, digitalization, and savings drive IG; redistribution and labor-market reform offer the largest gains.
<i>C. Multidimensional composite indices (PCA-based and ad-hoc/equal-weight)</i>					
Whajah et al. (2019)	PCA index of ADB-style IG indicators	How do government size and public debt affect IG in Africa?	54 African countries, 2000–2016	FE panel (POLS/RE)	Government size raises IG; public debt and population growth reduce it; labor productivity and capital formation positive.
Dörffel et al. (2021)	Multidimensional Inclusiveness Index (MDI)	Which economic policies and factors facilitate inclusive development?	Up to 178 countries, 1980–2018	Panel FE; GMM	Low inflation, financial-sector development, and trade openness are the most consistent correlates of inclusive development; investment matters short run; government spending less consistent.
Agyei & Idan (2022)	AfDB-framework composite IG index	Does institutional quality moderate the trade openness–IG relationship?	39 SSA countries, 1996–2017	System GMM	Institutional quality strengthens the positive effect of trade openness on IG.
Osabohien et al. (2022)	PCA index (economy, employment, infrastructure, social inclusion)	How do agricultural trade and FDI influence IG in West Africa?	15 ECOWAS countries, 2005–2018	POLS; FE/RE; IV-2SLS	Agricultural trade, especially exports, raises IG; FDI insignificant; broad trade openness and capital formation often negative in import-dependent economies.
Sarpong & Nketiah-Amponsah (2022)	Weighted composite (growth 0.4; poverty, Gini, labor participation 0.2 each)	Does financial inclusion promote IG, and which dimension matters most?	46 SSA countries, 2004–2018	RE/FE; system GMM	Usage of financial services is the most robust financial-inclusion dimension for IG; government consumption, investment, infrastructure, ODA, human capital, openness, and governance also positive.
Rusu & Oprean-Stan (2023)	PCA index of 15 economic, social, environmental indicators	What determines inclusiveness in Europe, especially digitalization and sustainability?	32 European countries, 2000–2021	Dynamic panel GMM	Growth, industrial upgrading, electricity use, internet use, and government consumption raise inclusiveness; inflation and CO2 emissions negative.

Study	Inclusive Growth Measure	Research Question	Sample and Period	Method	Main Results and Key Drivers of Inclusive Growth
Katuka et al. (2024)	PCA index (poverty, inequality, participation, income)	How do fiscal space and governance quality affect IG?	28 African countries, 2000–2020	GMM; dynamic panel threshold	Fiscal space raises IG, especially under strong governance; digitalization and governance positive; inflation harmful above a threshold of about 10.7%.
Morosoli et al. (2024)	Multidimensional Inclusiveness Index (MDI)	Which economic policies and factors facilitate inclusive development?	Up to 178 countries, 1980–2018	Panel FE; GMM	Low inflation, financial development, and trade openness are the most consistent drivers; investment matters in the short run; government spending less consistently.

Notes: IG = inclusive growth; SSA = Sub-Saharan Africa. Studies are grouped by the measurement family used for the dependent variable (see Section 5). Dörffel et al. (2021) and Morosoli et al. (2024) measure inclusive development rather than inclusive growth in the narrow sense. Related studies that proxy inclusiveness with the Human Development Index (Iddrisu et al., 2023), rely on correlational evidence (Fowowe & Folarin, 2019), or treat inclusive growth as an explanatory variable (Yang et al., 2023) are discussed in the text but excluded from the table.

7. Inclusive Growth in the Broader Debate on Growth and Welfare

The emergence of inclusive growth as a policy framework has taken place over the past several decades against the backdrop of a much wider intellectual challenge to the premises and metrics of conventional economic growth. This section attempts to situate inclusive growth within that broader debate, mapping the key alternative frameworks along a spectrum that moves from reforming how growth is measured, through redefining what economies are for, to rejecting growth itself as a legitimate goal. Inclusive growth occupies an important position on this spectrum. It is firmly growth-affirming, yet it represents a meaningful step away from the narrowness of GDP-centric thinking. Understanding where it sits relative to these alternatives clarifies both its appeal and its limitations.

7.1 Inclusive Development

Inclusive development (ID) shares inclusive growth's concern with equity but has a broader view of the development agenda that goes considerably beyond economic dimensions. Specifically, ID has emerged from political economy and sustainability discourses that extend the agenda to encompass social inclusion, environmental sustainability, and participatory governance. Gupta et al. (2015) define inclusive development as development that includes marginalized people, sectors, and countries in social, political, and economic processes for increased human well-being, social and environmental sustainability, and empowerment.

Pouw and Gupta (2017) further develop this distinction by identifying three core dimensions of inclusiveness – i) social inclusiveness, relating to the equitable sharing of socioeconomic and cultural resources, ii) ecological inclusiveness, addressing the fair distribution of environmental goods and burdens, and iii) political inclusiveness, demanding the meaningful participation of all actors in governance. From this perspective, the inclusive growth frameworks adopted by multilateral institutions such as the World Bank, the Asian Development Bank, and the ILO remain confined to market participation and economic efficiency, operating within a paradigm that does not assign explicit value to social or environmental sustainability. Prada and Sánchez-Fernández (2019) reinforce this critique, arguing that economic inclusion alone is insufficient if marginalized groups remain excluded from social, environmental, and institutional systems. This view reflects a fundamental shift from "growth with equity" to a more transformative rethinking of development as an inclusive societal process.

Recent contributions have sought to give ID enhanced operational form. The "Multidimensional Inclusiveness Index" developed by Dörffel and Schuhmann (2022) captures the breadth of ID across social, economic, ecological, and political domains, while Hay et al. (2022) call for a global initiative to advance inclusive development, arguing that global governance systems must evolve to support more equitable and sustainable outcomes.

7.2 Post-Growth Approaches

Post-growth approaches have arisen from mounting empirical and theoretical critiques of growth-centered development models. Buch-Hansen (2025) clarifies that "post-growth" is best understood as an *"umbrella term that covers a variety of more and less radical discourses calling for economics and societies that prioritize ecological limits and social equity over perpetual growth."* While

orthodox economics is centered around growth as a primary vehicle for poverty reduction, structural transformation, and general welfare, post-growth approaches question whether growth is a reliable vehicle for welfare at all, and in some cases whether it remains a desirable goal.

More recent scholarship further reinforces these critiques from an empirical angle. Coscieme et al. (2019) summarize a series of paradoxes that collectively expose the limits of growth-centric thinking. First, the “Jevons Paradox” demonstrates that efficiency gains do not reduce total resource consumption but tend to increase it through rebound effects, undermining the case for green growth and technological decoupling (Jevons, 1865; Sorrell, 2009). Second, the “Easterlin Paradox” shows that beyond a certain income threshold, rising GDP per capita loses its correlation with subjective well-being, questioning the assumption that income growth automatically translates into better lives (Easterlin, 1974; 2005). Third, the “Limits to Growth paradigm” establishes that perpetual economic expansion on a finite planet will eventually breach ecological boundaries (Meadows et al., 1972). Fourth, the “Lucas Paradox” reveals that capital does not flow from rich to poor nations as liberal trade theory predicts, challenging the distributional logic of globalization (Lucas, 1990). More recent evidence from Piketty's (2014) work on wealth concentration and from critiques of the Environmental Kuznets Curve further undermine the idea that growth, left to its own logic, tends toward equity or ecological recovery (Dietz & Adger, 2003; Allard et al, 2018).

These arguments challenge the presumption that GDP growth is either sufficient or necessary for sustained improvements in human and ecological wellbeing. Because most inclusive growth frameworks continue to treat economic growth as a prerequisite for inclusion, these critiques extend naturally to the inclusive growth literature. Meanwhile, post-growth scholarship questions whether GDP expansion should remain the primary metric of societal success. There are several related but distinct frameworks that have emerged within this debate, including, the wellbeing economy, steady-state economy, doughnut economy, and degrowth. This section briefly discusses these four frameworks.

7.2.1 Wellbeing economy (WE)

The Wellbeing Economy (WE) concept originates in ecological economics and has been developed through a growing body of interdisciplinary scholarship that draws on economics, public health, social epidemiology, and environmental science (Fioramonti, 2024; McGregor and Pouw, 2016; McCartney et al., 2025). It represents a shift from “growth at all costs” towards an economy explicitly organized around the production of sustainable human and ecological wellbeing. Fioramonti et al. (2022) argue that the WE redefines growth as an increase in multidimensional wellbeing rather than an increase in material consumption.

The WE draws heavily from the ‘capability approach’ of Amartya Sen (1999) and relational conceptions of wellbeing (McGregor and Pouw, 2016). As Fioramonti et al. (2022) argue, conventional economic systems systematically exclude the very drivers of wellbeing – social capital, ecosystem services, public health, trust – from national accounting. Activities that undermine health or ecological integrity may raise GDP, while unpaid care, voluntary work, and ecosystem regeneration remain invisible.

Thus, the WE proposes three core transformations – i) a measurement reform, replacing or supplementing GDP with multidimensional dashboards capturing ecological integrity, equality,

health outcomes, social trust, and quality of work (Fioramonti et al., 2019; Costanza et al., 2016), ii) a shift to total cost and benefit accounting, in which economic activities are evaluated according to their net contribution to wellbeing rather than their market value, and iii) a broader institutional and governance transformation, restructuring macroeconomic governance around wellbeing objectives, including fiscal policy, budgeting, and performance indicators. The establishment of the Wellbeing Economy Alliance (WEAll) in 2018 and the formation of the Wellbeing Economy Governments (WEGo) – including New Zealand, Iceland, and Scotland – are concrete institutional attempts to embed wellbeing metrics in governance structures (Hayden, 2025).

7.2.2 Steady-State Economy

The steady-state economy (SSE) is one of the oldest strands of post-growth thinking tracing back to John Stuart Mill. Mill (1900) and it fundamentally argues that a stationary economy need not mean a stationary human condition, and that qualitative improvements in human life could flourish without further material expansion. The modern theoretical foundation was laid by Herman Daly, drawing on Nicholas Georgescu-Roegen's (1971) thermodynamic critique of conventional economics, which demonstrated that economic processes are irreversibly governed by entropy and cannot be sustained indefinitely through efficiency gains alone.

Daly (1992) defined the SSE as an economy with constant stocks of people and artefacts maintained by the lowest feasible rates of material throughput, where service, the ultimate benefit of economic activity, is maximized and throughput, its ultimate cost, is minimized (Daly, 1992; Czech and Daly, 2004; Kerschner, 2010). This approach further distinguishes between allocation, distribution, and scale, three problems that mainstream economics conflates. Daly (1992) argues that while conventional economics engages with the first two, it has almost entirely neglected the question of scale: how large the economy should be relative to the ecosystem that sustains it. An economy that has grown beyond the optimal scale engages in what Daly termed uneconomic growth, expansion whose environmental and social costs exceed its benefits, making society poorer rather than richer despite rising GDP (O'Neill, 2012).

To operationalize the transition, Daly (2012) proposed concrete policy reforms including cap-auction-trade systems for basic resources, ecological tax reform, limits on income inequality, and a fundamental reform of national accounts to separate costs from benefits. Importantly, SSE does not preclude economic development: qualitative improvement in human life remains entirely possible within a steady state; what is held constant is the physical scale of the economy relative to the biosphere, not its capacity for social and cultural progress (Blauwhof, 2012).

7.2.3 Degrowth

Degrowth represents the most radical departure from the assumptions shared by inclusive growth and most frameworks discussed in this section. Emerging from the French *décroissance* movement of the early 2000s and drawing intellectually on Georgescu-Roegen's thermodynamic critique of economic growth, Latouche's post-development economics, and ecological economics (Georgescu-Roegen, 1971; Latouche, 2009; Kallis et al., 2018), degrowth has evolved from a political slogan into a substantial body of scholarship and an international social movement (Buch-Hansen, 2025). Hickel (2021) defines it as a planned reduction of energy and resource throughput

designed to bring the economy back into balance with the living world in a way that reduces inequality and improves human well-being.

Nevertheless, degrowth is not about reducing GDP, as Hickel (2021) suggests, it is about reducing the material and energy throughput that growth fundamentally consists of. The core empirical argument is that high-income economies far exceed their fair share of planetary boundaries, and that GDP is unlikely to decouple from emissions and resource use quickly enough to meet ecological targets, making a reduction in material throughput not optional but necessary (Krupan et al., 2025; Kallis et al., 2018). Degrowth also carries an explicit global justice dimension; it is specifically high-income economies that need to contract, not the Global South, whose material needs remain largely unmet and whose ecological footprint is a fraction of that of wealthy nations (Hickel, 2021).

Critically, degrowth has remained largely marginalized in mainstream policy discourse. Buch-Hansen (2025) attributes this partly to the political unpalatability of the term itself, and partly to the fact that degrowth is premised on the view that capitalism and its growth imperative are irreconcilable with ecological sustainability and social equity, making it manifestly post-capitalist in a way that limits its institutional traction. There is also some friction between the degrowth and wellbeing economy literatures. While some have proposed WE as a means of mainstreaming degrowth, Buch-Hansen (2025) argues against this entanglement, warning that it risks degrowth losing its identity as a distinctly anti-capitalist discourse. Additionally, degrowth is also closely related to the SSE. O'Neill (2012) and Kerschner (2010) argue that the two are best understood as complements, degrowth is the necessary transitional process for economies that currently exceed ecological limits, while the SSE is the stable end-state toward which that transition aims.

7.2.4 Doughnut economy

The doughnut economy (DE), introduced by Kate Raworth, offers another alternative to traditional GDP-centric economic thinking. The central metaphor frames economic policy around two concentric boundaries – a social foundation and an ecological ceiling (Raworth, 2017). The social foundation covers life's essentials such as food, water, health, education, housing, and political voice, while the ecological ceiling represents planetary boundaries beyond which human activity risks destabilizing the earth systems on which all life depends. In this framework, the goal of economic policy is to ensure that economic activity occurs within a "safe and just space" where social minima are met without ecological overshoot (Recordon et al., 2025). Fanning and Raworth (2025) further provide an empirical assessment of the framework against 35 indicators. Their findings show that while global GDP has more than doubled in recent decades, progress on the social foundation has been modest while ecological overshoot has accelerated.

Raworth organizes her prescriptions around seven transformations in economic thinking. These move from changing the goal of economics from GDP growth to thriving in balance within the planetary boundary, to redesigning economies to be distributive and regenerative by design rather than relying on growth to eventually deliver equity and environmental recovery. While Raworth does not call for degrowth explicitly, she argues that high-income economies must break their addiction to growth and be prepared to thrive without it, framing the challenge as turning economies that need to grow whether or not they make us thrive into economies that make us

thrive whether or not they grow (Raworth, 2017). In this sense, DE overlaps with the broader “beyond GDP” literature but differs by embedding welfare explicitly within biophysical limits.

At the same time, the DE framework has been subject to several criticisms. While its strength lies in reframing policy goals, it remains unclear about specific behavioral mechanisms, institutional trade-offs, or operational policy rules. One could argue that substantial GDP growth remains necessary in poorer countries to eliminate deprivation. Additionally, many of the “green” innovations remain too limited in scale to deliver the systemic transformation required within ecologically meaningful timeframes. More broadly, while DE is normatively appealing as a diagnostic and communicative tool, it remains institutionally underspecified in the sense that it does not provide a theory of how existing political economies, with their entrenched growth dependencies, fiscal structures, and electoral incentives, could feasibly transition toward its vision.

7.2 Inclusive Growth in Context

The post-growth frameworks reviewed in this section share a common premise: GDP growth is an incomplete and potentially misleading measure of economic progress. Daly (2012) argues that GDP conflates costs and benefits, obscuring when growth becomes welfare-reducing, while Raworth (2017) highlights the disconnect between sustained GDP expansion and limited social progress alongside increasing ecological pressure. The Wellbeing Economy emphasizes that beyond a certain income threshold, key determinants of well-being lie outside of conventional income measures, and degrowth extends this critique by questioning the compatibility of continued growth in high-income economies with environmental constraints (Fioramonti et al., 2022; Hickel and Kallis, 2020).

However, as Walker et al (2021) highlight, post-growth approaches face important unresolved challenges. A central issue concerns the provision and financing of redistribution and public goods in low- or no-growth settings. While post-growth frameworks emphasize redistribution, expanded public services, and less reliance on market income, sustaining such systems without growth can present non-trivial fiscal constraints. Another important constraint is related to the political feasibility of these approaches. Economic growth has been one of the cornerstones in policy frameworks and is deeply embedded in voter expectations. As Buch-Hansen (2025) notes, degrowth has remained marginalized in mainstream policy discourse partly because it implies opposition to something generally considered positive. Furthermore, empirical evidence suggests that even relatively moderate initiatives, such as Wellbeing Economy frameworks, have yet to translate into substantial institutional change (Hayden, 2024).

Within this broader debate, inclusive growth occupies a distinct and more practical position. It embraces the role of growth, which makes it politically feasible, while placing greater emphasis on the distributional and welfare outcomes. Additionally, considerable work has been done regarding the measurement of inclusive growth relative to other approaches. As discussed in section 3, the definition of IG has progressively expanded from a narrow focus on income distribution and productive employment towards a more multidimensional framework. This suggests that IG frameworks are already, albeit gradually, responding to the normative challenge that post-growth scholarship poses. Nevertheless, post-growth frameworks can provide a broader normative context within which inclusive growth can evolve. This includes strengthening its multidimensional

foundations, integrating environmental sustainability more explicitly, and clarifying the conditions under which growth contributes to, or detracts from, welfare outcomes.

8. Conclusion

This review paper traces the evolution of inclusive growth from its origins in the pro-poor growth literature to its current multidimensional interpretation. It also identifies four common themes across various definitions of inclusive growth – i) sustained economic growth as a foundation, ii) equitable access to opportunities, iii) broad sharing of growth's benefits, and iv) multidimensional well-being and environmental sustainability. Building on the existing literature, the paper further synthesizes these conceptual developments into a coherent framework linking definitions, core dimensions and principal measurement approaches. The review shows that no existing measure fully captures the multidimensional nature of inclusive growth. Single-indicator proxies offer transparency and broad data availability but capture only limited aspects of the concept, whereas multidimensional composite indices provide richer assessments at the cost of stronger normative assumptions and greater data requirements.

More broadly, this review suggests that the enduring value of inclusive growth as a concept lies in holding growth, equity, and sustainability in productive tension. As the concept continues to evolve, future research should focus on refining measures that are theoretically grounded, empirically tractable, and capable of capturing the multidimensional nature of inclusive growth. Furthermore, the growing emphasis on environmental sustainability and the emergence of post-growth perspectives suggest that future work should seriously engage with the measurement challenges and the normative questions that the broader debate on growth and welfare has placed on the agenda.

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