

MEASURING AND FOSTERING WELL-BEING AND PROGRESS: THE OECD ROADMAP



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Background

There is an increasing gap between what official statistics say about economic performance, and how people perceive their own living conditions. The gap was already evident during the years of “good” economic performance in the early 2000s, but there is a risk that it will widen. And if people don’t believe the figures their government produces, they are likely to lose trust in government more generally. This may even have a negative impact on the democratic process.

The gap between macroeconomic evidence and people's perception does not result from low quality of official statistics, but from inappropriate use of certain statistics. This can lead to biased analysis and wrong policy targets. Statistical systems produce indicators for various purposes; a statistic that is designed for one purpose may be misleading if used for other purposes. For instance, Gross Domestic Product measures mainly market production but it has been increasingly considered as a metric for societal well-being – a purpose for which it is clearly ill-suited. The OECD has deployed efforts during the last few years to provide a network for the many grassroots initiatives and international projects aimed at “going beyond GDP” to measure societal well-being, quality of life and progress. The Organisation gave impetus to a worldwide institutional partnership aimed at catalysing and convening these initiatives, and at improving the methods for measurement.

The OECD World Forums on “Statistics, Knowledge and Policies”, held in Palermo (2004) and Istanbul (2007), led to the *Istanbul Declaration on Measuring and Fostering the Progress of Societies*, jointly agreed by the European Commission, the OECD, the UNDP, the World Bank and the Organisation of the Islamic Conference – and then endorsed by numerous governmental and non-governmental organisations.

To achieve the goals of the Declaration, a partnership-based *Global Project* was launched in 2007 and is hosted by the OECD. This Project provides a setting for networking and advocacy, is undertaking research, and delivers innovative tools such as *Wikiprogress*.

Responding to a strong political demand

While these developments have been occurring over a number of years, today there is a new high level political demand for a new generation of statistics on the various dimensions of well-being. Recent prominent expressions of this demand include the mandate given by French President Nicolas Sarkozy to the Commission on the Measurement of Economic Performance and Social Progress, chaired by Joseph Stiglitz, the Communication of the European Commission on “*GDP and Beyond*”, and the G20 commitment to “*encourage work on measurement methods so as to better take into account the social and environmental dimensions of economic development*”.

Both the Istanbul Declaration and the Report of the Stiglitz Commission propose shifting the focus of our current measurement system from the metrics of market production to a system that genuinely focuses on people’s well-being and on how it changes over time (“progress”). Beyond the variety of philosophical

and conceptual approaches, both previous OECD World Forums and the Stiglitz Commission showed that there is consensus among experts on the ways and means for improving the capacity of the statistical system to better inform on the status of people's life.

Economic resources are not the only things that matter in people's lives. To duly capture well-being we have to measure: the expectations and levels of satisfaction of individuals; how they spend their time; their paid and unpaid work; their health and education; the relations they have with other people; their political voice; and their participation to public life. We have to measure capital stocks as much as flows, and to expand the range of stocks that matter for the sustainability of our well-being –including the biosphere – and develop better metrics on how production impacts these stocks (i.e. "green growth"). We should also measure various forms of inequality (in income, wealth, health, education and political voice), and pay special attention to the conditions of those people who accumulate several disadvantages or handicaps.

The process launched by the OECD in 2004 and the recommendations of the Stiglitz Commission have opened an ambitious agenda. Advancing this agenda will require political will, budget allocations for statistics and sound priority setting. It will require an international setting for discussing and harmonising concepts and methodologies. It will require co-operation between different key players: national statistical offices, regional and supranational organisations, policy makers and civil society organisations.

The OECD is well placed to contribute to the implementation of this agenda, based on its long standing experience and its substantive contribution to the work of the Stiglitz Commission (the Chief Statistician was a member of the Commission and senior staff of the Organisation acted as *rapporteurs*). The Secretary-General therefore accepted the French government's request that the OECD act as the international focal point to follow-up on the recommendations of the Commission.

Building on OECD achievements and current work

The OECD has solid experience and has made significant achievements in the three areas covered by the Report of the Stiglitz Commission:

- **Economic resources:** Previous OECD reports have explicitly discussed the limits of GDP as a welfare measure, and publications such as "Society at a Glance" have brought together a wealth of information to complement simple comparisons of GDP. A forthcoming new publication "National Accounts at a Glance" highlights the role of complementary indicators of living standards such as household disposable income. Inequalities in income and wealth have been at the centre of our recent report "Growing Unequal?" Work is planned to better integrate micro- and macro-data on household income; to develop methodologies for combining information (at the micro-level) on the full range of household resources (income, consumption and wealth); and to improve measures of non-market services (such as health and education services provided by governments).
- **Quality of life:** The OECD has taken the lead in developing and collecting non-monetary data on many aspects of quality of life. These include measures of people's skills (e.g. through surveys of students and, in the near future, adults); health conditions (e.g. measures of morbidity, mental health, quality of health care services, and health inequalities); and leisure time. Other activities aim to measure how well governments function (e.g. OECD's "Government at a Glance") and how good the quality of the environment is (e.g. OECD's "Key Environmental Indicators"). The OECD is also looking at the measurement of trust and vulnerability. Measures of subjective well-being are discussed in various OECD reports: work is ongoing to assess their implications for social policies and to develop guidelines on how to better measure its various dimensions.

- **Sustainability:** The OECD has been active in developing better measures of the various types of capital that underpin sustainability. On man-made capital, the OECD has developed guidelines for measuring physical assets, and has ongoing activities on measuring financial balance sheets and pension wealth. On natural capital, the OECD has led the way in measuring material flow, and work is envisaged on natural capital and ecosystem services (e.g. biodiversity). On human capital, work is underway to develop monetary estimates of educational capital and on producing guidelines on the measurement of intangible assets such as software and R&D. Social capital has also featured prominently in past OECD work (e.g. the 2001 report on “The Well-being of Nations”).

The OECD is active in developing measures of well-being and progress on all these aspects at different geographic levels, ranging from regions (e.g. OECD’s “Regions at a Glance”) to entire countries, and in enhancing statistical capacities in developing countries (through PARIS 21). The expertise gained in each of these fields will underpin future work to move towards the implementation of the Stiglitz Commission’s recommendations.

OECD commitments

The OECD will continue its strong support of the *Global Project on Measuring the Progress of Societies* as a network of networks and as a movement to advocate for the importance of progress and well-being. The OECD also looks forward to organising another *World Forum on Statistics, Knowledge and Policy*.

In addition, the final Report of the Stiglitz Commission has given renewed impetus and concrete direction to the process initiated by the OECD. The Organisation commits today to play a leading role, particularly in the following three areas:

- **Setting priorities for the statistical agenda:** the OECD will put in place a process to prioritise the recommendations of the Commission. Relevant OECD Committees (and therefore member countries and observers) will be invited to consider how their work relates to the measurement of social progress and how they can contribute to implementing the recommendations of the Stiglitz Commission.
- **Developing measures, methods and tools:** the OECD is called upon to advance methodologies and tools to produce new indicators of well-being and to present existing measures under a well-being perspective. Concrete deliverables, namely statistical compendiums and working papers, are foreseen for 2010 and 2011.
- **Improving and enhancing policy making:** the OECD will use improved measures of well-being to enhance policy-making. The OECD will promote the use of indicators to inform policy-makers in various fields about the impact of policies on key dimensions of well-being. The OECD is considering creating a series of monographs with a common title, structure and approach. Each monograph will deal with one of the main areas of well-being (for example, health) and discuss: (1) the outcomes of the area in question (e.g. health status of different parts of the population); (2) the drivers behind these outcomes (e.g. medical services, life styles and environmental factors); and (3) the various policies that bear on these drivers and outcomes (e.g. health-care delivery systems, environmental policies).

The above mentioned work by the OECD will be carried out in co-ordination with both OECD and non-OECD member countries (via the relevant Committees) and with other international organisations. It will be linked to other horizontal OECD projects, in particular the *Green Growth Strategy*.