

Insight Report

The Inclusive Growth and Development Report 2015

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The terms “country” and “nation” as used in this Report do not in all cases refer to a territorial entity that is a state as understood by international law and practice. The terms cover well-defined, geographically self-contained economic areas that may not be states but for which statistical data are maintained on a separate and independent basis.

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¹ The full data edition with 112 country profiles and an interactive data platform can be found online at the following address: <http://wef.ch/igd15>.

Preface

KLAUS SCHWAB

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Since the onset of the financial crisis, the question of how to unlock new sources of productive employment and translate economic growth into broad-based progress in living standards has preoccupied political and business leaders in developed and developing countries alike. These challenges have been among the foremost concerns of the *World Economic Forum Global Risks Report* surveys. While a widespread international consensus now exists on the need for more socially-inclusive models of growth and development, little in the way of concrete policy guidance has emerged. There is a growing need for analytical frameworks and evidence-based solutions suited to this purpose.

As a part of the Forum's Global Challenge Initiative on Economic Growth and Social Inclusion, this Report seeks to improve understanding of how countries can make use of a diverse spectrum of policy incentives and institutional mechanisms in order to widen social inclusion in the process and benefits of economic growth without dampening incentives to work, save, and invest. Building upon the existing empirical and benchmarking work of the Forum and its partner international organizations, over 140 quantitative indicators have been assembled on a cross-country basis to provide a comparative illustration of performance and enabling environment conditions in policy domains particularly relevant to the challenge of fostering inclusive economic growth and development. This set of quantitative measures covers 112 countries across seven pillars and fifteen sub-pillars. It is a preliminary beta version intended to stimulate discussion and advance further research. A second part of the project will examine and compare successful policy and institutional approaches in many of these domains, as well as best corporate and public-private practices.

By giving policymakers, business leaders, and other stakeholders a clearer sense of the extent to which their country is exploiting available policy space and best practice based on peer and historical experience, the analytical framework and cross-country benchmarking presented in this Report are intended to help make discussions about inequality less vaguely aspirational and more concretely actionable. Discussions at the Forum's Regional and Annual Meetings over the next two years will be designed to refine and consider the implications of this analytical framework. The dialogue will continue on the Forum's new interactive Global Agenda Platform and engage its Global Agenda Council community in an effort to support a more informed and ultimately more productive debate about the options available to countries.²

With its uniquely interdisciplinary intellectual and decision-making communities, the Forum aspires to make a contribution to the international community on one of the most complex and politically-pressing challenges of our time. By convening economists, policymakers, leaders, and experts from diverse policy domains and countries for a structured series of evidence-based discussions, we hope to contribute to a better appreciation within societies of how an aspiration for a more inclusive model of economic growth and development can be transposed into practical national strategies.

We are grateful for the cooperation of key international organizations which are advancing work on important dimensions of this subject. In this respect, we would particularly like to thank Kaushik Basu, Indermit Gill, and Melanie Walker at the World Bank; Jose Manuel Salazar, Rafael Diez de Medina, and Philippe Marcadent at the International Labour

² The Forum's Global Agenda Platform is a new digital interaction system aimed at facilitating the collaboration of multistakeholder communities of key decision-makers and experts on specific global challenges. Its Network of Global Agenda Councils is the world's foremost interdisciplinary knowledge network dedicated to promoting innovative thinking and cooperation on critical global issues, regions and industries.

Organization; Gabriela Ramos, Stefano Scarpetta, and Lamia Kamal-Chaoui at the Organisation for Economic Co-operation and Development; and Jonathan Ostry at the International Monetary Fund.

Appreciation also goes to colleagues at the World Economic Forum, namely Jennifer Blanke, Gemma Corrigan and Margareta Drzeniek; the Global Competitiveness Team, in particular team members Thierry Geiger, Attilio Di Battista, Roberto Crotti, Caroline Galvan, Gaelle Dreyer, Jonathan Eckart and Stefan Hall. We also thank Saadia Zahidi of the Employment and Gender Parity Team and the Society and Innovation Team for their valuable comments and suggestions. The contribution of our Partner Institutes in administering the Executive Opinion Survey is also gratefully acknowledged. We also appreciate the efforts of members of the World Economic Forum's Meta-Council on Inclusive Growth to bring these ideas to life.

Finally, we wish to thank the many institutions - public and private - whose data are incorporated into this analysis. In addition to publicly-available data from international organizations, including those referenced above, a number of other institutions have made special arrangements to provide data and methodological guidance. In this respect, we would like to thank Richard Dobbs and Susan Lund at McKinsey Global Institute; Peter Egger and Nora Strecker at ETH; Frederick Solt at the University of Iowa; Alberto Manconi at Tilburg University; Manos Antoninis and Friedrich Huebler at UNESCO; and Manuel Hörl at the Credit Suisse Research Institute.

Geneva, September 2015

Executive Summary

There is no bigger policy challenge preoccupying leaders around the world than expanding social participation in the process and benefits of economic growth and integration. Even if the precise nature and relative importance of the causes of rising inequality and stagnating median household incomes remain in debate, a geographically and ideologically diverse consensus has emerged that a new, or at least significantly improved, model of economic growth and development is required.

Despite an accumulation of evidence that reducing inequality can actually strengthen economic growth, the political consensus about inclusive growth is still essentially an aspiration rather than a prescription. No internationally-recognized policy framework and corresponding set of indicators or measurable milestones has emerged to guide countries wishing to construct a more socially inclusive economic strategy that recognizes broad-based progress in living standards, rather than economic growth per se, as the bottom-line measure of national economic performance.

Toward an Actionable Framework

Strong economic growth is the *sine qua non* of improved living standards. While a growing national economic pie does not guarantee that the size of every household's piece will be larger, such an outcome is arithmetically impossible unless the overall pie does indeed expand. Growth creates the possibility of a positive-sum game for society, even if it does not assure it.

The extent to which economic growth broadens improvements in economic opportunity and living standards is influenced by an interdisciplinary mix of structural and institutional aspects of economic policy, going well beyond the two areas most commonly featured in discussions about inequality: education and redistribution. Appreciation of the crucial role of institutions – particularly legal frameworks and public agencies that administer rules and incentives – in the development process has grown in recent decades, supported by an expanding body of research and practical experience. In fact, economic institution building has been a crucial part of the development path of essentially every country that has industrialized and achieved high living standards.

Because development is a complex and multidisciplinary process – many conditions need to be fulfilled in order for widespread poverty to be replaced by ever-rising middle-class prosperity – this process of institutional deepening

occurs across a wide spectrum of domains. But the process is not automatic. Although rising national income generates additional resources and policy space to establish and effectively implement such institutions as public education systems, independent judiciaries, labour markets and protections, and competition, and social insurance frameworks, they do not guarantee it. The pace and pattern of economic institution building is a choice, a function of policy decisions and public-private cooperation. As a result, so is the payoff to broad living standards from economic growth.

The practice of inclusive growth and development therefore requires widening the lens through which priorities are set in national economic strategies. Macroeconomic, trade and financial stability policies remain critically important as they establish the conditions necessary for improvements in productivity that help drive growth. But institutional development in other areas is just as vital to broad-based progress in living standards and consequently deserves equal emphasis in national economic policy. The cultural change that such a rebalancing of emphasis would require in governments and classrooms should not be underestimated, as it represents a different way of thinking about structural reform.

What are the areas of policy and institutional strength that have a particularly strong bearing on social participation in the process (productive employment) and outcomes (median household income) of economic growth? The Report presents a **Framework** and a corresponding set of indicators of performance and enabling environment conditions in seven principal policy domains (pillars) and fifteen sub-domains (sub-pillars). A database of cross-country statistical indicators has been compiled in each sub-pillar, permitting comparison at the pillar, sub-pillar, or individual indicator level within peer groups based on national income. Out of this benchmarking exercise emerges a distinct profile of the institutional strength of countries relative to their peers in areas that particularly help support broad-based progress in living standards. These comparative **Country Profiles** are like diagnostic scans of each country's institutional enabling environment as it relates to encouraging socially inclusive growth. To provide added context, a **Dashboard of key performance indicators** is shown for each country. It provides an integrated view of the contours of a country's *overall* performance on inclusive growth and development. Together, these three elements are intended to help

policymakers and other stakeholders translate an aspiration for a more inclusive model of economic growth and development in their country into a practical national strategy.

Analyzing Country Results

Over 140 quantitative indicators have been assembled to provide an illustration of enabling environment conditions and performance across 112 countries within each of the policy and institutional domains of the Framework. These comparative profiles of institutional strength and use of policy space are intended to help spotlight and prioritize opportunities for improvement within countries and enable transfer of knowledge about best practices among them. By bringing a fuller spectrum of such opportunities into sharper relief on a country-by-country basis, the aim is to enable a more concrete and productive conversation within societies about how to achieve greater social inclusion along with stronger and more resilient growth.

This Framework does not in any way suggest that there is a single, ideal policy or institutional mix for the pursuit of inclusive growth and development. For this reason, in contrast to the Forum's other benchmarking studies, an overall aggregate ranking or league table of countries has not been computed. However, *what countries often do have in common is an unexploited opportunity to think more systematically about the full range of instruments and approaches available* to address the problem.

Six significant findings emerge from an overview of the data:

1. **All countries have room for improvement.** There is considerable diversity in performance not only across but also within countries. No country is a top performer in every sub-pillar. Indeed, not a single country scores above average in all 15 sub-pillars.
2. **There is no inherent trade-off in economic policy-making between the promotion of social inclusion and that of economic growth and competitiveness; it is possible to be pro-equity and pro-growth at the same time.** Several of the strongest performers in the Forum's Global Competitiveness Index (GCI) also have a relatively strong inclusive growth and development profile.
3. **Larger fiscal transfers are not necessarily incompatible with growth and competitiveness, but nor are they always the primary or most effective available option for broadening socioeconomic inclusion.** Many of the world's most competitive economies have high levels of social protection and the significant tax burdens these imply. However, other countries achieve moderate or low Gini ratios mainly because their pre-transfer level of inequality is comparatively modest to begin with rather than due to the significance of their transfers.
4. **Policies and institutions supporting social inclusion are not solely a luxury of high-income countries.** There is extensive overlap in absolute scores across at least three of the four income groups of countries in the sub-pillars of Business and Political Ethics, Tax Code, Financial System Inclusion, Intermediation of Business Investment, Productive Employment, Concentration of Rents, and Educational Quality and Equity.
5. **There are, however, significant regional or cultural similarities,** a number of examples of which are identified in the Report.
6. **Seen from this practical, evidence-based perspective, the current debate on inequality and social inclusion is unduly narrow and unnecessarily polemicized. It is possible, indeed essential, to be pro-labor and pro-business, to advocate a strengthening of both social inclusion and the efficiency of markets.** The inequality debate focuses almost exclusively on up-skilling of labor and redistribution - when it moves beyond problem identification. For many countries, these may be among the most appropriate responses to widening dispersion of incomes, but they represent only a minority of the policy options available. To focus only on them is to miss the fuller opportunity to adapt or "structurally adjust" one's economy to the challenge of strengthening the contribution of economic growth to broad-based progress in living standards in the face of forces such as technological change and global economic integration that can pull in the opposite direction. Several other actionable options are not traditionally thought of as equity-enhancing because they involve strengthening the enabling environment for

real economy business investment. But these can be just as critical to an economy's success in expanding employment, boosting wages, and widening asset ownership, which are central to advancing progress in living standards.

Next Steps

Through this new Framework and cross-country benchmarking data, the Forum hopes to expand appreciation among policymakers and stakeholders of the wide spectrum of concrete opportunities available to expand social inclusion in the process and benefits of economic growth without undermining incentives to work, save and invest. The aim is to stimulate discussion about how the political objective of inclusive growth can be brought closer to economic reality, including during the National Strategy, Regional Summit, and Annual Meetings of the World Economic Forum over the next two years as part of its Global Challenge Initiative on Economic Growth and Social Inclusion. Work will continue on the data and methodology of this beta version of the Framework, and a related compendium of best policy, corporate and public-private practices will be developed. This qualitative database will be designed to support policymakers, companies, and other stakeholders interested in adapting approaches used with success elsewhere to their own circumstances, helping them to respond in practical ways to the policy and institutional gaps revealed by the quantitative benchmarking information presented preliminarily in this report.

Part 1.

Inclusive Growth and Development

Toward an Actionable Framework for Strengthening Broad-based Progress in Living Standards

I. Introduction

Inclusive growth has been defined as output growth that is sustained over decades, is broad-based across economic sectors, creates productive employment opportunities for a great majority of the country's working age population, and reduces poverty.¹ Inclusive growth is about both the pace and pattern of economic growth.²

However one defines it, there is no bigger policy challenge preoccupying political leaders around the world than expanding social participation in the process and benefits of economic growth and integration. A central lesson of the recent financial crisis is the need for a rebalancing of the emphasis placed by policymakers on drivers of what could be considered the “top-line” measure of national economic performance, GDP per capita growth, on the one hand, and factors that influence its “bottom-line” performance in achieving broad-based progress in living standards, on the other. In advanced and developing countries alike, it is increasingly recognized that GDP per capita growth is a necessary but not sufficient condition for the satisfaction of societal expectations.

Even if the precise nature and relative importance of the causes of rising inequality remain in debate,³ a geographically and ideologically diverse consensus has emerged that a new, or at least significantly improved, model of economic growth and development is required. G20 leaders have committed themselves a number of times since the financial crisis to this goal. For example, in London during the heat of the crisis in

2009, G20 heads of government stated: “We are determined not only to restore growth but to lay the foundation for a fair and sustainable world economy. We have pledged to do whatever is necessary to... build an inclusive, green, and sustainable recovery.” Leaders of major international economic organizations, including the International Monetary Fund (IMF), World Bank, Organization for Economic Co-operation and Development (OECD), and International Labour Organization (ILO), as well as Pope Francis have also repeatedly expressed concern about rising inequality and called for new strategies to address it.⁴ Many national leaders have placed improvements in social inclusion at the heart of their economic programs.⁵ Most recently, the draft UN Sustainable Development Goals and the G20 Presidency under Turkey have each identified inclusive growth as a priority agenda item.⁶

This new political consensus about inclusive growth is rooted in a significant widening of inequality, affecting economies at various levels of development.⁷ Across the OECD, for example, the average income of the richest 10% of the population is about nine times that of the poorest 10%, up from seven times 25 years ago.⁸ More important than growing shares at the top are the cases where the benefits of growth have not been shared widely and low- and median-income households have fallen further behind.⁹ Over the last decade, median household income has stagnated in several advanced economies (such as Germany) and even declined in the United States, resulting in a more vulnerable middle class at risk of falling into poverty.¹⁰ Part of this trend can be traced back to the slowdown following

the financial crisis, and a structural decline in the share of national income accruing to labor.¹¹

In developing economies, sustained strong growth has lifted many out of absolute poverty but improvements in living standards have not kept pace with GDP growth, or been evenly distributed.¹² This is most apparent in Eastern Europe and many fast-growing emerging Asian economies such as China, India, and Vietnam, and some African economies such as Zambia and Kenya.¹³ Yet, there are some exceptions to the trend of widening inequality, mainly in Latin America, but these tend to be in places where inequality was very large to begin with – in Chile and Mexico, for example, the incomes of the richest 10% are still more than 25 times those of the poorest 10%, while in Brazil the gap in income between the top and bottom deciles is still about five times that of advanced economies.¹⁴

The political consensus on inclusive growth has been reinforced by a growing body of empirical economic research about the relationship between inequality and economic growth.¹⁵ As described in Box 1, there is mounting evidence that inequality has a statistically significant negative impact on growth, and that reducing inequality can enhance and strengthen the resilience of growth. According to research by the IMF, for example, a decrease in the GINI by 3 points (about the difference in Gini between the United States and Morocco) can raise economic growth by about one half of one percent per annum; growth, moreover, is not only higher, but also more sustainable, i.e., less fragile and less likely to end in crisis. Other research by the IMF suggests that, if the income share of the top 20 percent increases, GDP growth tends to decline over the medium term; one explanation is that wealthier households spend a lower fraction of their incomes, which could reduce aggregate demand and undermine growth.¹⁶ In contrast, an increase in the income share of the bottom 20 percent is associated with higher GDP growth. If the income share of the rich is lifted by 1 percentage point, GDP growth decreases by 0.08 percentage points.¹⁷ If the income share of the poor and the middle class is increased by 1 percentage point, GDP growth increases by as much as 0.38 percentage points over five years.¹⁸

Similarly, OECD research finds that an increase in inequality by 3 Gini points is correlated with a decrease in economic growth by 0.35 percentage points per year for 25 years – a cumulative loss of 8.5%.¹⁹ This is primarily because higher levels of inequality are associated with poorer households finding it harder to invest in health and educational opportunities, thereby lowering human capital accumulation and social mobility.²⁰ The economic threat of income inequality to a nation's well-being lies primarily in the large bottom segment of society not advancing. In response to these findings, the OECD is working on a new metric of multidimensional living standards (see Box 2), in a bid to capture the well-being of societies more accurately. With its Human Opportunity Index (see Box 3), the World Bank is another influential organization increasingly turning its attention to what is needed in addition to economic growth to reduce poverty and share prosperity more widely.

Nevertheless, despite widespread dissatisfaction with the standard growth model – whether its relatively *laissez-faire* Anglo-Saxon variant or developmental-state counterparts – and accumulating evidence that reducing inequality can actually strengthen economic growth, the new inclusive-growth consensus is still essentially an aspiration rather than a prescription. No internationally-recognized policy framework and corresponding set of indicators or measurable milestones has emerged to guide the construction and implementation of a more socially inclusive model of economic growth and development.

The so-called Washington Consensus offers a roadmap for countries seeking to generate strong growth in national income in part through integration into the global economy.²¹ But its near-exclusive focus on drivers of GDP growth and relative inattention to structural and institutional features of policy that influence the extent to which growth translates into broad-based progress in living standards has rendered it incomplete and unbalanced. The international community's post-crisis search for a new growth and development model is, in effect, an attempt to rectify this imbalance. This Report is intended as a contribution to that thought process.

Box 1: The International Monetary Fund's Examination of Inequality, Redistribution, and Growth

Economists are increasingly focusing on the links between rising inequality, the role of redistribution, and the fragility of growth. The emerging consensus is that inequality leads both to lower and more fragile—less sustainable—growth.¹ That equality seems to drive higher and more sustainable economic growth does not however in itself support efforts to redistribute. In particular, inequality may impede growth at least in part because it calls for efforts to redistribute that themselves undercut growth.

While considerable controversy surrounds these issues, policymakers should not jump to the conclusion that the treatment for inequality is worse for growth than the disease itself. Equality-enhancing interventions could actually help growth: think of taxes on activities with negative externalities paid mostly by the rich, or cash transfers aimed at encouraging better attendance at primary schools in developing countries. The macroeconomic effects of redistributive policies will reflect a balance between the components of the fiscal package, and it is an empirical question whether redistribution is pro- or anti-growth in practice.

Looking at the best available macroeconomic data, the answer seems clear: inequality is bad for growth, and redistribution is not.² (Figure 1): Lower net inequality is robustly correlated with faster and more durable levels of growth, controlling for the extent of redistribution. Redistribution itself appears generally benign in terms of its impact on growth - for the average country, it reduces inequality, which has protective effects both for the level and the sustainability of economic growth. Only in extreme cases is there some evidence that redistribution is harmful to growth.³ In fact, for the average country, redistribution has direct benign effects on growth - and, through its effect of reducing inequality, has further positive effects overall. Redistribution, on average, is a pro-growth policy.

The data also confirm that more unequal societies tend to redistribute more. This is not necessarily an obvious result: if political power were as unequally distributed as economic power, with the rich controlling the political process, more unequal societies might not try to lessen their inequalities. The correlation between inequality and redistributive efforts is stronger for advanced economies, but holds in developing countries too.

There are, of course, inherent limitations of empirical analysis and of cross-country data on inequality more generally. But the message from Ostry et al. (2014) is that the extreme caution against efforts to redistribute is probably not warranted if the reason is an assumed large trade-off between redistribution and growth. The best available macroeconomic data do not support this conclusion.

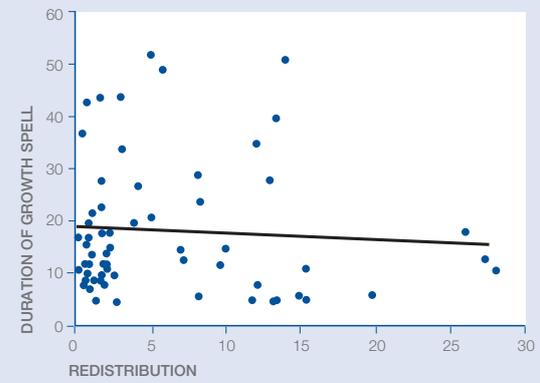
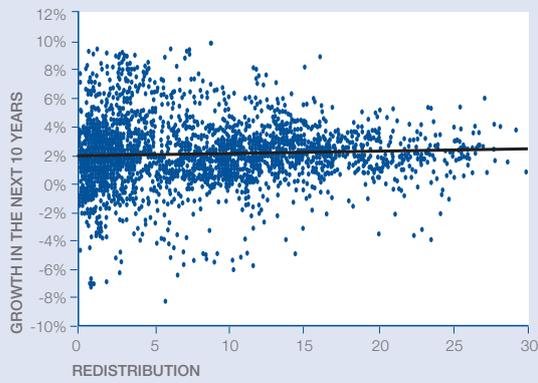
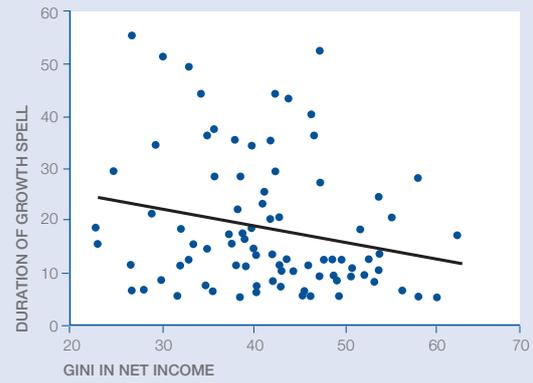
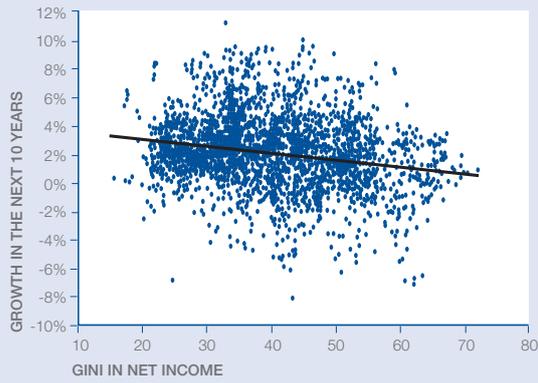
¹ Berg and Ostry, 2011.

² Jonathan D. Ostry et al., "Redistribution, Inequality and Growth," IMF Staff Discussion Note 14/02, <http://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf>.

³ Jonathan D. Ostry, "We Do Not Have to Live with the Scourge of Inequality," *Financial Times*, OpEd, 3 March 2014.

Box 1. Inequality, Redistribution, and Growth (cont'd.)

Figure 1



Sources: Penn World Tables version 7.1, SWIID 3.1, and author's calculations
 Note: Simple correlations between growth in the next 10 years, and average net income inequality and transfers for sample.

Sources: Penn World Tables version 7.1, SWIID 3.1, and author's calculations
 Note: Simple correlations between length of growth spells, and the average net income inequality and transfers during the spell. Spells that end in-sample are included; minimum spell length is 5 years.

Box 2: The OECD's Approach to Inclusive Growth

The OECD launched its Inclusive Growth Initiative in 2012 to help governments analyze and address rising inequalities. It starts from the premise that GDP per capita may not be sufficient to generate sustained improvements in societal welfare. Promoting across-the-board improvements in well-being calls for a broader conception of living standards than that contained in traditional measures. Beyond income and wealth, people's well-being is shaped by a range of non-income dimensions - such as their health, educational, and employment status - that are not adequately captured in a measure like GDP per capita. Likewise, well-being at the societal level cannot be gauged solely by looking at averages. Only by looking at the evolution of living standards for different segments of the population, such as the median or the poorest, can it be seen whether economic growth benefits all groups in society or just the lucky few.

The OECD's Inclusive Growth Framework includes a measure of "multidimensional living standards" designed to track societal welfare and analyze the extent to which growth - in a given country and over a given period - translates into improvements across the range of outcomes that matter most to people's lives.

It includes an income dimension, measured as average household real disposable income adjusted for inequality between the income of the average household and that of a household at a different decile (e.g. median or bottom 10%). It also includes the non-income dimensions of health and unemployment, chosen based on empirical work on the most significant determinants of subjective well-being. According to the most recent data, in 2012, losses in living standards related to longevity and unemployment in the OECD equated to as much as 29% of household average income.

Multidimensional living standards are a useful tool for policymakers as the monetization of non-income dimensions allows for the impact of policies on jobs, health, and income to be expressed on a common scale. The effects may operate in the same direction, creating positive synergies, or may be partly offsetting, leading to trade-offs which might require compensatory action. For instance, it may be found that proposed environmental regulations are likely to reduce income by lowering economic growth, but more than offset this through better health due to reduced pollution.

Similarly, the introduction or extension of health services financed by additional contributions from employers or households may be detrimental to the average and median household income and employment, but may benefit the poor in the form of higher longevity and higher in-kind transfers related to health services.

The OECD is continuing its methodological work in order to refine the multidimensional living standards measure, incorporating other non-income dimensions that matter for well-being, such as health inequality and education. Work is also underway to extend the analysis beyond the OECD to include emerging and middle-income countries, and to test the robustness of the framework. The policy mapping work will pursue the analysis of the main drivers of the key dimensions – based on a production function approach – and the identification of robust empirical relationships.

Sources: "All on Board: Making Inclusive Growth Happen," OECD, 2014; "Report on the OECD Framework for Inclusive Growth," OECD, 2014.

Box 3: The World Bank's Focus on Inclusive Growth and Inequality

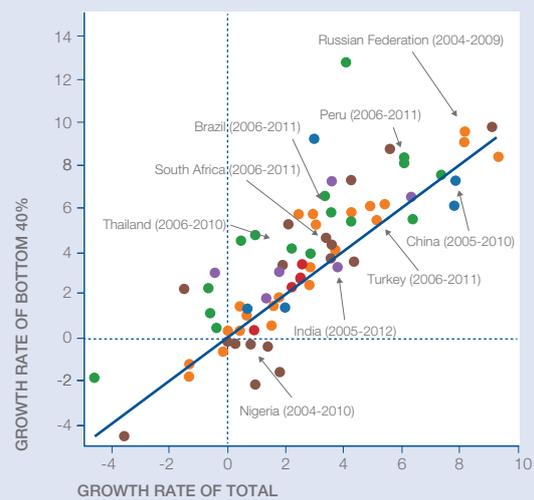
The World Bank recently adopted the “twin goals” of reducing extreme poverty to 3 percent or less globally by 2030, and boosting “shared prosperity” – defined as growth in the income of the bottom 40% in every country. Economic growth will be fundamental to achieving these goals, but growth alone will not be enough. If growth over the last 10 years is extrapolated to 2030, without changes in inequality, extreme poverty would decline to only 5.6% from 14.5% today.¹ Analysis of growth in developing countries over the second half of the last decade shows that the bottom 40% grew faster than the country average in more than 70% of the cases for which data is available – but this growth was very low in a significant minority of these countries. In some high-growth countries, shared prosperity was often spurred by social transfers, which may not be sustainable going forward. This analysis provides support to the view that, despite widespread perceptions of rising income inequality, the reality is much more complex.

While acknowledging the importance of reducing inequality of income, the World Bank concentrates on reducing inequality of opportunity.³ Characteristics such as gender, parental income, ethnicity, and geography can curb a child's potential from the beginning of life, perpetuating poverty across generations and restricting economic mobility. The Human Opportunity Index measures these overlapping disadvantages and tracks progress in narrowing inequality of opportunity.⁴

It is imperative to provide opportunities for the poor and vulnerable to access education, health, and other basic services which can improve their human capital. Among redistributive policies that can contribute to this are conditional cash transfers. Pioneered in Latin America, these involve public cash transfers targeted at the poor and vulnerable, and are linked to their enrollment in education or health services. The importance of well-targeted transfers and of effective fiscal mechanisms that guarantee that transfers and public services are adequately funded yet fiscally sustainable, cannot be overestimated.

Improving the human capital of those at the bottom is fundamental to ultimately ensuring that they can access jobs and earn a livelihood. In fact, research shows that more and better-paying jobs are the main channel through which poverty and income inequality can be reduced.⁵ Enabling the conditions for the private sector to create jobs for those at the bottom, while ensuring that the latter have the skills to access them, will be key for sustainable inclusive growth going forward.

Figure 1: Shared Prosperity (circa 2006-2011)²



¹ “A Measured Approach to Ending Poverty and Boosting Shared Prosperity: Data, Concepts, and the Twin Goals,” DECRG Policy Research Report (World Bank, 2014).

² “Global Database of Shared Prosperity,” World Bank, <http://www.worldbank.org/en/topic/poverty/brief/global-database-of-shared-prosperity>, accessed in April 2015.

³ “World Development Report 2006: Equity and Development,” World Bank, 2006.

⁴ See Visualize Inequality, <http://www1.worldbank.org/poverty/visualizeinequality/>.

⁵ J.P. Azevedo, et al., “Is Labor Income Responsible for Poverty Reduction? A decomposition approach,” World Bank Policy Research Working Paper No. 6414, World Bank, 2013.

II. Toward an Actionable Framework

Strong economic growth is the *sine qua non* of improved living standards. While a growing national economic pie does not guarantee that the size of every household's piece will be larger, such an outcome is arithmetically impossible unless the overall pie does indeed expand. Growth creates the possibility of a positive-sum game for society, even if it does not assure it.²²

The extent to which economic growth broadens improvements in economic opportunity and living standards is influenced by an interdisciplinary mix of structural and institutional aspects of economic policy, going well beyond the two areas most commonly featured in discussions about inequality: education and redistribution. Appreciation of the crucial role of institutions – particularly legal frameworks and public agencies that administer rules and incentives – in the development process has expanded in recent decades, supported by an accumulating body of research and practical experience. This includes seminal research by Nobel Laureate Douglass North, who explored the important role of institutions in providing the incentive structure of an economy, shaping the direction of change and influencing its performance.²³ Other scholars have since built upon these insights, including by documenting a significant empirical relationship between institutional development and economic performance.²⁴

The World Bank's landmark 1993 study, *The East Asian Miracle*,²⁵ examined how eight economies in the region succeeded in achieving a remarkable record of “high growth with equity” from 1960 to 1990. In a chapter entitled “An Institutional Basis for Shared Growth,” its distinguished research team concluded: “Of course, few political leaders anywhere would reject, on principle, either the desirability of growth or that the benefits of growth should be shared. What distinguished the High-Performing Asian Economies' leadership was the extent to which they adopted specific institutional mechanisms tailored to these goals, and that worked.” They then documented the institutional approaches taken in these economies across such areas as education, land reform, small and medium-sized business support, housing, labor-management relations, insulation of policymaking from rent seeking behavior, integrity in public administration and business-government relations.

The international blue-ribbon Commission on Growth and Development chaired by Nobel Laureate Michael Spence drew a similar conclusion in its 2008 report entitled, *The Growth Report: Strategies for Sustained Growth and Inclusive Development*:

“In recent decades governments were advised to “stabilize, privatize and liberalize.” There is merit in what lies behind this injunction—governments should not try to do too much, replacing markets or closing the economy off from the rest of the world. But we believe this prescription defines the role of government too narrowly . . . On the contrary, as the economy grows and develops, active, pragmatic governments have crucial roles to play . . . (M)ature markets rely on deep institutional underpinnings, institutions that define property rights, enforce contracts, convey prices, and bridge informational gaps between buyers and sellers. Developing countries often lack these market and regulatory institutions. Indeed, an important part of development is precisely the creation of these institutionalized capabilities.”²⁶

In fact, economic institution building has been a crucial part of the development path of essentially every country that has industrialized and achieved high living standards. Because development is a complex and multidisciplinary process – many conditions need to be fulfilled in order for widespread poverty to be replaced by ever-rising middle-class prosperity – this process of institutional deepening occurs across a wide spectrum of domains. But the process is not automatic. Although rising national income generates additional resources and policy space to establish and effectively implement such institutions as public education systems, independent judiciaries, labor markets and protections, and competition, investment climate and social protection frameworks, they do not guarantee it. The pace and pattern of economic institution building is a choice, a function of policy decisions and public-private cooperation. Like other aspects of a country's growth model, it is shaped by the prevailing political economy. It is endogenous to the development process. As a result, so to a considerable extent is the payoff to broad living standards from economic growth.

Many countries have learned this lesson the hard way, with economic growth contributing to a build-up of social discontent over unduly skewed opportunities and outcomes, forcing governments to play economic strategy catch-up even when politically painful. The most common response is a burst of measures aimed at deepening institutions and strengthening the enabling environment, for example through the creation or expansion of social insurance systems, anti-corruption laws, worker training and protection programs, and infrastructure improvements. There are many examples of this since the crisis, in developed and developing countries alike.²⁷

Indeed, the importance of economic institution building for balanced and inclusive growth was a central lesson of the economic and financial crises of the early 20th century. Beginning at the turn of the century and gathering force in the decades following the Great Depression, most of today's advanced industrialized countries underwent a sustained process of institutional deepening to broaden the base and strengthen the resilience of their economies. Labor, financial, social insurance, competition, infrastructure and other reforms were deliberately aimed at engineering a more inclusive and sustainable growth model. They played a critical role in supporting the dramatic expansion of the middle class, eliminating poverty, and reducing economic insecurity in these societies during the latter half of the century.²⁸

If an economy can be thought of as a garden or arboretum, its macroeconomic and competitive environment sets the climate (basic conditions of moisture, sunlight, and temperature), while its institutions represent nutrients in the soil. Improvements in soil fertility can have a pronounced effect on the pace and consistency of plant growth, a process that takes years to get right and requires regular monitoring and modulation. Similarly, the essential fecundity of an economy - its yield of broad-based advancement of living standards - is shaped by the health of its macro-competitive environment as well as strength of its institutions and policy-based incentives in areas particularly important for social inclusion. Like both

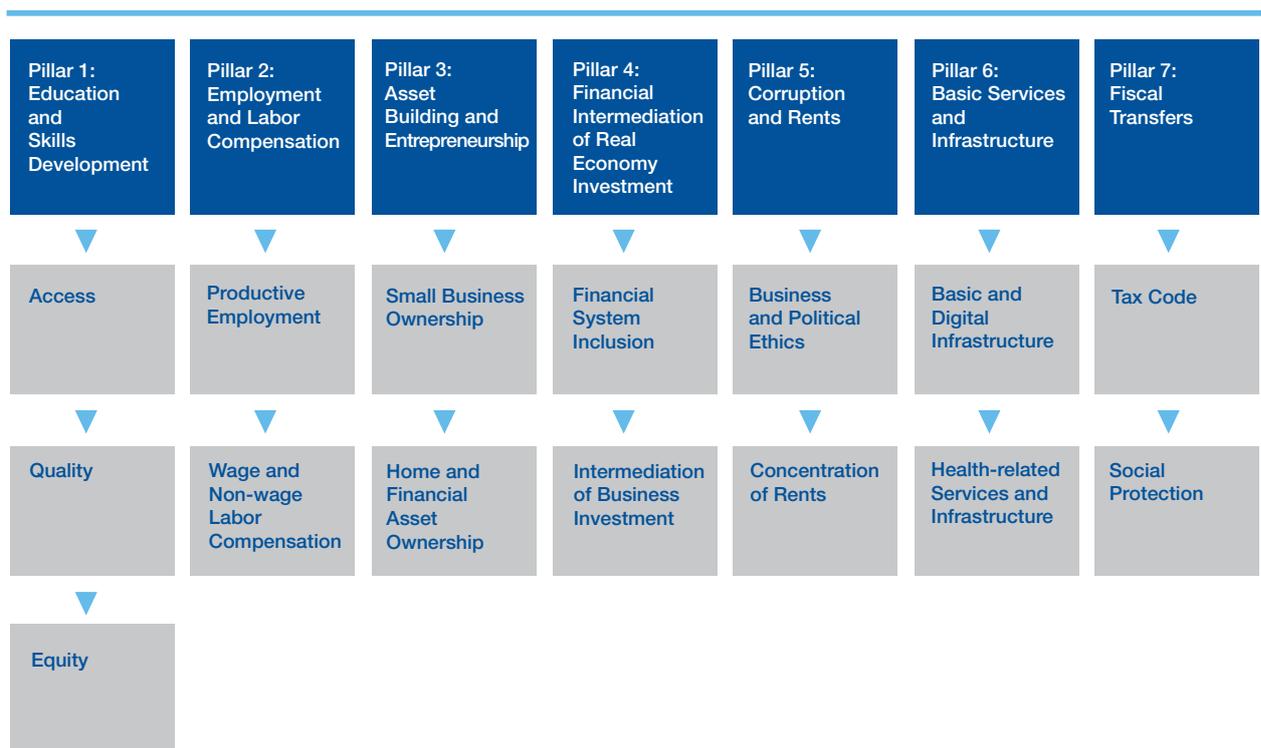
weather conditions and soil quality, these factors require equal and ongoing attention. This fundamental lesson - and the rebalancing of emphasis in national policy that it implies - is where the journey toward a new, more socially inclusive, growth paradigm begins.²⁹

Framework Elements

The practice of inclusive growth and development requires widening the lens through which priorities are set in national economic strategies. Macroeconomic, trade and regulatory policies remain critically important as they establish the conditions necessary for improvements in productivity that help drive growth. However, other areas are just as vital to the overriding purpose of economic policy: strong, sustained increases in broad living standards. Rising living standards, not economic growth per se, is what societies expect their economic leaders, both public and private, to deliver.

What are the areas of policy and institutional strength that have a particularly strong bearing on social participation in the process (productive employment) and outcomes (median household income) of economic growth? This Report presents a **Framework** and a corresponding set of indicators of performance and enabling environment conditions in seven principal policy domains (pillars) and fifteen sub-domains (sub-pillars). Societies that have had particular success in

Figure 1: Inclusive Growth and Development Framework



building a robust middle class and reducing poverty and social marginalization have tended to create effective economic institutions and incentives in many of these areas, while supporting growth through sound macroeconomic policies and efficiency-enhancing reforms.

These pillars and sub-pillars describe the structural and institutional features of a modern economy that particularly matter for achieving broad-based improvement in living standards. Structural reform usually refers to measures aimed at boosting economic growth by sharpening the functioning of markets and restoring the health of public finances, often in response to fiscal or balance-of-payments crises; they frequently have the effect of squeezing living standards in the short term. But a serious effort to strengthen institutions in some or all of these fifteen domains also constitutes an exercise in “structural adjustment” – in this case, for the purpose of boosting living standards while reinforcing the rate and resilience of growth. This sort of structural reform is best pursued as a long-term strategy forming an integral part of the development process, rather than as a crash effort to preempt or recover from a crisis.³⁰

The essential measure of the inclusiveness of a society's growth model is the extent to which it produces broad gains in living standards before fiscal transfers are taken into account. For this reason, six of the Framework's seven pillars relate to policy and institutional factors that influence the composition of private-sector activity and the distribution of opportunity and outcomes within the market itself. In particular, because wages and returns to self-employment and small-business ownership constitute a very high percentage of the income of all but the wealthiest households, factors that shape these elements of national income figure prominently in the indicators that have been assembled.

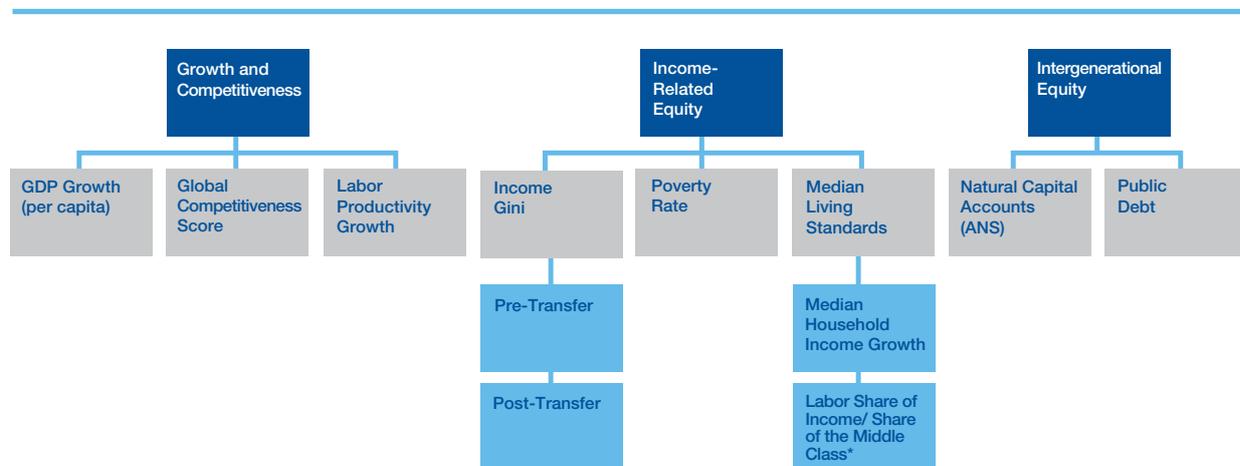
At the same time, since the focus of this exercise is inclusive growth and development rather than social inclusion per se, the set of policies and institutions it highlights and the specific benchmarking indicators it chooses must be consistent with the deepening of economic dynamism and growth. An inclusive growth strategy can only be effective if it reinforces, or at least does not undermine, incentives to work, save, and invest. This is a further reason why the Framework concentrates in large part, though by no means exclusively, on policy levers that influence relative incentives within the private sector rather than those that effect direct transfers through the public sector.

A database of cross-country statistical indicators has been compiled in each sub-pillar, permitting comparison at the pillar, sub-pillar, or individual indicator level within peer groups. Out of this benchmarking exercise emerges a distinct profile of the institutional strength of countries relative to their peers in areas that particularly help support broad-based progress in living standards. These comparative **Country Profiles** are like diagnostic scans of each country's institutional enabling environment as it relates to encouraging socially inclusive growth. The results are presented in four peer groups of countries based on level of economic development as measured by national income.

To provide added context, a **Dashboard of National Key Performance Indicators** is shown for each country in the areas of Economic Growth and Competitiveness; Income-related Equity; and Intergenerational Equity. In the first category are indicators providing a measure of whether the fundamentals are in place in terms of competitiveness, labor productivity performance, and sustained economic growth. The second illustrates how widely income is distributed (pre- and post-transfer inequality), the progress of median living standards (in terms of median household income growth), poverty rates, the labor share of income in advanced countries and proportion of middle-class households in upper-middle, lower-middle and low-income countries. Lastly, the Dashboard provides an inter-temporal look at equity from both an environmental (natural capital depletion) and fiscal (public debt) perspective in order to illustrate whether economic performance is being pursued at the expense of future generations.

This **Dashboard** of National KPIs provides an integrated view of the contours of a country's overall performance on inclusive growth and development. It complements the more detailed **Country Profiles**, which benchmark performance and institutional enabling environment conditions in the fifteen policy areas of the **Framework**. Together, these three elements are intended to help policymakers and other stakeholders translate an aspiration for a more inclusive model of economic growth and development in their country into a practical national strategy.

Figure 2: Dashboard of National Key Performance Indicators



*Labor Share of Income is used for Advanced Economies and Share of the Middle Class is used for Upper Middle Income, Lower Middle Income and Low Income Countries.

Description of Framework Pillars

This section describes the types of indicators contained in each pillar and their importance for delivering inclusive outcomes from growth. A full description of indicators and sources can be found in the appendix.

Pillar 1: Education and Skills Development

- a) Access
- b) Quality
- c) Equity

- To what extent does the country create an enabling environment which provides high quality educational opportunity for all members of society including vulnerable or marginalized groups (e.g. low-income individuals and women)?
- To what extent is education at all levels accessible, of high quality, and inclusive in terms of attainment and learning outcomes?

Labor is the primary, and in most cases, exclusive, source of income for citizens of rich and poor countries alike. Strong and rising labor productivity across different sectors and geographies is therefore an important cornerstone of any strategy to strengthen broad-based progress in living standards and reduce social marginalization. This is all the more important in the presence of rapid technological change that is automating, dis-intermediating, and enabling remote performance of many functions (see Box 5). Such change both disrupts existing jobs and creates new opportunities for labor income at every stage of economic development, in both cases favoring workers who are able to acquire and adapt skills. The challenge to societies is to create an enabling environment for widespread access to, and steady improvement in, skills acquisition.

As such, the Framework includes indicators that gauge the breadth of enrollment in early, basic, vocational, and tertiary education as well as the availability of training services (Access Sub-pillar). It includes measures of educational system quality such as the proficiency of secondary students, pupil-teacher ratio, internet access, public expenditure levels, and employer perceptions (Quality Sub-pillar). It also incorporates information on preprimary, primary, and secondary completion rates, basic reading and math proficiency by quintile of parental income, as well as other measures of the equity of educational opportunity in a society, reflecting a view that education is the main vehicle for disrupting the transmission of inequality in life chances from one generation to the next (Equity Sub-pillar).³¹

Pillar 2: Employment and Labor Compensation

a) Productive Employment

b) Wage and Non-wage Labor Compensation

- To what extent is the country succeeding in fostering widespread economic opportunity in the form of robust job creation, broad labor force participation, and decent working conditions?
- How well does its enabling environment support a close correlation between growth in the productivity and compensation of labor, helping to ensure that a rising tide lifts all boats?

This pillar continues the theme that productive employment is central to achieving inclusive growth (see Box 4). It includes indicators measuring the extent of labor force participation (including for women) and unemployment (including for youth); underemployment and vulnerable, temporary, and informal sector employment; employer perceptions of the ease of retaining skilled employees; measures of social mobility; and strictness of employment protection. Other indicators capture the quality of working conditions, for example regarding occupational injuries and excessive working hours (Employment Sub-pillar).

Pillar 2 also measures enabling environment factors that can influence the pace and distribution of wage and non-wage labor compensation (Wage and Non-wage Labor Compensation Sub-pillar). For example, it includes indicators measuring wage dispersion (ratio of median to minimum wages), low pay (below two-thirds of the median), trade union density, collective bargaining coverage, cooperation in labor-employer relations, gender pay gap, and agricultural productivity. Finally, it incorporates measures of key aspects of non-wage compensation such as childcare costs and maternal and parental leave.³²

Pillar 3: Asset Building and Entrepreneurship

a) Small Business Ownership

b) Home and Financial Asset Ownership

- To what extent is the enabling environment conducive to broad-based asset accumulation and employment- and productivity-enhancing entrepreneurship?

Small business entrepreneurship and home ownership are typically the first means by which working families accumulate wealth beyond savings from wages and pension contributions. For many, they provide the primary ladder to the middle class and beyond. This pillar includes a range of indicators assessing the ease of starting and running a business with respect to regulatory and cultural factors. These include the number of new business registrations and patent applications; attitudes toward entrepreneurial failure; cost and time required to start a business, resolve insolvency, and enforce a contract; and the time required to prepare and pay taxes (Small Business Sub-pillar). Several additional indicators measure the extent of an enabling environment for home ownership and private savings. These include the perceived strength of property rights protection, home ownership rate, house price-to-income ratio, housing loan penetration and, for advanced countries, employee stock ownership, profit sharing, and private pension asset accumulation (Home and Financial Asset Ownership Sub-pillar).

Pillar 4: Financial Intermediation of Real Economy Investment

a) Financial System Inclusion

b) Intermediation of Business Investment

- How well does the financial system deploy private savings for productive purposes and enable new capital formation in the real economy?

Access to credit is a key link between economic opportunity and outcomes. By empowering individuals to cultivate opportunity, financial inclusion can be a powerful agent for inclusive growth. This sub-pillar measures access and affordability of financial services with particular emphasis on banking for the poorest and most marginalized (the bottom 40%). An account at a formal financial institution generally reduces the cost of engaging in financial transactions, provides a ready vehicle for savings and access to funds, and serves as a reference for individuals wishing to obtain credit for small business development. With improved financial access, families can smooth out consumption and increase investment, including in education and health. They can also insure against unfavorable events, and therefore avoid falling deeper into poverty. Indicators are also included on prevalence of accounts used for business purposes, ease of access to credit, and depth of credit information (Financial Inclusion Sub-pillar).

Another important factor that influences employment and wage levels is the extent to which a country's financial system efficiently intermediates the flow of private savings to businesses in the real economy, as opposed to financial assets or real estate which result in little net new capital formation. Such business investment typically requires a medium- to long-term investment horizon to support investment in infrastructure, equipment, workforce skills, and innovation, which are crucial for firm competitiveness and growth. Accordingly, this sub-pillar includes indicators illustrating the extent to which the financial system fosters non-residential private investment and business capital formation. These include the extent of local equity market access, venture capital availability, domestic credit to firms by banks, private investment in infrastructure, non-residential private investment, private R&D expenditures, share turnover, bank lending to non-financial corporations, IPO issuances for both small- and large-cap firms, follow-on equity issuances,

and share buybacks. These latter indicators are expected to be replaced by a single measure of net equity issuance in the near future in order to provide an integrated picture of how well the financial system mobilizes risk capital (Intermediation of Business Investment Sub-pillar).

Pillar 5: Corruption and Rents

a) Business and Political Ethics

b) Concentration of Rents

- How well do the country's policies and institutions support broad-based economic opportunity and efficient allocation of resources through zero tolerance of bribery and corruption, low barriers to entry, and fair competition in product and capital markets?

Corruption has a chilling effect on personal initiative and entrepreneurship, and hence, on investment, job creation, and purchasing power. Its effects, both direct and indirect, are borne most heavily by ordinary citizens. It is corrosive, even antithetical, to social inclusion and economic growth as it represents the exploitation of power by the haves against the have-nots. This sub-pillar gauges perceptions of the ethical behavior of firms, efficacy of measures to combat corruption and bribery, diversion of public funds, irregular payments in tax collection, and public trust in politicians (Business and Political Ethics Sub-pillar). Undue concentration of wealth and market power and high barriers to entry discourage entrepreneurial initiative and the recycling of resources toward uses that have the most potential to contribute to productivity gains. As such, they also suppress economic growth and progress in living standards. This sub-pillar includes indicators measuring perceptions of the extent of market dominance, intensity of local competition, regulatory protection of incumbents as well as the concentration of land ownership, wealth, and banking-sector assets (Concentration of Rents Sub-pillar).³³

Pillar 6: Basic Services and Infrastructure

- a) Basic and Digital Infrastructure
- b) Health-related Services and Infrastructure

- To what extent does the country provide its citizens with a core, common endowment of infrastructure and other basic services that enable productive engagement in the economy and provide often budget-relieving and quality-of-life-enhancing contributions to their standard of living?

The common availability of basic services and infrastructure underpins equality of economic opportunity. For example, a well-developed transport infrastructure network is a prerequisite for less-developed communities to access core economic activities and services. Investment in the provision of health services, clean water, and sanitation is critical economically as well as morally. A healthy workforce is vital to a country's competitiveness, productivity, and inclusivity, as workers who are ill cannot function to their full potential. Exclusion from physical networks (water, power, telecommunications, transportation, logistics, solid waste disposal, etc.) constrains productivity and keeps people poor. Markets often do not naturally extend these networks to encompass the entire population, as it may not be cost-effective to connect poor people because the fixed costs cannot be recouped. The Basic and Digital Infrastructure Sub-pillar includes indicators that gauge the quality of overall infrastructure and domestic transport network, transport infrastructure investment as a proportion of GDP, overall access to electricity, inequality in access to electricity, proportion of urban population living in slums, dwellings without basic facilities, and several measures of access to and affordability of information and communications technology (ICT).

The Basic Health Services Sub-pillar gauges perceptions of the quality and accessibility of healthcare services, extent of out-of-pocket health expenses, access to improved drinking water and sanitation, inequality in access to safe drinking water and sanitation, undernourishment, particulate matter concentration, as well as gender-gap health measures including sex ratio at birth, female healthy-life expectancy as compared to male, and, finally, inequality-adjusted life expectancy.

Pillar 7: Fiscal Transfers

- a) Tax Code
- b) Social Protection

- To what extent does the country's tax system seek to counteract income inequality without undermining economic growth? How much of its tax burden falls on labor, capital, and consumption relative to its peers?
- To what extent are a country's public social protection systems engaged in mitigating poverty, vulnerability, and marginalization?

A nation's fiscal policy - the way governments collect and spend public resources - can play a major role in reducing poverty and inequality. Taxation is an important source of revenue to fund social protection programs and provides a means of directly redressing market inequalities. However, taxes must be designed well to minimize loopholes and ensure progressivity (that they are levied more strongly on those best able to afford them), and transfers must be targeted well to adequately reach those most in need without dampening incentives to work, save, and invest. This sub-pillar includes indicators measuring total tax revenue, total tax wedge as a percentage of labor costs, the incidence of taxes on capital, property, inheritance, and consumption, as well as the overall progressivity of the tax system and perceptions of its impact on incentives to work and invest (Tax Code Sub-pillar).

Social safety nets of various sorts can help societies mitigate the effects of external and transitory livelihood shocks as well as to meet the minimum needs of the chronically poor so that they too can participate in and benefit from growth. These include policies and programs to reduce the risks of unemployment, underemployment, or low wages resulting from inappropriate skills or poorly functioning labor markets. Other social insurance programs are designed to cushion risks associated with ill health, disability, work-related injuries, and old age. Social assistance and welfare schemes such as cash or in-kind transfers are intended for the most vulnerable groups that have no other means of adequate support. This sub-pillar includes indicators that comparatively assess: the total fiscal effort on coverage of public disability and health insurance; coverage and adequacy of public pension, unemployment, disability and health benefits; progressivity of pension benefits and perceived government spending; and adequacy of social assistance and insurance (Social Protection Sub-pillar).

Box 4: The International Labor Organization's Examination of Wages and Income Inequality

Debates about the economic role of wages have intensified in recent years. The ILO's *Global Wage Report 2014-2015* presents both the latest trends in average wages and an analysis of the role of wages in income inequality.¹

Global wage growth has been driven almost entirely by emerging and developing economies, where real wages have been rising – sometimes rapidly – since 2007, albeit with major regional variations. In 2013, for example, real wage growth reached 6 per cent in Asia but was less than 1 per cent in Latin America and Africa, and China alone accounted for almost half of the world's global wage growth. Comparing the purchasing power of their wages, an average American worker is still earning three times as much as a Chinese worker, but the gap is declining fast.

In developed economies, by contrast, wage growth has fluctuated within a narrow range since 2006 (plus or minus one per cent), and in some countries wages remain below their 2007 levels. In countries where labor productivity growth has exceeded real wage growth, higher wages would be desirable, to avoid widening inequality and slower economic growth.

Data shows that inequality often starts in the labor market. Changes in the distribution of wages and job losses accounted for 90 per cent of the sharp increase in inequality in Spain from 2006 to 2010, and 140 per cent of the increase in the United States in the same period. Conversely, when inequality fell considerably in Argentina (2003 to 2012) and Brazil (2001 to 2012), changes in the distribution of wages and paid employment accounted for 87 and 72 per cent of the change, respectively. This highlights the importance of coherent labor-market policies, including minimum wages and collective bargaining, alongside employment and social protection policies.

In developed economies where social transfers are an important source of income for the lowest-income groups, policies need to raise the quality and compensation levels of available work and help individuals in these households to move into employment. In emerging and developing economies, raising the income of low-income groups has been achieved through both direct employment programs (as in India and South Africa) and cash transfers (as in Brazil and Mexico, among many other countries). Although some of this inequality can be corrected with taxes and transfers, current trends in the labor market often place too heavy a burden on fiscal redistribution.

In the end, the most effective and sustainable route out of poverty for the working-age population is a productive, fairly paid job. Policies should be geared toward this objective.

¹ ILO Global Wage Report 2014/15: Wages and income inequality, <http://www.ilo.org/global/research/global-reports/global-wage-report/2014/lang--en/index.htm>.

Box 5: Technology and Inclusive Growth

Technological change can be an important driver of economic growth: in developing countries, a 10 percent increase in high-speed internet connections is associated with an increase in growth by an average of 1.4 percent.¹ Yet, whether it tends to create inclusive growth in the absence of supportive public policies is hotly debated. The technological progress of recent decades has been linked to the increasingly unequal global distribution of income: it has increased the premium commanded by high-skilled workers while enabling previously medium-skilled tasks to be performed by lower-skilled workers or off-shored to lower-wage economies.²

History suggests that any technology which displaces jobs also creates new kinds of jobs, which often require higher skills and pay better. However, it is unclear whether this trend will hold as rapid progress in artificial intelligence and robotics promises to diminish the range of tasks at which humans can outperform machines. Even if enough new categories of jobs emerge, managing the transition will become ever more challenging. Already, as more of our lives are lived online, individuals without access to technology are getting increasingly excluded from creating value and participating in social structures.

Nonetheless, there is ample evidence that technological advancement has strong potential to foster inclusive growth and job creation, notably by empowering the self-employed and small enterprises.³ One study in Niger found that farmers increased their income by 29% when ICT gave them better access to information.⁴ Online work offers opportunities for people who face barriers to working outside the home, whether due to geographical remoteness, physical disability, or cultural barriers (such as those against women's work in patriarchal cultures).

Technology is also fostering more inclusive growth by democratizing access to education. Open educational resources – publicly-shared teaching, learning, and research materials – are revolutionizing the management of education systems and the design of curriculums.⁵ The growing penetration of connectivity and increasing affordability of devices are bringing high-quality learning to some of the poorest parts of the world. Bridge International Academies in Kenya, for example, uses modern technology to inform teaching methods in schools aimed at families living in slums on less than \$2 a day.⁶

Likewise, innovations in mobile payment systems and peer-to-peer lending platforms are democratizing access to financial services and credit. Mobile money apps such as Kenya's M-PESA are giving small-scale entrepreneurs and low-income households access to a range of financial services, enabling them to grow their businesses and make financial transactions effortlessly.⁷ Mobile money can also reduce low-level corruption – minibuses in Nairobi are switching to contactless payment systems, which will reduce the scope for traffic police to solicit cash bribes.⁸

Technology has the potential to improve governance in other ways too: by enabling governments to share information more widely with citizens, and granting citizens the knowledge, tools, networks, and means for proactively bringing change to their communities. The growing capacity to capture and analyze data should also increasingly help organizations and leaders to better tackle social problems such as crime and disease through early identification of anomalous patterns. On the other hand, technological progress may also increasingly enable repressive governments to shut down controversial or challenging voices and shrink the space for civil society.

New technologies will always have the potential to be used in positive and negative ways. Technological change is the result of conscious decisions taken by scientists, investors, governments, and consumers, and its nature and direction can be influenced by public policies and market incentives. There is a role for public-private collaboration in mitigating the social and economic risks presented by technological change, and for maximizing benefits to produce more widespread stability and prosperity.

¹ See "The Affordability Report," Alliance for Affordable Internet, http://a4ai.org/affordability-report/report/#affordability_a_global_picture.

² See <http://www.oecd.org/eco/growth/49421421.pdf>.

³ Siddhartha Raja, Saori Imaizumi, Tim Kelly, Junko Narimatsu, and Cecilia Paradi-Guilford, "Connecting to Work," World Bank, September 2013, <https://openknowledge.worldbank.org/bitstream/handle/10986/16243/809770WP0Conne00Box379814B00PUBLIC0.pdf?sequence=1>.

⁴ See interview with Julius Gatune, "Rethinking the Information Economy," <http://reports.weforum.org/global-strategic-foresight-community/julius-gatune-african-centre-for-economic-transformation-rethinking-the-informal-economy/>.

⁵ See OER Commons, for instance, <https://www.oercommons.org/>.

⁶ See <http://reports.weforum.org/global-strategic-foresight-community/julius-gatune-african-centre-for-economic-transformation-rethinking-the-informal-economy/>.

⁷ Ibid.

⁸ Ibid.

III. Analyzing Country Results

Based on the empirical and benchmarking work of the Forum and its partners, over 140 quantitative indicators have been assembled to provide an illustration of enabling environment conditions and performance across 112 countries within each of the policy and institutional domains. These comparative profiles of institutional strength and use of policy space are intended to help spotlight and prioritize opportunities for improvement within countries and enable transfer of knowledge about best practices among them. By bringing a fuller spectrum of such opportunities into sharper relief on a country-by-country basis, the aim is to enable a more concrete and productive conversation within societies about how to achieve greater social inclusion along with stronger and more resilient growth.

Data are displayed within peer groups of countries at similar levels of development as defined by income. These four comparator groups of countries are: advanced, upper-middle income, lower-middle income and low-income. The first and last categories are based on IMF and World Bank classifications, respectively; and the threshold between upper- and lower-middle income countries is the same \$6,000 per capita (GDP per capita) level utilized in the World Economic Forum's *Global Competitiveness Report*.³ The categories also reflect differences in data sources – such as OECD and World Bank indicators – which limit comparisons between the advanced economies and those from developing regions.

Separate tables for each of the four groups of countries compare the pillar and sub-pillar scores of each country via a traffic-light shading scheme that ranks countries relative to their group. Red corresponds to the lowest relative performance within the group, yellow to the median, and dark green to the best performance.

Since this color scheme ranks countries only within each comparator group, colors are not comparable across income groups. However, the absolute numerical score values (on a scale of 1 to 7) that are displayed in each data field are largely comparable across the entire sample of 112 countries.⁴ When countries are missing data, this is indicated by white shading and a numerical value of N/A. If data is missing for more than 30% of indicators, the sub-pillar score is also left blank (see appendix for a full description of the methodology).

In addition to the cross-country sub-pillar tables

³ See methodology section for a full description of income groups and respective thresholds and list of countries covered.

⁴ There are some instances where an indicator was used in advanced economies but not in developing countries and vice versa. However, where possible, effort has been made to use the same indicators across all groups or the best available proxy. See methodology section of the appendix.

presented in this Report, the online version includes full individual country profiles. These list the score for every indicator within every sub-pillar for each country covered by the Report. Readers should consult their country's complete Inclusive Growth and Development Country Profile at <http://wef.ch/igd15>.

This Framework does not in any way suggest that there is a single, ideal policy or institutional mix for the pursuit of inclusive growth and development. The Forum's view is very much to the contrary and it is for this reason that, in contrast to the Forum's other benchmarking studies, an overall aggregate ranking or league table of countries has not been computed.

For the same reason, the Framework does not at this time assign different weights to the pillars, sub-pillars and indicators. This reflects the belief that no single pillar or individual factor is dispositive of inclusive growth and development. Rather, the indicators are taken to be simple proxies for prevailing conditions and the extent to which countries are using the available policy space. As such, scores at the pillar level should be interpreted merely as markers or signposts for where further investigation of the country's policy or institutional framework might be warranted by virtue of a weak or strong score in that specific domain relative to its peer group. The underlying assumption is that different approaches and policy mixes will be appropriate to different countries depending on their historical, cultural, and political-economy circumstances. However, it warrants emphasis that *what countries often do have in common is an unexploited opportunity to think more systematically about the full range of instruments and approaches available to address the problem.*

Six significant findings emerge from an overview of the data:

1) All countries have room for improvement. There is considerable diversity in performance not only across but also within countries. No country is a top performer (appearing dark green) in every sub-pillar. Indeed, not a single country scores above average in all 15 sub-pillars. Only a handful come close: Australia, Canada, Finland, Norway, and Switzerland among advanced countries; and Hungary, Malaysia, and Mauritius among upper-middle income countries.

2) There is no inherent trade-off in economic policy-making between the promotion of social inclusion and that of economic growth and competitiveness; it is possible to be pro-equity and pro-growth at the same time. Several of the strongest performers in the Forum's Global Competitiveness Index (GCI) also have a relatively strong inclusive growth and development profile. This is significant because, while there is some overlap in concepts, notably in the areas of education, infrastructure, and corruption, the two exercises examine different aspects of the economic enabling environment. For example, on education the GCI includes indicators measuring access and quality, while this database also includes measures of equity of outcomes; on labor markets, the GCI includes indicators on flexibility, while this exercise adds parameters relating to such matters as worker protection, working conditions, wages, and non-wage compensation.

3) Larger fiscal transfers are not necessarily incompatible with growth and competitiveness, but neither are they always the primary or most effective available option for broadening socioeconomic inclusion.³⁴ Many of the world's most competitive economies have high levels of social protection and the significant tax burdens these imply (e.g. the flexi-security model of Nordic economies). However, what is even more striking is the diverse experience in the use and impact of redistributive transfers depending upon the extent to which policy space in other areas is being exploited.

A closer look at Gini coefficients for inequality in both market income (pre-taxes and transfers) and net income (after taxes and transfers) is revealing in this respect. Figures 3 and 4 illustrate the importance of redistribution as a policy lever. However, they also reveals that social inequality (as measured by the Gini after taxes and transfers) is influenced just as much by the level of inequality prevailing before fiscal transfers as by the size of such transfers. Some countries start from a relatively high level of inequality from market activity but compensate through aggressive use of fiscal transfers to achieve a moderate level of inequality

(for example Ireland, Hungary, Poland, Latvia, and the Nordics). Others achieve moderate or low Ginis mainly because their pre-transfer level of inequality is comparatively modest to begin with rather than due to the significance of their transfers (e.g. Republic of Korea, Japan, Switzerland, Ukraine and, to a lesser extent, Slovak Republic, and Slovenia). Even within the Nordic countries there is considerable variation. Countries like Sweden and Denmark redistribute more than Finland and Norway, which redistribute more than Iceland, indicating there are many different ways of achieving inclusive growth. (See Figure 3)

4) Policies and institutions supporting social inclusion are not solely a luxury of high-income countries. While the

absolute scores within some sub-pillars are correlated with income (particularly those for Social Protection, Wage and Non-Wage Compensation, Health Services and Infrastructure, and Home and Financial Asset Ownership), many are not.

There is extensive overlap in absolute scores across at least three of the four income groups of countries in the sub-pillars of Business and Political Ethics, Tax Code, Financial System Inclusion, Intermediation of Business Investment, Productive Employment, Concentration of Rents, and Educational Quality and Equity. Even in sub-pillars in which absolute scores are correlated with income across the four peer groups, there are typically significant variations in scores within peer groups, and the income ranges within these groups are very large indeed. The wealthiest countries in each peer group typically enjoy levels of GDP per capita three or four times above those of the poorest members of the group.

This suggests there is much that countries at all levels of economic development can do to improve their inclusive growth and development model. There is also much they can learn from each other, including from those outside their peer group, whether at higher or lower levels of overall economic development.

Figure 3: The Role of Redistribution in Reducing Market Income Inequality

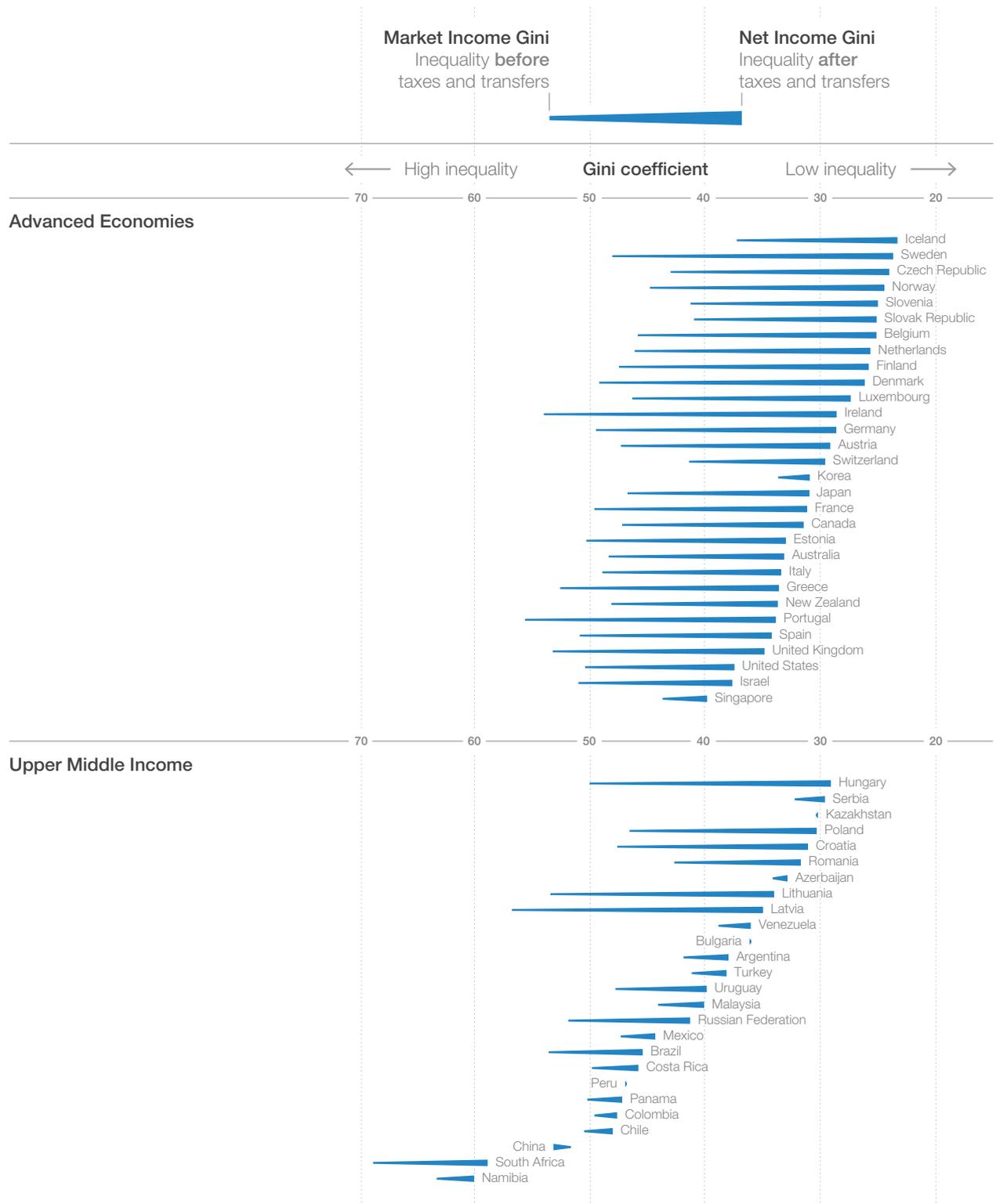
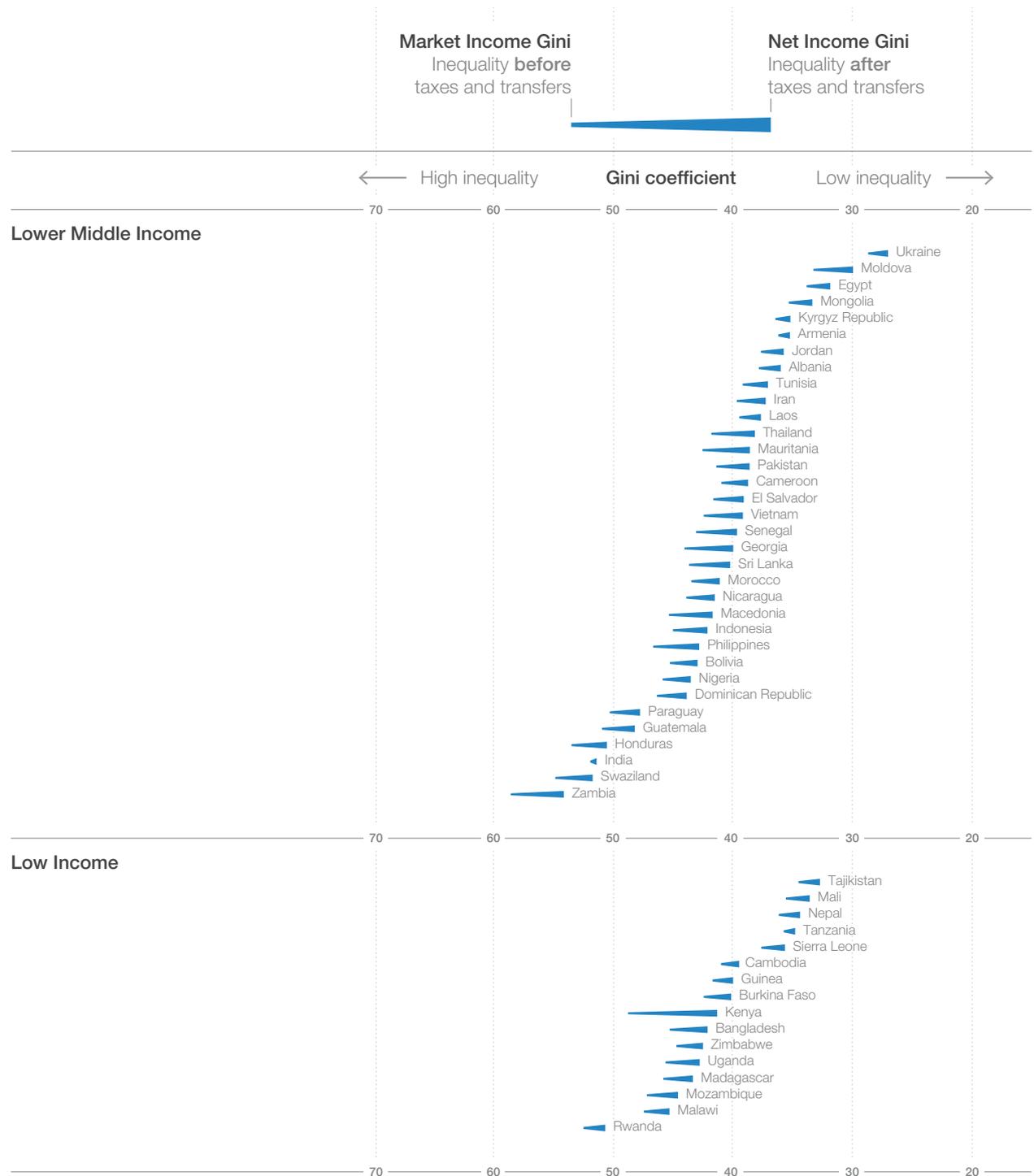


Figure 3: The Role of Redistribution in Reducing Market Income Inequality, continued



Source: The Standardized World Income Inequality Database, 2012 or most recent

5) There are, however, significant regional or cultural similarities. Regional clustering of relatively weak sub-pillar scores includes Eastern European countries on Tax Systems, East Asian countries on Social Protection, and Latin American countries on Educational Equity. Regional clustering of relatively strong scores includes Eastern Europe on Education and Skills, and Northern European countries on Employment and Compensation as well as Education and Skills. This suggests that there are shared historical traditions and political-economy reflexes that are more deeply rooted than the particular acts or omissions of policy in these individual countries. These merit further investigation.

6) Seen from a practical, evidence-based perspective, the current debate on inequality and social inclusion is unduly narrow and unnecessarily polemicized. It is possible, indeed essential, to be pro-labor and pro-business, to advocate a strengthening of both social inclusion and the efficiency of markets. The inequality debate focuses almost exclusively on up-skilling of labor and redistribution - when it moves beyond problem identification. For many countries, these may be among the most appropriate responses to widening dispersion of incomes, but they represent only a minority of the policy options available. To focus only on them is to miss the fuller opportunity to adapt or “structurally adjust” one’s economy to the challenge of strengthening the contribution of economic growth to broad-based progress in living standards, in the face of forces such as technological change and global economic integration that can pull in the opposite direction.

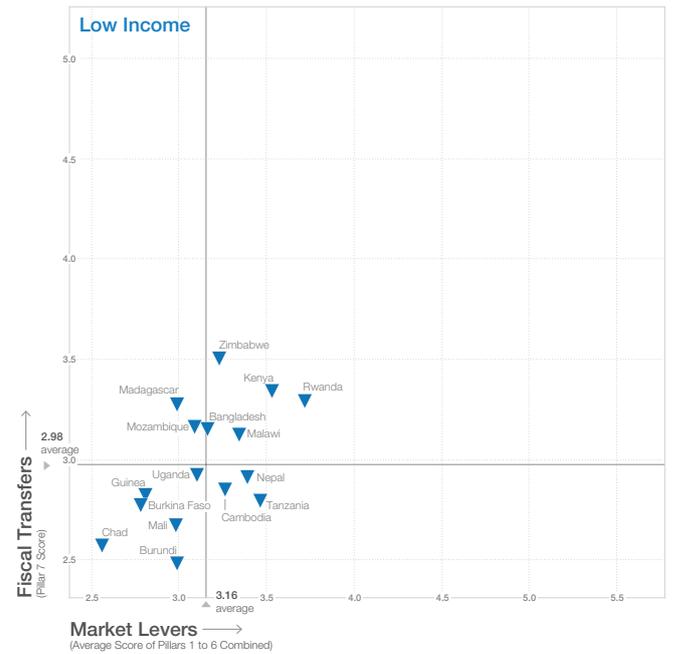
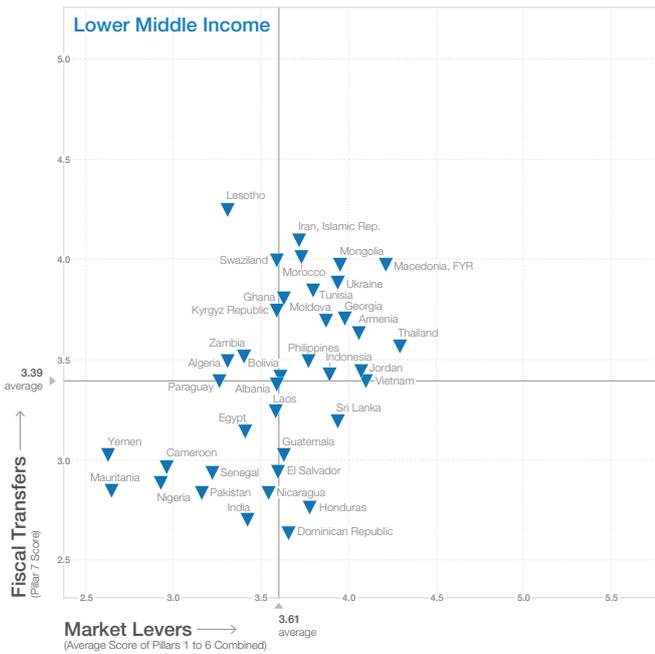
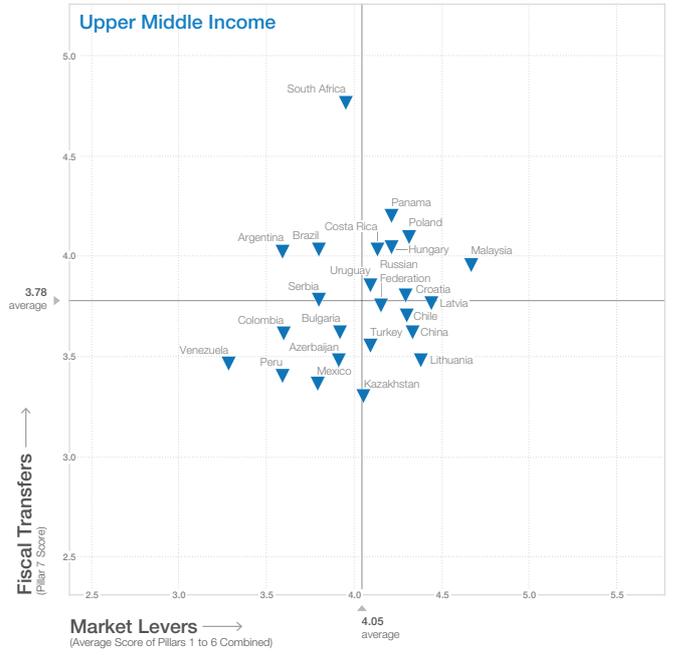
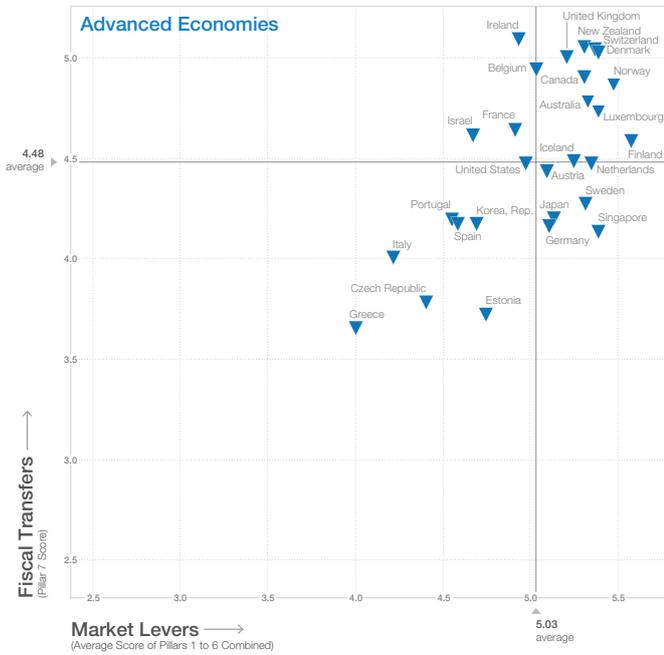
Some other actionable options are not traditionally thought of as equity-enhancing because they concern strengthening of the enabling environment for business entrepreneurship and investment. But these can be just as critical to a country’s success in advancing living standards. As further explored in Box 4, digitization will continue to create enormous challenges for employment in manufacturing in many industries and countries. However, it also has the potential to create extensive opportunities for new entrepreneurs and small businesses by reducing barriers to entry and scale, while dis-intermediating and unbundling existing activities performed by larger organizations, including in international trade. As manufacturing productivity improves and societies age, the market for services – many of which

are less tradable across borders than goods – will expand, creating further opportunities for employment, small-business ownership, and asset building. While wider markets and lower transaction costs driven by the scaling and leveling effects of technology and integration are increasing the returns to capital and innovation, the creation of a conducive regulatory and financial environment for running and investing in small businesses can help a larger proportion of the working population to capture a larger share of these gains through the profits and equity appreciation that can accompany ownership of a small business.

Similarly, in today’s more internationally competitive and technologically dynamic environment, the effectiveness of business investment is a critical determinant of a country’s ability to support productive industrial employment. Other critical determinants of the number and quality of employment opportunities are the quality and cost of infrastructure and basic services that link goods to markets and equip people for jobs; the cost and patience of capital available for long-term investment in industrial production and productivity improvements; and the extent of deadweight losses to economic efficiency and innovation in the form of corruption and rents. These must be considered just as critical to inclusive growth as efforts to improve skills or fiscal transfers.

In this sense, an inclusive growth and development model is one that is inherently pro-labor and pro-business. Political myths and polemics to the contrary serve only to distract attention from the practical work of governments to assess their strengths and weaknesses and then marshal the imagination and coalitions necessary to construct a coherent and durable national strategy - all based on an understanding that wide-spectrum economic institution building is just as important for the promotion of broad-based progress in living standards as the maintenance of sound macroeconomic policy and competitive product, labor, and capital markets is for expanding GDP.

Figure 4: Use of Policy Space: Market Levers versus Fiscal Transfers



Box 6: Use of Policy Space: Market Levers versus Fiscal Transfers

Figure 4 aggregates the results of pillars 1 - 6 to explore this relationship further, this Report aggregates the results of pillars 1-6 to illustrate the relative emphasis laid by countries on market policy and institutional levers, and plots this score against pillar 7, which measures the extent of countries' use of fiscal transfers. See Figure 4. Countries appearing in the upper right quadrant are making the greatest use of both sets of policy and institutional levers, whereas countries appearing in the bottom left quadrant are making the least use of either strategy (implying that they have the most unexploited policy space relative to the experience of their peers, which is to say that their economies have the weakest inclusive growth and development institutional profile in their peer group). Countries in the upper left quadrant are making comparatively good use of fiscal transfers but have significant unexploited policy space relative to the experience of their peers in the areas affecting pre-transfer inequality. The opposite is the case for countries appearing in the bottom right quadrant.

Advanced Economies make the most use of the two different sets of policy levers, but even top performers have room for improvement - no country comes close to the maximum (score of 7) in either of these areas. Countries that have the most conducive enabling environment across market-related and fiscal-transfer institutions include Norway, New Zealand, Switzerland, Denmark, Canada, and the UK. Countries lagging the most in this group include Greece, Czech Republic, Italy, Portugal, Spain, and Estonia. Singapore relies most disproportionately on pre-transfer mechanisms to achieve on fiscal transfers.

In the **Upper-Middle Income** group, Panama, Hungary, Malaysia, and Poland take greatest advantage of both market related institutions and fiscal transfers, whereas Venezuela, Peru, Mexico, Colombia, and Azerbaijan make comparatively limited use of either mechanism. China, Lithuania, and Chile disproportionately emphasize pre-transfer institutions and policy incentives. In fact, Bulgaria, China and Peru are the only countries among all 112 whose post-transfer Gini is higher than their pre-transfer Gini, suggesting that their fiscal systems may have a net regressive effect and therefore particularly merit strengthening.⁵ Kazakhstan also makes little use of fiscal transfers evident from the very negligible difference between its pre- and post-transfer Gini coefficients (less than 1 point change). South Africa, by contrast, makes relatively expansive use of fiscal transfers in relation to its use of policy and institutional levers supporting more equal market outcomes.

Lower-Middle Income countries fall just slightly behind upper-middle income countries in their overall performance in these two domains, with Macedonia, Mongolia, Ukraine, Thailand, Georgia, and Armenia taking the greatest advantage of both areas of policy space, and India, Pakistan, and Senegal taking the least. India's use and targeting of fiscal transfers in particular could merit strengthening as evident from the very negligible difference between their pre- and post-transfer Gini coefficients. Lesotho relies most disproportionately on institutions acting through the market, whereas Sri Lanka relies most disproportionately on fiscal transfers.

Low-Income countries struggle the most overall to provide institutional support for social inclusion. Yet, given the limited resources at their disposal, countries like Rwanda and Kenya manage to make good use of a mixture of tools, while Chad, Burundi, and Burkina Faso have the weakest institutions across the two dimensions. Madagascar relies most disproportionately on pre-transfer institutions, whereas Tanzania relies more heavily on transfers than other countries in its group.

An important caveat regarding fiscal transfers: efficiency of spending is also important. More transfers are not necessarily better, if resources are not targeted and channeled efficiently to where they are most needed. With progressive taxation and targeted programs, countries like Australia and New Zealand show it is possible to achieve more with less. Clarifying the relationship between fiscal transfers (taxation and social protection) and market-based policy levers represents an important area for future research.

⁵ As these figures are based on estimates from the Standardized World Income Inequality Database, small differences must be interpreted with caution.

Table 1: Dashboard of National Key Performance Indicators

Advanced Economies



	Growth and Competitiveness			Income-related Equity				Intergenerational Equity		
	GDP per capita growth rate (2005-14)	CCR score (2014-15)	Labor productivity growth rate (2003-12)	Labor share of income (2010)	Pre-transfer Gini (2013)*	Post-transfer Gini (2013)*	Poverty rate (2012)*	Median household income growth (2001-11)	Natural capital, ANS (2012)	Government debt, % GDP (2013)
Australia	1.26	5.08	0.75	48.0%	48.3	33.1	13.8%	13.31	10.53	28.8
Austria	0.88	5.16	0.47	49.3%	47.3	29.1	9.5%	n/a	13.69	74.2
Belgium	0.39	5.18	0.53	51.5%	45.8	25.1	9.6%	n/a	8.00	99.8
Canada	0.84	5.24	0.50	50.4%	47.2	31.4	11.7%	6.63	8.65	89.1
Czech Republic	2.13	4.53	2.46	42.3%	43.0	23.9	5.2%	6.41	4.05	47.9
Denmark	0.15	5.29	0.67	55.3%	49.2	26.1	6.0%	5.36	12.99	45.2
Estonia	3.53	4.71	3.43	46.2%	50.3	32.9	11.5%	9.66	14.54	11.3
Finland	0.69	5.50	0.68	50.9%	47.4	25.7	6.6%	8.98	8.25	57.0
France	0.55	5.08	0.80	53.5%	49.6	31.1	8.0%	6.93	8.71	93.9
Germany	1.48	5.49	0.56	57.2%	49.4	28.6	8.7%	1.19	13.08	78.1
Greece	-1.46	4.04	0.46	35.1%	52.6	33.5	15.2%	8.32	-9.16	173.8
Iceland	1.67	4.71	1.94	54.2%	37.2	23.2	6.1%	2.84	1.86	90.2
Ireland	-0.02	4.98	1.27	43.0%	54.0	28.5	8.3%	6.59	14.89	122.8
Israel	2.38	4.95	1.18	48.9%	51.0	37.6	20.9%	1.63	13.85	66.7
Italy	-0.76	4.42	-0.46	42.3%	48.9	33.3	12.6%	10.11	3.05	132.5
Japan	0.88	5.47	0.89	52.1%	46.7	30.9	16.0%	n/a	3.17	243.2
Korea, Rep.	3.34	4.96	2.72	45.1%	33.6	30.8	14.6%	n/a	24.35	36.7
Luxembourg	0.64	5.17	-0.38	50.0%	46.3	27.3	8.3%	19.30	10.29	22.9
Netherlands	0.78	5.45	0.77	50.9%	46.1	25.6	7.8%	11.55	14.69	74.9
New Zealand	0.94	5.20	0.47	44.4%	48.1	33.6	9.8%	n/a	8.49	35.9
Norway	0.50	5.35	0.20	44.5%	44.8	24.4	7.7%	16.88	21.69	29.5
Portugal	-0.17	4.54	1.13	48.1%	55.6	33.8	13.0%	n/a	1.45	128.8
Slovak Republic	4.07	4.15	3.67	37.3%	40.9	25.0	8.3%	3.70	5.58	54.9
Slovenia	1.15	4.22	1.77	52.3%	41.2	24.9	9.8%	2.20	9.43	73.0
Spain	-0.17	4.55	0.85	47.8%	50.8	34.2	14.0%	3.30	6.11	93.9
Sweden	1.21	5.41	1.48	53.6%	48.0	23.6	9.7%	n/a	17.84	41.4
Switzerland	1.21	5.70	0.74	58.7%	41.3	29.5	10.3%	n/a	21.91	49.4
United Kingdom	0.48	5.41	0.85	53.7%	53.2	34.8	10.0%	4.34	1.78	90.1
United States	0.84	5.54	1.35	55.1%	50.4	37.4	17.4%	-2.12	5.74	104.5
Singapore	3.72	5.65	2.63	42.2%	43.6	39.8	26.0%	n/a	36.39	103.8

Table 2: Dashboard of National Key Performance Indicators

Upper Middle Income



	Growth and Competitiveness			Income-related Equity			Intergenerational Equity			
	GDP per capita growth rate (2005-14)	GCI score (2014-15)	Labor productivity growth rate (2003-12)	Pre-transfer Gini (2013)*	Post-transfer Gini (2013)*	Poverty rate (2012)*	Median household income growth (2001-11)	Share of middle class, \$10-50/day (2011)	Natural capital, ANS (2012)	Government debt, % GDP (2013)
Argentina	4.16	3.79	1.74	41.8	37.9	2.0	7.57	56.0	-21.28	46.9
Azerbaijan	10.58	4.53	12.13	34.1	32.8	2.8	n/a	n/a	15.24	13.8
Brazil	2.45	4.34	1.18	53.6	45.4	10.8	3.64	43.7	2.47	66.3
Bulgaria	3.37	4.37	2.80	35.9	36.1	2.0	3.07	58.4	10.33	17.6
Chile	3.46	4.60	1.98	50.5	48.0	2.7	4.30	56.8	-4.89	12.2
China	9.70	4.89	10.23	51.6	53.1	27.2	2.98	21.9	34.82	22.4
Colombia	3.35	4.23	1.39	49.6	47.6	15.8	2.81	31.5	0.58	31.8
Costa Rica	3.05	4.42	1.39	49.8	45.8	6.0	2.63	49.9	15.40	37.0
Croatia	1.20	4.13	0.34	47.6	31.0	2.0	9.13	86.2	4.25	59.8
Hungary	1.29	4.28	1.80	50.0	29.0	2.0	4.77	82.5	10.43	79.2
Kazakhstan	5.52	4.42	4.70	30.3	30.1	2.0	4.65	37.8	-6.16	13.5
Latvia	4.75	4.50	4.90	56.7	34.9	2.0	4.63	69.6	12.83	32.1
Lithuania	4.15	4.51	5.13	53.4	33.9	2.0	4.50	62.2	8.33	39.3
Malaysia	3.19	5.16	1.98	44.0	40.0	2.3	6.34	59.6	15.86	58.2
Mexico	1.41	4.27	0.20	47.3	44.3	4.5	2.36	35.9	10.67	46.5
Namibia	3.71	3.96	n/a	63.3	60.0	51.1	n/a	n/a	14.96	26.6
Panama	6.48	4.43	n/a	50.2	47.2	13.8	2.21	41.5	22.71	41.3
Peru	5.19	4.24	3.78	46.8	46.9	12.7	3.05	35.5	13.74	19.6
Poland	4.10	4.48	3.03	46.5	30.3	2.0	2.89	67.8	8.08	57.5
Romania	4.27	4.30	4.57	42.6	31.6	2.0	2.97	27.3	5.95	39.3
Russian Federation	4.21	4.37	3.96	51.9	41.3	2.0	9.79	72.7	13.66	13.4
Serbia	3.56	3.90	6.19	32.2	29.5	2.0	0.06	57.1	n/a	65.8
South Africa	1.86	4.35	2.11	68.8	58.9	31.3	1.30	23.0	-1.51	45.2
Turkey	3.61	4.46	2.47	41.1	38.1	4.7	3.68	49.8	8.53	35.8
Uruguay	5.34	4.04	3.79	47.8	39.8	2.0	4.74	62.7	2.60	59.4
Venezuela	4.17	3.32	1.18	38.8	36.0	12.9	2.66	42.9	6.38	49.8

Table 3: Dashboard of National Key Performance Indicators

Lower Middle Income



Bottom 20% Rank in pillar Top 20%

	Growth and Competitiveness			Income-related Equity			Intergenerational Equity			
	GDP per capita growth rate (2005-14)	GCI score (2014-15)	Labor productivity growth rate (2003-12)	Pre-transfer Gini (2013)*	Post-transfer Gini (2013)*	Poverty rate (2012)*	Median household income growth (2001-11)	Share of middle class, \$10-50/day (2011)	Natural capital, ANS (2012)	Government debt, % GDP (2013)
Albania	4.32	3.84	4.32	37.8	35.9	4.3	1.58	13.30	2.42	70.5
Algeria	1.31	4.08	-0.14	n/a	n/a	23.6	n/a	n/a	28.25	9.2
Armenia	5.61	4.01	7.30	36.1	35.2	19.9	1.55	7.30	2.37	41.9
Bolivia	3.26	3.77	1.25	45.2	42.9	24.9	1.33	26.50	6.54	33.1
Cameroon	1.09	3.66	-1.08	40.9	38.7	30.4	0.04	11.40	2.18	18.6
Dominican Republic	3.80	3.82	2.13	46.3	43.8	9.9	-0.19	38.10	-1.72	33.8
Egypt	2.83	3.60	0.46	33.8	31.8	15.4	0.74	24.20	1.30	89.2
El Salvador	1.33	4.01	n/a	41.6	39.0	16.9	0.39	24.90	5.57	54.9
Georgia	5.49	4.22	7.48	44.0	39.9	35.6	0.62	11.00	6.38	31.8
Ghana	4.90	3.71	3.01	n/a	n/a	51.8	0.60	4.10	12.08	60.1
Guatemala	1.02	4.10	1.05	50.9	48.2	26.3	0.39	28.20	-0.67	24.4
Honduras	1.35	3.82	n/a	53.5	50.5	29.8	0.69	27.20	11.19	40.2
India	6.30	4.21	6.46	51.9	51.4	68.7	0.57	3.20	17.00	66.7
Indonesia	4.30	4.57	3.59	45.0	42.1	43.3	1.37	6.00	22.77	26.1
Iran, Islamic Rep.	1.54	4.03	1.61	39.6	37.2	8.0	-0.87	34.80	-1.01	10.6
Jordan	3.27	4.25	1.54	37.6	35.7	2.0	2.62	61.20	5.36	87.7
Kyrgyz Republic	3.30	3.73	2.04	36.4	35.1	21.6	2.31	9.20	-3.66	47.7
Lao PDR	5.82	3.91	n/a	39.4	37.6	66.0	0.45	3.40	-5.99	62.0
Lesotho	3.55	3.73	n/a	n/a	n/a	62.3	n/a	n/a	22.06	39.6
Macedonia, FYR	3.27	4.26	1.63	45.3	41.6	6.9	2.26	35.40	19.46	35.8
Mauritania	2.89	3.00	n/a	42.5	38.5	47.7	0.23	7.50	4.60	87.7
Moldova	4.83	4.03	7.34	33.2	29.9	4.4	4.97	31.90	11.70	24.4
Mongolia	7.68	3.83	n/a	35.3	33.3	n/a	n/a	n/a	8.05	63.0
Morocco	3.25	4.21	0.20	43.4	41.0	14.0	1.66	23.90	16.29	61.9
Nicaragua	2.44	3.82	n/a	43.8	41.5	31.7	0.87	13.70	13.55	42.4
Nigeria	5.89	3.44	4.09	45.8	43.5	84.5	0.59	2.00	17.71	19.4
Pakistan	2.44	3.42	0.55	41.3	38.5	60.2	0.53	2.40	11.12	63.1
Paraguay	3.05	3.59	n/a	50.3	47.7	13.2	1.90	40.00	3.41	15.2
Philippines	3.56	4.40	2.85	46.6	42.8	41.5	0.32	13.60	25.71	38.3
Senegal	0.95	3.70	0.97	43.0	39.6	55.2	0.65	4.00	13.90	45.9
Sri Lanka	5.85	4.19	4.19	43.6	40.2	23.9	2.06	18.70	19.86	78.3
Swaziland	1.04	3.55	n/a	54.8	51.7	60.4	0.55	5.20	2.21	18.8
Thailand	3.45	4.66	2.70	41.7	38.1	4.1	2.88	40.30	14.28	45.3
Tunisia	2.91	3.96	2.70	39.1	37.0	4.3	1.82	32.50	0.37	44.4
Ukraine	3.23	4.14	4.08	28.6	26.9	2.0	6.18	59.50	4.43	41.0
Vietnam	5.21	4.23	3.83	42.4	39.1	43.4	1.45	6.20	18.81	55.0
Yemen	-0.57	2.96	-1.41	n/a	n/a	46.6	-1.20	8.70	n/a	49.9
Zambia	4.70	3.86	3.03	58.6	54.1	86.6	-0.69	3.20	6.08	35.1

Table 4: Dashboard of National Key Performance Indicators

Low Income



	Growth and Competitiveness			Income-related Equity			Intergenerational Equity			
	GDP per capita growth rate (2005-14)	GCI score (2014-15)	Labor productivity growth rate (2003-12)	Pre-transfer Gini (2013)*	Post-transfer Gini (2013)*	Poverty rate (2012)*	Median household income growth (2001-11)	Share of middle class, \$10-50/day (2011)	Natural capital, ANS (2012)	Government debt, % GDP (2013)
Bangladesh	4.98	3.72	2.77	45.2	42.1	76.5	0.43	1.70	24.77	39.7
Burkina Faso	3.26	3.21	3.80	42.4	40.1	72.6	0.40	1.50	10.21	33.3
Burundi	0.67	3.09	n/a	n/a	n/a	93.5	0.29	0.30	-11.04	31.7
Cambodia	5.88	3.89	5.53	40.9	39.4	49.5	1.29	6.00	-0.20	28.1
Chad	5.58	2.85	n/a	n/a	n/a	83.3	n/a	n/a	6.95	30.2
Guinea	0.16	2.79	n/a	41.6	39.9	69.6	0.10	1.60	-43.18	37.8
Kenya	2.47	3.93	1.83	48.7	41.3	67.2	-0.59	6.60	4.81	50.5
Madagascar	0.24	3.41	0.22	45.8	43.3	92.6	-0.05	0.90	1.20	49.8
Malawi	2.44	3.25	1.95	47.4	45.3	82.3	0.43	1.00	2.45	68.9
Mali	0.90	3.43	2.23	35.5	33.5	78.7	0.35	0.50	8.48	31.5
Mozambique	4.40	3.24	5.44	47.2	44.5	81.8	0.49	1.10	3.88	43.3
Nepal	2.95	3.81	n/a	36.1	34.3	57.3	1.08	3.40	33.69	31.0
Rwanda	4.97	4.27	n/a	52.5	50.6	82.4	0.37	1.50	7.31	29.4
Sierra Leone	5.24	3.10	n/a	37.6	35.6	79.6	0.30	1.50	1.75	32.6
Tajikistan	4.81	3.93	4.82	34.4	32.6	27.7	1.27	1.80	9.19	29.2
Tanzania	3.60	3.57	2.70	35.7	34.7	87.9	0.49	0.70	14.85	41.0
Uganda	3.54	3.56	3.57	45.6	42.7	64.7	0.82	3.30	-4.34	33.9
Zimbabwe	-0.37	3.54	5.10	44.7	42.4	n/a	n/a	n/a	n/a	54.7

Table 5: Cross-Country Pillar and Sub-pillar Comparison

Advanced Economies

	Education				Employment			Asset Building		
	Pillar	Sub-pillars			Pillar	Sub-pillars		Pillar	Sub-pillars	
		Access	Quality	Equity		Productive Employment	Wage and non-wage compensation		Small Business Ownership	Home and Financial Asset Ownership
Australia	5.45	6.6	5.0	4.7	4.67	5.2	4.1	5.55	5.5	5.6
Austria	5.22	6.6	4.8	4.3	5.34	5.7	5.0	4.70	4.9	4.5
Belgium	5.47	6.5	5.3	4.5	4.91	5.2	4.6	4.55	4.8	4.3
Canada	5.62	6.1	5.3	5.4	4.64	5.1	4.2	5.19	4.9	5.5
Czech Republic	5.05	6.4	4.3	4.5	4.68	5.3	4.1	4.06	4.0	4.2
Denmark	5.56	6.6	5.4	4.7	5.80	5.6	6.0	5.35	5.5	5.2
Estonia	5.61	6.1	5.1	5.7	4.60	5.3	4.0	4.53	4.8	4.3
Finland	5.99	6.4	5.9	5.6	5.57	5.7	5.5	5.78	5.4	6.1
France	5.15	6.2	4.8	4.4	4.63	5.1	4.2	4.67	4.8	4.5
Germany	5.38	6.5	4.9	4.7	5.30	5.8	4.8	4.52	5.2	3.8
Greece	4.43	5.9	3.7	3.7	3.80	3.8	3.8	3.47	3.8	3.2
Iceland	5.53	6.2	5.5	5.0	5.55	5.7	5.4	5.11	5.5	4.7
Ireland	5.32	5.7	5.4	4.8	4.28	4.6	4.0	4.95	4.9	5.0
Israel	4.84	6.2	4.6	3.7	4.76	5.2	4.3	4.82	5.0	4.7
Italy	4.94	6.2	4.0	4.5	4.38	4.1	4.7	3.53	3.8	3.3
Japan	5.49	5.9	4.9	5.7	4.54	5.3	3.8	4.73	5.1	4.4
Korea, Rep.	5.70	6.0	5.1	6.0	4.52	5.1	3.9	4.21	5.3	3.1
Luxembourg	4.92	5.8	4.8	4.2	4.99	5.7	4.3	5.33	5.6	5.0
Netherlands	5.80	6.7	5.4	5.3	5.12	5.9	4.3	5.44	5.4	5.5
New Zealand	5.37	6.2	5.5	4.4	4.61	5.2	4.0	5.27	5.6	4.9
Norway	5.70	6.6	5.4	5.2	6.00	6.1	5.9	5.10	5.8	4.4
Portugal	5.03	6.0	4.9	4.2	4.48	4.6	4.4	4.18	4.4	3.9
Singapore	5.67	5.8	5.4	5.7	5.32	6.1	4.6	5.45	5.7	5.3
Slovak Republic	4.30	6.0	3.8	3.1	4.27	4.5	4.1	3.93	4.1	3.8
Slovenia	5.20	6.5	4.7	4.4	4.73	5.2	4.3	4.32	4.6	4.1
Spain	5.04	6.3	4.4	4.5	4.10	4.1	4.0	4.35	4.4	4.3
Sweden	5.36	6.4	5.1	4.6	5.76	5.6	5.9	5.20	5.5	4.9
Switzerland	5.76	6.5	5.4	5.5	5.18	6.0	4.4	5.15	5.2	5.1
United Kingdom	5.19	5.8	5.0	4.7	4.64	5.2	4.1	5.31	5.4	5.2
United States	5.17	6.3	4.9	4.3	4.16	5.1	3.2	5.75	6.0	5.5

Note: The traffic light shading indicates performance relative to peer countries belonging to the same income group. Red corresponds to the lowest quintile of performance within the group, orange to the fourth quintile, yellow to the median or middle quintile, light green to the second quintile, and dark green to the best quintile of performers. For low-income countries, a single color calibration has been performed based on the range in scores of the lower-middle income countries. This has been done to highlight the still significant room for improvement even for the best performers within the low income group. Since this color scheme ranks countries only within each comparator group, colors are not comparable across income groups. Pillar and sub-pillar scores are based on 1 to 7 scale, with 1 representing the worst and 7 the best, and are largely comparable across the entire sample of 112 countries.



Financial Intermediation			Corruption			Basic Services			Fiscal Transfers		
Pillar	Sub-pillars		Pillar	Sub-pillars		Pillar	Sub-pillars		Pillar	Sub-pillars	
	Financial System Inclusion	Intermediation of Business Investment		Business and Political Ethics	Concentration of Rents		Basic and Digital Infrastructure	Health Services and Infrastructure		Tax Code	Social protection
5.23	5.8	4.6	4.98	5.3	4.6	6.07	5.7	6.4	4.78	4.5	5.0
4.63	5.8	3.5	4.78	4.8	4.7	5.95	5.5	6.4	4.43	3.4	5.5
4.59	5.3	3.8	5.01	5.2	4.8	5.74	5.2	6.3	4.94	4.4	5.5
5.39	6.1	4.7	5.00	5.4	4.5	6.02	5.6	6.4	4.90	4.9	4.9
3.46	4.1	2.9	3.51	3.1	4.0	5.69	5.2	6.2	3.78	3.1	4.5
4.46	4.9	4.0	4.98	6.0	4.0	6.16	5.9	6.5	5.02	4.3	5.7
3.75	4.7	2.8	4.45	4.9	4.0	5.56	5.2	5.9	3.72	3.1	4.3
4.57	4.9	4.3	5.36	6.3	4.5	6.22	5.9	6.5	4.58	3.9	5.3
4.42	5.2	3.6	4.68	4.8	4.6	5.99	5.7	6.3	4.64	4.0	5.2
4.67	6.0	3.4	4.91	5.4	4.4	5.91	5.5	6.3	4.16	3.2	5.1
3.58	3.5	3.6	3.60	3.0	4.2	5.17	4.9	5.5	3.65	3.5	3.8
4.31	4.2	4.5	5.00	5.2	4.8	6.01	5.7	6.3	4.48	4.2	4.7
4.36	5.1	3.7	5.05	5.5	4.6	5.71	5.3	6.1	5.09	4.5	5.6
4.49	4.7	4.3	3.70	4.0	3.4	5.46	5.1	5.8	4.61	4.9	4.4
3.32	4.0	2.7	3.80	3.0	4.6	5.35	4.7	6.0	4.00	3.7	4.3
4.40	5.2	3.6	5.69	5.6	5.7	5.98	5.6	6.3	4.20	4.1	4.3
4.48	4.6	4.4	3.93	3.4	4.4	5.39	5.3	5.5	4.17	4.1	4.3
5.32	6.1	4.5	5.61	6.0	5.3	6.17	5.8	6.6	4.73	4.6	4.8
4.38	5.1	3.6	5.10	5.7	4.5	6.23	5.8	6.6	4.47	3.5	5.4
5.24	5.8	4.6	5.37	6.4	4.3	5.99	5.4	6.6	5.05	4.8	5.3
4.59	5.1	4.1	5.30	6.1	4.5	6.18	5.7	6.6	4.86	4.3	5.5
3.89	4.4	3.4	4.02	4.1	3.9	5.74	5.3	6.2	4.19	3.8	4.6
4.85	4.8	4.9	5.20	6.3	4.1	5.87	6.1	5.7	4.13	4.0	4.2
N/A	4.1	N/A	3.73	2.7	4.8	5.21	5.0	5.5	3.36	2.9	3.9
N/A	4.2	N/A	4.25	3.3	5.2	5.53	5.0	6.0	3.90	3.5	4.3
3.97	5.3	2.7	4.07	3.3	4.8	6.01	5.7	6.3	4.17	4.0	4.4
4.48	4.8	4.2	5.01	5.6	4.4	6.13	5.8	6.4	4.27	3.8	4.8
4.70	5.8	3.6	5.15	5.9	4.4	6.27	6.1	6.4	5.04	4.8	5.3
4.85	6.0	3.7	5.18	5.5	4.8	6.11	5.7	6.5	5.00	4.9	5.1
4.48	5.8	3.1	4.52	4.6	4.5	5.81	5.6	6.0	4.47	4.8	4.1

Table 6: Cross-Country Pillar and Sub-pillar Comparison

Upper Middle Income

	Education				Employment			Asset Building		
	Pillar	Sub-pillars			Pillar	Sub-pillars		Pillar	Sub-pillars	
		Access	Quality	Equity		Productive Employment	Wage and non-wage compensation		Small Business Ownership	Home and Financial Asset Ownership
Argentina	3.67	5.5	3.1	2.5	4.20	4.3	4.1	3.22	3.9	2.5
Azerbaijan	N/A	4.9	3.0	N/A	4.38	4.9	3.9	4.15	4.4	4.0
Brazil	3.58	5.3	3.0	2.4	4.64	5.0	4.3	3.08	3.0	3.1
Bulgaria	3.85	5.8	3.4	2.4	N/A	4.7	N/A	4.12	4.4	3.8
Chile	3.85	5.8	3.5	2.3	4.57	5.0	4.1	4.21	4.3	4.2
China	N/A	5.2	N/A	N/A	4.77	5.3	4.2	3.98	4.8	3.2
Colombia	3.26	4.6	2.9	2.3	4.15	4.1	4.2	3.43	3.9	3.0
Costa Rica	4.02	5.3	4.1	2.7	4.54	4.7	4.4	3.85	4.1	3.6
Croatia	4.67	5.8	3.9	4.3	N/A	4.0	N/A	3.77	4.2	3.4
Hungary	4.38	5.6	4.2	3.4	4.48	4.7	4.2	4.37	4.5	4.3
Kazakhstan	3.69	5.0	2.9	3.2	4.87	5.2	4.5	3.97	4.3	3.6
Latvia	5.01	6.1	4.4	4.5	4.32	4.7	3.9	4.09	4.8	3.3
Lithuania	4.91	6.0	4.4	4.4	N/A	4.7	N/A	4.05	4.6	3.5
Malaysia	4.01	4.9	4.0	3.1	4.64	5.2	4.1	4.64	4.4	4.9
Mexico	3.67	4.9	3.2	2.9	4.20	4.5	3.9	3.87	4.0	3.7
Namibia	N/A	3.8	4.1	N/A	3.83	4.0	3.6	N/A	3.7	N/A
Panama	N/A	5.0	3.7	N/A	4.87	5.2	4.5	3.94	4.4	3.5
Peru	2.94	5.3	2.1	1.4	4.39	4.8	4.0	3.75	4.2	3.3
Poland	5.29	6.2	4.6	5.0	4.01	4.5	3.5	3.90	3.8	4.0
Romania	4.07	5.6	3.7	2.9	N/A	4.3	N/A	4.78	4.7	4.9
Russian Federation	4.80	6.2	3.9	4.3	5.01	5.3	4.8	3.27	4.6	1.9
Serbia	4.28	5.4	3.5	3.9	3.84	3.3	4.4	3.29	3.9	2.7
South Africa	N/A	4.7	3.3	N/A	3.60	3.9	3.3	4.42	4.4	4.5
Turkey	4.26	5.1	3.5	4.3	3.92	3.9	4.0	3.85	4.3	3.5
Uruguay	3.65	5.5	3.0	2.4	4.43	4.9	3.9	3.91	4.3	3.6
Venezuela	N/A	5.1	2.9	N/A	4.18	4.2	4.2	2.96	3.0	2.9

Note: The traffic light shading indicates performance relative to peer countries belonging to the same income group. Red corresponds to the lowest quintile of performance within the group, orange to the fourth quintile, yellow to the median or middle quintile, light green to the second quintile, and dark green to the best quintile of performers. For low-income countries, a single color calibration has been performed based on the range in scores of the lower-middle income countries. This has been done to highlight the still significant room for improvement even for the best performers within the low income group. Since this color scheme ranks countries only within each comparator group, colors are not comparable across income groups. Pillar and sub-pillar scores are based on 1 to 7 scale, with 1 representing the worst and 7 the best, and are largely comparable across the entire sample of 112 countries.



Financial Intermediation			Corruption			Basic Services			Fiscal Transfers		
Pillar	Sub-pillars		Pillar	Sub-pillars		Pillar	Sub-pillars		Pillar	Sub-pillars	
	Financial System Inclusion	Intermediation of Business Investment		Business and Political Ethics	Concentration of Rents		Basic and Digital Infrastructure	Health Services and Infrastructure		Tax Code	Social protection
2.09	2.5	1.6	3.08	2.2	4.0	5.31	4.6	6.0	4.02	4.2	3.9
2.40	2.9	1.9	3.88	3.5	4.3	4.77	4.8	4.7	3.48	3.4	3.5
3.52	4.3	2.8	3.07	2.6	3.5	4.98	4.6	5.4	4.03	4.2	3.9
3.02	3.5	2.6	3.70	3.0	4.4	4.93	4.5	5.4	3.62	3.4	3.9
3.45	3.8	3.1	4.13	4.9	3.3	5.62	5.4	5.9	3.70	3.5	3.9
3.86	3.6	4.1	4.34	4.1	4.6	4.77	4.9	4.7	3.62	3.5	3.7
2.64	3.0	2.3	3.23	2.8	3.7	4.93	4.5	5.3	3.61	4.1	3.2
2.79	3.3	2.3	4.04	3.9	4.2	5.63	5.0	6.2	4.03	4.0	4.1
3.74	4.2	3.3	3.68	3.3	4.0	5.66	5.3	6.0	3.80	3.6	4.0
3.13	3.6	2.7	3.59	3.1	4.1	5.39	5.0	5.8	4.04	3.5	4.5
3.02	3.6	2.4	3.69	3.8	3.6	5.10	4.7	5.5	3.30	3.1	3.5
3.63	4.2	3.0	4.16	3.8	4.6	5.48	5.4	5.5	3.76	3.4	4.1
3.57	3.8	3.3	3.94	3.8	4.1	5.48	5.3	5.7	3.48	2.9	4.1
4.46	4.2	4.7	4.72	5.0	4.5	5.63	5.3	6.0	3.95	4.5	3.5
2.68	2.9	2.5	3.50	3.0	4.0	4.87	4.4	5.3	3.36	3.3	3.4
3.26	4.0	2.5	3.57	3.6	3.5	4.23	3.9	4.5	4.04	4.4	3.7
3.48	3.7	3.2	3.65	3.2	4.1	5.17	4.8	5.6	4.20	5.3	3.1
2.84	2.9	2.7	3.22	3.0	3.4	4.46	4.0	4.9	3.40	4.0	2.8
3.57	3.8	3.4	4.10	3.8	4.5	5.03	4.8	5.3	4.09	3.5	4.7
2.71	3.1	2.4	3.70	3.3	4.1	4.64	4.3	5.0	3.91	3.1	4.8
3.17	3.9	2.5	3.73	3.2	4.2	5.00	4.9	5.1	3.75	3.3	4.2
2.81	3.2	2.4	3.82	3.0	4.6	4.82	4.3	5.4	3.78	3.6	4.0
3.44	4.1	2.8	3.46	3.6	3.3	4.86	4.5	5.2	4.76	5.2	4.3
3.33	4.0	2.7	3.87	3.7	4.0	5.38	4.9	5.9	3.55	3.4	3.7
2.74	3.0	2.5	4.23	5.0	3.5	5.62	4.9	6.3	3.85	3.8	3.9
2.39	3.0	1.8	2.30	2.0	2.6	4.65	4.2	5.1	3.46	3.3	3.6

Table 7: Cross-Country and Sub-pillar Comparison

Lower Middle Income

	Education				Employment			Asset Building			
	Pillar	Sub-pillars			Pillar	Sub-pillars		Pillar	Sub-pillars		
		Access	Quality	Equity		Productive Employment	Wage and non-wage compensation		Small Business Ownership	Home and Financial Ownership	
Albania	4.28	4.9	3.8	4.1	4.20	3.7	4.7	2.84	4.0	1.7	
Algeria	N/A	4.6	3.4	N/A	3.22	3.0	3.5	3.38	3.9	2.9	
Armenia	5.05	4.8	4.0	6.5	3.91	3.9	3.9	3.46	4.3	2.6	
Bolivia	4.32	4.6	4.5	3.9	3.93	4.0	3.8	3.19	3.3	3.1	
Cameroon	3.14	3.2	3.2	3.0	N/A	4.5	N/A	2.91	3.4	2.4	
Dominican Republic	3.98	4.1	3.5	4.3	4.01	3.7	4.3	3.40	3.5	3.3	
Egypt	3.91	4.5	3.0	4.2	3.26	3.4	3.1	3.15	3.6	2.7	
El Salvador	N/A	4.8	3.8	N/A	3.77	3.9	3.6	3.24	3.7	2.7	
Georgia	5.09	4.8	4.4	6.0	3.89	3.9	3.9	3.48	4.5	2.5	
Ghana	3.75	4.1	4.3	2.9	4.11	4.6	3.6	3.32	3.9	2.8	
Guatemala	3.94	4.7	3.6	3.5	4.36	4.7	4.1	2.95	3.4	2.5	
Honduras	3.97	4.4	4.0	3.5	3.77	4.3	3.2	3.79	3.9	3.7	
India	3.35	3.8	3.1	3.1	3.14	3.6	2.7	3.04	3.2	2.9	
Indonesia	4.68	4.8	4.5	4.7	3.71	4.2	3.2	3.37	3.5	3.2	
Iran, Islamic Republic	N/A	4.6	4.1	N/A	3.08	3.0	3.2	4.53	4.5	4.6	
Jordan	N/A	4.6	N/A	5.4	3.95	4.1	3.8	3.63	4.0	3.3	
Kyrgyz Republic	5.05	4.5	3.8	6.8	3.89	4.4	3.4	3.09	4.1	2.1	
Lao PDR	2.94	3.5	3.4	1.9	4.60	5.5	3.7	3.12	3.8	2.5	
Lesotho	3.78	3.4	4.4	3.5	3.45	3.4	3.5	3.12	3.9	2.4	
Macedonia, FYR	4.94	4.8	5.0	5.0	4.20	3.3	5.1	3.36	4.3	2.5	
Mauritania	2.16	2.2	2.1	2.2	2.63	2.5	2.8	3.09	4.0	2.2	
Moldova	5.22	5.0	5.1	5.6	4.24	4.1	4.3	3.13	4.1	2.1	
Mongolia	4.58	5.4	3.9	4.5	4.30	4.4	4.2	3.69	4.8	2.6	
Morocco	3.47	3.9	3.5	3.0	3.55	3.5	3.5	3.71	4.0	3.5	
Nicaragua	4.07	3.8	3.9	4.5	3.88	4.3	3.5	3.70	4.0	3.4	
Nigeria	N/A	2.7	N/A	1.8	3.82	4.2	3.4	2.47	3.2	1.7	
Pakistan	3.13	2.9	3.1	3.4	3.08	3.6	2.6	3.27	3.8	2.7	
Paraguay	N/A	4.0	3.8	N/A	3.78	4.3	3.3	2.86	3.9	1.9	
Philippines	4.07	4.8	3.4	4.0	4.06	4.5	3.6	3.30	3.6	3.0	
Senegal	2.80	2.8	3.4	2.2	3.68	3.9	3.4	2.99	3.5	2.5	
Sri Lanka	N/A	5.0	3.6	N/A	4.00	4.4	3.6	3.36	3.8	2.9	
Swaziland	4.36	3.6	4.9	4.6	N/A	3.8	N/A	3.54	4.0	3.1	
Thailand	5.21	5.4	4.7	5.5	4.17	4.7	3.7	3.62	4.0	3.3	
Tunisia	4.11	4.2	4.1	4.0	3.28	3.3	3.3	3.34	4.4	2.3	
Ukraine	5.75	6.1	4.7	6.5	4.68	4.5	4.9	3.03	3.4	2.7	
Vietnam	4.68	4.7	4.6	4.8	4.70	4.8	4.7	4.05	4.5	3.6	
Yemen	2.71	2.5	2.5	3.1	2.92	2.9	2.9	3.14	4.2	2.1	
Zambia	3.67	4.9	3.0	3.1	4.05	4.4	3.7	3.20	3.9	2.5	

Note: The traffic light shading indicates performance relative to peer countries belonging to the same income group. Red corresponds to the lowest quintile of performance within the group, orange to the fourth quintile, yellow to the median or middle quintile, light green to the second quintile, and dark green to the best quintile of performers. For low-income countries, a single color calibration has been performed based on the range in scores of the lower-middle income countries. This has been done to highlight the still significant room for improvement even for the best performers within the low income group. Since this color scheme ranks countries only within each comparator group, colors are not comparable across income groups. Pillar and sub-pillar scores are based on 1 to 7 scale, with 1 representing the worst and 7 the best, and are largely comparable across the entire sample of 112 countries.



Financial Intermediation			Corruption			Basic Services			Fiscal Transfers		
Pillar	Sub-pillars		Pillar	Sub-pillars		Pillar	Sub-pillars		Pillar	Sub-pillars	
	Financial System Inclusion	Intermediation of Business Investment		Business and Political Ethics	Concentration of Rents		Basic and Digital Infrastructure	Health Services and Infrastructure		Tax Code	Social protection
2.66	2.7	2.6	3.13	2.9	3.4	4.50	3.9	5.1	3.37	3.5	3.2
2.03	2.3	1.7	3.29	3.0	3.6	4.66	3.9	5.5	3.49	3.4	3.6
3.37	3.0	3.8	3.99	3.2	4.8	4.65	4.2	5.1	3.63	3.3	4.0
2.56	2.9	2.3	3.56	3.4	3.7	4.13	3.8	4.4	3.41	3.5	3.3
2.50	2.4	2.6	3.42	3.0	3.9	2.85	2.7	3.0	2.96	3.6	2.3
2.65	3.1	2.2	3.21	2.6	3.8	4.77	4.6	5.0	2.63	3.0	2.2
2.22	2.2	2.2	3.27	3.1	3.4	4.73	4.6	4.8	3.14	3.2	3.1
2.62	2.7	2.5	3.76	3.4	4.2	4.68	4.3	5.0	2.94	3.4	2.5
2.81	3.0	2.6	4.05	4.5	3.6	4.62	4.2	5.0	3.70	3.8	3.6
2.50	2.6	2.4	4.19	3.5	4.8	3.95	3.5	4.4	3.80	4.0	3.6
2.96	3.5	2.4	3.45	2.9	4.0	4.19	3.8	4.6	3.02	3.5	2.5
3.42	3.0	3.9	3.52	3.0	4.1	4.26	3.5	5.0	2.76	3.5	2.1
3.26	3.0	3.6	3.99	3.5	4.5	3.82	3.9	3.8	2.70	3.3	2.1
3.27	3.1	3.5	3.96	3.7	4.2	4.43	4.1	4.8	3.42	3.9	3.0
2.58	3.2	2.0	3.78	3.1	4.5	4.68	4.3	5.1	4.09	4.6	3.5
3.58	3.2	4.0	3.92	4.2	3.6	5.31	4.8	5.8	3.44	3.3	3.5
2.25	2.3	2.2	3.00	2.8	3.2	4.31	3.5	5.2	3.74	3.1	4.3
3.36	2.8	4.0	3.97	3.6	4.3	3.54	2.9	4.2	3.24	4.2	2.3
2.14	2.2	2.1	4.04	3.9	4.2	3.41	2.2	4.6	4.24	5.5	3.0
3.41	3.8	3.0	4.27	4.4	4.2	5.17	4.6	5.8	3.97	3.8	4.1
2.32	2.2	2.5	3.00	2.4	3.6	2.78	2.1	3.5	2.84	3.0	2.6
2.54	2.5	2.5	3.42	2.7	4.2	4.75	4.2	5.3	3.69	3.8	3.5
3.73	3.3	4.2	3.45	3.1	3.8	4.01	3.6	4.4	3.97	4.3	3.7
3.19	3.6	2.7	3.75	3.8	3.7	4.77	4.7	4.8	4.01	4.8	3.3
2.80	2.5	3.1	3.04	3.0	3.1	3.79	3.0	4.6	2.83	3.3	2.4
2.14	2.5	1.8	3.28	2.3	4.3	2.98	2.8	3.1	2.88	3.7	2.0
2.39	2.5	2.3	3.72	2.7	4.7	3.45	3.4	3.5	2.83	3.3	2.4
2.40	2.6	2.2	3.14	2.3	4.0	4.15	4.1	4.2	3.39	4.4	2.4
3.24	3.1	3.4	3.65	3.4	3.9	4.38	3.8	4.9	3.49	3.9	3.1
2.76	2.7	2.8	3.87	3.6	4.2	3.30	2.9	3.7	2.93	3.3	2.5
3.61	3.7	3.5	3.87	3.1	4.6	4.89	4.3	5.5	3.19	3.2	3.2
2.50	3.0	2.0	3.87	3.7	4.0	3.70	3.2	4.2	3.99	4.8	3.1
4.28	4.3	4.2	3.47	2.9	4.1	5.03	4.6	5.5	3.56	3.7	3.4
3.27	2.7	3.8	3.76	3.5	4.0	5.11	4.4	5.8	3.84	4.2	3.5
2.93	3.1	2.7	2.60	2.8	2.4	4.70	4.1	5.3	3.88	3.7	4.1
2.75	2.6	2.9	4.12	3.3	4.9	4.38	4.2	4.5	3.39	3.5	3.3
1.71	1.8	1.6	2.84	2.2	3.5	2.53	2.5	2.5	3.02	3.8	2.3
2.43	2.6	2.2	4.08	3.7	4.5	3.00	2.4	3.6	3.51	4.5	2.5

Table 8: Cross-Country and Sub-pillar Comparison

Low Income

	Education			Employment			Asset Building			
	Pillar	Sub-pillars			Pillar	Sub-pillars		Pillar	Sub-pillars	
		Access	Quality	Equity		Productive Employment	Wage and non-wage compensation		Small Business Ownership	Home and Financial Asset Ownership
Bangladesh	2.88	3.2	2.7	2.7	3.41	4.0	2.8	2.88	3.2	2.6
Burkina Faso	2.29	2.3	2.5	2.1	3.83	4.4	3.3	2.84	3.4	2.3
Burundi	3.24	3.0	3.1	3.6	4.07	4.6	3.6	2.71	3.5	1.9
Cambodia	2.84	3.4	2.5	2.6	4.12	4.9	3.3	3.27	3.0	3.6
Chad	2.17	2.0	2.0	2.5	3.35	3.8	2.9	2.58	3.0	2.2
Guinea	2.07	2.4	2.1	1.7	3.92	4.8	3.1	2.58	3.4	1.8
Kenya	4.23	3.6	4.7	4.4	3.76	4.0	3.6	2.81	3.2	2.4
Madagascar	2.65	2.8	2.8	2.4	4.31	4.6	4.1	2.67	3.5	1.8
Malawi	3.50	3.6	3.2	3.7	4.25	5.2	3.3	3.02	3.1	2.9
Mali	2.46	2.7	3.0	1.7	3.74	4.3	3.2	2.89	3.5	2.3
Mozambique	3.07	3.0	3.2	3.0	3.63	4.1	3.2	3.03	3.8	2.3
Nepal	3.59	3.8	3.7	3.2	3.73	4.8	2.7	3.05	3.4	2.7
Rwanda	3.02	3.4	3.3	2.3	4.25	4.9	3.6	3.54	3.8	3.3
Sierra Leone	N/A	N/A	2.6	2.5	3.30	3.8	2.8	2.67	3.1	2.2
Tajikistan	4.50	3.5	4.1	5.8	4.49	4.7	4.3	3.20	3.9	2.5
Tanzania	3.98	4.0	4.0	3.9	3.94	4.4	3.5	3.83	4.2	3.5
Uganda	3.27	3.2	3.3	3.3	3.83	4.8	2.9	2.31	2.9	1.7
Zimbabwe	3.97	4.0	3.6	4.3	4.06	4.5	3.6	2.52	3.3	1.8

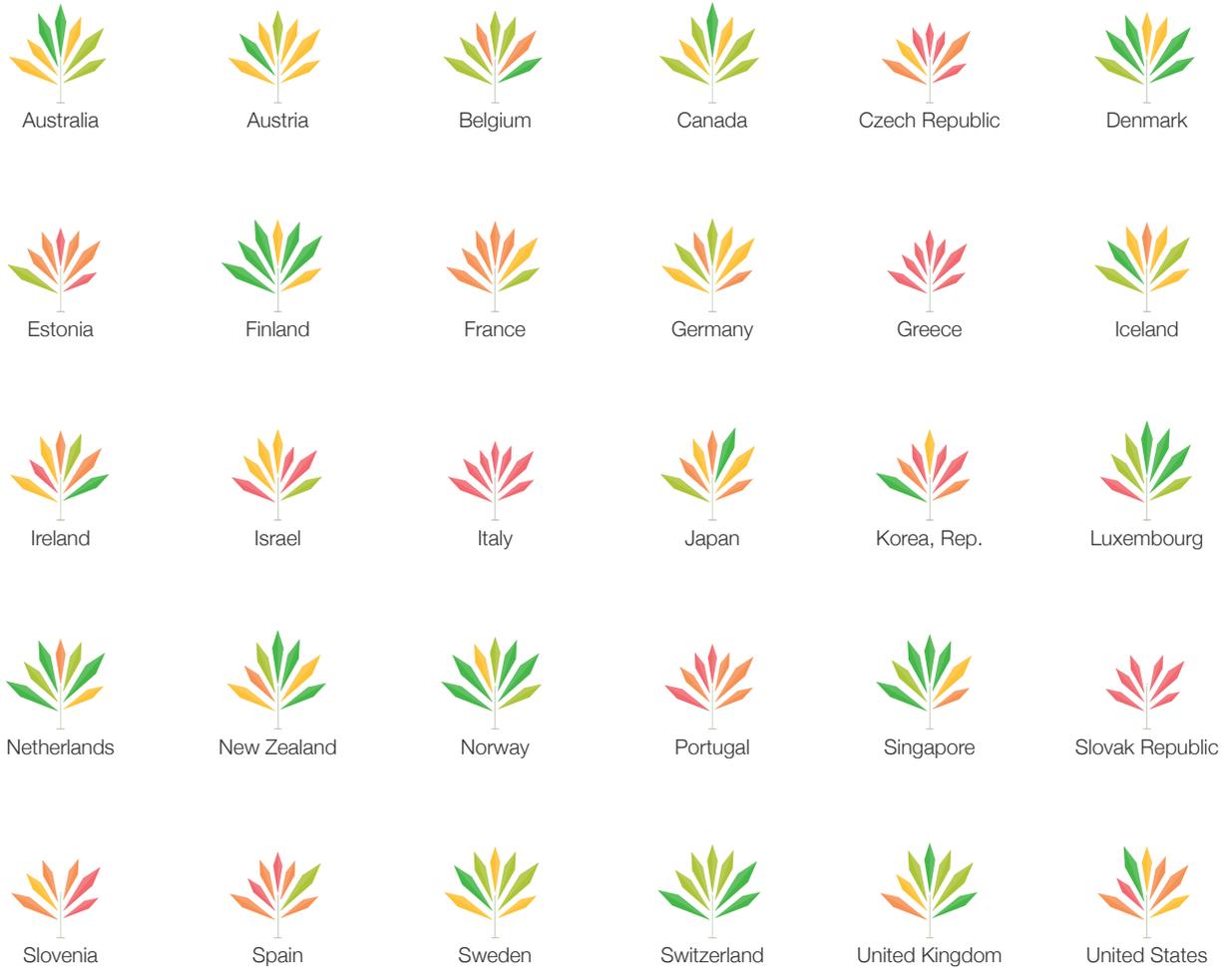
Note: The traffic light shading indicates performance relative to peer countries belonging to the same income group. Red corresponds to the lowest quintile of performance within the group, orange to the fourth quintile, yellow to the median or middle quintile, light green to the second quintile, and dark green to the best quintile of performers. For low-income countries, a single color calibration has been performed based on the range in scores of the lower-middle income countries. This has been done to highlight the still significant room for improvement even for the best performers within the low income group. Since this color scheme ranks countries only within each comparator group, colors are not comparable across income groups. Pillar and sub-pillar scores are based on 1 to 7 scale, with 1 representing the worst and 7 the best, and are largely comparable across the entire sample of 112 countries.



Financial Intermediation			Corruption			Basic Services			Fiscal Transfers		
Pillar	Sub-pillars		Pillar	Sub-pillars		Pillar	Sub-pillars		Pillar	Sub-pillars	
	Financial System Inclusion	Intermediation of Business Investment		Business and Political Ethics	Concentration of Rents		Basic and Digital Infrastructure	Health Services and Infrastructure		Tax Code	Social protection
3.21	2.8	3.6	3.52	2.3	4.8	3.09	2.5	3.7	3.15	3.4	2.9
2.14	2.2	2.0	3.02	2.6	3.4	2.61	1.7	3.5	2.77	4.0	1.6
1.91	1.9	1.9	3.51	2.6	4.4	2.57	2.1	3.1	2.48	3.0	1.9
2.90	2.5	3.3	3.51	2.8	4.2	2.96	2.3	3.6	2.85	3.6	2.1
2.01	1.9	2.2	3.20	2.4	4.0	2.13	1.7	2.6	N/A	3.0	N/A
2.32	2.0	2.6	3.34	2.3	4.4	2.70	2.0	3.4	N/A	4.5	N/A
2.88	3.0	2.8	4.10	3.3	4.9	3.44	3.0	3.9	3.34	4.1	2.5
2.56	2.2	3.0	3.06	2.6	3.6	2.74	1.7	3.8	3.27	4.4	2.1
2.75	2.6	2.9	3.40	3.2	3.6	3.17	1.9	4.4	3.12	4.2	2.0
2.45	2.5	2.4	3.46	2.9	4.1	2.93	2.1	3.7	2.67	3.5	1.8
3.13	2.6	3.7	3.17	2.7	3.6	2.60	1.6	3.6	3.16	4.0	2.4
2.84	2.7	3.0	3.74	2.7	4.8	3.48	3.2	3.7	2.91	3.6	2.2
3.35	3.0	3.7	4.67	5.5	3.8	3.55	2.7	4.4	3.29	3.7	2.8
2.18	2.2	2.2	3.33	3.1	3.6	2.12	1.9	2.4	2.84	4.1	1.6
2.24	2.5	2.0	3.83	3.9	3.8	N/A	N/A	N/A	2.86	3.0	2.8
2.53	2.3	2.7	3.74	3.0	4.5	2.82	2.1	3.5	2.79	3.7	1.9
2.88	2.5	3.2	3.50	2.7	4.3	2.88	2.4	3.4	2.92	4.0	1.9
2.47	2.5	2.4	3.10	2.8	3.4	3.35	2.8	3.9	3.50	5.1	1.9

Figure 5

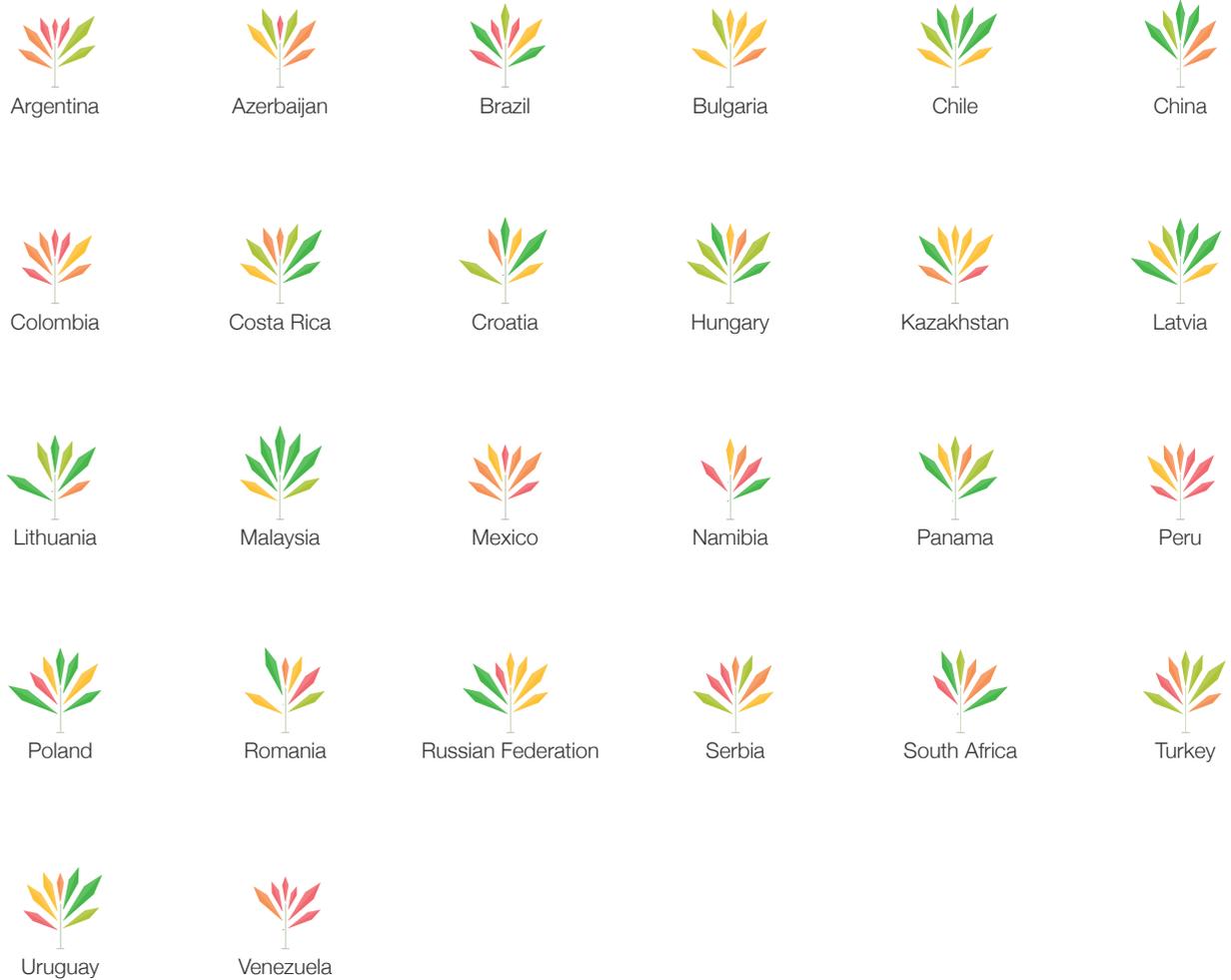
Advanced Economies



Note: This color scheme is based on the performance of each income group, and colors are not comparable across income groups (with the exception of the low income group which can be compared to the lower middle income group). The absolute numerical pillar score determines the length of the leaf and is largely comparable across the entire sample.

Figure 6

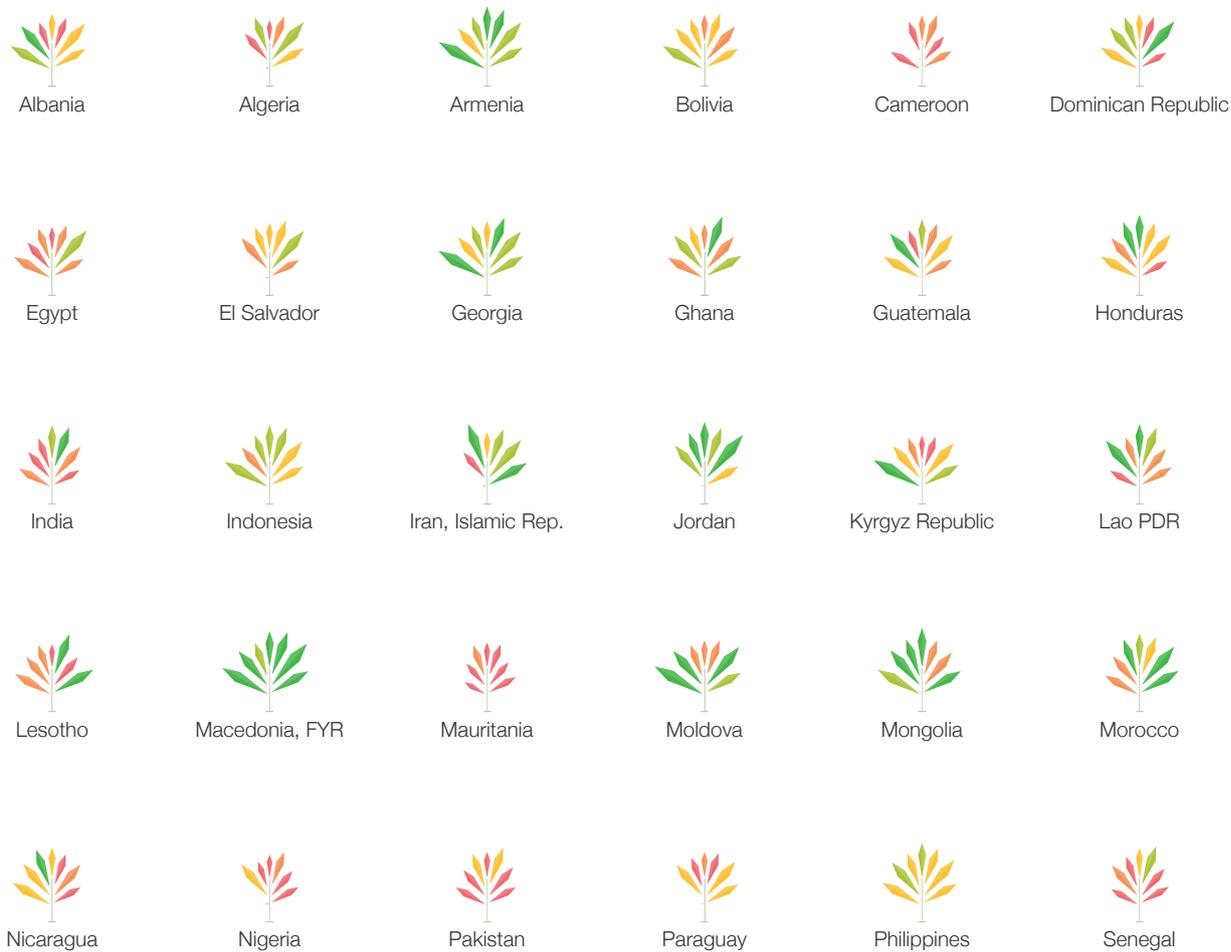
Upper Middle Income



Note: This color scheme is based on the performance of each income group, and colors are not comparable across income groups (with the exception of the low income group which can be compared to the lower middle income group). The absolute numerical pillar score determines the length of the leaf and is largely comparable across the entire sample.

Figure 7

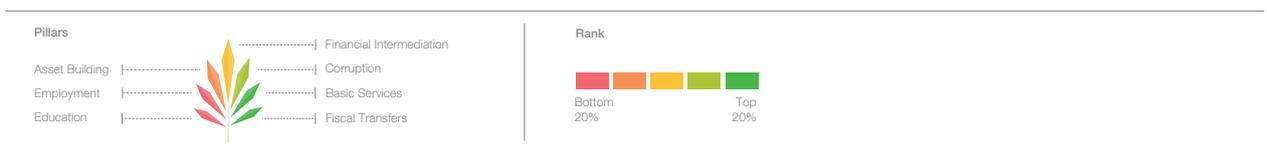
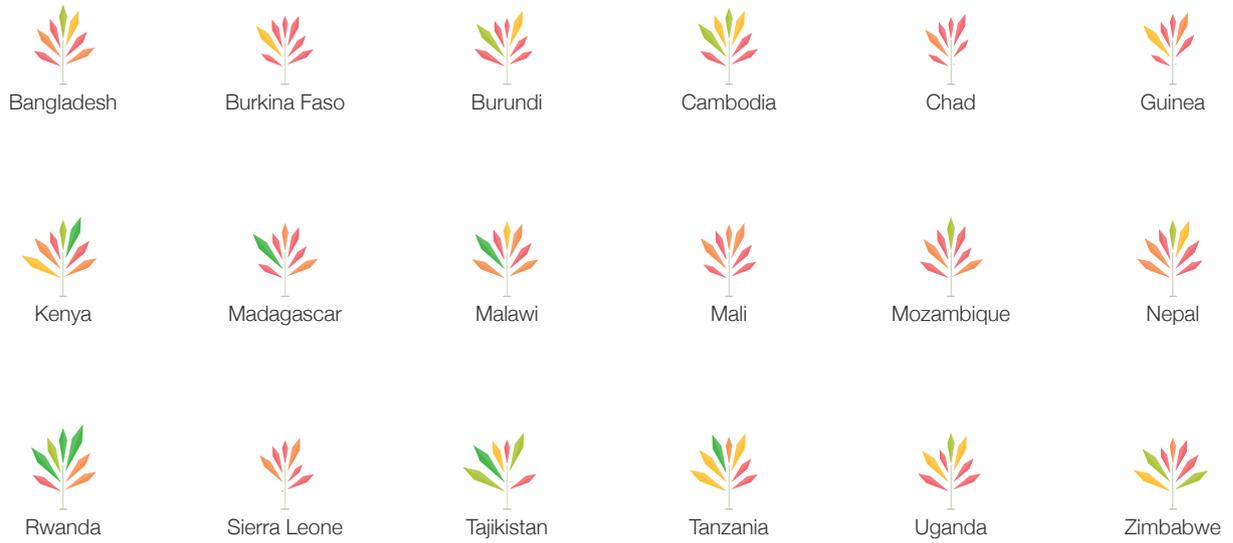
Lower Middle Income



Note: This color scheme is based on the performance of each income group, and colors are not comparable across income groups (with the exception of the low income group which can be compared to the lower middle income group). The absolute numerical pillar score determines the length of the leaf and is largely comparable across the entire sample.

Figure 8

Low Income



Note: This color scheme is based on the performance of each income group, and colors are not comparable across income groups (with the exception of the low income group which can be compared to the lower middle income group). The absolute numerical pillar score determines the length of the leaf and is largely comparable across the entire sample.

Country Results

The aim of this benchmarking exercise is to spark in-depth analysis in individual countries about their existing strengths and weaknesses, and where opportunities exist for improvement. This section starts the conversation by briefly surveying some interesting findings in selected countries in each peer group.

Advanced Economies

Countries in the advanced economy category are in the best position to ensure inclusive growth, given that they have the greatest financial means and generally sophisticated markets and economic frameworks. Yet, the extent to which they achieve this result varies widely. Countries such as the Nordics, Switzerland, New Zealand, and Canada do comparatively well across most areas, while others such as the United States, France, and several southern and eastern European countries fall short in many areas.

Australia performs particularly well in asset building, entrepreneurship, and new business creation, ranking third among all countries. This reflects a lack of red tape, reinforced by strong financial inclusion, which is critical for business development. Australia ensures excellent access to its educational system, although improvements could be made to its quality as well as the equity of outcome of students from different income levels. The pay gap between men and women is narrow, ranking it second among advanced economies, but the country could foster more inclusive growth by increasing the participation of women in the workforce, for example through more affordable childcare which could help to lower the high rates of temporary and involuntary part-time employment.

Canada ranks first for financial intermediation of real economy investment driving inclusive growth. Its financial system is highly inclusive and quite active, driven by strong equity market access, especially for smaller non-financial corporations. The country's educational system fosters equitable outcomes for students regardless of income, and it further uses its tax code effectively to ensure inclusive economic outcomes through vehicles such as property and capital taxes. Canada could, however, do more in terms of social protection especially in terms of unemployment benefits and by making it easier for parents to participate in the workforce through more generous family-leave policies

and affordable childcare options, as well as fostering greater entrepreneurship and new business creation.

Denmark is ranked first out of all economies for the ability of its social protection system to foster inclusive outcomes - relying more on fiscal transfers than neighboring countries to reduce high levels of market income and wealth inequality. The country benefits from low levels of corruption, although banking sector and other rents are somewhat concentrated compared with its peers. It has a strong culture of entrepreneurship and relatively low levels of bureaucracy facing business creation and operations. Wage compensation is equitable, with a high labor share of income and a particularly low gender pay gap. However, it would benefit from higher quality and equity in its educational system, as well as greater financial inclusion to encourage business investment.

Finland performs exceptionally well across most areas measured by the framework by making effective use of market levers to deliver greater social inclusion. It is ranked first for its education and training, which is characterized by both high quality and inclusiveness, resulting in small differences in educational performance among students from different income groups. It is also ranked first for asset building and entrepreneurship, with little red tape for starting and doing business in the country. Finland benefits from exceptionally low levels of corruption and rent seeking, and a high level of inclusiveness in worker compensation. Interestingly, the area where Finland ranks lowest is in its use of fiscal transfers: although the government is seen as highly successful in reducing poverty and inequality, and taxation of income is quite progressive, the taxation and transfer scheme is assessed as somewhat distortionary to incentives to work and invest.

France has placed great emphasis on social inclusion and equity over recent decades but demonstrates more weaknesses than strengths in the inclusive growth framework. It benefits from strong infrastructure and basic services, particularly an excellent transport and healthcare infrastructure, as well as strong social protection (which results in low levels of poverty and moderate inequality). Yet there are questions about the sustainability of the overall tax system, which is assessed as highly distortionary on decisions to work and invest, putting the brakes on growth. Employment outcomes are not inclusive, with unemployment – particularly youth unemployment – among the highest in advanced economies.

Germany benefits from excellent employment outcomes, with youth unemployment particularly low by current European standards, making for high median living standards. This is supported by excellent vocational training programs that ensure the workforce acquires and maintains requisite skills and that a high share of income accrues to workers. Greater participation of women in the workforce would enhance this picture. Workers also benefit from strong social protection and the financial system provides financing needed for business development, although new business creation remains somewhat restrained. The tax system could be more fully used to ensure inclusive outcomes, particularly in terms of the progressivity of the tax mix.

Greece, a country that has been through great difficulties in recent years, must make progress across many areas. The education system, while serving a large proportion of young people, suffers from a lack of quality and equity of outcomes, with very different performance outcomes based on socioeconomic background. Corruption is rife and new business creation is hindered by excessive red tape. Unemployment is the highest in Europe, disproportionately afflicting young workers. Many are forced into vulnerable employment or the informal sector, which constrains the financial resources available to deal with the country's economic ills through taxation. Greece will not only need to deal with the fallout of its financial crisis, but must also put in place the drivers of growth and inclusiveness to place itself on a sustainable footing for the present and future generations.

Italy faces a significant concern, which has implications for many other areas, in its high level of corruption and poor business and political ethics – among the worst of all advanced economies. Unemployment is high and accompanied by large numbers of involuntary part-time workers and people in informal and vulnerable employment situations. Women's participation in the workforce is extremely low, reinforced by a gender pay gap that is one of the largest among advanced economies. There is limited business creation to foster new employment opportunities, nor is the financing for doing so readily available. A social protection system which is neither particularly generous nor especially efficient adds to the sense of precariousness and exclusion in the country.

Japan gets a lot of the basics right in the inclusive growth framework. It provides citizens with high-quality education and equity of opportunity regardless of socioeconomic background. Its strong talent base translates into relatively strong labor market outcomes, with low levels of informality and unemployment. This results in a relatively low level of market-induced inequality relative to its peers, although the country has one of the highest poverty rates among advanced economies, at 16%. Intergenerational equity is also a concern due to the high level of public debt. Further, given the country's aging population, Japan must continue to address the gender gap in terms of employment and wages, including through more affordable childcare to incentivize greater participation of women in the workforce. In terms of entrepreneurship and investment, Japan has a high level of patenting activity, technological readiness, and private R&D spending, yet negative attitudes toward entrepreneurial failure remain prevalent, which can perhaps explain the relatively low number of new businesses registered. Lowering administrative barriers to starting a business could also help encourage entrepreneurial activity.

The **Netherlands** benefits from top-notch basic infrastructure and health services and an excellent education system, which provides unrivalled access to high-quality education and training while ensuring that student performance is relatively unhindered by socioeconomic background. It has strong levels of entrepreneurship, asset building, and financial access (in terms of bank lending to non-financial corporations) that are critical to turning ideas into working businesses. Although it has strong social protection, the country could further enhance inclusive growth by exploring greater use of taxation for redistribution - property and capital taxes in particular remain lower than many peers. This could further help to boost median household incomes, which are already an impressive fourth-highest among advanced economies.

New Zealand tops all countries for its strong business and political ethics, with little diversion of public funds. It ranks third for financial intermediation and real economy investment, thanks to a highly inclusive and active financial system. Business creation is further fostered by low levels of red tape. New Zealand makes moderate use of the tax code and social protection schemes to foster more equitable outcomes in the economy through targeted programs, and is ranked second for fiscal transfers for doing more with less and avoiding market distortions. The educational system could be made

more equitable and vocational training improved to allow for more productive employment opportunities for the vulnerable and the underemployed.

Norway clearly articulates a desire for inclusiveness in its growth process and has similar overall results to Finland, benefiting from a strong emphasis on market levers although with a different set of particular strengths. It tops the employment and labor compensation pillar, with low unemployment (including youth unemployment), an exceptionally high female participation in the labor force (encouraged by affordable childcare and generous parental leave), and a high degree of social mobility in general. Access to health and education is strong, although quality leaves some room for improvement compared to its peers. Social protection is also seen as an effective deterrent to poverty and inequality, as demonstrated by high and rising median living standards and a Gini coefficient lowest among advanced economies (after taxes and transfers). Norway would further improve the inclusiveness of its growth process by fostering greater entrepreneurship and dynamism in the private sector.

The **Republic of Korea** has a particularly strong and inclusive education system, with excellent quality and highly equitable outcomes – it has the lowest gaps in reading and math scores between students from different income levels. Yet employment outcomes remain mixed. Unemployment is impressively low, but labor force participation is mediocre and women's participation is among the lowest in advanced economies. The pay gap between men and women is also exceptionally high, which is possibly a disincentive for women to join the workforce. Corruption is another area of concern, allowing those with power in various domains to extract rents. In addition, rents are highly concentrated in a limited number of large family-run companies, which are protected through the regulatory system. Home and financial asset ownership are particularly low while social protection, including healthcare, remains quite limited. By under-exploiting this lever, Korea goes from having one of the most equal income distributions before transfers (its “pre-transfer Gini” places it second) to a much less equal one after taxes compared with other advanced economies (its post-transfer Gini ranks it 18th).

Singapore has many strengths including strong business ethics and low corruption, ranking second for business and political ethics, in addition to having an educational system

particularly good at delivering equitable student performance outcomes regardless of income. The country also benefits from high levels of entrepreneurship and excellent access to capital, scoring at the top in terms of financial intermediation for real economy investment. Unemployment is extremely low, including youth unemployment (ranked first for both), despite a low rate of female participation in the labor force. The economy would benefit from encouraging greater participation of women in the workforce and by lowering the somewhat wide gender pay gap. The share of national income going to labor is also low relative to its peers and has been declining in recent years. Productivity gains no longer translate into broad rises in pay. Instead, an ever-larger share of the benefits of growth accrues to owners of capital. The social safety net is also quite limited. Despite high growth per capita in recent years, Singapore suffers from high levels of poverty and income inequality, and makes little use of taxes and transfers (ranking last among all advanced economies).

Spain faces a number of challenges in making its growth process more inclusive. On the positive side, the country benefits from relatively strong infrastructure and basic services, which have improved markedly over the years – particularly transport and healthcare. On the other hand, its education system suffers from a lack of quality and equity for students from different socioeconomic backgrounds. Related to these concerns are extremely high levels of unemployment, particularly youth unemployment, perhaps unsurprisingly accompanied by a large informal sector. Fostering entrepreneurship and making it easier and more financially viable to start a business will be critical for unlocking much-needed employment opportunities. To these ends, the country could make better use of the latest technologies by improving access to and affordability of IT.

Switzerland is unsurpassed in the provision of basic services and infrastructure - it ranks first among all countries, particularly for its excellent ground transport infrastructure and health services. It has little corruption and also makes strong use of its tax code to ensure reallocation of income through vehicles such as capital and property taxes, although its concentration of wealth is among the highest in advanced economies. Despite a high labor share of income and a high employment rate, making the labor market more inclusive would yield benefits, for example by making childcare more affordable for working parents and narrowing the pay gap between men and women, which is large compared with its

peers. The country could also improve stock market access and financial intermediation for small non-financial corporations in order to foster business creation and development.

The **United Kingdom** demonstrates a mixed picture in terms of its ability to deliver inclusive growth. The country benefits from relatively high levels of business creation supported by access to finance, which are important drivers of new employment and growth. It also exploits the tax code strongly toward more equitable economic outcomes, notably through property, inheritance, and progressive income taxes. On the other hand, efforts are required to improve access to education as well as its quality, which would be important for tackling the youth unemployment problem and the low levels of social mobility in the country. Equality of health outcomes could be improved, given the significant gaps in adjusted life expectancy. Greater equity in the labor market through stronger participation of women and reduction in the gender pay gap would also foster more inclusive growth. This would be helped by ensuring greater labor protection and access to affordable childcare for working parents.

The **United States**, a global economic and innovation powerhouse, benefits from a few clear strengths in fostering inclusive growth, which are balanced by several areas that need improvement. The country is a top performer in asset building and entrepreneurship, with excellent conditions fostering new business creation as well as the underlying financial assets and access to capital to do so. Some income redistribution is facilitated through taxes on inheritance, property, and capital, although the overall tax intake remains comparatively quite low. Perhaps not surprisingly, the resulting social safety net is significantly less comprehensive than in many other advanced economies, resulting in high and rising levels of both poverty and income inequality (it ranks 28th out of 30). Greater participation of women in the workforce would be encouraged by more affordable childcare solutions and paid parental leave, as well as by narrowing the gender pay gap further. Median household incomes have declined in recent years, which is a cause for concern. Efforts by the private and public sectors to increase wages could boost consumption, on which the economy depends heavily and which has been constrained since the financial crisis.

Upper-Middle Income Countries

The upper-middle income category includes several countries from Latin America and Eastern Europe, as well as a handful in Asia and Africa. It includes the Brazil-Russia-India-China-South Africa (BRICS) economies, with the exception of India. These are countries nearing advanced economy income levels, with considerable income at their disposal, yet which demonstrate varied levels of inclusiveness in their growth processes.

Argentina provides relatively good basic services such as healthcare and sanitation, although years of underinvestment have eroded the quality of its infrastructure. The education system gives access to much of the population, although its quality is in dire need of improvement and there are vast differences in performance among students from different socioeconomic backgrounds. Red tape hinders the creation of new companies, and combined with difficult access to finance and high levels of corruption, holds back the new business creation that Argentina needs to reduce unemployment, particularly among young workers. Despite relatively positive results in terms of taxation (total revenue and progressivity), there is a great deal of room for improvement in terms of exploiting market levers and minimizing distortions.

Brazil benefits from a high level of financial inclusion, ranking best in this area out of all countries in this income group, which has provided ample resources for business development. Registered unemployment is lower than in many other countries, although the informal sector remains significant, draining potential tax revenues. Brazil has made progress on the social protection front in recent years, in particular with cash transfer programs. Improving the quality of the education system is imperative to provide relevant skills and ensure greater equity of outcomes regardless of socioeconomic background, which is particularly critical given the country's high wealth and income inequality. Corruption remains endemic and must be tackled in earnest to foster greater trust in the system and level the playing field. Finally, to grow more sustainably and inclusively, Brazil must do a better job of developing infrastructure and providing basic services such as healthcare.

Chile benefits from relatively good infrastructure and provision of basic services. Access to education has improved markedly over the years, although the focus must now turn to improving quality and equity across students of different income levels. Fostering entrepreneurship is another priority, along with increasing the participation of women in the labor force, which would bring much additional talent into the economy. This could be encouraged by more generous parental leave as well as narrowing the very large pay gap between men and women. A more progressive tax system and more comprehensive social safety net would also make economic outcomes more inclusive.

A number of key indicators for **China** are not available, particularly related to the equity of outcomes in the education system and questions of distribution more generally. Still, available indicators show that China benefits from high levels of competition and business creation, supported by financing from various sources. This dynamism has translated into strong employment outcomes, with a high labor force participation rate, and low unemployment. It will be important for China to continue to invest in its infrastructure and basic services (such as healthcare) to tackle corruption, and to extend the social safety net to more of the population (especially in rural areas) in order to improve median living standards. China under-utilizes the fiscal transfers lever, and despite impressive poverty reduction in recent years, still has 27.2% of its population living on less than \$2 a day and only 21.9% living on \$10-\$50 dollars a day. The vast majority falls in the low income bracket, between \$2 and \$10 a day.

Costa Rica makes efficient use of its talent and high social mobility. It has developed a relatively high-quality and accessible healthcare system and has limited the extent of urban slums, ensuring relatively good public health outcomes through improved sanitation and clean drinking water, although transportation infrastructure requires further improvement. To ensure more inclusive growth, a major priority must be boosting human capital: although education on average is of relatively good quality, wide equity gaps persist among students from different income groups. Costa Rica would also benefit from more developed financial markets and better access to capital for business development.

Malaysia has a number of strengths relative to its income group and takes advantage of a wide range of policy levers (both pre- and post-transfer). It ranks highest out of all upper-middle income countries in the corruption and rents pillar, with comparatively low levels of corruption and strong business and political ethics. Its markets are characterized by high levels of competition rather than coddled incumbents. The country has also developed quality infrastructure and basic services, including healthcare that meets advanced economy standards. Malaysian businesses have access to significant financial resources through channels including banks and equity markets, and the culture is relatively entrepreneurial. To further boost inclusive growth, Malaysia must improve the access, quality, and equity of its educational system, and reexamine its social safety net, which remains somewhat limited as evident in the relatively high level of inequality after taxes and transfers.

Mexico faces a number of challenges in securing an inclusive growth process. On a positive note, unemployment is relatively low, although it is much higher among young people, while labor force participation is low particularly for women. As a result, there is a large informal sector, which deprives workers of the security of formal employment and reduces the tax revenues needed to provide basic services. Income going to labor is relatively low and has declined significantly over the last decade despite modest productivity gains. Improving the education system, including vocational and on-the-job training, will be key to providing the economy with the highly skilled workers it needs to grow sustainably and equitably. Mexico must also tackle corruption and address the problem of market dominance by a few large firms in some industries, which stifles competition and innovation.

Poland tops the education and skills pillar among this group, attributable to its comparatively high quality of education and training, and the relative equity in outcomes among students from different income groups. Businesses have reasonable access to finance for developing their activities, and the market is characterized by reasonably high competition, avoiding excessive market dominance by individual firms. In addition, the country benefits from a social safety net that is significant for its income level. The country managed to bring its level of inequality as measured by the Gini coefficient down by over 10 points from 41.19 to 29.26 between 2001 and 2011 (ranking fifth overall). However, Poland should revisit its tax system, which is regressive and distorts decisions to

work or invest. This would raise funds to build transport infrastructure and basic services, which remain underdeveloped by European standards.

The **Russian Federation** benefits greatly from its education system, which is universal and ensures relatively equitable outcomes regardless of income group, although its quality requires improvement. The country also benefits from good employment outcomes compared with its peers, particularly the relatively low registered unemployment rate, although official labor force participation remains somewhat low and the informal economy large. To improve Russia's ability to deliver more inclusive growth, it will be critical to tackle wealth inequality, corruption, and undue influence, and to build a tax system that is much more progressive and able to provide the revenues needed for delivering critical basic services to a large and rapidly growing middle class.

South Africa has strengths in more complex areas, but weaknesses in the provision of basic services. Despite some gains in poverty reduction in recent years, the country has the highest level of inequality among upper-middle income countries before and after taxes and transfers. Relatively strong entrepreneurial activity is supported by a highly developed financial system which allocates ample resources to business development. On the other hand, the education system is not producing the talent needed for operating in a sophisticated economy, with low levels of vocational and tertiary enrollment relative to upper-middle income countries. Unsurprisingly, unemployment is high, particularly among the youth. Corruption also remains a significant concern, diverting much-needed financing from the provision of basic services like health and education.

Turkey benefits from relatively high competition among companies, ensuring that large individual firms do not dominate the economy and stifle activity. It also has a relatively sophisticated financial sector, which adds to this business dynamism by providing investment. On the other hand, the education system must be improved to make outcomes more equitable regardless of income and provide the skills necessary to reduce the relatively high unemployment rate, particularly among the young. Greater female participation in the workforce would usher in further talent and creativity, which could be encouraged by reducing the very wide pay gap between men and women, and would further expand the already growing middle class.

Venezuela's government, having had several years of windfall oil revenues to draw on, has articulated the goal of improving conditions among the poorest members of society. However, the results of this framework demonstrate that the country fares poorly across most measures of inclusive growth and is failing to take advantage of policy space. The education system does not yet ensure universal access even at the primary level, and overall education quality is among the poorest of all countries in this income group. The country suffers from underdeveloped infrastructure and struggles to provide even basic services. There is little capital available for business investment, and red tape hinders the creation of new businesses and jobs. Unemployment remains high, particularly among the young, who are driven into the precarious informal sector. No less than 12.9% of the population still lives on under \$2 a day and median living standards have stagnated over the last several years (at around \$9 a day).

Lower-Middle Income Countries

Countries in the lower-middle income category have enough income to lift much of the population above subsistence level, but only some countries have managed to do so – in many cases, inequality of wealth and income remain a significant challenge. These countries must work both on creating the conditions for growth through productivity enhancements and ensuring that the growth process proceeds in a broad-based and inclusive way. This relatively large grouping includes several South Asian economies, and a number of countries from the Middle East and North Africa (MENA) region and sub-Saharan Africa.

Egypt has experienced significant political upheaval in recent years and struggles across most of the areas that drive inclusive growth. The education system does not reach a sufficient proportion of the population and lacks quality for those who are enrolled. This contributes to a low labor force participation rate and high unemployment, particularly among the young. Despite a history of entrepreneurship, business and employment creation remain constrained by insufficient finance, poor transport infrastructure, and pervasive corruption. Many workers are in vulnerable employment situations, often in the informal economy.

El Salvador has built better infrastructure than many other countries at the same income level. The country also benefits from a reasonable level of entrepreneurship compared with its peers, yet this does not translate into much new business and employment creation due to red tape and a lack of financing. The education system is also not producing the students needed for a dynamic economy, with significant improvements needed to boost access and quality.

Ghana's economy benefits from relatively low unemployment and a business environment that is not characterized by a stifling dominance of large incumbent firms. Yet, median income has been slow to rise and poverty remains entrenched with just over half of the population living on less than \$2 a day. Corruption is less prevalent than in many peer countries. However, youth employment is somewhat higher than the overall average implies, no doubt related to the relatively low educational enrollment rates in a system that requires major improvements in quality and greater equity of performance regardless of socioeconomic background. Improving infrastructure and basic services such as health will be critical, requiring a more inclusive and developed financial sector.

India must take further action to ensure that the growth process is broad-based in order to expand a small middle class and reduce the share of the population living on less than \$2 a day (many of them in poverty despite being employed). Educational enrollment rates are relatively low across all levels, and quality varies greatly, leading to notable differences in educational performance among students from different socioeconomic backgrounds. While unemployment is not as high as in some other countries, the labor force participation rate is low, the informal economy is large, and many workers are in vulnerable employment situations with little room for social mobility. India under-exploits the use of fiscal transfers. Its income tax is regressive and social spending remains low, which limits accessibility of healthcare and other basic services. Sanitation continues to be a problem across the board. India scores well in terms of access to finance for business development and real economy investment, yet new business creation continues to be held back by the large administrative burden of starting and running companies, corruption, and underdeveloped infrastructure.

Indonesia has a reasonably robust education system, although it does not yet reach all potential students, and there are important differences in attainment and outcomes depending on income level. Overall unemployment is relatively low, though youth unemployment is above 20% and a large proportion of workers are in vulnerable employment situations. Women's participation in the labor force remains low and women earn only 50 percent of what men do for similar work. The tax system needs to be made more effective to raise the resources for upgraded critical infrastructure and basic services and to reduce poverty, income, and wealth inequality, which is among the highest in this group given the resources at the country's disposal.

The **Islamic Republic of Iran** scores at the top of lower-middle income countries in terms of its fiscal transfers, driven mainly by relatively high spending on social protection and tax progressivity. The country has a comparatively large middle class (34%) which has, however, been shrinking in recent years along with median living standards (\$7.84 per day). To address this, the quality of the education system and the availability of vocational training could be improved to provide workers with the necessary skills to find productive employment. In addition to a reasonably large informal sector, large gender gaps also persist in education, employment, and health, which deprive the country of potential talent. Iran performs fairly well in terms of home ownership (an important source of asset building) and financial inclusion of those in the bottom 40%. However, businesses' access to credit could be greatly improved.

Jordan is characterized by relatively well-developed transport and electricity infrastructure as well as good basic services compared with its peers, particularly in providing basic sanitation and healthcare. Poverty rates are low relative to peers, with only 2% of the population living on less than \$2 a day. The country also delivers high median living standards and a large and growing middle class - at 61%, surpassing its peers. There is reasonable availability of financing for business creation and investment, although this is not translating into significant new business activity and job creation. Indeed, unemployment remains high, nearing 30 percent for young workers. This is despite labor force participation that is among the lowest in the world at just over 40 percent, and which is exceptionally low for women, depriving the economy of talent. It is critical to improve the education system's ability to provide the skills needed for a dynamic economy.

Nigeria, despite the opportunity offered by its significant oil revenues over the years, has not put in place the factors necessary for creating an inclusive growth process. Despite some significant gaps in data measuring educational outcomes, the picture remains one of low enrollment, insufficient quality, and wide divergence in student performance based on socioeconomic background. Participation in the labor force is quite low, with a large informal sector and much of the population working hard but unable to pull their families out of poverty. Only 3.9% of income goes to labor, resulting in low wages and over 80% of the population living on less than \$2 a day. The country suffers from poor infrastructure and a lack of basic services, with corruption and diversion of public funds making it difficult for the government to deliver public goods. Despite a relatively entrepreneurial environment, Nigeria is not yet able to ensure growth that is sustainable and broad-based.

The **Philippines** benefits from a financial market that allocates resources reasonably well to business development through channels including banks, the equity market, and venture capital. Access to the education system has expanded but still has scope for improvement, and its quality needs to be improved to better prepare the population for a dynamic economy. This would help tackle the high youth unemployment rate, which would also benefit from reduction in red tape to encourage the creation of new businesses and related jobs. Upgrading infrastructure and the provision of basic services presents another area of opportunity for reducing high levels of income inequality (post-transfer) and increasing the inclusiveness of the growth process in the country.

Thailand has a number of building blocks of inclusive growth in place, which have resulted in low levels of poverty (4%) and a growing middle class (40%). Its education system, while not yet at an advanced economy level, ranks second among countries in this income category. This is attributable to reasonably high enrollment rates at different education levels and reasonable equity in student performance regardless of income level or gender. Thailand ranks first in this group for financial system inclusion, with relative ease of access to credit for business investment. The country has also managed to develop reasonable basic services and infrastructure, and has a low unemployment rate. Efforts should be made to encourage greater entrepreneurship and business creation to bring workers from the informal economy into the formal sector, to develop a more effective social safety net, and to tackle rampant corruption. While the country relies

mainly on market mechanisms to deliver inclusive growth, pre-transfer inequality has increased over the last several years, indicating room for further improvement.

Tunisia has developed relatively good basic services, in particular its healthcare system. Yet the country that launched the Arab Spring protest movement requires significant improvement across most other building blocks of inclusive growth. The education system, while reaching many young people, does not provide the quality needed to prepare them for the workforce. Unemployment, particularly of the youth, is very high with many workers forced into the informal sector. Tunisia must foster an environment that is conducive to new business and job creation to meet the needs of the many young people entering the workforce.

Ukraine receives the best assessment of all countries in this income group for its education and skills profile, particularly due to high enrollment rates and the equity of student performance regardless of income level. This strength has translated into very low levels of inequality, pre- and post-transfer, and a large and rapidly growing middle class. Yet the quality of both traditional education and training must be upgraded to meet the needs of the economy and reduce the high unemployment rate, particularly among the young. Business creation is hindered by red tape, rampant corruption, and the consequent lack of financing for business development. Without job opportunities the country will continue to suffer a brain drain of talent leaving for opportunities elsewhere. The recent hostilities in the east of the country may undo some of the progress achieved in recent years, as they are likely to disproportionately affect the least well-off.

Vietnam tops the pillar measuring employment and labor compensation, with a high labor participation rate accompanied by very low unemployment, although youth unemployment is somewhat higher. This is probably driven by the country's relatively strong entrepreneurialism. To improve its ability to deliver inclusive growth, Vietnam must urgently upgrade its education system by improving the quality of schooling and increasing enrollment at all levels. Healthcare quality, access, and affordability must also be improved to avoid high out-of-pocket expenses. The financial sector must be developed to provide financing for business development and investment, and infrastructure and basic services need to be upgraded. Despite huge reductions in poverty over the

last decade, the country has a small middle class and relatively low median living standards (and could potentially benefit from greater use of fiscal transfers).

Low-Income Countries

Countries in the low income category are concentrated primarily in sub-Saharan Africa and South Asia, with a few from other developing regions. These are countries that must carry out efforts across many areas to generate the productivity and growth that are necessary to underpin inclusive economies. Many have relatively low levels of inequality but from a very low income base, requiring a continued focus on widespread poverty alleviation to bring living standards above subsistence level. Policy must focus on addressing lower incomes more generally by increasing access to public services such as high-quality education, training, and healthcare, as they constitute long-term social investment to create greater equality of opportunity.

Companies in **Bangladesh** have better access to finance from banks and the equity market than most other countries at its income level, which is important for supporting business development. Yet across most other areas, significant efforts will be required to increase the country's capacity to deliver inclusive growth. The education system falls short, with lower enrolment rates at all levels than in most other countries, poor quality, and great differences in school performance based on students' income levels - all of which reinforces inequality. Bangladesh also needs to make business and job creation more attractive by reducing red tape, upgrading infrastructure and basic services, and tackling rampant corruption. This would help to bring more workers out of the informal economy and into official and less vulnerable employment.

Chad struggles in all of the areas measured by the inclusive growth and development framework. Over 80% of its population lives on less than \$2 a day. Educational attainment is extremely low across all levels, with only 1.5 years of schooling received on average. The quality of education is poor, with a very low pupil-to-teacher ratio. Overall, this does not provide the economy with the skills needed even for basic activities, and greatly constrains social mobility. Chad has among the most burdensome requirements for starting a new business. It is therefore not surprising that the informal economy is extremely large, accompanied by one of the highest levels of vulnerable employment globally. Chad must

also build up its infrastructure and basic services, which will require greater access to finance. Investment would also be encouraged by lower corruption and greater transparency.

Kenya has started to put in place some of the building blocks for an inclusive economy with a larger middle class than most countries in this group. Bank and equity finance is relatively more accessible and affordable compared with other countries at the same income level. The quality of the education system rivals that of economies at higher income levels, although efforts must be made to ensure it reaches more students and generates more equitable performance from them regardless of income level. This will be critical to lower the high levels of unemployment and particularly high youth unemployment, and to shrink the informal sector. Kenya must also continue to build its infrastructure and basic services, reduce the red tape faced by businesses, and tackle pervasive corruption.

Nepal has made some significant reductions in poverty and pre-transfer inequality, but its Gini remains high. It has relatively good employment outcomes - low unemployment, including youth unemployment, and strong female participation in the workforce. Yet the informal sector remains large and wages in general are too low to raise many workers out of poverty. Upgrading the education system and improving the provision of infrastructure and basic services will be critical for moving up the income and value chains, as will tackling corruption and reducing administrative barriers to business creation and development.

Rwanda has made more strides in driving inclusive growth than other countries in this income category, and in some areas even outperforms countries at higher income levels, although it still has a long way to go with median household incomes less than \$2 a day and high income inequality. It ranks first in this group for business and political ethics, with effective measures in place to combat corruption and bribery. Rwanda has a high labor force participation rate and relatively low unemployment. Financing is more easily available for business development than in many similar countries. To further enhance the inclusiveness of its growth process and move up the value chain, Rwanda must upgrade its education system - improve access at all levels, improve the quality of what is learned, and narrow gaps in performance among students of different income levels. It must also continue to build infrastructure and increase social spending to improve adequacy of basic services.

Tanzania benefits from a rate of unemployment that is lower than that of many countries, and a high female participation rate, although a large proportion of workers are in vulnerable employment receiving subsistence wages (which is related to low levels of labor productivity). The education system has been expanded to reach a larger proportion of the population, although efforts must continue to attain universal access, improve quality, and reduce differences in performance outcomes across income groups, particularly in secondary school. Business development and employment creation would benefit from greater access to finance and reduction in corruption. This would also provide the resources and framework for further developing the infrastructure and basic services that Tanzania so greatly needs to improve living standards.

Zimbabwe has a relatively progressive tax code and should be able to deliver relatively good post-redistribution outcomes. Yet inequality remains high, social mobility is low, and many of those in the workforce are unable to pull themselves out of poverty. Education will be important for preparing the workforce to move into higher-wage activities. Zimbabwe does a decent job of getting children into primary school, although secondary and tertiary rates lag behind those of many low-income economies, and the quality of the overall education system is in great need of improvement. Finance is very difficult to obtain for business development, possibly related to the great administrative hindrances placed in the way of starting and operating businesses in the country. Further, Zimbabwe has one of the lowest performances among all countries in terms of corruption, with poor corporate and government ethics, and a high concentration of rents accruing to a small elite of companies and individuals. Its wealth Gini is one of the highest in the world.

IV. Conclusions and Next Steps

This Report has analyzed and presented the results of the first edition of the Inclusive Growth and Development Benchmarking Tool, which assesses the inclusiveness of the process and benefits of growth in 112 economies across all geographies and stages of development. It provides policymakers, business leaders, and key decision-makers with benchmarks spanning seven policy areas and 15 sub-areas going well beyond fiscal transfers. The aim is to enable stakeholders to gauge how well their countries are exploiting the policy space available in these domains to advance inclusive growth and development based on the experience of countries at a similar level of development.

Through this Framework and cross-country benchmarking data, the Forum hopes to stimulate concrete discussion among policymakers and stakeholders about opportunities to translate an aspiration for a more socially inclusive growth model into a practical national strategy through an added emphasis on institutional development.

This is a beta version of the Framework, and work on refining the data and methodology will continue in two respects. First, based on feedback and ongoing research, the indicators will be improved and, where possible, country coverage will be expanded. Second, the relative significance of sub-pillars and individual indicators will be investigated empirically. This will be a complex undertaking, as the pace of progress in broad living standards is affected by many factors, both transient and longer term, most notably the level of growth itself. The challenge will be to isolate these from other factors in order to gain a better appreciation of which features of the institutional enabling environment are more or less determinative of the quality of growth over time as measured by levels of productive employment and median household income. Depending on the outcome of this exercise, it may be possible to assign weights and construct an index, providing a further degree of guidance about the practice of inclusive growth and development.

Finally, work has begun on a compendium of best practices in policy approaches, corporate and public-private partnerships. For example, the World Economic Forum's Global Agenda Meta-Council on Inclusive Growth is collaborating with the Center for International Development at Harvard University and the MasterCard Center for Inclusive Growth in seeking examples of practices, policies, and institutional initiatives, both public and private, at the intersection of inclusion and growth. The best proposals have

been selected by a panel of international jurors and will be featured at the Symposium on Inclusive Growth to be hosted at Harvard University in October this year.

Over time, the goal is to develop a qualitative database that would be of utility to policymakers, companies, and other stakeholders interested in adapting approaches used with success elsewhere to their own circumstances, helping them to respond in concrete ways to the policy and institutional gaps revealed by the quantitative benchmarking information presented preliminarily in this report.

This report will inform discussions and activities of the World Economic Forum over the next two years, including in its National Strategy Meetings, Regional Summits and Annual Meetings, as part of the Global Challenge Initiative on Economic Growth and Social Inclusion. Through the Framework, Dashboard of National KPIs and Country Profiles, the Forum hopes to contribute to a better appreciation within societies of how to make inclusive growth a reality.

Notes:

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- ³ "Globalization and Inequality," *World Economic Outlook* (IMF, 2007): 31-65; *Divided We Stand: Why Inequality Keeps Rising* (OECD, 2011); *Growing Unequal?* (OECD, 2008); A. Dreher and N. Gaston, "Has Globalization Increased Inequality?" *Review of International Economics*, Vol. 16, No. 3 (2008): 516-536; R. Freeman, "Globalization and Inequality," in *Oxford Handbook of Economic Inequality*, eds. W. Salverda, B. Nolan, and T. Smeeding (Oxford University Press, 2009): 575-589; P. Krugman, "Trade and Inequality, Revisited," <http://voxeu.org/index.php?q=node/261> (2007); J. Visser and D. Cecchi, "Inequality and the Labour Market: Unions," in *Oxford Handbook of Economic Inequality*, eds. W. Salverda, B. Nolan, and T. Smeeding (Oxford University Press, 2009): 230-256; M. Wallerstein, "Wage-Setting Institutions and Pay Inequality in Advanced Industrialised Societies," *American Journal of Political Science*, Vol. 43, No. 3 (Blackwell Publishing, 1999): 649-680.
- ⁴ See for example World Bank President Jim Yong Kim's October 2014 speech at Howard University: "For the first time in the history of the World Bank Group, we have set a goal that aims to reduce global inequality," <http://www.worldbank.org/en/news/press-release/2014/10/01/boosting-shared-prosperity-key-tackling-inequality-world-bank-group-president>; OECD Secretary General Angel Gurría's November 2014 address at the L20 Summit: "We must be careful to ensure that G20 growth strategies not only boost growth and jobs, but also address inequalities," <http://www.oecd.org/about/secretary-general/l20-summit-inequality-and-inclusive-growth.htm>; IMF Managing Director Christine Lagarde's April 2015 speech, "Lift Growth Today, Tomorrow, Together," <http://www.imf.org/external/np/speeches/2015/040915.htm>; or Pope Francis's May 2015 Encyclical *Laudato Si'*: "We urgently need a humanism capable of bringing together the different fields of knowledge, including economics, in the service of a more integral and integrating vision," http://w2.vatican.va/content/francesco/en/encyclicals/documents/papa-francesco_20150524_enciclica-laudato-si.html.
- ⁵ See for example the choice of "Inclusive Growth: Sustainable Solutions" as the theme of the 6th BRICS Summit in 2014, <http://www.globalresearch.ca/sixth-brics-summit-fortaleza-declaration/5391525>; speeches such as Brazilian President Dilma Rousseff's at the appointment of a new economic team following re-election in November 2014, <http://thebricspost.com/rousseff-vows-to-continue-social-inclusion-with-new-finance-team>; and initiatives ranging from Ireland's Social Inclusion Division, <http://www.socialinclusion.ie/about.html> to South Africa's National Development Plan 2030, <http://www.gov.za/sites/www.gov.za/files/Executive%20Summary-NDP%202030%20-%20Our%20future%20-%20make%20it%20work.pdf>. See focus on shared prosperity and fostering the middle class, Report by the Commission on Inclusive Prosperity in the United States, 2015 chaired by Lawrence Summers and Ed Balls, <https://cdn.americanprogress.org/wp-content/uploads/2015/01/IPC-PDF-full.pdf>. This has also featured quite prominently on the agenda in Japan's efforts to advance the Third Arrow, Japan Revitalization Strategy Council, Cabinet. (2014). Policy note on the Evolution of Growth Strategies. Cabinet, Japan.
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- ⁸ In It Together: Why Less Inequality Benefits All (Paris: OECD Publishing, 2015); "Focus on Inequality and Growth" (OECD, December 2014).
- ⁹ E. Dabla-Norris, "Causes and Consequences of Income Inequality: A Global Perspective" (IMF, 2015).
- ¹⁰ P. Krugman, "Why We Talk about the One Percent," *The New York Times*, 17 January 2014. Income gains rapidly decrease after the 50th percentile and become stagnant around the 80th-90th global percentiles before shooting up for the global top 1 percent.
- ¹¹ See, for example A. Singh and R. Dhumale, "Globalization, Technology, and Income Inequality: A Critical Analysis," World Institute for Development Economic Research, Working Paper no. 210 (2000), <http://www.oxfordscholarship.com/view/10.1093/0199271410.001.0001/acprof-9780199271412-chapter-6>; for the change in labor shares, see B. Neiman and L. Karabarbounis, "The Global Decline of the Labor Share," *The Quarterly Journal of Economics*, Volume 129, No. 1 (2013): 61-103.
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- ¹⁴ "Focus on Inequality and Growth" (OECD, December 2014); "Focus on Top Incomes and Taxation in OECD Countries: Was the Crisis a Game Changer?" (OECD, May 2014); "Divided We Stand: Why Inequality Keeps Rising" (OECD, 2011), <http://www.oecd.org/els/soc/dividedwestandwhy-inequalitykeepsrising.htm>; E. Tsounta and A. Osueke, "What is Behind Latin America's Declining Income Inequality?" IMF Working Paper No. 14/124 (2014), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2480273.
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- ¹⁶ L. Carvalho and A. Rezai, "Personal Income Inequality and Aggregate Demand," Working Paper 2014-23 (2014), Department of Economics, University of São Paulo, São Paulo.
- ¹⁷ "Causes and Consequences of Income Inequality: A Global Perspective" (IMF, 2015), <http://www.imf.org/external/pubs/ft/sdn/2015/sdn1513.pdf>.
- ¹⁸ Ibid.
- ¹⁹ "Focus on Inequality and Growth" (OECD, December 2014).
- ²⁰ Ibid; and F. Cingano, "Trends in Income Inequality and Its Impact on Economic Growth," OECD SEM Working Paper No. 163 (2014), www.oecd.org/els/workingpapers.
- ²¹ John Williamson, ed., *Latin American Adjustment: How Much Has Happened?* (Washington: Institute for International Economics, 1990).
- ²² A. Kraay, "When is Growth Pro-Poor? Evidence from a Panel of Countries," *Journal of Development Economics*, Vol. 80 No. 1 (2006): 198-227.
- ²³ See in particular, Douglass C. North, *Institutions, Institutional Change and Economic Performance* (New York: Cambridge University Press, 1990).
- ²⁴ More recently, Hall and Jones (1998) find that differences in capital accumulation and productivity, and therefore output per worker, are driven by differences in institutions and government policies. Acemoglu, Johnson and Robinson (2001) show that institutions are robustly related to present-day differences in per-capita incomes. Rodrik, D., Subramanian, A., & Trebbi, F. (2002) also find that property rights are more important than either geography or trade in determining income levels around the world. See D. Acemoglu, S. Johnson, and J. Robinson, "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review*, Vol. 91, No. 5 (2001): 1369-401; D. Rodrik, A. Subramanian, and F. Trebbi, "Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development," (Mimeo, Harvard University, 2002).
- ²⁵ *The East Asian Miracle*, World Bank, 1993, see in particular pp. 13-15 and pp. 157-189.
- ²⁶ "The Growth Report: Strategies for Sustained Growth and Inclusive Development", World Bank, 2008, pp. 4-5.
- ²⁷ On social unrest and inequality, see P. K. Bardhan, *Scarcity, Conflicts, and Cooperation: Essays in the Political and Institutional Economics of Development* (Cambridge, Massachusetts: MIT Press, 2005); M. I. Lichbach, "An Evaluation of 'Does Economic Inequality Breed Political Conflict?' Studies," *World Politics* Vol. 41, No. 4 (1999): 431-70. For new labor laws and anti-corruption initiatives in China, see Haiyan Wang, Richard Appelbaum, Francesca Degiuli, and Nelson Lichtenstein, "China's New Labor Contract Law: Is China moving toward increased power for workers?" *Third World Quarterly*, Vol. 30, No. 3 (2009): 485-501; and Ben W. Heineman Jr, "In China, Corruption and Unrest Threaten Autocratic Rule," <http://www.theatlantic.com/international/archive/2011/06/in-china-corruption-and-unrest-threaten-autocratic->

rule/241128/, 29 June 2011. For the link between protests and improved socioeconomic conditions in Durban, see Shauna Mottiar and Patrick Bond, "The Politics of Discontent and Social Protest in Durban," *Politikon: South African Journal of Political Studies*, Vol. 39, No. 3 (2012): 309-330, <http://ccs.ukzn.ac.za/files/Mottiar%20Bond%20CCS%20final.pdf>. In both Europe and Central Asia and Latin America, many countries undertook active labor market programs, especially employment services, skills training, and upgrading during the crisis. Many countries established skills training, which targeted the most at-risk workers, especially unskilled workers and youth. Some governments introduced wage subsidies (as in Poland, Chile) or altered minimum wage (as in Bolivia, Brazil, and Honduras) and expanded social protection programs (the Oportunidades CCT and Seguro Popular health insurance for the poor in Mexico). See, A. Gauthier, 2010. "The impact of the economic crisis on family policies in the European Union." European Commission, Directorate-General Employment, Social Affairs & Inclusion, http://europa.eu/epic/docs/final_revised.pdf; European Commission. "European Economy. A Decade of Labour Market Reforms in the EU: Insights from the LABREF database." *Economic Papers* 522, July 2014; The World Bank Group's Response to the Global Economic Crisis. Washington, D.C., 2010. http://siteresources.worldbank.org/EXTRGFC/Resources/Global_Econ_Crisis-full.pdf.

²⁸ In the UK, the introduction of the welfare state rested largely on the work of John Maynard Keynes, who argued the virtues of full employment and state stimulation of the economy, and William Beveridge and the 1942 Beveridge Report, which spelled out a system of social insurance covering every citizen regardless of income, and also resulted in compulsory free secondary education for all and the birth of the National Health Service. In the United States, from 1933-38, the New Deal ushered in a new era of reform spanning financial regulation, farm subsidies, public works, mortgage protection, union rights, Social Security, and the minimum wage. See A. Hicks, *Social Democracy and Welfare Capitalism: A Century of Income Security Politics* (Ithaca, NY: Cornell University Press, 1999).

²⁹ The pursuit of a greener model of economic growth begins with a similar rebalancing of national strategy priorities supported by systematic consideration of available policy space across a wide spectrum of relevant policy and institutional domains. See in this respect *Towards Green Growth*, OECD, 2011; *Tools for Delivering on Green Growth*, OECD, 2011; and *Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication*, UNEP, 2011; *Inclusive Green Growth: The Pathway to Sustainable Development* (Washington DC: World Bank, 2012).

³⁰ R.G. Rajan, *Fault Lines* (Princeton, New Jersey: Princeton University Press, 2010); D. Acemoglu, "Thoughts on Inequality in Financial Crisis," presented at the American Economic Association meetings, January 2011, http://www.econtalk.org/archives/2011/02/acemoglu_on_ine.html.

³¹ H. Lopez, "Pro-Poor Growth: A Review of What We Know (and of What We Don't)," Mimeo (2004) <http://www.eldis.org/vfile/upload/1/document/0708/DOC17880.pdf>; T. Killick, "Responding to Inequality," Inequality Briefing Paper No. 3 (London: Overseas Development Institute, 2002), <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/3810.pdf>; R. J. Barro, "Inequality and Growth in a Panel of Countries." *Journal of Economic Growth*, Vol. 5, No. 1 (2000): 5-32.

³² J. Furman (2014), "Global Lessons on Inclusive Growth," Policy Network in partnership with Global Progress and the Center for American Progress, http://www.policy-network.net/pno_detail.aspx?ID=4691&title=Global-lessons-on-inclusive-growth.

³³ J. Stiglitz, *The Price of Inequality: How Today's Divided Society Endangers Our Future* (New York and London: Norton, 2012).

³⁴ Recent research from the IMF finds that redistribution carries no significant growth penalty, but economies that redistribute a lot may enjoy shorter growth spells. When the gap between the market and net Ginis is larger than 13 points (as in much of western Europe), further redistribution shrinks the typical expansion.

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Appendix: Methodology of the Inclusive Growth and Development Benchmarking Framework

The Framework

The approach presented in this Report is intended to be normative and primarily aimed at stimulating discussion on policy priorities, actions that could be taken by the private sector (alone or in concert with government), and further research endeavors. As outlined above, there is widespread agreement that the growth process must yield more inclusive outcomes, and research on the factors that determine such outcomes is ongoing and remains at a formative stage. Many determinants are thought to influence the process and benefits of growth outcomes and the way in which they are distributed. The selection of the pillars therefore represents a key assumption of the Framework. It is grounded in available research and best judgment based on historical experience. However, these domains have not yet been empirically proven to have a direct, causal link to increased growth or social equity, either individually or collectively.

For practical reasons, the framework separates prioritized policy domains into seven distinct pillars, as though these are interdependent and interconnected - they tend to reinforce each other, and a weakness in one area often has a negative impact on others. No single determinant can ensure inclusive growth, which can only be achieved through a combination of factors. For example, employment can only contribute to equitable growth if education is widely accessible and transmits skills of relevance to the labor market. Private-sector investment will be higher and more efficient if government and business activity is transparent and ethical. Likewise, education is also linked to health outcomes - in advanced economies, those with the highest education can expect to live six years longer than their poorly educated peers.

The appropriate mix of policies and institutions will depend on country circumstances and preferences, so the Framework does not include an overall aggregate ranking or league table of countries. Similarly, it does not intend to suggest that there is an ideal policy or institutional mix for the pursuit of inclusive growth and development that will apply to all countries. For the same reason, the Framework does not assign different weights to the pillars and sub-pillars.

Given the data limitations, the complexity of the topic, and the need for further research, the individual indicators should be interpreted as simple proxies for prevailing

conditions and the extent to which countries are utilizing their policy space. A weak or strong score should thus be seen as a marker or signpost of where a country might explore policy changes or other actions.

It is important to note that in a number of instances, data had to be adjusted to take into account both equity and growth considerations. Although equity remains a principal focus when assigning rank direction, a cut-off sometimes has been applied at the point where these policies might dampen growth. These trade-offs are present in the case of some labor and tax-related indicators, where a particularly high degree of protection or taxation can begin to dampen growth. Other adjustments were undertaken if the relationship between the indicator and inclusive growth is not linear. For example, paid maternity leave is beneficial to female inclusion until it begins to adversely affect wages and (re)integration into the labor market. Similarly, some financial market indicators, such as domestic credit to the private sector or share turnover, can be characterized by negative effects at both extremes. Specific thresholds have been set were based upon available literature and the authors' interpretation of the data.

Data and Aggregation Methods

The Country Profiles include two types of data. The first category is quantitative data collected from leading international organizations and other respected sources.

The second category of data is derived from the World Economic Forum's Executive Opinion Survey, which assesses the perspectives of more than 14,000 business leaders about their countries' business and political environment (between February and June 2014). The responses from the survey are on a 1-to-7 scale, with 1 representing the worst case, and 7 the best.

If quantitative data presents outliers, data thresholds are introduced to reduce the bias in the distribution of the data. The same thresholds are applied across the full sample of countries where data is available to allow for some degree of comparability (at indicator level and across some sub-pillars).

The computation is based on successive aggregations of scores from the indicator level to the sub-pillar and pillar level. Unless noted otherwise, an arithmetic mean is used to aggregate individual indicators within a category. For

quantitative data, to make aggregation possible, indicators are converted to a 1-to-7 scale (worst to best) in order to align them with the Survey results. A linear min-max transformation is applied, which preserves the order of, and the relative distance between, country scores.

a. Formally, for a category $[i]/[i]$ composed of $[j]K[i]$ indicators, there is:

$$\text{category}_i = \frac{\sum_{k=1}^K \text{indicator}_k}{K}$$

b. Formally, the equation is:

$$6 \times \frac{(\text{country score} - \text{sample minimum})}{(\text{sample maximum} - \text{sample minimum})} + 1$$

The $[i]\text{sample minimum}[i]$ and $[i]\text{sample maximum}[i]$ are, respectively, the lowest and highest country scores in the sample of economies covered by the benchmarking tool. In some instances, adjustments were made to account for extreme outliers. For those indicators for which a higher value indicates a worse outcome, the transformation formula takes the following form, thus ensuring that 1 and 7 still correspond to the worst and best possible outcomes, respectively:

$$-6 \times \frac{(\text{country score} - \text{sample minimum})}{(\text{sample maximum} - \text{sample minimum})} + 7$$

Data Presentation

In order to facilitate peer-group comparisons for countries, the results are grouped into the four broad categories of countries based on a combination of the World Economic Forum's Global Competitiveness Index methodology and the World Bank's 2015 income classifications that were available at the time the Report was drafted: advanced, upper-middle, lower-middle and low income.¹ This classification also reflects somewhat different available data sets and policy challenges for each group. The income thresholds presented in the table below are based on GDP per capita in current US dollars.

¹ Stage 3 has been used for advanced economies and Stage 2 has been divided into two distinct groups (including those in transition) at the midpoint to obtain the upper and lower-middle income groups, respectively.

Table 9: Income Thresholds

Advanced Economies	Upper-Middle Income Economies	Lower-Middle Income Economies	Low Income Economies
>17,000 GDP per capita	6,000-16,999 GDP per capita	1,320-5,999 GDP per capita	<1,320 GDP per capita
Advanced (30)	Upper-Middle (26)	Lower-Middle (38)	Low Income (18)
Australia	Argentina	Albania	Bangladesh
Austria	Azerbaijan	Algeria	Burkina Faso
Belgium	Brazil	Armenia	Burundi
Canada	Bulgaria	Bolivia	Cambodia
Czech Republic	Chile	Cameroon	Chad
Denmark	China	Dominican Republic	Guinea
Estonia	Colombia	Egypt	Kenya
Finland	Costa Rica	El Salvador	Madagascar
France	Croatia	Georgia	Malawi
Germany	Hungary	Ghana	Mali
Greece	Kazakhstan	Guatemala	Mozambique
Iceland	Latvia	Honduras	Nepal
Ireland	Lithuania	Indonesia	Rwanda
Israel	Malaysia	India	Sierra Leone
Italy	Mexico	Iran, Islamic Rep.	Tajikistan
Japan	Namibia	Jordan	Tanzania
Korea, Rep.	Panama	Kyrgyz Republic	Uganda
Luxembourg	Peru	Lao PDR	Zimbabwe
Netherlands	Poland	Lesotho	
New Zealand	Romania	Macedonia, FYR	
Norway	Russian Federation	Mauritania	
Portugal	Serbia	Moldova	
Slovak Republic	South Africa	Mongolia	
Slovenia	Turkey	Morocco	
Spain	Uruguay	Nicaragua	
Sweden	Venezuela	Nigeria	
Switzerland		Pakistan	
United Kingdom		Paraguay	
United States		Philippines	
Singapore		Senegal	
		Sri Lanka	
		Swaziland	
		Thailand	
		Tunisia	
		Ukraine	
		Vietnam	
		Yemen	
		Zambia	

Results are displayed by pillar as well as by country (scorecards). The former is intended to enable the reader to benchmark a given score against a peer group of countries in a given policy domain and across other policy domains. The latter is intended to provide a comprehensive picture of a country's performance and enabling environment conditions across the full spectrum of policy domains covered by the Benchmarking Framework. In addition to numerical values, a five-color system of color shading is applied to ease interpretation of the data and comparisons across countries and indicators, with darkest green representing the best performance in a pillar, shades of yellow standing for average performance, and deepest red displaying the poorest performance. The same color palette has been used for the icons on the country profiles showing the individual country performances as well as in the aggregated pillar result tables for each income group. This allows both an internal comparison for individual countries (by showing in which pillars they perform more or less well) as well as a cross-country comparison (how the countries compare to their peers in the various pillars and sub-pillars).

It is important to note that in order to facilitate the comparison of countries with their peers - those with similar resources at their disposal - the color palette has been based on results by income group. Thus, caution must be taken in comparing color results across income groups, as they are not directly comparable. Specifically, the range of colors shown for advanced and upper-middle income economies are each based on the results of the specific income group and only comparable to the countries within their group. For lower-middle income and low-income countries, a single color calibration has been performed based on the range in scores of the lower-middle income countries. This has been done to highlight the still significant room for improvement even for the best performers within the low income group.²

² This is particularly important given the small sample size of the low income group, and thus the very small and generally low range of results. This decision was also taken based upon the distribution of incomes with many countries clustered around the lower-middle income/low income threshold— with the vast majority in the lower-middle income group below \$4,000 GDP per capita.

Country Coverage

The Report covers 112 countries representing all regions. Country coverage has mainly been driven by data availability - all but 24 countries have full coverage on all pillars, and no countries have more than a third of missing data in a given pillar.³ In most cases, missing values do not exceed 25%. If the overall results of more than two pillars could not be properly calculated, the country has not been included. The Forum will strive to expand coverage as more comparable data becomes available, especially for low income countries. For this reason, for some variables two distinct data sets have been used (one for advanced and upper-middle income economies and another for lower-middle income and low income economies) in order to capture a wide array of concepts and to use the best data available for a large range of countries. For example, for advanced and upper-middle income countries, data from the OECD's PISA assessment has been included, while for lower-middle income and low income countries UNESCO's WIDE Database on Educational Inequality has been used due to the lack of comparable data by income quintile across the whole sample. This is also the case for a few other indicators that are available for higher income economies but not available for some of the other country groupings. As a result, pillar level scores are not strictly comparable between income groups. The table below indicates the specific variables that are available only for certain income groups.

³ Due to missing data, the following countries are missing an aggregated score in one of the seven dimensions: Slovenia, Slovak Republic, Croatia, Namibia,* Panama, Azerbaijan,* Bulgaria, China, Romania, South Africa,* Venezuela, Algeria, Cameroon, El Salvador, Iran, Jordan, Nigeria, Paraguay, Sri Lanka, Swaziland, Tajikistan, Sierra Leone, Chad, and Guinea. Namibia, South Africa, and Azerbaijan are missing PISA data which is the benchmark used for upper-middle income countries; however, data does exist from UNESCO on this dimension, but was not used due to issues of comparability.

Table 10: Indicators That Vary According to Income Group

Pillar 1: Education and Skills	Applicable Income Group
Pupils-to-teacher ratio	Lower-middle income and low income only
PISA reading score	Advanced economies and upper-middle income economies only
PISA math score	Advanced and upper-middle income only
Learned basics in reading (PASEC/SACMEQ/PIRLS)	Lower-middle and low income only
Learned basics in mathematics (PASEC/SACMEQ/TIMSS)	Lower-middle and low income only
Resilient students, % (PISA)	Advanced and upper-middle income only
Social Inclusion (PISA)	Advanced and upper-middle income only
PISA math score by quintile (q1/q5)	Advanced and upper-middle income only
PISA reading score by quintile (q1/q5)	Advanced and upper-middle income only
Basics in reading comprehension q1/q5	Lower-middle and low income only
Basics in mathematics (q1/q5)	Lower-middle and low income only
Mean years of schooling by quintile (q1/q5)	Lower-middle and low income only
Primary completion rate by quintile (q1/q5)	Lower-middle and low income only
Lower secondary completion rate by quintile (q1/q5)	Lower-middle and low income only
Upper secondary completion rate by quintile (q1/q5)	Lower-middle and low income only
Pillar 2: Employment	
Strictness of employment protection	Advanced economies only
Underemployment (involuntary part-time employment)	Advanced economies only
Availability of formal childcare	Advanced economies only
Cost of childcare	Advanced economies only
Agricultural productivity	Upper-middle, lower-middle, and low income only
Pillar 3: Asset Building and Entrepreneurship	
Employee stock ownership	Advanced economies only
Profit sharing	Advanced economies only
Pillar 4: Financial Intermediation	
Private investment in infrastructure	Upper-middle, lower-middle, and low income only
Bank lending to non-financial corporations	Advanced economies only
Gross fixed capital formation, private sector (% GDP)	Upper-middle, lower-middle, and low income only
Domestic credit to private sector by banks (% of GDP)	Upper-middle, lower-middle, and low income only
Share turnover ratio (as share of market cap)	Advanced economies only
Share buyback (as share of GDP)	Advanced economies only
Follow-on issuances (% GDP)	Advanced economies only
Pillar 5: Corruption and Rents	
Regulatory protection of incumbents (PMR)	Advanced economies only

Continued

Table 10: Indicators That Vary According to Income Group, Cont'd.

Pillar 6: Basic Services and Infrastructure	Applicable Income Group
Transportation infrastructure	Advanced economies only
Dwellings without basic facilities	Advanced economies only
Access to electricity %	Upper-middle, lower-middle, and low income only
Slum population, urban %	Upper-middle, lower-middle, and low income only
Access to drinking water (%)	Upper-middle, lower-middle, and low income only
Access to sanitation (%)	Upper-middle, lower-middle, and low income only
Nutrition; undernourishment % of population	Upper-middle, lower-middle, and low income only
Pillar 7: Fiscal Transfers	
Tax on inheritance	Advanced economies only
Tax on capital	Advanced economies only
Tax on property	Advanced economies only
Unemployment insurance (NRR)	Advanced economies only
Pensions: Net replacement rate	Advanced economies only
Progressivity of pensions	Advanced economies only
Adequacy of social assistance	Upper-middle, lower-middle, and low income only
Adequacy of social insurance	Upper-middle, lower-middle, and low income only
Benefit-to-cost ratio	Upper-middle, lower-middle, and low income only

See technical notes for the full list of indicators.

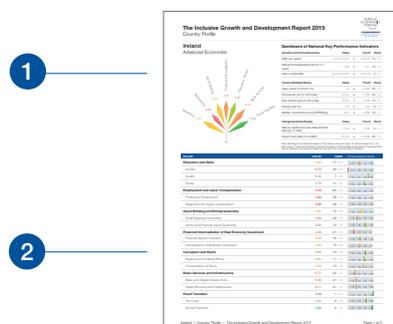
Strengthening the World Economic Forum's Framework for Inclusive Growth

Some key concepts that are important for inclusive growth could not be captured due to gaps in available data – for example, discrimination against the disabled, migrants, and ethnic minorities. Data is especially scarce for low income countries and capturing the distribution of outcomes by income groups. Going forward, in order to make progress in this area, countries and international organizations will need to regularly collect better data in these critical areas especially through the use of household surveys. It is very hard to fix what you cannot measure.

It bears mention that measures of real economy investment, or productive uses of capital, are a relatively underexplored area with important implications for inclusive growth. For this pillar, comparable data for a large number of countries is limited, necessitating the use of several different variables or proxies in order to capture this complex concept. For example, it is difficult to capture net equity issuance (taking into account share buybacks) in a single measure due to poor country coverage; these indicators could not be combined and have been presented separately in this Report. Likewise, private investment in infrastructure data is only available for developing countries as data for many advanced economies also includes public investment. The Forum's goal is to provide a more complete breakdown of this concept in the next Report.

This Report should be seen as marking the start of an ongoing process. Empirical research on the topic of inclusive growth is still emerging. As it evolves, the Forum intends to use it to explore the relationships and relative importance of the different pillars. Work will also be done to incorporate new countries and indicators into the analysis and to test the robustness of the Framework. This work on further refining and upgrading the methodology will inform the next edition of the Report.

Part 2. Data Presentation



The Country/Economy Profiles section presents a profile of each of the 112 economies covered in *The Inclusive Growth and Development Report 2015*.¹

1 National Key Performance Indicators

To provide added context, the first section presents a selection of key performance indicators for the economy under review. Countries are evaluated within their income groups on each of the 10 indicators that collectively convey a more complete picture of how well their economies are achieving strong, broad-based progress in living standards rather than GDP growth *per se*.

Both the most recent value (level) and trend (or growth rate) are presented. Ranks are based on the value (for the most recent year available) relative to peer countries. Trends are based on the direction and degree of movement of each indicator over the last 8 to 10 years depending on data availability. Most trends represent the absolute net differences while those denoted with an asterisk represent the annual average percentage growth over the 10 year period. A selection of these indicators and cross-country comparisons can be found in the Dashboard Tables in Part 1 of this Report. See technical notes for more information on each indicator and the time period covered.

2 Benchmarking Inclusive Growth

This section details the economy's performance on the main components of the Inclusive Growth Benchmarking Tool. The first column shows the country's score on the seven pillars and fifteen sub-pillars included in the Framework, while the second column presents the country's rank among its peer economies. For more information on the methodology refer to the Appendix in Part 1.

3 The Inclusive Growth and Development Profiles in More Detail

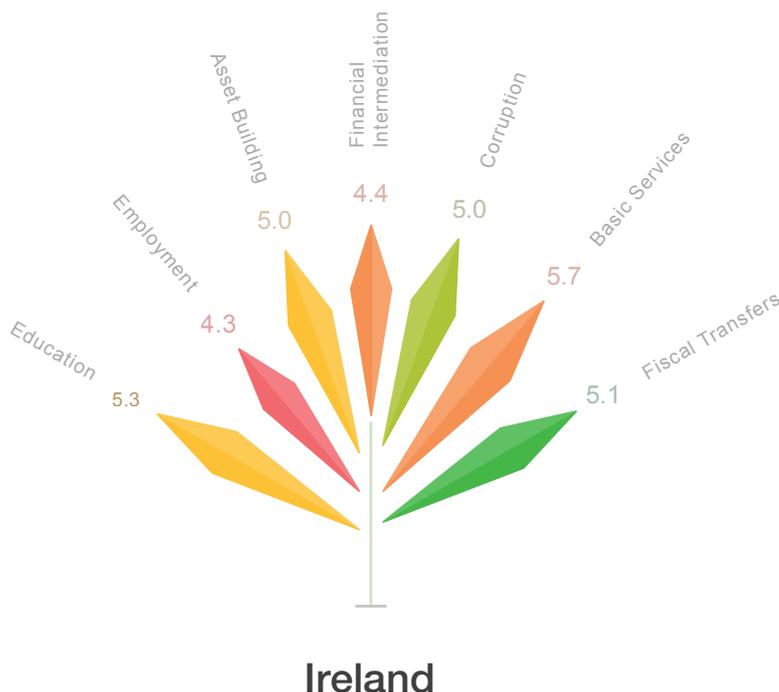
This page details the country's performance on each of the indicators composing the benchmarking tool. Indicators are organized by sub-pillar. Indicators are not presented where data is unavailable "N/A". Indicators with an asterisk are not included in the final pillar aggregation and are meant for contextual purposes.

- **INDICATOR, UNITS:** This column contains the title of each indicator and, where relevant, the unit in which it is measured—for example, "days" or "% GDP." Indicators derived from the World Economic Forum's Executive Opinion Survey are always expressed as scores on a 1–7 scale, with 7 being the most desirable outcome.
- **VALUE:** This column reports the country's aggregated score or value on each of the variables that compose each pillar.
- **RANK:** This column reports the country's position among the peer economies covered by the Report. Please note the shading for the low income group is based on the lower middle income range. This has been done to highlight the still significant room for improvement even for the best performers within the low income group.

Online Data Portal

In addition to the analysis presented in this Report, an interactive data platform can be accessed via www.weforum.org/igd15. The platform offers a number of analytical and visualization tools, including sortable rankings per pillar and sub-pillar, scatter plots, bar charts, and maps.

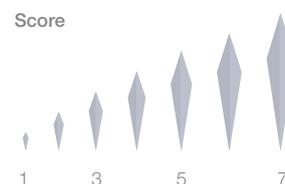
¹ Ireland is used as an illustrative example for the print edition of the Report. All of the 112 profiles can be found online at the following address: <http://wef.ch/igd15>.



How does it work?

Based on various indicators, each economy is assigned a score from 1 to 7 on each dimension. **Higher scores result in bigger leaves.**

For instance, Ireland on the left scores high in Basic Services, but lower in Employment.



At the same time, to ensure that apples are compared with apples: the **color** of the leaf shows the **rank** of the economy within its peer group.



Ireland's performance is compared to other advanced economies. For low-income countries, shading is based on the range in scores of lower-middle income countries. This has been done to highlight the still significant room for improvement even for the best performers within the low income group. Since this color scheme is relative, colors are not comparable across income groups.

Ireland is the top scorer in fiscal transfers, resulting in a dark green leaf.



Its score in Basic Services is actually higher, but as the level of scores in this pillar are very high in general (Switzerland leads with 6.27), Ireland lands only in the bottom 40%, resulting in an orange tint.

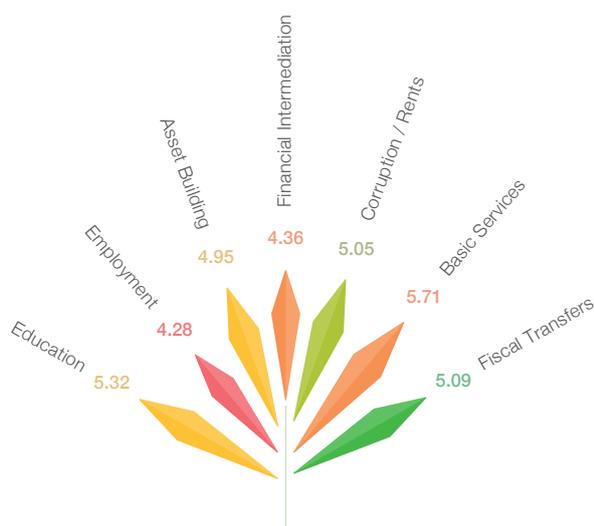


The Inclusive Growth and Development Report 2015

Country Profile

Ireland

Advanced Economies



Dashboard of National Key Performance Indicators

Growth and Competitiveness	Value	Trend	Rank
GDP per capita*	45,621 \$ US	▼	-0.02 % 13 / 30
Global Competitiveness Score (1-7 scale)	4.98	▼	-0.1 19 / 30
Labor productivity*	62,584 \$ PPP	▲	+1.27 % 2 / 30
Income-Related Equity	Value	Trend	Rank
Labor share of income (%)	43	▲	+4.92 25 / 30
Pre-transfer gini (0-100 scale)	53.97	▲	+7.34 29 / 30
Post-transfer gini (0-100 scale)	28.52	▼	-2.56 12 / 30
Poverty rate (%)	8.3	▼	-5.3 8 / 30
Median household income (PPPS/day)	38.9	▲	+6.59 13 / 21
Intergenerational Equity	Value	Trend	Rank
Natural capital accounts (Adjusted Net Savings, % GNI)	14.89	▼	-7.36 6 / 30
Government debt (% of GDP)	122.82	▲	+94.98 26 / 30

Note: Rankings in this table are based on the value (most recent year). Trends are based on a -10 year horizon. Those denoted with an asterisk are based on the average annual percent change and the rest are based on the absolute difference. See technical notes for more information.

PILLAR	VALUE	RANK	WITHIN ECONOMY GROUP
Education and Skills	5.32	17 / 30	
Access	5.74	30 / 30	
Quality	5.42	7 / 30	
Equity	4.79	11 / 30	
Employment and Labor Compensation	4.28	26 / 30	
Productive Employment	4.60	26 / 30	
Wage and non-wage compensation	3.96	26 / 30	
Asset Building and Entrepreneurship	4.95	15 / 30	
Small Business Ownership	4.88	20 / 30	
Home and Financial Asset Ownership	5.02	10 / 30	
Financial Intermediation of Real Economy Investment	4.36	21 / 28	
Financial System Inclusion	5.06	16 / 30	
Intermediation of Business Investment	3.66	15 / 28	
Corruption and Rents	5.05	10 / 30	
Business and Political Ethics	5.51	11 / 30	
Concentration of Rents	4.59	13 / 30	
Basic Services and Infrastructure	5.71	22 / 30	
Basic and Digital Infrastructure	5.30	21 / 30	
Health Services and Infrastructure	6.11	21 / 30	
Fiscal Transfers	5.09	1 / 30	
Tax Code	4.54	9 / 30	
Social Protection	5.63	2 / 30	

Pillars In Detail

PILLAR	VALUE	RANK	WITHIN ECONOMY GROUP
Education and Skills	5.32	17 / 30	
Access	5.74	30 / 30	
Mean years of schooling (years)	11.60	17 / 30	
Gross preprimary enrollment (% of population of preprimary age)	52.44	29 / 29	
Net primary enrollment (% of population of primary age)	95.32	25 / 29	
Gross secondary enrollment (% of population of secondary age)	119.12	6 / 30	
Gross tertiary enrollment (% of population of tertiary age)	71.24	16 / 30	
Vocational enrollment (% of total secondary school students)	31.95	23 / 28	
Availability of high quality training services (1-7 scale)	5.03	19 / 30	
Gender gap in education (female to male ratio)	1.00	13 / 30	
Quality	5.42	7 / 30	
Quality of education system (1-7 scale)	5.43	4 / 30	
Internet access in schools (1-7 scale)	5.35	24 / 30	
Expenditure on education (% of GDP)	6.50	8 / 29	
PISA Reading Score	523.17	5 / 30	
PISA Math Score	501.50	13 / 30	
Ease of finding skilled employees (1-7 scale)	5.20	3 / 30	
Equity	4.79	11 / 30	
Resilient students (%)	6.31	14 / 30	
Social Inclusion	79.69	10 / 29	
Gap in PISA reading scores by quintile (q1/q5)	0.82	8 / 30	
Gap in PISA math scores by quintile (q1/q5)	0.71	15 / 30	

Employment and Labor Compensation	4.28	26 / 30	
Productive Employment	4.60	26 / 30	
Labor force participation rate, total (% ages 15+)	60.20	18 / 30	
Female labor force participation (female to male ratio)	0.80	23 / 30	
Unemployment rate (% of labor force)	14.70	27 / 30	
Youth unemployment rate (% of labor force)	30.43	25 / 30	
Vulnerable employment (% of employment)	11.73	18 / 28	
Occupational injury rate (per 100,000 workers)	2.50	18 / 27	
Extent of Informal economy (1-7 scale)	5.57	15 / 30	
Country capacity to retain talent (1-7 scale)	4.21	18 / 30	
Social mobility (1-7 scale)	5.61	15 / 30	
Strictness of employment protection (0-6 scale)	1.40	24 / 29	
Underemployment rate (% of labor force)	5.91	25 / 28	
Old age employment ratio (% of population, 65+)*	8.70	17 / 30	
Wage and non-wage compensation	3.96	26 / 30	
Low pay rate (% of employment)	20.10	18 / 24	
Gender pay gap (female to male ratio)	0.80	7 / 30	
Pay and productivity (1-7 scale)	4.50	9 / 30	
Wage dispersion (minimum relative to median wage)	0.48	8 / 20	
Trade union density (% of employment)	31.23	9 / 29	
Cooperation in labour-employer relations (1-7 scale)	5.39	11 / 30	
Availability of formal childcare (% of children under 3)	28.75	17 / 26	
Cost of child care (% of average wage)	53.50	23 / 28	
Paid maternity leave (total number of days)	74.60	20 / 24	
Parental leave (total number of days)	0.00	18 / 24	
Asset Building and Entrepreneurship	4.95	15 / 30	
Small Business Ownership	4.88	20 / 30	
New businesses registered (per 1,000 working age individuals)	4.50	11 / 29	
Attitudes towards entrepreneurial failure (1-7 scale)	3.59	14 / 30	
Number of PCT patent applications filed (per million population)	79.45	21 / 30	
Time to start a business (total number of days)	10.00	17 / 30	
Cost required of starting a business (% GNI per capita)	0.30	3 / 30	
Time to resolve insolvency (total number of years)	0.40	1 / 30	
Cost of resolving insolvency (% of estate's value)	9.00	18 / 30	
Cost of enforcing a contract (% of debt value)	26.90	24 / 30	
Time required to enforce a contract (total number of days)	650.00	26 / 30	
Time spent paying taxes (total number of hours per year)	80.00	3 / 30	
Home and Financial Asset Ownership	5.02	10 / 30	
Protection of property rights (1-7 scale)	5.87	10 / 30	
Home ownership rate (% of population)	79.50	5 / 29	
Housing Loan Penetration (% of adult population)	39.20	7 / 27	
Affordability Gap, Urban housing	0.00	6 / 24	
Employee stock ownership (% employees)	6.50	10 / 20	
Profit sharing (% employees)	23.60	16 / 20	
Private pension assets (% GDP)	48.25	12 / 30	

Financial Intermediation of Real Economy Investment	4.36	21 / 28	
Financial System Inclusion	5.06	16 / 30	
Availability of financial services for businesses (1-7 scale)	4.90	24 / 30	
Affordability of financial services for businesses (1-7 scale)	4.71	22 / 30	
Account at a formal financial institution, Bottom 40% (% age 15+)	90.60	19 / 27	
Account used for business purposes, Bottom 40% (% age 15+)	30.36	9 / 27	
Ease of access to credit for business development (1-7 scale)	3.02	25 / 30	
ATMs (per 100,000 adults)	90.51	18 / 30	
Depth of credit information index (0 to 6 scale)*	5.00	8 / 30	
Intermediation of Business Investment	3.66	15 / 28	
Local equity market access (1-7 scale)	3.29	23 / 30	
Venture capital availability (1-7 scale)	3.03	20 / 30	
Bank lending to Non-financial Corporations (% GDP)	4.37	12 / 24	
Small Cap IPOs to NFCs (weighted per \$100 Billion USD GDP)	1.31	15 / 25	
Large Cap IPOs to NFCs (weighted per \$100 Billion USD GDP)	0.87	16 / 27	
Private R&D Expenditure (% GDP)	0.84	20 / 30	
Follow on (secondary equity to NFCs) (% GDP)	0.43	14 / 29	
Corporate bond activity (issuances to NFCs) (% GDP)	6.68	7 / 30	
Share turnover ratio, 5 year average (% of market capitalization)	19.12	1 / 26	
Corruption and Rents	5.05	10 / 30	
Business and Political Ethics	5.51	11 / 30	
Measures to combat corruption and bribery by governments (1-7 scale)	5.43	14 / 30	
Diversion of public funds (1-7 scale)	5.65	9 / 30	
Irregular payments in tax collection (1-7 scale)	6.41	6 / 30	
Ethical behavior of firms (1-7 scale)	5.59	15 / 30	
Public trust of politicians (1-7 scale)	4.47	14 / 30	
Concentration of Rents	4.59	13 / 30	
Regulatory protection of incumbents (0-6 scale)	1.07	8 / 29	
Extent of market dominance (1-7 scale)	4.74	14 / 30	
Intensity of local competition (1-7 scale)	5.17	24 / 30	
Land inequality gini (0-100 scale)	44.00	4 / 18	
Wealth gini (0-100 scale)	71.60	17 / 30	
Concentration of Banking Sector Assets (C5 ratio)	87.67	14 / 29	

Basic Services and Infrastructure	5.71	22 / 30	
Basic and Digital Infrastructure	5.30	21 / 30	
Quality of overall infrastructure (1-7 scale)	5.05	25 / 30	
Quality of domestic transport network (1-7 scale)	4.95	24 / 30	
Transportation infrastructure expenditure (% GDP)	0.90	11 / 28	
Dwellings without basic facilities (% of population)	0.20	6 / 29	
Households with Internet access (%)	78.25	21 / 30	
Fixed broadband Internet subscriptions (per 100 population)	24.24	26 / 30	
Active mobile broadband subscriptions (per 100 population)	67.15	15 / 30	
Affordability of mobile-cellular internet (cost as % of GNI)	1.43	22 / 29	
Affordability of fixed-broadband (cost as % of GNI)	1.08	17 / 30	
Health Services and Infrastructure	6.11	21 / 30	
Quality of healthcare services (1-7 scale)	4.65	27 / 30	
Accessibility of healthcare services (1-7 scale)	5.08	26 / 30	
Particulate matter (2.5) concentration (µg/m3)	2.24	4 / 27	
Out of pocket (% of total health expenditure)	14.54	12 / 30	
Inequality-adjusted life expectancy (years)	3.70	9 / 30	
Gender gap health (female to male ratio)	0.98	1 / 30	
Fiscal Transfers	5.09	1 / 30	
Tax Code	4.54	9 / 30	
Extent and effect of taxation on incentives to work (1-7 scale)	3.36	17 / 30	
Extent and effect of taxation on incentives to invest (1-7 scale)	4.53	7 / 30	
Total tax revenue (% GDP)	27.60	25 / 30	
Synthetic measure tax progressivity	9.95	1 / 30	
Total tax wedge (% of labor cost)	12.59	1 / 30	
Tax on goods and services (% of total tax revenue)	31.24	21 / 30	
Tax on property (% GDP)	6.99	12 / 29	
Total tax on capital (% GDP)	41.65	9 / 29	
Total tax on Inheritance (% GDP)	0.00	16 / 22	
Social Protection	5.63	2 / 30	
Government effectiveness in reducing poverty and inequality (1-7 scale)	4.23	14 / 30	
Wastefulness of government spending (1-7 scale)	3.82	14 / 30	
Total spending on social protection (% GDP)	23.72	13 / 30	
Coverage of old-age pensions (% above retirement age)	90.50	20 / 30	
Coverage of unemployment insurance (% of unemployed)	85.40	3 / 29	
Progressivity of pensions (0 to 100 scale)	100.00	1 / 29	
Estimate of health coverage (% of population)	100.00	1 / 30	
Coverage of employment injury (% of employment)	71.80	20 / 30	
Gross pension replacement rate (% of pre-retirement earnings)	52.20	24 / 29	
Net unemployment benefit replacement rate (% previous earnings)	58.18	2 / 29	

*The full data edition with 112 country profiles and an interactive data platform can be found online at the following address: <http://wef.ch/igd15>.

Technical Notes and Sources

Full indicator list and descriptions

The data in this Report represent the best available estimates from various national authorities, international agencies, and private sources at the time the Report was prepared. It is possible that some data would have been revised or updated by the sources after publication of this Report.

“N/A” denotes that a value is not available or that the available data are unreasonably outdated or not from a reliable source.

Dashboard of National Key Performance Indicators

a) Growth and Competitiveness

0.01 GDP per capita | 2005-2014

Gross domestic product per capita in billions of current US dollars (2013) used for value.

The trend, annual percentage growth rate of GDP per capita, is based on constant local currency. Aggregates are based on constant 2005 U.S. dollars. GDP per capita is gross domestic product divided by midyear population. GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. The 10-year average is based on the authors' calculations between 2005 and 2014 or most recent year.

Sources: World Economic Outlook Database (October 2014 edition), IMF and World Bank national accounts data, and OECD National Accounts data files.

0.02 Global Competitiveness Score | 2014-15

This measures the set of institutions, policies, and factors that influence a country's level of productivity, which in turn determines the level of prosperity the economy can reach. The index is composed of 12 pillars and measured on a scale of 1-7.

The trend is based on the absolute difference in competitiveness scores between 2006 and 2014. Source: *Global Competitiveness Report 2014-15*, World Economic Forum

0.03 Labor Productivity | 2003-2012

This refers to the output per unit of labor input. GDP per person employed is GDP divided by total employment in the economy. Purchasing power parity (PPP) GDP is GDP converted to 1990 constant international dollars using PPP rates.

The 10 year trend is based on the average annual percentage growth rate of labor productivity, per person employed, percent change between 2003 and 2012.

Sources: KILM database, International Labour Organization; Conference Board

b) Income-Related Equity

0.04 Income Gini index | 2012

This indicator measures the extent to which the distribution of income among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality. Two measures are presented: one of net income inequality (that is, post-tax, post-transfer), and the other of market income inequality (pre-tax, pre-transfer). The trend is based on the absolute difference in Gini (pre and post transfer) between 2002 and 2012 or most recent year.

Source: The Standardized World Income Inequality Database

0.05 Poverty Rate | 2012 or most recent

For advanced economies, relative income poverty is defined as less than half of the respective median national income (after taxes and transfers, and adjusted for size of household). For low and middle income countries, it is defined as the percentage of the population living on less than \$2 a day at 2005 international prices (PPP exchange rates). The trend is based on the absolute difference in the poverty rate between 2004 and 2013 or most recent year.

Sources: Organisation for Economic Co-operation and Development (OECD); World Development Indicators Online, World Bank

0.06 Labor Income Share | 2012 or most recent

The annual labor income share, sometimes also referred to as the real unit labor cost, is the total labor costs divided by nominal output. The adjustment for the self-employed made in the calculation of total labor costs (for advanced economies only) assumes that labor compensation per hour (or per person if hours data is not available) is equivalent for the self-employed and for employees of businesses. The trend is based on the absolute difference in labor share of income between 2002 to 2011 or most recent year.

Sources: OECD; United Nations¹

0.07 Median Household Income | 2012 or most recent

Annual median disposable household income is measured in dollars per day (PPP). The trend, median household income growth, is based on the absolute difference in median household income between 2001 and 2011 and represents the total growth over the period.

Household disposable income includes income from economic activity (wages and salaries, profits of self-employed business owners); property income (dividends, interests, and rents); social benefits in cash (retirement pensions, unemployment benefits, family allowances, basic income support, etc.), and social transfers in kind (goods and services such as health care, education, and housing, received either free of charge or at reduced prices). Those defined as middle income and upper-middle income live on \$10-50 a day, which translates to an annual income of \$14,600 to \$73,300 for a family of four. Dollar figures estimated for this study are converted to 2011 PPP dollars.

Purchasing power parities (PPPs) are exchange rates adjusted for differences in the prices of goods and services across countries. In principle, one PPP dollar (PPP\$) represents the same standard of living across countries. The US serves as the reference country for price comparisons and for currency conversions. Thus, for the US, one dollar equals one PPP\$. But for India, for example, the rupee-to-dollar conversion rate - Rs 46.67 to a dollar in 2011 - is different from the rupee-to-PPP\$ rate, at Rs 14.975 to a PPP\$, for individual consumption expenditures by households. Thanks to the lower cost of living in India, this means

that only Rs 14.975, and not Rs 46.67, is needed to obtain what \$1 buys in the U.S.

Source: Pew, http://www.pewglobal.org/files/2015/07/Global-Middle-Class-Report_FINAL_7-8-15.pdf

0.08 Middle class | 2011

This refers to the proportion of the population living on \$10-\$50/day, in 2011 prices and 2011 purchasing power parities. \$10 is the threshold that must be crossed to attain middle-income status, which is five times the poverty line used in this study (\$2/day), and is associated with a level of economic security that “insulates” people from falling back into poverty. It is increasingly known as the “global consuming class.” The trend is based on the absolute difference in the share of the middle class between 2001 and 2011.

Source: Pew, http://www.pewglobal.org/files/2015/07/Global-Middle-Class-Report_FINAL_7-8-15.pdf

c) Intergenerational Equity**0.10 Natural Capital Accounts, Adjusted Net Savings** (% of GNI) | 2012 or most recent

Natural Capital Accounts is a measure of the total stocks and utilization of natural resources in a given ecosystem, clarifying the real difference between production and consumption by capturing depreciation of fixed capital, depletion of natural resources, and damage from pollution. It is expressed as a percentage of Gross National Income (GNI).

Adjusted net savings are equal to net national savings plus expenditure on education and minus depletion of energy, minerals, and forests, and damage by carbon dioxide and particulate emissions. By accounting for fixed and natural capital depletion, adjusted net national income better measures the income available for consumption and for investment to increase a country's future consumption. The trend is based on the absolute difference in Adjusted Net Savings between 2003 and 2012 or most recent.

Source: World Development Indicators Online, World Bank

¹ See Karabarbounis, Loukas, and Brent Neiman, “The Global Decline of the Labour Share” (NBER Working Paper No. 19136, 2013).

0.11 Public Debt (as a share of GDP) | 2013 or most recent

Gross debt consists of all liabilities that require payment of interest and/or principal by the debtor to the creditor at a date or several dates in the future. This includes debt liabilities in the form of special drawing rights, currency and deposits, debt securities, loans, insurance, pensions, standardized guarantee schemes, and other accounts payable. Thus, all liabilities in the Government Finance Statistics Manual (GFSM) 2001 system are debt, except for equity and investment fund shares, financial derivatives, and employee stock options. For Australia, Belgium, Canada, Iceland, New Zealand, and Sweden, government debt coverage also includes insurance technical reserves, following the GFSM 2001 definition. The trend is based on the absolute difference in Government debt as a share of GDP between 2004 and 2013 or most recent.

Sources: World Economic Outlook Database, IMF (April 2014 edition); Public Information Notices (various issues); African Development Bank; OECD; United Nations Development Programme; African Economic Outlook 2014; national sources

1st Pillar: Education and Skills Development

a) Access

1.01 Mean Years of Schooling | 2012

This refers to the average number of years of education received by people aged 25 years and older, converted from education attainment levels using official durations of each level.

Source: Data Centre, UNESCO Institute for Statistics

1.02 Gross Preprimary Enrollment | 2012

This denotes the total enrollment in preprimary education, regardless of age, expressed as a percentage of the total population in the official preprimary education age bracket. Gross enrollment rate (GER) can exceed 100% due to the inclusion of overage and underage students because of early or late school entrance and grade repetition.

Source: Data Centre, UNESCO Institute for Statistics

1.03 Net Primary Enrollment | 2012

This indicates the total enrollment in primary education, expressed as a percentage of the population officially in the primary education age bracket.

Source: Data Centre, UNESCO Institute for Statistics

1.04 Gross Secondary Enrollment | 2012

The reported value refers to the ratio of total secondary enrollment, regardless of age, to the population in the age group that officially corresponds to the secondary education level. Secondary education (International Standard Classification of Education levels 2 and 3) completes the provision of basic education that begins at the primary level, and aims to lay the foundation for lifelong learning and human development by offering more subjects or skills-oriented instruction using specialized teachers.

Sources: Data Centre, UNESCO Institute for Statistics; childinfo.org, UNICEF (accessed on 7 August 2014); Sistema de Información de Tendencias Educativas de América Latina (SITEAL); national sources

1.05 Gross Tertiary Enrollment | 2012

This is the ratio of total tertiary enrollment, regardless of age, to the population of the age group that officially corresponds to the tertiary education level. Tertiary education (ISCED levels 5 and 6), whether or not leading to an advanced research qualification, normally requires the successful completion of education at the secondary level as a minimum condition for admission.

Sources: Data Centre, UNESCO Institute for Statistics; national sources

1.06 Vocational Enrollment (upper-secondary, %) | 2012 or most recent

This refers to the total enrollment in public and private technical and vocational programs at the upper-secondary level following compulsory schooling, expressed as a percentage of total secondary school students.

Source: Data Centre, UNESCO Institute for Statistics

1.07 Availability of High-Quality Training Services | 2013-2014 weighted average

The availability of high-quality, specialized training services in a given country is measured on a scale of 1-7 (1 = not available at all; 7 = widely available).

Source: Executive Opinion Survey, World Economic Forum

1.08 Gender Gap in Education | 2014

The World Economic Forum's Global Gender Gap in Education sub-index is based on the following indicators:

Ratio of female literacy rate to male literacy rate

Ratio of female net primary enrollment rate to male value

Ratio of female net secondary enrollment rate to male value

Ratio of female gross tertiary enrollment ratio to male value

Source: Education database (2013), UNESCO Institute for Statistics, or latest data available

b) Quality

1.09 Quality of Education System | 2013-2014

weighted average

How well the education system in a country meets the needs of a competitive economy is measured on a scale of 1-7 (1 = not well at all; 7 = extremely well).

Source: Executive Opinion Survey, World Economic Forum

1.10 Public Expenditure on Education (% of GDP) | 2012 or most recent

The total public expenditure per student on primary education is expressed as a percentage of GDP per capita. Public expenditure (current and capital) includes government spending on educational institutes (both public and private), education administration as well as subsidies for private entities (students, households, and others).

Source: Data Centre, UNESCO Institute for Statistics

1.11 Pupils-to-Teacher Ratio, Primary | 2012 or most recent

The pupil-teacher ratio is the number of pupils enrolled in primary school divided by the number of primary school teachers.

Source: Data Centre, UNESCO Institute for Statistics

1.12a PISA Reading Score | 2012

The OECD's Programme for International Student Assessment (PISA) is an average standardized test of the performance of 15-year-old students that aims to measure their capacity to understand, use, and reflect on written texts in order to achieve their goals and potential, develop knowledge, and participate in society. It is available for 65 economies.

Source: OECD

1.12b Basics in Reading Comprehension | 2013 or most recent

Various tests are used to measure the percentage of children who have achieved a minimum internationally-recognized learning standard in reading - the Progress in International Reading Literacy Study (PIRLS), Southern and Eastern Africa Consortium for Monitoring Educational Quality (SACMEQ), and Programme for the Analysis of Education Systems (PASEC).

Source: UNESCO; World Inequality Database on Education (WIDE), <http://www.education-inequalities.org/>

1.13a PISA Math Score | 2012

This average standardized test assesses the performance of 15-year-old students to capture their capacity to identify, understand, and engage in mathematics, and make well-founded judgments about the role that mathematics plays in the lives of constructive and engaged citizens. It is available for 65 economies.

Source: OECD

1.13b Basics in Mathematics | 2013 or most recent

Various international assessments - Trends in International Mathematics and Science Study (TIMSS), SACMEQ, and PASEC - measure the percentage of children who have achieved an internationally-recognized minimum learning standard in mathematics.

Sources: UNESCO; WIDE, <http://www.education-inequalities.org/>.

1.14 Internet Access in Schools | 2012-2013 weighted average

The extent of internet access in schools is measured on a scale of 1-7 (1 = non-existent; 7 = extremely widespread).

Source: Executive Opinion Survey, World Economic Forum

1.15 Ease of Finding Skilled Employees | 2013–2014 weighted average

How easy it is for companies to find employees with the skills required for their business needs is measured on a scale of 1-7 (1 = extremely difficult; 7 = extremely easy).

Source: Executive Opinion Survey, World Economic Forum

c) Equity

1.16 Resilient Students (socioeconomically disadvantaged scoring in top quarter, %) | 2012

A student is classified as resilient if he or she is in the bottom quarter of the PISA index of economic, social, and cultural status (ESCS) in the country/economy of assessment and performs in the top quarter of students from all countries/economies after accounting for socioeconomic status.

Source: OECD

1.17 Social Inclusion (percentage of variation in socioeconomic status between schools) | 2012

This is measured as the percentage of variation in socioeconomic status between schools. The index of social inclusion is calculated as $100 \cdot (1 - \rho)$, where ρ stands for the intra-class correlation of socioeconomic status, i.e. the between-school variation in the PISA index of social, economic, and cultural status of students, divided by the sum of the between-school variation in students' socioeconomic status and the within-school variation in students' socioeconomic status.

Source: OECD

1.18 Mean Years of Schooling (by quintile) | 2013 or most recent

This is a measure of the average number of years of schooling attained by the 20-24 years age group, expressed as the ratio $Q1/Q5$ to capture the difference in attainment between the bottom (quintile 1) and the top (quintile 5). A value of 0 reflects perfect inequality and a value of 1 reflects perfect equality.

Source: WIDE, <http://www.education-inequalities.org/>

1.19 Primary Completion Rate (by quintile) | 2013 or most recent

This refers to the proportion of children aged 3-7 years above primary school graduation age and young people aged 15-24 years who have completed primary school. Expressed as a ratio, Q1/Q5, it captures the difference in primary education completion between the bottom (quintile 1) and the top (quintile 5). A value of 0 reflects perfect inequality and a value of 1 reflects perfect equality.

Source: WIDE, <http://www.education-inequalities.org/>

1.20a Lower Secondary Completion Rate (by quintile) | 2013 or most recent

This measures the proportion of (i) young people aged 3-5 years above lower secondary school graduation age, and (ii) young people aged 15-24 years, who have completed lower secondary school. Expressed as a ratio, Q1/Q5, it captures the difference in secondary education completion between the bottom (quintile 1) and the top (quintile 5). A value of 0 reflects perfect inequality and a value of 1 reflects perfect equality.

Source: WIDE, <http://www.education-inequalities.org/>

1.20b Upper Secondary Completion Rate (by quintile) | 2013 or most recent

This is a measure of the proportion of (i) young people aged 3-5 years above upper secondary school graduation age, and (ii) people aged 20-29 years, who have completed upper secondary school. It is expressed as a ratio, Q1/Q5, to capture the difference in secondary education completion between the bottom (quintile 1) and the top (quintile 5). A value of 0 reflects perfect inequality and a value of 1 reflects perfect equality.

Source: WIDE, <http://www.education-inequalities.org/>

1.21 Basics in Reading Comprehension (by quintile) | 2013 or most recent

Various assessments such as PISA, PIRLS, SACMEQ, and PASEC are used to calculate the proportion of children who have achieved a minimum internationally-recognized standard of reading ability. The ratio Q1/Q5 captures the difference in learning outcomes between the bottom (quintile 1) and the top (quintile 5). A value of 0 reflects perfect inequality and a value of 1 reflects perfect equality.

Sources: OECD; WIDE, <http://www.education-inequalities.org/>

1.22 Basics in Mathematics (by quintile) | 2013 or most recent

Assessments such as PISA, TIMSS, PASEC, and SCAMEQ yield the proportion of children who have achieved an internationally-recognized minimum standard of learning in mathematics. The ratio Q1/Q5 captures the difference in learning outcomes between the bottom (quintile 1) and the top (quintile 5). A value of 0 reflects perfect inequality and a value of 1 reflects perfect equality.

Sources: OECD; WIDE, <http://www.education-inequalities.org/>

2nd Pillar: Employment and Labor Compensation

a) Productive Employment

2.01 Labor Force Participation Rate | 2013

This refers to the proportion of the population aged 15 years and older that is economically active - people who supply labor for the production of goods and services during a specified period.

Sources: KILM database, International Labour Organization; World Development Indicators Online, World Bank

2.02 Unemployment Rate | 2013

This refers to the share of the labor force that is without work but available for and seeking employment

Source: ILOSTAT database, International Labour Organization

2.03 Youth Unemployment Rate | 2012 or most recent

This measure refers to the share of the labor force aged 15-24 years without work but available for and seeking employment.

Sources: ILOSTAT database, International Labour Organization; World Development Indicators Online, World Bank; national sources

2.04 Underemployment Rate | 2012 or most recent

This marks the share of the labor force that is involved in involuntary part-time employment arrangements (under 30 hours per week) but available for and seeking full-time employment.

Source: OECD

2.05 Vulnerable Employment Rate | 2012 or most recent

This measures the proportion of own-account and contributing family workers in total employment. Vulnerable employment refers to work by unpaid family workers and own-account workers. A contributing family worker is a person who is self-employed in a market-oriented establishment operated by a related person living in the same household, but who cannot be regarded as a partner because the degree of his or her commitment to the operation of the establishment, in terms of working time or other factors determined by national circumstances, is not at a level comparable with that of the head of the establishment.

Source: World Development Indicators Online, World Bank

2.06 Extent of Informal Economy (undeclared or unregistered activity) | 2013-2014 weighted average

The extent of economic activity estimated to be undeclared or unregistered is recorded on a scale of 1-7 (1 = most economic activity is undeclared or unregistered; 7 = most economic activity is declared or registered).

Source: Executive Opinion Survey, World Economic Forum

2.07 Country Capacity to Retain Talent | 2013-2014 weighted average

How good a country is at retaining talent is measured on a 1-7 scale (1 = the best and brightest leave to pursue opportunities in other countries; 7 = the best and brightest stay and pursue opportunities within the country).

Source: Executive Opinion Survey, World Economic Forum

2.08 Social Mobility | 2013-2014 weighted average

The extent to which individuals have the opportunity to improve their economic situation through their personal efforts regardless of the socioeconomic status of their parents is measured on a scale of 1-7 (1 = little opportunity exists to improve one's economic situation; 7 = significant opportunity exists to improve one's economic situation)

Source: Executive Opinion Survey, World Economic Forum

2.09 Strictness of Employment Protection | 2013

This measures the strictness of regulation on dismissals and the use of temporary contracts, incorporating three aspects of dismissal protection: (i) procedural barriers for employers starting the dismissal process, such as notification and consultation requirements; (ii) requirements regarding notice periods and severance pay, which typically vary by the tenure of the employee concerned; and (iii) the difficulty of dismissal, as determined by the circumstances in which it is possible to dismiss workers, as well as the repercussions for the employer if a dismissal is found to be unfair (such as compensation and reinstatement).

Source: OECD

2.10 Unusual Hours of Work | 2012

This is a measure of the share of workers typically working over 48 hours per week, which may make it difficult to combine work, family, and personal life.

Source: KILM 2012, International Labour Organization

2.11 Gender Gap in Labor Force Participation | 2014

This is the ratio of female labor force participation to male labor force participation.

Source: KILM 2012, International Labour Organization

2.12 Occupational Injury Rate (fatal) | 2012

The frequency rate of fatal occupational injuries is calculated as the number of new cases of fatal occupational injury during the calendar year divided by the total number of hours worked by workers in the reference group during the year multiplied by 1,000,000. In cases where the incidence rate is provided, this represents the average number of new cases of fatal occupational injury during the calendar year per 100,000 workers across all economic activities.

Source: KILM 2012, International Labour Organization

2.13 Old-Age Employment Ratio | 2012

This contextual variable measures the employment rates of individuals aged 65 years and above. This indicator is not included in the final pillar aggregation and is meant for additional information or contextual purposes.

Source: KILM 2012, International Labour Organization

b) Wage and Non-Wage Compensation**2.15 Wage Dispersion | 2013**

Viewing minimum wage relative to the median provides a better basis for international comparisons of wage dispersion as it accounts for differences in earnings dispersion across countries. However, while full-time workers' median basic earnings (excluding overtime and bonus payments) are, ideally, the preferred measure of average wages for international comparisons of minimum-to-median earnings, they are not available for a large number of non-OECD countries.

Data are reported in national currency units, at current prices. For developing countries, due to lack of data availability, median wages have been replaced with mean wages for the purposes of this Report.

Source: OECD

2.16 Low Pay Rate | 2011 or most recent

This measure of earnings dispersion refers to the proportion of employees whose hourly earnings at all jobs are less than two-thirds of the median.

Source: ILOSTAT, International Labour Organization

2.17 Trade Union Density | 2012 or most recent

This measures the proportion of paid workers who are union members. Trade union density expresses union membership as a proportion of the eligible workforce and can be used as an indicator of the degree to which workers are organized. For the purpose of this indicator, a trade union is defined as an "independent association of workers, constituted for the purposes of furthering and defending workers' interests."

Source: ILOSTAT, International Labour Organization

2.18 Collective Bargaining Coverage Rate | 2012 or most recent

This rate conveys the number of workers covered by one or more collective agreements as a percentage of the total number of persons in employment.

Collective bargaining coverage refers to the number of workers in employment whose pay and/or conditions of employment are determined by one or more collective agreements which spell out, in writing, the terms reached at by an employer, a group of employers, or one or more employers or their organizations on the one hand, and one or more workers' representatives or organizations on the other.

The employed comprise all persons of working age who, during a specified period, were in one of the following categories: a) paid employment (whether at work or with a job but not at work); or b) self-employment (whether at work or with an enterprise but not at work).

Source: ILOSTAT, International Labour Organization

2.19 Cooperation in Labor-Employer Relations | 2013-2014 weighted average

Labor-employer relations in a given country are rated on a scale of 1-7 (1 = generally confrontational; 7 = generally cooperative).

Source: Executive Opinion Survey, World Economic Forum

2.20 Pay Linked to Productivity | 2013-2014 weighted average

The extent to which pay is related to worker productivity is rated on a scale of 1-7 (1 = not related to worker productivity; 7 = strongly related to worker productivity).

Source: Executive Opinion Survey, World Economic Forum

2.21 Agricultural Productivity | 2013

The agricultural value added per worker is a measure of agricultural productivity. Value added in agriculture measures the output of the agricultural sector (ISIC divisions 1-5) less the value of intermediate inputs. Agriculture comprises value added from forestry, hunting, and fishing as well as cultivation of crops and livestock production. Data are in constant 2005 US dollars.

Source: World Development Indicators, World Bank

2.22 Gender Pay Gap | 2014

This refers to the ratio of female-to-male wages in various sectors and/or in the gross national income in 2011 purchasing power parity (PPP) terms.

Sources: World Bank (2014); ILO (2013); United Nations Development Programme Methodology (see Human Development Report 2009, http://hdr.undp.org/sites/default/files/reports/269/hdr_2009_en_complete.pdf)

2.23 Availability of Formal Childcare | 2010

This is a measure of the average enrollment rate of children under three years of age in formal childcare.

Source: OECD

2.24 Cost of Childcare | 2012

Childcare fees per two-year-old attending accredited early-years care and education services are expressed as a percentage of the average wage.

Source: OECD

2.25 Maternity Leave | 2013

This refers to the mandatory minimum length of paid maternity leave (in calendar days) that must be paid by the government, the employer or both, or its full-rate equivalent. The full-rate equivalent is calculated as the duration of leave in weeks multiplied by the payment (as a percentage of the average worker's earnings) received by the claimant. Maternity leave is available only to the mother. This indicator receives 1/3 weighting in the pillar aggregation.

Source: *Women, Business and the Law 2014: Removing Restrictions to Enhance Gender Equality*, World Bank, <http://wbl.worldbank.org/Reports>

2.26 Parental Leave | 2013

Parental leave can be paid by the government, the employer, or both, and can even be unpaid as long as the government explicitly mandates some form of parental leave to be shared between the mother and father. Allowances for a fixed number of days per year to be applied toward family emergencies or child-related responsibilities are not considered parental leave. It is expressed as total number of days of paid or unpaid leave. This indicator receives 1/3 weighting in the pillar aggregation.

Source: *Women, Business and the Law 2014: Removing Restrictions to Enhance Gender Equality*, World Bank, <http://wbl.worldbank.org/Reports>

2.27 Paternity Leave | 2013

This is the mandatory minimum length of paid paternity leave (in calendar days) that must be paid by the government, the employer or both, or, its full-rate equivalent (calculated as the duration of leave in weeks multiplied by the payment as a percentage of the average worker's earnings received by the claimant). Paternity leave is available only to the father. This indicator receives 1/3 weighting in the pillar aggregation.

Source: *Women, Business and the Law 2014: Removing Restrictions to Enhance Gender Equality*, World Bank, <http://wbl.worldbank.org/Reports>

2.28 Working Poor | 2013

This refers to the proportion of employed persons in a household whose members are living below the \$2 threshold.

Source: Key Indicators of the Labour Market (KILM) 2012, International Labour Organization

3rd Pillar: Asset Building and Entrepreneurship**a) Small Business Ownership****3.01 New Businesses Registered | 2012**

The number of new limited liability corporations registered in a calendar year are expressed per 1,000 working individuals aged 15-64 years.

Source: World Development Indicators, World Bank

3.02 Attitudes toward Entrepreneurial Failure | 2013-2014 weighted average

How a failed entrepreneurial project is regarded in a country is measured on a scale of 1-7 (1 = as an embarrassment; 7 = as a valuable learning experience).

Source: Executive Opinion Survey, World Economic Forum

3.03 PCT Patent Applications Filed (% of population) | 2010–2011 average

The number of applications filed by a country under the Patent Cooperation Treaty (PCT) per million population is measured by priority date and inventor nationality, using a fractional count if an application is filed by multiple inventors. The average count of applications filed in 2010 and 2011 is divided by the population, using figures from the World Bank's World Development Indicators Online.

Sources: OECD Patent Database; World Development Indicators Online, World Bank

3.04 Cost of Starting a Business | 2014

The cost of registering a business is normalized by presenting it as a percentage of gross national income (GNI) per capita. This indicator receives 1/2 weighting in the pillar aggregation.

Source: Doing Business project, World Bank, <http://www.doingbusiness.org/>

3.05 Time Required to Start a Business | 2014

The time required to start a business is the number of calendar days needed to complete the procedures to legally operate a business. If a procedure can be speeded up at additional cost, the fastest procedure, independent of cost, is chosen. This indicator receives 1/2 weighting in the pillar aggregation.

Source: Doing Business project, World Bank, <http://www.doingbusiness.org/>

3.06 Cost of Resolving Insolvency | 2014

The average cost of bankruptcy proceedings is recorded as a percentage of the estate's value. This indicator pertaining to the burden of resolving insolvency receives 1/2 weighting in the pillar aggregation.

Source: Doing Business project, World Bank, <http://www.doingbusiness.org/>

3.07 Time Required to Resolve Insolvency | 2014

The time it takes to resolve insolvency is the number of years from the filing for insolvency proceedings in court until the resolution of distressed assets. This indicator receives 1/2 weighting in the pillar aggregation.

Source: Doing Business project, World Bank, <http://www.doingbusiness.org/>

3.08 Cost of Enforcing a Contract | 2014

The cost in court and attorney fees, where the use of attorneys is mandatory or common, is expressed as a percentage of the debt value. This indicator pertaining to the burden of enforcing a contract receives 1/2 weighting in the pillar aggregation.

Source: Doing Business project, World Bank, <http://www.doingbusiness.org/>

3.09 Time Required to Enforce a Contract | 2014

This consists of the number of calendar days from the filing of a lawsuit in court until the final determination and, in appropriate cases, payment. This indicator receives 1/2 weighting in the pillar aggregation.

Source: Doing Business project, World Bank, <http://www.doingbusiness.org/>

3.10 Time Required to Prepare and Pay Taxes (in hours) | 2014

The time needed to prepare and pay taxes is the time, in hours per year, it takes to prepare, file, and pay (or withhold) three major types of taxes: corporate income tax, value added or sales tax, and labor taxes, including payroll taxes and social security contributions.

Source: Doing Business project, World Bank, <http://www.doingbusiness.org/>

b) Home and Financial Asset Ownership

3.11 Protection of Property Rights | 2013-2014 weighted average

The strength of protection of property rights, including financial assets, in a country is measured on a scale of 1-7 (1 = extremely weak; 7 = extremely strong).

Source: Executive Opinion Survey, World Economic Forum

3.12 Home Ownership Rate | 2012 or most recent

This is the percentage of population living in an owner-occupied dwelling (with or without a mortgage) as opposed to rented dwellings. Dwellings owned by the households that live in them are fixed assets that their owners use to produce housing services for their own consumption. Information on tenure status is more widely available on a cross-country basis and is a good proxy for home ownership rates.

Source: Housing Finance Information Network (HOFINET), <http://www.hofinet.org/>

3.13 House Price-to-Income Ratio | 2014

This measures the housing affordability gap or the difference between the cost of an acceptable housing unit and what households can afford for housing using no more than 30 percent of their income. Data is limited to urban areas (2,500 cities) and is aggregated at the country level (weighted by population).

Source: McKinsey Global Institute. For more information, see A Blueprint for addressing the global affordable housing challenge, http://www.mckinsey.com/insights/urbanization/tackling_the_worlds_affordable_housing_challenge, p. 180-183

3.14 Housing Loan Penetration | 2011

This indicates the percentage of adult population with an outstanding loan to purchase a home from any provider of housing loans, including regulated financial institutions and microfinance and informal sources.

Source: Global Findex database, World Bank

3.15 Employee Stock Ownership | 2013

This refers to the practice among private companies (with 10 or more employees) to offer employees' share ownership schemes (ESOS), which provide employees with an indirect share in the company's results through receiving dividends and/or appreciation in the share value.

Source: European Working Conditions Survey (EWCS)

3.16 Profit Sharing | 2013

This indicates the practice among private companies (with 10 or more employees) of offering their employees profit-sharing schemes, whereby employees get a share of the profits or wealth created by the company in addition to their regular pay. The payments are explicitly and directly linked to the profits of the company, or some similar measurement of corporate performance in the form of cash bonuses, cash transfers to employees' savings funds or free equity shares.

Source: EWCS

3.17 Private Pension Assets (% of GDP) | 2013

A pension fund is any plan, fund or scheme that provides retirement income. Assets are defined as all forms of private investment with a value linked to a pension plan over which ownership rights are enforced by institutional units, individually or collectively. This indicator is measured as a ratio of assets of pension funds to GDP.

Sources: Data taken from a variety of sources such as OECD, AIOS, FIAP, and national sources

4th Pillar: Financial Intermediation of Real Economy Investment**a) Financial System Inclusion****4.01 Affordability of Financial Services** | 2013-2014
weighted average

The extent to which financial services are affordable for businesses in a country is measured on a 1-7 scale (1 = not affordable at all; 7 = affordable).

Source: Executive Opinion Survey, World Economic Forum

4.02 Availability of Financial Services | 2013-2014
weighted average

The extent to which the financial sector of a country provides a wide range of financial products and services to businesses is measured on a scale of 1-7 (1 = not at all; 7 = provides a wide variety).

Source: Executive Opinion Survey, World Economic Forum

4.03 Account at a Formal Financial Institution of Bottom 40% (%) | 2011

This measure denotes the percentage of respondents aged 15 years and above in the bottom 40% income bracket who have an account (in own name or with someone else) at a bank, credit union, other financial institution such as a cooperative or a microfinance institution, or the post office (if applicable). It includes those who own a debit card.

Source: Global Findex database, World Bank

4.04 Account Used for Business Purposes of Bottom 40% (% among age 15+) | 2011

This denotes the percentage of respondents (income in bottom 40%, age 15 years and above) who reported using their accounts at a formal financial institution for business purposes only or for both business and personal purposes.

Source: Global Findex database, World Bank

4.05 Ease of Access to Credit | 2013–2014

weighted average

How easy it is for companies to obtain financing for business development is measured on a scale of 1-7 (1 = extremely difficult; 7 = extremely easy).

Source: Executive Opinion Survey, World Economic Forum

4.06 ATMs (per 100,000 adults) | 2014

Automated teller machines (ATMs) are computerized telecommunications devices that provide clients of a financial institution with access to financial transactions in a public place.

Source: Financial Access Survey, IMF

4.07 Depth of Credit Information Index (0 = lowest to 6 = highest) | 2014

This index gives an indication of the rules affecting the scope, accessibility, and quality of credit information available through public or private credit registries.

The index ranges from 0 to 6, with higher values indicating the availability of more credit information, from either a public registry or a private bureau, to facilitate lending decisions. This indicator is not included in the final pillar aggregation and is meant for additional information or contextual purposes.

Source: Doing Business project, World Bank, <http://www.doingbusiness.org/>

b) Intermediation of Business Investment

4.08 Local Equity Market Access | 2013-2014

weighted average

How easy it is for companies to raise money by issuing shares on the stock market is measured on a scale of 1-7 (1 = extremely difficult; 7 = extremely easy).

Source: Executive Opinion Survey, World Economic Forum

4.09 Venture Capital Availability | 2013-2014

weighted average

How easy it is for entrepreneurs with innovative but risky projects to find venture capital is measured on a scale of 1-7 (1 = extremely difficult; 7 = extremely easy).

Source: Executive Opinion Survey, World Economic Forum

4.10 Domestic Credit to Private Sector by Banks

(% of GDP) | 2013

This refers to the financial resources provided to the private sector by banks and other depository corporations (except central banks) through, for instance, loans, purchases of non-equity securities, trade credits, and other accounts receivable, that establish a claim for repayment. For some countries these claims include credit to public enterprises.

Sources: International Financial Statistics and data files, IMF; World Bank; OECD

4.11 Private Investment in Infrastructure (total physical assets and payments as % of GDP) | 2013

This is a measure of the total private investment commitments, including physical assets and payments to government, in sectors such as energy, telecommunications, transport, and water and sewerage. Figures are based on 10-year average spending, expressed in current US dollars (millions).

Source: Private Participation in Infrastructure Database, World Bank

4.12 Non-Residential Private Investment (% of GDP) | 2013

This is a measure of the outlays - purchases and own-account production - that industries, producers of government services, and producers of private, non-profit services for households make on new durable goods to add to their stocks of fixed assets, less their net sales of similar second-hand and scrapped goods. It is also commonly expressed as private sector fixed capital formation.

Source: World Development Indicators, World Bank

4.13 Private R&D Expenditure | 2012

This indicates business enterprise expenditure on research and development (BERD) as a percentage of GDP. Research and development (R&D) covers basic research, applied research, and experimental development.

Source: World Development Indicators, World Bank

4.14 Bank Lending to Non-Financial Corporations (% of GDP) | 2013

Domestic banks provide credit to the private non-financial sector, which includes non-financial corporations (both private- and public-owned), households and non-profit institutions serving households.

Source: Bank for International Settlements (BIS), <http://www.bis.org/statistics/credtopriv.htm>

4.15 IPO Issuances (Small Cap) | 2009-2013

This Report uses the GDP-weighted rankings of initial public offerings (IPOs) based on the number of IPOs (domestic listings) with a deal size below \$50 million issued between 2009 and 2013 weighted per \$100 billion of GDP. IPOs issued by financial corporations and real estate are excluded from this calculation. This indicator is based on a five-year average.

Sources: Weild & Co.; Grant Thornton LLP; Dealogic; World Bank; The World Factbook

4.16 IPO Issuances (Large Cap) | 2009-2013

This Report uses the GDP-weighted rankings of IPO production based on the number of IPOs (domestic listings) with a deal size above \$50 million issued between 2009 and 2013 weighted per \$100 billion of GDP. IPOs issued by financial corporations and real estate are excluded from this calculation. The indicator is based on a five-year average.

Sources: Weild & Co.; Grant Thornton LLP; Dealogic; World Bank; The World Factbook

4.17 Follow-on Issuances (% of GDP) | 2009-2013

A follow-on offering, otherwise known as a subsequent offering, can be understood as a dilutive secondary offering that a company makes on the primary market. Follow-ons issued by financial corporations and real estate are excluded from this calculation. The indicator is based on a five-year average.

Source: Dealogic

4.18 Corporate Bond Issuance (% of GDP) | 2009-2013

The total corporate bond net issuance (domestic and international) to NFCs expressed as a share of GDP is a measure of market activity. Debt issued by financial corporations and real estate companies is excluded from this calculation. The indicator is based on a five-year average.

Source: Dealogic

4.19 Share Turnover Ratio | 2008-2012

This refers to the total value of shares traded during a given period divided by the average market capitalization during that period. Average market capitalization is calculated as the average of the end-of-period values for the current and previous periods. The indicator is based on a five-year average.

Source: World Development Indicators, World Bank

4.20 Share Buyback | 2009-2013

The estimated dollar share buyback volume is based on a five-year moving average (2009-2013) and represented as a share of total GDP (2009-2013). It is calculated by combining information from two data sources. The first, used for the majority of firm-year observations, is WorldScope data item WC04751 (common and preferred purchased, redeemed, and converted), which, according to WorldScope, represents funds used to decrease the outstanding shares of common and/or preferred stock. When WC04751 is missing, the ESG - Asset4 data item ECSLDP048 (share buyback amount) is used. It is defined as "The total monetary value of the shares repurchased by the company during the fiscal year."

Source: Buybacks Around the World, WorldScope, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2330807

5th Pillar: Corruption and Concentration of Rents

a) Business and Political Ethics

5.01 Ethical Behavior of Firms | 2013-2014

weighted average

Survey participants rate the corporate ethics of companies (ethical behavior in interactions with public officials, politicians and other firms) on a scale of 1-7 (1 = extremely poor - among the worst in the world; 7 = excellent - among the best in the world).

Source: Executive Opinion Survey,
World Economic Forum

5.02 Measures to Combat Corruption and Bribery |

2013-2014 weighted average

The effectiveness of the government's efforts to combat corruption and bribery is rated on a scale of 1-7 (1 = not effective at all; 7 = extremely effective).

Source: Executive Opinion Survey,
World Economic Forum

5.03 Diversion of Public Funds | 2013-2014

weighted average

Respondents opine how common is the diversion of public funds to companies, individuals or groups due to corruption, on a scale of 1-7 (1 = occurs very commonly; 7 = never occurs).

Source: Executive Opinion Survey,
World Economic Forum

5.04 Irregular Payments in Tax Collection | 2013-2014

weighted average

Participants rate how common it is for companies to make undocumented extra payments or bribes in connection with: (a) imports and exports; (b) public utilities; (c) annual tax payments; (d) awarding of public contracts and licenses; and (e) obtaining favorable judicial decisions, on a scale of 1-7 (1 = occurs very commonly; 7 = never occurs).

Source: Executive Opinion Survey,
World Economic Forum

5.05 Public Trust in Politicians | 2013-2014

weighted average

Politicians' ethical standards are rated on a scale of 1-7 (1 = extremely low; 7 = extremely high).

Source: Executive Opinion Survey,
World Economic Forum

b) Concentration of Rents

5.06 Extent of Market Dominance | 2013-2014

weighted average

Participants rate corporate activity and market dominance on a scale of 1-7 (1 = dominated by a few business groups; 7 = spread across many firms).

Source: Executive Opinion Survey,
World Economic Forum

5.07 Intensity of Competition | 2013-2014

weighted average

Respondents rate the intensity of competition in local markets on a scale of 1-7 (1 = not intense at all; 7 = extremely intense).

Source: Executive Opinion Survey,
World Economic Forum

5.08 Land Inequality Gini | 2010 or most recent

This is a measure of the extent of inequality in land holdings in rural areas, among individuals or households. Zero represents perfect equality, while 100 stands for perfect inequality.

Source: Food and Agricultural Organization (FAO)

5.09 Wealth Gini | 2013

This indicator measures the differences in the distribution of wealth - higher Gini coefficients signify greater inequality in wealth distribution, with 1 being complete inequality and 0 being complete equality.

Source: Credit Suisse Global Wealth Databook 2014

5.10 Regulatory Protection of Incumbents | 2013

This indicates the scope of legal barriers to entry for new businesses (in 24 manufacturing and service industries), and the existence of antitrust exemptions for public enterprises or government-mandated behavior.

Source: OECD

5.11 Concentration of Banking-Sector Assets | 2012

This is a measure of the assets of the five largest banks as a share of total commercial banking assets. Total assets include total earning assets, cash and dues from banks, foreclosed real estate, fixed assets, goodwill, other intangibles, current tax assets, deferred tax, discontinued operations, and other assets.

Source: Raw data are from Bankscope: $(\text{Sum}(\text{data}_{2025}) \text{ for five largest banks in Bankscope}) / (\text{Sum}(\text{data}_{2025}) \text{ for all banks in Bankscope})$ - only reported if the number of banks in Bankscope is five or more, and calculated from underlying bank-by-bank unconsolidated data from Bankscope

6th Pillar: Basic Services and Infrastructure**a) Basic and Digital Infrastructure****6.01 Quality of Overall Infrastructure | 2013-2014**

weighted average

Survey participants rate the general infrastructure (e.g. transport, telephony, and energy) in their countries on a scale of 1-7 (1 = extremely underdeveloped - among the worst in the world; 7 = extensive and efficient - among the best in the world).

Source: Executive Opinion Survey, World Economic Forum

6.02 Quality of Domestic Transport Network | 2013-

2014 weighted average

Respondents rate the extent to which their national ground transport network (e.g. buses, trains, trucks, and taxis) offer efficient transportation on a scale of 1-7 (1 = not at all; 7 = to a great extent).

Source: Executive Opinion Survey, World Economic Forum

6.03 Transportation Infrastructure | 2011

This is an estimate of the total infrastructure investment and maintenance spending (on rail, road, seaways, and airports) as a percentage of GDP.

Source: OECD

6.04 Access to Electricity | 2010

This is an indicator of the percentage of a country's population with access to electricity.

Sources: Sustainable Energy for All Database, World Bank; Global Electrification Database

6.05 Inequality in Access to Electricity (by Quintile) | 2010 or most recent

This indicates the percentage of the population from the bottom quintile (Q1) with access to electricity divided by the population with access to electricity from the top quintile (Q5). This indicator is not included in the final pillar aggregation and is meant for additional information or contextual purposes.

Source: World Bank

6.06 Slum Population (Urban) | 2009

To calculate the proportion of urban population living in slums, a slum household is defined as a group of individuals living under the same roof lacking one or more of the following conditions: access to improved water, access to improved sanitation, sufficient living area, durability of housing, and security of tenure.

Source: UN-Habitat

6.07 Dwellings without Basic Facilities | 2012

This indicator refers to the percentage of the population living in a dwelling without an indoor flushing toilet for the sole use of that household. Flushing toilets outside the dwelling are not considered, but flushing toilets in a room where there is also a shower unit or a bath are counted.

Sources: European Union Statistics on Income and Living Conditions (EU-SILC); OECD

6.08 Households with Internet Access | 2012

The share of households with internet access at home is calculated by dividing the number of in-scope households (where at least one household member is aged 15-74 years) with internet access by the total number of in-scope households.

Source: ITU World Telecommunication/ICT Indicators Database 2013, International Telecommunication Union

6.09 Fixed Broadband Internet Subscriptions | 2012

This refers to the total fixed (wired) broadband internet subscriptions - that is, subscriptions to high-speed internet - a Transmission Control Protocol/Internet Protocol(TCP/IP) connection - at downstream speeds equal to or greater than 256 kilobits per second (kbps) per 100 people. This indicator relates to the penetration and quality of the internet and receives 1/2 weighting.

Source: ITU World Telecommunication/ICT Indicators Database 2013, International Telecommunication Union

6.10 Active Mobile Broadband Subscriptions | 2012

This is a measure of mobile broadband internet subscriptions per 100 people. This indicator relates to the penetration and quality of the internet and receives 1/2 weighting.

Source: ITU World Telecommunication/ICT Indicators Database 2013, International Telecommunication Union

6.11 Affordability of Mobile-Cellular Internet (mobile cellular tariffs, %of GNI) | 2012

This indicates the average per-minute cost of different types of mobile cellular calls expressed as a percentage of gross national income. This measure is constructed by first taking the average per-minute cost of a local call to another mobile cellular phone on the same network (on-net) and on another network (off-net). This amount is then averaged with the per-minute cost of a local call to a fixed telephone line. All the tariffs are for calls placed during peak hours and based on a basic, representative, mobile cellular prepaid subscription service. The amount is adjusted for purchasing power parity (PPP) and expressed in current international dollars. PPP figures are sourced from the World Bank's World Development Indicators

Online (2013) and the IMF's World Economic Outlook (October 2013 edition). This indicator relates to affordability of the internet and receives 1/2 weighting.

Sources: Authors' calculations based on ITU World Telecommunication/ICT Indicators Database 2013 (December 2013 edition), International Telecommunication Union; World Economic Outlook (October 2013 edition), IMF; World Development Indicators (December 2013 edition), World Bank

6.12 Affordability of Fixed-Broadband Sub-basket (fixed broadband Internet tariffs, % GNI) | 2012

This indicates the monthly subscription charge for fixed (wired) broadband internet service expressed as a percentage of gross national income. Fixed (wired) broadband is considered to be any dedicated connection to the internet at downstream speeds equal to or greater than 256 kbps, using a digital subscriber line (DSL). The amount is adjusted for purchasing power parity (PPP) and expressed in current international dollars. PPP figures are sourced from the World Bank's World Development Indicators Online and the IMF's World Economic Outlook. This indicator relates to affordability of the internet and receives 1/2 weighting.

Sources: Authors' calculations based on ITU World Telecommunication/ICT Indicators Database 2013 (December 2013 edition), International Telecommunication Union; World Economic Outlook (October 2013 edition),IMF; World Development Indicators (December 2013 edition), World Bank

b) Health-related Services and Infrastructure

6.13 Quality of Healthcare Services | 2013-2014 weighted average

Survey respondents rate the quality of healthcare - public and private - provided to ordinary citizens in their country on a scale of 1-7 (1 = extremely poor – among the worst in the world; 7 = excellent - among the best in the world).

Source: Executive Opinion Survey, World Economic Forum

6.14 Accessibility of Healthcare Services | 2013-2014 weighted average

Survey participants rate the accessibility of healthcare in their country on a scale of 1-7 (1 = limited - only the privileged have access; 7 = universal - all citizens have access to healthcare)

Source: Executive Opinion Survey, World Economic Forum

6.15 Out-of-Pocket Health Expenses | 2011

This is a measure of household direct payments to public and private providers of healthcare services and non-reimbursable cost sharing, such as deductibles, co-payments, and fees for services, expressed as a percentage of total health expenditure.

Source: Human Development Index, UNDP

6.16 Inequality-adjusted Life Expectancy | 2013

This is an indicator of inequality in life expectancy based on “lifetables” estimated using the Atkinson Inequality Index.

Source: Human Development Index, UNDP

6.17a Access to Improved Drinking Water | 2012 or most recent

This measures the share of the population with reasonable access to an adequate amount of water from an improved source, such as a household connection, public standpipe, borehole, protected well or spring, or rainwater collection. Unimproved sources include vendors, tanker trucks, and unprotected wells and springs. Reasonable access is defined as the availability of at least 20 liters per person per day from a source within 1 kilometer of the dwelling.

6.17b Inequality in Access to Improved Drinking Water (by Quintile) | 2010 or most recent

This indicator is calculated by dividing the percentage of the population from the bottom quintile (Q1) with access to improved drinking water by the population with access to improved drinking water from the top quintile (Q5). This indicator is not included in the final pillar aggregation and is meant for additional information or contextual purposes.

Source: World Health Statistics 2014, World Health Organization

6.18a Access to Improved Sanitation | 2012 or most recent

The share of the population with at least adequate access to excreta-disposal facilities that can effectively prevent human, animal, and insect contact with excreta depends on access to improved facilities ranging from simple but protected pit latrines to flush toilets with a sewerage connection. To be effective, facilities must be correctly constructed and properly maintained.

6.18b Inequality in Access to Improved Sanitation (by Quintile) | 2010 or most recent

This is measured as a percentage of the population from the bottom quintile (Q1) with access to improved sanitation divided by the population from the top quintile (Q5) with access to improved sanitation. This indicator is not included in the final pillar aggregation and is meant for additional information or contextual purposes.

Source: World Health Statistics 2014, World Health Organization

6.19 Undernourishment | 2012

The population below a minimum level of dietary energy consumption is measured as a percentage of the population whose food intake is insufficient to meet dietary energy requirements continuously. “2.5” signifies prevalence of undernourishment below 2.5% of the population.

Source: The State of Food Insecurity in the World, FAO, <http://www.fao.org/publications/sofi/food-security-indicators/en/>

6.20 Particulate Matter (2.5) Concentration | 2012 or most recent

Population-weighted exposure to PM2.5 (also known as fine particulate matter, which refers to particles or droplets in the air that are 2.5 micrometers or less in width) is calculated using population data from the Global Rural Urban Mapping Project (2011) database. Although invisible to the naked human eye as individual particles, elevated levels of PM2.5 can reduce visibility, cause the air to appear hazy, and adversely affect human health.

Source: Environmental Performance Index 2014, Yale Center for Environmental Law & Policy (YCELP) and the Center for International Earth Science Information Network (CIESIN) at Columbia University, <http://epi.yale.edu/epi/issue-rankings>

6.21 Gender Gap in Health | 2014

The sex ratio at birth refers to the number of boys born alive per 100 girls born alive.

Source: The CIA World Factbook 2014, Central Intelligence Agency, data updated weekly

Healthy life expectancy refers to the average number of years that a person can expect to live in “full health” by taking into account the years lived in less than full health due to disease and/or injury. Expressed as a ratio, female over male value.

Source: Global Health Observatory database, World Health Organisation, data from 2012

7th Pillar: Fiscal Transfers

a) Tax Code

7.01 Total Tax Revenue | 2012 or most recent

Tax revenue refers to compulsory transfers to the central government for public purposes. Certain compulsory transfers such as fines, penalties, and most social security contributions are excluded. Refunds and corrections of erroneously-collected tax revenue are treated as negative revenue. Total tax revenue is represented as a percentage of GDP.

Sources: Government Finance Statistics Yearbook and data files, IMF; World Bank and OECD GDP estimates

7.02 Tax on Consumption (goods and services, % of revenue) | 2012 or most recent

This includes taxes on production, sale, transfer, leasing, and delivery of goods, as well as rendering of services, including: general taxes; value-added taxes; sales taxes; and other general taxes on goods and services. It is expressed as a percentage of total tax revenue.

Source: Government Finance Statistics Yearbook, IMF

7.03 Total Tax Wedge (% of labor costs) | 2013

This indicator reflects the tax wedge for an average country-specific industrial worker in 2012, and is defined as the difference between the salary costs of a single “average worker” to their employer and the amount of net income (take-home pay) that the worker receives. The taxes covered are personal income taxes, compulsory social security contributions paid by employees and employers, and payroll taxes for the few countries that have them. The amount of these taxes is expressed as a percentage of the total labor costs for firms, i.e. the sum of gross earnings, employers’ social security contributions, and payroll taxes.

Source: ETH data from Egger, P. and N. Strecker, “A Tour of Income Tax in the World, 1980-2012” (2015, mimeo)

7.04 **Extent and Effect of Taxation on Incentives to Work** | 2013-2014 weighted average

Survey respondents rate the extent to which taxes reduce the incentive to work on a scale of 1-7 (1 = significantly reduce the incentive to work; 7 = do not reduce incentive to work at all).

Source: Executive Opinion Survey, World Economic Forum

7.05 **Extent and Effect of Taxation on Incentives to Invest** | 2013-2014 weighted average

Respondents rate the extent to which taxes reduce the incentive to invest on a scale of 1-7 (1 = significantly reduce the incentive to invest; 7 = do not reduce the incentive to invest at all).

Source: Executive Opinion Survey, World Economic Forum

7.06 **Progressivity Index** | 2012

This index is based on average (and marginal) personal income tax rates and tax wedges for different family types and earnings levels, taking into account statutory tax provisions (i.e. the personal income tax rate schedule, basic and other tax allowances, tax credits, deductions, employee and employer social security contributions, payroll taxes (if any), and certain cash benefits). Using Taxing Wages models, the average tax rates and tax wedges are calculated for a wide range of incomes (from 50% to 500% of the average wage, which represents the gross earnings a worker in the private sector earns on average in a particular year and country). The income range is divided into various intervals (e.g. 50%-67% of the average worker income interval). Using information on the average tax rate/wedge for the income at the beginning and end level of each income interval, a calculation is made of how the average tax rate/wedge increases over that income interval (i.e. by subtracting the tax rate/wedge at the bottom income level from the tax burden at the top income level, and by dividing the difference by the length of the income interval). This number indicates how the tax burden increases per percentage point increase in income levels (expressed as a multiple of the average wage) over an income interval. These calculations are made for all income intervals, yielding a measure of the

progressivity of the tax system within each income interval, as well as how the progressivity changes over the income intervals. The overall progressivity of the tax system is also calculated by comparing the tax burden at 500% of the average wage with the burden at 50% of the average wage. Please note that these are “structural” progressivity measures and do not take the actual income distribution into account.

Sources: ETH data, see Egger, P. and N. Strecker (2015), A Tour of Income Tax in the World, 1980-2012, mimeo; OECD, <http://www.oecd.org/tax/taxing-wages-20725124.htm> ETH; OECD, <http://www.oecd.org/tax/taxing-wages-20725124.htm>

7.07 **Tax on Property** (% of GDP) | 2013

Property taxes include: recurrent taxes on immovable property; recurrent taxes on net wealth (individual and corporate); estate, inheritance, and gift taxes; taxes on financial and capital transactions; and other non-recurrent taxes on property. Tax revenue is expressed as a percentage of GDP.

Source: OECD

7.08 **Tax on Inheritance** (% of GDP) | 2013

Estate, gift, and inheritance tax revenue is expressed as a percentage of GDP.

Source: OECD

7.09 **Tax on Capital** (% of GDP) | 2013

Taxes on financial and capital transactions are expressed as a percentage of GDP.

Source: OECD

b) Social Protection

7.11 Government Effectiveness in Reducing Poverty and Inequality | 2013-2014 weighted average

Survey participants rate how effective their government's efforts to address income inequality are on a scale of 1-7 (1 = not effective at all; 7 = extremely effective).

Source: Executive Opinion Survey, World Economic Forum

7.12 Wastefulness of Government Spending |

2013-2014 weighted average

Respondents rate how efficiently their government spends public revenue on a scale of 1-7 (1 = extremely inefficiently; 7 = extremely efficiently).

Source: Executive Opinion Survey, World Economic Forum

7.13 Total Social Public Expenditure (% of GDP) | 2011

Social expenditure is the provision by public (and private) institutions of benefits to, and financial contributions targeted at, households and individuals in order to provide support during circumstances which adversely affect their welfare. Such benefits can be cash transfers, or can be in the form of direct (in-kind) provision of goods and services.

Source: OECD

7.14 Unemployment Insurance | 2012

The net benefit rate (NBR) is expressed as a percentage of previous earnings, while the gross replacement rate (GRR), as a measure of gross unemployment benefit levels, is expressed as a percentage of previous gross earnings. NRR provides a more complete measure of work incentives and income maintenance, especially when compared over longer periods of unemployment.

Source: OECD

7.15 Coverage of Old-Age Pensions | 2012 or most recent

This represents the old-age pension receipt ratio above retirement age (and includes both contributory and non-contributory schemes). It is a measure of the effective extent of coverage above the statutory retirement age.

Source: Social Protection Platform, ILO, <http://www.social-protection.org/>

7.16 Progressivity of Pensions | 2012 or most recent

The progressivity index is designed to summarize the relationship between pension in retirement and earnings while working. The range varies from 100 through zero to negative results, indicating that the overall retirement-income system is regressive.

Source: OECD

7.17 Gross Pension Replacement Rate | 2013

The gross replacement rate is defined as gross pension entitlement divided by gross pre-retirement earnings. It measures how effectively a pension system provides a retirement income to replace the main source of income before retirement. This indicator is measured as a percentage of pre-retirement earnings.

Source: OECD

7.18 Coverage of Unemployment Insurance | 2012 or most recent

This measures the share of the unemployed receiving regular, periodic unemployment benefits. The overall percentage of those covered is underestimated for countries with other assistance schemes.

Source: Social Protection Platform, ILO, <http://www.social-protection.org/>

7.19 Coverage of Healthcare | 2012 or most recent

This is a measure of the estimated social healthcare protection coverage as a percentage of the total population. Coverage includes affiliated members of a health insurance policy and the population enjoying free access to healthcare services provided by the state.

Source: Social Protection Platform, ILO, <http://www.social-protection.org/>

7.20 Adequacy of Social Assistance | 2012 or most recent

This represents the total transfer amount received by all beneficiaries in a quintile as a share of the total welfare beneficiaries in that quintile. The indicator is estimated by program type (cash or in-kind transfers) for the entire population, and by quintiles of both the post- and pre-transfer welfare distribution. Specifically, the adequacy of benefits is calculated as: the amount of transfers received by a quintile divided by the total income or consumption of beneficiaries in that quintile.

Source: ASPIRE Database, World Bank, http://sit-eresources.worldbank.org/SOCIALPROTECTION/Resources/280558-1353009461419/ASPIRE_Programs_Classification.pdf

7.21 Adequacy of Social Insurance | 2012 or most recent

The total transfer amount received by all beneficiaries in a quintile is represented as a share of the total welfare beneficiaries in that quintile. The indicator is estimated by program type (pensions and social security) for the entire population and by quintiles of both post- and pre-transfer welfare distribution. Specifically, the adequacy of benefits is estimated from the amount of transfers received by a quintile divided by the total income or consumption of beneficiaries in that quintile.

Source: ASPIRE Database, World Bank, http://sit-eresources.worldbank.org/SOCIALPROTECTION/Resources/280558-1353009461419/ASPIRE_Programs_Classification.pdf

7.22 Benefit-to-Cost Ratio | 2012 or most recent

This measures the reduction in poverty obtained for each dollar spent on social protection and labor (SPL) programs. The indicator is estimated for the entire population and by program type. Specifically, the benefit-cost ratio is estimated as:

$$\frac{(\text{poverty gap before transfer} - \text{poverty gap after transfer})}{\text{total transfer amount}}$$

Programs are categorized as social assistance, social insurance, and labor market, according to ASPIRE classification.

Source: ASPIRE Database, World Bank, http://sit-eresources.worldbank.org/SOCIALPROTECTION/Resources/280558-1353009461419/ASPIRE_Programs_Classification.pdf

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