

After All, What is Inclusive Growth?

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The concept of inclusive growth was quickly integrated into the development literature and policymaking, virtually becoming *sine qua non* of any discussion about improving living conditions in the developing world. This has happened despite the lack of a consensus on what inclusive growth is—with the term's widespread usage based on the shared intuition that it refers to generating life improvements without discrimination, but involving diverse conceptualisations. Such diversity indicates that the debate remains fairly exploratory, still far from a convergent path potentially leading to a clear and concise consensual definition. Yet, whereas inclusive growth “remains an intuitively straightforward and yet elusive concept” (Ranieri and Ramos, 2013), it is possible to discern a few core features that help to envision how to move forward in specifying the meaning of the concept of inclusive growth.

To begin with, inclusive growth is intimately related to pro-poor growth, particularly with its relative conceptualisation that requires that both poverty and inequality be reduced for growth to be pro-poor. Although some inclusive growth definitions are interchangeable with absolute pro-poor growth, most understand that reducing both poverty and inequality is at the heart of the meaning of inclusive growth. There is no clarity about what the relationship between poverty and inequality reduction should be, nor about whether a certain rate of change should be achieved. But the understanding prevails that both matter, wherein inclusive growth has a central dimension pertaining to the outcomes of economic activity in terms of levels of poverty and inequality.

The distinction between pro-poor and inclusive growth with respect to poverty and inequality reduction has been suggested to lie in “pro-poor growth [focusing] on people below the poverty line, while inclusive growth is arguably more general: it wants growth to benefit all stripes of society, including the poor, the near-poor, middle income groups, and even the rich” (Klasen, 2010: 2). According to this conceptualisation, inclusive growth is growth that reduces the disadvantages of the most disadvantaged while benefitting everyone, whereas pro-poor growth may be obtained either in the absence of benefits to one or more groups or at the expense of one or more groups.

Another distinguishing feature of inclusive growth is that rather than being limited to income outcomes, as pro-poor growth is, it also includes the manner through which growth takes place. The concern with the process of growth is based on the understanding that in addition to sharing the benefits of growth, people must actively participate in the growth process. Accordingly, with respect to process, inclusive growth can be thought of as entailing the expansion of opportunities for participation, which can include both engagement in productive economic activities and having a say on

the orientation of the growth process. The latter has so far received little attention, whereas the former has been gaining prominence generally tied to the concept of productive employment.

The inclusion of dimensions other than income has also marked the debate on inclusive growth. Whereas it has been argued that inclusive growth refers to the distribution of improvements in income while inclusive development involves improvements in dimensions other than income, in fact the operationalisation of definitions of inclusive growth has typically involved several dimensions besides incomes (for example, McKinley, 2010). Indeed, given its usage, inclusive growth has been thought of as growth that promotes development, with development understood as comprehensive improvements in multiple dimensions contemplating both living conditions and empowerment. This implies that improvements in such dimensions constitute inclusive growth. However, it remains unclear whether or how these dimensions might or should combine to compose a coherent measure of inclusive growth.

In fact, a central issue in need of clarification with respect to defining inclusive growth is how to account for the interrelationships among its constitute elements. This involves both how elements pertaining to what is meant by inclusiveness relate to each other and, most fundamentally, how each of them relates to growth. Most attempts to measure inclusive growth have in fact assessed changes in inclusiveness accompanying growth, with no particular relationship between growth and inclusiveness specified. Is that enough to identify inclusive growth episodes or is it necessary to establish a causal relationship between growth and inclusiveness? In the latter case, how do we incorporate the understanding that gains in inclusiveness can be instrumental for growth?

As much as the inclusive growth debate has advanced, a number of questions still need to be answered before a consensus on a cogent definition can be reached. At the forefront of this endeavour is clarifying what inclusiveness means. Is it equity? Empowerment? Opportunities? Participation? Satisfaction? A combination of these? Or something else? Greater clarity about this is essential to making sense of the relationship between inclusiveness and growth to define inclusive growth.

References:

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