



FROM MARKET OUTPUT TO PEOPLE'S WELL-BEING: THE OECD 'BEYOND GDP' MEASUREMENT AGENDA

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As a way of introduction: what is the OECD?

- *“Neither an enterprise, an academic organisation, a think-tank nor a bureaucracy”*

A Global
Policy
Network



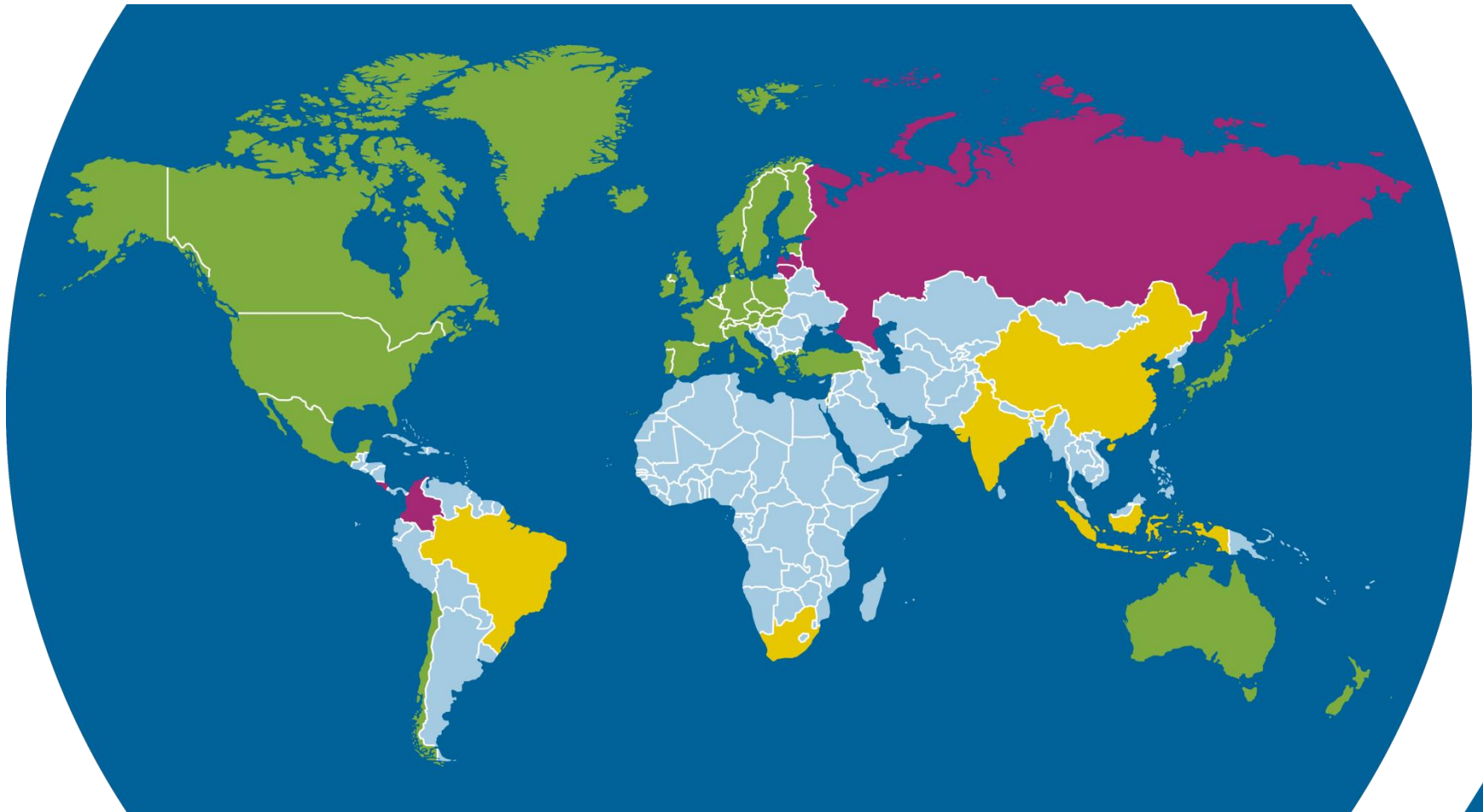
To improve
national
policies

Create
international
standards

Raise living
standards



OECD members, accession, key partners





OECD history and structure

Council



Oversight / strategic direction

Chaired by SG Angel Gurría

Representatives of member countries (34) and the European Commission to

- Sets priorities
- Has final decision power
- Take Decision by consensus

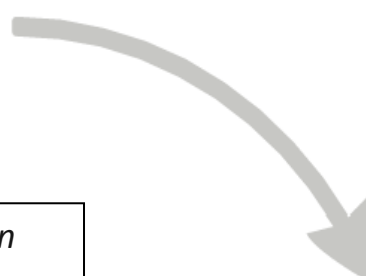
Secretariat

Measures, analyses, compares

2500 employees mostly in Paris

Measures global perform

Analyses data



Committees



Groups of international experts

More than 250 committees

40,000+ experts from around the world

Groups of International Experts

More than 250 Committees

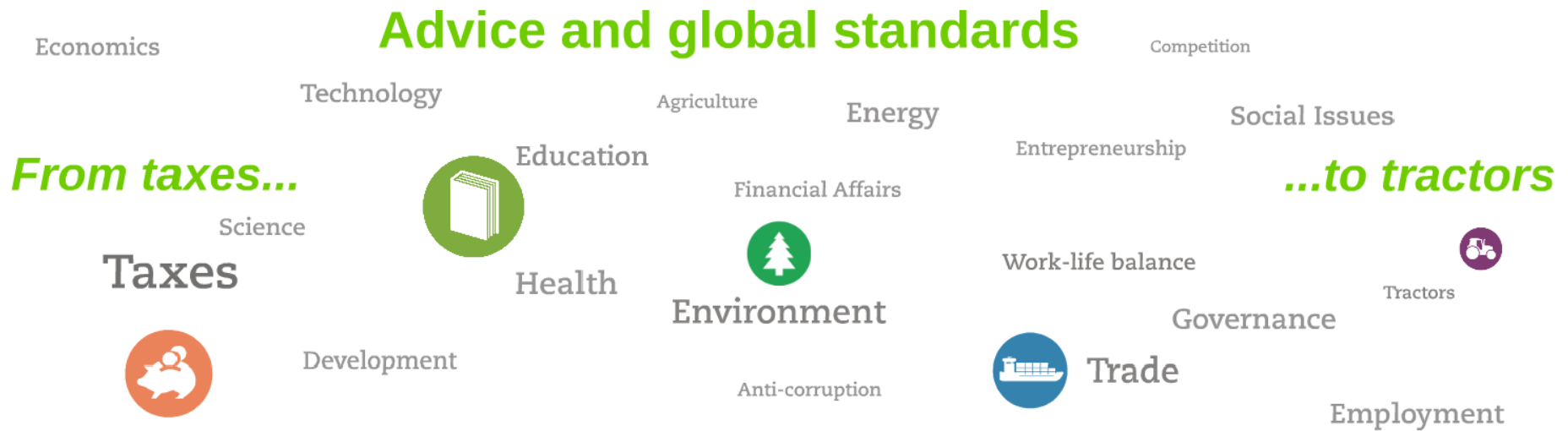
Over 40,000 experts from around the world to:

- Exchange information and ideas
- Monitor Progress in Specific areas
- Request, review, and contribute to Secretariat work

- US State Secretary G. Marshall announces plan for European reconstruction, 5 June 1947
- One condition: Europe must speak with one voice (European governments must consider interests of all countries)
- To meet this, European governments established OEEC on 16 April 1946
- In 1961, OEEC becomes OECD with accession of US and Canada



Spanning a variety of policy areas





Working methods

The Peer review method

“Those who know only one country know no country”
(Seymour M. Lipset, 1996)

An objective process
for countries
to learn from each other



What makes it work?

Peer pressure

Each country goes through the same examinations

Comparing is part of human nature

Continuous monitoring cycle

Some examples

Economic surveys

Development assistance

Environmental performance

Exchange of information
for tax purposes



Back to our topic: as a way of introduction..

- OE(conomic)CD: better known for its economic forecasts and ‘religion’ of structural reforms.
- But (even) the OECD changes: new strategic vision (‘resilient, inclusive, greener’), new motto (*‘Better Policies for Better Lives’*), new focus (democratic governance, global partnerships, well-being)
 - *The work that I will describe today is part & parcel of these changes*



Fist point: the measurement agenda is very broad, for several reasons..

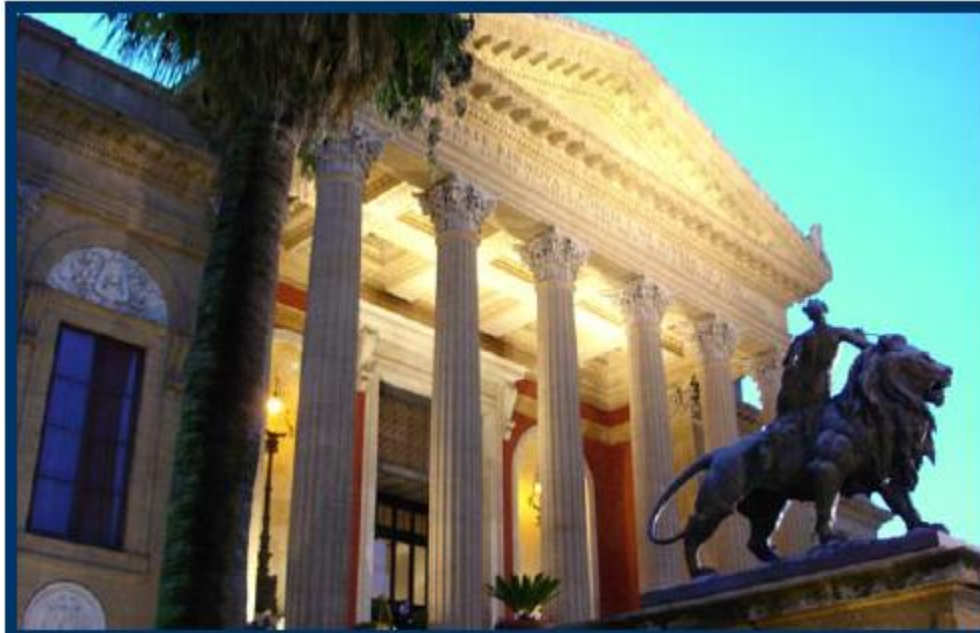
- The notion of well-being (*‘what matters to people’*) cannot be defined independently of how is measured (*pragmatic vs representational* aspects of measurement)
- The study of well-being is multidisciplinary: economists, sociologists, psychologists, epidemiologists have all something important to say
- Well-being of nations depends on people’s well-being but also on how it is aggregated; beyond outcomes, we are interested to look at *drivers and consequences*
- History of measurement as one of gradual advance and extension to new fields of people’s experiences



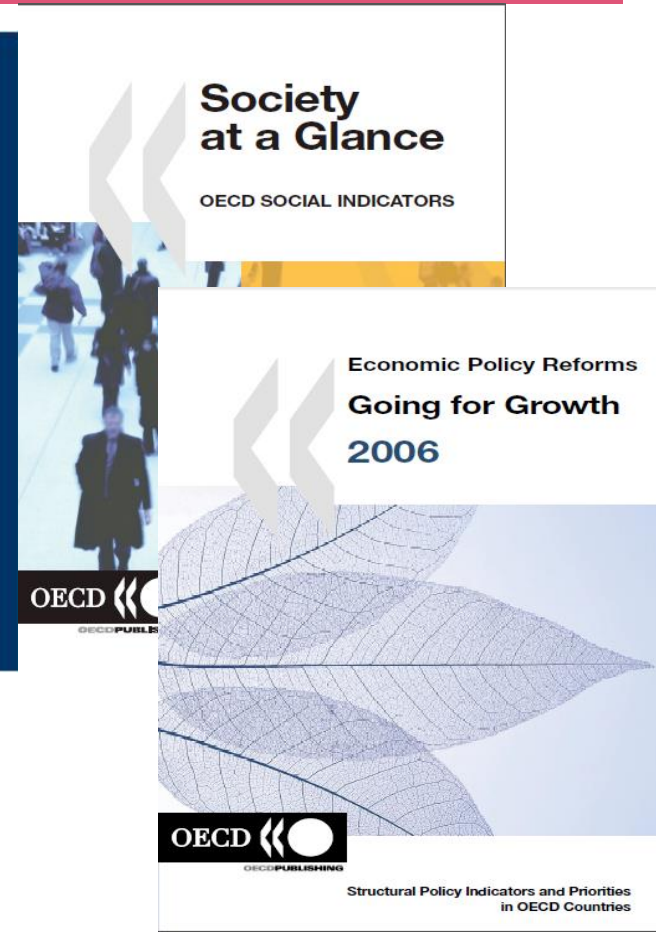
.. a long standing tradition of OECD work



Statistics, Knowledge and Policy
OECD World Forum on Key Indicators
10 - 13 November 2004, Palermo, Italy



Teatro Massimo,
Palermo





.. that continues today, e.g. by improving metrics

- ▶ Guidelines on Measuring **Subjective Well-Being**
- ▶ Framework for Measuring **Income, Consumption and Wealth; Inequalities in the National Accounts**
- ▶ Guidelines for measuring **Household Wealth; wealth distribution** dataset
- ▶ Measures of **Social Capital**
- ▶ **Green Growth** Indicators
- ▶ **Job Quality** indicators





.. and extends beyond measurement filed

How's Life in your Region?

drilling down to the regional level


Multi-dimensional Country

Reviews: Monitoring well-being outcomes in a development context (e.g. Myanmar, Uruguay, Philippines...)



Well-being in **OECD Economic Surveys** (e.g. Austria 2013, United States 2014, Mexico 2015, Italy forthcoming): moving beyond traditional economic assessment to also address well-being needs

Historical perspectives: **How Was Life?**



OECD agenda builds on growing international recognition and national initiatives

- **Stiglitz-Sen-Fitoussi** report (*Mismeasuring Our Lives*)
- **EU** Communication “GDP and beyond”; Eurostat sponsorship
- **G20 Leaders statements** to “encourage work on measurement methods so as to better take into account the social and environmental dimensions of economic development”
- **UN Resolution** calling for “holistic approach to development” to promote sustainable happiness and well-being
- **Rio+20** and post-2015 development agenda, which have led to Sustainable Development Goals (UNGA, Sept. 2015)
- Many **national initiatives** for measuring well-being
 - *In 2011, OECD **Better Life Initiative** as part of its new*



Why measuring well-being? Economic arguments..

- GDP measures (mainly) ‘market production’ rather than people’s well-being (neither ‘economic’ nor broader well-being, i.e. beyond how much you consume)

- Gross domestic production vs. Net national income
- Total / per capita vs distribution
- Market and non-market production
- Disamentities, restoring stocks
- Marginal benefits vs consumer surplus
- Current production vs sustainability



Understanding **NATIONAL ACCOUNTS**

François Lequiller

Derek Blades

SECOND EDITION
REVISED AND EXPANDED





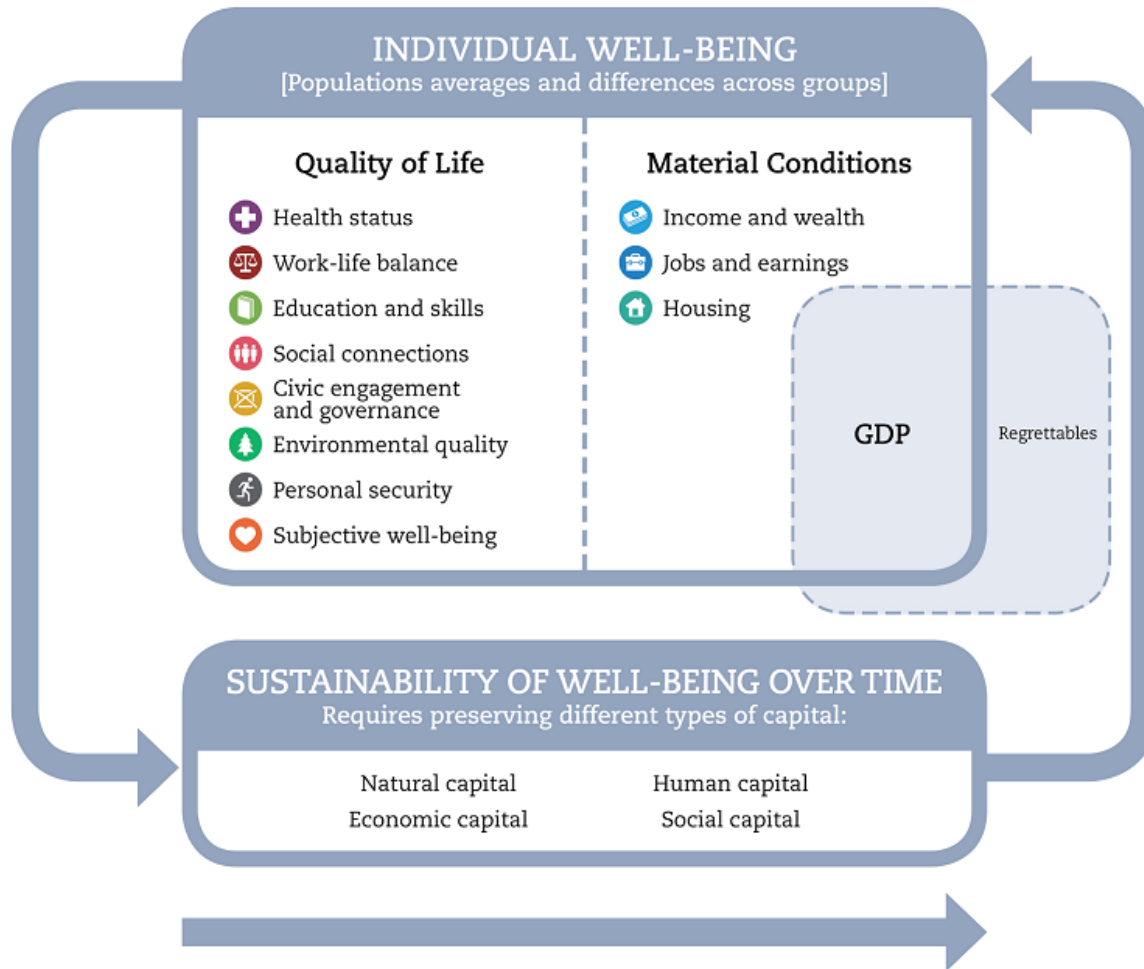
.. and broader arguments

- Disconnect between what's happening to the economy and people's perceptions of their own conditions, leading people to lose trust in governments and institutions
- Need for metrics that overcome the shortcomings of GDP, i.e.
 - cover aspects of quality of life that matter to people, beyond income;
 - take into account distribution across population groups;
 - Address the sustainability of well-being (i.e. 'later') and impacts 'elsewhere' (footprints)
- *GDP is a means to an end, rather than ultimate goal of policy*



How can we think about well-being?

The *How's Life?* framework



- **People** rather than economic system
- **Outcomes** rather than inputs and outputs
- **Both averages and inequalities**
- **Both objective and subjective aspects**
- **Both today and tomorrow**

Populating the framework through indicators..



Monitoring countries' performance across 11 dimensions through **dashboard of OECD Indicators**:



- **25 headline indicators**, around two per dimension



- About **30 secondary indicators** to complement the analysis on **specific topics**



- Selection process involving **OECD Committee on Statistics and Statistical Policy**



- Covering **OECD and key partner countries**





.. Based on sound statistical principles

Relevance

- face valid (do they match what you want to capture?)
- clear interpretation (is 'more' better?)
- Policy-relevant (can it be changed?)



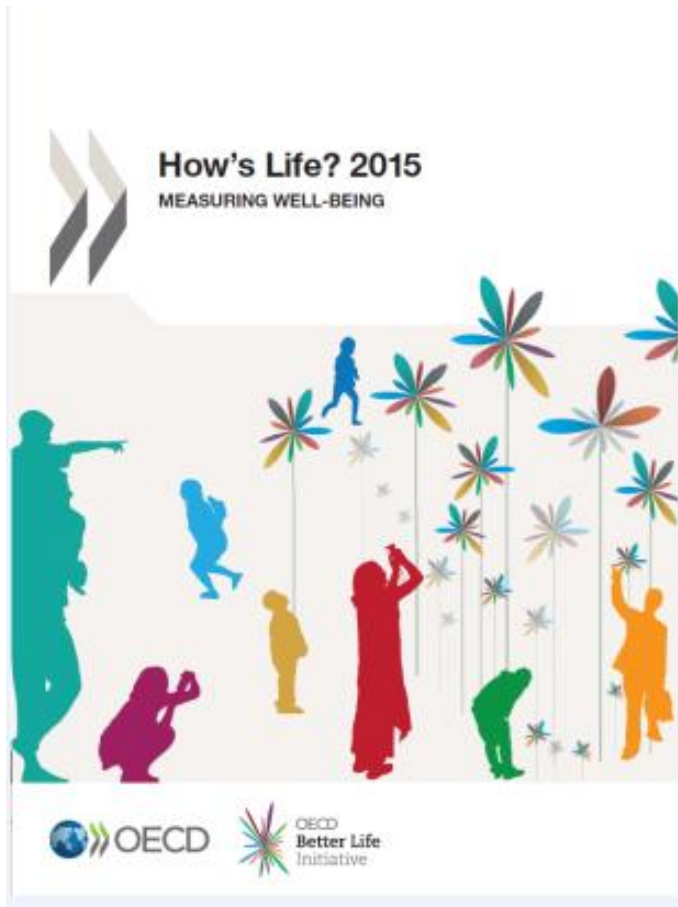
Data considerations

- official or established sources (non-official place-holders)
- comparable/standardized definitions
- maximum country-coverage
- recurrent data collection
- can be disaggregated by population groups



Monitoring and assessing countries' strengths and weaknesses: *How's Life?*

- *Third edition, English version released last week (5th OECD World Forum on Statistics, Knowledge and Policy)*



Resources for future well-being

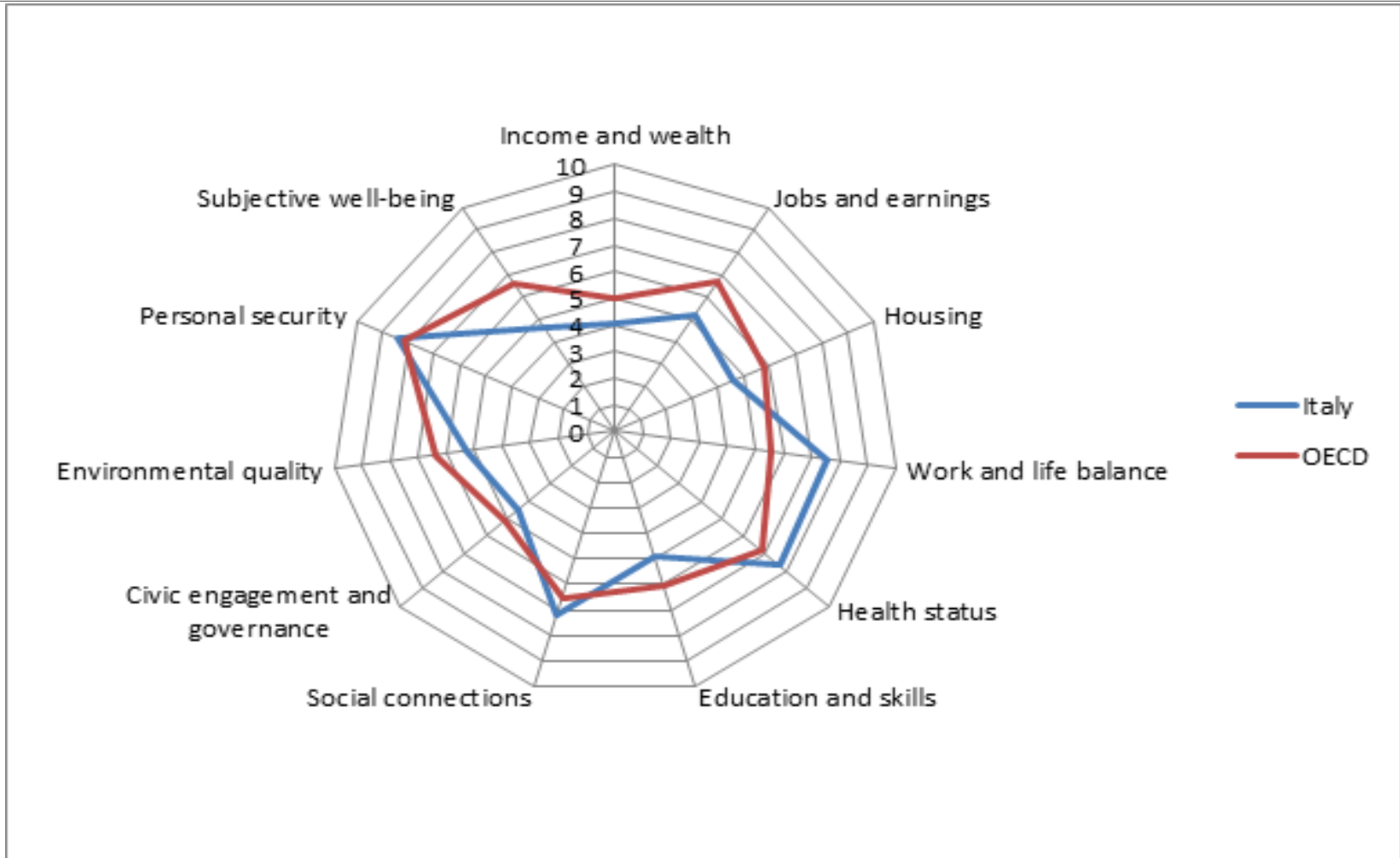
How is life for children?

The value of giving: volunteering and well-being

Going local: measuring well-being in regions



From scoreboards to summary assessment for individual countries: spider charts



➤ Bottom line: “no country performs best in all dimensions”, i.e. high performance in one field does not imply doing the same across board

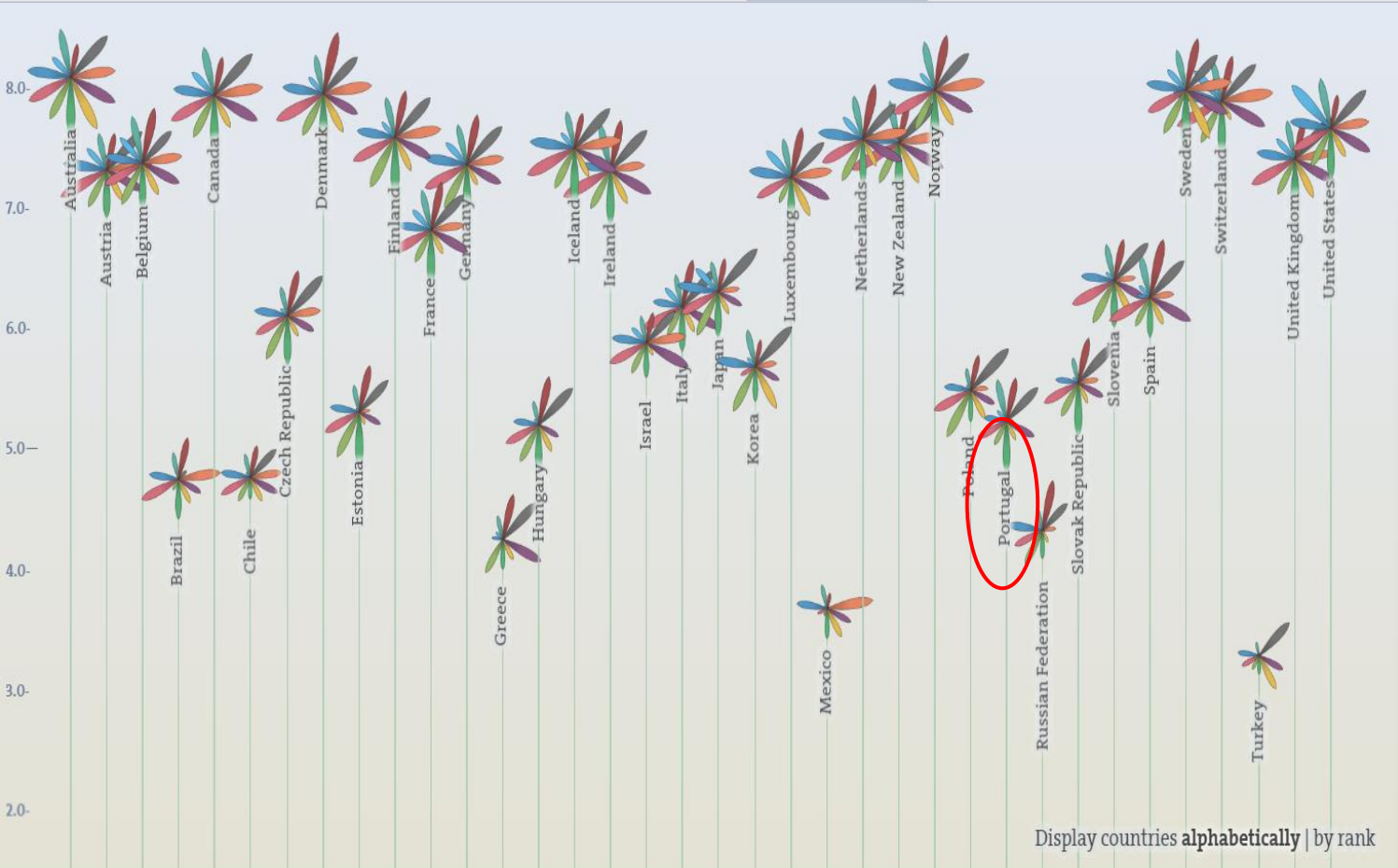


Engaging users: the OECD Better Life Index (with 'default' weights)



English Español Français Русский Deutsch Português contact us oecd.org

Index Responses Countries ▾ Topics ▾ FAQ



Create Your Better Life Index

Rate the topics according to their importance to you:

	Housing	<input type="range"/>
	Income	<input type="range"/>
	Jobs	<input type="range"/>
	Community	<input type="range"/>
	Education	<input type="range"/>
	Environment	<input type="range"/>
	Civic Engagement	<input type="range"/>
	Health	<input type="range"/>
	Life Satisfaction	<input type="range"/>
	Safety	<input type="range"/>
	Work-Life Balance	<input type="range"/>

Reset Help

Display countries alphabetically | by rank



.. and based on weights set by users



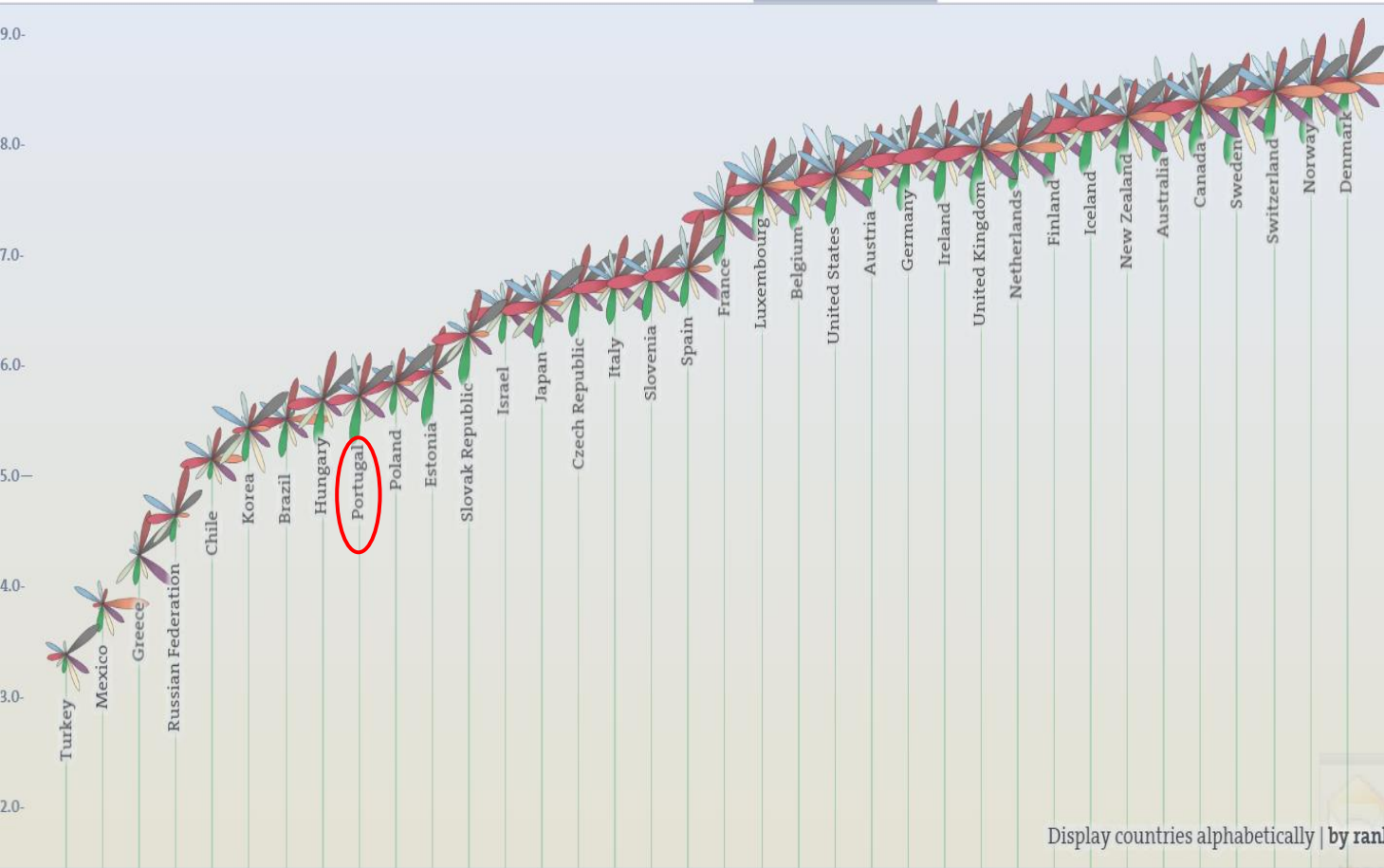
Index

Responses

Countries ▾

Topics ▾

FAQ



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	Safety	<input type="range"/>
	Work-Life Balance	<input type="range"/>

Display countries alphabetically | by rank

Let us know what

Gender differences



Four key issues: A) Are capturing the right 'ingredients' of people's life? Concepts..

OECD well-being dimensions

-  Income and wealth
-  Jobs and earnings
-  Housing
-  Health status
-  Work and life balance
-  Education and skills
-  Social connections
-  Civic engagement and governance
-  Environmental quality
-  Personal security
-  Subjective well-being

Norman Whybray (2002), *The Good Life in the Old Testament*

- 'Wealth'
- 'A land to live in'
- 'Food and sustenance'
- 'A long life'
- 'Family'
- 'Justice'
- 'Laws'
- 'Wisdom'
- 'Pleasure'
- 'Power'
- 'Trust in God'

Skidelski and Skidelski (2012), *How Much is Enough?*

- 'Health'
- 'Security'
- 'Leisure'
- 'Respect'
- 'Harmony with nature'
- 'Friendship'
- 'Personality'

Martha Nussbaum 10 central universal capabilities'

- 'Life'
- 'Bodily Health'
- 'Bodily Integrity'
- 'Senses, Imagination, Thought'
- 'Emotions'
- 'Practical Reasons'
- 'Affiliation'
- 'Concerns for other species'
- 'Play'
- 'Control over one's Environment'

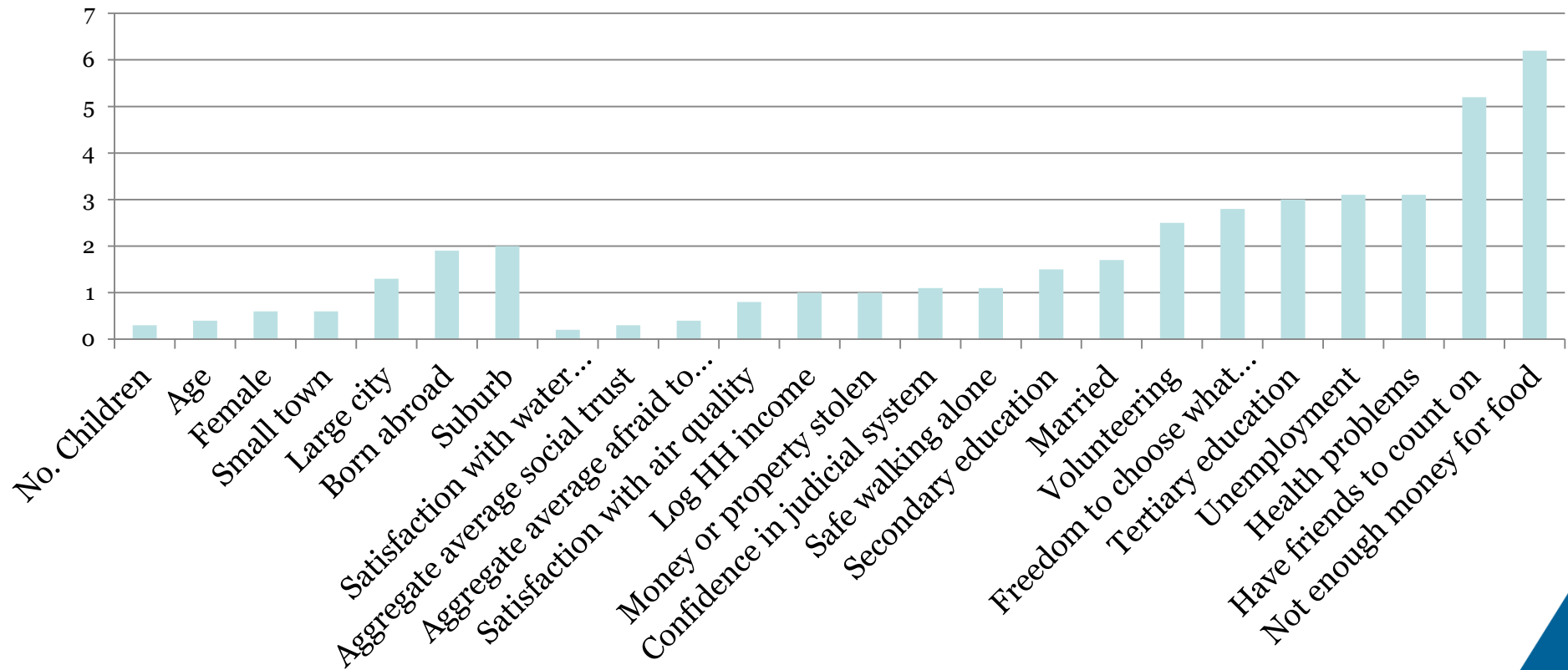
Much in common!! Beyond differences in individual ingredients'

- *All dimensions are 'intrinsically important'*
- *No Maslow's 'hierarchy of needs'*



.. and evidence on subjective well-being drivers

Relative effect sizes of different variables on life satisfaction



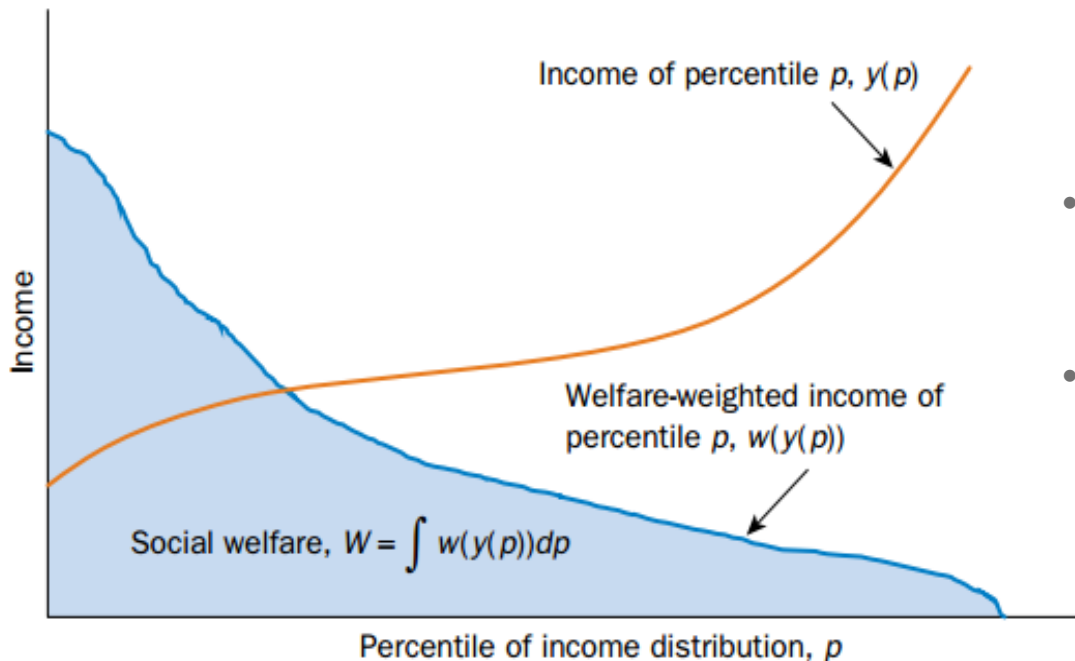
Source: Boarini, Comola, Smith, Manchin and De Keulenaer (2012). Data is for all OECD countries,, Gallup World Poll waves 2009 and 2010



B) How do 'inequalities' enter the evaluation of countries' performance?

- Levels & distribution shape all welfare evaluation
 - Traditional economists' view that distribution belongs to 'normative sphere' does not hold

Income distributions and social welfare functions



- 'orange' line shows income shares of various percentiles
- 'blue' line shows one possible set of weights attached to each percentile
- Welfare function as the shaded area below blue line
- Average income as a welfare function with **higher** weights to better off



.. Through 'social welfare functions'

- Different formulations:

- $Sw = GDP * (1 - Ig)$ (Sen)

- $Sw = \left(\frac{1}{N} \sum_{n=1}^N y_n^{*1-\tau} \right)^{\frac{1}{1-\tau}}$ (Kolm-Atkinson)

- All social welfare functions imply a 'penalty' for higher inequality

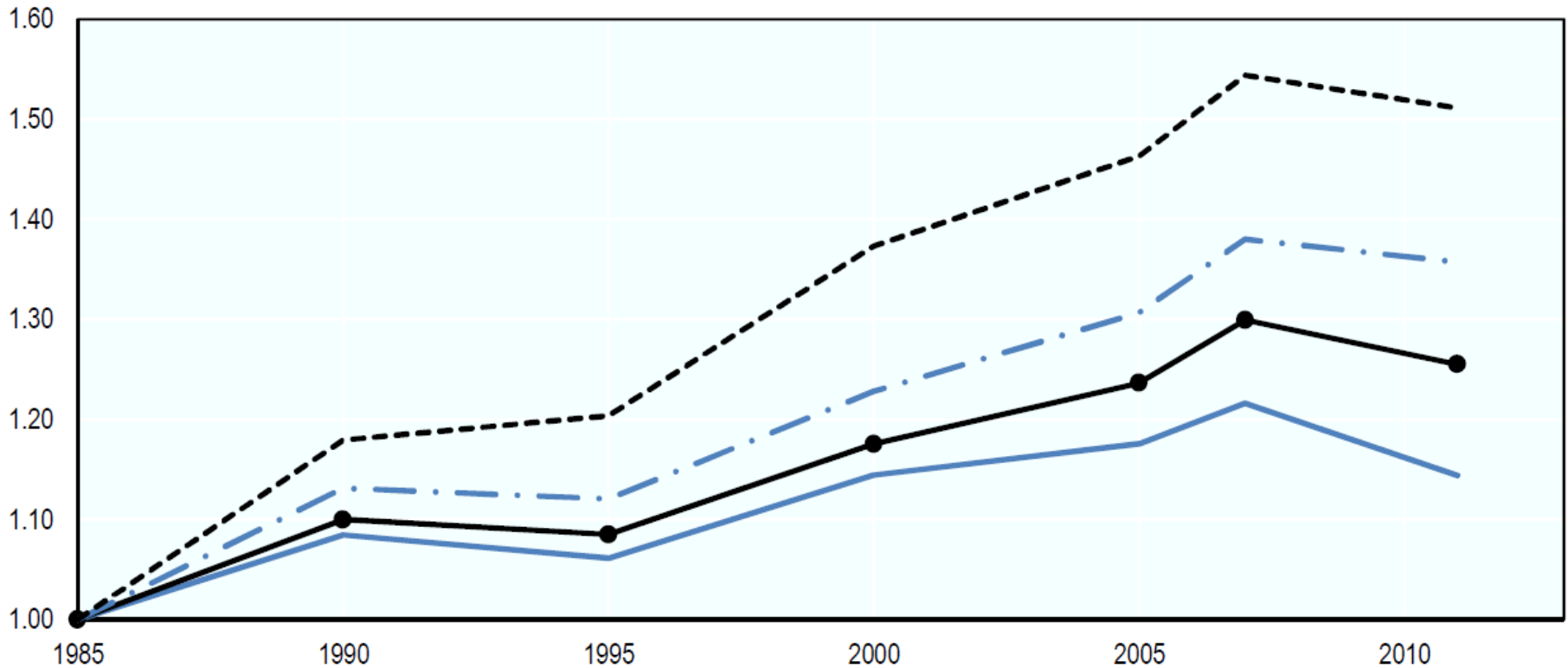


Do inequalities matter? Yes, due to growing income inequality across all OECD countries..

Lower and lowest incomes were increasingly left behind

Trends in real household incomes at the bottom, the middle and the top, OECD average, 1985 = 1

Bottom 10% Bottom 40% middle 50-90% Top 10%





Inequalities go well beyond income..

- All life-dimensions are characterised by a degree of inequality
- Hence, a multi-dimensional ‘welfare function’ implies ‘inequality-penalties’ for each life dimension
- How are different types of inequalities related to each other?
 - ‘other’ inequalities are all related to inequality in income, hence the importance of joint distribution of outcomes and multi-dimensional disadvantage
 - But correlation is never perfect (it depends on how society is organised)

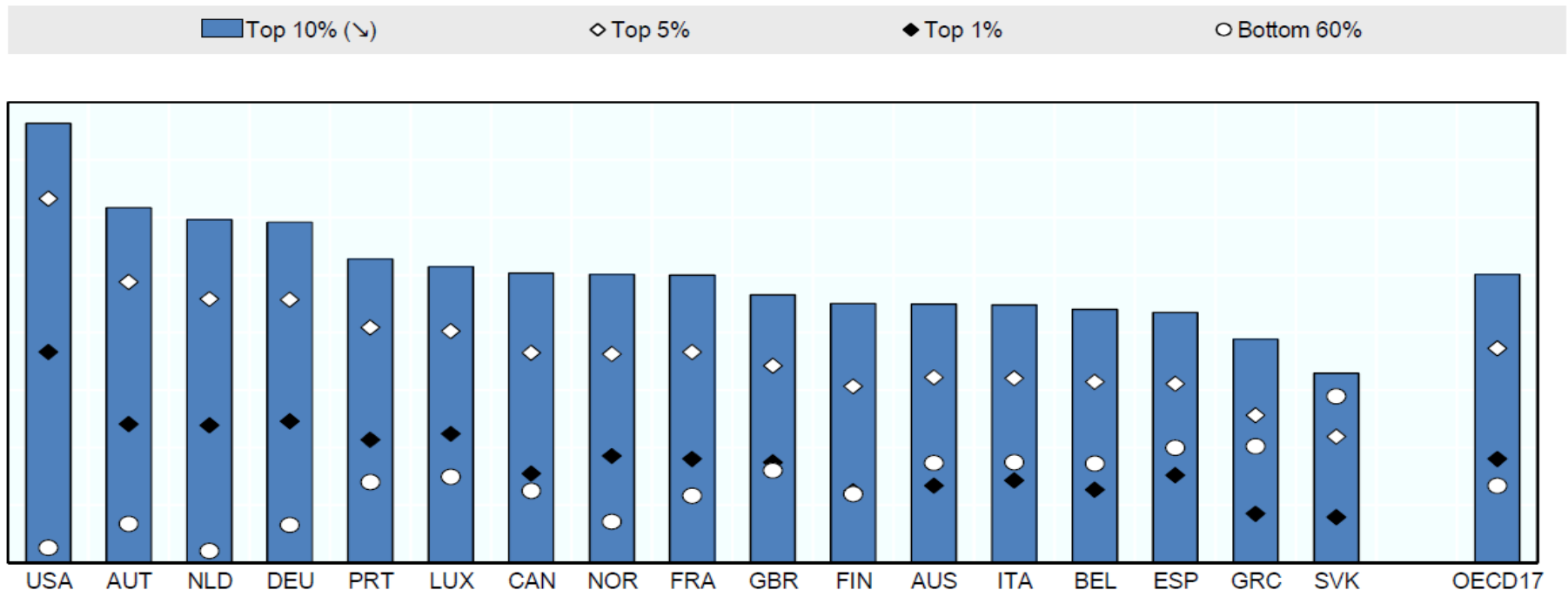


.. e.g. inequalities in the distribution of household wealth (1)..

- Wealth share of top 10% above 50% on avg., ranging between > 70% of total in the US and around 40% in GRC and SVK

Wealth shares of top percentiles of the net wealth distribution

2010 or last available year



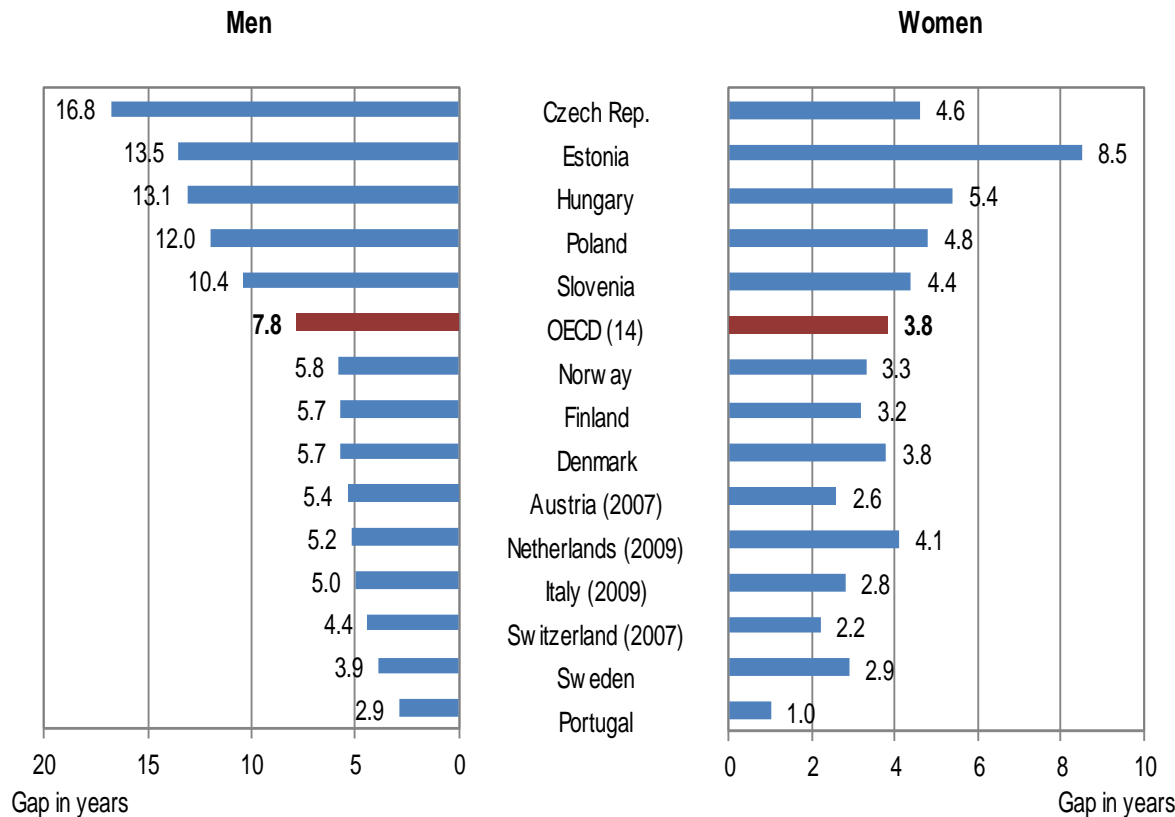


.. and in people's health conditions, e.g. mortality

Gaps in life expectancy at age 30 by education level

Men with higher education live 8 years longer, on average, across 14 OECD countries, i.e.

- Would you prefer to live with your grandparents' income and today's life expectancy, or with your grandparents life-expectancy and today's income?



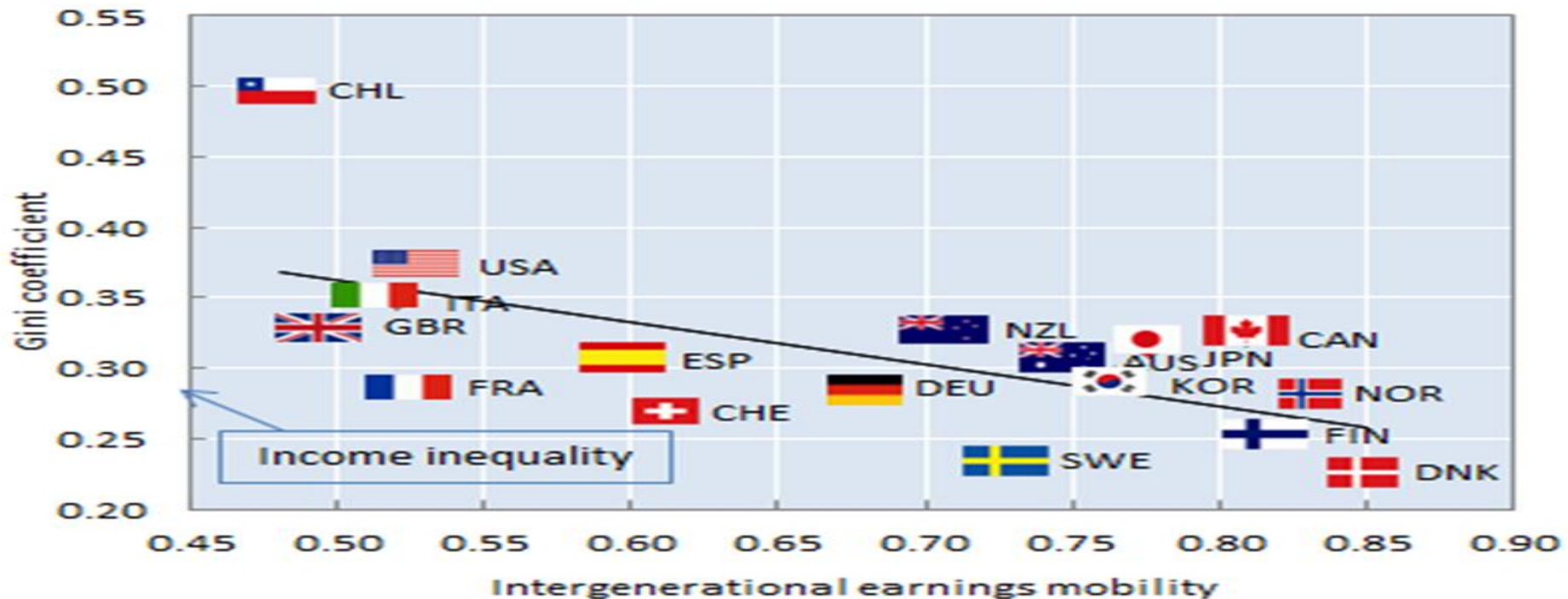
Gap in expected years of life remaining at age 30: Adults with the highest (tertiary) vs. lowest (below upper-secondary) level of education



Inequalities of outcomes feed inequalities of opportunities for the next generation..

- Some inequalities reflect low *effort* rather than bad *circumstances*: large research agenda on inequality of opportunities. But
 - Outcomes of parents affects opportunities of children
 - High inequality in income is associated with low intergenerational mobility

The 'Great Gatsby' curve





C) What about the ‘sustainability’ of well-being?

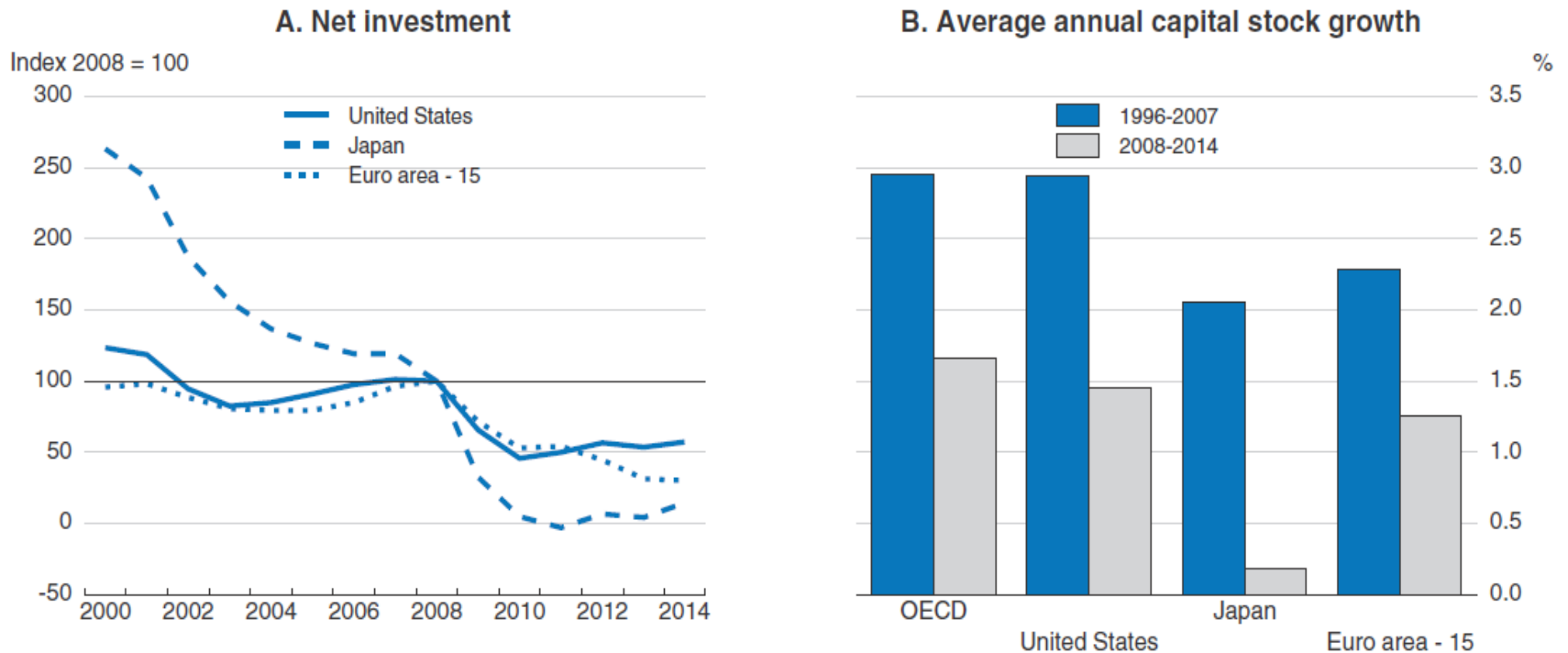
- Assessing whether well-being can last over time requires looking at critical ‘resources’ that are affected by actions taken today
- These resources can be thought of as types of ‘capital’ (heuristic), i.e. assets last over time and are shaped by investment and depreciation now (‘capital approach’ to sustainability)

$$K_t = K_{t-1} + I_t - D_t$$

- Implication of the ‘capital approach’ to sustainability
 - There are several types of capital: ‘economic’, ‘human’, ‘social’ and ‘natural’
 - Both assets and liabilities are important for sustainability

Concerns on sustainability are partly linked to weak pace of accumulation of physical/economic capital

Net investment and capital stock growth have been weak following the crisis



Source: OECD Economic Outlook 97 database; and OECD calculations.

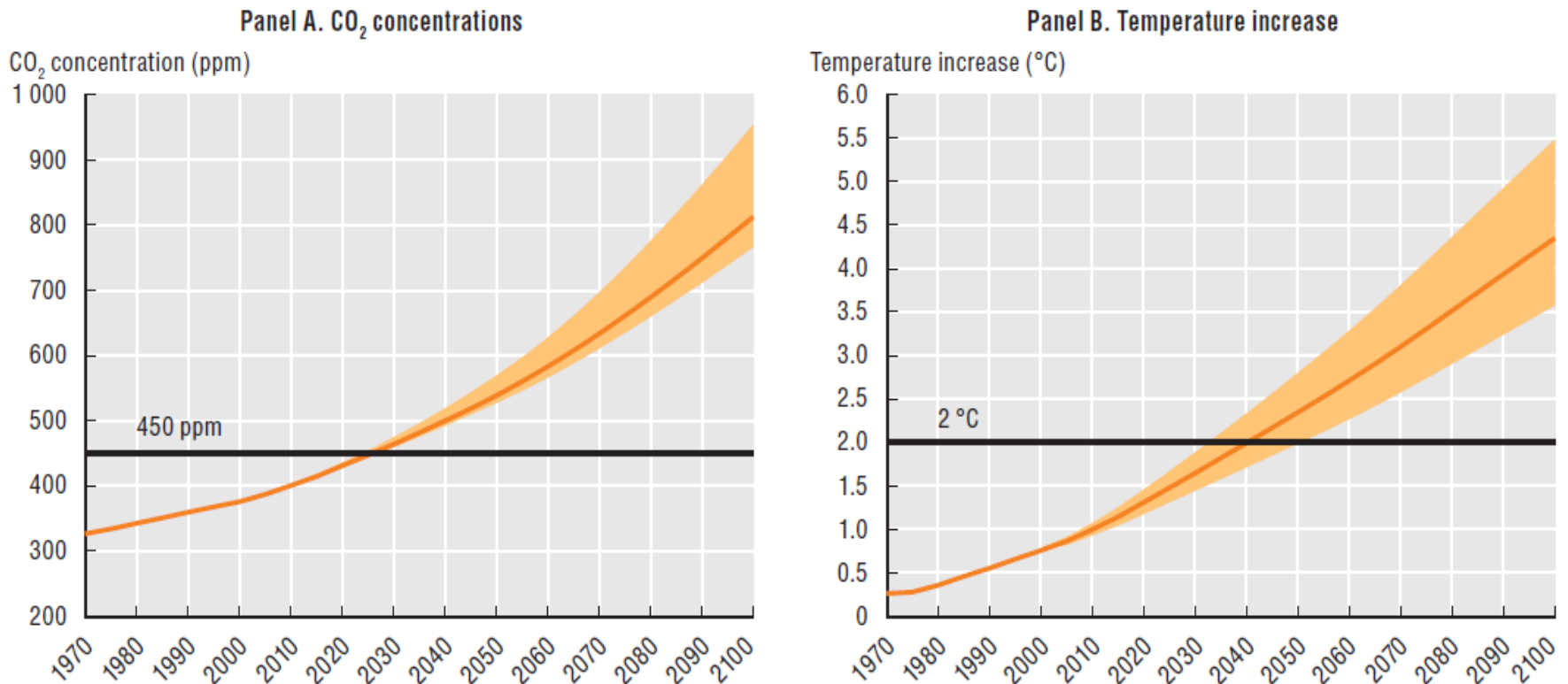
StatLink <http://dx.doi.org/10.1787/888933221408>



.. But what we typically think of capital/debt is only a little part of the story (1)..

➤ Natural capital (hidden debt to nature): stocks ..

Figure 3.9. **Long-run CO₂-concentrations and temperature increase: Baseline, 1970-2100¹**



1. Uncertainty range (orange shading) is based on calculations of the MAGICC-5.3 model as reported by van Vuuren et al., 2008.

Source: OECD Environmental Outlook Baseline, output from IMAGE.



.. But what we typically think of capital/debt is only a little part of the story (2)..

➤ Natural capital (hidden debt to nature): and risks ..

GHG concentration levels and temperature increase

Stabilisation level	Temperature increase					
	2 C	3 C	4 C	5 C	6 C	7 C
450 ppm	78%	18%	3%	1%	0%	0%
550 ppm	99%	69%	24%	7%	2%	1%
650 ppm	100%	94%	58%	24%	9%	4%
750 ppm	100%	99%	82%	47%	22%	9%

Source: Stern Review

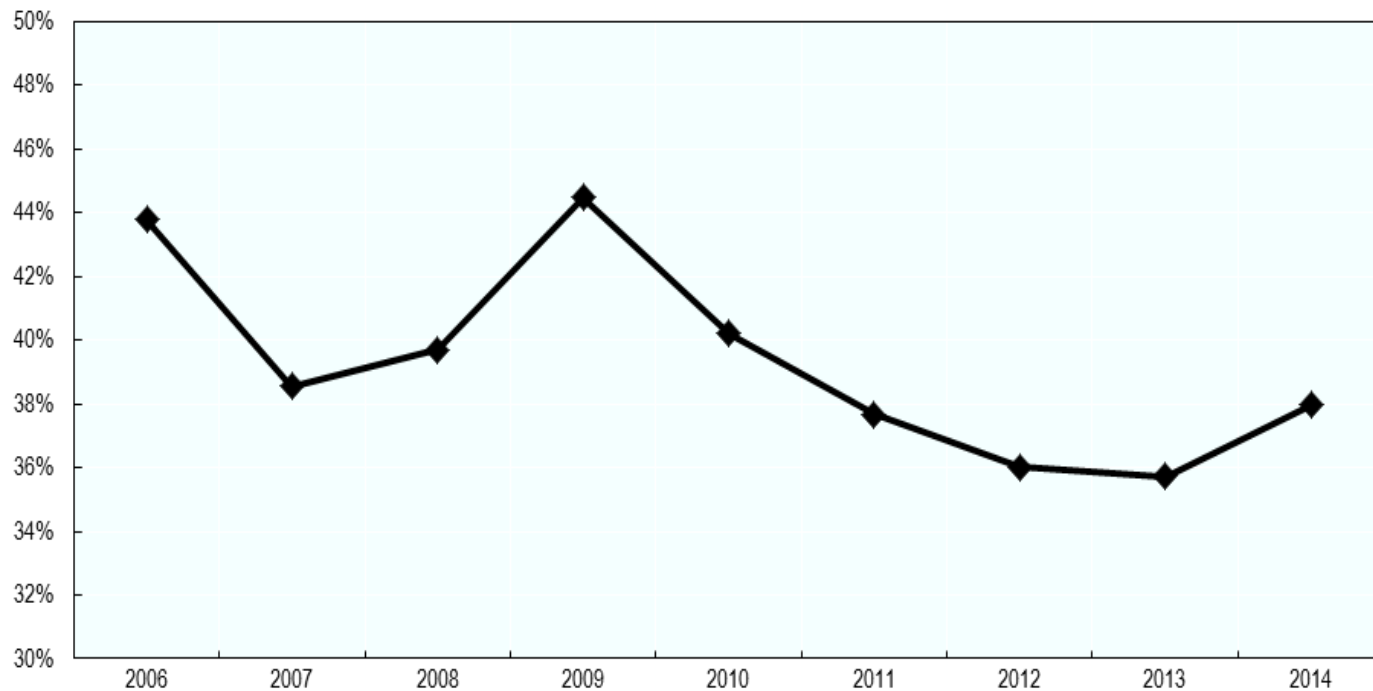


.. But what we typically think of capital/debt is only a little part of the story (3)..

- Social capital (e.g. trust in others and in public institutions)

Trust in governments, average of 28 OECD countries

Percentage of the population reporting confidence in the national government, 2006-2014

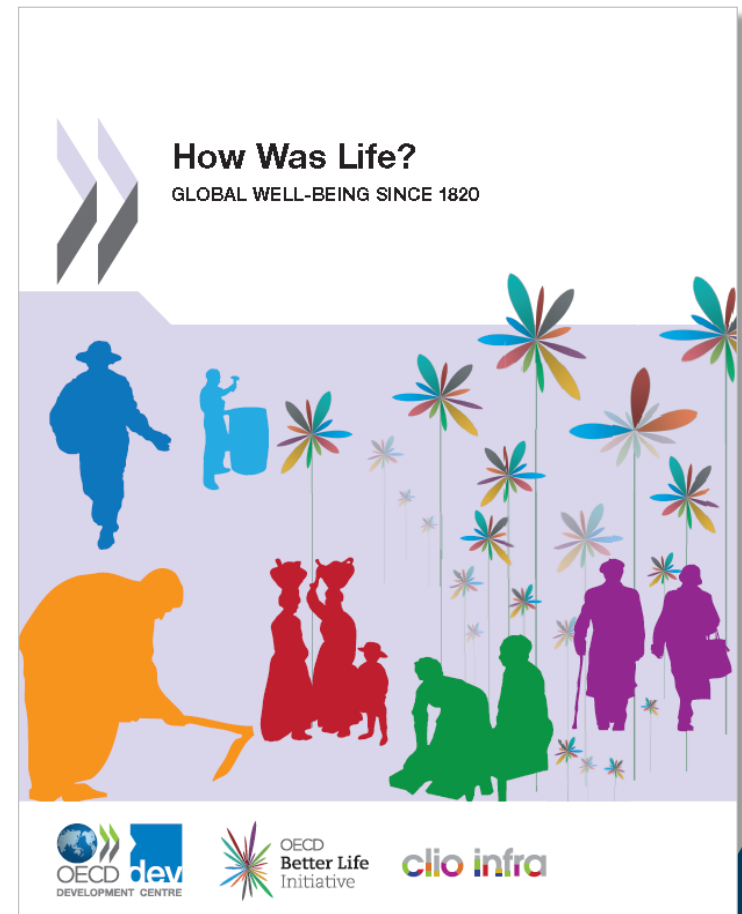


Source: Gallup World Poll, www.gallup.com/services/170945/world-poll.aspx.



D). Historical perspectives on people's well-being

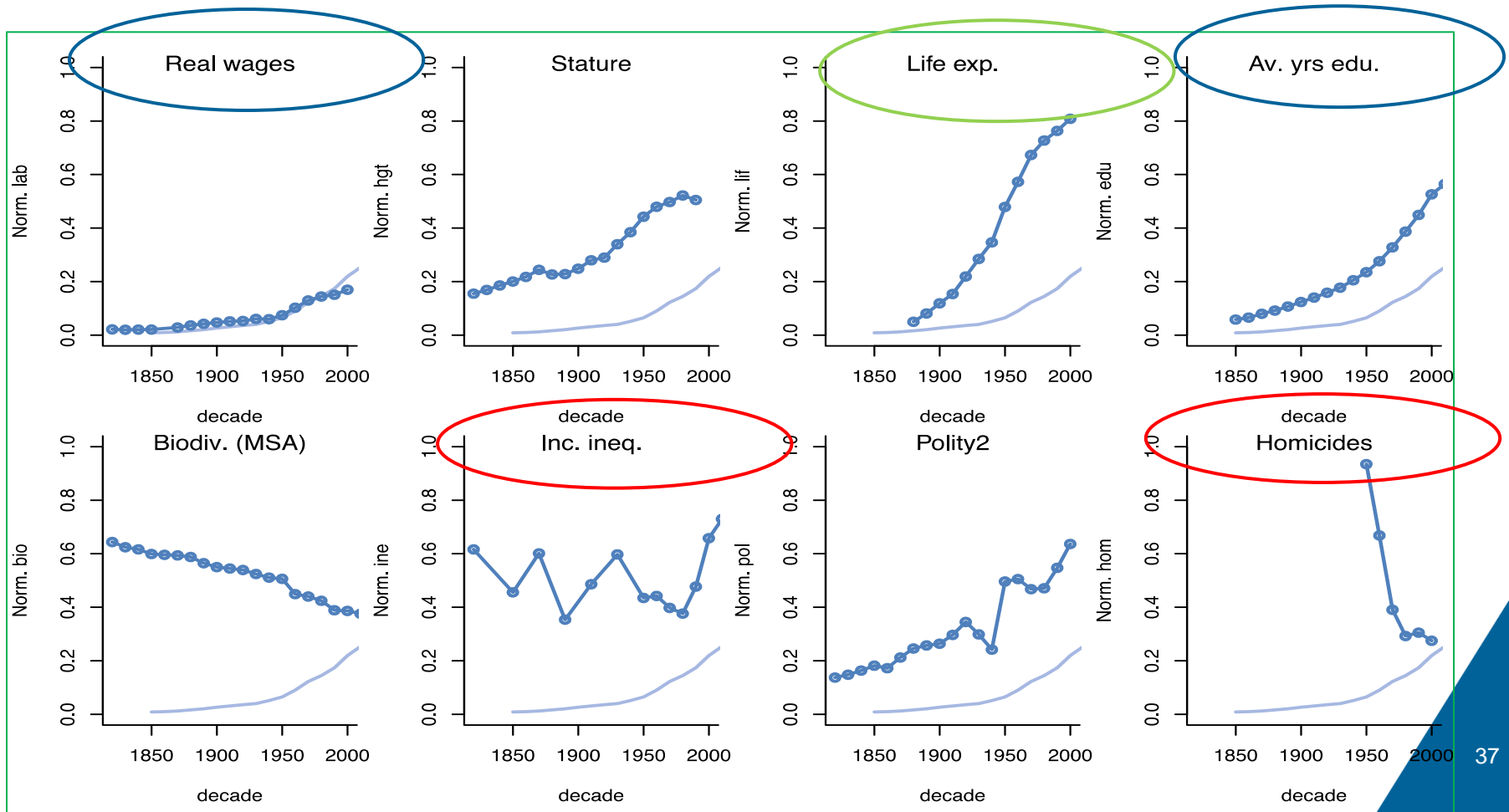
- Classical 'modernisation theories' (Marx, Durkheim, Weber) link social and political development to industrialisation process (e.g. European experience)
- But in many cases 'development' happens independently of economic processes
 - Prussia rather than England led mass schooling in the 19th century (P. Lindert)
 - Modern state system in imperial China rather than Europe (F. Fukuyama)





Historical trends in GDP per capita can be *out-of-sinc* with those in other life dimensions

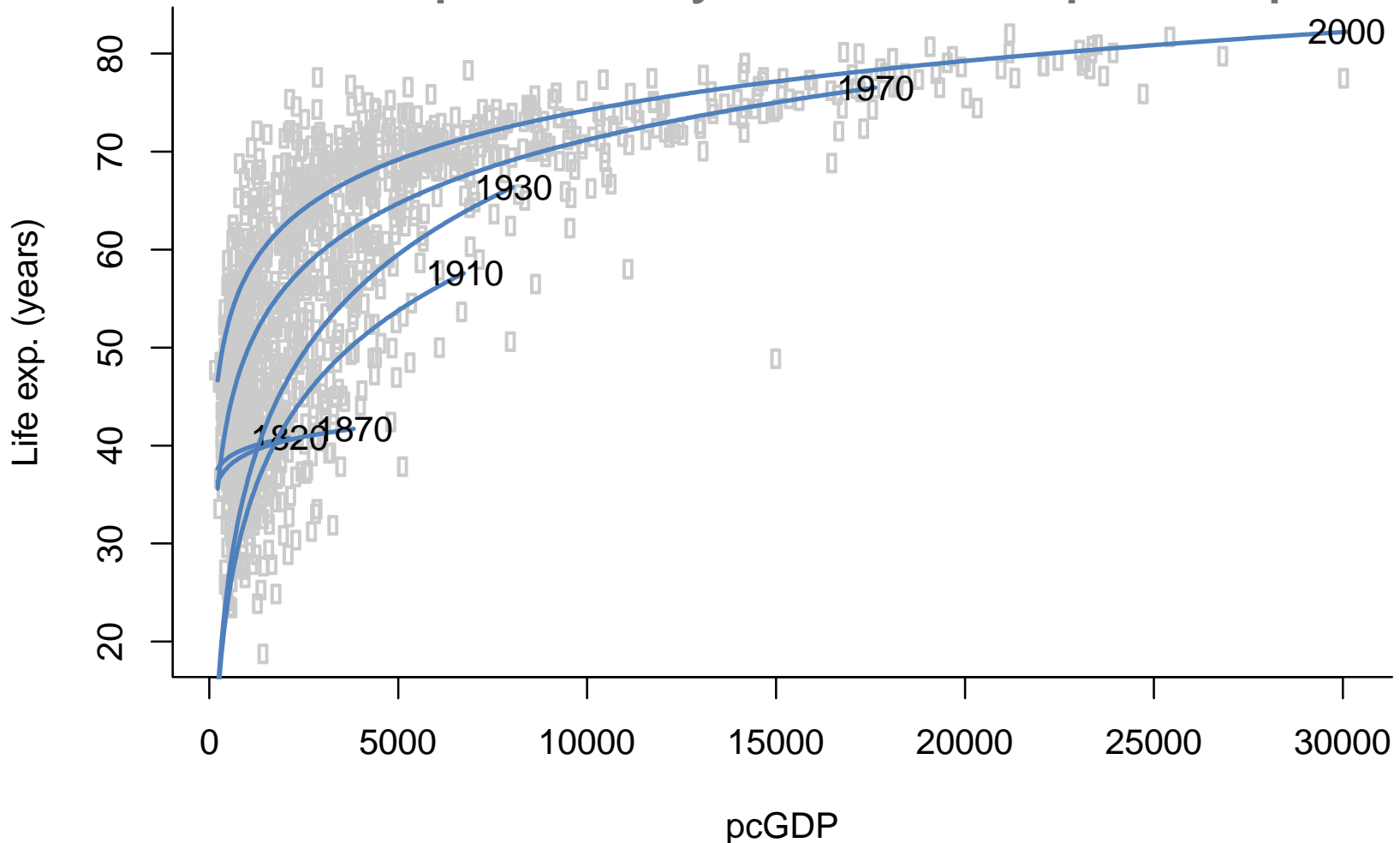
How was Life? Dimensions and GDP per capita





In the case of life-expectancy, countries move along the 'Preston curve' but the curve also shift over time..

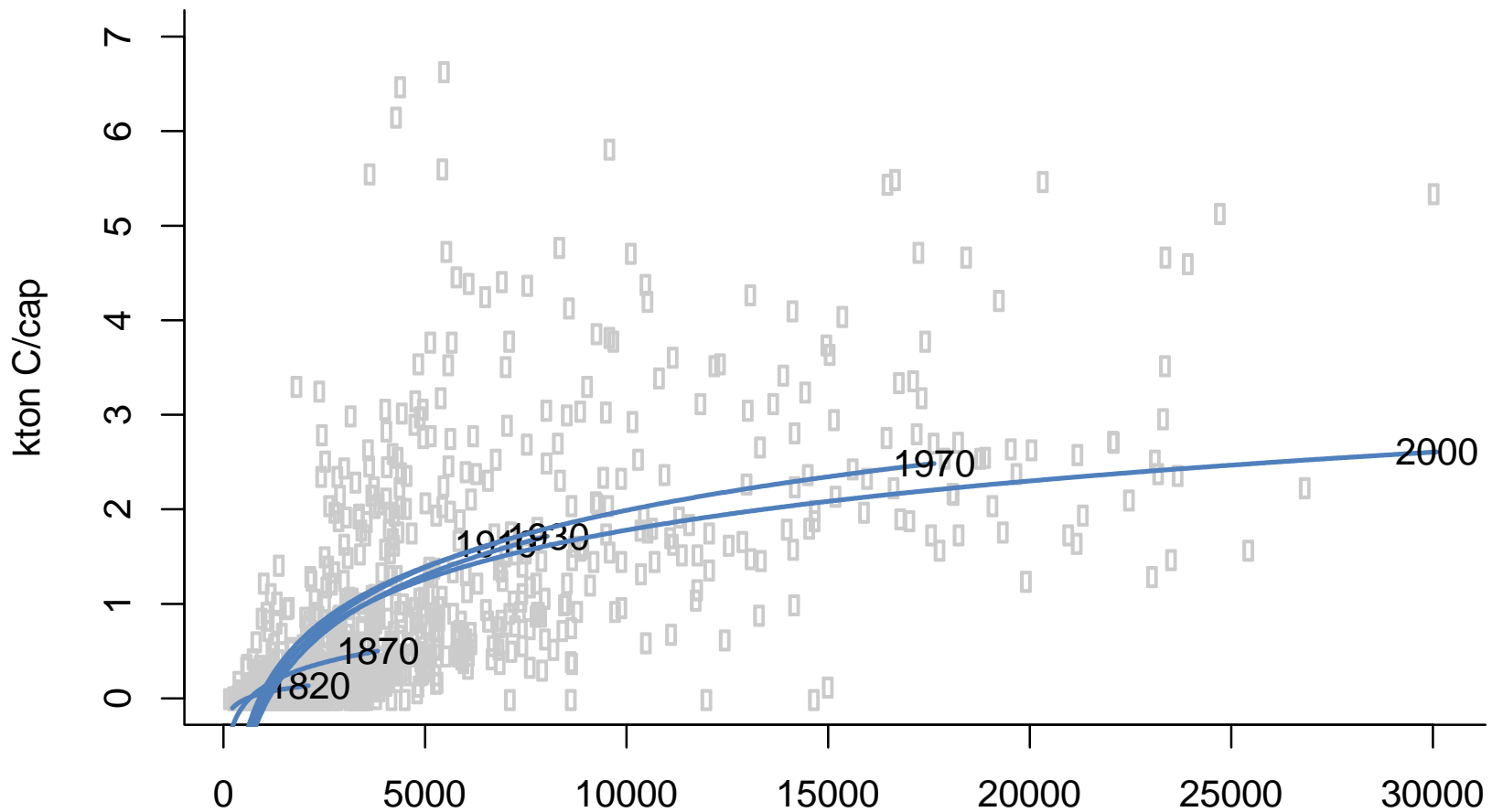
Life Expectancy and GDP per capita





.. While in the case of CO₂ emissions, shifts of the curve are minor, i.e. no 'decoupling'

CO₂ emissions per capita and GDP per capita





Back to the ‘why’..

- Prey to ‘numerology’? No: “*not everything that can be counted counts, not everything that counts can be counted*” (William B. Cameron)
- But statistics do have real impacts:
 - when they become part of ‘stories’ that lead voters/policy-makers to focus on new things or to look at old questions through new lenses [“*what you measure affects what you do*”, J. Stiglitz]



.. and when they are used in policy process

- New field, but practice builds up rapidly
 - UN adoption of ‘universal’ SDGs
 - France, Lois Sas, April 2015
 - Scottish Government ‘*National Performance Framework*’
 - Slovenia, preparation of new Development Strategy
 - New Zealand Treasury *Living Standard Framework*
 - United States, programme evaluation (*Moving to Opportunity to Fair Housing*)
 - INTOSAI, use of new well-being measures to audit public policies and programmes
- and many more initiatives (5th OECD World Forum on ‘Statistics, Knowledge and Policy’, Guadalajara)



OECD opportunities for youth

- Regular recruitments
<http://www.oecd.org/careers/professionalsjobvacancies.htm>
- Young Professional Programme, 2-years assignment, graduates (next Autumn 2016)
<http://www.oecd.org/careers/oecdyoungprofessionalsprogramme.htm>
- Internships (up to 6 months)
<http://www.oecd.org/careers/internshipprogramme.htm>



Thank you!

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