



ORGANISATION FOR ECONOMIC
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ORGANISATION DE COOPÉRATION ET
DE DÉVELOPPEMENT ÉCONOMIQUES

Measuring Well-Being and Fostering the Progress of Societies

Living conditions, quality of life, sustainability

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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

... but not a good metric of well-being

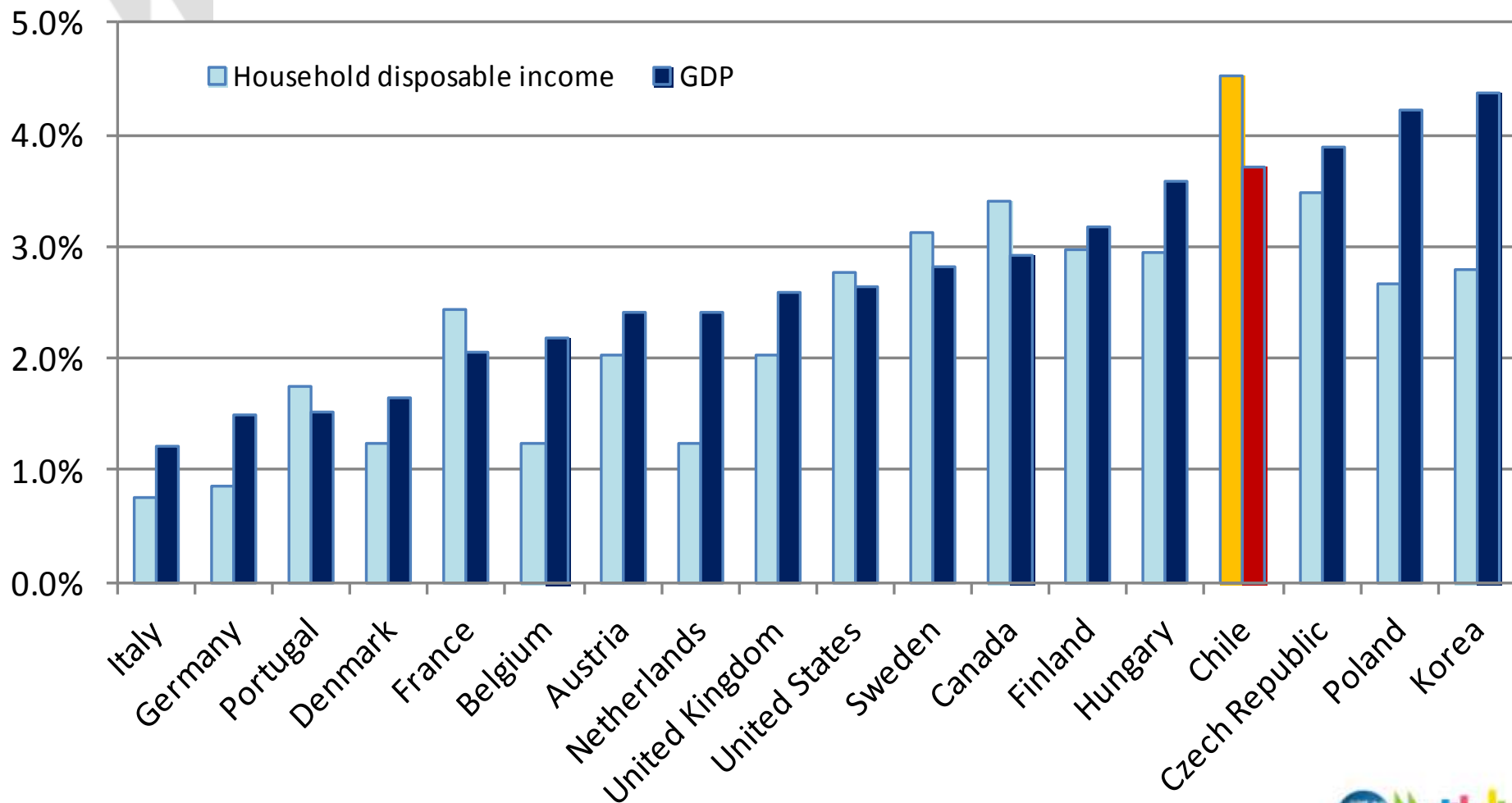
GDP is not a good measure of well-being because:

- 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:

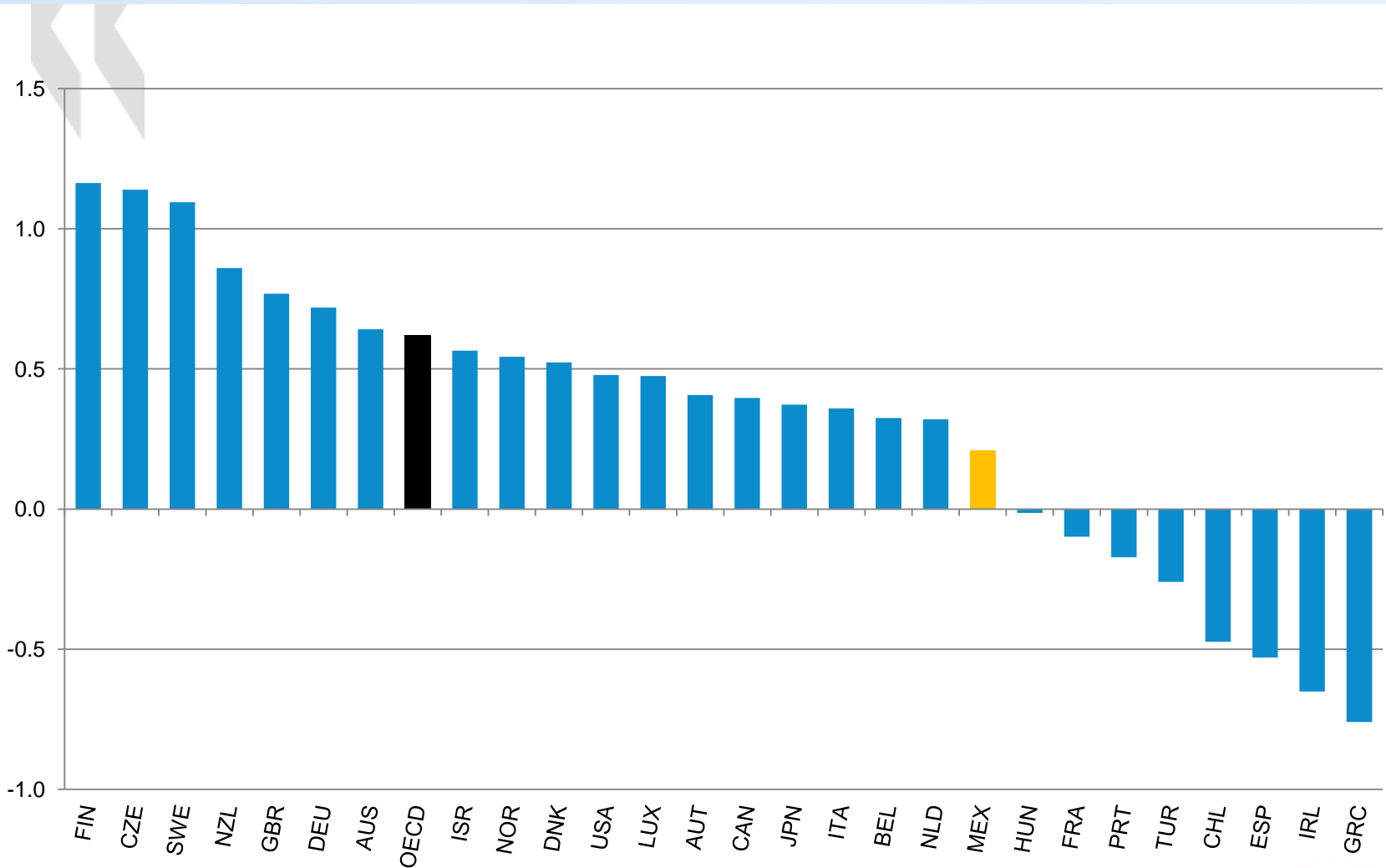
GDP needs supplementing ... but not supplanting

In many countries GDP grew faster than household disposable income (1999-2009)



Higher tides did not lift all boats

Income inequality widened in $\frac{3}{4}$ 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
- Organised three **World Forums**: Palermo (2004), Istanbul (2007), Busan (2009)

... 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

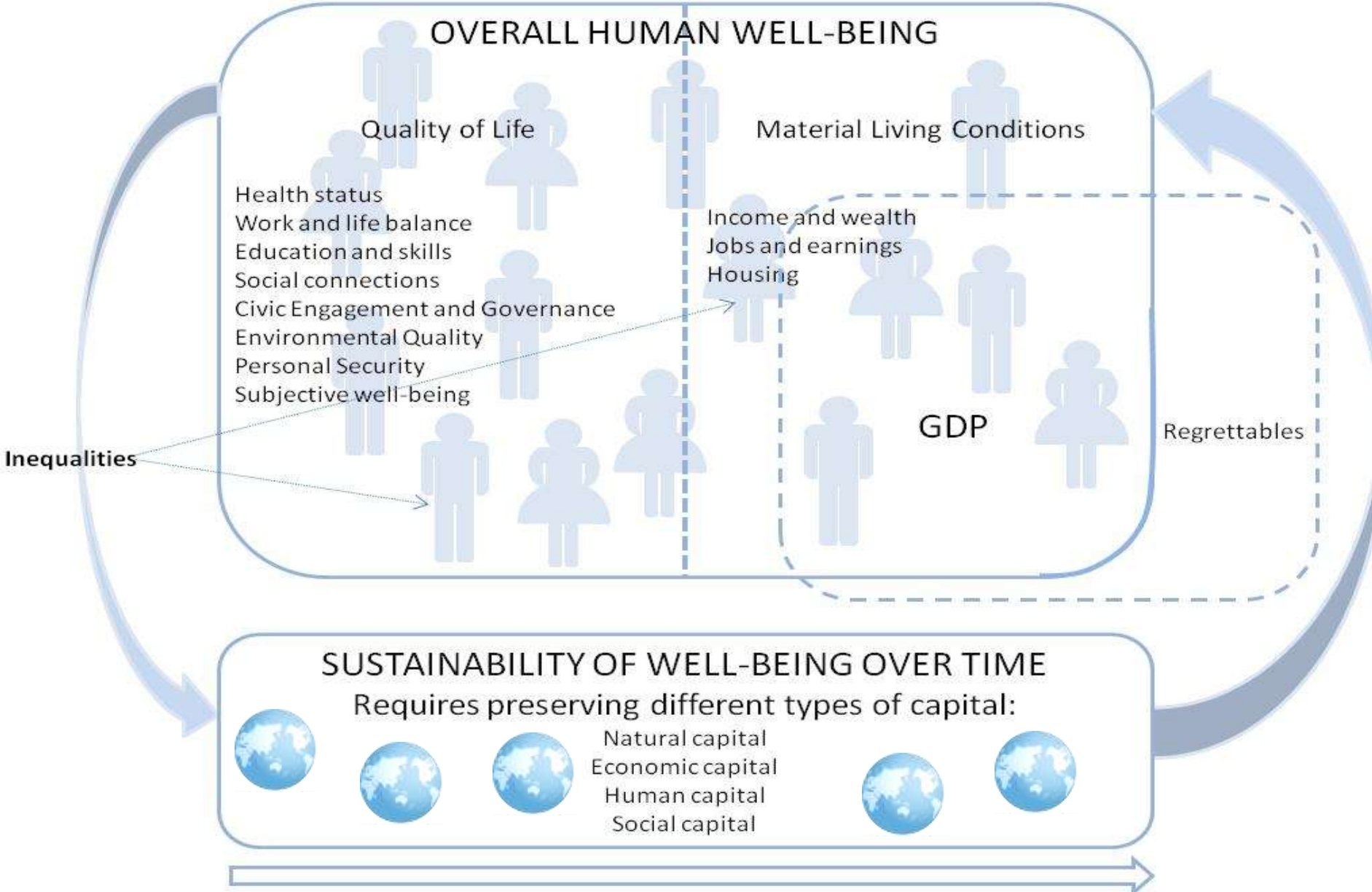
● In terms of focus: **people's well-being**

- **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

Framework of OECD work on well-being

- In terms of scope : **three broad domains**
 - **Material living conditions**
 - **Quality of life**
 - **Sustainability**

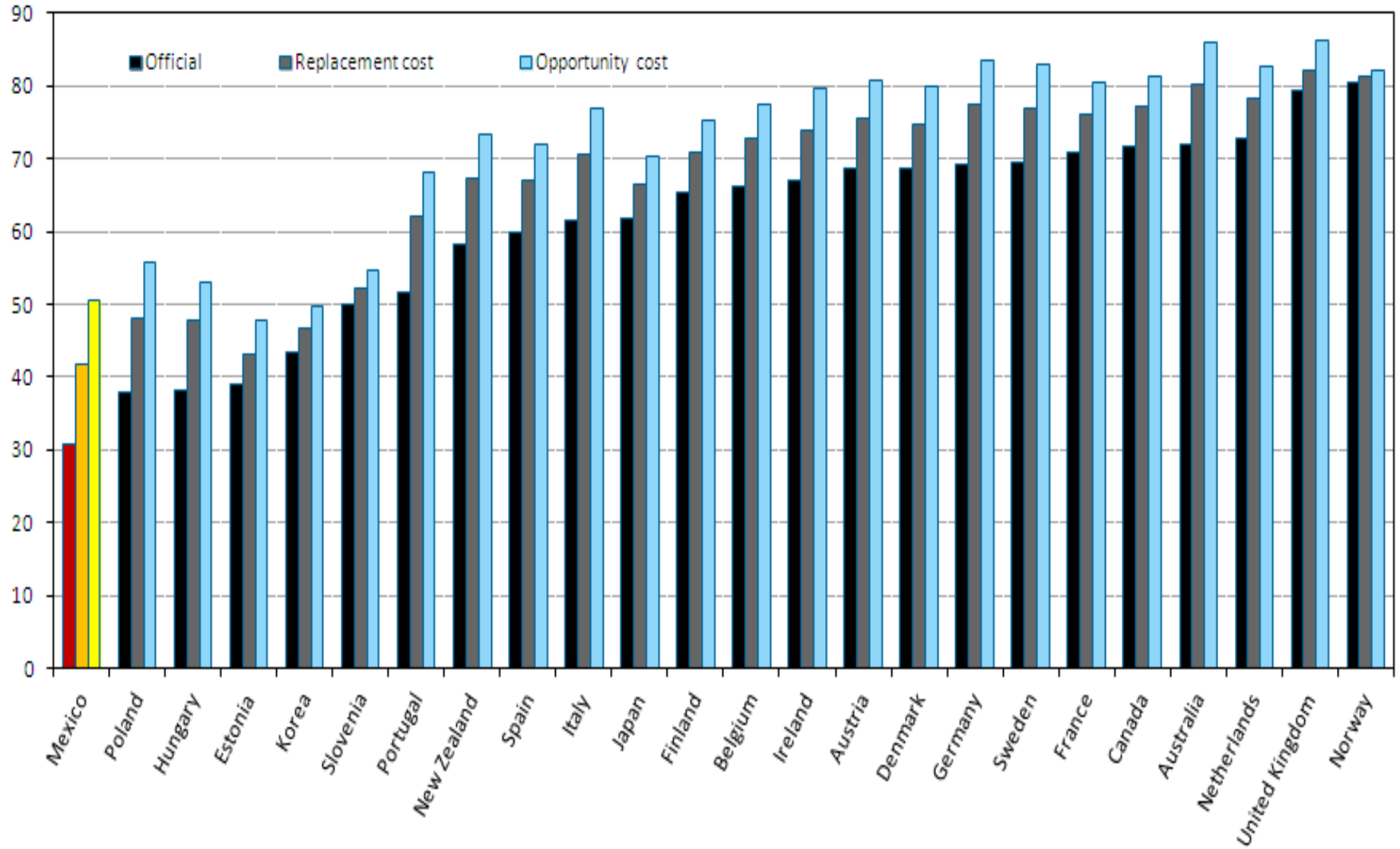
Framework of OECD work on well-being



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

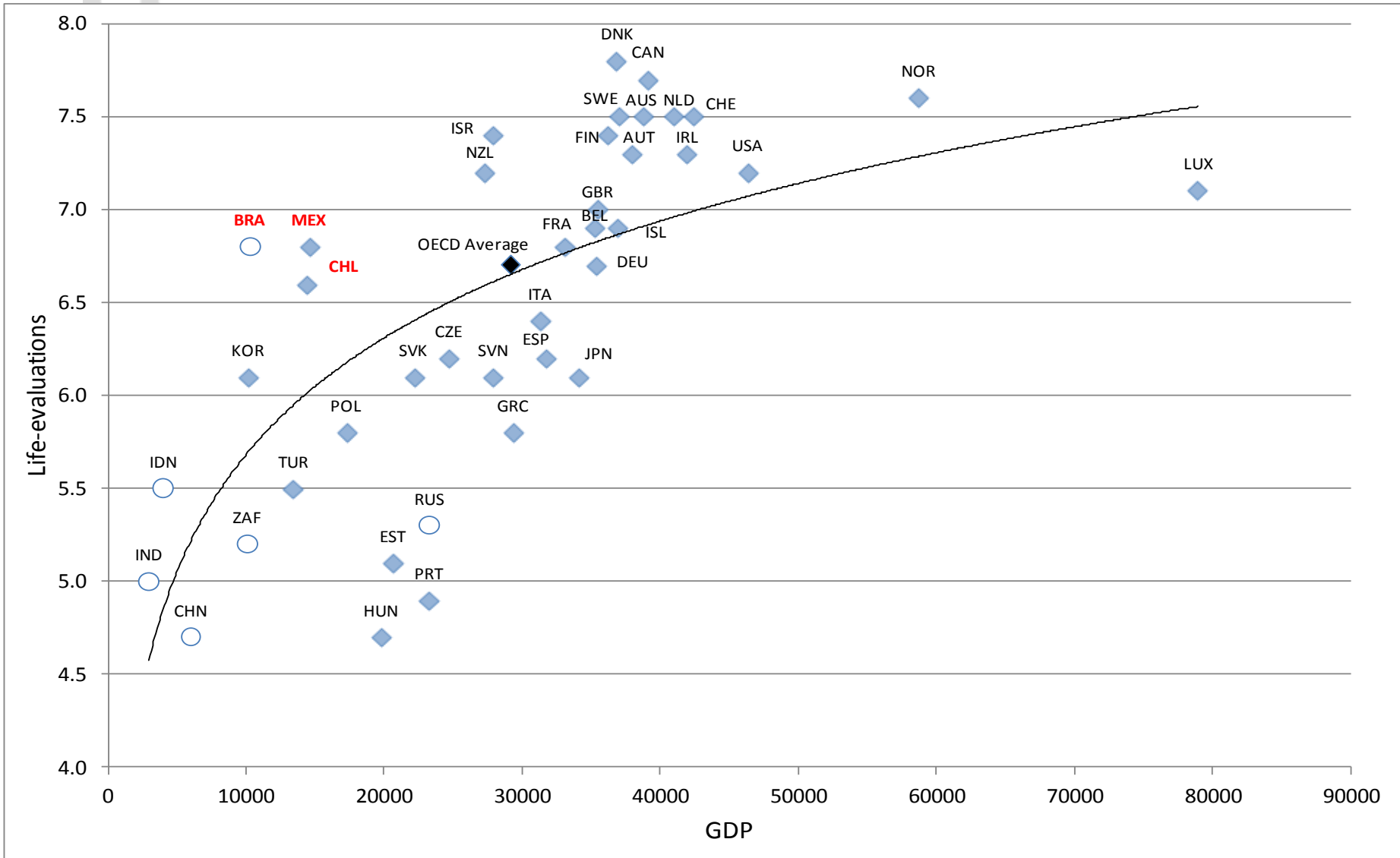
Production of non-market services significantly increases measures of average household income



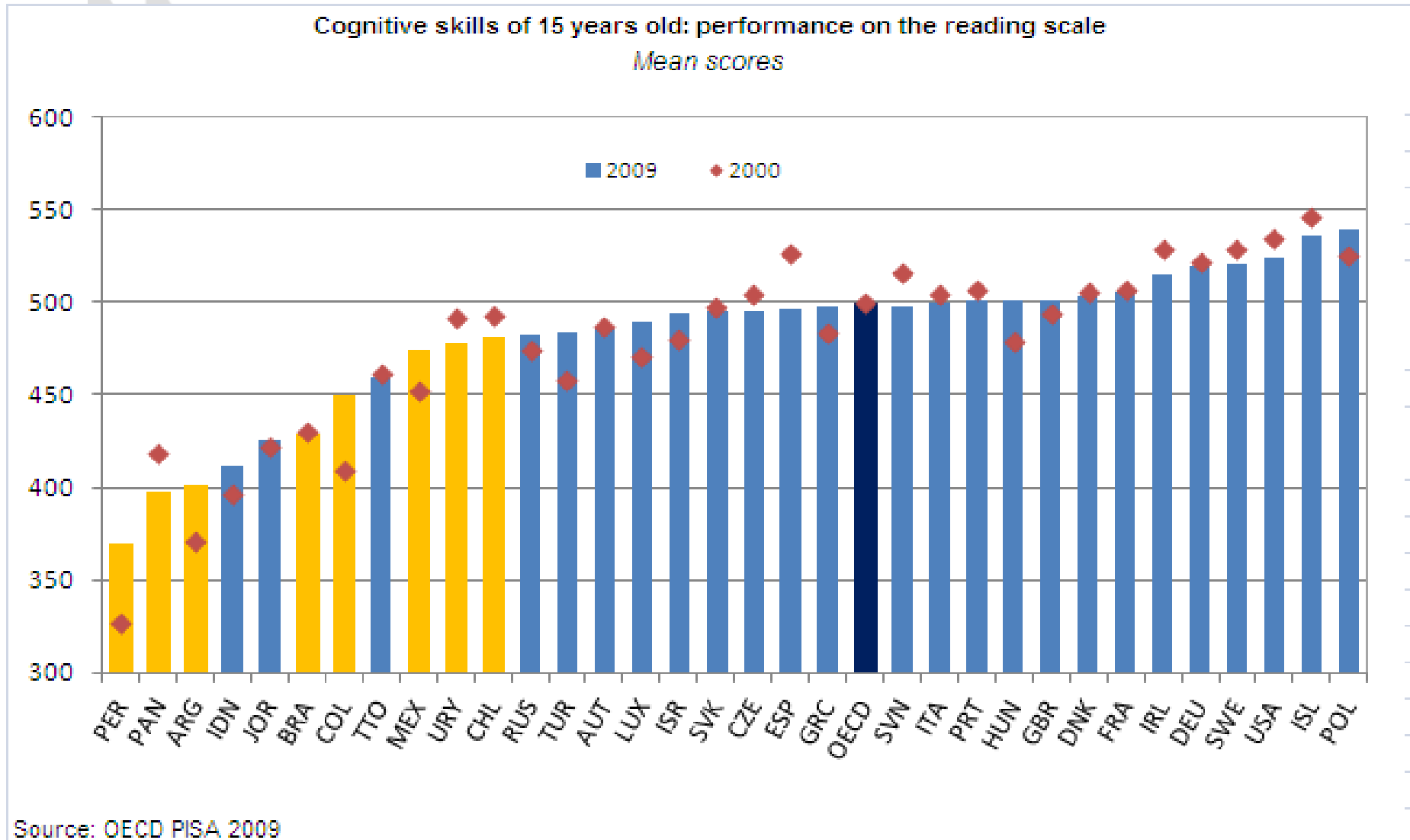
Quality of life

- **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



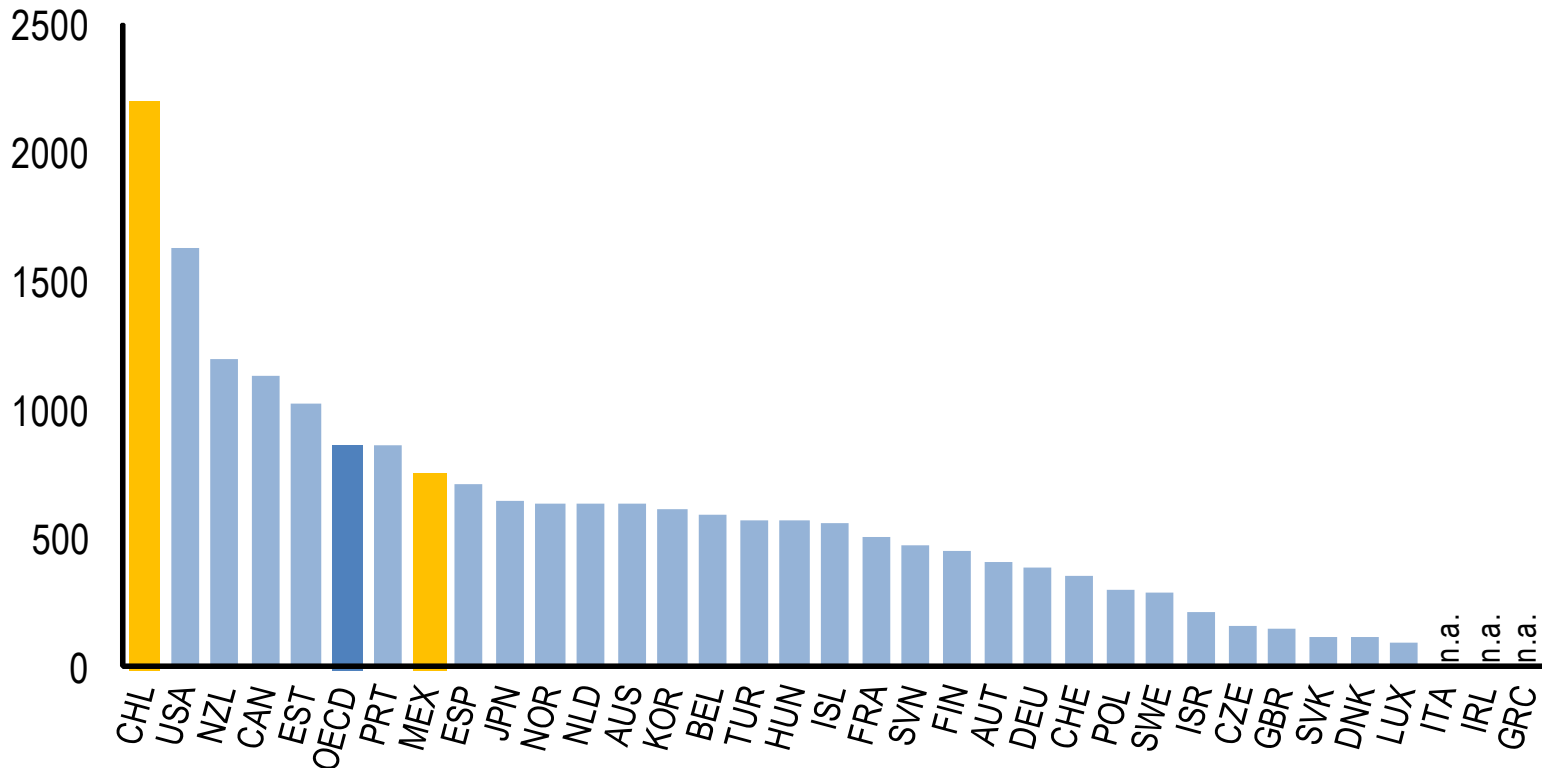
Sustainability

- 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

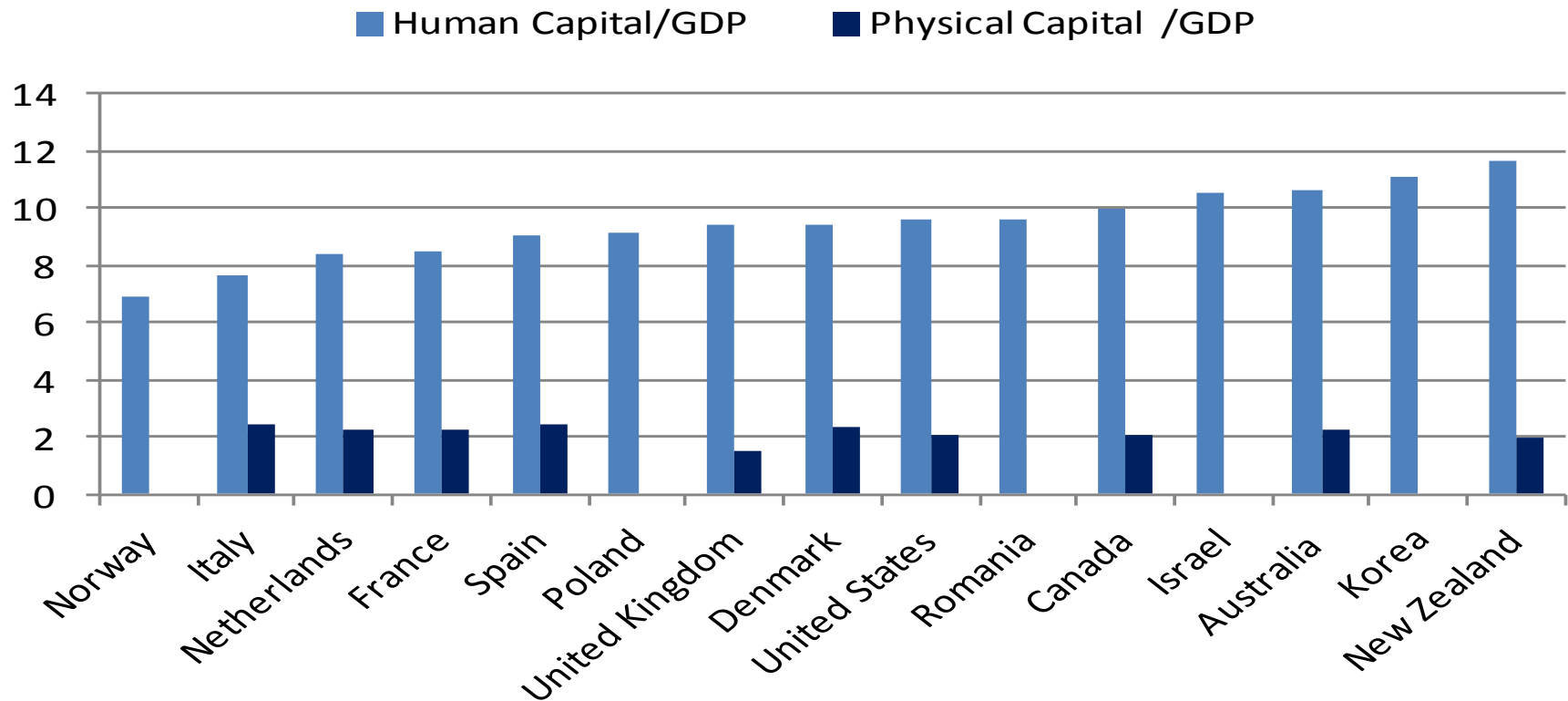
Per capita abstractions, mid to late 2000s

m³/capita/year



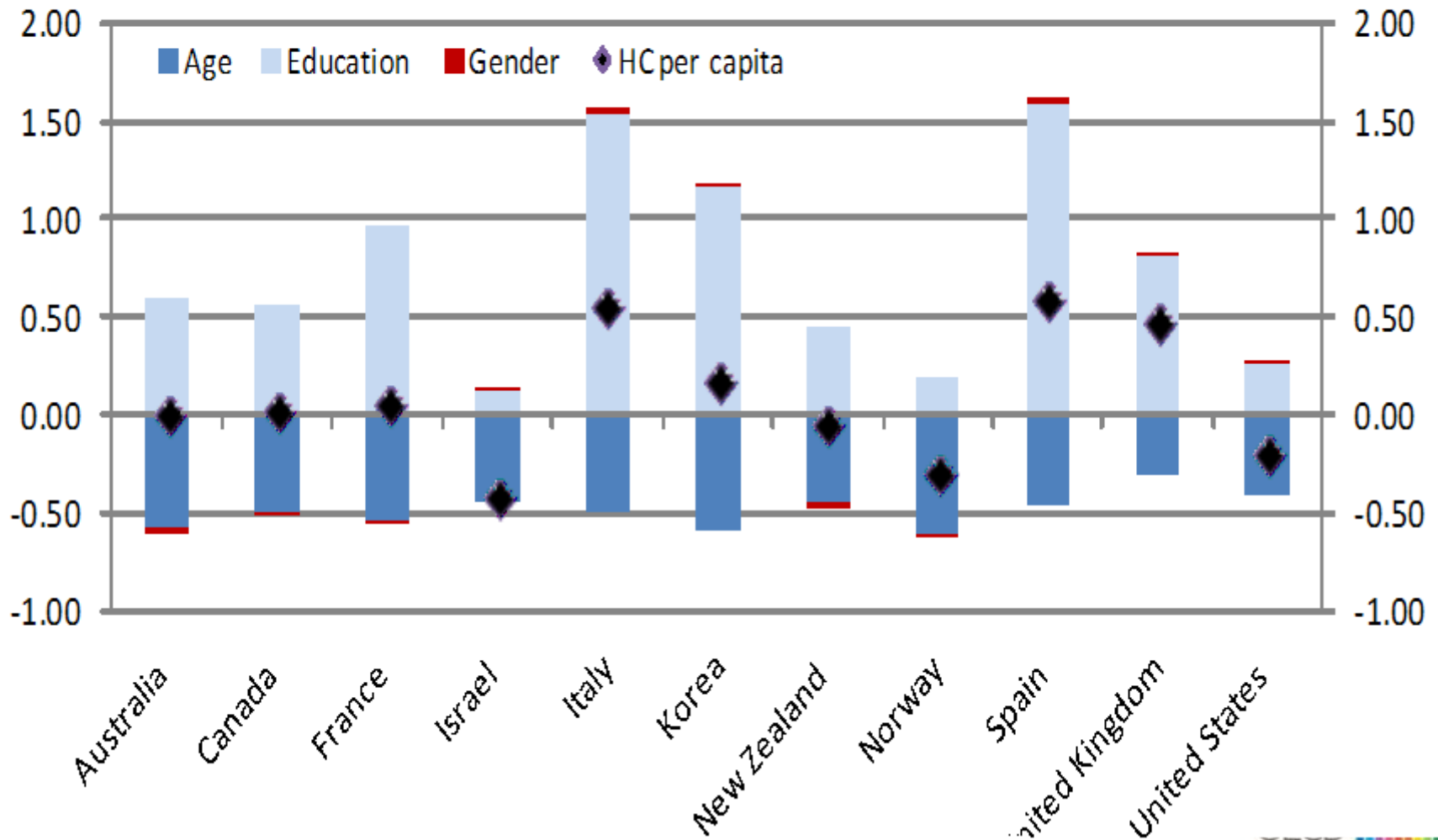
Human capital: a stock that is several times higher than that of physical capital...

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



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

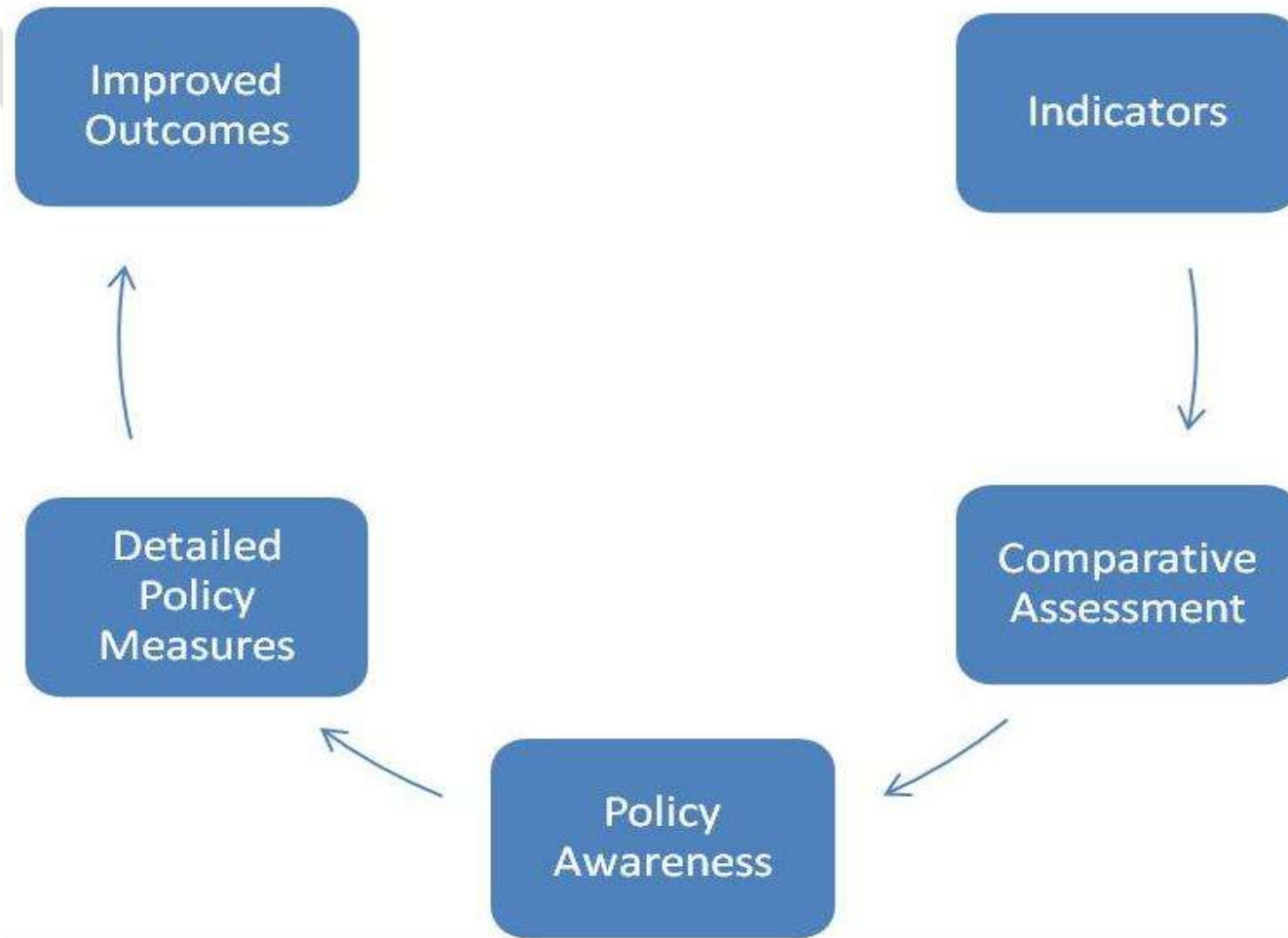
● Measures need to:

- ✓ 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



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