

I. INTRODUCTION

WHAT IS WELL-BEING?

How should one measure well-being? Money is not everything. There are many more features that shape people's lives. How comfortable is their housing? How clean and safe is their local environment? Are they able to participate in political and social activities? Do public institutions respond to their demands? To what extent do people benefit from quality health care and education services? What is the value of services produced by households for their own use, such as the care that they provide to their children and the elderly? All things considered, are people satisfied with their life in general?

In recent years, concerns have emerged regarding the fact that macro-economic statistics did not portray the right image of what ordinary people perceived about the state of their own lives. Addressing these concerns is crucial, not just for the credibility and accountability of public policies, but for the very functioning of our democracies.

The OECD has been leading the international reflection on this challenge through various projects¹ and initiatives. In 2004, it held its first World Forum on 'Statistics, Knowledge and Policies' in Palermo. Two more Forums took place in Istanbul in 2007, which led to the launch of the OECD-hosted Global Project on Measuring the Progress of Societies, and in Busan in 2009. Thanks to these and other efforts undertaken in the international community, measuring well-being and progress is now at the forefront of national and international statistical and political agendas (Box 1). This agenda is not relevant for developed countries only as improving people's well-being is a goal for every government in the world.

The OECD is preparing an important new contribution to this debate, with the publication of a set of well-being indicators for developed and selected emerging economies. A new report, entitled "How's Life?", to be released in October 2011 will look at such issues as people's health, their education and competencies, the quality of their daily work activities, the state of their local environment, their personal security, the richness of their community ties, and whether people are satisfied with their lives. This Compendium is a preview of this report.

The ultimate objective of this work is not just measurement per se, but to strengthen the evidence-base for policy making. Better measures of well-being can improve our understanding of the factors driving societal progress. Better assessments of countries' comparative performance in various fields can lead to better strategies to tackle deficiencies.

*Over the past 50 years, the OECD has developed a rich set of recommendations on policies that can best support economic growth. The task that we face today is to develop an equally rich menu of recommendations on policies to support societal progress: **better policies for better lives.***

Measuring Well-Being and Progress: Key National and International Initiatives

Today, 'measuring well-being and progress' is high on the agenda of the international statistical community.

- *Measuring well-being and progress has been and will continue to be a key priority for the OECD, in line with its founding tradition to promote policies designed to achieve the highest living standards for all.*
- *At the European level, the European Commission issued a communication on 'GDP and beyond' in 2009 identifying key actions to improve current metrics of progress, and established five key targets (with supporting indicators) to guide its policies in the EU 2020 Strategy. To support these processes, the statistical office of the European Community (Eurostat) and the French national statistical office (INSEE) initiated a process (the INSEE/Eurostat Sponsorship Group) to develop recommendations for the European Statistical System, to which the OECD is contributing.*
- *The United Nations Economic Commission for Europe, in co-operation with the OECD and Eurostat, are pursuing work on measuring sustainable development, aiming to develop better metrics for human well-being and sustainability.*
- *Several countries have launched progress and well-being-related initiatives in the form of public consultations (the United Kingdom), Parliamentary Commissions (Germany, Norway), National Roundtables (Italy, Spain, Slovenia), initiatives for integrating and disseminating statistics on a jurisdiction's economic, social and environmental conditions (the United States), dedicated statistical reports (Australia, Ireland) and a range of other initiatives (France, Japan, Korea and China).*

The OECD participates in and supports these processes, with the objective of identifying best practices and common approaches, while recognising the specific priorities and constraints of each country and international institutions. In this respect, this Compendium of OECD well-being indicators should be seen as a complementary effort to that undertaken by countries on measuring well-being and progress, aimed at offering a comparative perspective on these issues.

¹ OECD, 2001; Boarini et al., 2006.

FRAMEWORK

The conceptual framework used in this Compendium (and in the forthcoming “How’s Life?” report) with respect to both **focus** and **scope** is based on principles that are well-established in the ongoing national and international initiatives in this field.²

In terms of focus, the Compendium provides evidence on:

- the well-being of **people** in each country, rather than on the macro-economic conditions of economies; hence, many standard indicators of macro-economic performance (e.g. GDP, productivity, innovation) are not included in this Compendium.
- the well-being of different groups of the population, in addition to average conditions. Measures of **inequalities** in people’s conditions will figure prominently in the “How’s Life?” report but are only discussed briefly in this Compendium.
- well-being achievements, measured by **outcome** indicators, as opposed to well-being drivers measured by input or output indicators.
- **objective** and **subjective** aspects of people’s well-being as both living conditions and their appreciation by individuals are important to understand people’s well-being.

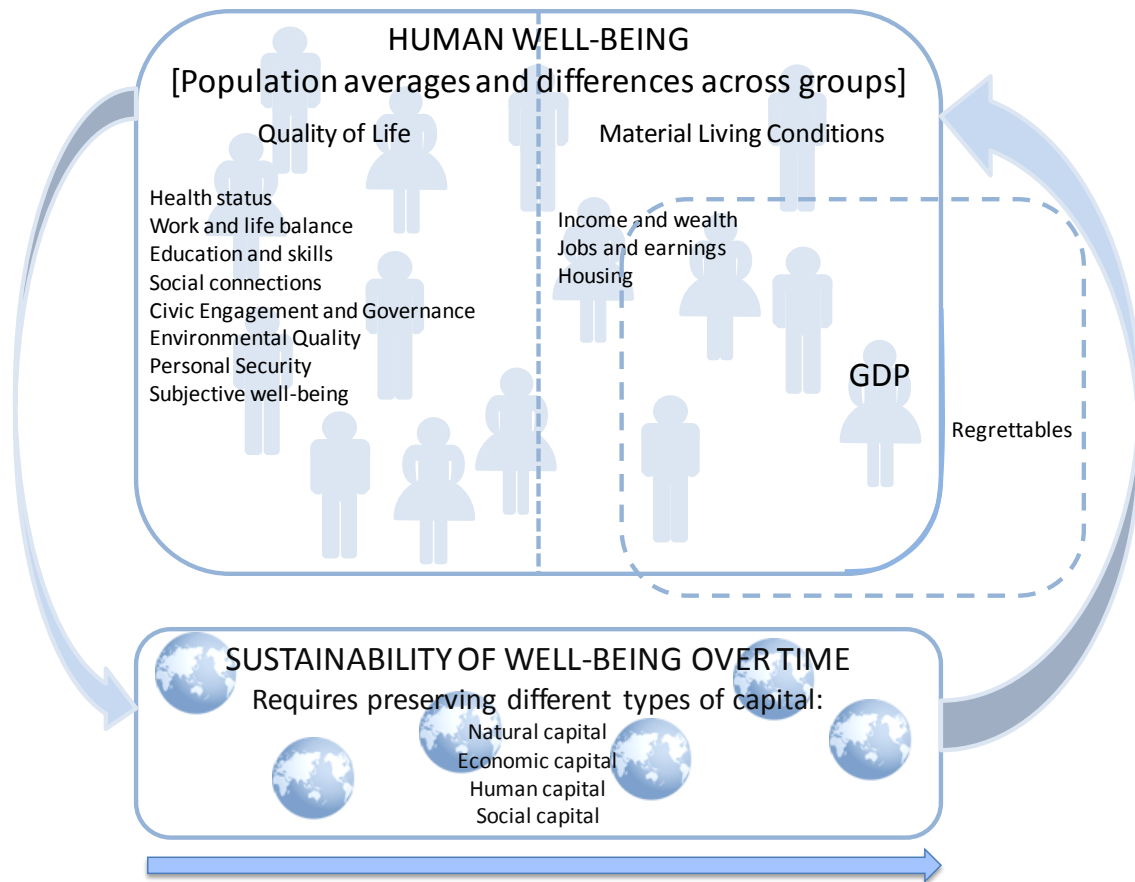
In terms of scope, the framework distinguishes between current material living conditions and quality of life, on the one hand, and the conditions required to ensure their sustainability over time, on the other (Figure 1):

- **Material living conditions** (or ‘economic well-being’) determine people’s consumption possibilities and their command over resources. While this is shaped by GDP, the latter also includes activities that do not contribute to people’s well-being (e.g. activities aimed at offsetting some of the regrettable consequences of economic development) while it excludes non-market activities that expand people’s consumption possibilities.
- **Quality of life**, defined as the set of non-monetary attributes of individuals, shapes their opportunities and life chances, and has intrinsic value under different cultures and contexts.
- The **sustainability of the socio-economic and natural systems** where people live and work is critical for well-being to last over time. Sustainability depends on how current human activities impact on the stocks of different types of capital (natural, economic, human and social). However, suitable indicators for describing the evolution of these stocks are still lacking in many fields. For this reason, indicators of sustainability are not included in this Compendium, although some of them will feature in “How’s Life?”.³

² Most notably the report of the Stiglitz-Sen-Fitoussi Commission on the Measurement of Economic Performance and Social Progress (Stiglitz et al., 2009) and the taxonomy developed in Hall, Giovannini et al. (2010).

³ Indicators of environmental sustainability are included in the Indicators Report that accompanies the OECD Green Growth Strategy (OECD, 2011).

Figure 1. Framework for OECD well-being indicators



For the first two domains, the framework above includes eleven dimensions, as follows:

- Under **material living conditions**: i) Income and Wealth; ii) Jobs and Earnings; and iii) Housing.
- Under **quality of life**: i) Health Status; ii) Work and Life Balance; iii) Education and Skills; iv) Civic Engagement and Governance; v) Social Connections; vi) Environmental Quality; vii) Personal Security; and viii) Subjective Well-Being.

CRITERIA FOR SELECTING INDICATORS AND FUTURE DIRECTIONS

The framework above underlies the selection of indicators in each dimension of well-being. In addition, the selection of indicators relies on two **quality** criteria, namely conceptual soundness (i.e. relevance in terms of measuring and monitoring well-being across the population in the perspective of informing policies) and reliance on data of **high quality** (i.e. based on well-established standards and codes of practice).⁴ The selection of indicators has been made following extensive consultation with National Statistical Offices and experts from various OECD directorates.

⁴ Most of the indicators included in this Compendium meet most, but not all, of these quality criteria. In particular, official statistics (i.e. statistics which are produced by National Statistical Systems) are either lacking or are not comparable across countries for some dimensions of well-being (e.g. subjective well-being, civic engagement and social connections). For this reason, this Compendium includes a few indicators relying on data coming from non-official sources. While these sources have known limits in terms of sample size, sampling frames, mode of data collection etc. they have a wide country-coverage and rely on a harmonised

Against this background, it is nevertheless important to bear in mind that the set of indicators presented in the Compendium is still:

- **experimental**, in that the proposed selection of indicators has not yet reached the stage of meeting all agreed standards;
- **evolutionary**, as the indicators proposed in this Compendium are, in many cases, only proxies of a broader underlying outcomes, for which ideal measures are currently lacking.⁵ Indeed the selection of indicators will change in the future as better measures are developed, and as member countries reach agreement on indicators that are better apt to summarise conditions in the various dimensions of people's lives.

OVERVIEW

A bird-eye overview of the main patterns that emerge from this Compendium is provided by Table 1. In this table, OECD countries are shown according to whether they are top performers, bottom performers or just in the average for every indicator. Not surprisingly, the Table shows that no country ranks consistently at the top or bottom of the distribution, although countries like Australia, Canada, Denmark, New Zealand, Norway and Sweden perform well in many dimensions, while Chile, Estonia, Hungary, Mexico, Poland, the Slovak Republic and Turkey tend to perform less well for a range of indicators.

YOUR BETTER LIFE INDEX

Because the notion of well-being encompasses factors that are not mediated or exchanged through markets, the information provided in Table 1 cannot be reduced into a single monetary measure that could be used alongside aggregate measure of economic production such as GDP. An alternative to a single monetary measure is a composite index, which aggregates normalised scores of average achievements in various dimensions (OECD, 2008). Such method requires specifying weights to assign to the various achievements and could thus be criticised as being arbitrary or depending on a priori value judgements.⁶ However, when weights are directly assigned by citizens, the composite index does not longer represent an ad-hoc view of the world but corresponds to people's judgments, which are legitimate in their own.

It is in this context that this Compendium is released alongside a new innovative web-based interactive tool, "**Your Better Life Index**", which is based on the indicators included in this Compendium (www.oecd.org/betterlifeindex). This index should be seen as a **user's own weighted average of countries' mean achievements** in various dimensions of well-being. This index fulfils an important communication function, which has the potential to spur the debate on the most relevant dimensions of well-being among citizens. Additionally, the choices by users in terms of weights may provide the OECD with interesting information on what really matters to people in their conception of a 'good life'.⁷

questionnaire around the world. These indicators based on non-official sources are included in this report as 'space holders', until better and more comparable official statistics in these fields are developed.

⁵ Elements bearing on the interpretation and limits of the various well-being indicators are provided in this Compendium and will be developed more fully in the forthcoming "How's Life?" report.

⁶ As noted in Stiglitz et al. (2009), different philosophic perspectives will inevitably lead to different views on the relative importance of different dimensions, and on the attention to be paid to the conditions of different people within society.

⁷ A description of the properties of this index, including a description of the sensitivity of results to various choices of weights, will be provided in a forthcoming OECD working paper "Designing Your Better Life Index: methodology and results", by Boarini et al., 2011.

Table 1. An overview of well-being indicators in OECD countries

"Green circles" denotes OECD countries in the top two deciles, "red diamonds" those in the bottom two deciles, "yellow triangles" those in the six intermediate deciles

	Material Conditions						Quality of Life														
	Income and Wealth		Jobs and Earnings		Housing		Health Status		Work and Life			Education and Skills		Social Connections		Civic Engagement and Governance		Environmental Quality	Personal Security		Subjective Well-being
	IW1	IW2	JE1	JE2	HG1	HG2	HS1	HS2	WL1	WL2	WL3	ES1	ES2	SC1	SC2	CG1	CG2	EQ1	PS1	PS2	SW1
	Household net disposable income per person	Household financial net wealth per person	Employment rate	Long-term unemployment rate	Number of rooms per person	Dwelling with basic facilities	Life-expectancy at birth	Self-reported health status	Employees working very long hours	Time devoted to leisure and personal care	Employment rate of women with children of	Educational attainment	Students' cognitive skills	Contacts with others	Social network support	Voter Turn-out	Consultation on rule-making	Air pollution	Intentional homicides	Self-reported victimisation	Life-satisfaction
2009	2009	2010	2010	2009	2009	2008	2008	2009	2000	2008	2008	2009	2006	2010	2007	2008	2008	2008	2010	2010	
Australia	●	▲	▲	●	▲	●	●	●	▲	▲	▲	●	●	▲	▲	▲	▲	▲	▲	▲	▲
Austria	●	▲	▲	●	▲	▲	▲	▲	▲	▲	▲	●	▲	▲	▲	▲	▲	▲	●	▲	▲
Belgium	▲	●	▲	▲	●	●	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Canada	●	●	▲	●	●	●	▲	▲	▲	▲	▲	●	●	▲	▲	▲	▲	▲	▲	▲	▲
Chile	◆	..	▲	..	●	●	▲	▲	▲	▲	◆	..	▲	●	▲	◆	◆	◆	▲
Czech Republic	▲	▲	▲	▲	▲	▲	◆	▲	▲	..	▲	●	▲	◆	▲	▲	▲	▲	▲	▲	▲
Denmark	▲	▲	●	▲	●	◆	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	●
Estonia	◆	◆	▲	◆	●	●	◆	◆	●	◆	●	▲	▲	▲	◆	◆	◆	●	◆	◆	◆
Finland	▲	▲	▲	▲	●	▲	▲	▲	▲	▲	●	▲	●	▲	▲	▲	▲	▲	◆	▲	▲
France	●	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	◆	▲	●	▲	●	▲	▲	▲
Germany	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	◆	▲	▲	▲	▲
Greece	▲	▲	▲	◆	▲	▲	▲	▲	▲	..	◆	▲	▲	●	◆	▲	▲	◆	▲	▲	◆
Hungary	◆	◆	◆	◆	◆	●	◆	●	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	◆
Iceland	●	▲	▲	▲	●	●	◆	▲	▲	▲	●	▲	▲	●	▲	▲	▲
Ireland	▲	▲	▲	◆	●	▲	▲	●	▲	▲	▲	▲	▲	▲	▲	▲	▲	●	▲	▲	▲
Israel	..	●	◆	▲	◆	..	▲	▲	◆	..	▲	▲	◆	..	▲	▲	▲	▲	▲	▲	▲
Italy	▲	▲	◆	▲	▲	▲	●	▲	▲	◆	▲	◆	▲	▲	◆	▲	▲	▲	◆	▲	▲
Japan	▲	●	▲	▲	▲	▲	▲	▲	▲	▲	▲	●	●	▲	▲	▲	▲	▲	●	▲	▲
Korea	▲	▲	▲	●	▲	●	▲	◆	●	●	..	◆	▲	▲	◆	●	▲	▲
Luxembourg	▲	▲	●	▲	▲	▲	◆	▲	▲	▲	▲	..	▲	●	▲	▲	▲
Mexico	◆	◆	▲	●	..	◆	◆	◆	◆	◆	..	◆	◆	..	▲	◆	▲	◆	◆	◆	▲
Netherlands	▲	▲	●	●	●	◆	▲	●	●	●	▲	●	●	..	▲	▲	▲	◆	▲	▲	●
New Zealand	▲	..	●	●	●	..	▲	●	◆	▲	●	●	..	●	▲	▲	●	▲	▲	▲	▲
Norway	●	◆	●	●	●	▲	▲	▲	▲	..	▲	▲	▲	●	▲	▲	▲	▲	▲	▲	●
Poland	◆	◆	◆	▲	◆	▲	▲	▲	▲	▲	▲	▲	▲	◆	▲	▲	▲	▲	▲	▲	◆
Portugal	▲	▲	▲	◆	▲	▲	▲	▲	..	▲	▲	●	●	▲	◆	▲	▲	▲	◆	▲	◆
Slovak Republic	◆	◆	◆	◆	◆	▲	◆	◆	▲	..	▲	●	◆	▲	▲	◆	▲	▲	▲	▲	▲
Slovenia	▲	▲	▲	▲	◆	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Spain	▲	▲	◆	▲	●	◆	●	▲	▲	◆	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Sweden	▲	▲	●	▲	▲	◆	●	▲	▲	●	▲	▲	▲	▲	●	▲	●	▲	◆	▲	●
Switzerland	▲	●	●	▲	▲	▲	●	●	..	●	▲	▲	..	▲	▲	◆	▲	▲	●	▲	●
Turkey	●	▲	◆	●	◆	▲	▲	▲	▲	◆	..	▲	▲	▲	▲	▲	◆	▲	◆
United Kingdom	▲	▲	▲	▲	▲	▲	▲	▲	◆	▲	▲	▲	●	▲	▲	▲	▲	●	◆	▲	▲
United States	●	●	▲	▲	..	◆	▲	◆	▲	▲	▲	▲	..	▲	●	▲	▲	▲	◆	●	▲

Source: OECD's calculations based on the indicators shown in this Compendium.

Note: In this table the indicator "Dwelling with basic facilities" considers only data referring to dwellings without indoor flushing toilet

CONCLUSION

This Compendium represents one of the first attempts to respond to the demand for comparative information on the conditions of people's lives in developed market economies. Previous contributions in this field have focused on the conditions of poorer countries and on a more narrow range of dimensions (e.g. Human Development Index). This Compendium extends these efforts on both fronts. It is a preview of the type of measures that will be included in the "How's life?" report to be released in October 2011. The OECD plans to issue similar reports in the future on a recurrent basis, and to enrich the set of dimensions and indicators in the light of experience gained and of progress made in implementing better measures.

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