

# Inclusive growth, inclusive economy and wellbeing economy

Key concepts and policy differences

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## Key concepts and policy differences

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**Inclusive growth** is a key priority in Scotland's 2015 **Economic Strategy**. Since then the terms **inclusive economy** and **wellbeing economy** have also been increasingly used.

This briefing discusses these terms and the key differences between them, starting with where we are, the Current approach, and ending with where we would like to be, a Wellbeing economy.

**1. Current approach**

**2. Inclusive growth**

**3. Inclusive economy**

**4. Wellbeing economy**

### **Please note**

This briefing is not an exhaustive discussion of the terms.

This briefing is in the context of a developed economy.

# 1. Current approach

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The current economic approach to policy making largely focuses on increasing economic growth.<sup>1</sup> This can be defined as an increase in the overall real monetary value of goods and services produced. A common proxy measurement for economic growth is gross domestic product (GDP). Other metrics used include jobs growth, productivity and measures of business activity.

Although overall jobs growth in Scotland has compared well to other countries, like most developed economies Scotland has seen an increase in **under-employment** and **insecure and precarious work** of different kinds, from self-employment and part-time work to very short-term contracts. In addition, many countries, including Scotland, have experienced increasing **income, wealth and health inequalities**, **stalling life expectancy** and a **climate crisis**.

The dominant economic approaches in most countries have failed to address these public health threats, and arguably have contributed to these crises.<sup>2,3,4</sup>

In response, **alternative economic approaches** have developed.

## 2. Inclusive growth

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### Key concept: fair growth

Fair growth is where the economy is experienced more equitably across the population, in that the **opportunities** created by economic growth (e.g. education, training and jobs) and the **outcomes** of the economy (e.g. income, wealth and goods and services) are more equitably distributed.

This includes equity across different **population groups** (e.g. by age, gender, ethnicity, deprivation, and so on) and **geographical regions**.<sup>5</sup>

The policy goal of inclusive growth aims to both **grow the economy** and deliver a more equitable economy.

The dependence of this approach on economic growth is considered problematic for two reasons:

- There is a tension between reliance on continued economic growth as measured by GDP and the need to reduce greenhouse gas emissions (see **Wellbeing economy** below).
- Economic growth, as measured by GDP, is not a good measure of population wellbeing. GDP includes not only the creation of value (e.g. educating the population, production of nutritious food, creation of good jobs), but also economic activity regardless of its value (e.g. it includes economic activity resulting from motorway pile-ups, deforestation and crime).

Increasing economic growth has a less central role in the concept of inclusive economy.

### 3. Inclusive economy<sup>6</sup>

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#### Key concept: fairness

Of **economic opportunities**: equitable distribution of the resources needed to participate in the economy, such as health, education and early years.

(This concept is often included in inclusive growth definitions.)

In **economic outputs**: like the inclusive growth concept, inclusive economy includes equity in access to jobs and income, but includes the following **additional** aspects of economic activity:

- **Essential goods and services**: the economy should deliver housing, transport, etc. that are affordable and available to all at a level that allows participation in society.
- **The unpaid economy**: contribution to the unpaid economy (e.g. caring, community work) is available and shared across population groups. The unpaid economy is included in metrics of economic production.
- **Economic power**: inequalities in ownership of assets, such as wealth and capital and inequalities in social connections result in inequity in economic power.
- **Privilege and value**: economic production that is valued commands higher financial and social rewards. Female dominated sectors are less valued, resulting in lower pay, worse conditions and lower social status. In an inclusive economy the value given to different sectors reflects the contribution to society.

(These aspects are generally **not** included in an inclusive growth definition.)

## **Key concept: environmental sustainability**

A key attribute of an inclusive economic approach, and can be thought of as extending inclusion to the needs to the next generation.

(Generally **not** the focus of inclusive growth definitions.)

## **Key concept: the economy is actively designed**

In terms of the way our institutions, governance mechanisms, laws and regulations operate, an example is that financial institutions can be geared to supporting production by and for local people, communities and businesses.

(The importance of actively designing the economy is included, to some extent, in inclusive growth definitions.)

## 4. Wellbeing economy<sup>7,8</sup>

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### Key concept: social justice

Equitable distribution of economic **opportunities** and economics **outputs**, such as employment, wealth, etc. The economy will need to be significantly transformed to achieve the scale of change needed.

The economy should meet the **fundamental human needs** of everyone.<sup>9</sup> A wellbeing economy is built around:

- **Dignity:** everyone has enough to live in comfort, safety and happiness.
- **Nature:** a restored and safe natural world for all life, including future generations.
- **Connection:** a sense of belonging. Institutions that serve the common good.
- **Fairness:** justice in all its dimensions at the heart of economic systems, and the gap between the richest and poorest greatly reduced.
- **Participation:** citizens are actively engaged in their communities with locally rooted economies.

(The wellbeing economy concept of fairness goes beyond that of inclusive economy definition.)

### Key concept: planetary wellbeing

The economy operates within the **planetary boundaries**. This means the resources used for production, and the waste products produced, are within the environmental limits that humanity can safely operate.

(Similar to the inclusive economy definition.)



## **Key concept:** the role of economic growth

The goal of a wellbeing economy is not continuous GDP growth, because it is not a good measure of collective wellbeing and, as currently defined, is incompatible with the goal of planetary wellbeing.<sup>10</sup>

# Key differences

## Economic goal

Current approach	Inclusive growth	Inclusive economy	Wellbeing economy
<p>The goal is to increase economic output, e.g. increasing production and employment.</p>	<p>The goal is to increase economic output but in a way that delivers <b>equity</b> in economic outputs and opportunities, e.g. more jobs <b>and</b> better jobs.</p> <p>Economic growth is considered <b>necessary</b> for reducing poverty and reducing inequality.</p>	<p>The goal is that the economy operates in a sustainable and equitable way. It also recognises economic activity in the non-paid economy.</p> <p>This approach is generally less focused on continuously increasing economic output, recognising the tension between a sustainable economy and a continuously growing one.</p>	<p>Goes further than inclusive economy approach, having as its goal collective and holistic human and planetary wellbeing, not just fairness.</p> <p>Recognises that economic growth (at least in rich countries) is now doing more damage than good. Further growth in global GDP and production would make it impossible to achieve the rate of reductions in carbon emissions and resource use necessary to avoid <b>catastrophic environmental breakdown.</b></p>

## Equity

Current approach	Inclusive growth	Inclusive economy	Wellbeing economy
<p>The focus is on delivering economic growth, relying on economic outputs to trickle down to meet population needs. Equity is largely delivered by redistribution, rather than equity being built into the system.</p>	<p>A focus on equity in economic <b>outcomes</b> (e.g. equitable access to employment) as well as <b>opportunities</b>, e.g. equitable access to good education, health, nutrition and social integration.<sup>11</sup></p> <p>Recognises also that system changes are needed so the economic processes are more equitable, e.g. equitable access to markets, resources and unbiased regulatory environment for businesses and individuals.<sup>12</sup></p>	<p>A focus on the need for an <b>economic system</b> where the economic outputs and opportunities are more equitably distributed.</p> <p>Has a wider understanding of economic outcomes, including equitable access to essential <b>goods services</b>, equitable distribution of economic assets including <b>power</b> and <b>social connections</b>.</p> <p>This approach also recognises that the <b>value</b> given to different parts of the economy has important political, economic and social consequences. For example, sectors and activities that are female dominated tend to be less valued than others, resulting in lower pay, worse conditions and less social status.</p>	<p>Places the economy within society and nature and not separate from it. The purpose of our (socially situated) economy is to meet the fundamental human needs of all, therefore equity is inherent in a wellbeing economy, rather than an attribute that needs to be built in.</p> <p>Because the perspective is global, rather than national, a wellbeing economy naturally includes global equity (e.g. fair trade relations between high and low income economies).</p>

## Monitoring progress

Current approach	Inclusive growth <sup>13</sup>	Inclusive economy	Wellbeing economy
<p>Prioritises GDP growth, consumption and total employment.</p>	<p>Progress judged by GDP growth, but also focuses on:</p> <ul style="list-style-type: none"> <li>• increasing equity in economic participation and quality of jobs</li> <li>• decreasing the skills gap</li> <li>• reducing economic inequalities</li> <li>• reducing regional inequities.</li> </ul>	<p>Progress judged by:</p> <ul style="list-style-type: none"> <li>• Economic activity in the paid economy (GDP) <b>and</b> the non-paid economy (volunteering, child rearing, home improvements, etc.).</li> <li>• Reduced economic (income, wealth, economic activity) and social inequalities.</li> <li>• Increased environmental sustainability of the economy.</li> <li>• Reduced economic and social discrimination and exploitation.</li> </ul>	<p>Progress judged by:</p> <ul style="list-style-type: none"> <li>• Sufficiency of production – does economic output meet the fundamental needs of the population (e.g. from food, shelter and educational needs to purpose and meaning, etc.). Measured by multi-dimensional indicators of progress that include measures of sufficiency, collective wellbeing, equality and environmental health.</li> <li>• Monitoring framework recognises that required change will take time and enables learning from 'failed' policies.</li> </ul>

## Useful resources

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### Developing wellbeing economy policies and measurement

More details can be found here:

- **Wellbeing Economy Policy Design Guide:** How to design economic policies that put the wellbeing of people. Wellbeing Economy Alliance. 2021
- **Green Book supplementary guidance:** wellbeing. HM Treasury, 2021
- OECD Wellbeing framework: **Measuring Well-being and Progress: Well-being Research**

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### Community Wealth Building

Community Wealth Building (CWB) is built on many of the principles of a Wellbeing economy. More information can be found here:

- Community Wealth Building: Delivering A Wellbeing Economy In Scotland (**SCRIG**)

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### Other relevant concepts

Doughnut Economics, Circular Economy, Mission Oriented Economics. These terms are described further here:

- **Business as usual**, 8 Concepts and Frameworks to solve the world's biggest problems
- **Missions: A Beginner's Guide**, Mariana Mazzucato
- McCartney et al. **Glossary: economics and health** (BMJ.com). Journal of Epidemiology and Community Health, 2022.

## References

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- <sup>2</sup> Raworth K. Doughnut economics: seven ways to think like a 21st-century Economist. Chelsea Green Publishing, 2017.
- <sup>3</sup> Victor PA. Managing Without Growth, 2nd edn. Edward Elgar Publishing Ltd, 2017.
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- <sup>5</sup> Scottish Government, 2015. Scotland's Economic Strategy. <https://www.gov.scot/publications/scotlands-economic-strategy/> (accessed 19 January 2022).
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- <sup>7</sup> Costanza, R. et al. 2019. Toward a Sustainable Wellbeing Economy. Share the Worlds Resources <https://www.stwr.org/information-centre/blogs/toward-sustainable-wellbeing-economy> (accessed 5 January 2022).
- <sup>8</sup> Wellbeing Economy Alliance; 20–30 second descriptions of a Wellbeing Economy. [FAQ – Wellbeing Economy Alliance](#) (accessed 5 January 2022).
- <sup>9</sup> Such as food, shelter, dignity, respect, education, health, security, voice and purpose, among others.
- <sup>10</sup> In low income countries, GDP growth is likely needed to be able to meet the population's needs, but is not an end in itself.
- <sup>11</sup> Asian Development Bank definition. See OECD. Report On The OECD Framework for Inclusive Growth, 2014. [https://www.oecd.org/mcm/IG\\_MCM\\_ENG.pdf](https://www.oecd.org/mcm/IG_MCM_ENG.pdf) (accessed 19 January 2022).
- <sup>12</sup> World Bank definition, see OECD. Report On The OECD Framework for Inclusive Growth, 2014. [https://www.oecd.org/mcm/IG\\_MCM\\_ENG.pdf](https://www.oecd.org/mcm/IG_MCM_ENG.pdf) (accessed 19 January 2022).
- <sup>13</sup> Scottish Government. SCRIG Dashboard. <https://scotland.shinyapps.io/sg-scrig-dashboard/> (accessed 5 January 2022).