Composite Indicators – History and Present

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Rankings are popular both in scientific research and in everyday life. Many institutions rank different objects from the best to the worst. We have rankings of countries, universities, cities, hospitals, jobs, provinces, books, songs, actors, footballers etc. If such a ranking is based on just one variable measured in strong scale, then the task is trivial. The only thing we should decide is the direction – the bigger the better or the smaller the better. The problem is more complicated with multidimensional case, even with just two diagnostic variables.

The aim of the paper is to present and discuss issues connected with the consecutive stages of the process of constructing composite indicators.

Linear ordering methods are sometimes divided into those with benchmark and without. It can be argued that every method has some benchmark – assumed or calculated from the data.

Short review of the literature will be given and some example provided and critically discussed – such as Human Development Index or Best Jobs in USA. Finally, some recommendations are given. They are concentrated on issues connected with ordering stages such as weighting systems, normalization of variables, distributions of variables, aggregation formulas, point systems, and some new proposals like step-wise and flexible procedures.