

**UNESCO Workshop on “Measuring Social Public Policies: Inclusiveness and Impact”
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**Background Paper on Concepts of Measuring Social Inclusion in the
Bertelsmann Transformation Index (BTI) and Sustainable Governance Indicators (SGI)**

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1. The BTI and SGI – Comprehensive Multidimensional Approaches

Both indices, the BTI as well as the SGI are assessing political, economic and social development as well as governance with comprehensive multidimensional approaches. While the BTI compares the quality of democracy, market economy and governance in 128 developing and transition countries, the SGI focus their analysis on the reform needs and capacity for sustainable governance in 31 OECD countries.

See www.bti-project.org for detailed information on the BTI, www.sgi-network.org for detailed information in the SGI.

The BTI and SGI have distinctive features that are tailored to their specific focuses of analysis; at the same time, they share the following methodological as well as conceptual characteristics:

- A holistic, multidimensional approach towards development and reform driven by the conviction that to meaningfully measure progress and reform, political, economic as well as social development have to be taken into account.
- A combination of quantitative data, empirical evidence and qualitative analysis. This is to ensure that together with quantified comparable results, information and data are contextualized and provide a comprehensive picture of strengths and weaknesses in detailed country reports.
- An actionable focus on governance and political management performance is the main innovation of both indices.
- Both indices rely on a global network of more than 350 country experts to combine the external and internal perspective on the countries examined.
- Although the BTI and SGI aggregate their data in a Status and a Management Index to allow for cross-country comparability, all disaggregated data are fully transparent and accessible.

- Both indices are updated every two years. This regular evaluation makes it possible to assess trends and identify the outcomes of policies and strategies for political management over time.

2. Conceptual design

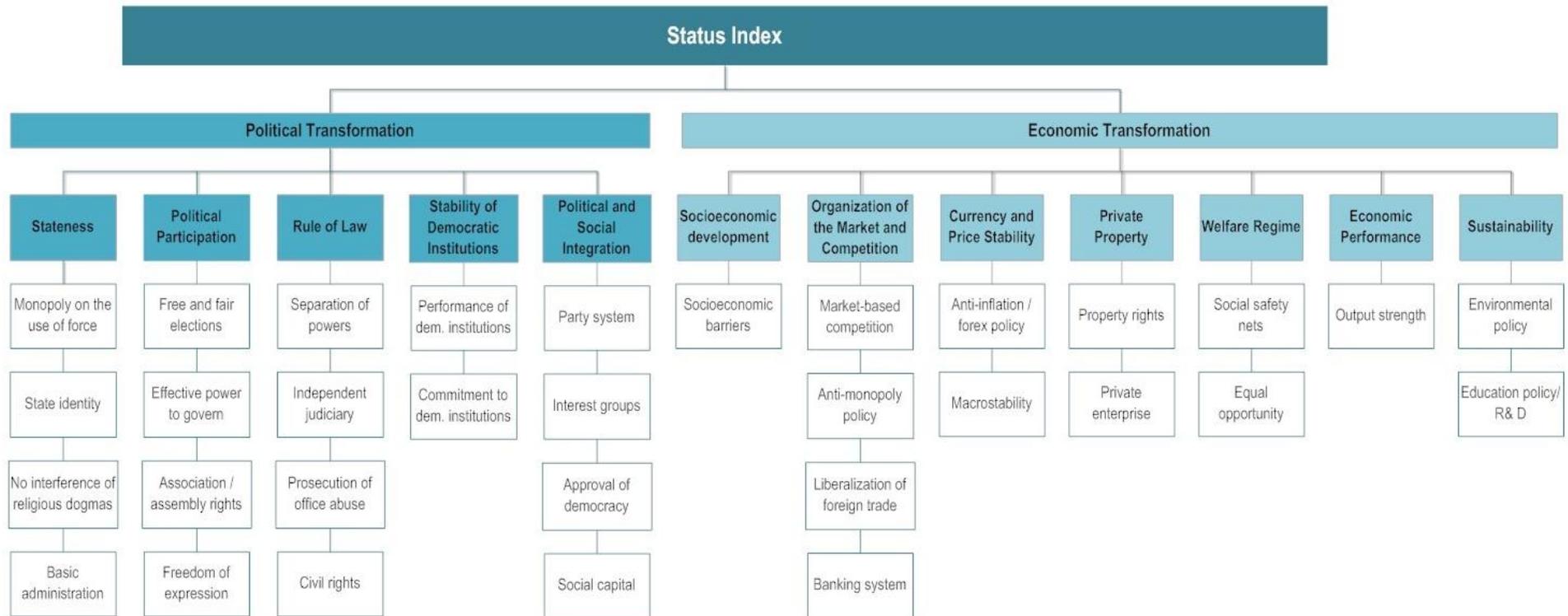
2.1 The BTI

The **Status Index**, with its two analytic dimensions assessing the state of political and economic transformation, locates the 128 countries on the path toward democracy under the rule of law and a market economy anchored in principles of social justice. The Management Index assesses the quality of governance, which encompasses the acumen with which decision makers steer political processes.

The state of political transformation (Democracy Status), is measured in terms of five criteria, which in turn are derived from assessments made in response to 18 individual questions. The BTI's concept of democracy goes well beyond other definitions of democracy, which are limited primarily to basic civil rights and the conduct of free elections. Stateness, which is seen as a precondition to political transformation, is included in the BTI's definition of democracy and examined through questions specifically dealing with the state's monopoly on the use of force and basic administrative structures. It also includes an evaluation of the rule of law with an eye to the separation of powers or the prosecution of office abuse. In addition, it assesses the degree to which the democratic system is consolidated in terms of its acceptance, representativeness and political culture.

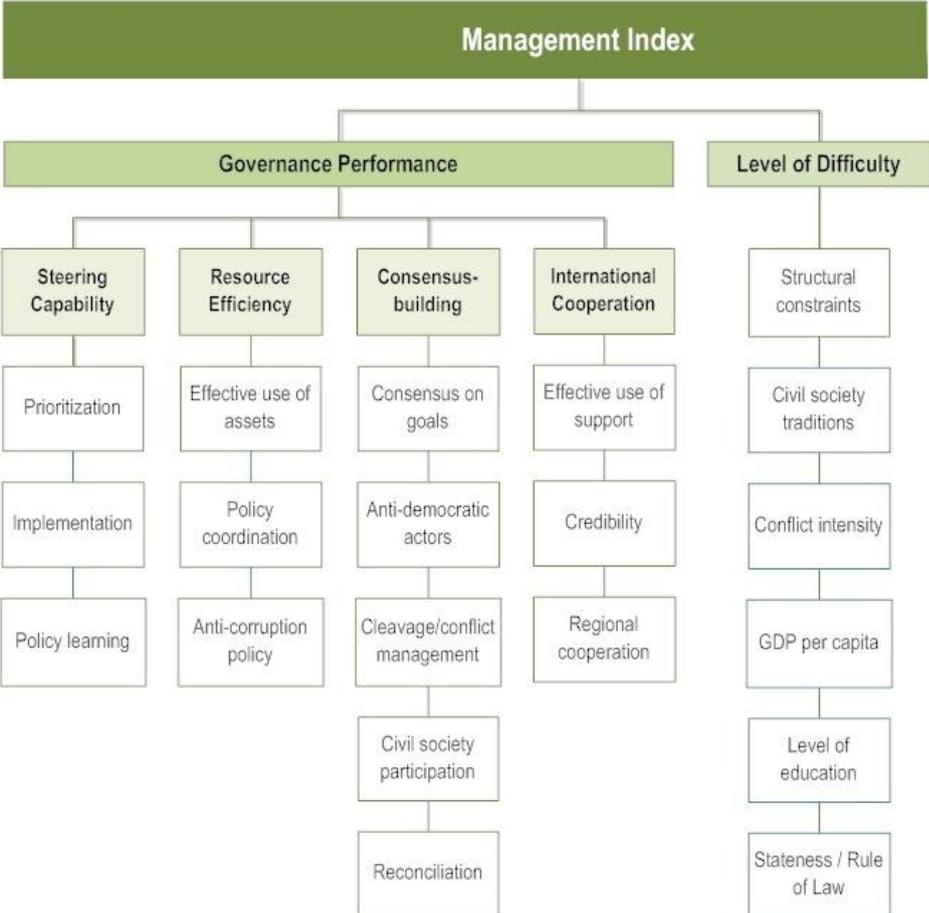
The state of economic transformation (Market Economy Status), is comprised of seven criteria, which are based on a total of 14 individual questions. The BTI's concept of a market economy includes not only aspects such as economic performance, the regulatory framework or property rights; it entails elements of social justice such as social safety nets, equality of opportunity and sustainability as well. In BTI terms, comprehensive development not only aims at economic growth, but also requires successful poverty alleviation and the freedom of action and choice for as many citizens as possible.

Figure 1: BTI Overview Status Index



The **Management Index**, which focuses on how effectively policymakers facilitate and steer development and transformation processes, is the key innovation of the BTI. By examining and evaluating decision makers’ reform policies, the BTI sheds light on those factors determining success and failure on the way to democracy and a market economy. Successful transformation management implies that governments are consistent in pursuing their goals, and use their resources wisely and effectively. It also implies that decision makers win the broadest possible consensus for their transformation goals, and work reliably with external supporters and neighboring states. The level of difficulty, which is constructed from three qualitative and three quantitative indicators, reflects the observation that each country’s leeway for governance is influenced by structural conditions. In this way, difficult initial conditions and scarce resources in a country are factored into the equation for political management performance.

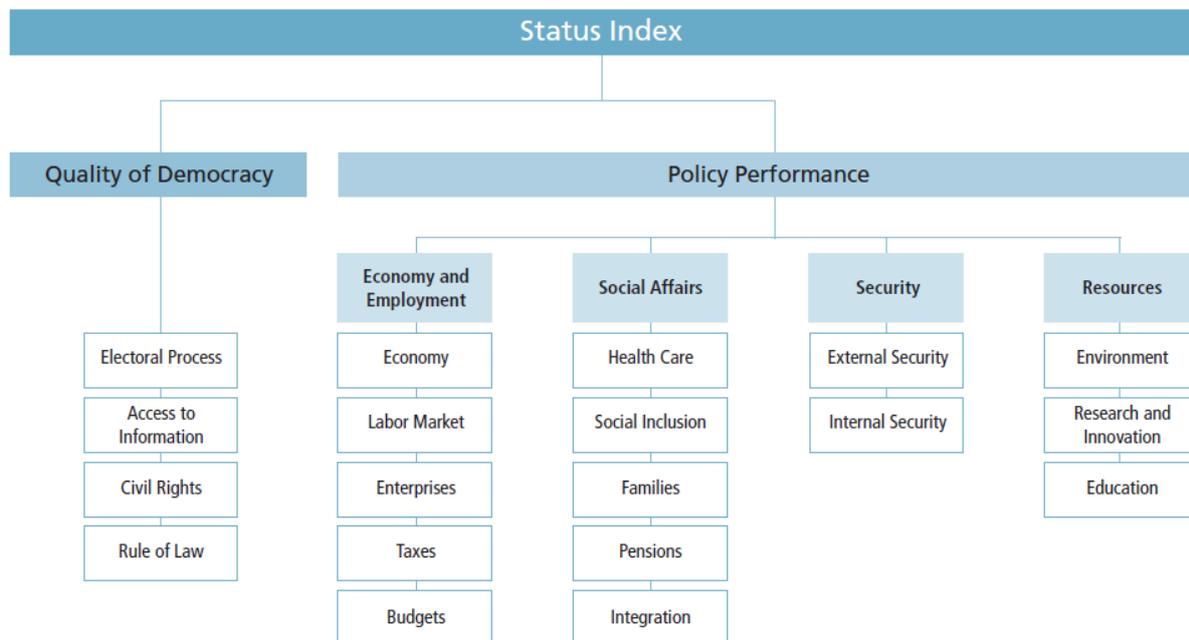
Figure 2: BTI – Overview Management Index



2.2 The SGI

The **Status Index** measures the reform needs of an OECD state in terms of quality of democracy and performance in key policy fields. The underlying principle here is to examine the future viability of a country's policies. Their aim should be twofold: to avoid shifting unjust burdens to future generations, and to produce policy results that imply a preservation of or improvement in the quality of life for present and future generations. In light of future challenges, the objective is to ensure the longterm viability and adaptability of economic, sociopolitical and environmental systems. This substantive, results-oriented goal is strongly influenced by the concepts of sustainability and quality of life.

Figure 3: Overview SGI Status Index

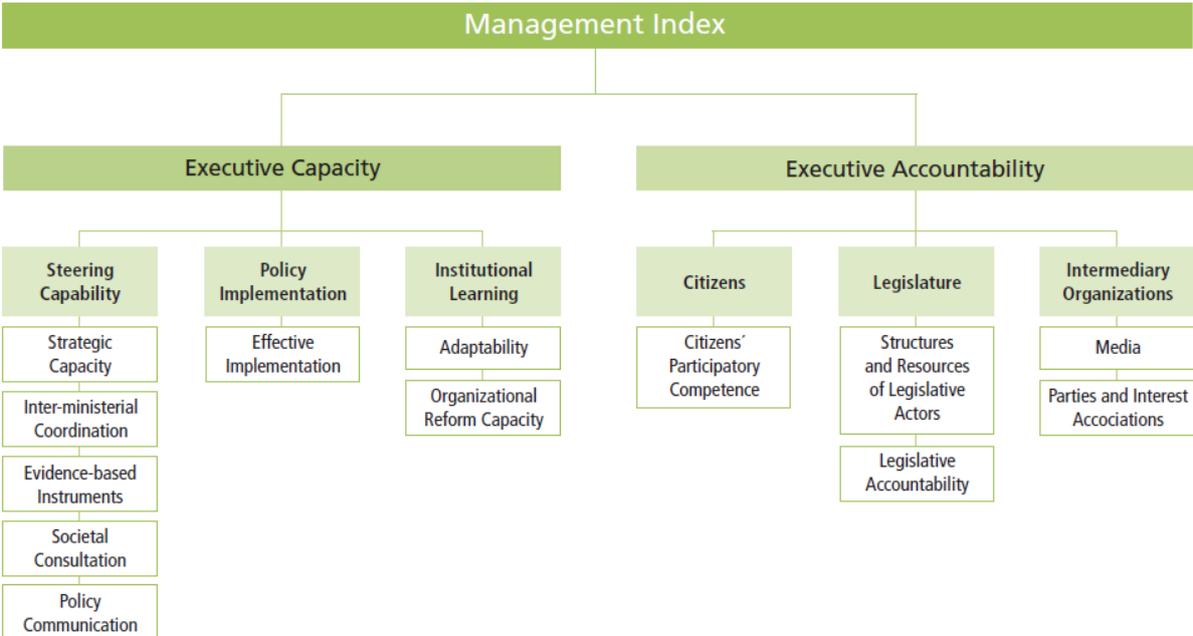


The SGI Status Index looks at the quality of democracy and rule of law by drawing on an array of indicators. The quality of democracy and political participation in a political system are crucial to its long-term stability and capacity to perform. Indeed, this viability depends to a large extent on the levels of trust between citizens and politics. Guaranteed opportunities for democratic participation and observation, freely accessible information, rule of law and protection of civil rights are thus essential prerequisites for the legitimacy of a political system. Moreover, democratic participation and observation are essential for concrete learning and adaptation processes as well as the capacity to change. The SGI thus regard structures that ensure a high quality of democracy and rule of law as necessary in achieving sustainability in terms of long-term system stability. In addition to the analysis of frameworks of democracy and rule of law, the Status Index offers a detailed comparison of the

performance of OECD states in policy areas of relevance for the future. These include areas like education, employment, health care, integration, innovation, and environment. In total, 15 individual areas of policy are assessed.

The **Management Index** assesses the actual capacity of an OECD state to take action and implement reform in terms of developing, agreeing on and realizing policy. It seeks to answer the critical question of whether a state is able to identify pressing problems, develop proposals for strategic solutions and thus foster sustainable policy outcomes through governance. In this context, governance encompasses not only the actions of (core) executive actors, but also their interactions with other institutions and elements of society (citizens, legislatures, special interest groups, media) in each phase of the policy cycle.

Figure 4: Overview SGI Management Index



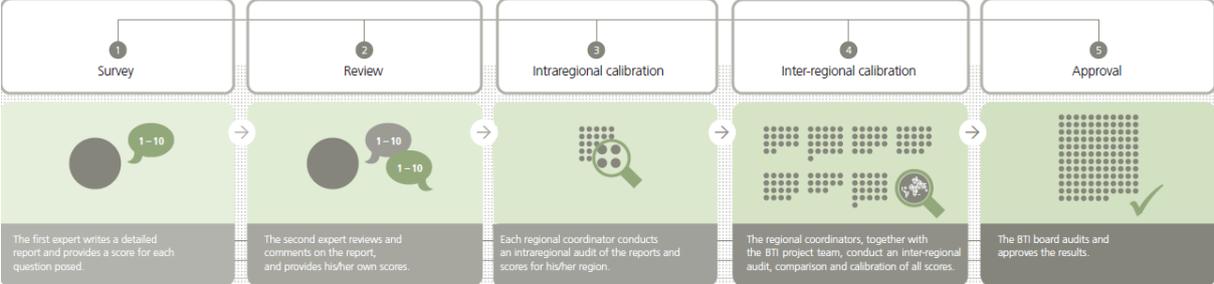
3. BTI and SGI - Assessment and Review Process

The BTI and SGI are based on a qualitative expert surveys, in which written assessments are translated into numerical ratings, and examined in a multi-stage review process so as to make them comparable both within and across regions. This method enables those factors of political and economic development that elude purely quantitative assessment to be captured in the experts’ qualitative appraisals, a significant advantage. The questions are formulated so as to elicit detailed factual evidence rather than broad—and, consequently, more subjective—assessments. In fact, many questions ask for responses that may be cross-checked with responses to other questions, statistical data or data from opinion surveys.

The expert survey is designed to improve the validity and reliability of expert assessments through the use of several review steps.

A standardized codebook provides detailed explanations of and four tailored response options for each question. This information is intended to illustrate the purpose of a question, to structure the way the expert words his or her assessment, and to provide a standardized framework for the production of the country reports. The experts are instructed to adapt the standardized response options to the individual context of the particular country they are evaluating and to substantiate their ratings (numerical assessment) with evidence in their country. The rating scale for each question ranges from one to 10, with one being the worst and 10 being the best. The scale is differentiated by four response options provided for each question.

Figure 5: Assessment and review process



Each country surveyed is examined by two leading scholars with established expertise in the respective countries. To identify subjective bias and reduce any distortion it might cause, the experts were selected so as to represent both domestic and external views. One expert writes a draft country report, assessing all questionnaire items. The other expert reviews this report, making comments and providing alternative or complementary content. In completing the questionnaire, each expert provides numerical ratings for every question. Whereas the reviewer has access to the written assessments of the first country expert, he or she cannot see the first expert’s numerical ratings, which ensures that scores are given independently.

The countries examined by the BTI and SGI are subdivided among seven “regional coordinators.” These regional coordinators, who are political scientists with both comparativist and area expertise, are each responsible for a group of countries, grouped according to their geographical proximity. The regional coordinators monitor the development of the written assessments according to criteria of validity and objectivity, ensuring a fair and balanced country report. In addition, the regional coordinators give numerical ratings based on those provided by the county experts.

The regional coordinators review their ratings collectively so as to make it possible to draw comparisons across the country sample. As part of the discussions forming the review process, each regional coordinator is required to explain, defend, and if necessary, recalibrate his ratings and assessments.

As part of a second round of reviews, an advisory body composed of renowned scholars and practitioners discusses and approves the ratings.

4. Social inclusion in the BTI and SGI

Conceptually, the BTI and SGI do not specifically focus on social inclusion, but follow a more holistic approach to measuring political, economic and social progress as well as governance. Still, elements of social inclusion can be derived of both instruments by choosing selected indicators. The conceptual approach in both indices is based on the conviction that social inclusion is a central constitutive element of the legitimacy and stability of any political community. Yet, defining what social inclusion means and how best to achieve it is often subject to considerable controversy. The conceptual boundaries of social inclusion are continually in flux because the idea is a result of culturally and historically dependent value systems.

Nevertheless, a modern concept of social inclusion that refers to the aim of realizing equal opportunities and life chances might offer a conceptual ideal able to garner the consensus needed. This paradigm of inclusion suggests that establishing social inclusion depends less on compensating for exclusion than it does on investing in inclusion. Instead of an “equalizing” distributive inclusiveness or a simply formal equality of life chances in which the rules of the game and codes of procedure are applied equally, this concept of inclusion is concerned with guaranteeing each individual genuinely equal opportunity for self-realization through the targeted investment in the development of individual “capabilities.” Thus, within the scope of his or her own personal freedom, every individual should be empowered to pursue a self-determined course of life, and to engage in broad social participation. Specific social backgrounds, such as membership in a particular social group or otherwise unequal starting-point, would not be allowed to negatively affect personal life planning.

By focusing on opportunities for self-realization, such a concept of social inclusion avoids the blind spots of an efficient market-driven, simply formal procedural inclusiveness on the one hand and a compensatory distributional inclusiveness on the other, and thus ultimately establishes a bridge between rival political ideologies.

Although government policies of redistribution may be an instrument of social inclusion, they are conceived in terms of an investment rather than compensation. The concept of participation legitimizes the redistribution of resources within a community as an essential means of genuinely empowering all to seize the opportunities around them. Against this background, social inclusion can be understood as a framework of rules and guidelines for a participatory society that activates and enables its members. A sustainable economy able to combine market efficiency with social inclusion would require the state to take on more than a minimalist “night watch man” role. Rather, it requires a strong state led by actors that understand the need for social equity as a means of ensuring participation opportunities.

4.1 Social Inclusion in the BTI

Sticking to a core concept of social inclusion, the indicators that can be extracted from the BTI are covering three dimensions of exclusion: poverty, the relative degrees of inequality and the level of discrimination.

BTI Core Indicators on Social Inclusion

Level of socioeconomic development

To what extent are significant parts of the population fundamentally excluded from society due to poverty and inequality?

Social safety nets

To what extent do social safety nets provide compensation for social risks?

Equal opportunity

To what extent does equality of opportunity exist?

Quantitative reference indicators:

Poverty rate | Gini Index | Life expectancy | Expenditure on health | Literary rate | female labor force | Ratio of female to male enrollment | Access to sanitation and water source

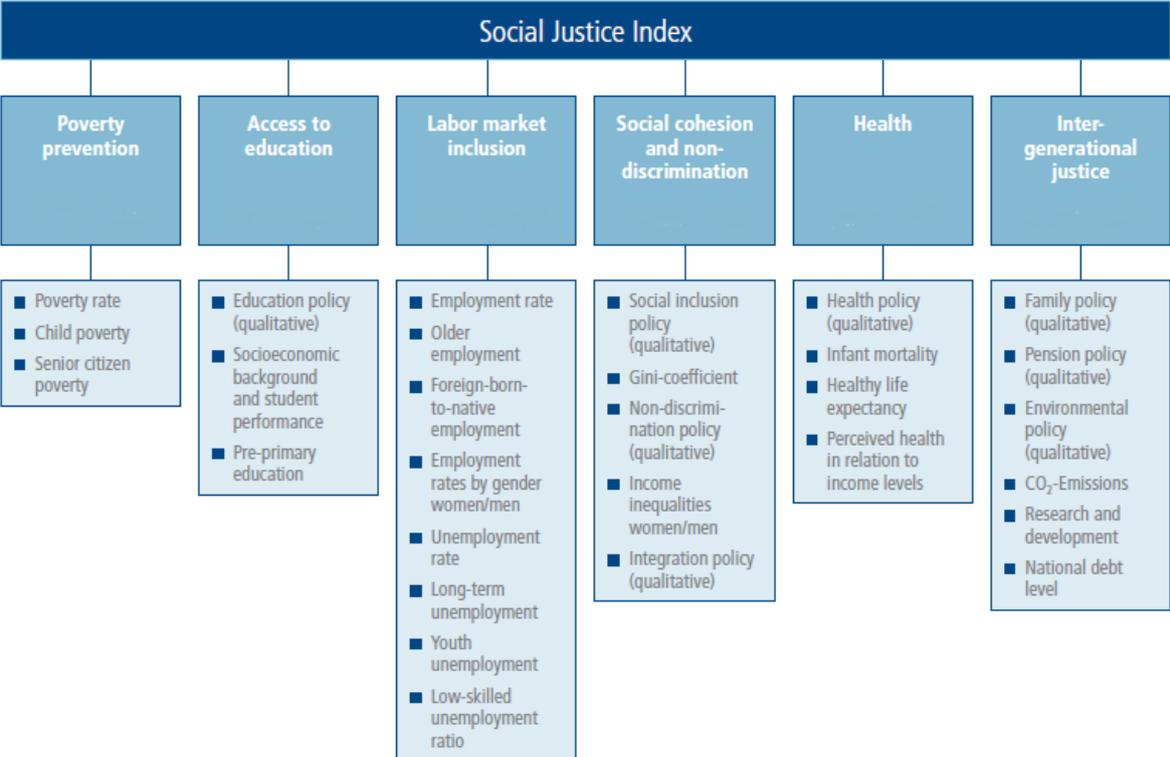
The indicator “Level of socioeconomic development” measures not only the level of absolute poverty (by determining if resources are unfairly distributed, delivered in insufficient quality) but also the if access to socioeconomic resources and opportunities are structurally denied to a significant share of the population. The indicator “Social safety nets” measures to what

extent and compensation for social risks (unemployment, poverty, illness, disability, old age) is provided. The indicator “Equal opportunity” is measuring the extent to which individuals have equal access to participation in society regardless of their social background (access to education, public office or employment).

These core indicators mostly cover economic and socioeconomic aspects of social inclusion. In a broader concept, aspects of political participation (civil rights, civil society participation in the political decision-making process, social capital) could also be integrated.

4.2 Social inclusion in the SGI

The SGI project recently published the “Social Justice Index”, a survey based on the quantitative and qualitative data collected within the framework of the SGI (complete study on http://www.sgi-network.de/pdf/SGI11_Social_Justice_OECD.pdf). Some of the 150 indicators used in the SGI survey have been selected and aggregated for use in the Justice Index following a tested procedure for measuring social justice. It follows a more comprehensive understanding of social justice and measures social inclusion along six target dimensions: poverty prevention, access to education, labor market inclusion, social cohesion and non-discrimination, health and intergenerational justice. The Index covers 31 OECD countries and is comprised of 21 quantitative and 8 qualitative indicators.



The effective **prevention of poverty** plays a key role in measuring social justice. Under conditions of poverty, social participation and a self-determined life are possible only with great difficulty. The share of people in (relative) poverty can accordingly serve as an equivalent surrogate for the group of those excluded from society. The prevention of poverty is in a certain sense a *conditio sine qua non* for social justice, and thereby takes precedence to the other dimensions from the perspective of justice theory. The poverty line in all states surveyed has been set at 50 percent of the national median income. The index draws upon the OECD's definition of relative income poverty, in which people are classified as poor when their equivalized household income is less than half of the median prevailing in each country. The use of a relative income threshold means that richer countries will have the higher poverty thresholds. Higher poverty thresholds in richer countries underscore the notion that avoiding poverty entails the ability to access the goods and services regarded as customary (or the norm) in any given country. The poverty rate is a headcount of how many people fall below the poverty line.

Equal access to good-quality education is another essential factor in providing equitable capabilities and opportunities for advancement (vertical mobility). Social, political and economic participation depends in large part on this public good. To this end, the state must take care that genuinely equal educational opportunities are available to every child. Social or cultural background must not be allowed to adversely affect educational success. The dimension considers efforts to provide early childhood education, the role of socioeconomic background in students' economic success (drawing on the latest PISA data), and finally a qualitative expert assessment of educational policies, focusing particularly on the provision of high-quality education and equitable access opportunities. Assuring equity in education opportunities is primarily an ethical imperative, since weak access to education and social poverty generate a vicious circle in which those lacking education access are denied opportunities for social betterment, and the socially disadvantaged are denied access to education. Breaking this vicious circle is a principle of solidarity and in maintaining the social fabric of society. At the same time, it makes good economic sense to nourish and apply the talents and abilities of everyone in society – as much as possible.

The **labor market's degree of inclusiveness** is likewise of considerable importance to social justice, as an individual's status is defined in large part by his or her participation in the workforce. Exclusion from the labor market substantially limits individual opportunities for self-realization, contributes to an increase in the risk of poverty, and can even lead to serious health stresses. In order to do even rudimentary justice to the complexity of this dimension, four indicators apiece were used in the representation of employment and unemployment.

Alongside the overall employment rate, the specific rates for 55-to65-year-old workers, for foreign-born workers as compared to natives, and for women as compared to men are considered. In addition, the labor market inclusion dimension examines the overall unemployment rate, and is supplemented by the long-term unemployment rate and the degree of labor market exclusion experienced both by young and by low-skilled workers.

The dimension of **social cohesion and non-discrimination** examines the extent to which trends toward social polarization, exclusion and the discrimination of specific groups are successfully countered. Income disparities, measured in terms of the Gini coefficient, are taken into account here as a potentially important factor of social polarization. Related to the issue of income disparity, the ratio of female-to-male earned income is another factor considered. This dimension also includes three qualitative indicators, each based on expert assessments. One of these indicators assesses how effectively social policies preclude social exclusion and decoupling from society, a second examines how effectively the state protects against discrimination based on gender, physical ability, ethnic origin, social status, political views or religion, and a third evaluates how effectively policies support the integration of migrants into society. The latter question covers integration-related policies comprising a wide array of cultural, education and social policies in so far as they affect the status of migrants or migrant communities in society.

The fifth dimension of the Justice Index covers questions of **equity in the area of health**. However, identifying meaningful indicators for which data are available for all OECD states is not an easy task. Unfortunately, there are no internationally comparable data for all OECD countries that tell us exactly to what extent health inequalities exist and how they are shaped by social and economic background. Nevertheless, there are some indicators that give at least a basic impression of differing degrees of fairness, inclusiveness and quality between the OECD countries' health systems. Three quantitative indicators and one qualitative indicator are used for this dimension. The qualitative indicator from the SGI survey assesses to what extent policies provide high-quality, inclusive and cost-efficient health care. The three quantitative indicators, "perceived health status," "infant mortality" and "healthy life expectancy at birth," are drawn from the OECD and Eurostat as well as from the World Health Organization (WHO). The indicator "perceived health status" additionally takes into account people's self-reported health in the lowest income group compared to that in the highest income group.

The sixth dimension of the Justice Index approaches the issue of **intergenerational justice**. The issue at stake here is the need for contemporary generations to lead lives they value without compromising the ability of future generations to do the same. This dimension is

comprised of three components. The first component addresses policy support for both younger and older generations. The former is captured through the SGI's qualitative "family policy" indicator, the latter through the "pension policy" indicator, which is also qualitative. The second component focuses on the idea of environmental sustainability and measures this on the one hand with the help of a qualitative indicator for environmental and resource protection policy, on the other through a quantitative indicator for CO emissions relative to GDP. The third component, which is concerned with economic and fiscal sustainability, is comprised of two quantitative indicators. The first of which highlights public spending on research and innovation as an investment in future prosperity, and the second points to national debt levels as a mortgage to be paid by future generations.