

The Social Progress Index: a new tool for both policymakers and investors

Interviewed by Mirova

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Written on 30/03/2013

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Can you explain briefly how and why the Social Progress Imperative was created?

The Social Progress Imperative was born about four years ago. It grew out of the World Economic Forum Global Agenda Council on Philanthropy and Social Investment. A group of people there really felt there was a need for better metrics to foster collaboration between business, philanthropy and government in solving social problems.

Initially we were talking in terms of what we called a “social competitiveness index.” We approached Michael Porter at the Harvard Business School, and, in conversation what really emerged was a feeling that the model we have for national performance is incomplete: GDP is not telling the whole story, it’s an incomplete model. Michael Porter’s insight was that, if you take economic indicators *out*, and make an index composed entirely of social and environmental indicators, you can then look at the relationship between what we call the Social Progress Index scores and GDP.

Just to give an example, look at the run-up to the Arab spring; one of the world’s top economic performers was Tunisia. This country was growing rapidly, but still hit social problems. Or today, following the financial crisis of 2008 there’s a lot of talk about ‘inclusive growth’ and ‘shared prosperity’ but much less clarity about what these popular phrases mean. There’s a whole host of problems with GDP and with measuring national performance solely in terms of GDP. We need a complementary measure to put alongside it to create a more complete story and this is what the Social Progress Index (SPI) aims to do.

Can you tell us a little bit more about the index?

The Index is founded on the principle that what we measure guides the choices we make. By measuring the things that really matter to people—their basic needs, their food, shelter and security; their access to healthcare, education, and a healthy environment; their opportunity to improve their lives—,

the SPI is an attempt to reshape the debate about development. The framework we have captures 12 different dimensions of wellbeing and has had very robust feedback.



In terms of our findings so far, the good news is that yes, economic development does seem to be good for social progress. There's a positive correlation; there's also some flattening out in the curve, so that as you get to higher levels of income, the benefits of more economic development slow down. But on the whole there is a positive correlation between GDP per capita and social progress. But there is a but, and the but is that around that trend there is a lot of noise. This means there are things other than economic growth that also matter; there are other policies, institutions and practices that matter in advancing social practices besides GDP. That's a really important finding: our levels of social progress are not determined solely by GDP, so other things matter as well. And what we want to do over time with that insight is understand what those other things are.

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Take for instance Nigeria, which has a higher GDP than Ghana. Ghana, however, has a much higher level of social progress. So there are things that Ghana is doing right that will contain lessons about how to deliver more social progress for the same GDP. So that's the exciting part, learning about how we can take these insights and turn them into actions.

We've found that there's enormous value in creating a holistic framework for a country's wellbeing. One of the problems, in terms of advancing social progress, is that social issues are very prone to falling into sectors or silos. For instance, 'the education lobby wants something' or 'the justice lobby wants something' or 'the health lobby wants something'. The Social

Progress Index brings all those issues together in one holistic framework.

What is distinct about the Social Progress Index compared to other indexes like the UN's Human Development Index or the OECD's Better Life Index?

SPI is an index that measures the performance of countries entirely based on social and environmental outcomes. We include no economic indicators at all. The Human Development Index, Gross National Happiness, OECD's Better Life Index, the Gartner Prosperity Index and most other alternatives to GDP still include GDP in the measure.

The other distinction is from happiness measures. Happiness measures are looking to the public and asking them to estimate their life satisfaction. Although it's a valid and useful way of measure, happiness measures don't provide you with the origin of happiness. We can say that Denmark is happier than Britain, but what do we do in response? Get people in Britain to speak Danish? Happiness doesn't tell you what to do.

Also, we could be happily consuming away the planet but a happiness measure doesn't incorporate environmental sustainability. So we see social progress as measuring, not so much what a happy society is, but what a good society is.

So, unlike Happiness measures, the SPI helps to identify areas for improvement for action. The Social Progress Imperative was created, not in order to design an Index, but to drive change.

What about the relation between the SPI and the upcoming Sustainable Development Goals (SDGs) issued from Rio+20?¹

The Millennium development goals (MDGs) were not oriented towards well-being but focused, quite rightly, on the most needy. The SPI, on the other hand, includes shelter and housing, personal safety, and emerging health problems like non-communicable diseases, obesity, which are not in the MDGs.

¹ In Rio+20, Member States decided to launch a process to develop a set of Sustainable Development Goals, which will build upon the Millennium Development Goals and converge with the post 2015 development agenda (<http://sustainabledevelopment.un.org/rio20.html>)

Also, more fundamentally, one of the three dimensions of the SPI revolves around opportunity, personal choice, tolerance and inclusion, which are not part of the MDG framework.

I think that the SDGs are going to be a political process. There are new, future problems that we need to capture as part of a holistic wellbeing framework that I don't think are going to be part of the SDG framework. I've not seen in the debate around the SDGs much talk about including obesity. Yet obesity is soaring in the developing world. It's an incredible epidemic. Countries are going from malnutrition to obesity incredibly quickly. The highest obesity rates in the world are now in middle income countries like Egypt and Mexico.

What are the limitations of the SPI?

The biggest limitation we face is quality of data. The SPI is the best index we could create based on the available data. Astonishingly, there is no good, globally comparable data on shelter and housing. The last data is from 2005 UN habitat. So here we have a really basic human need: shelter and housing, that doesn't have good data.

There are also other emerging challenges in the world, like mental health; the data on mental health is incredibly poor. We would love to have an indicator for something like 'strength of family' and wider social networks, but we don't have one. There's a whole list of areas where I think measurement of social performance needs to improve. One of our primary messages in the 2014 report will be highlighting where those gaps are. We'd love to have better data and we want to campaign around this issue.

Sticking with the data for a moment, do you try to use only public data? Is this an issue for you with regards to transparency?

Yes, we want to use as much data that's non-proprietary as possible. For each 'component' of the Index, we have identified the best available measures. For example we're using Gallup data to measure tolerance and inclusion, like respect for women, treatment of homosexuals. Gallup data gives us a measure of people's lived experience which is particularly relevant around treatment of minorities.

This brings us to another point we hoped you'd touch on, which is the 'outcome oriented' aspect of the index. Could you explain that a bit?

If you measure inputs, you're making judgments about what the right policies are, what the right institutions are. And that involves a whole host of value judgments.

So we decided to build our framework on outcomes to try to be as non-judgmental as possible. An outcome-based framework can help lead to an understanding of how input measures are correlated with good outcomes. So our plan over time is to use SPI outcome numbers to start generating analysis and knowledge about the inputs.

“If you measure inputs, you're making judgments about what the right policies are, what the right institutions are.”

Is there a suggestion that the SPI reflects a rather western vision of wellbeing and progress? Has that been an issue for you?

We are aware that any framework, SPI included, will incorporate value judgments about what societies should be like. It's impossible to have a value-free index.

We've been talking to philosophers, to economists, development people, sociologists, policymakers and we've tried not to have a particularly western set of values.

As you know, the United Nations publishes an inequality-adjusted HDI. We were wondering how the SPI addresses issues of inequality?

Sometimes, when talking about inequality, people are only referring to income inequality. We don't include that in the model because it's an economic indicator. And I must say I would express concern that we focus so much policy concern solely on income inequality as being the driver of all other inequalities.



In the SPI, a whole bunch of our indicators aren't talking about the average value for a country, they're looking at 'does everyone have access to this?' 'Does everyone have this service, this thing in their life?' So I think we're really picking up inequalities in terms of how people can live their lives in a society, but what we're not relying on is the income inequality proxy.

“The SPI could definitely become meaningful market data for understanding the performance and sustainability of a country

We have in mind to incorporate SPI into our investment process. What is your take on this?

Determining a country's social sustainability is actually very important if we're thinking about sovereign creditworthiness. Even if a country is experiencing a short term economic boom, if there are signs of a lack of social sustainability, I am convinced that would signal a risk that has to be reflected in sovereign credit. Of course, SPI's short track record does not enable us yet to validate this opinion, Yet.

SPI could definitely become meaningful market data for understanding the performance and sustainability of a country. Taking this line of thought further, this would hopefully mean that countries which are better at promoting social progress are actually rewarded by the market, creating an incentive for countries to promote social progress.

Others uses of the SPI could emerge from risk management innovation. We see the SPI as being meaningful data for rating agencies or the insurance industry, but also for companies. For instance, in a particular country, how well-focused are a company's social and environmental impacts and opportunities on the priorities for that country? Because, if success is partially predicated on demonstrating social usefulness, then investing in shared value is a road to success, long-term success.

Thanks for speaking with us, Michael. We're looking forward to the 2014 Social Progress Index. Are you still on track, and is there anything you'd care to share about the upcoming publication?

April 3rd is our publication date. Just to let you in a bit, there are things that social progress can actually add to the analysis of happiness that we'll be reporting on this year. That's my teaser, I'll not give you the finding just yet, but we'll be reporting on it this year. We think that there is new information we can offer about what actually drives happiness in addition to GDP.

The full, interactive dataset from the Index will be available from 02.00 UST, 3rd April at:

<http://www.socialprogressimperative.org/data/spi>

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