Measuring Well-Being and Fostering the Progress of Societies

Living conditions, quality of life, sustainability

Martine Durand
OECD Chief Statistician and Director of Statistics

Latin-American Conference on Measuring Well-Being and Fostering the Progress of Societies, Mexico City, 11-13 May 2011
Outline of presentation

- OECD’s engagement in measuring well-being and progress
- Better Measures …
- … For better policies…
- … For better lives
- Challenges ahead
OECD’s engagement in measuring well-being and fostering the progress of societies
Questioning of official statistics

- Growing gap between the image provided by official statistics and people’s perceptions of their own living conditions
- Undermining public trust on official statistics, public policies and the functioning of democratic processes
- Partly, disconnect reflects over-reliance on GDP as measuring rod for living standards and quality of life
GDP is ...

A good measure for monitoring macro-economic activity

- Needed for macro-economic policies,
- Output and productivity, capacity utilisation
- Competitiveness
- Demand for jobs
GDP is **not a good measure of well-being** because:

- It includes economic activities that either reduce well-being or that remedy the costs of economic growth
- It does not very well reflect households’ economic resources
- It excludes many of the dimensions that matter for well-being
- It does not inform on whether well-being can last over time

Thus:

GDP needs supplementing ... but not supplanting
In many countries GDP grew faster than household disposable income (1999-2009)
Higher tides did not lift all boats

Income inequality widened in ¾ of OECD countries between mid-1980s and late 2000s

Source: Growing Unequal?, OECD 2008
The OECD response ...

- OECD has been leading the international reflection on Measuring Progress for nearly 10 years.
- Launched the Istanbul Declaration and the Global Project in partnership with other organisations in 2007.
... has met strong political support

- President Sarkozy set up the Stiglitz-Sen-Fitoussi Commission (2009)
- EU Communication on “GDP and beyond” and EU 2020 Agenda (2009 and 2010)
- G20 Leaders statement in Pittsburgh and Toronto (2009 and 2010)
- Conclusions of OECD Ministerial Council (2010)
- Many national initiatives in developed countries (e.g. UK, Germany, Japan, Italy) and interest in emerging countries (China, countries in LA region)
Better measures...
Framework of OECD work on well-being

In terms of focus: people’s well-being

- **individuals’ situation** in each country rather than macro-economic conditions of economies
- **different groups of the population**, in addition to average conditions
- **achievements**, measured by outcome indicators, as opposed to input or output indicators
- both **objective and subjective aspects** of people’s well-being
In terms of scope: three broad domains

- Material living conditions
- Quality of life
- Sustainability
Framework of OECD work on well-being

OVERALL HUMAN WELL-BEING

Quality of Life
- Health status
- Work and life balance
- Education and skills
- Social connections
- Civic Engagement and Governance
- Environmental Quality
- Personal Security
- Subjective well-being

Material Living Conditions
- Income and wealth
- Jobs and earnings
- Housing

GDP

Inequalities

SUSTAINABILITY OF WELL-BEING OVER TIME
Requires preserving different types of capital:
- Natural capital
- Economic capital
- Human capital
- Social capital

Regrettables
Material living conditions

- Analysis of the differences between growth in GDP and in household disposable income
- Measuring households own-production of non-market services
- Better measuring inequalities in the distribution of National Accounts households income
- Developing standards for measuring households wealth and framework for joint distribution of households income, consumption and wealth
Production of non-market services significantly increases measures of average household income
Quality of life

- **Objective indicators** ...
  - e.g., life expectancy, infant mortality, employment rate of women with children of compulsory age; educational attainment; housing conditions, contact with others; transparency of governance; air pollution; reported homicides, etc...

- ... and **subjective** indicators
  - e.g. overall life satisfaction; feeling of insecurity; satisfaction with quality of local environment, etc...

- Developing **guidelines for NSOs** on how to measure different aspects of **subjective well-being**
Money is not all that counts
e.g. PISA cognitive skills of 15 years old students reading scale

Cognitive skills of 15 years old: performance on the reading scale

Mean scores

Source: OECD PISA 2009
Sustainability

- Ensuring that current well-being can be sustained over time → from individuals to societal concerns

- Measuring sustainability requires looking at investment in (and depreciation of) a broad range of assets and at future productivity gains:
  
  - (Relatively well) measured assets: Produced capital; Financial capital
  
  - Measurement challenges: Environmental capital; Human capital; Intangible capital and social capital
Environmental capital: water abstractions

Per capita abstractions, mid to late 2000s

$m^3$/capita/year

<table>
<thead>
<tr>
<th>Country</th>
<th>Abstractions (m^3/capita/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHL</td>
<td>2300</td>
</tr>
<tr>
<td>USA</td>
<td>2000</td>
</tr>
<tr>
<td>NZL</td>
<td>1800</td>
</tr>
<tr>
<td>CAN</td>
<td>1500</td>
</tr>
<tr>
<td>EST</td>
<td>1200</td>
</tr>
<tr>
<td>OECD</td>
<td>1000</td>
</tr>
<tr>
<td>PRT</td>
<td>800</td>
</tr>
<tr>
<td>MEX</td>
<td>600</td>
</tr>
<tr>
<td>ESP</td>
<td>440</td>
</tr>
<tr>
<td>JPN</td>
<td>400</td>
</tr>
<tr>
<td>NOR</td>
<td>380</td>
</tr>
<tr>
<td>NLD</td>
<td>310</td>
</tr>
<tr>
<td>AUS</td>
<td>260</td>
</tr>
<tr>
<td>KOR</td>
<td>230</td>
</tr>
<tr>
<td>BEL</td>
<td>210</td>
</tr>
<tr>
<td>TUR</td>
<td>200</td>
</tr>
<tr>
<td>HUN</td>
<td>190</td>
</tr>
<tr>
<td>ISL</td>
<td>180</td>
</tr>
<tr>
<td>FRA</td>
<td>170</td>
</tr>
<tr>
<td>SVN</td>
<td>160</td>
</tr>
<tr>
<td>FIN</td>
<td>150</td>
</tr>
<tr>
<td>AUT</td>
<td>140</td>
</tr>
<tr>
<td>DEU</td>
<td>130</td>
</tr>
<tr>
<td>CHE</td>
<td>120</td>
</tr>
<tr>
<td>POL</td>
<td>110</td>
</tr>
<tr>
<td>SWE</td>
<td>100</td>
</tr>
<tr>
<td>ISR</td>
<td>90</td>
</tr>
<tr>
<td>CZE</td>
<td>80</td>
</tr>
<tr>
<td>GBR</td>
<td>70</td>
</tr>
<tr>
<td>SVK</td>
<td>60</td>
</tr>
<tr>
<td>DNK</td>
<td>50</td>
</tr>
<tr>
<td>LUX</td>
<td>40</td>
</tr>
<tr>
<td>ITA</td>
<td>n.a.</td>
</tr>
<tr>
<td>IRL</td>
<td>n.a.</td>
</tr>
<tr>
<td>GRC</td>
<td>n.a.</td>
</tr>
</tbody>
</table>
Human capital: a stock that is several times higher than that of physical capital...

Monetary estimates of human capital and physical capital as a share of GDP, 2006
... and where investment is insufficient to offset depreciation due to ageing in most OECD countries

**Volume changes in human capital per capita and contribution of various factors**

- **Age**
- **Education**
- **Gender**
- **HC per capita**

<table>
<thead>
<tr>
<th>Country</th>
<th>Age</th>
<th>Education</th>
<th>Gender</th>
<th>HC per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Israel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Korea</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Other types of capital are also critical for sustainability

- **Intangible capital**: firms’ spending on new knowledge and on organisational capital are important for future labour productivity growth and income.

- **Social capital**: communities matter not only ‘here and now’ but also for development to last and ensure cohesive societies.
  - **structural component** (social networks, civic participation)
  - **normative component** (notions of trust, reciprocity, tolerance, understanding and respect for others)

OECD work to develop guidelines and prototype survey questions.
Better measures... for better policies...
Informing policy design and decision making

Measuring the various dimensions and factors of well-being can help improve policies by:

- Identifying **emerging issues** or that are not on the radar screen of policy-makers
- Allowing better understanding of the range of **factors driving well-being** in particular domains
- Assessing countries’ comparative well-being **performances** (benchmarking) and informing strategies to remedy structural gaps
Informing policy design and decision making

Measures need to:

- be **relevant for a broad range of societies** but also reflect national concerns and specific development patterns
- be **relevant for designing evidence-based policies**
- reflect the **perspective of citizens**, not only that of governments
Better measures... for better policies... ... for better lives
Towards a virtuous circle

- Improved Outcomes
- Indicators
- Detailed Policy Measures
- Comparative Assessment
- Policy Awareness
OECD Better Life Initiative

• OECD 50th Anniversary: Better Policies for Better Lives

  ➢ How’s Life? report; Compendium of Well-being Indicators; Your Better Life Index

• Continued dialogue with emerging and developing countries on what matters for them and sharing experience

  ➢ 4th OECD World Forum ‘Statistics, Knowledge and Policies, Delhi, October 2012

  ➢ Preparatory Regional Conferences in Latin America, Asia, Africa, in 2011 and 2012
Challenges ahead
Challenges ahead

Agreement that measuring well-being and progress should contribute to achieving better living standards, equity, social cohesion, sustainability and the implementation of the Millennium Development Goals.

But there is an important measurement agenda for NSOs and international organisations to fill in existing statistical gaps.

On-going work is still experimental and will evolve over time.
Challenges ahead

ENDEAVOUR is **challenging for less developed countries** but this is a long-term goal and **all countries should contribute to shaping the agenda**

Today’s Conference is an important contribution in helping set this concrete agenda for Latin America and beyond
What we measure shapes what we collectively strive to pursue.

What we pursue determines what we measure

Thank you for your attention