



ORGANISATION FOR ECONOMIC  
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# Measuring Well-Being and Fostering the Progress of Societies

Living conditions, quality of life, sustainability

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# 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

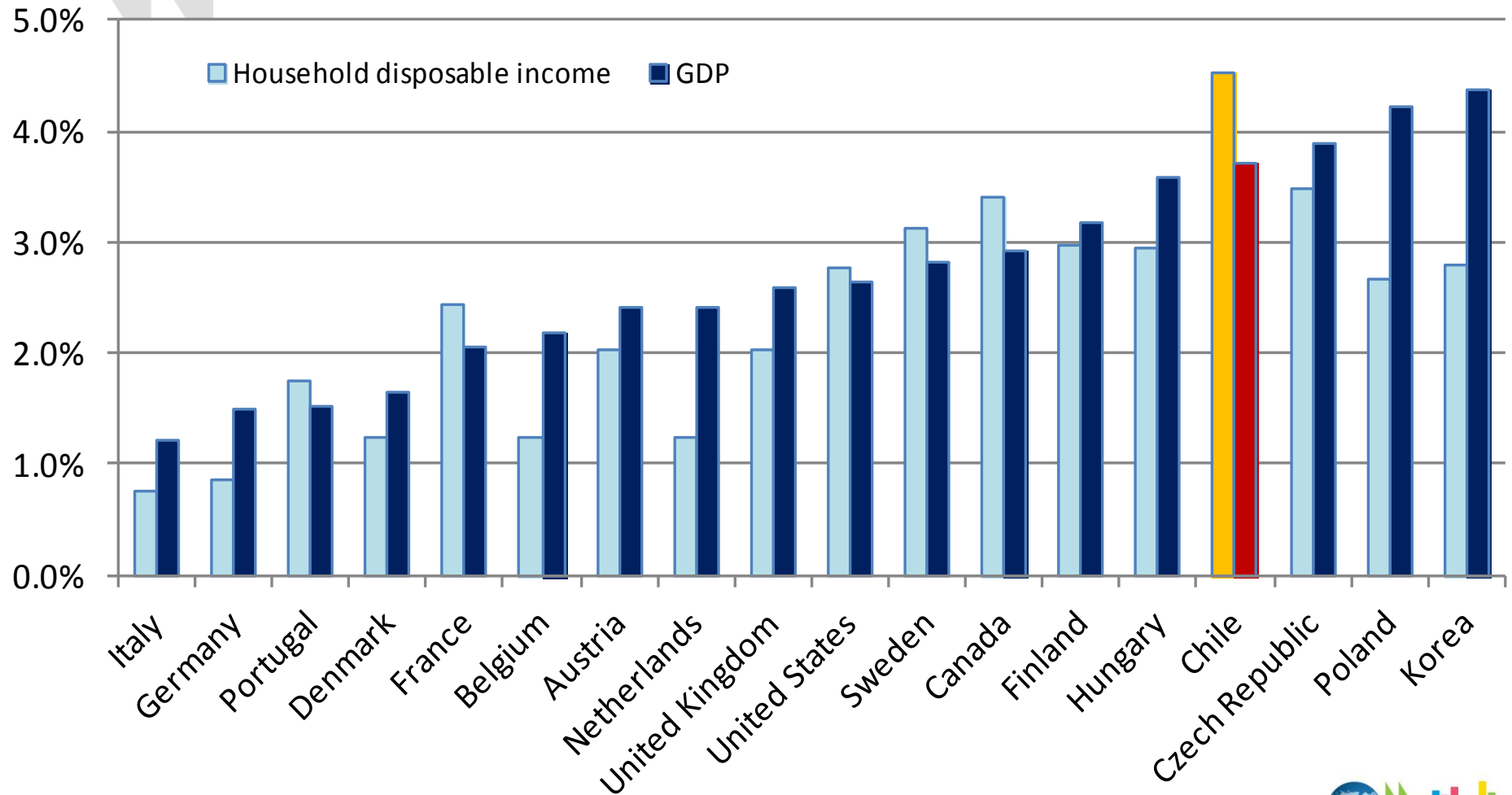
**GDP is not a good measure of well-being** because:

- 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:

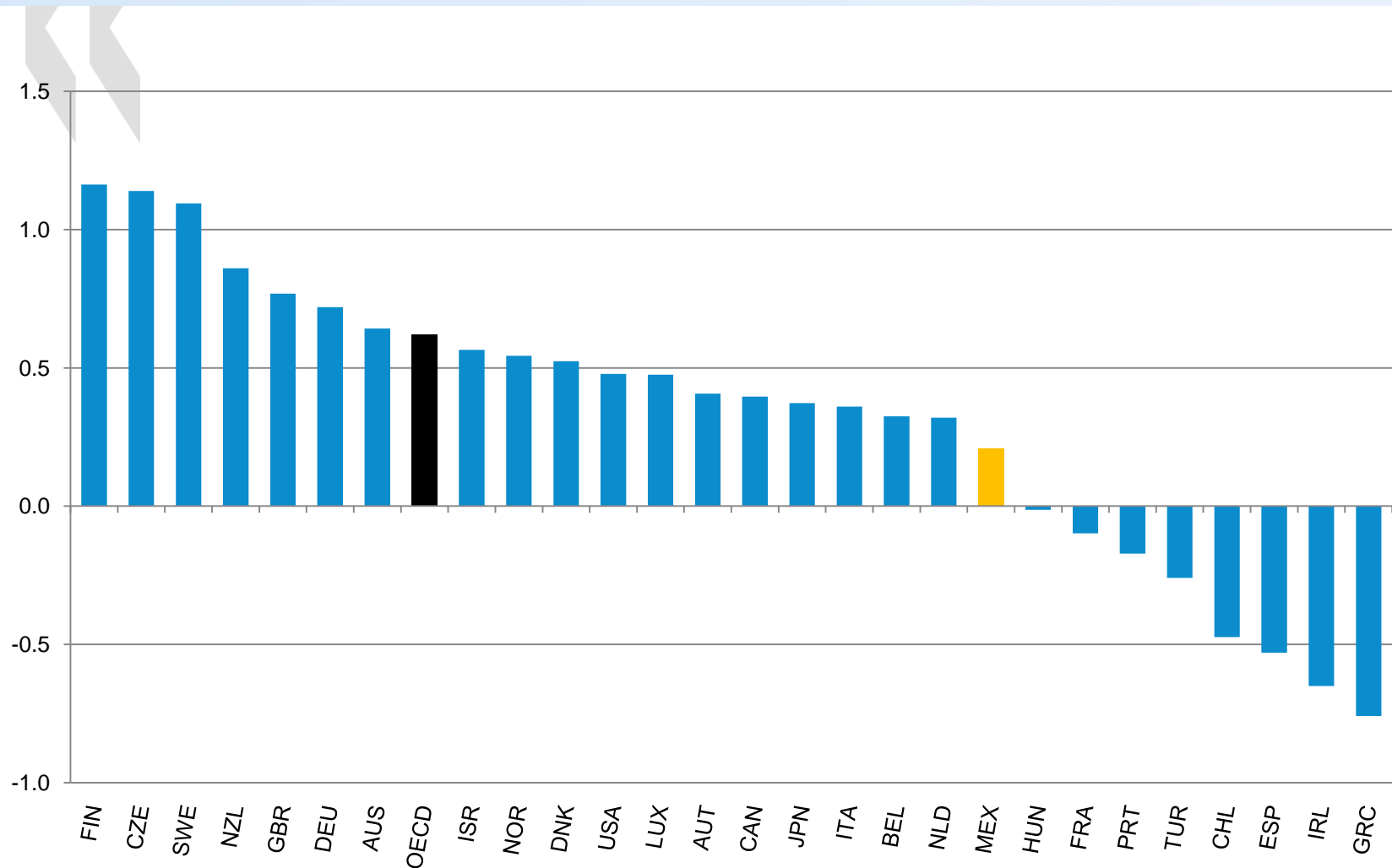
**GDP needs supplementing ... but not supplanting**

# 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

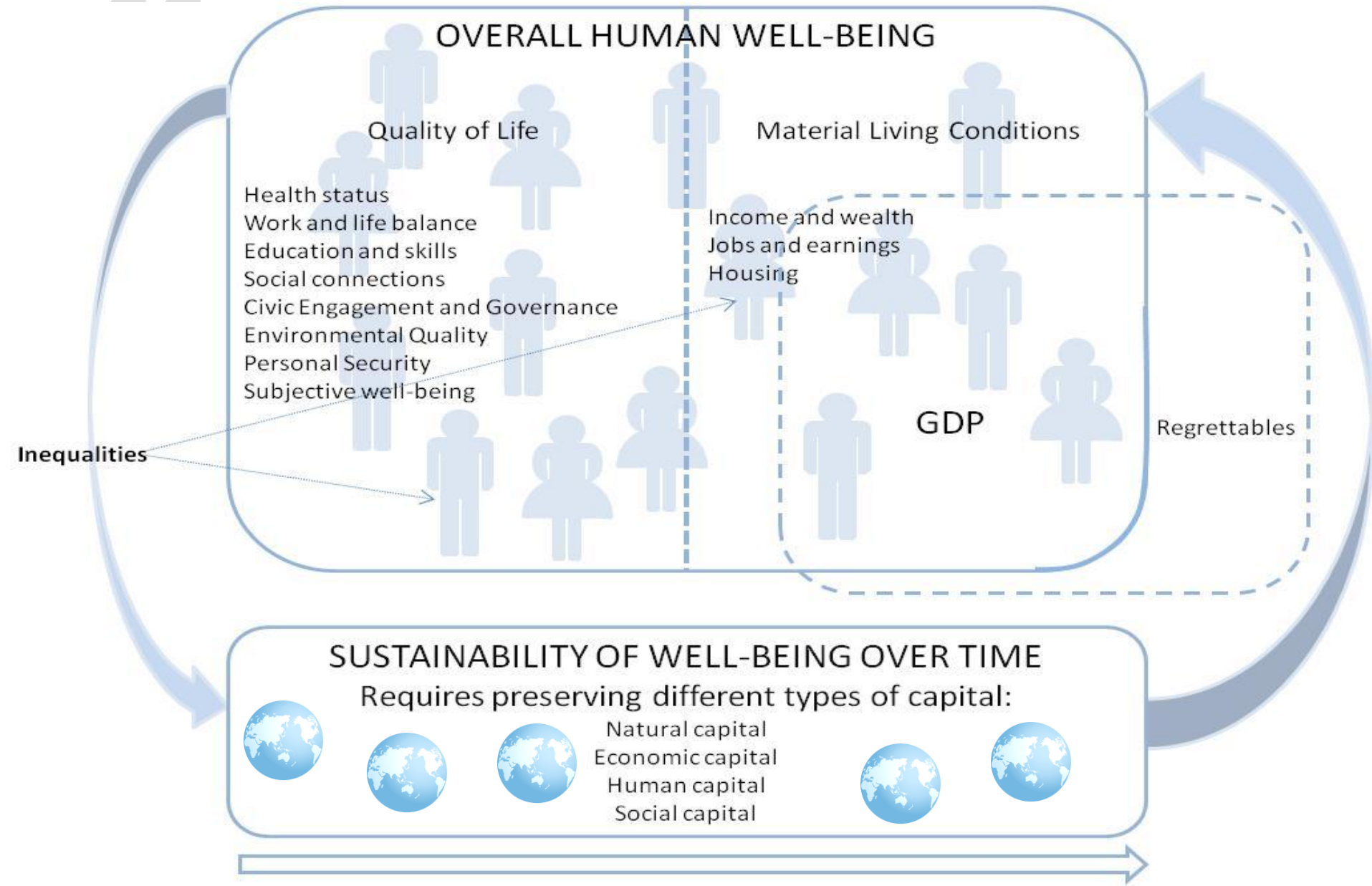
## ● In terms of focus: **people's well-being**

- **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**

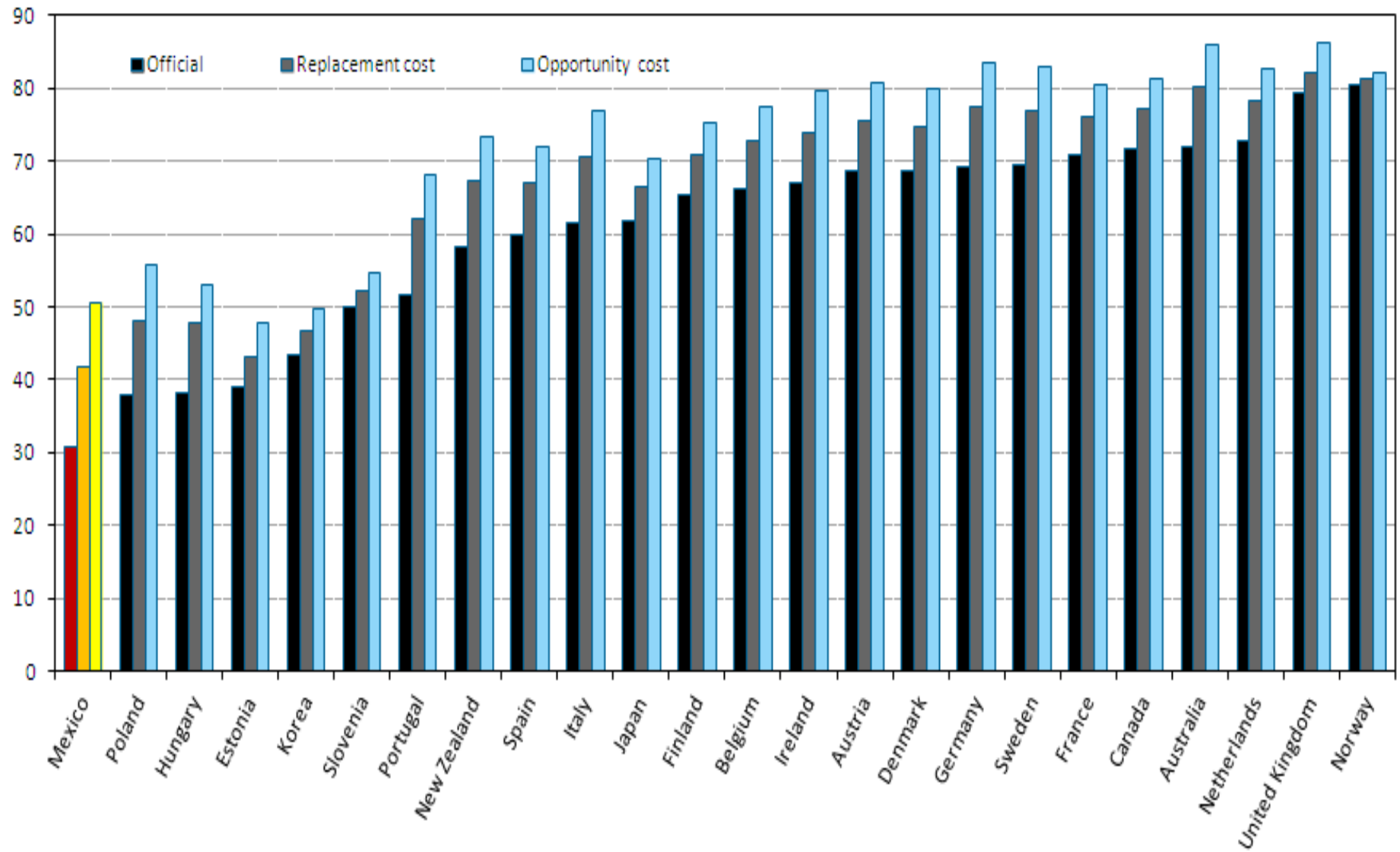
# Framework of OECD work on well-being



# 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 ...

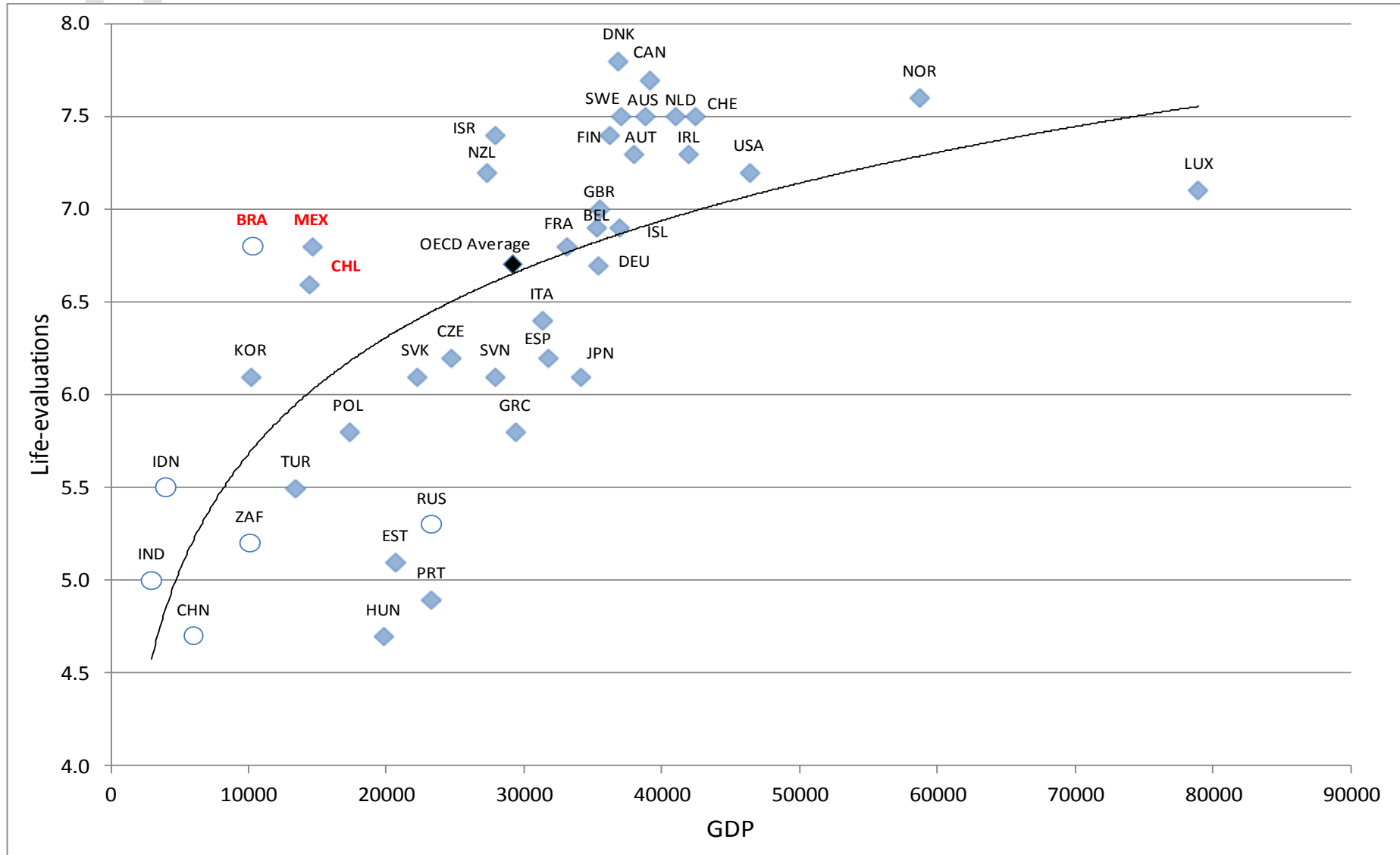
- e.g., life expectancy, infant mortality, employment rate of women with children of compulsory age; educational attainment; housing conditions, contact with others; transparency of governance; air pollution; reported homicides, etc...

## ➤ ... and **subjective** indicators

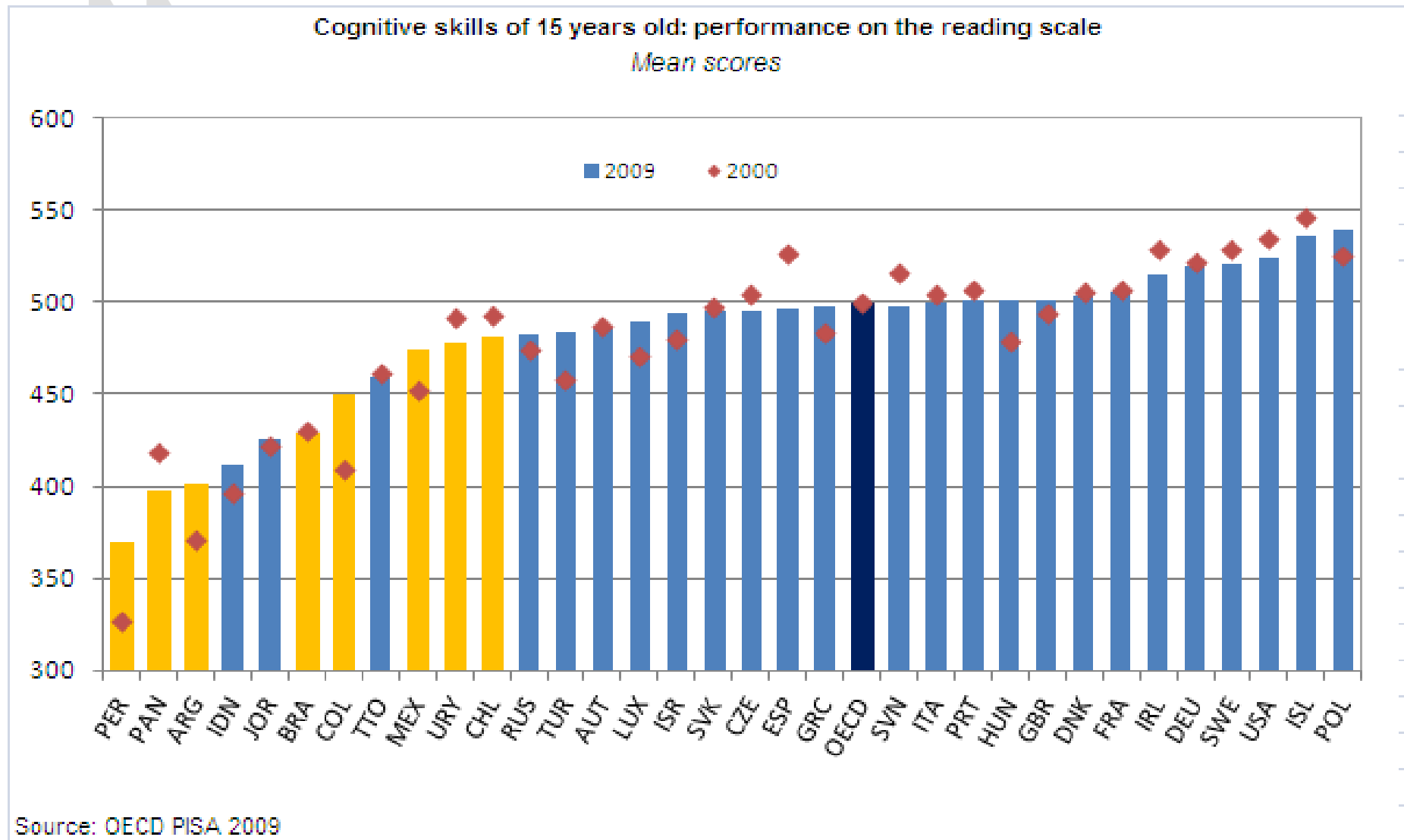
- e.g. overall life satisfaction; feeling of insecurity; satisfaction with quality of local environment, etc...

## ➤ 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



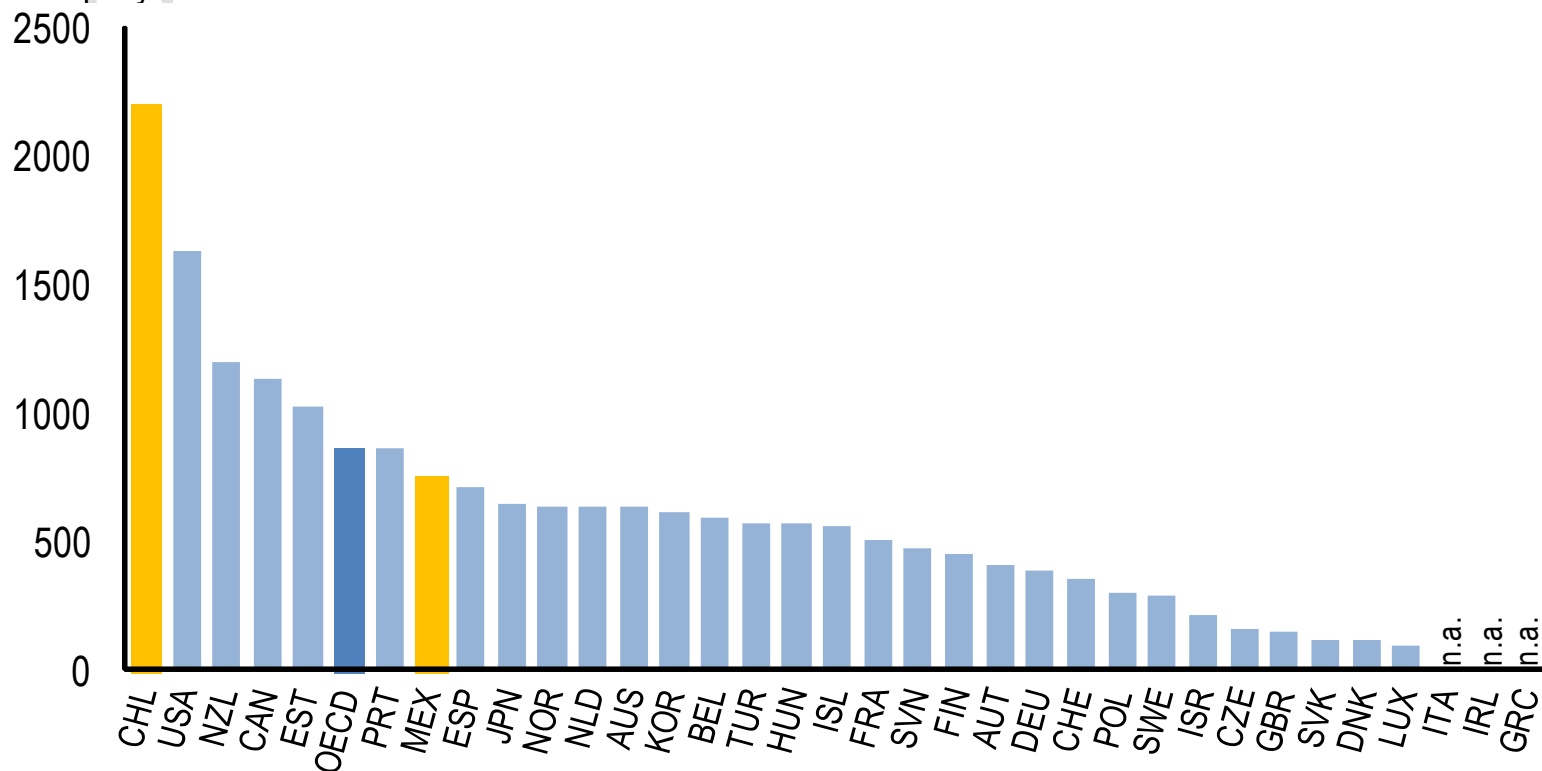
# Sustainability

- 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

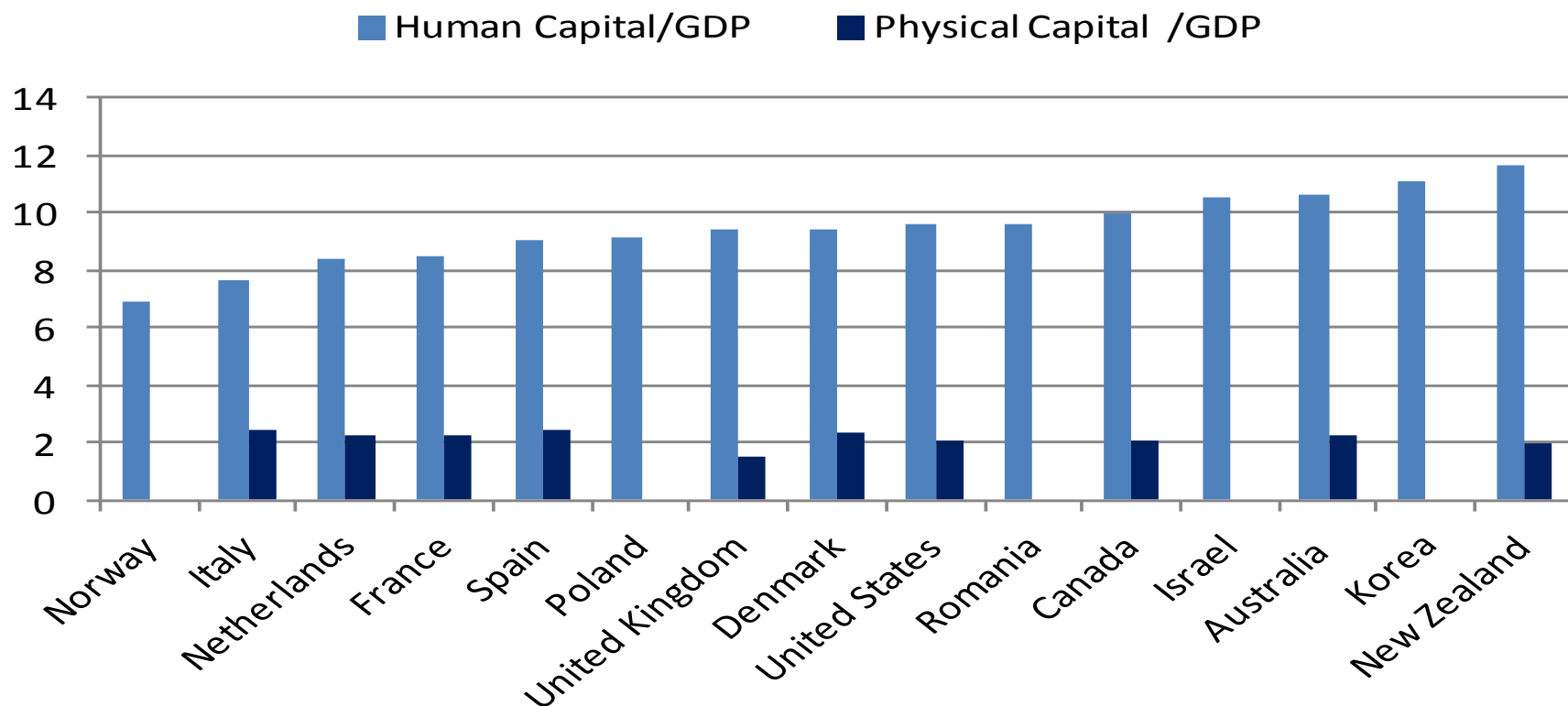
Per capita abstractions, mid to late 2000s

m<sup>3</sup>/capita/year



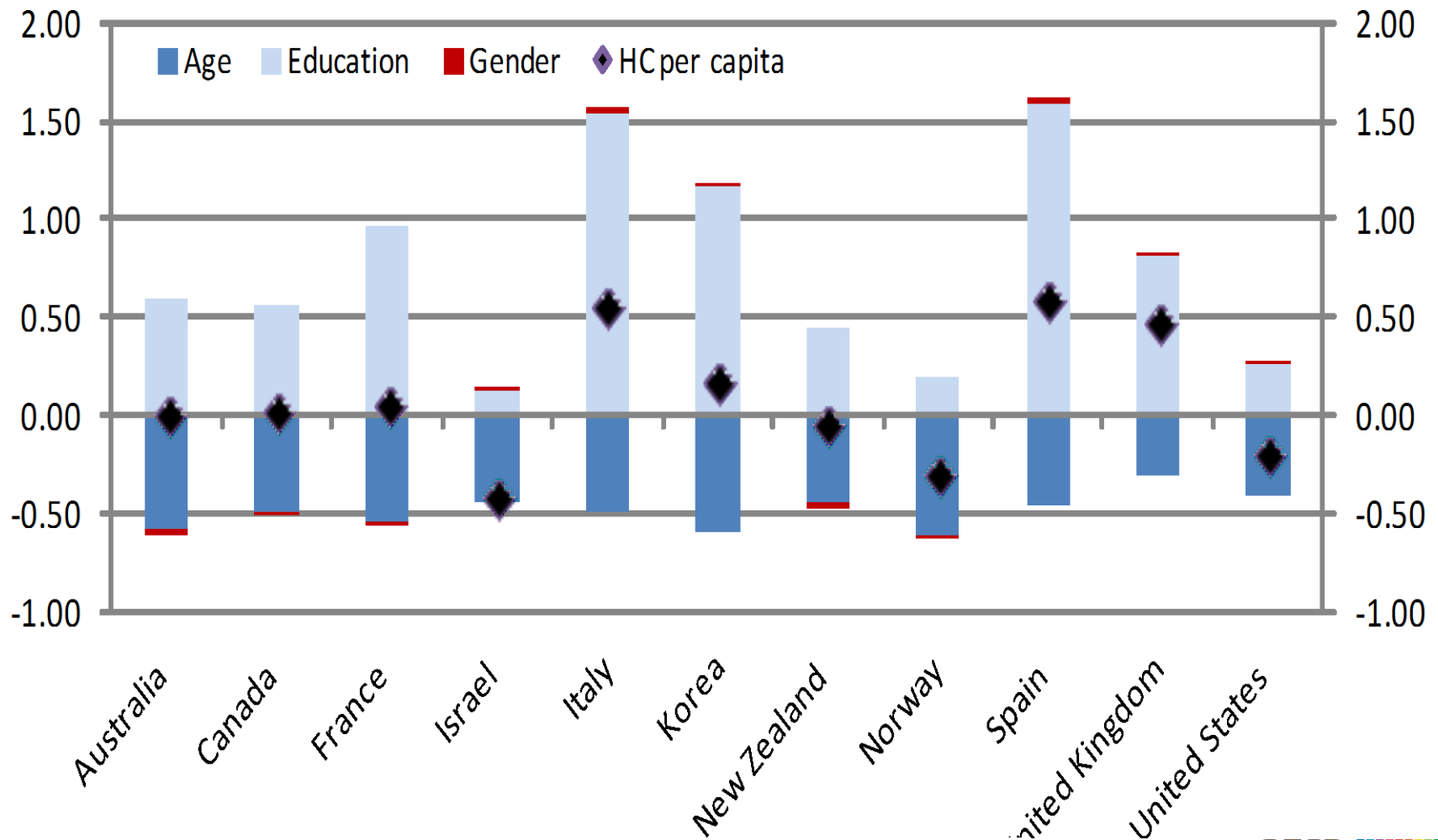
# Human capital: a stock that is several times higher than that of physical capital...

## 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

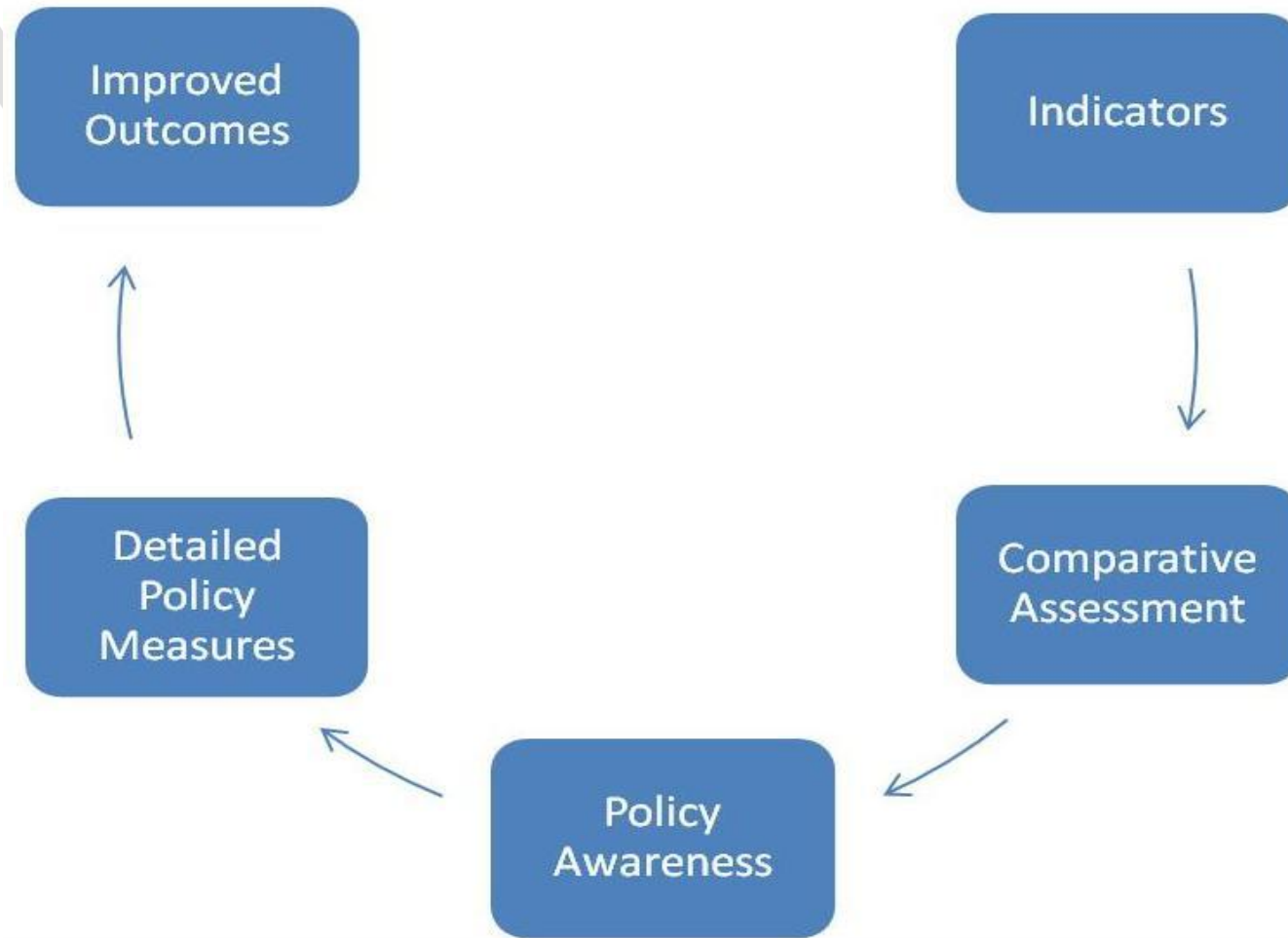
## ● Measures need to:

- ✓ 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 50<sup>th</sup> 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
  - **4<sup>th</sup> 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